

**Federal Government of Ethiopia**  
**Ministry of Finance and Economic Development**

**BENISHANGUL GUMUZ REGIONAL GOVERNMENT**  
**PEFA ASSESSMENT REPORT**

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### ***Currency and Exchange Rates***

Currency Unit = Ethiopian Birr (ETB)  
€1=ETB 18.2556 (As of April 26, 2010)  
US\$ 1 = ETB 13.6198 (As of April 26, 2010)

### **Ethiopian Fiscal Year (EFY) from July 8 – July 7**

Ethiopian Fiscal Year (EFY)	Gregorian (European Year Equivalent)
1996	2003/2004
1997	2004/2005
1998	2005/2006
1999	2006/2007
2000	2007/2008
2001	2008/2009
2002	2009/2010
2003	2010/2011

## **Abbreviations and Acronyms**

AfDB	African Development Bank
AFRITAC	IMF African centre (regional centre) for technical assistance
BCCSA	Benishangul Gumuz Chamber of Commerce and Sectoral Association
BI	Budget Institutions (Bureaus, offices, agencies, institutions, and other budgetary units)
BoE	Bureau of Education
BOFED	Bureau of Finance and Economic Development
BoH	Bureau of Health
BPR	Business Process Reengineering
BS	Budget Support
BSGRG	Benishangul Gumuz Regional Government
CBE	Commercial Bank of Ethiopia
CCSABGR	Central Accounts Department
CG	Central Government
COFOG	Classification of Function of Government
CSRP	Civil Service Reform Program
DFID	Department for International Development (UK)
DLDP	District Level Decentralization program
EFY	Ethiopian Fiscal Year
EMCP	Expenditure Management and Control Program
ETB	Ethiopian Birr
FD	Finance Department
FDRE	Federal Democratic Republic of Ethiopia
FY	Financial Year or Fiscal Year
GDP	Gross Domestic Product
GFSM	Government Financial Statistics Manual
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRD	Human Resource Department
IBEX	Integrated Budget and Expenditures
ID	Inspection Department
IDA	International Development Agency (World Bank)
IMF	International Monetary Fund
IMIS	Integrated Management Information System
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISPPIA	International Standards for the Professional Practice in Internal Audit
IT	Information Technology
MEFF	Macroeconomic and Fiscal Framework
MTEF	Medium Term Expenditure Framework
MOFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia (Central Bank)

OFAG	Office of the Federal Auditor General
ORAG	Office of the Regional Auditor General
PBS	Protection of Basic Services
PE	Public enterprises
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIP	Public Investment Program
PPPA	Public Procurement and Property Administration Agency
PSCAP	Public Sector Capacity Building Program
RA	Revenue Authority
TIN	Taxpayer Identification Number
TOR	Terms of Reference
UNDP	United Nations Development Program
UNICEF	United Nations Children Fund
UNCDF	United Nations Capital Development Fund
UNFPA	United Nations Population Fund
VAT	Value Added Tax
WB	World Bank
YTD	Year to date

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## **FOREWORD AND ACKNOWLEDGEMENT**

The PEFA assessment on the Benishangul Gumuz Regional Government was conducted from March 23 to March 27, 2010. The assessment was carried out by a team of two national consultants, i.e., Getachew Gebre and Getnet Haile. To gather information, the team had working sessions with officials and experts in the Regional Council, Bureau of Finance and Economic Development (BoFED), Revenue Agency (RA), Office of the Regional Auditor General (ORAG), Bureaus of Education (BoE) and Health (BoH), and Chamber of Commerce and Sectoral Association of Benishangul Gumuz Region (CCSABGR).

The team is particularly grateful to officials and experts at BoFED, ORAG and RA, especially Ato Berhanu Garno (Head of BoFED), and Ato Fufa Biftu (Deputy Head of ORAG). We are also grateful to Ato Muleta Wonber (Secretary of the Regional Council), Ato Befekadu Woldemeskel (Head of Administration and Finance Department of BoE).

## SUMMARY OF ASSESSMENT

### 1. Integrated Assessment of PFM performance

This section summarizes the detailed indicator led-assessment along the six core dimensions identified in the performance measurement framework. Table 1 summarizes the scoring.

#### (a) Credibility of the budget (PIs 1-4)

As revealed by performance indicators 1-3, the budget has not been implemented as planned. Therefore, it lacks credibility. The significant deviation indicated by the composition of expenditure outturn compared to the original approved budget has highly contributed to weaken the credibility. On the other hand, due to tight internal control system, strict rules and regulations and a strong culture of compliance, the stock of arrears was significantly low, below 0.3% of expenditures for EFY 1999 and 2000 while no arrears were reported in EFY 2001.

The major deviation in expenditure outturn was reported in EFY 2000 mainly because of over expenditures in Construction and Urban Development (21.8%), Police Commission (69.7%), Office of Regional Administration (58.8%) and Water, Mining and Energy (40.6%). These sectors contributed 12.8% of the aggregate deviation.

#### (b) Comprehensiveness and Transparency

The scores of performance indicators under the comprehensiveness and transparency reveal mixed results. The fairly good classification of the budget that allows tracking of expenditures broadly according to the purposes of government expenditure, the transparency of inter-governmental fiscal relations and the insignificant level of unreported extra budgetary expenditures reveal a good degree of comprehensiveness. On the other hand, the lack of comprehensiveness of information included in the budget documentation and the lack of access by the public to key fiscal information signifies lack of transparency.

#### (c) Policy based budgeting

The annual budget process is by and large conducted in an orderly way. There is a fixed budget calendar which allows sector bureaus/offices sufficient time to process their budget proposals with guidelines issued by BoFED. However, there are problems with the timely approval of the budget by the legislature, due in part to the insufficient time to review the draft budget and the insufficient comprehensiveness of information provided in the draft budget proposal (as indicated under PI-6). In addition, no multi-year fiscal forecast on a rolling annual basis has been introduced, even though fixed multi-year sectoral development programs and strategic plans are operational.

#### (d) Predictability and control in budget execution

On the positive side:

- Taxes raised by the regional government have legal bases. The income tax is comprehensive and clear with tax payers having easy access to information on tax liabilities. Controls to ensure that eligible tax payers are registered are in place and are being strengthened. A tax appeals system has been established and is functioning;



- A cash flow forecasting system is operational and bureaus are able to commit expenditure within the year based on the approved budget.
- A treasury single account system covers most of government transactions and is facilitating efficient cash management.
- Procurements are governed by proclamation and directives that ensure transparency and accountability with a procurement compliance mechanism in place.
- Robust internal expenditure control systems are in place.
- Internal audit is operational in the majority of the bureaus/offices but focus on transaction audits rather than on systemic audit.

On the negative side:

- There is lack of complete account reconciliation between tax assessment, collections, arrears records and receipts by treasury. Tax arrears are not recorded and no compiled information is available in this regard. This partly reflects the fact that most taxpayers are in Category C and do not keep books of account.
- No compiled data on the type and methods of procurement used by bureaus/offices are available. This however; does not mean that procurement practices are always less than fully competitive, but that the mechanisms are not in place to check that they are transparent and that use of restrictive competitive methods of procurement above the threshold is justified.

**(e) Accounting recording and reporting**

Reconciliation of all treasury controlled bank accounts is carried out every month. In year budget reports are prepared by BoFED quarterly within four weeks of end of period with little material concern for the accuracy of the data, but they exclude information on expenditure commitments.

Advances for travel and salaries are cleared monthly, while tax revenue collected by RA is deposited in the CTA within a month. The Education and Health Offices in each Woreda compile and submit quarterly reports on service delivery. A consolidated financial statement for the region is prepared annually. The timeliness of production of these accounts has improved (although problems with IBEX delayed production of accounts for 2008/09), although they are still not submitted to ORAG until several months after the end of the financial year.

**(f) External Scrutiny and Audit**

The Office of the Regional Auditor General (ORAG) performs audit on bureaus/offices, zones and Woreda in addition to non-budgetary institutions. It focuses on financial and compliance audit with only a few performance audits having being undertaken to-date. In-depth hearing on key findings of ORAG is not conducted by the legislature. However, it issues recommendations on actions to be implemented by the executives.

ORAG follows the audit standards of OFAG which is a member of the Supreme Audit Institution of English Speaking African Countries (AFROSAI-E).

**(g) Impact of Donor Practices**

Budget estimates for approved projects are known well in advance as there is a system laid out for this. Donors provide reports for some disbursements made. They do not use the governments banking arrangements (zero balance account system) audit and reporting systems.

## **2. Implication for Budgetary Outcome**

This section analyses the extent to which the assessed PFM systems support or affect the overall achievement of budgetary outcome with respect to fiscal discipline, strategic allocation of resources and efficiency of service delivery. In spite of the insignificant level of arrears, strengthening revenue administration, the long time horizon for entering into expenditure commitments, the expansion of the treasury single account system, the tight internal control systems and the regularity of account reconciliation, the limited information included in the budget documentation, inadequate public access to key fiscal information, the insufficient time spent by the legislature to review budget proposals, the numerous in-year adjustments to the budget (for the most part, not requiring ex-ante review by the Regional Council) and the intransparent nature of the procurement system negatively impact on fiscal discipline and the efficiency of service delivery.

Costed strategic plans and sector development programs have been prepared. However, these are not consistent with fiscal forecasts and annual budgets and a medium term perspective to budgeting has yet to evolve, thereby potentially detracting from attaining a strategic allocation of resources consistent with policy objectives.

## **3. Prospects for Reform Planning and Implementation**

Several PFM reform programs have been carried out for several years through the Public Sector Capacity Building Program (PSCAP) the major component of which is the Expenditure Management and Control Program (EMCP). Currently, the reforms under the EMCP cover the legal framework, budget, accounts, internal audit and control, cash management, procurement, government property management and financial information systems. Future challenges include deepening the reforms through the EMCP, Business Process Re-engineering and strengthening Human Resource Management (partly through improved pay).

**Table 1: BENISHANGUL GUMUZ REGIONAL STATE, PEFA PERFORMANCE INDICATORS (2007-2010)<sup>1</sup>**

	<b>A. PFM OUT-TURNS: Credibility of the budget</b>	<b>Score 2007</b>	<b>Score 2010</b>
PI-1	Aggregate expenditure out-turn compared to original approved budget	<b>A</b>	<b>C</b>
PI-2	Composition of expenditure out-turn compared to original approved budget	<b>D</b>	<b>D</b>
PI-3	Aggregate revenue out-turn compared to original approved budget	<b>D</b>	<b>C</b>
PI-4	Stock and monitoring of expenditure payment arrears	<b>N/U</b>	<b>B+</b>
	<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>	<b>Score 2007</b>	<b>Score 2010</b>
PI-5	Classification of the budget	<b>A</b>	<b>B</b>
PI-6	Comprehensiveness of information included in budget documentation	<b>A</b>	<b>D</b>
PI-7	Extent of unreported government operations	<b>NS</b>	<b>D+</b>
PI-8	Transparency of Inter-Governmental Fiscal Relations	<b>B+</b>	<b>A</b>
PI-9	Oversight of aggregate fiscal risk from other public sector entities	<b>NU</b>	<b>D+</b>
PI-10	Public Access to key fiscal information	<b>C</b>	<b>C</b>
	<b>C. BUDGET CYCLE</b>	<b>Score 2007</b>	<b>Score 2010</b>
	<b>C (i) Policy-Based Budgeting</b>		
PI-11	Orderliness and participation in the annual budget process	<b>A</b>	<b>B+</b>
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	<b>D+</b>	<b>D+</b>
	<b>C (ii) Predictability &amp; Control in Budget Execution</b>		
PI-13	Transparency of taxpayer obligations and liabilities	<b>B</b>	<b>A</b>
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	<b>C</b>	<b>C+▲</b>
PI-15	Effectiveness in collection of tax payments	<b>C</b>	<b>D+</b>
PI-16	Predictability in the availability of funds for commitment of expenditures	<b>A</b>	<b>C+</b>
PI-17	Recording and management of cash balances, debt and guarantees	<b>N/U</b>	<b>B</b>
PI-18	Effectiveness of payroll controls	<b>A</b>	<b>B+</b>
PI-19	Competition, value for money and controls in procurement	<b>C+</b>	<b>C+</b>
PI-20	Effectiveness of internal controls for non-salary expenditures	<b>A</b>	<b>B</b>
PI-21	Effectiveness of internal audit	<b>C+</b>	<b>D+</b>
	<b>C (iii) Accounting, Recording and Reporting</b>		
PI-22	Timeliness and regularity of accounts reconciliation	<b>B</b>	<b>B+</b>
PI-23	Availability of information on resources received by service delivery units	<b>A</b>	<b>B</b>
PI-24	Quality and timeliness of in-year budget reports	<b>A</b>	<b>C+</b>
PI-25	Quality and timeliness of annual financial statements	<b>A</b>	<b>C+</b>
	<b>C (iv) External Scrutiny and Audit</b>		
PI-26	Scope, nature and follow-up of external audit	<b>D</b>	<b>C+</b>
PI-27	Legislative scrutiny of the annual budget law	<b>D+</b>	<b>D+</b>
PI-28	Legislative scrutiny of external audit reports	<b>C+</b>	<b>D+</b>
	<b>D. DONOR PRACTICES</b>	<b>Score 2007</b>	<b>Score 2010</b>
D-1	Predictability of Direct Budget Support	<b>N/A</b>	<b>N/S</b>
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	<b>N/U</b>	<b>D+<sup>2</sup></b>
D-3	Proportion of aid that is managed by use of national procedures	<b>N/U</b>	<b>D</b>
HLG-1	Predictability of transfers from Federal Government	<b>N/U</b>	<b>A</b>

NU: Not used  
NA: Not applicable

<sup>1</sup> Scoring is assigned based on best international practices and corresponds to a scale of four (4) points: A (best performance) to D, with the possibility of intermediate scoring (+)

<sup>2</sup> Score only for dimension one (out of the two dimension)

## 1. INTRODUCTION

### 1.1 Objective

The overall objective of the assessment is to gauge the quality of public financial management (PFM) at the federal and regional levels. Specifically, in addition to providing donors with an assessment of the regions PFM, it is intended that the information included in the Region's PEFA will be of value to the Regional Government in its ongoing efforts to reform and improve the quality of its financial management systems.

The assessment of the PFM performance in Benishangul Gumuz Region at Bureau level accounts for 51.6% of combined bureau and woreda government expenditures of the region for the period EFY 1999 to 2001, using the PEFA framework.

### 1.2 Process

A team of four consultants was contracted to conduct PEFA assessment of the Federal Government, the City Administration of Addis Ababa, the Amhara, Oromiya, Southern Nations Nationalities and Peoples, Benishangul Gumuz and Harari Regional Governments. This report on the Benishangul Gumuz Region (BSG) was conducted by Getachew Gebre and Getnet Haile on the Benishangul Gumuz Region. The team visited the region from March 23 to March 27, 2010. The contact point was the Bureau of Finance and Economic Development (BoFED) where most of the meetings were held with the different departments. Other public bodies visited include the Office of the Regional Auditor General (ORAG), the revenue authority, the Regional Council, and the Bureaus of Education and Health .The team also visited the Benishangul Gumuz Chamber of Commerce and Sectoral Association (BGCCSA).

The first draft was finalized in mid-May. Following comments from the two international consultants on the team, a second draft was prepared and submitted to EU on 7 July. Comments were received from the World Bank on 6 September (though on the first draft report that had been subsequently modified) and from the PEFA Secretariat and the Benishangul Gumuz Regional Government on 13 September, just prior to a PEFA workshop held in Addis Ababa during 16-17 September, 2010. The workshop was organized by MOFED and attended by representatives from all the governments that were the subject of the PEFA assessments.

This report focuses on the BSG Regional Government (BSGRG), including the zonal administrations falling under sector bureaus, and does not include the woreda governments unless explicitly specified.

A PEFA assessment of seven regional governments, of which BSGR was one, was also conducted in late 2006. The scores for the earlier assessment are shown in this report and inferences are made concerning the extent of progress/regress in PFM reform. The earlier assessment included woreda governments, however, and so comparison of scores on a "like-with-like" basis is problematic. Moreover, the use of the PEFA Framework was still in its early days (the Framework was rolled out in June 2005), and a number of the early reports, including the Ethiopia regional assessment, contained errors in the use of the methodology.

## 2. REGION BACKGROUND INFORMATION

### 2.1. DESCRIPTION OF REGION ECONOMIC SITUATIONS

According to the 1994 Constitution the state of Benishangul Gumuz is one of the 9 regional states of the Federal Democratic Republic of Ethiopia. The region borders the Regional States of Amhara, Oromia, Gambela and Sudan.<sup>3</sup> The region has a land area of about 50,380 square kilometers. The Blue Nile River splits the region into two. The region is divided into three zones and 20 woredas (two of them special woredas) and 427 kebeles, (the lowest administration unit). The Woredas in each of the three zones have their own councils. There are sector bureaus at the regional level who execute their own budget after approval by the regional council. Likewise, at the Woreda level the Woreda offices execute their own budget after approval by the Woreda council.

As per the 2007 census, the population of the region was 670,847 of which (50.7% are male, and 49.3% female). The annual population growth rate is estimated at 3% per annum with 13.5% and 86.5% living in urban and rural areas respectively. The major ethnic groups in the region are Berta (28.79%), Gumuz (22.98%), Amhara (18.48%), Oromo (11.87%), Shinasha (7.55%) and Agew- Awi (3.96%)<sup>4</sup>

Agriculture plays a dominant role in the economy of the region, employing 92.5% of the population. Despite the dominance of the sector, the farmers use backward technology and live in a widely disbursed settlement patterns, leading a subsistence life. Recently, private investors have started investing in the region. Investment permits with a registered capital of ETB 1.3 Billion have been granted to 50,700 investors.

Other indicators related to poverty, literacy and infant mortality reported in 2005 indicate: 19.1% of the inhabitants fall into the lowest wealth quintile, adult literacy for men and women was 47.4% and 23.2% respectively and the regional infant mortality rate was 84 infant deaths per 1,000 live births, which was greater than the nationwide average of 77. At least half of these deaths have occurred in the infants' first month of life.<sup>5</sup> 55% of the population is living under the poverty line.

Over the years (2001 – 2005) significant achievements have been made in the education sector. The number of primary schools increased from 285 in 2001 to 312 in 2005 with the number of students increasing from 99,340 to 131,672. The gross enrollment rate increased from 88.5% to 107.3%, while the net enrollment rate rose from 52.6% to 83.6%.

Similar achievements have been registered in the health sector. 65 health posts, 75 clinics, 11 health centers and 2 hospitals have been built in recent years, resulting in an increase in health coverage in the region to 56%.

### 2.2. DESCRIPTION OF BUDGETARY OUTCOMES

#### 2.2.1. Fiscal performance

Over the period EFY1999 to 2001 total financial resources of the region increased by 9.5% due to an increase in both revenue (62% for tax revenue and 30% for non-tax revenue) and the

<sup>3</sup> Constitution of December 2002 of Benshangul Gumuz Regional State (35/2002)

<sup>4</sup> 2007 Census, Central Statistic Office

<sup>5</sup> Macro International Inc. 2008. *Ethiopia Atlas of Key Demographic and Health Indicators, 2005*. Calverton, Maryland, USA: Macro International Inc.

federal government subsidy, (4.9%). During the same period, total aggregate expenditure increased by (20.7%) registering a steady increase over the assessment period. In FY 1999 and 2000 the amount of revenue collected was higher than total expenditure, resulting in a surplus of 9.2 and 2.2 million birr. On the other hand, a short fall (deficit) of 21 million birr was registered in FY 2001 which was financed by the savings in FY 1999, (9.2 million birr) and 2000 (2.2 million birr). (Refer to Table 2)

### 2.2.2. Allocation of Resources

Over the assessment period (EFY 1999 – 2001) a continuous increase in the share of the recurrent expenditure was registered with a drastic increase in 2001. As a result, the share of total capital expenditure decreased from 28.5% in EFY1999 to 14.8% in 2001 mainly because of the fall in the shares of education, capacity building and water, mining and energy sectors. (Refer Annex 3). The Social sector consumes the highest share of the expenditure with an average of 44% for the reporting period. There was a slight growth of expenditure allocation to the General and Administrative services. On the other hand the Economic sector showed a slight decline in percentage allocation between EFY 1999 to EFY 2001. (See Table 3)

The increase in the share of recurrent expenditure was due to the constant increase in the share of expenditures on personal services. (Table 4)

**TABLE 2: CONSOLIDATED (REGIONAL AND WOREDA) BUDGET OF BSGRG AND PERCENT CHANGES IN THE PERIOD EFY1999-EFY2001**

(In millions of current ETB and in %)

ITEMS	EFY1999 (2006/07)	EFY2000 (2007/08)	EFY2001 (2008/09)	PERCENT (%) GROWTH BETWEEN EFY1999 & EFY2001
<b>Total revenue</b>	<b>286.80</b>	<b>334.10</b>	<b>314.10</b>	<b>9.5%</b>
<i>Tax revenue</i>	19.60	31.30	31.80	62.2%
<i>Non tax revenue</i>	8.30	12.60	10.80	30.1%
<i>Federal Subsidy</i>	258.90*	290.20*	271.50*	4.9%
<i>Grants</i>	-			
<b>Total expenditure</b>	<b>277.60</b>	<b>331.90</b>	<b>335.10</b>	<b>20.7%</b>
- <i>Non-interest expenditure</i>	277.60	331.90	335.10	20.7%
- <i>Interest expenditure</i>				
Aggregate balance (incl. grants)	9.20	2.20	-21.00	-328.3%
Primary balance				
Accumulation of/Use of Retained Excess of Revenue over Expenditures over the years <sup>6</sup>	-9.20	-2.20	21.00	

Source: BOFED, IBEX; \* The subsidy component includes loan and assistance

<sup>6</sup> Use of retained earnings is shown with a positive sign.

**Table 3: Actual budgetary allocations by sectors (as a percentage of total expenditures)**

	1999	2000	2001
<b>Administration and General Service</b>	<b>27.63%</b>	<b>38.69%</b>	<b>32.35%</b>
Organs of State	6.52%	9.19%	7.94%
Justice and Security	10.38%	16.44%	13.97%
General Public Services	7.67%	9.43%	7.79%
Others	10.70%	3.63%	2.66%
<b>Economy</b>	<b>28.39%</b>	<b>17.69%</b>	<b>23.01%</b>
Agriculture & Natural Resource	10.23%	12.25%	10.03%
Water, Mining & Energy Resource Dev Bureau	5.58%	1.37%	1.85%
Industry And Trade	1.04%	1.33%	1.13%
Construction and Urban Development	11.49%	2.74%	10.00%
Others	0.04%	0.00%	0.00%
<b>Social</b>	<b>43.98%</b>	<b>43.61%</b>	<b>44.64%</b>
Education, training and Capacity Building	32.60%	30.15%	32.53%
Culture and Sport	0.79%	0.56%	0.57%
Health	10.59%	12.94%	11.43%
Others	0.00%	0.00%	0.12%
<b>Contingency</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Others	0.00%	0.00%	0.00%
<b>Grand Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Compiled from IBEX

**Table 4: budgetary allocations by economic classification**

<b>Actual budgetary allocations by economic classification (as a percentage of total expenditures)</b>			
	1999	2000	2001
Personnel Services	47.96%	55.67%	61.07%
Goods and Services	22.78%	16.82%	21.25%
Fixed Assets	2.52%	2.96%	2.33%
Construction	24.18%	22.79%	14.05%
Subsidies and Other Payments	2.56%	1.77%	1.31%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Compiled from IBEX

## 2.3. DESCRIPTION OF LEGAL AND INSTITUTIONAL FRAMEWORK FOR PFM

**Legal Framework:** The Benishangul Gumuz Regional Government Revised Constitution of December 2, 2002<sup>7</sup> is the main legal reference for the PEFA evaluation. It establishes the objectives, the organization, the powers and functions of the Regional Government and of all its organs.

There are also proclamations about the functions, responsibilities, authorities and procedures of the various institutions in the PFM system. These are the Financial Administration Proclamation, External Audit Proclamation, Tax proclamations, procurement proclamation, annual and in year supplementary budget proclamations.

**Institutional framework:** The Bureau of Finance and Economic Development (BOFED) is the main institution for budget preparation and execution (including treasury, accounts, and procurement, audit and control functions). It interacts with the sectoral bureaus. The regional council approves the draft budget and the yearly financial accounts. The Bureau of the Auditor General is in charge of external audit of budgetary institutions.

Each budgetary institution has a finance, procurement and property administration department, which is in charge of the preparation of budget and accounts. Each budgetary institution has a separate internal audit department, which is in charge of conducting audits, including financial, performance and special audits.

The Revenue Authority is an autonomous public body responsible for the collection of regional revenues.

The regional cabinet is responsible for the endorsement of the budget prepared by BoFED and of submission of the budget to the Regional Council for approval. The budget and finance standing committee is in charge of reviewing and facilitating the budget approval process and following-up the implementation of the audit findings of the Auditor General.

**The key features of the PFM system:** The PFM system of the region is computerized to the extent of reporting and accounting functions using the Integrated Budget and Expenditure (IBEX) system. Each office at Woreda level and budgetary institution at the regional level execute their respective budgets; prepare reports and accounts using the system and issue monthly financial reports to BoFED. As the Wide Area Network is not yet in place, the printed monthly reports of each budgetary institute will be encoded in the BoFED IBEX database, i.e., BoFED receives the hard copies from each public body and enters into the IBEX system. The IBEX generates budget execution reports, trial balances and many more reports using different report filtering criteria including by budgetary institutions, functions, consolidation and reporting period.

The Office of the Regional Auditor General (ORAG) has the mandate to audit each budgetary institution, mainly in terms of financial and compliance audits. ORAG also audits the annual financial statements of the region compiled by BoFED.

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<sup>7</sup> Lesane Hig Gazetta no 31/2002



### 3. Assessment of the PFM System, Processes and Institutions

#### 3.1. Budget credibility

To carry out this assessment, this section considers the following four indicators to determine whether the budget is sufficiently realistic and is being implemented as planned.

1. Results of aggregate expenditure;
2. Results of expenditure composition;
3. Results of total revenue;
4. Arrears.

**PI-1: Aggregate regional expenditure out-turn compared to original approved budget (Bureau level aggregate expenditures).** The ability to implement budget expenditures within the amounts originally forecasted is a key factor for the regional government's capacity to keep fiscal discipline. (Refer Annex 1)

- (i) *Difference between actual primary expenditure and originally-budgeted primary expenditure (excluding debt service charges and externally financed project expenditure)*<sup>8</sup>

The deviation in BSGRG'S primary expenditure during EFY 1999, 2000 and 2001 was 2.82%, 16.49% and -7.99% respectively. (Table 5).

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<sup>8</sup> To calculate the deviations and variances 16 public bodies in addition to the contingency fund are taken to consideration. The other public bodies are compiled as "others".

**TABLE 5: REGIONAL(BUREAU LEVEL) BUDGET EXECUTION RATE FOR TOTAL PRIMARY EXPENDITURES OF BSGRG FOR EFY1999, EFY2000 AND EFY 2001 – ( ETB millions)**

YEARS	EXPENDITURES	APPROVED BUDGET (I)	ACTUAL (II)	EXECUTION RATE (III = II / I)	DEVIATION IN PRIMARY EXPENDITURE (IV = III-100% )
EFY 1999 (2006/07)	Recurrent expenditures (- public debt payment)	86.00	82.64	96.09%	- 3.91%
	Capital expenditures (- foreign project grants & loans)	57.79	65.20	112.82%	12.82%
	<b>TOTAL</b>	<b>143.79</b>	<b>147.84</b>	<b>102.82%</b>	<b>2.82%</b>
EFY 2000 (2007/08)	Recurrent expenditures (- public debt payment)	85.33	100.01	117.20%	17.20%
	Capital expenditures (- foreign project grants & loans)	56.69	65.43	115.42%	15.42%
	<b>TOTAL</b>	<b>142.02</b>	<b>165.44</b>	<b>116.49%</b>	<b>16.49%</b>
EFY 2001 (2008/09)	Recurrent expenditures (- public debt payment)	114.79	118.55	103.28%	3.28%
	Capital expenditures (Minus foreign grants & loans)	27.00	34.57	103.28%	28.04%
	<b>TOTAL</b>	<b>141.79</b>	<b>153.12</b>	<b>107.99%</b>	<b>7.99%</b>

Source: Accounts Department BoFED (IBEX data)

The major deviation in expenditure outturn was reported in EFY 2000 mainly because of over expenditures in the Construction and Urban Development (21.8%), Police Commission (69.7%), Office of regional administration (58.8%) and Water, Mining and Energy (40.6%). These sectors contributed 12.8% of the aggregate deviation.

**TABLE 6: DEVIATION IN TOTAL PRIMARY EXPENDITURE EXECUTION AND VARIANCE IN THE COMPOSITION OF PRIMARY EXPENDITURE EFY 1999-2000-2001 (2006/07-2007/08-2008/09)<sup>9</sup>**  
(Percentage of originally budgeted expenditure)

year	for PI-1	Total Primary Expenditure variance	for PI-2
	Total Primary expenditure deviation		Total variance in excess of total deviation (Variance in Composition of Primary Expenditure)
1999	2.8%	16.3%	13.4%
2000	16.5%	19.3%	2.9%
2001	8.0%	21.4%	13.4%

Source: Own calculations from data provided by the Accounts Department of BOFED

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-1	A	C	The 2007 score was based on the regional (bureau + woreda) level, whereas the 2010 scoring is based on bureau level. Hence, it is difficult to compare scoring of the 2007 and 2010 assessments	

**PI-2 Composition of expenditure out-turn compared to original approved budget.** Budget credibility can also be evaluated with the extent to which entities receive the resources originally planned.

*(ii) Extent to which variance in primary expenditure composition exceeded overall deviation in primary expenditure (as defined in PI-1) in the past three years*

The total variance in excess of total deviation of the budget institution (bureaus, authorities, commissions, institutions) was 13.4%, 2.9% and 13.4% for the EFY 1999(2006/07), EFY 2000(2007/08) and EFY 2001(2008/09) respectively as indicated above. The variance was high in EFY1995 (2002/03)-EFY 1997 (2004/05), 38.58%, 21.97% and 14.28%. The variance in expenditure composition has improved (decreased) with regard to the same in EFY1995-EFY1997 (2002/2003-2004/2005) though it doesn't change the scoring. (Annex 1)

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-2	D	D	The 2007 score was based on the regional (bureau + woreda) level, whereas the 2010 scoring is based on bureau level. Hence, it is difficult to compare scoring of the 2007 and 2010 assessments.	

**PI-3: Aggregate Regional Revenue Out-turn:** Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are

<sup>9</sup> Refer to Annex 1 (Tables 1, 2 & 3) for the details of the calculation of the deviations between budgeted primary expenditures and actual primary expenditures (same for the variance).

dependent upon that forecast comparison of budgeted and actual revenue provides an overall indication of the quality of revenue forecasting.

*(h) Actual revenue collection compared with the original approved budget*

As can be seen from the following table, in one out of the three years EFY1999 -EFY2001 (2006/07-2008/09) actual revenues represented less than 92% of budgeted revenue. It should be noted that execution of revenues improved significantly during the EFY 2000(2007/08) and 2001(2008/09) which was 119% and 121% respectively. (Refer Annex 2).

The tax on income, profit and capital gain registered an increase of 4%, 44% and 51% in the EFY 1999, 2001 and 3002 respectively. On the other hand non-tax revenues showed a continuous under performance at a rate of 19%, 23% and 14% during the same period respectively.

**TABLE 7: AGGREGATE EXECUTION OF CURRENT REVENUE**  
EFY1999-2001 (2006/07-2008/09)<sup>10</sup>

(Percentage of originally budgeted revenues)

	EFY 1999 (2006/07)	EFY 2000 (2007/08)	EFY 2001 (2008/09)
<b>ACTUAL CURRENT REVENUES</b>	<b>87.30%</b>	<b>119.18%</b>	<b>121.71%</b>

Source: Own calculations from data provided by the Accounts Department of the BoFED.

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-3	D	C	The 2007 score was based on the regional (bureau + woreda) level, whereas the 2010 scoring is based on bureau level. Hence, it is difficult to compare scoring of the 2007 and 2010 assessments.	

**PI-4: Stock and monitoring of expenditure payment arrears:** This indicator is concerned with measuring the extent to which there is a stock of arrears, and the extent to which the systemic problem is being brought under control and addressed.

Arrears are not a systemic problem for Benishangul Gumuz Regional State because the strict fiscal discipline it follows is like the Federal Government's. Payrolls are paid in time before the end of the month and bills and invoices are paid generally within 30 days from the date of receipt of services and goods.

For goods and services received before the end of the fiscal year but not paid in the same fiscal year, payments will be made during the Grace Period. The Grace period is the thirty days

<sup>10</sup> Refer to Annex 2 (Table 4) for the details to calculate the aggregate execution of current revenues.

immediately following the end of the fiscal year during which invoices submitted by suppliers for goods and services received in the last fiscal year will be paid from that year's appropriation.

Grace period payables are normally paid to suppliers before August 6 (30 days from the end of fiscal year which is on July 7).

As the IBEX system doesn't generate aging reports, it was not possible to determine how long other payable accounts (like sundry creditors) had been outstanding

*(i) Stock of expenditure payment arrears*

Grace period payables represented 5%, 2% and 1% of the total actual expenditures for the EFY 1999, 2000 and 2001, (2006/07, 2007/08 and 2008/09) respectively.<sup>11</sup> The unpaid amount at the end of the grace period (and therefore payables in arrears) were ETB 0.3 million in the year 1999 EFY and ETB 0.5 Birr Million in the year 2000 EFY. There was no unpaid grace period liability after the end of the grace period in EFY 2001. (Refer Table 8)

**Table 8: Grace period payments in BSG**

EFY	Actual Expenditures in Million Birr	Grace Period Payables	Grace period payables Percentage of Total Expenditures	Unpaid amount within the Grace period in Million Birr
1999	153.1	8.1	5%	0.3
2000	165.4	3.4	2%	0.5
2001	147.8	1.9	1%	Nil

Source: IBEX system of Accounts

*(ii) Availability of data to monitor the stock of expenditure payment arrears*

From account 5001 (from the IBEX system) it is possible to see whether all payments have been paid by August 6. The amount not paid by that date becomes an arrear and these are clearly identified by the system (which prevents the build-up of arrears in any case). No in year provision (accrual) is made in the system for payables resulted as a result of goods and services received in the year other than those around the end of the fiscal year.

<sup>11</sup> Computed from the year end Trial Balances for the EFY 1999, 2000 and 2001

Indicator	Score 2007	Score 2010	Explanation
<b>PI-4 Stock and Monitoring of expenditure payment arrears</b>	<b>N/U</b>	<b>B+</b>	<b>M1 Scoring Method</b>
(i) Stock of expenditure payment arrears	N/U	A	The stock of arrears is below 0.3%
(ii) Availability of data in order to monitor the stock of expenditure payment arrears	N/U	B	Detailed data on the stock of arrears are available at the beginning of each EFY (As of July 7) for the previous EFY. In year invoice received are not accrued in the system and there are no aging reports to determine how long other payables are outstanding unpaid. However, the culture of compliance with rules, as emphasized by BOFED, indicates that arrears in terms of other payables are not an issue.

1/ NU=Not used, as the indicator was not considered to be relevant..

### 3.2. Comprehensiveness and transparency

This section deals with the comprehensiveness of the budget and with the assessment of the aggregate fiscal risk such as public access to key fiscal information.

#### P-5: Classification of the budget

A robust classification system allows the tracking of spending on the following dimensions: administrative unit, economic, functional and program.

*(i) The classification system used to formulate, execute and inform about the central government budget.*

The budget formulation and execution for the Regional State of Benishangul Gumuz is similar to the one at the Federal level. There are four functional classifications, namely, *Administrative and General, Economic, Social and Others*. The fourth classification consists of contingencies, transfer, debt payments etc The first three functional classifications are further divided into twenty two *sub-functional* classifications of expenditure (e.g. education under social services function). Taken together, these functions and sub-functions could – if a bridging table was compiled, not the case at present, approximately match the 10 COFOG functions, but few of the COFAG's sub functions.

In addition to the function and sub-function classifications, the system has additional categories to classify the budgets. These categories are Jurisdiction, type of budget, public body, program, sub-agency, sub-program, project, item of expenditure (as defined in IMF's Government Finance Statistics Manual, GFSM) and source of finance<sup>12</sup>; a programme

<sup>12</sup> Manual 3, Volume 2, chart of accounts of FGE, 2007

budgeting structure is not yet in place, however. As a result of this, accounts of WoFEDs are consolidated at the level of BoFED, and accounts of all BoFEDs are consolidated at the level of MoFED. (Table 9)

The different budget classifications and their application are summarized below:

**TABLE 9: BUDGET CLASSIFICATION**

Budget classification	Formulation	Approval	Execution
Functional: COFOG bridgeable)	Yes	Yes	Yes
Sub-functional (not COFOG bridgeable)	Yes	Yes	Yes
Administrative	Yes	Yes	Yes
Economic (GFSM)	Yes	Yes	Yes

Sources: Budget manual of BSG Regional State

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-5	A	B	The budget formulation and execution for the Regional State of Benishangul Gumuz is similar to the one at the Federal level. It is based on functional (bridgeable to COFOG), sub-functional (not bridgeable to COFOG), public bodies, programs, sub-programs, projects and items of expenditures (economic classification according to GFSM). The change in score does not mean that performance has deteriorated. It appears only that the score for 2007 may have not been A but B.	--

**P-6: Budget documentation** Annual budget documentation as submitted to the legislature for scrutiny and approval, should allow a complete picture of the regional state of Benishangul Gumuz fiscal forecasts, budget proposals and out-turn of previous years. In addition to the detailed information on revenue and expenditures, and in order to be considered complete, the annual budget documentation should include information on the following table. The annual budget documentation as submitted to the Regional State of Benishangul Gumuz includes:(Refer Table 10)

**TABLE 10: INFORMATION IN BUDGET DOCUMENTATION**

Documentary Requirement	Fulfilled	Document
1. Macroeconomic assumptions, including aggregate growth, inflation and interest rate estimates, at the very least.	<u>No</u>	Macro economic and fiscal framework has not been introduced in the region.
2. Fiscal deficit.	<u>No</u>	As indicated in Table 2, there was a deficit (according to GFS definition) in EFY 2001. The use of retained earnings is shown in the budget proclamation but not according to GFS standards.
3. Deficit financing	<u>No</u>	The deficit in EFY 2001 was financed from Retained Earnings, but this is not explicitly shown.
4. Public debt balance.	<u>N/A</u>	No public debt in the period between 1999 and 2001 EFY.
5. Financial Assets.	<u>No</u>	Financial assets consists of cash on hand and in the bank (COA codes 4101, 4103, and 4105), and Account Receivables (COA codes 4200-4299). Though reported on in the trial balance sheet, they are not mentioned in the budget documentation.
6. Results of previous budget exercise	<u>No</u>	
7. Results of the current budget exercise (2007/08).	<u>No</u>	
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	<u>No</u>	
9. Explanation of the budget implications of new policy initiatives.	<u>No</u>	

*i) Proportion of the above information contained in the budgetary documentation published most recently by the regional government.*

The most recent budget documentation of EFY2001 (2008/09) does not fulfill any of the 8 information benchmarks



Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-6	A	D	It doesn't seem that there was performance deterioration; rather the 2007 score was incorrect as the same information was used in 2007..	

**PI-7: Extent of unreported Government operations** Annual budget estimates, in year execution reports, year- end financial statements and other fiscal reports for the public, should cover all budgetary and extra-budgetary activities to allow a complete picture of the regional government revenue, expenditure across all categories and financing.

*i) Level of extra-budgetary expenditure (not including projects financed by donors) that is not declared – in other words that does not appear in fiscal reports.*

Funds like Global Fund which is channeled through Government agencies (mainly Ministry of Health) was about 8 million USD and 95 Million USD (Annex) in the year 2008 and 2009 respectively. The Global Fund is an independent international financing institution, which was established in 2002 to strengthen the global response to fight AIDS, Tuberculosis and Malaria and to accelerate progress toward the achievement by 2015 of the health-related MDGs. The Global Fund raises and disburses resources on a large scale to countries in need of funding to fight the three diseases and to strengthen health systems.<sup>13</sup> The global fund is not reported by the Federal and regional governments. Hence it is unreported extra budgetary expenditure.

The Ethiopian Road Fund was established on March 6, 1997 by Proclamation No. 66/1997 as a permanent financial resource for road maintenance activities and road safety measures. Through Proclamation No. 471/2005 (Art. 33 No. 7) of November 2005 that made amendments to the designations of federal executive organs and their heads, the Road Fund came under the charge of the Ministry of Works & Urban Development with no effect with regard to its objectives, powers and duties. The sources of the fund (according to the proclamation) are budget allocated by the Government, Road maintenance fuel levy, Annual vehicle license renewal fee based on axle load, overloading fine and any other road tariff levied as may be necessary. This fund is one of the extra budgetary funds at Federal level. The annual total expenditure at national level in the year 2000 EFY(2007/08) and 2001 EFY (2008/09) was about ETB 1.1 billion and ETB1.14 billion respectively<sup>14</sup>.

According to the information we got from the office of the Road Fund, the cash transferred to BSGRG was ETB 7.1 million, ETB 9.4 million and ETB 10.6 million, in EFY 1999, 2000 and 2001 respectively. However, information regarding to Global funds transfer was not available to the PEFA team.

There are no Safety Net and Food Security programs in the region. PSCAP is not incorporated in the budget of the region, as it is part of the federal government budget and Monthly reports on execution of PSCAP budget are submitted to MoFED.

<sup>13</sup> Global Fund Annual Report, 2010

<sup>14</sup> MoFED treasury

There are two public enterprises which are not considered in the evaluation of this dimension as they will be dealt in PI-9. (Refer Annex 4)

*ii) Information on income and expenditure in relation to projects financed by donors included in the fiscal reports.*

Some UN funded projects are not included in budget.. The records of donor funded projects such as UN agencies namely, UNICEF, UNCDF, UNDP and UNFPA are maintained by separate accounting software (QuickBooks) at BoFED. Other donor funded projects like FINNIDA and ADB are recorded and reported in a manual recording system outside the IBEX. Accordingly, the reports generated by Ibex on budget outturn are showing only the budget portion of the loans and assistances and actual outturns are not included.(Annex 5). Nevertheless, BOFED believes that the bulk of donor-funded expenditure is captured in the budget and budget performance reports.

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-7	NS	D+	The change in score does not mean a change in performance. It appears only that the score for 2007 may have been incorrect; the text mentions that there was insufficient evidence to score, though it also indicates a B rating.	
i)	NS	D	The budgets and actual expenditure of the Global Fund are not reported on by region at either federal government (to MOFED) or regional government (to BOFED) level. The magnitudes of funding are known to be large (e.g. in Amhara, the largest item of funding), however, and a D rating is quite plausible. Strictly speaking, this should be rated as No Score, but under the circumstances a D rating seems appropriate.	
ii)	NS	B	Complete income/expenditure information is included in fiscal reports for at least 50 percent (by value) of grant financed projects..	

### PI-8: Intergovernmental Fiscal Relations

This indicator assesses the transparency of inter-governmental fiscal relations.

*i) Transparent and rules based systems in the horizontal allocation among SN governments of unconditional and conditional transfers from the regional government (both budgeted and actual allocations).*

The Regional State of Benishangul Gumuz uses a formula for the (horizontal) transfers to the 21 Woredas including the city of Assosa. According to this method, salary expenses are allocated based on previous year expenditure. Allocation for Education, Health and Agriculture is based on expenditure needs by taking population per capita, revenue,

development activities made so far at sectoral level, expenditure requirements and other factors. The formula is transparent and the transparency and accuracy of the underlying data have been improved since the last assessment.

*(ii) Timely provision of reliable information to Woreda governments on the allocations to be made to them by regional government for the following year.*

The notification of annual budget subsidy of the BSG to the 20 Woredas and the city of Assosa, takes place in practice on/around end of January - year  $n$  for budget year  $n+1$ <sup>15</sup>; Woredas are normally informed to plan in accordance with current year level of subsidy as the extent of the subsidy could not be determined during January. When the actual level of subsidy is determined at a later date – typically at the end of the fiscal year, when the Federal Parliament approves the draft federal government budget (which includes the block grant transfers to regional governments), Woredas will be informed to adjust their budgets.

*iii) Degree to which consolidated general government fiscal data (at least on income and expenditure) is collected and made available, broken down by sectoral categories.*

Woredas report monthly to BOFED and the consolidation of the data (*ex ante* and *ex post*) is made quarterly and annually. Annual reports are consolidated within 10 months of end of the fiscal year.

Indicator	Score 2007	Score 2010	Performance change
<b>PI-8</b>	<b>B+</b>	<b>A</b>	<b>There is an improvement in performance</b>
i)	B	A	The transparency and accuracy of the underlying data have been strengthened.
ii)	B	B	Woredas still do not know with certainty their allocation until the end of the fiscal year, when the federal government budget is approved.
iii)	A	A	Annual reports are prepared within 10 months of the end of the fiscal year.

### **PI-9: Oversight of aggregate fiscal risk from other public sector entities**

This indicator measures the fiscal risks that could be possibly created by Woredas, Autonomous Government Agencies (AGA) and Public Enterprises (PE) and *inter alia* take the form of debt service defaulting.

*i) Extent of regional government monitoring of AGAS and PES*

There are two BSGR-owned enterprises in the Regional state of Benishangul Gumuz: Water Works Construction Enterprise and Micro-finance Institution. The Water Works Enterprise generates its own revenue can borrow from banks and does not get government subsidy. It pays taxes. It is accountable to a governing board whose members are senior government officials. The board approves annual work plan, evaluates quarterly and annual performance reports and audited financial reports. Fiscal activities (revenues and

<sup>15</sup> BOFED, Benishangul Gumuz Regional State

expenditures) of the two entities are not included in the budget of the region. An annual report on the performance of the Microfinance Institution is presented to Parliament through the relevant government agency. The financial performance of the Water works construction enterprise is reported neither to the council nor to BoFED. BoFED is not undertaking annual monitoring of these enterprises.

ii) *Extent of regional government monitoring of the fiscal position of woreda governments.*

Woredas are not entitled to contract debt or commit expenditure without approved budget. Therefore fiscal risk is not really an issue at this point. The existence of contingency budget would not entail a fiscal risk, as public bodies could not enter into any commitments without prior approval by BoFED. Zonal offices and BoFED monitor the fiscal position of woredas.

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-9</b>	<b>NU</b>	<b>D+</b>		
i)	NU	D	The enterprises were operational during the year 2007. However, the indicator was not scored assuming that it was not relevant to regions.	
ii)	NU	A	No change in performance. Woredas cannot generate fiscal liabilities to the region. This dimension was not scored in 2007 with the assumption that it was not applicable.	

### **P10- Public Access to fiscal information**

This indicator assesses the public access to fiscal information. Transparency will depend on whether information on fiscal plans, positions and performances of the government is easily accessible to the general public or at least the relevant interest group.

The extent of access to fiscal information by the public in Benishangul Gumuz Regional state is tabulated in the following table.

**TABLE 11: INDICATORS ON PUBLIC ACCESS TO KEY FISCAL INFORMATION**

(i) Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the Council.	<b>No.</b>
(ii) In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	<b>No.</b> This is made available for researchers, journalists and students on demand. The information comes from the IBEX system but not routinely.

(iii) Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	<b>No.</b> This is also made available for researchers, journalists and students on request. There is no system in place to provide such information to readily available to issue on request.
(iv) External audit reports: All reports on Region and consolidated operations are made available to the public through appropriate means within six months of completed audit.	<b>No.</b> However when the audit findings are presented to the Council, journalists and representatives of civil society are present. Publication of audit findings on the journal of the Auditor General had been practiced but interrupted because of staff turnover.
(v) Contract awards: Award of all contracts with value above approx. USD 100,000 equivalent is published at least quarterly through appropriate means.	<b>No.</b>
(vi) Resources available to primary service units: Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	<b>Yes.</b> Budgets to primary service units are posted on public boards at the level of Kebele. After the implementation of Financial Transparency and Accountability Programme (FTAP) both budget and expenditures are reported.

*i) Number of the elements regarding public access to information, mentioned above, that are used (an element can only be considered for the purposes of this evaluation if it fulfils all the requirements within the information parameter).*

The BSG administration makes available to the public 1 of the 6 listed types of information

Indicator	Score 2007	Score 2010	Performance change	Other factors
PI-10	C	C	Only one information is met out of the six	

### 3.3. Policy-based budgeting

The indicators in this group assess to what extent the central budget is prepared with due regard to government policy.

#### PI -11 Orderliness and Participation in the Annual Budget Process.

This indicator reflects the organization, clarity and comprehensiveness of the annual budget process.

*(i) Existence of and adherence to a fixed budget calendar*

The budget manual of BoFED has clearly set the budget calendar which is similar with that of the Federal budget calendar. The budget manuals officially allow seven weeks (which is between second week of February up to fourth week of March).to budgetary institutions to

complete their budget proposals where as in practice the time available is about 6 weeks. Budgetary institutions complete their detailed proposals on time. Following review by BOFED, bureaus and kebele administrations are provided with a spending ceiling and are requested to provide detailed estimates to fit within this ceiling.

*(ii) Guidance on the preparation of budget submissions*

The budget circular which includes guidance on the preparation of the budget is issued in January. However the circular doesn't include ceilings (as the circular requests . Ceilings, approved by Cabinet, will be informed to public bodies after their proposals -- which may include proposals for new spending – have been evaluated., and prior to the preparation of detailed expenditure estimates.

*(iii) Timely approval of the budget by the Legislature*

The budget for the year 1999 EFY (2006/07), 2000 EFY (2007/08) and 2001 (2008/09) had been approved 4 days before the start of the fiscal year, 40 days after the start of fiscal year and 46 days after the start of the fiscal year respectively.

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-11</b>	<b>A</b>	<b>B+</b>	<b>Overall, the quality of the Budget preparation process has</b> changed little. The A rating for 2007 appears too high for dimension (ii).	
i)	A	A	Budget circular which includes guidance on budget preparation are sent in January. A clear budget calendar exists. It allows public bodies to complete their budget proposals on time, Accordingly, they submit within 6 weeks. Following evaluation by BOFED, public bodies are requested around mid-May to prepare detailed estimates within stipulated ceilings. They have about 3 weeks to do this; much of the estimation will already have been completed as part of the process for preparing budget proposals.	
ii)	A	A	The budget circular is issued in January, requesting expenditure estimates on the basis of current services and new spending proposals (based on priorities indicated in the guidelines). Ceilings, approved by Cabinet, are provided after the proposals have been reviewed, following which detailed estimates are prepared for the draft budget proclamation.	
iii)	A	C	Performance deteriorated from the 2007 PEFA. Parliament has approved the budget in the last three years within two months of the start of the fiscal year.	

*EMCP Impact Assessment*

- Budget manual and training modules received.
- Recurrent and capital budgets not being prepared in an integrated manner in some cases.
- Concept of cost centre not being used in the budget preparation process.
- Budget calendar is strictly followed by most sector bureaus.
- Understanding of budget reform is very good, partly due to training;
- None of sector bureaus using IBEX yet.
- Other problems: High staff turnover, dependency on third parties for maintaining IBEX, lack of internalizing of the concept of cost centre

**PI-12 Multi-year perspective**

*(i) Preparation of multi-year fiscal forecasts and functional allocations*

No forecasts of fiscal aggregates are undertaken. The budget guideline of the region states the preparation of a Three-year Medium Term Expenditures Framework (MTEF) which will be rolled in a yearly basis. The MTEF is not implemented so far.

*(ii) Scope and frequency of debt sustainability analyses*

No debt sustainability analysis is carried out and the issue is not relevant as there is no debt at this time at the level of the region. Though loans indicated in the budget subsidy, such loans are managed by the Federal Government and are not the scope of the region.

*(iii) Existence of sector strategies with multi-year costing of current and investment expenditures*

Each Bureau elaborates a five-year sectoral management plan. No consolidation is made at the level of BoFED. The five year sectoral plan was aligned with the PASDEP and will be through at the end of EFY 2002 (July 7, 2010). Sector bureaus are now in the process of developing the sector strategies for 2010/11 through 2015/16. The sectoral strategic plans are costed and have data on capital and recurrent expenditures. There is a weak link between the various sector strategies and the regional five year strategy plan, which is not costed<sup>16</sup>.

*(iv) Links between investments budgets and forward expenditure estimates*

There is no formal link between investment budgets and forward expenditure estimates, but recurrent cost implications of investments outlined in sector strategies may be indicated.

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<sup>16</sup> Sector strategy of Bureau of Education and Bureau of health assessed

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-12</b>	<b>D+</b>	<b>D+</b>	<b>No overall performance change</b>	
i)	C	D	No forward estimates of fiscal aggregates are undertaken. The scoring for 2007 seemed over rated.	
ii)	N/A	N/A	No debt during the period of assessment in the region.	
iii)	D	C	Strategy exists for sectors representing at least 75% <sup>17</sup> of primary expenditures with full costing of recurrent and investment expenditures but inconsistent with the aggregate fiscal forecasts.	
iv)	C	C	The majority of investments <sup>18</sup> are selected on the basis of relevant sector strategies and recurrent cost implications, but are not included in the forward budget estimates.	

### 3.4. Predictability and control in budget executions

Under this section 9 indicators are assessed that mainly deal with implementation of the budget in an orderly predictable manner and arrangements for the exercise of control and stewardship in the use of public funds.

#### PI-13 Transparency of taxpayer obligations and liabilities

##### (j) *Clarity and comprehensiveness of tax liabilities*

The regional government has its own Tax proclamations. The income tax proclamation of the region (Proclamation no 43/2003) is similar to that of the Federal Income tax proclamation. Both the tax proclamation and directives are comprehensive and clear with limited discretionary powers given to the head of BoFED. Accordingly the head of BoFED may waive tax liabilities up to ETB 10,000 at his discretion in cases of grave, unavoidable hardship. Approval of the Council of the Regional State is required for amounts higher than ETB 10,000. Discretionary power is also provided to the head of BoFED in the case of turnover taxes.

Presumptive taxation (Category C taxpayers, with a turnover of less than ETB 100,000 a year) by its nature provides discretionary power, because, in the absence of books of accounts, the Revenue Authority has to make an assessment of the turnover/income to levy the tax.

This is also the opinion of the Chamber of Commerce of the region. The tax proclamations are available for sale at the office of the Speaker of the House.

<sup>17</sup> Education, Health and agriculture are representing more than 75% of the budget and their strategy is costed.

<sup>18</sup> In addition to each sector strategy, Education Bureau has a costed eight years strategy plan for Universal Primary Education.



*(ii) Access by taxpayers to information on their tax responsibilities and administrative procedures*

The Revenue Authority of the region issues brochures and bulletins on taxes. The Authority has a unit dedicated for public service and tax education. Training is provided to tax officers and tax payers. The Revenue Authority organizes a consultation meeting every six months with BoFED to resolve problems in tax administration. The Chamber of Commerce of the region however believes that the level of effort to educate the tax payers is not satisfactory. The Revenue Authority organizes a consultation meeting every six months with BoFED to resolve problems in tax administration, including how to better inform taxpayers.

*(iii) Existence and functioning of a tax appeals mechanism*

There are three stages of appeal for the tax payers where they can apply for on the decision of the Revenue Authority. The first stage is to apply to an Administrative Review Committee within the Revenue Authority. The Review committee reviews the tax notice issued by the Revenue Authority to the applicant for accuracy, completeness, and compliance with the proclamation. The Review committee examines and decides on all applications submitted by tax payers for lifting of penalty and interest and amendments of tax liabilities.

If the tax payer is not satisfied by the decision of the Review Committee, he/she may submit his/her appeal to the second stage of appeal, which is the Appeal commission. The commission is composed of representatives from government agencies and the business community. It is independent of the government. The tax payer is required to pay 50% of the tax liability indicated in the tax notice and has to apply in 30 days from receipt of the decision of the Review Committee.

The tax payer may apply to court if dissatisfied by the decision of the Appeal Commission within 30 days on the grounds that it is erroneous on any matter of law. The Chamber of Commerce confirmed the effectiveness of the appeal process.

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-13</b>	<b>B</b>	<b>A</b>	<b>An improvement in performance has been recorded between 2007 and 2010</b>	
i)	A	A		
ii)	C	B	Tax laws and directives are available in the form of brochures and bulletins and are available for sale. Semi-annual consultation meeting is a new development.	
iii)	B	A	There is improvement in the tax appeal process. The business community representative is a committee member with regard to the assessment process.	

## PI-14 Registration and tax assessment

### (i) Effectiveness measures for tax payer registration and tax assessment

Out of the 4900 traders, a Tax Identification Number (TIN) is provided to 2900 of them. Employment income tax payers are not yet provided with TIN. There is no direct linkage to other sectors. The only linkage that the Revenue office has is through a mandatory procedure for taxpayers to obtain annual tax clearance from the Revenue Authority in order for them to renew trade licenses obtained from the Bureau of Trade and Industry.

Employment income tax payer digital (bio-metric) tax registration process was operational for a while but is temporarily suspended due to technical faults.

### (ii) Effectiveness of sanctions for failure to register and declaration of obligations

Once in every two years a Tax Assessment team will go round house to house for identification of unregistered tax payers and for re-assessment of tax liabilities of those who are not required to maintain books of accounts by law. The tax penalties are sufficiently high and in some cases mainly small traders tend to close businesses. The penalty for late filing and non-filing is Birr 1,000 for the first 30 days and incremental thereafter.

The law states that failure for not maintaining books of accounts (traders with a turnover of Birr 100,000 and above) and not filing tax returns for a subsequent two years will cause cancellation of a trade license.

The penalty for understatement of tax ranges from 10% to 50% depending on the amount of understated tax liability.

Penalty for late payment is 2% on the amount of unpaid tax plus additional 2% for subsequent months

Penalty for failure to keep proper records is 20% of tax assessed.

Failure of suppliers to meet TIN requirements will result in a tax penalty of 30% on the value of the transaction which is going to be collected by buyer as a withholding tax. The penalties for non-compliance are therefore high. However, no information is available to assess its effective administration.

The Revenue Agency considers that greater provision of training and awareness would facilitate better enforcement of the tax law<sup>19</sup>.

Maintenance of books of accounts doesn't seem well enforced as the number of tax payers who present financial reports is too few.<sup>20</sup>

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<sup>19</sup> Revenue Authority of Benishangul Gumuz

<sup>20</sup> Revenue Authority.

## (iii) Planning and monitoring of tax audit programmes

Audit is mostly not executed as planned because of logistical problems and is not based on a risk assessment criteria<sup>21</sup>. There is only one tax auditor in the Revenue Authority. The number of self assessed tax payers is so few and tax audit based on books of account is very small compared with those who do not maintain books of accounts.

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-14</b>	<b>C</b>	<b>C+▲</b>	<b>There is an improvement in performance due essentially to the full implementation (nationwide) of the TIN system.</b>	
i)	C	↑ C	Nearly 50% of tax payers have TINs. The only linkage with other systems is the requirement that businesses obtaining trade licenses have prior tax clearance.	
ii)	B	B	No change.	
iii)	D	C	<b>There are improvements in staffing and training. An annual plan is prepared for category A tax payers</b>	

**PI- 15 Effectiveness in Tax Collections of Tax Payments**

*(i) The Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of fiscal year, which was collected during that fiscal year (average of the last two fiscal years)*

Based on the assessment made in EFY 1999, tax arrears of ETB 4 million were reported. There is no, however, yearly information on the total annual tax assessment value (receivables) and the total amount of tax collected in the period and value of any tax arrears for the period. Accordingly, it is not possible to score this dimension

*(ii) Effectiveness of the transfer of tax collections to the Treasury by the revenue administration*

Tax revenue collected by Revenue Authority is transferred to BoFED account on a monthly basis. Taxes are collected in cash and in cheque at RA and zonal offices. Employee income taxes collected by Woredas will not be transferred to the regional RA, as they are the income of the Woredas. RA uses the Commercial Bank of Ethiopia to deposit revenue collections.

*(iii) Frequency of complete accounts reconciliation between tax assessments collections arrears records and receipts by the Treasury*

Reconciliation is made between the accounts of tax collection held by Revenue Authority against the accounts of BoFED on a monthly basis ten days after the end of the month.

<sup>21</sup> Revenue Authority

No reconciliation is made on tax receivables and arrears by Revenue Agency, as there is no information on tax arrears.

Indicator	Score 2007	Score 2010	Performance change	Other factors
<b>PI-15</b>	<b>C</b>	<b>D+</b>		
i)	B	NS	Performance deteriorated as recording of arrears has been discontinued.	
ii)	A	C	There is no performance deterioration as compared with that of 2007 assessment, which should have scored C instead of A.	
iii)	C	D	As indicated in dimension (i)	

### PI-16 Predictability in the availability of funds for commitment of expenditures

Effective execution of the budget in accordance with work plans requires that spending public bodies receive reliable information on the availability of funds within which they can commit expenditure. This indicator assesses:

- (i) The extent- to which cash flows are forecast and monitored
- (ii) The reliability and horizon of periodic in -year information to bureaus and offices on ceilings for expenditure commitment and
- (iii) The frequency and transparency of adjustments to budget allocations which are decided above the level of management of bureaus and offices.

#### *(i) The Extent to which cash flows are forecast and monitored*

A cash flow system has been operational in the BSGRG since EFY 2000<sup>22</sup>. The system requires each sector bureau /office to prepare and submit cash flow statements. The cash flow statements consist of: (i) the annual cash flow plan which aims to provide a quarterly break down of the approved budget, based on the physical spending needs of the bureau/office; and (ii) a quarterly cash flow plans, prepared before the start of each month. The quarterly plans also serve as a means to update the annual cash flow plan during the year; in practice, due to capacity constraints, the updating is quarterly.

The three-month cash flow planning system is expected to provide the basis for BoFED to determine the monthly cash spending limits for each sector bureau/ office on the basis of its estimates of cash availability derived from the cash flow statements submitted to it. Approved cash flow forecasts are compiled by BoFED and sent to the Commercial Bank of Ethiopia (CBE) with a copy to each public body for implementation<sup>23</sup>.

#### *(ii) Reliability and horizon of periodic information to Bureaus and offices on ceilings for expenditure commitment.*

<sup>22</sup> Ministries of Finance and Economic Development (MoFED), Expenditure Management and Control Program. Impact Assessment Study, Addis Ababa, August 2009

<sup>23</sup> East AFRITAC, Developing a Cash Management Function in Ethiopia April 2004

Bureaus are able to commit expenditure within the year based on the approved budget. The establishment of cash spending ceilings for each bureau/office helps to keep spending within the amount of cash available. As cash flow forecasting inherently contains a degree of uncertainty, including the dates when commitments become payables, BoFED may at times have to make adjustments to the monthly ceilings of each bureau/office.

*(iii) Frequency and Transparency of adjustment to budget allocations, which are decided above the level of management of bureaus and offices*

In year budget-adjustments are made once or twice in the fiscal year in the form of supplementary budgets (required if overall spending increases above the approved budget) approved by the Regional Council, while BoFED can transfer budget allocations to bureaus/offices as the need arises, as long as the overall spending does not increase. All adjustments are done in a transparent way according to the provisions in the budget law and the financial regulation of the Region<sup>24</sup>.

Indicator	Score		Explanation
	2007	2010	
<b>PI -16</b>	<b>A</b>	<b>C+</b>	<b>Scoring Method M1</b>
(i) Extent to which Cash flows are forecast-and monitored.	A	B	A cash flow forecast is prepared for the fiscal year and updated at least quarterly on the basis of actual cash inflows and outflows.
(ii) Reliability and horizon of periodic in-year information to Bureaus/ offices on ceilings for expenditure commitment	A	A	Bureaus and offices are able to plan and commit expenditure for at least-six months in advance in accordance with the budgeted appropriations.
(iii) Frequency and transparency of adjustments to budget allocations which are decided above the level of management of bureaus and offices.	A	C	In –year budget-adjustments are frequent, but undertaken with transparency. The scoring for the 2007 assessment seems too high.

### Regional PEFA 2007 Assessment

All the three dimensions were rated A, However, the dimensions are over scored specially with regard to dimension (iii) as there are significant in-year budget adjustments. Therefore the 2007 score for dimension (iii) should have been 'C'. The cash flow system has been operational since EFY 2000. Therefore the score in the 2007 assessment should have been D for dimension (i).

### PI - 17 Recording and Management of Cash balances, debt and guarantees

Debt management, in terms of contracting, servicing and repayment and the provision of government guarantees are major elements of fiscal management as poor management of debt and guarantees can create high debt service costs and significant fiscal risks.

<sup>24</sup> Annual Budget Proclamation laws

According to the region's Financial Regulation No.8 /1998 articles 50, 51 and 52 provisions with respect to debt management, borrowing and guarantees, the following are elaborated.

**Debt Management:**

- Debt Management Strategies shall be developed by the head of the Finance Bureau.
- Borrowing shall take into account non-interest-costs,
- Borrowing shall be managed to avoid any negative impacts on the general economy, and
- Short-term borrowing shall be based upon reliable current information on the government's balances in the banking system ... and budget estimates of fiscal inflows and outflows.

**Borrowing**

- The head of the Finance Bureau shall prepare an annual fiscal plan for the approval of the executive council that shows background data and analysis of changes in debt from previous plan, and projections of debt level and annual servicing costs.
- The head of the finance Bureau shall, in accordance with the approved fiscal plan, submit for approval to the executive council periodic proposals to meet the Government's financial requirements. These proposals shall contain information on how the money shall be raised such as by loans and/or by the issue of or sale of securities.

**Guarantees**

The head of the finance Bureau shall ensure that no guarantee shall be made unless full consideration has been given to:

- (a) Why the guarantee is necessary and the benefit gained from it.
- (b) The appropriation and budgetary items that would have to be charged if the guarantee is exercised, and
- (c) The probability and consequences of the guarantee having to be exercised<sup>25</sup>.

The dimensions to be assessed in this indicator are: (i) quality of debt data recording and reporting. (ii) extent of consolidation of government's cash balances and (iii) systems for contracting loans and issuance of guarantees

*(i) Quality of debt data recording and reporting.*

According to information from the Bureau of Finance and Economic Development, no borrowing has so far been made by the region direct from the CBE or by the issue or sale of securities.

*(ii) Extent of consolidation of the governments cash balances*

The Benishangul Gumuz Regional Government (BSGRG) has established the zero balance drawing limit system (a zero balance account, Z account), abandoning the direct budget

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<sup>25</sup> BoFED, Financial Regulation No. 8/1998

payment for the sector bureaus since EFY 2000<sup>26</sup>. Under the system, bureaus have “virtual” accounts at the Commercial Bank of Ethiopia (CBE) into which BoFED deposits funds each day from its Central Treasury Account (CTA) held at Commercial Bank of Ethiopia up to the limits set by BoFED. These limits are set on the basis of the cash flow requirements of sector bureaus/offices forwarded to the CBE. Bureaus can draw down from the virtual account the funds required for making payments up to the monthly limit. Unused funds in the account are transferred back to the CTA at the end of each day. The single treasury account therefore, facilitates the calculation and consolidation of bank accounts. Cash balances for revenue accounts are consolidated at least monthly.

Extra-budgetary funds, including donor project funds, are outside this system. Donor project funds are mainly held in commercial bank accounts segregated from the Z accounts.

EMCP impact assessment study: With regard to BSGRG, the study note the benefit associated with the zero balance system in terms of elimination of idle cash balances and less paper work and the shorter payment process in terms of time (also a benefit of IBEX) which has been rolled out to regional bureaus.

*(iii) Systems for contracting loans and issuance of guarantees*

The BSGRG has not borrowed or issued guarantees<sup>27</sup>.

Indicator	Score		Explanation
	2007	2010	
<b>PI – 17</b>	N/A	B	<b>Scoring Method M2</b>
(i) Quality of debt data recording and reporting	N/A	N/A	The BSGRG has not borrowed so far
(ii) extent of the consolidation of the government’s cash balances	N/A	B	The single treasury account allows consolidation of government accounts (except donor and extra budgetary fund accounts) which are outside the arrangement.
(iii) Systems for contracting loans and issuance of guarantees	N/A	N/A	BSGRG has not borrowed or issued guarantees.

**Regional PEFA 2007 Assessment**

All the dimensions were rated “N/A”, however dimension (ii) could have been scored.

**PI-18 Effectiveness of Payroll Controls**

Payroll expenditure makes up a high proportion of the overall recurrent expenditure of the regional government. Effective control of the payroll is therefore an important indicator of sound financial management. One of BOFED’s reform measures includes the

<sup>26</sup> MoFED, August 2009

<sup>27</sup> BoFED

decentralization of payroll where the finance service of each public body is responsible for the preparation approval and implementation of the public bodies' payroll.

The dimensions to be assessed in this indicator are:-

- (i) Degree of integration and reconciliation between personnel records and payroll data.
- (ii) Timeliness of changes to personnel records and the payroll
- (iii) Internal controls of changes to personnel records and the payroll.
- (iv) Existence of payroll audits to identify control weakness and/or ghost workers.

*(i) Degree of integration and reconciliation between personnel records and payroll data*

Even though there is no on-line integration of the personnel data base and payroll, there are strong links between personnel and payroll records, with reconciliations of such records performed monthly. Each department in a public body takes attendance of staff daily. This will be compiled by the administration service department and will be sent to the finance service on the third week of each month<sup>28</sup>.

*(ii) Timeliness of Changes to personnel records and the Payroll*

Other personnel information including changes in employment, promotion dismissal, death will be notified monthly to the finance service, which incorporates the changes in the next month's payroll.

*(iii) Internal Controls of changes to personnel records and the payroll*

Any changes in payroll data is the authority of the finance service based on supporting documentation with only designated personnel assigned to perform the change. On the other hand, all changes to personnel records is the authority of the Administration Service Head. There is an audit trail in terms of letters and signed (multiple signature) forms.

*(iv) Existence of payroll audits to identify control weakness and/or ghost workers.*

Payroll audits are undertaken by internal and external auditors though not as a routine exercise as payroll is not one of the risk areas. The EFY 2001 external audit of the region identified 14 findings of non-compliance but none of these were with respect to payroll.<sup>29</sup>

Payroll audit includes review of the payroll sheets against the attendance sheets (time sheets) and the personnel records maintained by Administration Department. The correctness of payroll additions and deductions are checked periodically against the records. In addition, the accuracy of the payroll computation, signatures by the designated officials for approval and employees for receipt of their salaries are all parts of the payroll audit process.

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<sup>28</sup> BSGRG, BoE and BoH

<sup>29</sup> BSGRG, ORAG Annual Report of ORAG No.1July 2001 (EC)



Indicator	Score		Explanation
	2007	2010	
<b>PI 18</b>	A	B+	<b>Scoring Method M1</b>
(i) Degree of integration and reconciliation between personnel records and payroll data.	A	B	Personnel data and payroll data are not directly linked. However, the Payrolls is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data.
(ii) Timelines of changes to personnel records and the payroll.	A	A	Required changes to the personnel records and payroll are updated monthly, in-time for the following month's payments.
(iii) Internal controls of changes to personnel records and the payroll	A	A	Authority to change personnel and payroll records is restricted. There is a clear segregation of responsibilities with respect to changing and approval of payroll and personnel records. Staff in the administration services is authorized to make changes in personnel records while the head of the office approve the changes. On the other hand, staffs in the finance office are authorized to make changes in payroll record while the head of finance approves the change. There is an audit trail in terms of letters and signed (multiple signature) forms.
(iv) existence of payroll audits to identify control weakness and/or ghost workers	A	B	A payroll audit covering all regional government public bodies has been conducted at least once in the last three years along with other audits. Audit has been conducted by the respective internal auditors and ORAG.

### Regional PEFA 2007 Assessment

All the four dimensions were rated A however dimensions (i) and (iv) are over scored, i.e

(i). Personnel data base and payroll data were not directly linked, (even at present) to ensure data consistency and monthly reconciliation.

(iv). It is difficult to ascertain the existence of a strong system of annual payroll audits

### PI - 19 Competition, Value for money and controls in Procurement

Significant government spending takes place through the public procurement system. It is therefore, necessary to put in place a well-functioning procurement system that ensures effectiveness and efficiency.

Until the third week of March 2010 the Benishangul Gumuz Regional State was working with the public procurement proclamation introduced in 2006 along with the guideline issued to implement the proclamation.<sup>30</sup>

<sup>30</sup> BoFED, procurement proclamation No.64/2006

A new procurement proclamation has been issued to be operational effective the third week of March 2010 which is not pertinent for the evaluation period of this assessment. The changes incorporated in the March 2010 procurement and property administration proclamation are with respect to the threshold, the appeal mechanism, the elimination of a procurement method based on proforma invoices.

The indicator assesses:- (i) Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold): (ii) Extent of justification for use of less competitive procurement methods and (iii) Existence and operation of a procurement complaints mechanism.

*(i). Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases (percentage of the number of contract awards that are above the threshold)*

Compiled data on the method of procurement used to award public contracts are not available. Such data even though available are not compiled by either the procurement and public property sub-process in BOFED or the education and health bureaus that the team has visited.

*(ii). Extent of justification for use of less competitive procurement methods.*

According to the procurement proclamation public bodies shall use open bidding as the preferred procedure of procurement<sup>31</sup>. A public body may use procurement methods other than open bidding such as restricted tender, direct request for proposals, request for quotation or a two-stage bidding process provided the conditions set for these types of procurements are fulfilled as stated in the proclamation.

As stated above there is no compiled data available as to the method of procurement used (both in value and in numbers) for the periods of assessment. Also no reports on irregularities in the application of the procurement policies and procedures were produced at the level of BoFED. However, in its EFY 2001 audit report, ORAG has reported purchases amounting to ETB 1.09 million by 9 public bodies at a less competitive bidding without complying with the provisions in the procurement procedures.

*(iii). Existence and operation of a procurement complaints mechanism*

A procurement complaint against an act or omission by the procuring body shall first be submitted to the head of the procuring body. If the supplier is not satisfied with the decision of the head of the procuring public body he is entitled to submit his complaints to BOFED. Further, if the supplier does not agree with the decision of the head of BOFED, he may take the matter to the competent court. The process as defined in the proclamation and directive for submission of complaints is operational<sup>32</sup>.

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<sup>31</sup> Procurement Proclamation No. 64/2006

<sup>32</sup> *ibid*

Indicator	Score		Explanation
	2007	2010	
<b>PI – 19</b>	<b>C+</b>	<b>C+</b>	<b>Scoring Method M2</b>
(i) Evidence on the use of open competition for award of contracts that exceed the nationally established monetary threshold for small purchases.	A	D	No compiled data are available for the regional bureaus at BoFED or the bureaus the team visited (education and health).
(ii) Justification for use of less competitive procurement methods	A	B	Other less competitive methods (despite insignificant purchases without compliance to the provision in the procurement procedure) are justified in accordance with the regulatory requirements.
(iii) Existence and operation of a procurement complaints mechanism	D	B	A procurement complaint mechanism is in place. A bidder can submit his compliant to the head of the procuring body, if not satisfied can submit his complain to BoFED, further if he is not satisfied with the decision he take the matter to court. This has been confirmed by the president of the region`s Chamber of Commerce and Sectoral Association.

**EMCP Impact Assessment:** The BSGRG has promulgated its procurement laws, directives and guidelines and distributed to sector bureaus ZoFEDs and WoFEDs. According to the survey the procurement laws and directives have been implemented since EFY 1999. Training has been given to thirty two staffs of the BoFED by MoFED. According to the survey there is not much problem related to the staff turnover.

#### **Regional PEFA 2007 Assessment**

The overall score for 2007, C+ was incorrect, using the M2 scoring method. It should have been B. In any case, however, the scores for dimensions (i) and (ii) were over rated because data was not compiled in each method of procurement.

#### **PI - 20 Effectiveness of internal controls for non-salary expenditure**

Internal control systems include all the policies and procedures that ensure the orderly, effective and efficient conduct of operation including adherence to internal and government policies, rules and regulations, the safeguarding of assets, the prevention and detection of error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial and managements information and fairly disclosing that data in a timely report<sup>33</sup>.

Under this indicator the following three dimensions are assessed

- (i) Effectiveness of expenditure commitment controls,
- (ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures
- (iii) Degree of compliance with rules for processing and recording transactions

<sup>33</sup> MoFED, Internal Audit Standards and Code of Ethics for Internal Auditors and Internal Audit Procedural Manual

*(i). Effectiveness of expenditure commitment Controls*

Expenditure commitments cannot be entered without requesting in writing the head of a public body or persons authorized by him. The availability of sufficient budget has to be ensured before a contract or other arrangement that entails debt payments shall be entered. Strong expenditure commitment controls are therefore in places that limit commitments to approved budget allocations which are routinely checked by accountants and approved by the head of public bodies.

*(ii). Comprehensiveness Relevance and understanding of other internal control rules/Procedures*

According to the Internal Audit Standards and the Internal Audit Procedural manual of MoFED which has been distributed to each Region basic control systems in the Region include sequential pre-numbering of originating documents at the time of printing (goods received notes, cash receipts and sales invoices) and accounting for all numbers, prompt and proper recording of transactions, reconciliation of records in the Cash book of the public body with bank statements, verification of physical records center of assets with their physical existence, segregation of duties assume that no one individual handles a transaction from beginning to end and approval by senior staff and the availability of documentation such as administrative policies, procedural manuals and accounting manuals.

All these internal control systems are in place with their effectiveness audited by internal and external auditors. Manuals and procedures are accessible by the respective department /section staffs.

*(iii). Degree of compliance with rules for processing and recording transaction*

Transactions are recorded and processed promptly as relatively trained accounting staff are assigned in each bureau who comply with rules and procedures<sup>34</sup>.

The control and monitoring systems, segregation of duties and supervisory controls (final approval by senior staff) as well as the severity of the punishment for offenses leave less room for non compliance with rules even though, a few instances of non compliance have been reported by ORAG.

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<sup>34</sup> BoFED, Accounts Department

Indicator	Score		Explanation
	2007	2010	
<b>PI 20</b>	<b>A</b>	<b>B</b>	<b>Scoring Method (M1)</b>
(i) Effectiveness of expenditure commitment controls	A	B	Expenditure commitment controls are in place and effectively limit commitments to approved budget allocation for all expenditures (this is stated in the Financial Administration Proclamation). Good revenue performance, and strengthened cash flow forecasting and cash management help to minimize the risk of cash unavailability at the time of payment.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures	A	B	Other internal control rules and procedures incorporate a comprehensive set of controls, which are widely understood but their efficiency is not ascertained. Some control procedures will be streamlined after the BPR exercises are finalized
(iii) Degree of compliance with rules for processing and Recording transactions.	A	B	Compliance with rules is fairly high but non-compliance with some procedures are reported by internal and the Regions external auditor with respect to cash (overage/shortage) and procurement <sup>35</sup> .

### Regional PEFA 2007 Assessment

An A rating is given for all the three dimensions in the indicator. The indicator is over scored as it is difficult to ascertain the cost effectiveness of the control rules and procedures (dimension (ii)) and to conclude that non-compliance with procedures had not been observed in spite of the size, educational background and experience of the staff.

### PI -21 Effectiveness of Internal Audit

Effective internal audit function should meet International Standards such as the International Standards for the Professional Practice in Internal Audit (ISPPA) issued by the institute of internal Auditors. The international standards to be met include:

- a. Appropriate organizational structure with regard to professional independence
- b. Sufficient mandate, access to information and power to report
- c. Use of professional audit methods including focus on high risk areas, use by the SAI of internal audit reports and action by management on internal audit findings.

The dimensions to be assessed in this indicator are:

- (i) Coverage and quality of internal audit function
- (ii) Frequency and distribution of reports and
- (iii) Extent of management response to internal audit findings

As one component of the EMCP, internal audit functions have been reformed at the federal level and rolled out to the Benishangul Gumuz Regional Government. Accordingly, the

<sup>35</sup> BoFED Internal Audit and Inspection Department, ORAG 2001 Report

inspection department in BoFED and the audit sections in each Bureaus use the internal audit manual. The manual meets the professional standards like ISPPA which focuses on systemic issues. Training has also been given to internal auditors at Debre-Zeit<sup>36</sup>.

The Inspection Department (ID) in BoFED has been reorganized to discharge its new duties and responsibilities i.e. monitoring and evaluation of audit reports, providing training and other technical assistance to internal audits, conducting special investigation when requested and reporting major findings to the cabinet. Similarly, audit services in bureaus have also been reorganized, with manpower strength related to the size of their budget<sup>37</sup>. The study on BPR of the internal audit is completed but the implementation is not yet commenced. The internal audit staffs are three in number for large size bureaus like BoE, BoA and BoH. Other Bureaus are staffed with two internal auditors.

**(i) Coverage and quality of internal audit function**

According to the acting head of the inspection and audit department in BoFED following the roll out of the internal audit reform MoFED in a letter dated 24/07/2001, reference 1/G/13/618 advised the president of the region to operate internal audit according to the new standard. Accordingly, BoFED based on a letter from the deputy president informed sector bureaus and woredas to strengthen internal audits and operate according to the standard and manual.

Internal audits are now operational in the majority of the bureaus while at zonal and woreda level the zonal and woreda finance offices provide internal audit functions through a pool system.

However according to the acting head no attention has been made to internal audit functions. According to the internal audit heads of the education and health bureaus no professional audit methods including risk assessments are carried out. They focus on transaction audits even though they do not perform pre audits.

**(ii) Frequency and distribution of reports**

With regard to reporting no fixed schedule has been observed. Internal audit reports are submitted to the respective bureau heads and BoFED. However, the internal audit sections that the team visited i.e. education and health have not sent their audit reports to BoFED in spite of the legal requirement.

No audit reports are distributed to ORAG, as there is no legal requirement, but these can be supplied to ORAG upon request.

**(iii) Extent of management response to internal audit findings**

No problems have been reported for lack of action by management to internal audit findings and recommendations. According to the internal audit services of the bureaus of education and health prompt action is being taken by the respective heads. The ID of BoFED also

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<sup>36</sup> BSGRS, BOE, Internal Audit

<sup>37</sup> BSGRS, BoFED, Internal Audit Inspection Department

intervenes so that prompt action is taken by the respective sector bureaus on the findings of internal auditors; copies of responses to the findings are sent to the regional cabinet<sup>38</sup>.

**EMCP Impact Assessment:** According to the EMCP Impact Assessment Study, the BSGRS has approved an internal audit organizational structure and implemented at all levels since EFY 1999 resulting in increased number of staff with higher qualification. According to the survey result the ID in BoFED has ten approved posts with two vacant posts at the time of the survey. The number of approved posts is 3, 5 and 6 for sector bureaus, ZoFEDS and WoFEDS.

The study also notes (page 132) that “according to the survey results, internal auditors at BOFED replied that the perception of the Heads of the departments of BOFED is very weak and even do not understand the roles of the internal audit.” In the same paragraph, “the practice of dispatching inspectors has not been discontinued and inspectors have not been replaced by internal auditors.” As with the observations on the other regions, the study notes the need for more staff and more training.

Indicator	Scoring		Explanation
	2007	2010	
PI-21	C+	D+	Scoring Method M1
(i) Coverage and quality of the internal audit function	C	D	Internal audit is operational in the majority of the bureaus. In spite of the distribution of the manual for internal audit standards and code of ethics and the training given to internal auditors, there is little or no internal audit focused on systems monitoring. They focus on transaction audits.
(ii) Frequency and distribution of reports	B	C	Reports are issued regularly by the internal audit of the audited entities to the head of the entity but may not be submitted to BoFED (they are submitted to ORAG only on request as there is no legal requirement to submit reports to ORAG).
(iii) Extent of management response to internal audit findings	A	B	Prompt action is taken by managers on internal audit findings. Even if they fail to act BoFED will follow up to ensure that action is taken.

### Regional PEFA 2007 Assessment

The indicator was rated C+. However an A rating for dimension (iii) management response to internal audit findings seems high. The score for dimensions (i) and (ii) also appear too high audits focused only on transactions and reports were not distributed to BoFED and ORAG.

<sup>38</sup> BoFED, Internal Audit and Inspection Department

### 3.5. Accounting, Recording and Reporting

Four set of indicators are assessed under this section dealing with accounts reconciliation information on resources received by service delivery units, the quality and timeliness of in-year budget reports and annual financial statements.

#### PI-22 Timeliness and regularity of accounts reconciliation

This indicator assesses two types of reconciliations namely (i) Reconciliation of data held in the governments books (the general ledger held in IBEX in BoFED) and the central treasury accounts held in the Commercial Bank of Ethiopia and (II). Reconciliation and clearance of suspense accounts and advances i.e. cash payments made but for which no expenditures have yet been recorded.

*(i) Regularity of bank reconciliation:*

No significant un--reconciled differences have been reported between the treasury accounts at the commercial bank and the treasury records. The accounts at the Commercial Bank of Ethiopia and the records of the general ledger at BoFED are reconciled at both aggregate and detailed levels at least monthly within four weeks from end of the month. Other accounts like PSCAP, UN and Finland are reconciled within 10 days of end of the month<sup>39</sup>.

*(ii) Regularity of reconciliation and clearance of suspense accounts and advances.*

Suspense accounts and advances are classified in the Chart of Accounts under code items 4200-4249: suspense accounts, code 4201, advances, code items 4203-4211. Suspense accounts are mainly revenue deposits (held in 'B' bank accounts) awaiting deposit into CTA. Advance accounts include advances for purchases, per diem, travel allowances and short and long term salary advances.

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<sup>39</sup> BoFED, Accounts Department



Indicator	Scoring		Explanation
	2007	2010	
PI-22	B	B+	Scoring Method M2
(i) Regularity of bank reconciliation	A	B	Reconciliation of treasury controlled bank accounts with the ledger held at BoFED takes place every month within a month from end of the period. Other donor funded accounts which are opened by BoFED are not part of the zero based balanced accounts and do not use the government's budget classification system in detailed form and are reconciled only at aggregate level.
(ii) Regularity of reconciliation and clearance suspense accounts and advances	C	A	Advances for travel and salaries are cleared monthly. Tax revenue collected by the tax authority is deposited primarily to the accounts of Revenue Authority and transferred to the CTA account within a month. Training and additional manpower has contributed to the improvement. <sup>40</sup>

### Regional PEFA 2007 Assessment

The indicator is scored B which is the same as 2010. However the A score for dimension (i) i.e. regularity of bank reconciliation is high because other non-treasury accounts are not taken into consideration. The reason for the C score for dimension (ii) is the carrying forward of balances year on year, as noted by ORAG's annual reports.

### PI -23 Availability of information on resources received by service delivery units

This indicator assesses the effectiveness of the PFM systems in tracking information on resources (cash materials in kind like drugs and school books) received by service delivery units providing resources at the community lev (Schools and health clinics).

*(iii) Collection and processing of information to demonstrate the resources that were actually received (in cash and in kind) by the most common front line service delivery unit (focus on primary schools and primary health clinics)*

Because primary schools and health clinics at woreda level are not cost centers it is difficult to track information on the resources they received. The education and health offices in each woreda compile and submit quarterly physical and financial progress reports that compare budget with actual performance. The compiled reports will be presented to the woreda council and BoFED. The reports will also be sent to the education bureau through the zonal administration.

According to the administration and finance head of the education bureau on site supervision will be made by supervisors from the education bureau. As a component of the Protection of Basic Services (PBS) the following studies were conducted and are now being implemented at the woreda and community levels. The studies include: Design of

<sup>40</sup> BoFED Accounts

Lay person's Budget and Expenditures Templates, Design of Resource Templates, for Service Delivery Facility and Design of Medial Disclosure of Public Budget Information.

The study on the design of standardized resources templates for service delivery facilities - schools, local level health clinics and agricultural extension services - indicated that templates would show:

- a. The annual budget for a particular service facility
- b. The annual expenditure for the same service facility
- c. Other annual resources shown by category: staffing, text books, medical supplies etc<sup>41</sup>.

The quarterly reports prepared by the respective woreda offices, especially those of the education bureau supervision staff based on their onsite supervision of schools, and the recent resource templates on public budgets and expenditures and service delivery help to track information on resources received by service delivery units. Implementation of the template was effective in EFY 2001.

Indicator	Scoring		Explanation
	2007	2010	
Indicator 23	A	B	Scoring Method M1
(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and in kind) by the most common front-line service delivery units. (Focus on primary schools and primary health clinics).	A	B	Even though budget and actual recurrent expenditure for each school and health clinic cannot be explicitly shown in the budget document, disaggregated data on capital budget and actual expenditure is available. Further, as budget and actual expenditures are planned and reported by items of expenditures, detailed data on each school and clinic are available for tracking of information from the respective offices at the woreda level.

#### Regional PEFA 2007 Assessment

The indicator was rated A. However the score is exaggerated as the accounting systems cannot provide reliable information on all types of resources.

#### PI – 24 Quality and Timeliness of in – year budget reports

Timely and comprehensive information on budget execution is necessary for BoFED and sector bureaus to monitor performance and discharge their responsibilities. This indicator assess the following dimensions

- (i) Scope of reports in terms of coverage and compatibility with budget estimate
- (ii) Timeliness of the issue of reports
- (iii) Quality of information

<sup>41</sup> MoFED, Financial Transparency and Accountability, Laypersons' budget and Expenditure April 2008

**(i) Scope of reports in terms of coverage and compatibility with budget estimates**

Sector bureaus and other public bodies at the regional level submit their budget execution reports to BoFED. Staff at BoFED check for the accuracy of the data and prepare detailed quarterly budget execution reports (revenue, recurrent and capital expenditures and trial balance) for senior management and MoFED<sup>42</sup>.

Expenditures are reported on actual and not on commitment basis though bureaus submit information on both. Capital expenditure financed through assistance except channel 1 donors are not included.

The reports provide information on detailed revenue and expenditure and allow comparison with the budget. These in year reports also include information on adjusted budget and transfers made during the period. Expenditures are reported on actual payments made and no accrual will be maintained for commitments made during the period unlike the year end commitments referred as grace period payables.

**(ii) Timeliness of the Issue of the reports**

Reports are issued by BoFED quarterly within 4 weeks of end of the quarter<sup>42</sup>.

**(iii) Quality of Information**

No material concerns regarding the accuracy of data have been reported though a few insignificant coding errors have been raised.

Indicator	Score		Explanation
	2007	2010	
P-I 24	A	C+	Scoring method M1
(i) Scope of reports in terms of coverage and compatibility with budget estimates	A	C	Classification of data allows direct comparison to the budget. Expenditure is reported on actual and not at commitment stage. External assistance for capital expenditure is shown for channel 1 donors only.
(ii) Timeliness of the issues of reports	A	A	Reports are prepared quarterly or more frequently and issued within 4 weeks of end of quarter.
(iii) Quality of information	A	A	No material concerns regarding the accuracy of data

**Regional PEFA 2007 Assessment**

All the three dimensions were rated A. However, the score for dimension (i) was over scored as expenditures are not covered at both commitment and payment stages.

<sup>42</sup> BoFED, Accounts Department

**PI-25 Quality and Timeliness of annual financial statements**

Consolidated year - end financial statements are critical for transparency in the PFM system. To be complete the financial statements must be based on details for public bodies and must be prepared timely. In addition, to be generally acceptable, national standards set by a government or other authorized body must usually be aligned with international standards such as the international federation of accountants' international public sector accounting standard (IPSAS).

The dimensions to be assessed in this indicator are (i) Completeness of the financial statements (II). Timeliness of submission of financial statements and (III) Accounting standards used

***(i) Completeness of the financial statements***

A consolidated statement for the region is prepared annually by the accounts department of BoFED. The statement includes full information on revenue, expenditure and financial assets and liabilities<sup>43</sup>

***(ii) Timeliness of the submission of the financial statements***

The EFY 1999, 2000 and 2001 consolidated annual financial statements was submitted to ORAG during the first week of March 2002<sup>44</sup>.

**Table 12 Financial Statements Submission Dates**

Financial Statement	Submission date
EFY 1999 (2006/2007)	June, 2008
EYF 2000 (2007/2008)	March, 2009
EYF 2001 (2008/2009)	March, 2010 ( 9 months)

***(iii) Accounting Standards***

Financial statements for the region are prepared on the basis of the Federal Government standard which is a modified cash basis of accounting<sup>46</sup> which is not fully aligned with IPSAS.

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<sup>43</sup> ibid

<sup>44</sup> Deputy Head of ORAG

Indicator	Score		Explanation
	2007	2010	
PI-25	A	C+	Scoring Method M1
(i) Completeness of the financial statements	A	B	A consolidated government statement is prepared annually. They include with few exceptions (some donor funded projects, cash flow statements) full information on revenue, expenditure, financial assets and liabilities
(ii) Timeliness of submission of the financial statements	A	B	The statement is submitted for financial audit within 9 months for EFY 2000 and 2001. The statement submission for the EFY 1999 was after 11 months from the end of the fiscal year.
(iii) Accounting standards used	A	C	The Federal Government Standard is applied which does not correspond with IPSAS

**EMCP Reform Program:** According to the Impact Assessment Study of EMCP, the BSGR has been using the Modified Cash Double Entry Accounting System since EFY 1998. The accounts and administration operations are organized separately. BoFED is using a fully computerized accounting system while 87.5 percent of the surveyed sector bureaus, 75 percent of sample WoFEDs and the entire sample ZoFEDs are using a manual accounting system. IBEX software is used for accounts function since EFY 1998 by BoFED while none of the sample sector bureaus, ZoFEDs and WoFEDs use the system.

#### Regional PEFA 2007 Assessment

All the three dimensions are rated A. The scoring especially for dimension (i) and (iii) is exaggerated. This is because: (i) Some donor funds are not reported; and (ii) the accounting standards used is not the same as IPSAS.

### 3.6. External Scrutiny and Audit

The set of indicators assessed under this section deals with the scope, nature and follow-up of external audit, legislative scrutiny of the annual budget law and external audit reports.

#### PI - 26 Scope, nature and follow-up of external audit

A high quality external audit is an essential requirement for creating transparency in the use of public funds. Key elements of the quality of actual external audit comprise the scope of the audit, adherence to appropriate auditing standards including independence of the external audit body, focus on significant and systemic PFM issues in its reports and performance of the full range of financial audit.

The dimensions to be assessed in this indicator are (i) scope/nature of audit performed (including adherence to audit standards) (ii). Timeliness of submission of audit reports to the legislature and (iii) Evidence of follow-up on audit recommendations.

#### (i) *Scope/ nature of audit performed*

The Office of the Regional Auditor General (ORAG) performs audit on public bodies, bureaus/ offices, zones and woredas in addition to non-budgetary institutions like micro finance and Water Works Construction Enterprise. In EFY 2001 ORAG performed audit on

34 regional public bodies and non-budgetary institutions, 3 zones and 20 woredas (2 of them special woredas). Lately as per the BPR study, ORAG proposed that private auditors audit the statement of non-budgetary institutions. Private auditors are certified by ORAG. While conducting the audit the ORAG categorizes public bodies into high, medium and low on the basis of risk (compliance rate) and the size of their budget<sup>45</sup>.

With respect to the nature of audit, the focus is on financial and compliance audit. It has started performance audit lately. In addition special audits are carried out upon the request of the regional council and the ethics and anti-corruption commission. In FY 2000 and 2001, 30 and 33 financial and compliance audits and 1 and 2 performance audits respectively were performed<sup>48</sup>. ORAG follows the audit standards of the federal auditor general (OFAG) which is a member of AFROSAI-E. However, audit reports are not published in accordance with the standard of AFROSAI-E. ORAG is accountable to the regional council. However, the budget of ORAG is submitted to BoFED for review and recommendation, thereby compromising its independence to an extent.

**(iii) Timeliness of submission of audit reports to the legislative**

According to the proclamation ORAG should audit the annual financial statements of BoFED within 8 months of submission. However, they have planned to finalize the audit within 4 months as a result of the BPR. The annual financial statement of BoFED for EFY 1999 2000 and 2001 was submitted to ORAG in the month of March 2008, 2009 and 2010. The deputy head of ORAG informed us that they will complete the audit of the EFY: 2001 financial statements in May 2010 to be presented to the regional council in June. The financial statement for the EFY 1999 was not audited in the subsequent years. Hence the audit report for the EFY 1999 was submitted to the Regional council together with the EFY 2000 audit report in June 2009.

**Table 13: Submission Date of Audit Reports by ORAG to the Regional Council**

Financial Statement	Dates
EFY 1999	June 2009 <sup>46</sup>
EYF 2000	June 2009
EYF 2001	June 2010

**(iii) Evidence of follow up on audit recommendation**

Before the final report is finalized ORAG will hold an exit conference with the responsible staff of the audited organization. It finally produces its final report and sends it to the audited bureau, woreda or zone and the regional council. Based on the report the president writes to BoFED and the audited public body to report on the measures taken according to the recommendations of ORAG. ORAG will also make follow up as to the measures taken during its next audit<sup>47</sup>.

<sup>45</sup> BRSg, Proclamation No. 76/2008 Auditor General Re-establishment proclamation, November 01,2008

<sup>46</sup> The submission of the financial statements by BoFED was late. As a result of this the audit report for the EFY 2000 was submitted to the Regional Council in June 2001.

<sup>47</sup> *ibid*

Indicator	Score		Explanation
	2007	2010	
PI-26	D	C+	Scoring Method M1
(i) Scope/nature of audit performed	D	C	In FY 1999, 2000 and 2001 of the total organizations 86%, 58% and 68% respectively were audited. The budget of these public bodies represent at least 50% of total expenditure Therefore government entities representing at least 50% are audited annually. Financial and compliance audits with a few performance audits are performed with focus on systemic issues. Audit reports are not published in accordance with AFROSAI-E standards.
(ii) Timeliness submission of audit reports to the legislature	B	A	The annual financial statements for 2007/08 were submitted to ORAG in March 2009 and the audited statements sent to the Regional Council in June 2009. <i>(Note: The information on the date of submission of audit reports on public bodies is not available).</i>
(iii) Evidence of follow up on audit recommendations	C	C	Formal response is made by some public bodies. In EFY 1999, 2000 and 2001 17,12 and 24 public bodies respectively did not respond

### Regional PEFA 2007 Assessment

The indicator was rated D, but it should have been D+ under the M1 scoring method. There are improvements with respect to the scope of audit covered as the ORAG has been strengthened in manpower which helped to increase the coverage. It has also started performance audit even though on a small scale.

### P-I 27 Legislative scrutiny of the annual budget law

The legislator gives the government the power to spend the approved budget through the passing of the annual budget.

#### (i) Scope of the legislatures scrutiny

The legislature's review covers only details of expenditure, revenue and subsidies to woredas presented in the draft budget proclamation.

#### (ii) Extent to which the legislatures procedures are well established and respected

The budget and finance committee will review the draft budget proclamation, incorporates its comments and finally, this will be presented to the general assembly of the Regional Council for their deliberation and approval<sup>48</sup>. There is a written procedure according to Code of Ethics and legislative procedures, committees organization and working directive<sup>49</sup>. The committee's duties, responsibilities and working procedures are derived from proclamation number 65/1999, article 18. According to the procedure the draft budget will be sent to BFC for review before ten days from the end of the fiscal year. The committee reviews the budget

<sup>48</sup> Secretary of the Regional Council

<sup>49</sup> Directive number 29/1999 (BSGRS)

proposal within three days and submits its recommendation to the General Assembly. The procedure is partially respected.

***(iii) Adequacy of time for the legislature to provide a response to budget proposals.***

In the financial calendar of the region it is stated that the legislature has at least two weeks June 14 to June 30 E.C. to review and approve the budget<sup>50</sup>. However, according to the secretary of the regional council, the budget has not been approved before June 30.

This is mainly because the budget has not been presented to the council before or on June 20. According to him the budget and finance committee is expected to review the budget within 3 days. With its limited technical capability the time for the finance and budget committee and the legislature is therefore insufficient.

***(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature***

Budget transfer procedures without prior approval by the legislative are clearly stated in each budget proclamation and the financial administration proclamation. Accordingly BoFED and the cabinet can make budget transfers that will not result in an overall increase in the approved budget.

Any amendment to the budget that requires ex-ante approval by the legislature is for supplementary budget. Supplementary budget are approved once or twice a year, usually once in June. The practice shows that the regional council approves supplementary budgets after it has been implemented, an ex-post approval. This is mainly because members of the general assembly of the regional council are not working on a permanent basis like the federal parliament. Therefore, according to the secretary it is costly to call a general assembly meeting to approve a supplementary budget.

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<sup>50</sup> BoFED, Financial Calendar



Indicator	Score		Explanation
	2007	2010	
PI-27	D+	D+	Scoring Method M1
(i) Scope of legislative scrutiny	A	C	The legislature's review covers only detailed estimates of revenue and expenditure when detailed proposals are finalized
(ii) Extent to which the legislature's procedures are well-established and respected	A	C	Simple procedures exist for the legislature's budget review and are partially respected. According to the procedure budget was supposed to be presented to the committee before ten days from the commencement of the new fiscal year. However, budget had not been approved before the end of the fiscal year. The procedure was partially respected
(iii) Adequacy of time for the legislature to provide a response to budget proposals	D	D	The budget calendar allows 15 days for the legislature to review the draft budget proclamation. However, this has not been implemented. Therefore the time allowed for the legislature's review is insufficient.
(iv) Rules for in-year amendments to be budget without ex-ante approval by the legislature's	A	D	Clear rules exist for in-year budget amendments by the executive as long as they do not result in an increase in total expenditure and are respected but they allow extensive administrative reallocations. <i>Ex-ante</i> legislative approval is required for proposed adjustments to the budget that result in an increase in total spending, but this rule is not respected, as approval is given <i>ex-post</i> .

### Regional PEFA 2007 Assessment

The dimension was scored D+ only because dimension (iii) adequacy of time for the legislature to review the budget proposal was rated D. The other three dimensions are rated A which seems optimistic especially with respect to dimension (i) i.e the limited scope of the legislature review which does not cover fiscal policies and medium term fiscal framework.

### PI - 28 Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that is approved. The dimensions to be assessed in this indicator are: (i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years) (ii) Extent of hearings on key findings undertaken by the legislature (iii) Issuance of recommended actions by the legislature and implementation by the executive.

#### (i) *Timeliness of examination of audit reports by the legislature*

The General Assembly of the Legislature meets only twice a year for 3 to 4 days. During its session in July or August it approves the budget for the next year, supplementary budget of the current year and reviews audit reports: annual audit plan implementation, follow-up audits (to examine action taken by the executive as per the recommendation of the

legislature), financial and compliance audit, performance audit and audit on the consolidated statement of BoFED<sup>51</sup>. The legislature, therefore, cannot make any in- depth scrutiny of audit reports due to time constraints and capacity limitation<sup>52</sup>.

**(ii) Extent of hearings or key findings undertaken by the legislature**

No in depth hearings are conducted by the legislature. The finance and budget committee is not working on a permanent basis even the chairman is working on an ad hoc basis.

**(iii) Issuance of recommended actions by the legislature and implementation by the executive**

The legislature makes recommendations. It sends its recommendations through the president of the Regional Council to BOFED as well as to the justice bureau for legal action. Apart from this the finance and budget committee (and the legislature in general) does not check if the recommendations are acted on.

Indicator	Score		Explanation
	2007	2010	
PI-28	C+	D+	Scoring Method M1
(i) Timeliness of examination of audit reports	A	A	Scrutiny of audit reports is usually completed within three months
(ii) Extent of hearings on key findings undertaken by the legislature	C	D	No in depth hearings are conducted by the legislature. The Finance and Budget Committee works on an ad-hoc basis.
(iii) Issuance of recommended actions by the legislatures and implementation by the executive	C	C	The legislature issues recommendations for actions to be implemented by the executive some of which may be implemented, but the legislature does not have the evidence to check.

**Regional 2007 PEFA Assessment**

The indicator is rated C+. However dimension (ii) seems over rated because the finance and budget committee is not working on a permanent basis to have time to make in depth hearings.

<sup>51</sup> ORAG ETY 2001 Annual Report, July 2001

<sup>52</sup> Secretary of the Regional Council

### 3.7. Donor Practices

#### D1 Predictability of Direct budget support

Direct budget support consists of all un earmarked donor funds deposited to central treasury account to support the government budget (mixed) with domestic revenue.

Budget support is provided to the Federal Government. This indicator is therefore not applicable to the Benishangul Gumuz Region as the region doesn't receive direct budget support.

#### D2 Financial Information provided by donors for budgeting and reporting on project and program aid.

The dimensions to be assessed in this indicator are:

- (i) Completeness and timeliness of budget estimates by donors for project support
- (ii) Frequency and coverage of reporting by donors on actual donor flows for project support

##### *(i) Completeness and timeliness of budget estimates by donors for project support*

Donor assistance is provided to the region directly through Channel 1 in addition to the Channel 1 funds (loan and assistance) that come to BoFED from MOFED. There are also Channel 2 donor funds which are directly transferred to sector bureaus from Federal Sector Ministries. Donors also provide assistance directly to sector bureaus (thus also Channel 2). In addition there are donor funds from NGOs for projects that directly finance projects without going through sector bureaus (Channel 3).

Donor agencies that finance projects/programs in the region are ADB, DFID, IDA, FINNIDA and UN Agencies (UNICEF, UNDP, UNCDF and UNFPA).

Project support budget estimates are prepared in a participatory manner with respective sector offices for the project period. Other project support budget estimates which are channeled through channel one are communicated by MoFED during budget ceiling notification. Accordingly, budget estimates for approved projects are known well in advance and the estimates are complete.

The budget classification for most donor funded projects are not consistent with the government budget classification.

##### *(ii) Frequency and coverage of reporting by donors on actual donor flows for project support*

Within BoFED, there is a unit which is in charge of compiling data and reporting on expenditure funded through bilateral and multilateral aid. Reports are made on an activity basis (of a project) when activities are accomplished for a disbursed fund. The minimum reporting period once funds are transferred for a project is six months. Funds unused for a period of six months are reimbursed to the donor. Reports are submitted to MoFED, donors, the respective ministries, as well as to BoFED management and sector bureaus. Standard reports show the total cash transferred from donors, actual

expenditure for the period and the unused fund carried forward. No budget comparison information is provided. There is no strict reporting schedule. The reports are not consistent with the government's budget classification.

Indicator	Score		Explanation
	2007	2010	
D2	N/A	D+	Scoring Method (M1)
(i) Completeness and timeliness of budget estimates by donors for project support	N/A	C	Reports are complete and there is a system whereby project support is known in advance. The majority of donor budget classification is not in accordance with the government budget classification. As a result of this, many of the donor funded projects are not processed in the IBEX System.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	N/A	D	Reporting is normally made up on accomplishment of activities; the government's budget classification system is not used. There is no comparison with the approved budget. Reports are on a six month basis, not quarterly.

### D3 Proportion of aid that is managed by use of national procedures

#### (i) Overall proportion of aid fund to regional government that are managed through national procedures.

The dimension to be assessed is the overall proportion of aid funds to regional government through national procedures. The use of national procedures refers to the banking, authorization, procurement, accounting, audit, disbursement and reporting arrangement for donor funds. Donors that use the government budget classification systems are World Bank, IDA, ADB and Finland. For the UN system, a harmonized chart of account issued by MoFED is being used. Reports are made to sector Ministries and BoFED. There is no strict reporting period. In most cases, reports are issued after project execution or not later than six months from the release of disbursement. The reports are not incorporated with the regional reporting system.

With regard to banking arrangements, bank accounts are opened by BoFED for donor funded projects by program. For the year 2001 EFY, there were 12 bank accounts for the 12 programs. One program could be financed by more than one donor. These bank accounts are not part of the zero balance account system.

These funds are audited by external auditors with their assignments facilitated by MoFED.

The procurement procedure being undertaken is the region's public procurement procedure.

Indicator	Score		Explanation
	2007	2010	
D3	N/A	D	Scoring Method (M1)
Overall proportion of aid funds to regional government that are managed through national procedures	N/A	D	Less than 50% of Aid Funds to regional government are managed through national procedures. The banking system is not based on zero balance account system; external auditors are assigned by MoFED and the reports are not incorporated with the existing regional government reporting system.

### HLG 1: Predictability of transfers from the Federal Government

Transfers from the Federal Government mainly consist of the block grant. The actual amounts transferred are virtually the same as the amounts budgeted for.

## 4. Government Reform Process

### 4.1. Description of recent and ongoing reforms

One of the reform programs of the government that is related to PFM reforms is the Public Sector Capacity Building Program (PSCAP). The major areas of PSCAP reform are: Service Delivery, Expenditure Management and Control Program (EMCP) Human Resource Management, Ethics and Top Management Systems<sup>53</sup>. The EMCP has been the primary vehicle for PFM report in the country. Currently, the reforms covered under the EMCP are legal framework, budget, accounts, internal audit and control, cash management, procurement, government property management and financial information systems<sup>54</sup>.

Another major building block of the PSCAP is the District Level Decentralization Program (DLDP). Its objective is to deepen the devolution of power to the lower tiers of regional governments aimed at institutionalizing decision making processes at grass-root levels with a view to enhance democratic participation, capacity building for woreda development planning and financial control and refinement of minimum service standard for woredas<sup>55</sup>.

Recent reforms include program budgeting which has started on a pilot basis at the federal level ( to be rolled to regions after successfully implemented at the federal level) and Business Process Re-engineering (BPR) studies which aims at reviewing the working practices and procedures in order to avoid duplication of activities and ensure efficient delivery of tasks and services. It has contributed to the fine tuning of the PFM reform programs.

<sup>53</sup> Ministry of Capacity Building, (MoCB) Public Sector Capacity Building Program, First Annual progress Report Addis Ababa June 2006

<sup>54</sup> Public Finance Management Report, Ethiopia, December 2009

<sup>55</sup> MoCB, June 2006

#### **4.2. Institutional factors supporting reform planning and implementation**

The EMCP is being coordinated by a unit under MoFED with a full time focal person with a rank of State Minister to steer the reform program<sup>56</sup>. The unit ensures the timely roll out of the reform programs to the regions after it has been successfully implemented at the federal level. PSCAP on the other hand is being coordinated by the Ministry of Capacity Building. There is coordination regarding PFM issues between the government and donors. Donor assistance especially through PSCAP and PBS has been instrumental in financing the reform program.

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<sup>56</sup> Public Finance Management Report, December 2009

# **ANNEXES**

**Annex 1: Expenditure Performance indicators summary****Annex 1: 1: Aggregate Expenditure outrun compared to original approved budget – EFY 1999**

		Data for year = 1999				
	Administrative unit head	budget	Actual	difference	absolute	percent
111	Regional council	1,284,000.00	1,288,196.09	4,196.09	4,196.09	0.3%
113	Office of The Auditor General	1,350,000.00	1,307,202.01	(42,797.99)	42,797.99	3.2%
115	Office of Regional Administration	4,550,000.00	5,405,871.51	855,871.51	855,871.51	18.8%
121	Bureau of Justice	1,900,000.00	1,922,798.09	22,798.09	22,798.09	1.2%
122	Supreme Court	2,500,000.00	2,757,420.52	257,420.52	257,420.52	10.3%
127	Police Commission	6,190,000.00	6,312,372.14	122,372.14	122,372.14	2.0%
128	Ethics and Anti-Corruption Commission	-	-	-	-	
129	Prison Administration	4,200,000.00	5,124,071.76	924,071.76	924,071.76	22.0%
150	General Services	8,720,000.00	9,524,181.01	804,181.01	804,181.01	9.2%
210	Agriculture & Natural Resource	11,427,000.00	11,551,578.49	124,578.49	124,578.49	1.1%
221	Water, Mining & Energy Resource Dev Bureau	14,814,984.00	13,814,688.55	(1,000,295.45)	1,000,295.45	6.8%
230	Industry And Trade	2,991,500.00	2,697,925.63	(293,574.37)	293,574.37	9.8%
270	Construction and Urban Development	26,072,516.00	30,461,323.58	4,388,807.58	4,388,807.58	16.8%
310	Capacity Building, Education and Training	31,771,000.00	36,706,087.99	4,935,087.99	4,935,087.99	15.5%
330	Culture and Sport	2,700,900.00	2,294,317.23	(406,582.77)	406,582.77	15.1%
340	Health	13,261,000.00	14,539,362.59	1,278,362.59	1,278,362.59	9.6%
400	Contingency	7,300,000.00	-	(7,300,000.00)	7,300,000.00	100.0%
	Others	2,758,000.00	2,134,470.93	(623,529.07)	623,529.07	22.6%
	total expenditure	143,790,900.00	147,841,868.12	4050968.12	4050968.12	2.8%
	composition variance	143,790,900.00	147,841,868.12		23384527.42	16.3%



**Annex 1: 2: Aggregate Expenditure outrun compared to original approved budget – EFY 2000**

Data for year = 2000						
	Administrative unit head	budget	actual	Difference	absolute	percent
111	Regional council	2,400,000.00	3,175,731.73	775,731.73	775,731.73	32.3%
113	Office of The Auditor General	1,370,000.00	1,405,490.53	35,490.53	35,490.53	2.6%
115	Office of Regional Administration	4,910,000.00	7,794,753.46	2,884,753.46	2,884,753.46	58.8%
121	Bureau of Justice	2,285,000.00	2,478,881.91	193,881.91	193,881.91	8.5%
122	Supreme Court	3,330,000.00	3,612,639.00	282,639.00	282,639.00	8.5%
127	Police Commission	6,278,000.00	10,654,902.76	4,376,902.76	4,376,902.76	69.7%
128	Ethics and Anti-Corruption Commission	-	-	-	-	
129	Prison Administration	6,077,000.00	7,388,715.18	1,311,715.18	1,311,715.18	21.6%
150	General Services	8,290,000.00	10,130,775.09	1,840,775.09	1,840,775.09	22.2%
210	Agriculture & Natural Resource	11,225,000.00	12,138,602.30	913,602.30	913,602.30	8.1%
221	Water, Mining & Energy Resource Dev Bureau	5,832,536.00	8,199,499.80	2,366,963.80	2,366,963.80	40.6%
230	Industry And Trade	3,455,000.00	3,678,554.71	223,554.71	223,554.71	6.5%
270	Construction and Urban Development	39,820,464.00	48,493,749.13	8,673,285.13	8,673,285.13	21.8%
310	Capacity Building, Education and Training	27,117,000.00	27,757,757.31	640,757.31	640,757.31	2.4%
330	Culture and Sport	1,400,000.00	1,372,242.61	(27,757.39)	27,757.39	2.0%
340	Health	14,601,000.00	15,264,016.14	663,016.14	663,016.14	4.5%
400	Contingency	2,000,000.00	-	(2,000,000.00)	2,000,000.00	100.0%
	Others (Sum of rest)	1,633,035.00	1,895,741.25	262,706.25	262,706.25	16.1%
	total expenditure deviation	142,024,035.00	165,442,052.91	23,418,017.91	23,418,017.91	16.5%
	composition variance	142,024,035.00	165,442,052.91		27,473,532.69	19.3%

**Annex 1: 3: Aggregate Expenditure outrun compared to original approved budget – EFY 2001**

Data for year =		2001				
Administrative unit head	budget	actual	difference	absolute	percent	
111	Regional council	2,023,000.00	1,980,717.69	(42,282.31)	42,282.31	2.1%
113	Office of The Auditor General	1,620,000.00	1,602,185.75	(17,814.25)	17,814.25	1.1%
115	Office of Regional Administration	5,650,000.00	7,537,965.97	1,887,965.97	1,887,965.97	33.4%
121	Bureau of Justice	3,147,000.00	3,078,894.42	(68,105.58)	68,105.58	2.2%
122	Supreme Court	3,855,000.00	3,737,311.58	(117,688.42)	117,688.42	3.1%
127	Police Commission	10,654,000.00	11,117,475.20	463,475.20	463,475.20	4.4%
128	Ethics and Anti-Corruption Commission	1,300,000.00	1,279,037.55	(20,962.45)	20,962.45	1.6%
129	Prison Administration	11,026,000.00	10,523,146.41	(502,853.59)	502,853.59	4.6%
150	General Services	9,753,000.00	10,692,329.81	939,329.81	939,329.81	9.6%
210	Agriculture & Natural Resource	12,642,000.00	12,044,724.49	(597,275.51)	597,275.51	4.7%
221	Water, Mining & Energy Resource Dev Bureau	5,000,000.00	3,688,825.48	(1,311,174.52)	1,311,174.52	26.2%
230	Industry And Trade	3,645,000.00	3,533,036.52	(111,963.48)	111,963.48	3.1%
270	Construction and Urban Development	15,287,000.00	32,380,210.69	17,093,210.69	17,093,210.69	111.8%
310	Capacity Building, Education and Training	32,868,000.00	28,436,908.96	(4,431,091.04)	4,431,091.04	13.5%
330	Culture and Sport	1,550,000.00	1,898,667.65	348,667.65	348,667.65	22.5%
340	Health	18,097,000.00	17,428,166.55	(668,833.45)	668,833.45	3.7%
400	Contingency	1,600,000.00	-	(1,600,000.00)	1,600,000.00	100.0%
	Others (Sum of rest)	2,076,000.00	2,160,570.15	84,570.15	84,570.15	4.1%
	total expenditure deviation	141,793,000.00	153,120,174.87	11,327,174.87	11,327,174.87	8.0%
	composition variance	141,793,000.00	153,120,174.87		30,307,264.07	21.4%

**Annex 1 D - Results Matrix**

year	for PI-1 total exp. deviation	total exp. variance	for PI-2 variance in excess of total deviation
1999	2.8%	16.3%	13.4%
2000	16.5%	19.3%	2.9%
2001	8.0%	21.4%	13.4%

**Annex 2: Aggregate Revenue outturn compared to original approved budget**

Description	1999		2000		2001	
	Approved Budget	Actual Revenue	Approved Budget	Actual Revenue	Approved Budget	Actual Revenue
<b>Tax Revenue</b>	<b>20,880,663</b>	<b>19,610,606</b>	<b>24,012,760</b>	<b>31,266,273</b>	<b>27,992,731</b>	<b>39,790,942</b>
Tax on Income, Profit and Capital Gain	17,006,070	17,690,495	19,556,981	28,146,705	22,541,023	34,098,229
Value Added Tax /VAT/	-	8,472	8,625	3,295	2,875	2,386
Value Added Tax On Services	581,015	12,324	668,167	8,152	755,131	24,755
Excise Taxes on Locally Manufactured Goods	-	3,051	-	50	-	1,895
Sales Turnover Tax On Locally Manufactured Goods	663,018	316,754	756,718	645,315	964,737	1,001,506
Service Sales Tax	2,519,279	1,372,782	2,894,295	1,933,406	3,568,769	3,710,600
Stamp Sales and Duty	-	32,204	-	260,816	-	455,343
<b>Non-Tax Revenue</b>	<b>10,295,000</b>	<b>8,320,418</b>	<b>11,839,252</b>	<b>9,078,705</b>	<b>12,435,900</b>	<b>10,691,057</b>
Administrative Fees and Charges	826,299	1,579,560	950,246	1,475,573	874,567	1,867,374
Sales of Public Goods and Services	3,635,660	2,949,609	4,181,008	3,316,456	4,320,710	3,905,313
Government Investment Income	2,082,845	1,878,477	2,395,272	2,872,536	3,144,344	2,428,104
Miscellaneous Revenue	3,750,196	1,911,717	4,312,726	1,414,140	4,096,279	2,489,884
<b>Capital Revenue</b>	<b>824,337</b>	<b>6,527</b>	<b>947,988</b>	<b>3,515,091</b>	<b>1,071,371</b>	<b>29,530</b>
<b>Subsidy Revenue</b>	<b>-</b>	<b>258,907,700</b>	<b>-</b>	<b>290,257,640</b>	<b>-</b>	<b>271,524,335</b>
<b>Total including Subsidy</b>	<b>32,000,000</b>	<b>286,845,251</b>	<b>36,800,000</b>	<b>334,117,709</b>	<b>41,500,002</b>	<b>322,035,864</b>
<b>Total Excluding Subsidy</b>	<b>32,000,000</b>	<b>27,937,551</b>	<b>36,800,000</b>	<b>43,860,069</b>	<b>41,500,002</b>	<b>50,511,529</b>
		<b>87.30%</b>		<b>119.18%</b>		<b>121.71%</b>

**Annex 3: Actual budgetary allocations by sectors in ETB Millions for the EFY 1999, 2000 and 2001**

Sector Summary in Birr	Expenditures in Million Birr									Percentage Summary		
	1999			2000			2001			1999	2000	2001
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total			
<b>Administration and General Service</b>	<b>74.90</b>	<b>1.80</b>	<b>76.70</b>	<b>96.00</b>	<b>2.20</b>	<b>98.20</b>	<b>106.50</b>	<b>1.90</b>	<b>108.40</b>	<b>27.63%</b>	<b>38.69%</b>	<b>32.35%</b>
Organs of State	16.40	1.70	18.10	22.80	1.90	24.70	25.70	0.90	26.60	6.52%	9.19%	7.94%
Justice and Security	28.80	0.00	28.80	40.80	-	40.80	46.20	0.60	46.80	10.38%	16.44%	13.97%
General Public Services	21.20	0.09	21.29	23.40	0.20	23.60	25.70	0.40	26.10	7.67%	9.43%	7.79%
Others	29.70	0.01	29.71	9.00	0.10	9.10	8.90	-	8.90	10.70%	3.63%	2.66%
<b>Economy</b>	<b>36.70</b>	<b>42.10</b>	<b>78.80</b>	<b>43.90</b>	<b>50.70</b>	<b>94.60</b>	<b>48.70</b>	<b>28.40</b>	<b>77.10</b>	<b>28.39%</b>	<b>17.69%</b>	<b>23.01%</b>
Agriculture & Natural Resource	26.70	1.70	28.40	30.40	0.90	31.30	32.50	1.10	33.60	10.23%	12.25%	10.03%
Water, Mining & Energy Resource Dev Bureau	2.80	12.70	15.50	3.40	6.50	9.90	4.40	1.80	6.20	5.58%	1.37%	1.85%
Industry And Trade	2.60	0.30	2.90	3.30	0.60	3.90	3.40	0.40	3.80	1.04%	1.33%	1.13%
Construction and Urban Development	4.60	27.30	31.90	6.80	42.70	49.50	8.40	25.10	33.50	11.49%	2.74%	10.00%
Others	-	0.10	0.10	-	-	-	-	-	-	0.04%	0.00%	0.00%
<b>Social</b>	<b>86.80</b>	<b>35.30</b>	<b>122.10</b>	<b>108.20</b>	<b>30.80</b>	<b>139.00</b>	<b>130.40</b>	<b>19.20</b>	<b>149.60</b>	<b>43.98%</b>	<b>43.61%</b>	<b>44.64%</b>
Education, training and Capacity Building	59.20	31.30	90.50	74.80	29.30	104.10	91.00	18.00	109.00	32.60%	30.15%	32.53%
Culture and Sport	1.90	0.30	2.20	1.40	-	1.40	1.90	-	1.90	0.79%	0.56%	0.57%
Health	25.70	3.70	29.40	32.10	1.50	33.60	37.10	1.20	38.30	10.59%	12.94%	11.43%
Others	-	(0.00)	(0.00)	-	-	-	0.40	-	0.40	0.00%	0.00%	0.12%
<b>Contingency</b>			-			-		-	-	0.00%	0.00%	0.00%
Others			-			-		-	-	0.00%	0.00%	0.00%
<b>Grand Total</b>	<b>198.40</b>	<b>79.20</b>	<b>277.60</b>	<b>248.10</b>	<b>83.70</b>	<b>331.80</b>	<b>285.60</b>	<b>49.50</b>	<b>335.10</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Annex 4: Global Fund budget disbursement during EFY 1999, 2000 and 2001**

Round	Component	US\$	Status	Receipt Type	Grant Number	Date	Disbursed in US\$
6	TB	11,792,574	G1	Gov:MOH	ETH-607-G06-T	01-Feb-08	7,878,422
7	HIV/AIDS	64,955,789	G1	CS/PS:NGO	ETH-708-G07-H	01-Apr-09	3,089,816
				Gov:Oth	ETH-708-G08-H	01-Jan-09	22,443,435
				CS/PS:NGO	ETH-708-G09-H	01-Jan-09	6,780,027
8		133,089,526	G1	Gov:MOH	ETH-809-G10-M	01-Nov-09	72,178,615
9		19,383,242	B1				
							112,370,315

Source: Global Fund Annual Report, 2010

B1: Board Approved

G1: Per Grant Agreement

**Annex 5: FINANCIAL STATUS OF UN EXCOM PROGRAMME**

FUND RELEASED &amp; UTILIZED IN THE REGION (BGRS) FROM 2007 -2009

Donor	Programme	2007 budget year		Difference	2008 Budget Year		Difference	2009 Budget Year		Difference
		released Fund	Expenditure		released Fund	Expenditure		released Fund	Expenditure	
UNCDF	ERDP	0			571,350.00	195,639.40	-375,710.60	1,429,683.06	614,766.04	-814,917.02
UNDP	ERDP	1,013,158.00	25,607.52	-987,550.48	386,154.40	1,312,618.47	926,464.07	622,032.18	215,020.27	-407,011.91
UNDP	MDGS	2,468,668.76	2,330,904.34	-137,764.42						
UNICEF	Adolescent Devt	199,068.00	127,104.00	-71,964.00	359,962.07	165,089.65	-194,872.42	399,884.31	311,232.24	-88,652.07
UNICEF	Health & Nutrition	1,863,550.26	1,090,483.71	-773,066.55	1,697,917.45	1,960,442.41	262,524.96			
UNFPA	PD	75,942.60	71,912.85	-4,029.75	16,019.13	10,326.35	-5,692.78	130,236.00	139,958.53	9,722.53
UNFPA	RH	220,226.00	107,756.94	-112,469.06		112,469.06	-	-	-	-
	<b>TOTAL</b>	<b>5,840,613.62</b>	<b>3,753,769.36</b>		<b>3,031,403.05</b>	<b>3,756,585.34</b>		<b>2,581,835.55</b>	<b>1,280,977.08</b>	

**Annex 6: List of people contacted**

	<b>Name</b>	<b>Organization</b>	<b>Position</b>	<b>Telephone</b>
1	Ato Berhanu Garno	BSG BoFED	Head of BoFED	
2	Ato Fufa Biftu	Office of Auditor General	Deputy Auditor General	0577750823
3	Ato Gashaw Eneyew	BSG Revenue Authority	Deputy Revenue Head	
4	Ato Muleta Wonber	Regional Council	Secretary	0911 772851
5	Ato Befekadu Woldemeskel	Bureau of Education	Finance and Administration Head	0911 337970 0577750434
6	Zerihun Shibru	Bureau of Education	Internal Audit Head	0911/944660
7	Henok Yohannes	BSG BoFED	Project Accountant	
8	Wallelegn Wondiye	BSG BoFED	Project Accountant	
9	Ato Mohammed Mossa	Bureau of Health	Plan and program service head	
10	Ato Gemechis Rega	Bureau of Health	Internal Audit Head	05777501836
11	Ato Feyissa Tolina	Procurement, Property Administration and Inspection	Acting Head	0910 830158
12	Ato Ferenj	BoFED Accounts	Accountant	0911 905121
13	Ato kidane Mariam Abera	BSG Chamber of Commerce	President	0911 715658
14	Ato Berihun Ejigu	BoFED	Accounts Head	0911 048305

**Donor Agencies**

Mr. Ephraim Zewdie, Economist, EU Delegation, Addis Ababa

Ms. Benedetta Musillo, Economic Attache, EU Delegation, Addis Ababa

Mr. Christoph Wagner, Head of Section, Economic, Trade, Social, Regional Integration, EU Delegation, Addis Ababa

Ato Hiwot Mebrate, Social Development Advisor, Embassy of Ireland, Addis Ababa.

Mr. Hans Poley, First Secretary Economic Affairs, Netherlands Embassy, Addis Ababa

Dr. Paul Dorsey, Dulcian, Ethiopia (IBEX Project)

Dr. Stephen Peterson, former project manager of DSA project

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  - a. Trial Balance As of July 7 2007
  - b. Trial Balance As of July 7 2008
  - c. Trial Balance As of July 7 2009
  - d. Trial Balance As of August 6 2007
  - e. Trial Balance As of August 6 2008
  - f. Trial Balance As of August 6 2009
  - g. Budgeted and Actual Revenue outturn reports for the year ended July 7, 2007
  - h. Budgeted and Actual Revenue outturn reports for the year ended July 7, 2008
  - i. Budgeted and Actual Revenue outturn reports for the year ended July 7, 2009
  - j. Budget and actual expenditure reports for the year ended July 7, 2007
  - k. Budget and actual expenditure reports for the year ended July 7, 2008
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