



PEFA

Public Expenditure and Financial Accountability

Federal Democratic Republic of Ethiopia (Southern Nations, Nationalities and Peoples Region)



Performance Assessment Report

Final Report

April 13, 2020

Funded by



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Public Expenditure and Financial Accountability (PEFA) Assessment

Federal Democratic Republic of Ethiopia

(SNNPR)

Final report - March 30, 2020

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

PEFA Secretariat

April 13, 2020

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Abbreviations and acronyms

| | |
|---------|--|
| AFROSAI | African Organization of Supreme Audit Institutions |
| AFS | Annual Financial Statement |
| AG | Auditor General |
| ATA | Agricultural Transformation Agency |
| BCC | Budget Call Circular |
| BCSHRD | Bureau of Civil Service and Human Resource Development |
| BI | Budget Institution |
| BFAASC | Budget and Finance and Audit Affairs Standing Committee |
| BIS | Budget Information System |
| BoE | Bureau of Education |
| BoH | Bureau of Health |
| BoFED | Bureau of Finance and Economic Development |
| BoT | Bureau of Transport |
| COFOG | Classification of the Functions of Government |
| COPCD | Channel One Projects Coordination Department |
| CPI | Corruption Perception Index |
| DFID | U.K. Department for International Development |
| DP | Development Partner |
| EC | Ethiopian Calendar |
| EBU | Extra Budgetary Unit |
| EFY | Ethiopian Fiscal Year |
| EMCP | Expenditure Management and Control Program |
| EPSA | Ethiopian Pharmaceuticals Supply Agency |
| ERCA | Ethiopian Revenue and Customs Authority |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FTA | Financial Transparency and Accountability |
| GC | Gregorian Calendar |
| GDP | Gross Domestic Product |
| GEWE | Gender Equality and Women Empowerment |
| GFS | Government Finance Statistics |
| GOFAMM | Government Fixed Assets Management Manual |
| GRB | Gender-responsive Budgeting |
| GRPFM | Gender-responsive Public Financial Management |
| GTP | Growth and Transformation Plan |
| HLG | Higher-level Government |
| HR | Human Resources |
| HRD | Human Resources Department |
| IBEX | Integrated Budget and Expenditures System |
| ICT | Information and Communication Technology |
| ID | Inspection Directorate |
| IDC | Italian Development Cooperation |
| IFMIS | Integrated Financial Management Information System |
| IMF | International Monetary Fund |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPSAS | International Public Sector Accounting Standards |
| ISPPIA | International Standards for the Professional Practice of Internal Auditing |

| | |
|--------|--|
| ISSAI | International Standards of Supreme Audit Institutions |
| IT | Information Technology |
| KPI | Key Performance Indicator |
| LAN | Local Area Network |
| MDAs | Ministries, Departments, and Agencies |
| MEFF | Macroeconomic and Fiscal Framework |
| MoF | Ministry of Finance |
| MTEF | Medium-term Expenditure Framework |
| NU | Not Used |
| OECD | Organisation for Economic Co-operation and Development |
| ORAG | Office of the Regional Auditor General |
| OT | Oversight Team |
| PA | Previous Assessment |
| PAC | Public Accounts Committee |
| PBS | Promotion of Basic Services Program |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PI | Performance Indicator |
| PPPAA | Public Procurement and Property Administration Agency |
| RA | Revenue Authority |
| REAC | Regional Ethics and Anticorruption Commission |
| RRA | Rural Roads Authority |
| SDG | Sustainable Development Goal |
| SIGTAS | Standard Integrated Government Tax Administration System |
| SNG | Subnational Government |
| SNNPR | Southern Nations and Nationalities Peoples' Region |
| SoE | State-owned Enterprise |
| SWOT | Strengths, Weakness, Opportunities, and Threats |
| TA | Tax Agent |
| TSA | Treasury Single Account |
| TTL | Task Team Leader |
| ULGDP | Urban Local Government Development Project |
| UNDP | United Nations Development Programme |
| UNICEF | United Nations Children's Fund |
| UNIDO | United Nations Industrial Development Organization |
| VAT | Value Added Tax |
| WAN | Wide Area Network |
| WoFED | Woreda Office of Finance and Economic Development |
| ZBA | Zero Balance Account |
| ZoFED | Zonal Office of Finance and Economic Development |

Fiscal year:

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

EFY 2008, 2009, 2010 = Gregorian FY 2015/2016, 2016/2017, 2017/2018 (July 1–June 30)

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

Currency unit = Ethiopian Birr (ETB)

US\$1 = ETB 28.60 (as of February 16, 2019)

Executive Summary

1. The objective of the Public Expenditure and Financial Accountability (PEFA) assessment is to review the current performance of the public financial management (PFM) systems, processes, and institutions of the Southern Nations, Nationalities, and Peoples' Region (SNNPR). The assessment is aimed at assisting the government in identifying PFM weaknesses that may inhibit effective delivery of services to its citizens and the realization of its development objectives in general. Furthermore, the findings of the PEFA assessment will assist the government in refining the PFM Reform Strategy that it has already developed and provide the basis for a coherent PFM reform program that can be supported by development partners (DPs), as well as through the government's own initiatives.
2. The regional PEFA assessment covered regional government budgeted units, the Office of Federal Auditor General (OFAG), and Parliament. Civil society organizations were also contacted to solicit their views on the general PFM environment, especially on issues relating to procurement and taxation.
3. The fiscal years for the assessment are Ethiopian Calendar (EC) 2008, 2009, 2010 (Gregorian Calendar [GC] FY2015/2016, 2016/2017, and 2017/2018). The period covered for each of the 94 dimensions (summarized into 32 performance indicators [PIs]) depends on the dimension and in accordance with the PEFA measurement framework. Some dimensions were assessed at the time of assessment (October 21, 2019, to November 1, 2019) during the field missions. The cutoff date was November 30, 2019; the assessment reflects the status of PFM systems and processes as of that date. Other dimensions were assessed at the relevant period, which is the last completed fiscal year FY2017/2018 or FY2018/2019 for the last budget submitted to Parliament.

Impact of PFM systems on budgetary and fiscal outcomes

Aggregate fiscal discipline

4. The good rating of PI-1 provides reasonable assurance of budget discipline at the aggregate level; this was however negatively affected by budget reallocations across functional and economic classifications (PI-2) over the last three completed fiscal years. Revenue outturn, both at the aggregate and composition levels, is not reliable. The level of the stock of arrears is not a cause for concern, as it was less than 2 percent of total expenditure on average for the three years of assessment (PI-22). Budget classification is good and this allows citizens to see how much has been committed to improve their socioeconomic status. There are no extra budgetary funds (EBFs) or extra budgetary units (EBUs) and all government revenue and expenditure are reported.
5. Supervision of public corporations is weak and significant contingent liabilities are not reported. This made the regional government's fiscal risk reporting to be weak, thereby indicating significant financial risk exposure to the government (PI-10). Public investment is mainly based on government priorities without proper economic analysis, except for investment projects planned by the federal government (PI-11). Weaknesses in public investment management leads to misallocation of funds which affect fiscal discipline. Though the regional government has legal powers to borrow, currently it has no debt. The lack of a medium-term perspective in expenditure budgeting (PI-16) limits the government's option to exercise a longer than one-year horizon for its policies and make resources available to execute those policies. The low stock of expenditure arrears (PI-22) and tax arrears (PI-19) is indicative of strong fiscal discipline. The strong internal control on payroll and non-salary expenditures helps maintain strong fiscal discipline (PI-25 and PI-26).

Strategic allocation of resources

6. Effective strategic allocation of resources is achieved when available resources are allocated and used in line with government priorities aimed at achieving policy objectives. A key issue in allocation of resources in the region, the horizontal allocation of transfers to lower level government structures (woredas, zones, and towns), is transparent and rule based (PI-7). Macroeconomic and fiscal forecasting score well (PI-14), providing an indication of the government's intention to allocate its scarce resources for the benefit of the ordinary citizen through improved service delivery. However, the budget is not prepared on a medium-term basis, and the lack of medium-term perspective in expenditure framework negatively affects the strategic allocation of resources (PI-16). The allocation of resources to strategic priorities is impaired by the lack of a fiscal strategy which is a policy document that outlines government revenue and expenditure framework in terms of how it wants to generate revenue and for what expenditure; there is thus no guarantee that the government could make resources available to fund its policies (PI-15). The legislature's review of fiscal policies, medium-term fiscal forecasts, and medium-term priorities improves the alignment of resource allocation to regional priorities (PI-18).

7. Budget classification that contributes to the strategic allocation of resources function, which meets international standards, performs relatively better, albeit with certain weaknesses (PI-4). However, the budget documentation still lacks basic elements (PI-5). The other indicators that contribute to the strategic allocation of resources are related to revenue collection and administration and are overall functioning well (PI-19 and PI-20). Investment project selection is largely based on regional government priorities as per Growth and Transformation Plan (GTP) II and not purely on the basis of the results of the feasibility studies conducted, except for federal government-planned projects such as industrial parks (PI-11).

Efficient use of resources for service delivery

8. Performance plans for service delivery relating to the outputs or outcomes for the majority (88 percent) of bureaus are in place. The reporting of resources received by frontline service delivery units enables to control and evaluate the efficient use of resources deployed for service delivery. The majority of the service delivery units perform evaluations of the efficiency or effectiveness of service (PI-8). However, the poor coverage and publicity of performance plans and achievements made on the delivery does not promote improvements in the effectiveness and operational efficiency of those services (PI-8). Moreover, public access to fiscal information is limited where most of the information is not made available to the public (PI-9). Public access to procurement information is fair but is mainly hampered by the non-availability of a website dedicated for the agency (PI-24). The lack of medium-term perspective in expenditure framework limits the predictability in budget allocations that supports budget units to plan resource use more efficiently (PI-14). It is a good practice that five-year sector strategies are prepared, but only 32 percent (by value) are costed.

9. Another fundamental element for efficient service delivery is related to effective procurement management. The fact that most procurements are done in a competitive manner enables the region to achieve the best value for money, and relevant inputs for service delivery are available on time and the programs and services targeted by the regional government are delivered (PI-24). But accuracy of procurement data is still a challenge. The strong internal control on payroll and non-salary expenditures, coupled with high coverage of internal audit, has significantly contributed to the efficient use of resources by reducing misappropriation of resources (PI-23, PI-25, and PI-26). Whereas both external audit functions and legislative scrutiny of these reports are good (PI-30 and PI-31), the continuous infractions by public officials and failure to fully implement audit and legislative recommendations are of serious concern, meaning scarce resources are wasted without any punishment.

Performance changes since last assessment

10. Based on the 2011 method, between the 2015 and the 2018 PEFA assessments, performance has not shown an improvement. Performance has improved for nine PIs and deteriorated for eight PIs. Still, the majority of PIs (12 out of 28, as the donor practices indicators have not been assessed) show no change in performance. This is presented in Table 0.1, and Annex 3A gives the details of performance change for each PI and dimension.

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

| Deteriorations in performance | | No change | | Improvements in performance | |
|---|--------|---|--------|---|--------|
| Indicators | Number | Indicators | Number | Indicators | Number |
| PI-8, PI-9, PI-11, PI-16, PI-17, PI-18, PI-20, PI-27, | 8 | HLG-1, PI-5, PI-6, PI-7, PI-10, PI-13, PI-14, PI-15, PI-23, PI-24, PI-25, PI-28 | 12 | PI-1, PI-2, PI-3, PI-4, PI-12, PI-19, PI-21, PI-22, PI-26 | 9 |

Aggregate fiscal discipline

11. Compared to the previous assessment (PA), aggregate fiscal discipline has improved because of an improvement in aggregate expenditure outturn (PI-1 from B to A) and aggregate revenue outturn (PI-3 from D to C). The expenditure composition outturn has also improved (PI-2 from D+ to B+). There is no improvement in the budget documentation sent to the legislature where it does not fulfil any of the nine information benchmarks. Monitoring of public corporations significantly deteriorated (PI-9.1 from A to D). There is no change in multiyear fiscal forecasts and functional allocations (PI-12.1 is D in both assessments). The existence of costed sector strategies has improved (PI-12.3 from D to B).

Strategic resource allocation

12. Expenditure composition outturn has improved (PI-2.1 from D to B), positively affecting strategic allocation of resources. The timeliness and reliable information to subnational governments (SNGs) on their allocations has deteriorated (PI-8.3 from B to D). A clear deterioration is noted on the guidance on the preparation of budget submissions (PI-11.2 from A to D) because the budget call circular (BCC) does not include ceilings for individual administrative units or functional areas, while it did during the PA.

Efficient use of resources for service delivery

13. The improvement in composition of expenditure outturn (PI-2 from D+ to B+) shows utilization of resources for their originally intended purposes has improved. Deterioration on the timeliness of providing reliable information on allocated resources to zones, woredas, and towns affects timely planning (PI-8.2 from B to D). Public access to key fiscal information is still low (PI-10 is C in both assessments). Transparency on procurement has improved (PI-19.1 from B to A), but the complaint system has not shown an improvement (PI-19.4 is D in both assessments). Revenue management has not changed. The coverage and distribution of reports and extent of management response for internal audit have shown improvement (PI-21 from C+ to B+). The scope, nature, and follow-up of external audit have improved (PI-26 from D+ to B+).

Overview of ongoing and planned PFM reforms and main weaknesses identified

14. The regional government has been implementing various PFM reform programs over the last years. The Expenditure Management and Control Program (EMCP) is one of the five subprograms of the civil service reform program, entrusted with the objectives of designing reform ideas for improved systems of financial management and control that can be used at the regional, zone, woredas, and city administration levels. The types of reforms under the EMCP that have been implemented in the

region are

- (a) Finance legal framework,
- (b) Budget reform,
- (c) Public procurement reform,
- (d) Public property management reform,
- (e) Cash and disbursements management reform,
- (f) Account reform,
- (g) Internal audit reforms,
- (h) Integrated financial management information system (IFMIS), and
- (i) Financial Transparency and Accountability (FTA).

15. The reforms are led by regional and zonal PFM steering committee and PFM technical support committee teams. DPs have also been playing an important role in supporting the reforms activities implemented throughout the region. A new strategy is in place with an estimated cost of ETB 3.6 billion over the next five years. It is expected to be funded by the federal government in addition to DP support. Alternative funding source will be from the regional government's own resources. However, the current budget constraints both at the federal and regional government levels are likely to have repercussions on funding arrangements going forward.

Table 0.2: Overview of the scores of the PEFA indicators

| PFM Performance Indicator | | Scoring Method | Dimension Ratings | | | | Overall Rating |
|---|---|----------------|-------------------|----|-----|----|----------------|
| | | | i | ii | iii | iv | |
| HLG-1: Transfer from a higher level government | | | | | | | |
| HLG-1 | Transfer from a higher level government | M1 | A | D | A | | D+ |
| Pillar I. Budget reliability | | | | | | | |
| PI-1 | Aggregate expenditure outturn | M1 | B | | | | B |
| PI-2 | Expenditure composition outturn | M1 | B | C | A | | C+ |
| PI-3 | Revenue outturn | M2 | C | C | | | C |
| Pillar II. Transparency of public finances | | | | | | | |
| PI-4 | Budget classification | M1 | B | | | | B |
| PI-5 | Budget documentation | M1 | D | | | | D |
| PI-6 | Central government operations outside financial reports | M2 | A | A | NA | | A |
| PI-7 | Transfers to subnational governments | M2 | A | D | | | C+ |
| PI-8 | Performance information for service delivery | M2 | C | D | B | C | C |
| PI-9 | Public access to fiscal information | M1 | D | | | | D |
| Pillar III. Management of assets and liabilities | | | | | | | |
| PI-10 | Fiscal risk reporting | M2 | D | C | D | | D+ |
| PI-11 | Public investment management | M2 | C | C | D | C | D+ |
| PI-12 | Public asset management | M2 | C | C | C | | C |
| PI-13 | Debt management | M2 | D | D | D | | D |
| Pillar IV. Policy-based fiscal strategy and budgeting | | | | | | | |
| PI-14 | Macroeconomic and fiscal forecasting | M2 | B | B | D | | C+ |
| PI-15 | Fiscal strategy | M2 | D | D | NA | | D |
| PI-16 | Medium-term perspective in expenditure budgeting | M2 | D | D | C | NA | D+ |
| PI-17 | Budget preparation process | M2 | D | D | D | | D |
| PI-18 | Legislative scrutiny of budgets | M2 | A | C | C | B | C+ |
| Pillar V. Predictability and control in budget execution | | | | | | | |
| PI-19 | Revenue administration | M2 | A | C | D | C | C+ |
| PI-20 | Accounting for revenue | M1 | A | B | C | | C+ |
| PI-21 | Predictability of in-year resource allocation | M2 | C | B | A | A | B+ |
| PI-22 | Expenditure arrears | M1 | A | A | | | A |
| PI-23 | Payroll controls | M1 | B | A | B | C | C+ |
| PI-24 | Procurement management | M2 | B | A | B | D | B |
| PI-25 | Internal controls on non-salary expenditure | M2 | A | C | B | | B |
| PI-26 | Internal audit | M1 | A | C | A | B | C+ |
| Pillar VI. Accounting and reporting | | | | | | | |
| PI-27 | Financial data integrity | M2 | B | NA | A | C | B |
| PI-28 | In-year budget reports | M1 | A | B | B | | B+ |
| PI-29 | Annual financial reports | M1 | C | A | C | | C+ |
| Pillar VII. External scrutiny and audit | | | | | | | |
| PI-30 | External audit | M1 | B | B | C | A | C+ |
| PI-31 | Legislative scrutiny of audit reports | M2 | A | A | A | D | B+ |

1. Introduction

1.1 Background

1. On August 6, 2018,¹ the development partners (DPs) received an official request from the Ministry of Finance (MoF) to conduct Public Expenditure and Financial Accountability (PEFA) assessments for the federal government and selected regional governments including the Southern Nations, Nationalities, and Peoples' Region (SNNPR). It was, therefore, the desire of the government to measure public financial management (PFM) progress since the 2015 PEFA assessment. Based on this request, DPs agreed to provide technical and financial support for the assessment. For SNNPR, the assessments were undertaken in 2010 and 2015. This is the third assessment.

1.2 Rationale and purpose

2. **Overall objectives.** The objective of the PEFA assessments is to review the current performance of the PFM systems, processes, and institutions of the Regional Government of SNNPR using the new 2016 PEFA Framework plus the 2016 Supplementary Guidelines on Sub-national Government Assessments and track progress using the 2011 PEFA Framework since the last PEFA assessment, which was in 2015.

3. **Specific objectives.** The assessments are aimed at assisting the government in identifying PFM weaknesses that may inhibit effective delivery of services to its citizens and the realization of its development objectives in general. Furthermore, the findings of the PEFA assessments will assist in refining the Regional Government PFM Strategy that it has already developed but is yet to be approved by the federal government and provide the basis for a coherent PFM reform program that can be supported by DPs as well as through the government's own initiatives.

1.3 Assessment management, oversight, and quality assurance

4. Box 1.1 summarizes the assessment management, oversight, and quality assurance. The assessment was funded by the World Bank, Irish Aid, the U.K. Department for International Development (DFID), the European Union (EU), the United Nations Children's Fund (UNICEF), and UN Women.² It was managed by the World Bank. The task team leader (TTL) was Rafika Chaouli (Lead Financial Management Specialist, Governance, World Bank), and Meron Tadesse Techane (Senior Financial Managements Specialist, Governance, World Bank) provided overall and continued guidance. Finot Getachew Wondimagegnehu and Abiy Demissie Belay of the World Bank also provided administrative and technical support to the assessment team.

5. A government PEFA task force was set up to monitor the assessments and provide guidance throughout the process. The task force is led by the MoF Expenditure Management and Control Program (EMCP), which is responsible for the government PFM reforms and strategy and comprises a focused group of high-level representatives such as the Channel One Projects Coordination Department (COPCD), central accounts of the government, Budgeting and Gender Directorates of the MoF, the Office of Auditor General, Ethiopia Revenue and Customs Authority (ERCA), now the Ministry of Revenue, the Public Accounts Committee (PAC) Secretariat, selected line ministries, and selected state-owned enterprises (SoEs), although the actual participation of some of these was limited. Key donors of the task force include the World Bank, DFID, EU, Irish Aid, UNICEF, and UN Women. A focal person at the regional Bureau of Finance and Economic Development (BoFED), Tarekegn Nuramo,

¹ MoF letter reference number G/E/113/930.

² United Nations Entity for Gender Equality and the Empowerment of Women.

Channel 1 Programs Coordination Director, was responsible for arranging and coordinating meetings and data gathering as well as the overall assessment implementation at the regional government level.

PEFA Check

6. The quality assurance framework was reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality Endorsement of PEFA Assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1. The first draft report was submitted for peer review on June 3, 2019.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team (OT) - See the table below
- Assessment Manager: Demissu Lemma Wondemgezahu and Dawit Shimelis (former and current Director of the MoF EMCP, respectively)
- Assessment Team Leader: Elena Morachiello (international consultant)
- Assessment Team: Samuel Gebremedhin (local consultant)
- PEFA Secretariat
- Peer Reviewers (WB, EU, DFID, Irish Aid, SNNPR regional government)

| Composition of the OT | Members of the OT |
|--|--|
| Chairperson | <ul style="list-style-type: none"> • State Minister, MoF |
| Ministry of Finance and Economic Development | <ul style="list-style-type: none"> • Budget Director • Director, EMCP • Director, Treasury • Director, Budget • Director, Debt Management • Director, Inspectorate Directorate |
| OFAG | <ul style="list-style-type: none"> • Federal Auditor General |
| Ministry of Revenue (formerly ERCA) | <ul style="list-style-type: none"> • Commissioner General |
| Parliament | <ul style="list-style-type: none"> • Clerk of Parliament |
| Public Procurement Authority | <ul style="list-style-type: none"> • Director General |
| DPs | <ul style="list-style-type: none"> • World Bank • EU • DFID • Irish Aid • UN Women • UNICEF |

Review of concept note and/or terms of reference

- Date of reviewed draft concept note by the PEFA Secretariat: November 13, 2018.
- **Other invited reviewers who submitted written comments:** Eric Brintet (Lead Financial Management Specialist, GGOLF, World Bank); Emmanuel Cuvillier (Sr. Public Sector Specialist, GGOMN, World Bank); Clara MoleraGui (Governance, Delegation of the EU to Ethiopia); Misrak Tamiru (Women's Economic Empowerment [WEE] Program Specialist, UN Women); Tarekegn Nuramo (SNNPR Regional Government); and PEFA Secretariat.

Review of the assessment report

- Peer reviewers: Holy Tiana Rame (PEFA Secretariat), UN Women; SNNPR Regional Government; and World Bank staff

PEFA Secretariat's review

- First review: February 20, 2020.

1.4 Assessment Methodology

7. The assessment applied the PEFA 2016 methodology in addition to the 2016 Supplementary Guidelines for Subnational Assessments, with seven key pillars of performance, which are a prerequisite to an open, well-functioning, and orderly PFM system to achieve government objectives. The assessment covered budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, as well as external scrutiny and audit. Meetings were held with key government officials and agencies, civil society organizations, and DPs (refer to Annex 3B for the list of people met). The assessment team reviewed and analyzed official government data.

8. As required by the PEFA guidelines on tracking performance changes, the 2011 framework was used to ascertain PFM progress since the last assessment in 2015. The results of this analysis are reported in Annex 4 .

1.5 Assessment coverage and timing

9. The SNNPR PEFA assessment covered budget institutions (BIs) (education, health, water, roads, transport, and housing), the Office of the Regional Auditor General (ORAG), and the regional council. The fiscal years of the assessment are EFY 2008, 2009, and 2010 and Gregorian Calendar (GC) FY2015/2016, 2016/2017, and 2017/2018. These years were selected to be in line with the other five PEFA assessments, for which the missions and the data gathering took place in FY2018/2019. Furthermore, as the SNNPR mission was also initially planned to take place during FY2018/2019, the questionnaire sent to the regional authorities, so that they could prepare the data for the assessment, was delivered in January 2019 and was prepared on the basis of EFY 2008, 2009, and 2010 and GC FY2015/2016, 2016/2017, and 2017/2018, the last three completed fiscal years.

1.6 Fieldwork

10. The fieldwork for the overall exercise began on November 19, 2018, with a kickoff meeting held at the MoF with the OT, key government officials, and DPs. A PEFA training workshop for two and a half days (December 3–5, 2018) was conducted at the Hilton Hotel, Addis Ababa. Officials from the PEFA Secretariat conducted the training; officials from the federal, city, and regional governments took part in the training. The half day was used for a high-level stakeholder meeting to elaborate on the PEFA methodology for directors of the MoF and selected key line ministries such as education and health. Discussions were held to clarify certain aspects of the process, such as the peer review process and the PEFA Check.

11. The larger conference and training event that lasted two days saw a total of 110–115 participants, including 5 from SNNPR, 4 from Harari Region, 8 from Somali Region, 3 from Gambella Region, 5 from Tigray Region, 4 from Afar Region, 3 from Benshangul Gumuz Region. The remaining were from Oromia Region, the city of Addis Ababa, the federal government, DFID, EU, Irish Aid, UNICEF, UN Women, and World Bank staff. Although the other PEFA assessments that will be conducted in 2018 and 2019 besides the federal government will be Addis Ababa City, Tigray, Oromia, Somali, and SNNPR, other regions attended to familiarize themselves with the new 2016 methodology in view of possible future assessments. On December 6, 2018, a meeting was organized between officials from the PEFA Secretariat, the assessment team, and key stakeholders in the service delivery sector (education and health) and gender-responsive budgeting (GRB), to discuss the methodology for the inclusion of some selected indicators as pilots.

12. The fieldwork for the SNNPR regional assessment began on October 21, 2019, with a kickoff meeting held at BoFED. Present at the meeting were the focal point of the Assessment Tarekegn Nuramo (Channel 1 Programs Coordination Director) and Nigat Belete (Director, Budget and Macro-Fiscal Department). The mission ended on November 1, 2019, with the presentation and distribution of an aide memoire. The BoFED Bureau Head Teferi Abate was also present at the aide-memoire presentation. Samuel Gebremedhin had previously visited the region in January 2019 to set up meetings and distribute the data requests. The focal point, Tarekegn Nuramo, ensured that the meetings took place and were well organized. In the nine days, the mission met with, among others, the following units: BoFED; the Planning Directorate; the Public Procurement Agency; the Office of the Auditor General; the Education, Health, and Water Bureaus; the Revenue Authority (RA); the Housing Authority; the Roads Authority; the Transport Authority; the Trade Authority; the Cadastre; and the Chamber of Commerce (see Annex 3B for the list of people interviewed).

13. The assessment reflects the status of PFM systems and processes at the date of the end of the mission (November 1, 2019). The draft report was distributed on December 9, 2019.

14. Among the documents obtained from the units are (a) the budget call circular (BCC) and the budget calendar; (b) data on SoEs; (c) annual financial statements (AFSs) plus dates of submission of AFSs to BoFED; (d) project documents on 10 largest investments for FY2017/2018; (e) audit reports from the Auditor General (AG); (f) consolidated financial reports for 2016/2017 and 2017/2018; and (g) individual fixed assets register (see Annex 3A for the list of sources).

1.7 Pilots: Gender-responsive budgeting

15. This assessment has included the gender responsive budgeting. .

16. The PEFA gender module is a set of supplementary questions built on the PEFA Framework to collect information on gender-responsive public financial management (GRPFM) practices. The questions have been designed to cover all stages of the budget cycle: policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit, including government efforts to make information on fiscal performance publicly available and strengthen management of assets and liabilities.

17. The PEFA gender module is intended to be conducted on a voluntary basis. A decision to carry out a PEFA gender module will be solely at the discretion of country authorities. The findings of a GRPFM assessment will be quality reviewed by the PEFA Secretariat in a similar vein to all PEFA assessment reports.

18. The PEFA gender module was designed by the PEFA Secretariat as a response to requests that have been received from groups and individuals involved in PFM and GRB reforms. A process of public consultation carried out to assess the new PEFA framework identified gender responsiveness as a gap in existing PFM diagnostic tools that needed to be addressed. Stakeholders felt that PEFA was the appropriate tool for collecting information on countries' GRB practices, given its position as the most widely used framework for assessing PFM performance.

19. The PEFA gender module builds on the work of other relevant stakeholders involved in GRB. This includes UN Women that has devoted significant resources to support gender equality and women's rights through GRB. The country-specific results of the PEFA gender module are intended to be complementary and linked to the collection of information, anchored by UN Women, on GRB as part of Sustainable Development Goal (SDG) indicator 5.c.1. The indicator links the policy and legal requirements for gender equality with the resources allocated for their implementation. The PEFA gender module also builds on the work of numerous individuals involved in GRB in recent decades, as

well as institutions that aim to promote its importance. These include, among others, the analysis of GRB practices by the Organization for Economic Co-operation and Development (OECD) in OECD countries and by the Fiscal Affairs Department of the International Monetary Fund (IMF) in G-7 countries. More information is provided in the PEFA Secretariat Note 'PEFA Gender Module: Draft for Public Consultation' available on the PEFA Secretariat website.

20. Though a more advanced draft for the suggested set of indicators to be applied was circulated in February by the PEFA Secretariat (the indicator set is presented in the abovementioned note), a more synthetic list of pillars, indicators, and questions to be applied to the Ethiopia assessments was agreed with the PEFA Secretariat in early December 2018 at the start of the fieldwork for the PEFA assessments. The list is included in Table 1.1. UN Women has provided support to the team for the GRB component.

Table 1.1: Applied pillars for gender disaggregated information

| No. | Pillar | Disaggregation of data required |
|-----|--|---|
| 1 | <i>Under Pillar II. Transparency of public finances,</i> PI-9 Public access to fiscal information | <ul style="list-style-type: none"> • Segregated data reports from the Financial Transparency and Accountability (FTA) on access to information to women • Information, if any, on how many women attend the open public hearings on budgets and to what extent their questions or needs were considered and addressed |
| 2 | <i>Under Pillar IV. Policy-based fiscal strategy and budgeting,</i> PI-15.2 Fiscal strategy adoption and PI-17.2 Guidance on budget preparation | <ul style="list-style-type: none"> • Is there a published fiscal strategy that includes quantitative fiscal goals and qualitative objectives from Gender Equality and Women Empowerment (GEWE)? • Does the legal framework for public finance and budgeting include specific provisions related to gender issues or gender budgeting? • Does the guidance on budget preparation request for breakdown of outputs/activities and their budgets by gender and to what extent is it complied with? • Is gender equality incorporated into overall budget guidelines (budget call and budget manual) and directives instructions from the MoF? • Do implementing entities prepare their annual action plan and budget report as per the guidance provided on gender segregation? • Integrated and reflected gender equality and equity government commitments on a budget speech. |
| 3 | <i>Under Pillar IV, PI-18.1</i> Scope of budget scrutiny | <ul style="list-style-type: none"> • Does the scope of budget scrutiny include the budget allocated for gender? • To what extent are the Women, Children and Youth Standing Committees in Parliaments and regional councils involved in analyzing the budget from a gender perspective? • To what extent are their feedback considered in revision of draft plans and budget? |
| 4 | <i>Under Pillar VII. External scrutiny and audit,</i> PI-30.1 Audit coverage and standards | <ul style="list-style-type: none"> • Are gender-based performance audits conducted? • If yes, for which sectors were they conducted and how were the findings used to strengthen programs of sectors? |

2. Regional government background information

2.1 Country economic situation

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

22. Ethiopia has registered an annual average growth rate of 10.1 percent in GTP-I (FY2010–2014/2015). The double-digit economic growth averaging 10.5 percent observed for the last 15 years was not only high but also sustainable. There is significant decline in poverty incidence from 44.2 percent in FY2000 to 23.5 in FY2016. The trend of GTP-I has continued in GTP-II (FY2015/2016–2019/2020) despite the slow global financial and economic development, resulting in low commodity prices and demand, and the impact of ‘El Niño’-induced drought and political instability which slowed down the economy. In this regard, the economy continued to register impressive growth during the first two years of GTP II (FY2015/2016–2016/2017).

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

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

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

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

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

2.2 Regional government economic situation

28. SNNPR is located in the southern and south western part of Ethiopia. Geographically, it roughly lies between 4^o.43” – 8^o.58” north latitude and 34^o.88” – 39^o.14” east longitude. It is bordered

by Kenya in the south, South Sudan in the southwest, and Gambella Region in the northwest and surrounded by Oromia Region in northwest, north, and east directions.

29. The total area of the region is estimated to be 109,015 km², which is 10 percent of the country, and the population size is 20 million, accounting for nearly 20 percent of the total population of the country (in EFY 2009). The average population density of the region is 181 persons per km², which makes the region one of the most populous parts of the country. The region is a multination which consists of about 56 ethnic groups with their own distinct geographical location, language, cultures, and social identities living together. Based on ethnic and linguistic identities, the region is at present divided into 14 zones, subdivided into 132 woredas and 4 special woredas and 28 town administrations. According to the zonal and special woredas report of EFY 2009, there are 459 urban and 3,737 rural kebeles in the region. In November 2019, one of the zones, Sidama, voted to become an independent region.

30. The structure of government is similar at all levels. BoFED, located in Hawassa, is the regional equivalent of the federal MoF. Similarly, sector ministries at the federal level have their equivalents at the regional government level in the form of 53 public sector bodies (bureaus, authorities, institutes, and agencies) located in Hawassa. Zonal administrations and special woreda governments form the level of government immediately below the regional government level. The Zonal Office of Finance and Economic Development (ZoFED) forms the equivalent of BoFED, while sector offices form the equivalent of sector public bodies at the regional government level. At the next lower level of government, Woreda Offices of Finance and Development (WoFED) are the equivalent of ZoFEDs and sector offices are the equivalent of sector offices at the zonal administration level.

31. The economic development of the region is driven by GTP II (2016/2017–2020/2021). The economy of the region is mainly driven by agriculture. The major types of crops that grow in the region are root crops and cereal crops such as maize, teff, wheat, barley and pulses, oil seeds, vegetables, spices, coffee, and tea. It also has significant mineral resource potential. The country's largest industrial park is located in the region. Tourism has become increasingly important. Hawassa, located on the shore of Lake Hawassa, is the capital.

Table 2.1: Regional GDP by subsector at constant basic price (ETB, millions)

| Industry | EFY 2007 (2014/2015) | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Agriculture | 33,630.68 | 34,709.28 | 37,713.81 | 39,916.83 |
| Industry | 12,718.88 | 14,568.94 | 17,054.19 | 20,132.36 |
| Service | 24,104.36 | 26,582.28 | 29,304.41 | 32,263.02 |
| GDP at constant basic price | 70,453.92 | 75,860.50 | 84,072.41 | 92,312.20 |

Source: BoFED.

Table 2.2: GDP growth rates of SNNPR by subsector at constant basic price (%)

| Industry | EFY 2007 (2014/2015) | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Agriculture | 7.5 | 3.2 | 8.7 | 5.8 |
| Industry | 15.2 | 14.5 | 17.1 | 18.0 |
| Service | 11.9 | 10.3 | 10.2 | 10.1 |
| GDP growth rate | 10.2 | 7.5 | 10.8 | 9.8 |

Source: BoFED.

Table 2.3: Percentage distribution of SNNPR GDP by subsector at constant basic price (%)

| Industry | EFY 2007 (2014/2015) | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Agriculture | 47.7 | 45.8 | 44.9 | 43.2 |

| Industry | EFY 2007 (2014/2015) | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Industry | 18.1 | 19.2 | 20.3 | 21.8 |
| Service | 34.2 | 35.0 | 34.9 | 34.9 |
| GDP growth rate | 100.0 | 100.0 | 100.0 | 100.0 |

Source: BoFED.

2.3 Fiscal and budgetary trends

32. The SNNP regional government has been continuously growing for the past decade and registered an average GDP growth of 9.6 percent between EFY 2007 and EFY 2010. This growth helped the GDP grow from ETB 70 billion to ETB 92 billion in the same period. This has significantly contributed to reduction of poverty in the region. The total revenue of the region has grown from ETB 23 billion to ETB 33 billion in the same period. The contribution of tax and other domestic revenue has been on average around 17 percent, while subsidy from the federal government constitutes about 75 percent of the total revenue. Data on total external assistance received are not available.

Table 2.4: Aggregate fiscal data

| Regional government actuals (ETB, millions) | | | |
|--|-------------------------|-------------------------|-------------------------|
| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
| Total revenue | 22,734 | 27,862 | 32,537 |
| Tax and other domestic revenue | 4,030 | 4,394 | 5,600 |
| Subsidy transfer from the federal government | 17,068 | 21,167 | 24,291 |
| Other revenue | 1,636 | 2,302 | 2,647 |
| Total expenditure | 21,842 | 27,327 | 31,571 |
| Surplus | 892 | 535 | 966 |

Source: SNNPR BoFED.

33. The SNNPR regional government is dedicating a high share of its budget to pro-poor programs in health, education, agriculture, rural road, and water sectors. This is demonstrated by the allocation of the highest share of the budget to education followed by the health and agriculture sectors. Table 2.5 shows the allocation of resources by sectors for the three years under review.

Table 2.5: Budget allocations by function

| Actual budgetary allocations by sectors (as a percentage of total expenditures) | | | |
|---|-------------------------|-------------------------|-------------------------|
| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
| Organs of the government | 9 | 9 | 8 |
| Justice, police, and security | 9 | 9 | 9 |
| General services | 7 | 7 | 7 |
| Agriculture and rural development | 9 | 10 | 10 |
| Water, mineral, and energy office | 3 | 3 | 3 |
| Trade and industry | 7 | 5 | 7 |
| Work and urban development | 8 | 8 | 7 |
| Education | 28 | 30 | 28 |
| Youth and sport | 4 | 4 | 4 |
| Health | 11 | 11 | 12 |
| Women and children office | 1 | 1 | 1 |
| Disaster prevention and preparedness | 0 | 0 | 1 |
| Urban and rural municipality | 4 | 4 | 4 |
| Total | 100 | 100 | 100 |

Source: SNNPR BoFED.

34. Personnel costs as a share of total expenditure increased in the past three years and reached 57 percent in EFY 2010 from 47 percent in EFY 2008. However, capital expenditures (fixed assets and construction) decreased from 25 percent to 15 percent in the same period. The share of goods and services was constant at around 20 percent. This could have a negative impact on long-term development of the region. Table 2.6 shows budget allocation by economic classification.

Table 2.6: Budget allocations by economic classification

| Actual budgetary allocations by economic classification (as a percentage of total expenditures) | | | |
|---|-------------------------|-------------------------|-------------------------|
| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
| Personnel services | 47 | 55 | 57 |
| Goods and services | 20 | 20 | 19 |
| Fixed assets and construction | 25 | 19 | 15 |
| Grants, contributions, and subsidies to institutions and enterprises | 6 | 7 | 9 |
| Government investment | 0 | 0 | 0 |
| Miscellaneous payments | 2 | 0 | 0 |
| Total | 100 | 100 | 100 |

Source: SNNPR BoFED.

2.4 Legal and regulatory arrangements for PFM

35. The SNNPR regional government is one of the 11 state members of the Federal Democratic Republic of Ethiopia established by the federal constitution. Under the constitution, the regions have extensive economic autonomy and judicial powers. The revised constitution of the region, Proclamation No. 35/2001, stipulates that the regional council, being the legislative organ of the regional state, shall be the supreme organ of state power. The highest executive organ of the regional state is the council of the regional government (the cabinet), headed by the President, and accountable to the regional council. The judicial power of the regional state resides solely and exclusively in the regional judiciary. All proclamations are approved by the regional council and regulations are approved by the regional cabinet. The respective bureaus also issue internal directives. The regional government has, among others, the powers to

- Set out the economic and social development policy, strategy, and plan of the regional state and to work toward their implementation thereof;
- Administer land and natural resources, in accordance with laws enacted by the federal state;
- Levy and collect taxes and other duties on any sources of revenue reserved to the jurisdiction of the regional state, as well as prepares and issues its own budget and implements;
- Levy and collect income tax on and from the employees of the regional government and private enterprises;
- Determine and collect rural land user fees;
- Levy and collect agricultural income tax;
- Levy and collect tax on and from the revenue generated from houses and properties under private ownership situated in the regional state and collect rental payments from houses and other forms of property under public ownership of the regional government;

- Levy and collect business profit, personal income, sales, and excise taxes on and from development enterprises operated under the ownership of the regional government;
- Fix and collect royalty to be derived from forest resources; and
- Share income with the Federal Government as determined by the federal law.

36. The public financial administration of the region is mainly governed by Proclamation No. 128/2009, a proclamation issued to provide for the revised finance administration proclamation of the SNNPR National Regional State. The proclamation defines

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

37. Proclamation No. 146/2012 establishes the region's procurement and property administration. It defines the powers and duties of different organs involved in procurement and property administration, the basic procurement methods and procedures, types of procurements and conditions and procedures for each type, disposal procedures, public property administration procedures, and appeal procedures.

38. The regional government's revenue collection mandate is determined by Proclamation No. 166/2017, a Proclamation to Provide for the Re-establishment and Arrangement of Powers and Duties of the SNNPR National Regional State Revenues Authority. This proclamation sets out the powers and duties of the authority, structure of the authority, and responsibilities for regional police and courts with respect to tax enforcement. There are additional proclamations, regulations, and directives adopted by the region with respect to the different taxes enacted by the region such as income tax, value added tax (VAT), turnover tax, excise tax, and so on.

39. External audit of the region is performed by the independent ORAG, which was established by the revised Proclamation No. 176/2018. This proclamation defines the power and duties of the AG, the procedures for appointment and removal of the AG, budget approval procedures of the office, duty to provide information, and so on. Table 2.7 outlines the regional government structure.

Table 2.7: Overview of SNNPR region governance structure

| Government level | Corporate body (Yes/No) | Own political leadership (Yes/No) | Approves own budget (Yes/No) | Number of jurisdictions | Average population | % of budget | % funded by transfers |
|---|-------------------------|-----------------------------------|------------------------------|-------------------------|--------------------|-------------|-----------------------|
| Regional | Yes | Yes | Yes | 1 | 20 million | 24 | 75 |
| Zones | No | Yes | Yes | 15 | | | |
| Woreda (including town administrations) | No | Yes | Yes | 163 | | 76 | |

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

- All federal government financial management and tax proclamations define the regional government's PFM structure; these are
 - (a) SNNPR Constitution No. 35/2001, November 2001;
 - (b) Proclamation on the Definition of Power and Duties of the Executive Organs (04/1995);
 - (c) Proclamation Establishing the Office of the Federal Auditor General No. 68/1997;
 - (d) Proclamation on the Establishment of Ethics and Anti-corruption Commission (235-2001);
 - (e) Financial Administration Proclamation No 648/2009, August 6, 2009;
 - (f) Procurement and Property Administration Proclamation No. 649/2009, September 9, 2009;
 - (g) Proclamation No. 883/2015 Revised Federal Ethics and Anti-corruption;
 - (h) Proclamation No. 970 /2016 Federal Government of Ethiopia Financial Administration (Amendment) Proclamation; and
 - (i) Proclamation No. 979/2016 Federal Income Tax Proclamation.
- There are two tiers of subnational governments (SNGs) under the regional government: (a) zones and (b) woredas. There are 14 zones and 164 woredas (including town administrations and special woredas).
- The SNNPR Regional National State was established by the Constitution of EFY 1994 (GC 2001).

Legal and regulatory arrangements for PFM

Budgetary systems

- To a large extent, federal government laws guide SNNPR budget processes; for instance, actual subsidies to zones and woredas are heavily dependent on actual transfers from the federal government.
- The regional government prepares its own budget. The budget is appropriated by the regional council without federal government interference.
- The regional government allocates subsidies (block transfers) to zones, woredas, and town administration, which in turn appropriate their budget using their own councils.
- The regional government has two main treasury accounts; these are kept at the National Bank of Ethiopia. With the approval of the Regional Finance and Economic Cooperation Bureau, most budgetary entities maintain own revenue accounts with the Commercial Bank of Ethiopia.
- The regional government cannot borrow directly; all borrowings must be approved by the federal government. In most cases, loans are on lent from the federal government.

Institutional (political and administrative) structures

- The regional government enjoys extensive economic autonomy and judicial powers. It has its own Parliament, executive body, and judiciary.
- The regional government approves its budgets and enacts laws and regulations for the region, but these laws must be in tandem with federal government laws.
- The regional government has the power to appoint its own executives, budget officers, accounts, and treasury officers. The hiring and appointments are in accordance with regional civil service rules and salary structure, which is independent from federal government administration.
- The budget and financial management processes are adopted from federal government systems.

PFM functions

- **Payment.** The regional government commits and pays for its expenditure without federal government interference.
- **Revenue administration.** It raises its own revenues in line with regional government revenue laws.
- **Performance arrangements for service delivery involving the SNG.** BoFED transfers funds to zones and woredas for service delivery in accordance with regional government policy.
- **Monitoring of public corporations.** The regional government has a duty to monitor public corporations.
- **Monitoring of lower tiers of SNGs.** The regional government monitors zones and zones monitor woredas; it receives timely annual financial reports.
- **Public investment.** Public investment management is centrally controlled by BoFED and projects are implemented by the investing entity.
- **Management, monitoring, and recording of assets.** The management, monitoring, and recording of fixed assets are decentralized, with each budgetary unit responsible for managing and safeguarding its assets.
- **Debt management.** The regional government has borrowing powers but has no borrowings currently.
- **Macroeconomic forecasting.** The regional government prepares macroeconomic forecasts with its GDP assumptions; other assumptions such as interest and inflation rates are determined by the federal government.
- **Cash monitoring and forecasting.** Annual cash forecasting is prepared by each entity and updated quarterly.
- **Payroll.** Payroll is decentralized, with each budgetary unit managing its own payroll. The 'Payroll System', which is developed by the region, is used to process payroll.
- **Procurement.** It is decentralized at every entity but regulated by the Public Procurement and Property Administration Agency (PPPAA). Each unit prepares procurement plans and performance reports are submitted to PPPAA for consolidation.
- **Internal audit.** It is decentralized with each budgetary unit having an internal audit unit. It prepares the annual internal audit plan. Annual and quarterly audit reports are prepared but conformity to international standards is low.

- **Financial reporting.** Annual financial reports are prepared and submitted to ORAG for audit.
- **External audit.** ORAG conducts audit of the accounts of the regional government annually and reports to the council.
- **Parliamentary oversight.** The regional council reviews the audits reports using the Budget and Finance and Audit Affairs Standing Committee (BFAASC).

Requirements for internal control

41. The concept of internal control involves the entire government legal framework, the procurement rules, and formalized acts that control the various kinds of risks relevant to an organization. The internal control objectives relate to the reliability of financial data and reporting, timely feedback on the achievement of planned operational activities and strategic goals, and compliance with laws and regulations at the level of an organization. The usual internal control procedures in the PFM area in SNNPR are related to the budget and treasury operation and the accounting procedures, which are designed to prevent fraud and identify weaknesses and errors. These procedures are formalized in the financial proclamation of the region, which is the key PFM legal framework, as well as in various internal provisions, manuals, and rules. These cover the following requirements broken down into the five elements of internal control:

- Control environment.** A strong regulatory framework is to be outlined in the various PFM and related proclamations and regulations that are the guiding framework for the control environment. All budget entities should post their visions, mission, objectives, and the ethical values. There should be (i) procedures on budget preparation, approval, and amendment; (ii) treasury procedures for cash management and bank reconciliation; (iii) procedures on procurement tendering and contracting; (iv) rules of payroll composition and staff appointment and termination; (v) rules of making payment; and (iv) submission of budget related documentation.
- Risk assessment.** Risks are to be covered by preliminary risk assessment mainly in the function of internal audit and tax payment. The internal audit units are supposed to conduct a risk assessment as part of their annual audit plan. The regional revenue authority (RA) should conduct risk assessments to determine the highest risk of noncompliance in all groups of taxpayers.
- Control activities.** They include adherence to the internal control tools is required that are the different manuals stipulating the segregation of duties and procedures for preparation, review, and approval of payments and procurement. Other control activities are the regular bank reconciliation and periodical cash counts, fixed asset and inventory records, and annual counts. There should be electronic online documentation of budget data securing access and changes as well as frequent consolidation and reconciliation of budget information and data.
- Information and communication.** There is a budget account information system known as the Integrated Budget and Expenditures System (IBEX) deployed within the budget entities. It is designed to automatically connect all authorized users, comprehensively covering the entire budget process-related procedures and systems, including the operations on budget execution and reporting. The software should allow regular data entry, filling-in, and submission of various budget preparation and execution forms. This system is to be used for all intercommunications among budget entities. Budget

preparation and execution is to be communicated to the regional council. The annual financial report is to be comprehensive of all financial data and be made public.

- (e) **Monitoring.** The external and internal auditors are supposed to prepare and submit reports on compliance and regularity. The audit reports are to be submitted to the regional council for discussion and further actions. Public participation at hearings as well as publication of the annual audit report is to be ensured.

2.5 Institutional arrangements for PFM

Structure of the public sector

42. Tables 2.8, 2.9, and 2.10 outline the structure of the public sector and regional government operations. The regional government has 53 BIs, 15 zones, and 163 woredas under the zones, of which 27 are cities. There are 5 public corporations but no extra budgetary units (EBUs). An EBU is defined in accordance with the IMF Government Finance Statistics (GFS) 2014 definition, which is also reported in the Field Guide page 46, clarifications 6.1, 6.2, and 6.3. According to the IMF GFS definition, EBUs are separate units that operate under the authority or control of a central government (or in the case of an SNG assessment, the state or local government). They may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, EBUs have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as ‘extra budgetary funds’ or ‘decentralized agencies’ (GFS Manual 2014, Chapter 2, Section 2.82).

Table 2.8: Structure of the public sector (number of entities and financial turnover)

| 2017/2018 | Public sector | | | | |
|---------------------------------------|----------------------|------|-----------------------|----------------------------------|------------------------------|
| | Government subsector | | Social security funds | Public corporation subsector | |
| | Budgetary unit | EBUs | | Nonfinancial public corporations | Financial public corporation |
| SNG (SNNPR) | 53 | 0 | 0 | 4 | 1 |
| 1st tier subnational (zones) | 15 | 0 | 0 | 0 | 0 |
| 2nd tier subnational (woreda) | 163 | 0 | 0 | 0 | 0 |
| <i>Of which, city administrations</i> | 27 | 0 | 0 | 0 | 0 |

Source: BoFED.

Table 2.9: Financial structure of the regional government—budget estimates (ETB, millions)

| 2017/2018 | Regional government | | | |
|-------------|---------------------|------|-----------------------|------------------|
| | Budgetary unit | EBUs | Social security funds | Total aggregated |
| Revenue | 33,208 | None | None | 33,208 |
| Expenditure | 33,596 | None | None | 33,596 |

Source: BoFED 2017/2018 budget.

Table 2.10: Financial structure of the regional government actual expenditure (ETB, millions)

| 2017/2018 | Central government | | | |
|---|--------------------|------|-----------------------|------------------|
| | Budgetary unit | EBUs | Social security funds | Total aggregated |
| Revenue | 32,539 | None | None | 32,539 |
| Expenditure | 31,571 | None | None | 31,571 |
| Transfers to (-) and from (+) other units of general government | Nil | None | None | Nil |
| Liabilities | 5,165 | None | None | 5,165 |
| Financial assets (cash + cash equivalent) | 10,752 | None | None | 10,752 |
| Nonfinancial assets | No data | None | None | No data |

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

Institutional responsibilities for PFM

43. The regional government's organs of power are the regional council, regional president, cabinet, judiciary organ, and Office of the Auditor General. Members of the council are elected by the public for a term of five years. The council has the power to levy taxes and duties as well as set service charges upon financial matters falling under the jurisdiction of the regional government in accordance with the constitution, approve the budget of the region, and approve long-term and short-term economic and social development plans of the region. It also has the power to allocate budgetary subsidy to zones, woredas, and city administrations according to the adopted formula.

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

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

46. As per the Regional Financial Administration Proclamation No. 128/2009, BoFED has the power to supervise and monitor the financial administration of the region and oversee the internal audit functions of public bodies. The public bodies are responsible for managing the budgets allocated to their sectors. There is an internal audit function at each public body reporting administratively to BoFED. Taxes and duties are collected by the regional RA and all collections flow to the consolidated fund account at the BoFED treasury account. Payroll and procurement are decentralized to the BIs. Independent external audit is provided by ORAG, which reports to the regional council.

2.6 Other key features of PFM and its operating environment

47. The regional government has sector bureaus, 15 zones, and 163 woredas. All the zones and woredas are vested with jurisdictional power to appropriate their own budget as per the block subsidy allocation from the region (zone in case of woredas) using their own council. The zones and woredas have legal status, prepare and approve their budgets, execute the same, and report to the regional finance bureau (BoFED) as well as their own councils. IBEX is used for budget management and financial reporting by all budgetary units at the regional, zonal, and woreda levels. IBEX has budget, accounts, budget adjustment, budget control, disbursement, and accounts modules. IBEX functions online and as a stand-alone system. Regional sector bureaus submit financial reports monthly and zones and woredas quarterly to BoFED and a consolidated report is prepared quarterly.

3. Assessment of PFM performance

HGL-1 Transfers from a higher-level government

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|--|
| HLG-1 Transfers from a higher-level government | D+ | Scoring method M1 |
| HLG-1.1 Outturn of transfer from higher-level government | A | Transfers from higher-level government were 100% in all the last three completed fiscal years. |
| HLG-1.2 Earmarked grants outturn | D | Transfers of earmarked grants deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/2016, 40% in 2016/2017, and 20% in 2017/2018. |
| HLG-1.3 Timeliness of transfer from higher-level government | A | Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. |

HLG-1.1 Outturn of transfer from higher-level government

48. Budgeted transfers from the federal government were received in full in all the three years. Table 3.1 shows the planned and actual transfers for the three years. As the federal grant constitutes more than 70 percent of the regional government's total budget, it helped to have a credible revenue budget and meet the overall planned revenue.

Table 3.1: Outturn of transfer from the federal government

| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------------|----------------------|----------------------|----------------------|
| Original budget | 14,656,207,829.00 | 19,718,524,475.55 | 23,164,507,586.99 |
| Actual transfer | 14,656,207,829.00 | 19,718,524,475.55 | 23,164,507,586.99 |
| % outturn | 100 | 100 | 100 |

Source: SNNPR BoFED.

Dimension score: A

HLG-1.2 Earmarked grants outturn

49. As shown in Table 3.2, earmarked grants were received in full in EFY 2008; however, they were significantly under budget in EFY 2009 and EFY 2010 (by 40 percent and 20 percent, respectively). Officials have indicated that these high deviations might have been caused by the inability of the federal government to achieve set targets for DP grants, which are triggers for actual release. Nonetheless, these deviations had little impact on overall federal government subsidies to the regional government, as shown in HLG-1.1 above.

Table 3.2: Outturn of transfer from earmarked grants

| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------------|----------------------|----------------------|----------------------|
| Original budget | 2,413,200,000.00 | 2,413,200,000.00 | 1,407,700,000.00 |
| Actual transfer | 2,411,782,849.92 | 1,447,920,000.00 | 1,126,160,001.00 |
| % outturn | 100 | 60 | 80 |
| % deviation | 0 | 40 | 20 |

Source: SNNPR BoFED.

Dimension score: D

HLG-1.3 Timeliness of transfer from higher-level government

50. There was an even disbursement of transfers (subsidy) to the region from the federal government for the last three fiscal years under review. The transfers are categorized into recurrent (account code 1601) and capital (1602) and are made on a monthly basis. Capital transfers are made for 10 months starting from the second month of the fiscal year (Meskerem), while recurrent transfers are made for all 12 months of the year. The average monthly transfers for recurrent and capital budgets were, respectively, ETB 977 million and ETB 293 million in EFY 2008 (2015/2016), ETB 1.2 billion and ETB 525 million in EFY 2009 (2016/2017), and ETB 1.26 billion and ETB 796 million in EFY 2010 (2017/2018).

Dimension score: A

PILLAR I. Budget reliability**PI-1. Aggregate expenditure outturn***Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|--|----------|--|
| PI-1. Aggregate expenditure outturn | B | |
| 1.1 Aggregate expenditure outturn | B | Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in two of the last three completed fiscal years (93% in EFY 2008, 99% in EFY 2009, and 94% in EFY 2010). |

1.1 Aggregate expenditure outturn

51. Aggregate expenditure outturn for the last three completed fiscal years was reliable as shown in Table 3.3. It was 93 percent, 99 percent, and 94 percent in EFY 2008, 2009, and 2010, respectively. The calculations upon which the table is based are reported in Annex 5.

Table 3.3: Comparison of budgeted expenditure against actual outturn, FY2008–2010 (ETB, billions)

| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|-----------|----------------------|----------------------|----------------------|
| Budget | 23,585.89 | 27,702.80 | 33,595.98 |
| Actual | 21,841.81 | 27,327.27 | 31,571.04 |
| % turnout | 93 | 99 | 94 |

Source: BoFED Accounts Directorate.

Dimension score: B

PI-2. Expenditure composition outturn*Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|--|
| PI-2. Expenditure composition outturn | C+ | Scoring method M1 |
| 2.1 Expenditure composition outturn by function | B | Variance in expenditure composition by administrative classification was less than 10% in at least two of the last three years (6% in EFY 2008, 7% in EFY 2009, and 5% in EFY 2010). |
| 2.2 Expenditure composition | C | Variance in expenditure composition by economic classification was |

| Indicator/Dimension | Score | Brief justification for score |
|---|-------|---|
| outturn by economic type | | less than 15% in at least two of the last three years (8% in EFY 2008, 16% in EFY 2009, and 10% in EFY 2010). |
| 2.3 Expenditure from contingency reserves | A | Actual expenditure charged to the contingency vote was on average less than 3% in all the three completed fiscal years. |

2.1. Expenditure composition outturn by function

52. As shown in Table 3.4, variance in expenditure composition by administrative classification was less than 10 percent in two of the last three completed fiscal years. It was 6 percent in EFY 2008, 7 percent in EFY 2009, and 5 percent in EFY 2010. The calculations upon which the table is based are reported in Annex 5.

Dimension score: B

2.2. Expenditure composition outturn by economic type

53. As shown in Table 3.4, variance in expenditure composition by economic classification was 8 percent, 16 percent, and 10 percent in EFY 2008, 2009, and 2010, respectively. The calculations upon which the table is based are reported in Annex 5. The economic classification is compliant with the GFS standard (up to the 3 digits classification). As per the financial administration proclamation of the region, budget transfers are not allowed from capital to recurrent budget. BoFED is empowered to approve all transfers but as authorized by the law, it delegated approval of transfers within account codes under main budget heads to the respective bureaus. All other transfers are approved by BoFED. Transfers are not allowed to be made before middle of the fiscal year. The fact that there is no limit on the amount of transfers contributed to the high budget transfers.

Table 3.4: Composition variance by functional and economic classification and contingency

| Year | For PI-2.1 | For PI-2.2 | For PI-2.3 |
|----------------------|----------------------------------|---------------------------------------|-------------------|
| | Composition variance by function | Composition variance by economic type | Contingency share |
| EFY 2008 (2015/2016) | 6% | 8% | 0% |
| EFY 2009 (2016/2017) | 7% | 16% | |
| EFY 2010 (2017/2018) | 5% | 10% | |

Source: BoFED Accounts Directorate.

Dimension score: C

2.3 Expenditure from contingency reserves

54. In all the last three completed fiscal years, actual expenditure charged to the contingency vote was 0 percent (Table 3.4). The calculations upon which the table is based are reported in Annex 5. The practice of the region is that contingency budget is proclaimed at the BoFED level only and transfer is made to public bodies upon request. Contingency reserves are used to meet unforeseen expenditures that could not be included in their original budget or when it is ascertained that payments are not effectuated for goods supplied and services rendered in the previous year. Transfers from contingency reserve to bureaus are approved by the president of the region.

Dimension score: A

PI-3 Revenue outturn*Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|---------------------------------|----------|---|
| PI-3 Revenue outturn | C | Scoring method M2 |
| 3.1 Aggregate revenue outturn | C | Actual revenue was between 92% and 116% of budget revenue in at least two of the last three years (92% in EFY 2008, 91% EFY 2009, and 93% in EFY 2010). |
| 3.2 Revenue composition outturn | C | Variance in revenue composition was more than 10% in at least two of the last three years (13% in EFY 2008, 13% in EFY 2009, and 9% in EFY 2010). |

3.1 Aggregate revenue outturn

55. The regional government revenue budget is less reliable, as evidenced in Table 3.5. It was 92 percent in EFY 2008, 91 percent EFY 2009, and 93 percent in EFY 2010. The calculations upon which the table is based are reported in Annex 5. Transfers (subsidies) from the federal government, which account for more than 70 percent of the total revenue of the region, are excluded from the calculation as required by the SNG Adapted Field Guide. Apart from transfers, the major revenues that are collected by the region are tax, municipality revenue, and other revenues. Collection of both tax and nontax revenue was below target for the last three completed fiscal years. Assistance revenue was received in full, though it contributes only around 1 percent of the revenue.

Table 3.5: Total budget and expenditure excluding assistance from EFY 2008 to EFY 2010 (ETB, millions)

| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|--------------------------|----------------------|----------------------|----------------------|
| Approved original budget | 6,448.49 | 7,642.75 | 9,004.64 |
| Actual aggregate revenue | 5,913.59 | 6,917.21 | 8,333.89 |
| % of outturn | 92 | 91 | 93 |

Source: SNNPR BoFED.

Dimension score: C

3.2 Revenue composition outturn

56. The revenue composition outturn was also found to be less reliable at 13 percent in EFY 2008, 13 percent in EFY 2009, and 9 percent in EFY 2010 (refer to Annex 5). The performance of tax on income, profit, and capital gain was generally good, meeting the target in EFY 2008 and EFY 2010, and the other tax revenues and nontax revenues were below target.

Dimension score : C

PILLAR II. Transparency of public finances**PI-4 Budget classification***Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|------------------------------------|----------|--|
| PI-4. Budget classification | B | |
| 4.1 Budget classification | B | Budget formulation, execution, and reporting are based on administrative, economic (at least 'group' level of the GFS standard—3 digits), and functional classification using a classification that can produce consistent documentation which is comparable with Classification of the Functions of |

| Indicator/Dimension | Score | Brief justification for score |
|---------------------|-------|-------------------------------|
| | | Government (COFOG) standards. |

4.1. Budget classification

57. Budget formulation, execution, and reporting are based on administrative, economic, and functional classification. The economic classification is compliant with the GFS standard (up to the 3 digits classification) and the functional one is in line with the COFOG standards. What the regional administration calls functions are in reality three broader categories of grouping functions. What the regional administration refers to as subfunctions can be compared to the 10 COFOG functions. The region uses the same budget classification and chart of accounts as the federal government budget classification system which is described in the Federal Budget Manual 2007 and the Federal Chart of Accounts Manual 2007.

Dimension score : B

PI-5 Budget documentation

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|-----------------------------------|----------|---|
| PI-5. Budget documentation | D | |
| 5.1 Budget documentation | D | The budget documentation fulfils no basic element and one additional element. |

5.1 Budget documentation

58. The documentation that was sent to the regional council for the examination and approval of the EC 2011 budget, on which the table is based, was the following: (a) the draft budget proclamation, (b) the budget speech, (c) subsidy allocation to woredas, and (d) the macroeconomic fiscal framework (MEFF). The budget documentation fulfils no basic element and one additional element.

Table 3.6: Budget documentation benchmarks

| No. | Budget documentation benchmarks | Availability |
|----------------------------|--|---|
| Basic elements | | |
| 1. | Forecast of the fiscal deficit or surplus (or accrual operating result) | No |
| 2. | Previous year's budget outturn, presented in the same format as the budget proposal | No. The previous year's budget is presented in the same format as the budget proposal but not the outturn. |
| 3. | Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal | No. The 2011 budget presents some 2010 budget figures, but these are the declared budget and not the revised budget or the estimated outturn. |
| 4. | Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (see PI-4), including data for the current and previous year, in addition to the detailed breakdown of revenue and expenditure estimates | No |
| Additional elements | | |
| 5. | Deficit financing, describing, anticipated composition | No |
| 6. | Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate | Partially; only GDP growth rate is applied, as all other assumptions are formulated by the federal government. |
| 7. | Debt stock, including details at least for the beginning of the current year, presented in accordance with GFS or other comparable standard | No |
| 8. | Financial assets, including details at least for the beginning of the current year, presented in accordance with GFS or other comparable standard | No |
| 9. | Summary information of fiscal risks including contingent liabilities such as guarantees and contingent obligations embedded in structure financing instruments such as PPP contracts | No |
| 10. | Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs | Partially. The explanation of budget implications on new policy initiatives and major new public investments are included in the budget speech but not the estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs (see PI-15.1). |
| 11. | Documentation on the medium-term framework | Yes |
| 12. | Quantification of tax expenditures | No |

Dimension score: D

PI-6 Central government operations outside financial reports

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|----------|---|
| PI-6. Central government operations outside financial reports | A | Scoring method M2 |
| 6.1 Expenditure outside financial reports | A | There is no expenditure outside government financial reports. |
| 6.2 Revenue outside financial reports | A | There is no revenue outside government financial reports. |
| 6.3 Financial reports of extra-budgetary units | NA | There are no EBUs at the level of SNNPR. |

6.1 Expenditure outside financial reports

59. There is no expenditure outside government financial reports.

Dimension score: A

6.2 Revenue outside financial reports

60. There is no revenue outside government financial reports.

Dimension score: A

6.3 Financial reports of extra-budgetary units

61. There are no EBUs at the level of SNNPR.

Dimension score: NA

PI-7 Transfers to subnational governments

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|---|
| PI-7. Transfers to subnational governments | C+ | Scoring method M2 |
| 7.1 System for allocating transfers | A | The horizontal allocation of all transfers to woreda and city administration from the regional government is determined by a transparent and rule-based system. |
| 7.2 Timeliness of information on transfers | D | Information on annual transfers to zones, woredas, and city administrations is issued after the start of the fiscal year. |

7.1 System for allocating transfers

62. The horizontal allocation of transfers to zones, woredas, and cities administrations is transparent and rule based. The allocation formula is termed as 'Revenue Raising Capacity and Expenditure Need Equalization'. The formula considers revenue-raising capacity and expenditure needs and is applied to seven selected sectors which cover more than 90 percent of the budget: administration and general service, education, health, agriculture, water, micro and small industries, and urban development. This formula has been consistently applied for the last three completed fiscal years. Actual transfers have been executed applying this formula, and hence, the formula is used both at budget and actual stages.

Dimension score: A

7.2 Timeliness of information on transfers

63. A clear budget calendar exists in the region, but it may not be strictly adhered to. A BCC, which includes indicative ceilings, is sent to zones, woredas, and city administrations in January. The regional government receives the approved initial ceilings on subsidies from the federal government at the end of June, and the regional budget, which includes subsidies to zones, woredas, and city administrations, is normally approved in July, which is after the start of the new fiscal year. Hence, the zones, woredas, and city administrations are notified after the approval of the budget in July.

Dimension score: D

PI-8 Performance information for service delivery

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|----------|---|
| PI-8. Performance information for service delivery | C | Scoring method M2 |
| 8.1 Performance plans for service delivery | C | A framework of PIs relating to the outputs or outcomes for the majority (88%) of bureaus is in place. |
| 8.2 Performance achieved for service delivery | D | Information is published annually on the activities performed but only for some bureaus. |
| 8.3 Resources received by service delivery units | B | Information on resources received by frontline service delivery units is collected annually and recorded only for resources in cash but not in kind at the level of the health sector. At the level of the education sector, information on resources received by frontline service delivery units is collected annually and recorded for both resources in cash and in kind. A report compiling the information collected is prepared at least annually by both bureaus. |
| 8.4 Performance evaluation for service delivery | C | Evaluations of the efficiency or effectiveness of service delivery have been carried out for the majority of service delivery bureaus at least once within the last three years but are not published. |

8.1 Performance plans for service delivery

64. The Bureaus of Health, Education, and Water prepare key performance indicators (KPIs), outputs to be produced, and outcomes. These are included in the sector strategies of each sector and in the derived annual plans. Examples of KPIs for education include the number of all primary school teachers by zone and sex (urban/rural), enrollment of students in general secondary school by grade level and woreda, and enrollment of students by grade level and woreda in all primary schools. Examples of KPIs for health include maternity and childcare support, provision of vaccine, and infant nutrition. However, the indicators are not published.

65. The actual expenditure for the social sectors in EFY 2010 was ETB 14.35 billion. The actual expenditure for the education sector in EFY 2010 was ETB 7.8 billion; for the health sector, it was ETB 3.8 billion; and for the water sector, it was ETB 980 million. The combined expenditure of the three bureaus in EFY 2010 was 12.58 billion, which is 88 percent of the total service delivery sector expenditure for that year. The information is however not disaggregated by program or function.

Dimension score: C

8.2 Performance achieved for service delivery

66. The Bureaus of Health, Education, and Water prepare annual reports on the outcomes achieved. The results are issued every year in the annual performance reports. These outcomes are defined similarly to the KPIs. The information is made available to the public in the noticeboard in the Health Bureau premises and in 6 locations external to the premises, including the marketplace. The Education and Water Bureaus do not make the information public. The Health Bureau expenditure is 26 percent of the service delivery sector expenditure.

Dimension score: D

8.3 Resources received by service delivery units

67. Information on resources received by frontline service delivery units has been collected and recorded at the level of the Bureaus of Health and Education annually for the past three completed fiscal years. In the Education Bureau, the information covers both resources received in cash and in kind. Schools report to woredas, which in turn report to the Zonal Education Department, which in turn reports to the regional bureau. In the Health Bureau, this information is limited to the financial resources and no information is collected on the resources received in kind. The Ethiopia Pharmaceutical Supplies Agency (EPSA) is responsible for the distribution of the pharmaceuticals and thus the bureau does not compile information on whether it is received. A report compiling the information collected is prepared at least annually by both bureaus.

Dimension score: B

8.4 Performance evaluation for service delivery

68. Independent evaluations of the efficiency and effectiveness for service delivery are carried out biannually in the health sector. The evaluations are carried by the regional council and the MoH. BoFED also reviews financial performance on an annual basis. In the education and water sectors, internal evaluations are conducted as well as independent ones by BoFED, on an annual basis. For all three sectors, the results are compiled in a report that is presented orally to the Health Bureau, but these are not made public. This practice has applied to all past three fiscal years. As noted above, the combined expenditure of the three bureaus in EFY 2010 was ETB 12.58 billion, which is 88 percent of the total service delivery sector expenditure for that year.

Dimension score: C

PI-9 Public access to fiscal information

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|----------|--|
| PI-9. Public access to fiscal information | D | |
| 9.1 Public access to fiscal information | D | The government makes available to the public 2 basic elements, in accordance with the specified time frames. |

9.1 Public access to fiscal information

Table 3.7: Public access to key fiscal information

| No. | Fiscal information benchmarks | Availability (Yes/No) | Notes (means of availability) |
|-----------------------|--|-----------------------|-------------------------------|
| Basic elements | | | |
| 1. | Annual executive budget proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature. | No | |

| No. | Fiscal information benchmarks | Availability (Yes/No) | Notes (means of availability) |
|----------------------------|--|-----------------------|--|
| 2. | Enacted budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law. | Yes | Immediately after the proclamation's approval by the regional council, the council conference in which the proclamation has been approved is transmitted on TV, radio, and other mass media. The enacted budget is also posted on the BoFED website (www.SNNPRbofed.Gov.et) within two weeks of the budget law vote. |
| 3. | In-year budget execution reports: The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27. | No | The in-year budget execution reports are publicized on the billboards but not within a month of issuance, as the initiative of posting them is recent. |
| 4. | Annual budget execution report: The report is made available to the public within six months of the fiscal year's end. | Yes | The annual budget execution report is made available to the public on the BoFED website. |
| 5. | Audited annual financial report, incorporating or accompanied by the external auditor's report: The report(s) are made available to the public within 12 months of the fiscal year's end. | No | |
| Additional elements | | | |
| 6. | Pre-budget statement: The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year. | No | |
| 7. | Other external audit reports: All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission. | No | The contents of the audit report are available on time through the media, but the audit reports themselves are not publicly available. ORAG's website has not been working for the past two months. |
| 8. | Summary of the budget proposal: A clear, simple summary of the executive's budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a 'citizens' budget' and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of its submission to the legislature and within one month of its approval. | No | |
| 9. | Macroeconomic forecasts: The forecasts as assessed in PI-14.1 are available within one week of its endorsement. | No | |

69. The government makes available to the public two basic elements, in accordance with the specified time frames.

Dimension score: D

PILLAR III. Management of assets and liabilities

PI-10 Fiscal risk reporting

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

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|---|
| PI-10. Fiscal risk reporting | D+ | Scoring method M2 |
| 10.1 Monitoring of public corporations | D | The regional government does not receive financial or audit reports of public corporations. |
| 10.2 Monitoring of subnational governments | C | Unaudited reports on the financial position and performance of the majority of SNGs are published at least annually within nine months of the end of the fiscal year. |
| 10.3 Contingent liabilities and other fiscal risks | D | Though there are records of some significant contingent liabilities, the regional government does not report these in its AFSs. |

10.1 Monitoring of public corporations

71. Information on the financial performance and associated fiscal risks of the regional government's public corporations is not available through financial or audit reports. There was no central agency responsible for supervision and control of public corporations until EFY 2011. The Public Enterprise Supervisory Authority was established in EFY 2011 and started to receive annual performance reports. However, no financial reports or audited financial reports are submitted to the authority. From the five public corporations found in the region, only four are reporting to the authority whereas Omo Micro Finance Institution is not reporting to the authority. The following are the public corporations found in the region:

- Housing and Development Enterprise
- Industrial Parks Corporation
- Water Works Enterprise
- Design, Construction and Controlling Enterprise
- Omo Micro Finance

Dimension score: D

Ongoing reforms

72. Based on the proclamation that established the Public Enterprise Supervisory Authority, a new regulation is drafted and waiting approval by the regional cabinet. The regulation determines the structure of the authority and describes the detailed duties and responsibilities. It is expected that the control and supervision of the public enterprises will improve once the authority becomes fully operational.

10.2 Monitoring of subnational governments

73. Woredas submit financial reports to zones, and zones submit consolidated reports to BoFED on a quarterly basis. BoFED prepares a regional consolidated report to be submitted to the federal government. The annual consolidated financial statement submitted for audit also includes the financial activities of the SNGs. As indicated under PI-10.3, loan in SNGs totaling ETB 1.3 billion was guaranteed by the regional government as of April 2018. The consolidated report is submitted for audit within three months of the end of the fiscal year and audit reports are issued within six months (as indicated in PI-30.2, audit reports are issued within six months in EFY 2008 and 2010 and eight months in EFY 2009). The consolidated accounts and audit reports are published on the website of BoFED (www.snnprbofed.gov.et), but it was not fully functional at the time of the assessment and reports cannot be viewed. Nevertheless, the consolidated unaudited regional financial data have been published on public social media, regional mass media, and different billboards, banners, and calendars and distributed with different brochures.

Dimension score: C

10.3 Contingent liabilities and other fiscal risks

74. The regional government provides guarantees for agricultural input loans provided to zones and woredas by the Commercial Bank of Ethiopia. The Regional Cooperative Agency is responsible for managing this loan. In EFY 2011, the regional government paid ETB 1.3 billion to the Commercial Bank of Ethiopia as a result of overdue loan (the amount is directly deducted by the MoF from the subsidy of the federal government and paid to the bank). As per the letter from the agency, the outstanding balance from the loan provided from FY2015/2016 to April 2018 was ETB 1.3 billion. However, the regional government does not report this contingent liability in the AFSs.

Dimension score: D

PI-11 Public investment management

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

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-------|--|
| PI-11. Public investment management | D+ | Scoring method M2 |
| 11.1 Economic analysis of investment projects | C | A feasibility study was conducted for the largest capital investment projects (93% of the total large investment projects). This was conducted by the federal government with support of DPs. The result is published on the federal government's website. However, there is no evidence that the feasibility has been reviewed by an entity other than the sponsoring entities. |
| 11.2 Investment project selection | C | Prioritization and selection of major investment projects for inclusion into the annual budget are largely based on regional government priorities. The regional government has no standard criteria for prioritization and selection of major investment projects. |
| 11.3 Investment project costing | D | The budget documentation only shows cost implication of projects for the current year, with no projections of forthcoming year. Nonetheless, the Project Appraisal Document provides information on total capital cost together with associated recurrent cost. |

| Indicator/Dimension | Score | Brief justification for score |
|------------------------------------|-------|---|
| 11.4 Investment project monitoring | C | Monitoring of major investment projects is conducted by the implementing bureaus in conjunction with other stakeholders. Quarterly physical inspection report is submitted to BoFED Planning Directorate and other stakeholders. Monthly and annual financial reports also include the budget and actual expenditure of the projects. However, these are not published. |

11.1 Economic analysis of investment projects

76. There is no specific definition of a ‘major investment project’ as far as the SNNPR regional government is concerned. Pages 37 and 84 of the PEFA Framework 2016 and the PEFA Field Guide 2018, respectively, define major investment projects as “total investment cost of project amounting for 1 percent or more of total annual budget expenditure” and these investment projects are “among the largest 10 projects (by total investment cost) for each of the 5 largest central government units, measured by the units’ investment project expenditure.” As shown in Table 3.8, there are only 2 capital investment projects in the region which meet this definition. A feasibility study was conducted for Yirgalem Integrated Agro Industry Project only. A regionwide feasibility study business plan was conducted for Integrated Agro Industry Projects and Rural Transformation centers by the Federal Ministry of Industry and Ministry of Agriculture with the assistance of United Nations Industrial Development Organization (UNIDO), Food and Agriculture Organization (FAO), Agricultural Transformation Agency (ATA), Italian Development Cooperation (IDC), and United Nations Development Programme (UNDP). This is part of the federal government’s initiative to expand agro-industry development throughout the country. The feasibility study is published on the federal government’s website. However, there is no evidence that the feasibility has been reviewed by an entity other than the sponsoring entities.

Table 3.8: List of major capital investment projects FY2017/2018

| Name of capital project | Capital cost (ETB) | Total regional budget (ETB) | % of total regional budget |
|---|--------------------|-----------------------------|----------------------------|
| Wolkite Hospital | 593,997,440.43 | 31,599,656,964 | 1.9 |
| Yirgalem Integrated Agro Industry Project | 7,401,034,115.89 | 31,599,656,964 | 23.4 |
| Total cost | 7,995,031,556.32 | | |
| % with economic analysis | 93 | | |

Source: SNNPR BoFED, Bureau of Health, and Bureau of Industry.

Dimension score: C

11.2 Investment project selection

77. Prioritization and selection of major investment projects are conducted by the Planning Directorate at BoFED based on regional government priorities as determined in the overall government medium-term strategic plan (GTP II) and availability of budget. The regional government has no standard criteria for prioritization and selection of projects.

Dimension score: C

11.3. Investment project costing

78. The annual budget documentation includes the capital budget for capital investment projects for the current year. It does not include either the total capital cost of major investment projects or a projection of capital and recurrent costs for the forthcoming years. Nonetheless, the Project Appraisal Documents (feasibility studies) provide information on total capital cost together with associated recurrent cost at least for the forthcoming year.

Dimension score: D

11.4 Investment project monitoring

79. Monitoring of major investment projects is conducted by the implementing bureaus in conjunction with BoFED Planning Directorate and the respective federal government line ministry, Construction Bureau, and zonal offices where the project is located. A team comprising these offices conducts quarterly physical inspection and the report is submitted to BoFED Planning Directorate and other stakeholders. Monthly and annual financial reports also include the budget and actual expenditure of the projects. However, both the physical and financial reports are not published.

Dimension score: C

PI-12 Public asset management

80. This indicator has three dimensions. Dimension 12.1 assesses the level at which financial assets (government investments in public or private companies) are monitored and reported, dimension 12.2 examines the extent to which nonfinancial assets (fixed assets) are monitored and reported, and dimension 12.3 measures the level of transparency of asset disposal. The assessment of this indicator covers central government budget entities and EBUs.

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--------------------------------------|----------|--|
| PI-12 Public asset management | C | Scoring method M2 |
| 12.1 Financial asset monitoring | C | The AFSs disclose balances of both cash and bank and receivables but not investments in public enterprises. |
| 12.2 Nonfinancial asset monitoring | C | The regional government maintains a register of its holdings of fixed assets and collects partial information on their usage and age. There are no complete records of government land, buildings, and natural resources. |
| 12.3 Transparency of asset disposal | C | Procedures and rules for the transfer or disposal of nonfinancial assets are established, but there are no clear legal provisions for the disposal of financial assets. Proceeds from the sale of fixed assets are disclosed in the financial reports but no disclosure of the new owner(s). |

12.1 Financial asset monitoring

81. Financial assets such as cash and bank balances and receivables are recorded in accounts and reported in the consolidated AFSs of the regional government. However, other financial assets such as investments in SoEs (public corporations) are not reported. The regional government has five SoEs but the monitoring is weak (PI-10.1) and the associated risks are not properly managed. Moreover, the value of the investment in these enterprises is not known. The total financial assets balance (cash and receivables) as at the end of EFY 2010 was ETB 10.8 billion.

Dimension score: C

12.2 Non Financial asset monitoring

82. The regional government has a legal framework for property management (nonfinancial assets monitoring). The framework is stipulated in SNNPR Procurement and Property Administration Proclamation No. 146/2012 and SNNPR Property Administration Directive No. 14/2013. The Government Fixed Assets Management Manual (GOFAMM) also outlines the policy guidelines for fixed assets management, control, and safeguarding of public assets. There is no consolidated fixed

assets register for the region. As mandated by the legal framework, each budget entity maintains a fixed assets register under its custody. The fixed assets recorded include vehicles, fixtures and fittings, computers, and office equipment, showing both the historical cost of asset, depreciation, and net book value. There are however no records of buildings. The asset register at each budgetary unit provides information on its usage, age, and custodian of the asset. The asset user card also provides this useful information. At present, there is no complete record of land and natural resources belonging to the regional government; however, the Bureau of Urban Development and Housing has begun identification, demarcation, and registration of urban land and infrastructure with funding from the Regional Government and Urban Local Government Development Project (ULGDP). From the 465 towns, the registration of land and infrastructure in 23 towns is conducted. The bureau also started counting and recording government-owned houses, which has so far been completed for 46 towns. Officials have indicated that funding allocated to the office is inadequate to successfully accomplish the task. Other challenges identified include poor documentation, lengthy adjudication process, and obsolete land registration equipment, among others.

Dimension score: C

12.3 Transparency of asset disposal

83. The legal frameworks that regulate transfers and disposal of fixed assets are SNNPR Regional Government Procurement and Property Administration Proclamation No. 146/2012 and SNNPR Property Administration Directive No. 14/2013. As per the directive, budgetary units can dispose fixed assets. All disposals through sales are required to be made on a competitive basis and the procedures to be followed are detailed in the directive. All proceeds from disposal of fixed assets are paid into the regional treasury account. Disposal revenue is not budgeted; rather an ex ante approval of the budget is made after the collection. Actual revenue generated from disposal is reported in the financial reports of the budgetary entity. There are no legal provisions on the disposal of financial assets. New owners of fixed assets disposed are not disclosed in the financial reports.

Dimension score: C

PI-13 Debt management

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

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|----------|---|
| PI-13. Debt management | D | Scoring method M2 |
| 13.1 Recording and reporting of debt and guarantees | D | The regional government does not reconcile and update guarantees issued to zones and woredas. |
| 13.2 Approval of debt and guarantees | D | BoFED is solely responsible for authorizing and approving guarantees. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of guarantees. |
| 13.3 Debt management strategy | D | The SNNPR regional government does not prepare debt management strategy even though it has borrowing powers and issues loan guarantees to zones and woredas under its jurisdiction. |

13.1 Recording and reporting of debt and guarantees

85. The regional government's Financial Administration Proclamation No. 128/2009 stipulates under Part 8 that BoFED may borrow money domestically or issue guarantee or securities on behalf of the regional government. The regional government has not yet exercised its borrowing powers. It has however issued agricultural inputs and fertilizers loan guarantees for zones and woredas. The regional government however does not reconcile, and update guarantees issued on behalf of zones and woredas annually.

Dimension score: D

13.2 Approval of debt and guarantees

86. As stated under PI-13.1, the regional government has borrowing powers but has not yet exercised these privileges but provides guarantees to zones and woredas to borrow domestically from commercial banks. On this note, BoFED is solely responsible for authorizing and approving these guarantees. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of these guarantees.

Dimension score: D

13.3 Debt management strategy

87. The SNNPR regional government does not prepare a debt management strategy to guide its debts and risk portfolio, even though it has borrowing powers and issues loan guarantees to zones and woredas under its jurisdiction. The regional government has no borrowings to date.

Dimension score: D

PILLAR IV. Policy-based fiscal strategy and budgeting

PI-14 Macroeconomic and fiscal forecasting

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

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|---|
| PI-14. Macroeconomic and fiscal forecasting | C+ | Scoring method M2 |
| 14.1 Macroeconomic forecasts | B | Over the last three completed fiscal years, the Budget and Planning Division of BoFED prepared an MEFF that is part of the medium-term regional strategic plan known as GTP II 2016/2017–2020/2021. The budget document submitted to the regional council also contains macroeconomic forecasts, plus the underlying assumptions. The projections cover the budget year and at least the two outer years. |
| 14.2 Fiscal forecasts | B | Over the last three completed fiscal years, the Budget and Planning Division of BoFED prepared medium-term macro-fiscal forecasts, with assumptions on GDP and investment rates. The forecasts, for the budget year and the two outer years, include aggregate revenues by type and expenditures. These are submitted to the regional council for information purpose only. |
| 14.3 Macro-fiscal | D | The Budget and Planning Division does not prepare macro-fiscal forecasts |

| Indicator/Dimension | Score | Brief justification for score |
|----------------------|-------|---|
| sensitivity analysis | | based on alternative macroeconomic assumptions. |

14.1 Macroeconomic forecasts

89. The Budget and Planning Division of BoFED prepared, over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, an MEFF that is part of the medium-term regional strategic plan known as GTP II 2016/2017–2020/2021. The budget document submitted to the regional council also contains macroeconomic forecasts. The division has the capacity to forecast only GDP and investment rates. Forecasts for other macroeconomic indicators such as inflation, exchange rate, global market price, and interest rate are done by the federal government. The projections cover the budget year and at least the two outer years. The division prepares annual updates of both GDP and investment rates, which are reviewed and approved by the regional cabinet. Both the MEFF and the annual updates of macro projections (GDP and investment rate) plus the underlying assumptions are forwarded to the regional council for information purpose only, as part of the budget documentation.

Dimension score: B

14.2 Fiscal forecast

90. Over the last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018, the Budget and Planning Division prepared medium-term macro-fiscal forecast, with assumptions on GDP and investment rates. The forecasts, for the budget year and the two outer years, include aggregate revenues by type and expenditures and the budget balance, which is usually zero, as the government does not borrow to finance any budget deficit. Any difference between its own revenues and projected expenditure is financed by the federal government as subsidies (transfers/grants). However, there is no explanation of differences between forecasts and the current year's budget as part of budget documentation submitted to the regional council for information purpose only.

Dimension score: B

14.3 Macro-fiscal sensitivity analysis

91. The Budget and Planning Division does not prepare macro-fiscal forecasts based on alternative macroeconomic assumptions. This was the case for the past three completed fiscal years.

Dimension score: D

PI-15 Fiscal strategy

92. This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. No fiscal strategy is developed for the Federal Government of Ethiopia.

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|----------|--|
| PI-15 Fiscal strategy | D | Scoring method M2 |
| 15.1 Fiscal impact of policy proposals | D | The regional government prepares partial explanation of budget implications on new policy initiatives and major new public investments |

| Indicator/Dimension | Score | Brief justification for score |
|-----------------------------------|-------|---|
| 15.2 Fiscal strategy adoption | D | The SNNPR regional government does not produce a fiscal strategy. |
| 15.3 Reporting on fiscal outcomes | NA | Reporting against fiscal outcomes is not undertaken. |

15.1 Fiscal impact of policy proposals

93. As indicated under element 10 of PI-5 (Table 3.6), the regional government prepares and provides to the regional council a partial explanation of budget implications on new policy initiatives and major new public investments; these are included in the budget speech but not the estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs. This applies to the past three completed fiscal years.

Dimension score: D

15.2 Fiscal strategy adoption

94. The SNNPR regional government has not produced and adopted a fiscal strategy document in the past completed fiscal year. A fiscal strategy document outlines broad (aggregate) government parameters on both revenues and expenditures and any fiscal balances that could arise out of net spending.

Dimension score: D

15.3 Reporting on fiscal outcomes

95. A report against fiscal outcomes has not been produced in the past completed fiscal year.

Dimension score: NA

PI-16 Medium-term perspective in expenditure budgeting

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

Summary of scores and performance table

| Indicator/Dimension | Score 2018 | Brief justification for score |
|--|------------|---|
| PI-16. Medium-term perspective in expenditure budgeting | D+ | Scoring method M2 |
| 16.1 Medium-term expenditure estimates | D | The annual budget document presents estimates of expenditure by administrative, functional, and economic classification for the budget year only; there are no medium-term expenditure forecasts. |
| 16.2 Medium-term expenditure ceilings | D | The regional cabinet does not approve the BCC with ceilings. |
| 16.3 Alignment of strategic plans and medium-term budgets | C | At least 32% (by value) of sectors prepare fully costed medium-term strategic plans, that is, some (>25%). Some annual expenditure policies are aligned to annual action plans and the medium-term strategy. |

| Indicator/Dimension | Score 2018 | Brief justification for score |
|--|------------|--|
| 16.4 Consistency of budgets with previous year's estimates | NA | The government does not prepare an medium-term expenditure framework (MTEF); therefore, it is not possible to analyze the consistency of budgets to the previous year's estimates. |

16.1 Medium-term expenditure estimates

97. There is no medium-term perspective in the expenditure framework. The SNNPR regional government does not prepare a detailed MTEF on a rolling basis. It only prepares aggregate expenditure estimates. Also, it prepares detailed annual budget estimates which show expenditure according to administrative, functional, and economic classifications. Program budget has not yet been introduced.

Dimension score: D

16.2 Medium-term expenditure ceilings

98. The regional cabinet does not approve the BCC with ceilings. In fact, a circular with ceilings at the administrative level is not issued (see PI-17.2).

Dimension score: D

16.3 Alignment of strategic plans and medium-term budgets

99. Table 3.9 shows an analysis of sector bureaus that prepare fully costed medium-term strategic plans. In addition to the medium-term strategies, all sectors prepare annual action plans from which the annual budget estimates are derived. The analysis shows that at least 32 percent (by value) of sector budgets prepare costed sector strategies, that is, **some** (>25 percent). Some annual expenditure policies are aligned to annual action plans and the medium-term strategy.

Table 3.9: Sector bureaus with a fully costed medium-term strategy

| Sector bureau | FY2017/2018 budget (ETB) |
|--|--------------------------|
| Bureau of Education | 7,805,295,418.27 |
| Bureau of Water, Minerals, and Energy | 980,682,164.33 |
| Roads authority | 1,230,842,604.65 |
| Bureau of Health | 3,802,460,837.75 |
| Total sector budget with fully costed strategies | 10,016,820,187.25 |
| Total regional government budget | 31,571,043,258.40 |
| % that prepared fully costed strategy | 32 |

Sources: FY2017/2018 approved budget estimates from BoFED and costed strategies from the bureaus and authorities.

Dimension score: C

16.4 Consistency of budgets with previous year's estimates

100. As indicated under PI-16.1, the regional government does not prepare an MTEF. The annual budget estimate is only for one year (the budget year). It is not therefore possible to analyze or compare the consistency of budgets to previous year's estimates.

Dimension score: NA

PI-17 Budget preparation process*Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|---|----------|---|
| PI-17. Budget preparation process | D | Scoring method M2 |
| 17.1 Budget calendar | D | An annual budget calendar exists and allows budgetary units 2 weeks to submit their proposals. About 10% of budgetary units comply with it and meet the deadlines for completing estimates. |
| 17.2 Guidance on budget preparation | D | A budget circular is issued to BIs, but it does not include ceilings for administrative or functional areas. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by budgetary units. |
| 17.3 Budget submission to the legislature | D | The executive has submitted the annual budget proposal to the legislature on the day of the start of the new fiscal year or after the start of the new fiscal year in all past three completed fiscal years. |

17.1 Budget calendar

101. A clear budget calendar exists and included in the BCC (see Table 3.10). For the preparation of the EFY 2011 budget, the budgetary units had two weeks to complete their budget estimates. The regional administration has provided a detailed list of the budgetary units in terms of EFY 2010 actual expenditure that were able to complete their detailed estimates on time for the preparation of the EFY 2011 budget. The list in Table 3.11 shows that all (that is, 90 percent in terms of total expenditure) BIs were late in submitting their budget estimates. Only 10 percent of BIs in terms of expenditure submitted on time and 90 percent were late.

Table 3.10: Budget calendar

| Cycle/Part/Stage | EC | GC | Actual delay from calendar dates (EC) | Actual delay from calendar dates (GC) |
|--|--------------|------------------|---------------------------------------|---------------------------------------|
| Planning cycle | | | | |
| 1.1. Pre-planning preparation | Up to Tir 30 | Up to February 7 | 8/5/2010 | 16/1/2018 |
| 1.2. Send BCC at the regional level | Tir 30 | February 7 | 8/5/2010 | 16/1/2018 |
| 1.3. BCC sent by different levels of government (zone and wereda) | Tir 30 | February 7 | 8/5/2010 | 16/1/2018 |
| 1.4. Budget preparation and request | Megabit 15 | March 24 | | |
| 1.5. Budget hearing | | | 23–29/8/2010 | 1–7/5/2018 |
| 2.1 Approval of regional and wereda budget share and grant formula | | | January 2007 | January 2015 |
| 2.2 Approval of regional budget | Hamle 15 | July 22 | Hamle 2010 | July 2018 |
| 2.3 Approval of woreda, city administration, and zone budget | Hamle 15 | July 22 | Hamle 2010 | July 2018 |
| 3.1 Budget notification to regional woredas, city administrations, and zones | Hamle 20 | July 27 | | |
| 3.2 Notification of approved budget to BIs | Hamle 20 | July 27 | | |
| 3.3 Summarizing the budget in IBEX | Nehassie 20 | August 26 | | |

Source: BCC.

Table 3.11: BIs that submitted after the deadline for the preparation of the EFY 2011 budget

| Name of bureau | Date of submission | Delay/On time | % of total expenditure |
|---|--------------------|----------------|------------------------|
| City Council | 05/04/2018 | Delay | |
| Office of the Auditor General | 28/04/2018 | Delay | |
| Council of Nationalities Office | 14/08/2018 | Delay | |
| Regional President Office | 05/04/2018 | Delay | |
| Attorney General Office | 13/03/2018 | Delay | |
| Vital Events Registration Agency | 15/08/2018 | Delay | |
| High Court | 05/04/2018 | Delay | |
| Zone Administrator Office | 15/07/2010 | On time | 1.70 |
| Militia Office | 24/03/2018 | On time | 0.01 |
| Peace and Security Office | 24/03/2018 | on time | |
| Police Commission | 16/04/2018 | Delay | |
| Police College | 13/04/2018 | Delay | |
| Ethics and Anti-corruption Commission | 24/03/2018 | On time | 0.03 |
| Prison Administration | 03/04/2018 | Delay | |
| Finance and Economic Development Office | 24/03/2018 | On time | 1.00 |
| Education Bureau | 24/03/2018 | On time | 6.00 |
| Public Service and Human Resources Development Bureau | 03/04/2018 | Delay | |
| Taxes Authority | 06/04/2018 | Delay | |
| South Region Radio and Television Agency | 27/03/2018 | Delay | |
| Urban and Agricultural and Natural Agriculture Development Office | 15/06/2018 | Delay | |
| Food Security | 16/04/2018 | Delay | |
| WoliataSodo Agriculture, Technical, and Vocational College | 15/04/2018 | Delay | |
| Environmental Protection and Forest Authority | 27/03/2018 | Delay | |
| Agricultural Research Institute | 28/03/2018 | Delay | |
| Animals and Fisheries Development Office | 18/10/2018 | Delay | |
| Cooperative Agency | 16/09/2018 | Delay | |
| Agricultural Input Quality Control Authority | 16/03/2018 | On time | 0.01 |
| Water, Mineral, and Energy Office | 16/03/2018 | On time | 0.78 |
| Irrigation Construction Scheme Administration Agency | 05/04/2018 | Delay | |
| Minerals and Energy Agency | 05/04/2018 | Delay | |
| Bureau of Trade and Industry | 05/04/2018 | Delay | |
| Bureau of Enterprises and Industrial Development | 05/04/2018 | Delay | |
| Investment Expansion Commission | 05/04/2018 | Delay | |
| Urban Development and Construction Bureau | 05/04/2018 | Delay | |
| Integrated Land and Land-related System Project Office | 15/07/2018 | Delay | |
| Urban Land and Property Registration Agency | 18/09/2017 | Delay | |
| Housing Development and Administration Agency | 16/08/2018 | Delay | |
| Urban Planning Institute | 16/08/2018 | Delay | |
| Transport and Roads Development Bureau | 16/07/2018 | Delay | |
| Bureau of Culture and Tourism | 16/07/2018 | Delay | |
| Roads Development Authority | 05/04/2018 | Delay | |
| Construction Authority | 14/07/2018 | Delay | |
| Hawassa Teachers College | 14/07/2018 | Delay | |
| Arba Minch Teachers College | 15/07/2018 | Delay | |
| Hossana Teachers College | 21/04/2018 | Delay | |
| Technical and Vocational Education Bureau | 16/07/2018 | Delay | |
| 53 Technical and Vocational Institutes | 16/07/2018 | Delay | |
| Science and Technology Development Agency | 30/03/2018 | Delay | |
| Hawassa Polytechnical College | 26/04/2018 | Delay | |
| Hossana Polytechnical College | 26/04/2018 | Delay | |

| Name of bureau | Date of submission | Delay/On time | % of total expenditure |
|---|--------------------|---------------|------------------------|
| Arba Minch Polytechnical College | 18/09/2018 | Delay | |
| Wolkete Industrial College | 18/09/2018 | Delay | |
| Durame Industrial College | 30/03/2018 | Delay | |
| Worabe Industrial College | 18/09/2018 | Delay | |
| Daye Industrial College | 03/04/2018 | Delay | |
| Information Communication Technology Agency | 01/04/2018 | Delay | |
| DubebMeles Academy | 16/08/2018 | Delay | |
| Sports Commission | 03/04/2018 | Delay | |
| Health Bureau | 05/04/2018 | Delay | |
| Health and Health-related Input Quality Control | 30/03/2018 | Delay | |
| Hawassa Health College | 30/03/2018 | Delay | |
| Arba Minch Health College | 14/08/2018 | Delay | |
| Aman Health College | 30/03/2018 | Delay | |
| Yirgalem Health College | 26/04/2018 | Delay | |
| Labour and Social Affairs Agency | 03/04/2018 | Delay | |
| ArbaMnich Rehabilitation Centre | 03/04/2018 | Delay | |
| Women, Children and Youth Affairs Office | 06/04/2018 | Delay | |
| BIs that submitted on time as % of total expenditure | | | 10.00 |

Source: BoFED.

Dimension score: D

17.2 Guidance on budget preparation

102. A budget circular is issued to BIs covering capital and recurrent expenditure for the full fiscal year. The circular does not however include ceilings by administrative or functional category. The bureaus visited by the assessment team (of which Bureaus of Education, Health, Transport, and Water) confirmed that the guidelines in the circular were clear and complete. That said, the BCC not including ceilings is a shortcoming, and budget estimates are reviewed and approved by the cabinet only after they have been completed in every detail by the budgetary units.

Dimension score: D

17.3 Budget submission to the legislature

103. The executive has submitted the draft budget proclamation to the regional council on the day of the start of the fiscal year or after the start of the fiscal year in all the last three years (see Table 3.12).

Table 3.12: Dates of submission of the budget to the regional council

| Budget | EC | GC |
|---------|-----------|----------|
| EC 2011 | 16/7/2010 | 8/7/2018 |
| EC 2010 | 17/7/2009 | 9/7/2017 |
| EC 2009 | 17/7/2008 | 9/7/2016 |

Source: Regional council.

Dimension score: D

PI-18 Legislative scrutiny of budgets

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|---|
| PI-18. Legislative scrutiny of budgets | C+ | Scoring method M1 |
| 18.1 Scope of budget scrutiny | A | The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. |
| 18.2 Legislative procedures for budget scrutiny | C | The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. They include negotiation procedures and arrangements for public consultation, but not for technical assistance. |
| 18.3 Timing of budget approval | C | The regional council has approved the annual budget within one month of the start of the fiscal year in all last three fiscal years. |
| 18.4 Rules for budget adjustments by the executive | B | Clear rules exist for in-year budget adjustments by the executive and are adhered to in all instances (>90% in value). Extensive administrative reallocations are permitted. |

18.1 Scope of budget scrutiny

104. As mentioned in PI-5, the budget documentation sent to the council consists of (a) the draft budget proclamation, (b) the budget speech, and (c) subsidy allocation to woredas. The regional council also receives the MEFF and GTP II that together cover medium-term fiscal forecast and medium-term priorities. The BFAASC of the regional council reviews the documentation it receives, and for the draft budget proclamation, it examines the details of expenditure and revenue. The documentation it receives also includes the budget speech that covers fiscal policies. As a result, the legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue.

Dimension score: A

18.2 Legislative procedures for budget scrutiny

105. The regional council's procedures to review budget proposals are approved in advance of budget hearings and are adhered to. The procedures for the BFAASC include arrangements for public consultation, negotiation procedures that are established in the standing orders of the council but do not provide for technical support. A specialized committee is responsible for budget scrutiny and the review of audit reports. It has five members including the chairperson who is one of the two full-time members. Other members meet quarterly and on an ad hoc basis as required.

Dimension score: C

18.3 Timing of budget approval

106. As shown in Table 3.13, the regional council has approved the annual budget within one month of the start of the fiscal year in two of the last three fiscal years. The fiscal year in Ethiopia begins on July 8.

Table 3.13: The regional council's approval of the budget for the past three approved budgets

| Approved budget | Date of approval by the council in EC | Date of approval by the council in GC |
|-----------------|---------------------------------------|---------------------------------------|
|-----------------|---------------------------------------|---------------------------------------|

| | | |
|---------------------|-----------|-----------|
| Budget for EFY 2009 | 26/7/2008 | 18/7/2017 |
| Budget for EFY 2010 | 1/8/2009 | 24/7/2018 |
| Budget for EFY 2011 | 7/10/2010 | 31/8/2019 |

Source: Regional council.

Dimension score: C

18.4 Rules for budget adjustments by the executive

107. The Financial Administration Proclamation stipulates that the executive cannot increase total expenditure during the year without the regional council's approval. Transfers are not allowed from the capital to the recurrent budget. This provision gives BOFED the flexibility to transfer budget allocations between sectors, programs, and economic items.

108. There is no limit to the number of budget amendment. In-year adjustments may be requested and approved any time except for the last month in the budget year, which is June. Any reallocation to be made in June is to be approved by BoFED. The types of in-year adjustments stipulated in the legislation are as follows:

- (a) Adjustments within the budgetary units' own budget ceilings that do not require prior BoFED approval—the sector bureaus (line ministries) can reallocate only within the economic classification category, for example, within operating expenditure and personnel service (salaries and wages)
- (b) Adjustments that require prior BoFED but not the cabinet or legislative (council) approval—adjustment from one category of economic classification to another or from one sector bureau to another
- (c) Adjustments that require cabinet, but not legislative approval are from one woreda to another
- (d) Adjustments that require legislative approval—supplements of budget of the cabinet

109. Therefore, clear rules exist for in-year budget adjustments by the executive. They allow extensive administrative reallocations. The in-year transfers in EFY 2010 were ETB 33.6 billion, that is, 27 percent of the original budget expenditure, and 100 percent of the transfers adhered to the rules.

Table 3.14: Percentage of transfers that adhere to the rules for in-year budget adjustments, EFY 2010

| In-year transfers for EFY 2010 | % of transfers that adhere to the rules |
|--------------------------------|---|
| ETB 33.6 billion | 100 |

Source: Data provided by BoFED.

Dimension score: B

PILLAR V. Predictability and control in budget execution

PI-19 Revenue administration

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--------------------------------------|-----------|---|
| PI-19. Revenue administration | C+ | Scoring method M2 |
| 19.1 Rights and obligations for | A | More than 85% of the regional tax is collected by the regional RA. It |

| Indicator/Dimension | Score | Brief justification for score |
|--------------------------------------|-------|--|
| revenue measures | | provides information through various channels on main obligations to taxpayers and redress processes and procedures. |
| 19.2 Revenue risk management | C | The RA uses a partly structured and systematic approach for assessing and prioritizing compliance risks. Case selection for tax audit is semiautomated with 41 selection criteria mostly manual. |
| 19.3 Revenue audit and investigation | D | Currently the RA is not using a compliance improvement plan. It has completed majority (65%) of planned audits for the last completed fiscal year. |
| 19.4 Revenue arrears monitoring | C | The stock of revenue arrears for the last completed fiscal year (EFY 2010) was 2.5% of the total revenue collection for the year and the arrears balance more than 12 months was 43%. |

19.1 Rights and obligations for revenue measures

110. As shown in Table 3.15, 75 percent of the regional government's revenue is received from subsidy transfer from the federal government. Tax revenues account for 17 percent, other revenues 8 percent, and assistance less than 1 percent of the total revenue. From the total collection in the region, more than 85 percent is collected by the RA. The Tax Education and Communication Directorate under the RA is responsible for informing taxpayers about their rights and obligations. The RA's training program is tailored for different taxpayer groups. The tax laws and regulations are posted on the authority's website (www.snnprrevenueauthority.gov.et). Moreover, the RA uses different channels to provide information to taxpayers such as weekly television and radio programs on the different regional media, Facebook account, brochures, and booklets. The following trainings and information were provided in EFY 2010:³

- Provided training for 182,624 taxpayers in category A, B, and C
- Provided door-to-door support to 22,917 taxpayers in category A and B
- Distributed 293,162 brochures, 5,000 newsletters, 27 banners, and 4,000 posters
- Transmitted weekly programs on 4 radio channels and 1 television program
- Conducted awareness creation programs for 354,631 students in high schools

111. The regional government issued Income Tax Proclamation No. 165/2009, Tax Administration Proclamation No. 166/2009, Income Tax Regulation No. 165/2010, Tax Administration Regulation No. 166/2010, and eight different directives. Moreover, most of the federal government tax laws apply to the region.

Table 3.15: Total revenue collection for EFY 2010 (ETB, millions)

| Type of Revenue | Total collection | Share (%) |
|--|------------------|-----------|
| Tax revenue | 5,600 | 17.0 |
| Subsidy transfer from the federal government | 24,291 | 75.0 |
| External assistance | 88 | 0.3 |
| Other revenue | 2,647 | 8.0 |
| Total | 32,626 | |

Source: SNNPR BoFED, Accounts Directorate.

112. The appeal and redress rules are set out in the Tax Administration Proclamation No. 166/2009. There is a three-tiered appeal mechanism. As per rules, a taxpayer who is dissatisfied with the decision of the tax administration can complain to the tax administration within 21 days. The TA's Tax Decision and Appeal Investigation Directorate investigate the case and provide decision. A taxpayer dissatisfied

³ SNNPR RA annual performance report for EFY 2010.

with the decision can complain to the independent Tax Appeal Commission within 30 days. A taxpayer who is not satisfied with the decision of the Tax Appeal Commission can file the case at the court. As per the statistics of the RA, 98 percent of the cases were resolved within the RA in EFY 2010.

Dimension score: A

19.2 Revenue risk management

113. The RA has developed Compliance Risk Management Strategy and created a new department called the Compliance and Risk Management Directorate in January 2019. The strategy is equivalent to compliance improvement plan, but it is not yet fully implemented. Currently, the risk management function is not fully structured. The RA uses data from the tax information management system, SIGTAS, and categorizes taxpayers into high, medium, and low risk using 41 criteria. Information from audit and intelligence is used to assess the risk. Taxpayers in the high-risk category are selected for comprehensive audit and those in the medium-risk category for desk audit.

Dimension score: C

19.3 Revenue audit and investigation

114. The Compliance Improvement Plan (known as Compliance Risk Management Strategy) was developed in January 2019 and is not yet fully implemented. Selection for audit is done based on the risk assessment described under PI-19.2, which is not fully automated and structured. In EFY 2010, the target was to audit 2,339 files, but the achievement was 1,517 (65 percent). As per the authorities of the RA, the reason for this low accomplishment was the instability that occurred in the region which impaired the enforcing capacity of the RA when taxpayers are not willing for the audit.

Dimension score: D

19.4 Revenue arrears monitoring

115. Tax revenues that are not collected at the end of the year are categorized as arrears. However, the arrears balance is not disaggregated by type of revenue. As shown in Table 3.16, the stock of revenue arrears at the end of EFY 2010 was at an acceptable level of 2.5 percent of the total revenue collected for the year. Nevertheless, the revenue arrears balance older than 12 months was 43 percent of the stock of revenue arrears. The regional government has established a committee that is led by the speaker of the regional council to follow up revenue arrears and enforce collections. As per the annual plan of the RA for EFY 2010, it was planned to collect all the outstanding revenue arrears balance of ETB 334,836,009, but the accomplishment was 38 percent.

Table 3.16: Tax arrears for EFY 2010 (2017/2018) in ETB

| | Brought forward from 2009 (2016/2017) A | Actual outturns in 2010 (2017/2018) B | Total C (A + B) | Arrears collected D | Stock of arrears at end of 2010 (2017/2018) E (C – D) | Total tax revenue collection for the year F |
|------------------------|--|--|--------------------|------------------------|--|--|
| Amount | 217,000,392 | 117,835,617 | 334,836,009 | 128,508,269 | 206,237,740 | 8,246,289,370 |
| % of arrears | | | | | 2.5 | |
| % older than 12 months | $217,000,392 - 128,508,269 = 88,492,123 = 43\%$ $206,237,740$ | | | | | |

Source: SNNPR RA.

Dimension score: C

PI-20 Accounting for revenue

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|---|
| PI-20 Accounting for revenue | C+ | Scoring method M1 |
| 20.1 Information on revenue collections | A | The RA, which collects more than 85% of the revenue and other BIs, submits reports to the treasury monthly. These reports are consolidated into a single report. |
| 20.2 Transfer of revenue collections | B | The RA and other BIs transfer revenue collection on a monthly basis to the treasury. |
| 20.3 Revenue accounts reconciliation | C | The quarterly reconciliation, done within four weeks after the end of the quarter, does not include assessments and arrears. Reconciliation only covers collections, retention, and transfers to the treasury |

20.1 Information on revenue collections

116. As mentioned in PI-19.1, 75 percent of the regional revenue is received from subsidy transfer from the federal government. From the total collection in the region, more than 85 percent is collected by the RA. The remaining 15 percent is collected by different budgetary units. The RA reports on a monthly basis the planned and actual revenue collection to BoFED. Moreover, the report is submitted to the regional cabinet and council. The report is broken down by revenue type. All other budgetary units also report the revenue collection on a monthly basis to BoFED. These reports are entered into IBEX and the consolidated report is generated monthly.

Dimension score: A

20.2 Transfer of revenue collections

117. The RA, which collects more than 85 percent of the revenue, transfers the collection to the treasury on a weekly basis. A significant part of the collections is from VAT, income tax, and turnover tax. Minor collections from fees and charges are directly deposited in the treasury account. However, there are no data about the percentage of the revenue directly deposited to treasury. All other budgetary units transfer revenue collection to treasury monthly.

Dimension score: B

20.3 Revenue accounts reconciliation

118. The RA prepares revenue reconciliation upon preparing the quarterly report within four weeks after the end of the quarter. The reconciliation includes the monthly collections, retention by the authority for VAT refund and other taxpayer claims, and transfer to the BoFED treasury. However, this reconciliation does not include total assessments and arrears.

Dimension score = C

PI-21 Predictability of in-year resource allocation*Summary of scores and performance table*

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|---|
| PI-21 Predictability of in-year resource allocation | B+ | Scoring method M2 |
| 21.1 Consolidation of cash balances | C | Cash balances in the treasury single account (TSA) are consolidated every day, but they constitute only 79% of all cash accounts owned by the regional government. All the other accounts are consolidated monthly. |
| 21.2 Cash forecasting and monitoring | B | A cash flow forecast is prepared for the fiscal year and is updated at least quarterly on the basis of actual cash inflows and outflows. |
| 21.3 Information on commitment ceilings | A | Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases. |
| 21.4 Significance of in-year budget adjustments | A | Significant in-year adjustments to budget allocation take place no more than twice a year and are done in a transparent and predictable way. |

21.1 Consolidation of cash balances

119. The Treasury Directorate at BoFED maintains three bank accounts known as treasury, SDG, and Promotion of Basic Services Program (PBS) (previously Protection of Basic Services) accounts. All other BIs maintain three types of accounts known as Z, B, and donor accounts:

- Z-accounts are TSA accounts for disbursement of budget allocations allowing a monthly cash withdrawal to a limit set by BoFED on the basis of the monthly cash requirements of the respective BIs. These accounts are reconciled daily with the bank. BoFED monitors the balance position of all BIs daily.
- B-accounts are revenue deposit accounts keeping the collected own source revenue generated by the BIs. They are swept to the treasury on monthly basis.
- Aid-account (donor partner) channels 1 and 2 is a donor fund account and the number of these accounts varies across all BIs depending on the type and nature of projects supported in the respective sector. The balance in these accounts is reconciled monthly. They are not consolidated into the overall cash position of the regional government.

120. Table 3.17 shows the total balance in each of the bank accounts at the end of the last three completed fiscal years. On average, 79 percent of the total cash balance is in TSA. The TSAs are reconciled daily while the other accounts are reconciled on a monthly basis.

Table 3.17: Volume of cash in and outside TSA in ETB for year-end for EFY 2008, 2009, and 2010

| | EFY 2008 | EFY 2009 | EFY 2010 | Average |
|--|------------------|------------------|------------------|------------------|
| Total cash | 2,631,056,506.86 | 2,590,657,026.21 | 2,861,943,109.37 | 2,694,552,214.15 |
| Total cash balance in TSA (4105) | 2,151,630,653.11 | 2,058,285,977.98 | 2,180,625,783.76 | 2,130,180,804.95 |
| Cash in other accounts not part of the TSA (4103 and 4104) | 317,304,534.86 | 354,086,588.47 | 500,186,647.72 | 390,525,923.68 |
| Cash in hand (4101) | 162,121,318.89 | 178,284,459.76 | 181,130,677.89 | 173,845,485.51 |
| Share of TSA cash balance | 82% | 79% | 76% | 79% |

Source: Annual financial report for 2008, 2009, and 2010, BoFED.

Dimension score: C

21.2 Cash forecasting and monitoring

121. After approval of the annual budget by the regional council and notification is done by BoFED, all BIs submit annual cash flow forecast which will be used as a basis for requesting cash disbursements on a monthly basis. This is also a requirement by the legal framework, Financial Administration Proclamation No. 128/2009, Article No. 32, which reads as follows: “No disbursements shall be made out of the approved budget unless the head of the public body or his authorized representative submits to the Bureau cash flow and cash requirements.” The cash flow forecast is updated quarterly.

Dimension score: B

21.3 Information on commitment ceilings

122. Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases. The Budget Directorate at BoFED grants the budgetary units authority to commit expenditure for one year at the start of the fiscal year.

Dimension score: A

21.4 Significance of in-year budget adjustments

123. There are clear rules for in-year budget adjustments allowing for extensive administrative reallocations (PI-18.4). They have been adhered to only when an adjustment was made in EFY 2010. Generally they stipulate that (a) the executive cannot increase total expenditure during the year without the regional council’s approval and (b) that reallocations are not allowed from the capital to the recurrent budget. The rules are clearly defined in the Financial Administration Proclamation, paragraph 23, of the SNNPR regional government. The budgetary units were informed about the budget amendment.

124. The largest in-year adjustment during EFY 2010 was 6 percent of total expenditure, with the second largest being 4 percent. Thus, there was one significant adjustment (that is, >5 percent of total expenditure) that was not approved through a supplementary budget. A supplementary budget was voted by the regional council during EFY 2010, allowing for an increase in total expenditure by ETB 487 million for Road Construction Bureau and other sector bureaus more generally. Therefore, in-year adjustment to budget allocation took place only once a year and in a transparent and predictable way, through vote of supplementary budget.

Dimension score: A

PI-22 Expenditure arrears

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|-------------------------------------|----------|--|
| PI-22 Expenditure arrears | A | Scoring method M2 |
| 22.1. Stock of expenditure arrears | A | The stock of expenditure arrears, accounted as grace period payables, was less than 2% in all three years of assessment. |
| 22.2 Expenditure arrears monitoring | A | The data on stock and composition of expenditure arrears are monitored at the end of each month. |

22.1 Stock of expenditure arrears

125. Expenditure arrears constitute grace period payable, which is applied mostly for unpaid capital expenditures for which the work has been performed/payments certificate received at the end of the year. Such payments are settled within 30 days after the end of the year. Credit procurements are not allowed and hence no arrears arise as a result of other procurements. Salaries are always paid before the end of the month. Included in account payable is sundry creditors, which relate to various unpaid obligations, recorded in different BIs. Grace period payables and sundry creditors are reported by each BI to BoFED as part of the monthly reporting and this is consolidated. As shown in Table 3.18, the balance of grace period payables and sundry creditors was less than 2 percent of total expenditure for the last three completed fiscal years.

Table 3.18: Stock of expenditure arrears and total expenditure (ETB, millions)

| | EFY 2008 | EFY 2009 | EFY 2010 |
|-------------------------------|-----------|-----------|-----------|
| Grace period payable | 375.15 | 229.33 | 260.05 |
| Sundry creditors | 35.40 | 25.97 | 34.22 |
| Total expenditure | 21,841.82 | 27,327.27 | 31,571.04 |
| Share of grace period payable | 1.72% | 0.84% | 0.82% |
| Share of sundry creditors | 0.16% | 0.10% | 0.11% |

Source: BoFED Accounts Directorate.

Dimension score: A

22.2 Expenditure arrears monitoring

126. An ageing analysis report of the stock of expenditures arrears showing the composition and type of expenditure is part of the monthly reporting package that is prepared by the BIs. Regional sector bureaus submit monthly reports to BoFED and these reports are consolidated. The ageing analysis is used by the management of each bureau and BoFED is to follow up long outstanding arrears.

Dimension score: A

PI-23 Payroll controls

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|---|
| PI-23 Payroll controls | C+ | Scoring method M1 |
| 23.1 Integration of payroll and personnel records | B | Payroll is reconciled against changes in payroll records and staff lists monthly as well as against previous month payroll. |
| 23.2 Management of payroll changes | A | Payroll changes are communicated and updated by the Human Resources Department (HRD) to finance immediately and retrospective adjustments are almost nonexistent. |
| 23.3 Internal control of payroll | B | Payroll changes are made against written and approved letters from the HRD and monthly staff attendance lists. There is a segregation of duty between payroll preparation and maintaining of human resources (HR) records. Internal audit reviews monthly payroll payments. |
| 23.4 Payroll audit | C | A partial payroll audit has been conducted by ORAG and internal audit units. |

23.1 Integration of payroll and personnel records

127. Payroll is decentralized at each BI level. Every BI is responsible for maintaining the personnel record for its employees and prepare payroll. The organizational structure, job grade, salary structure, and job description are approved centrally by the Regional Civil Service Bureau for all BIs. Public bodies are required to get a prior approval of the Bureau of Civil Service and Human Resource Development (BCSHRD) for any changes in transitional structure and addition or exclusion of a position or changes in the grade level of a given position.

128. All personnel records such as employment contract, educational documents, leave certificates, and other evidences for change of position and salary are maintained at the HRD in each BI. Payroll is prepared by the Accounts Department. The region has developed its own payroll system called 'Payroll System' and it is being used by all BIs. It is a stand-alone system and not integrated. The personnel records are not automated and there is no direct integration between the payroll system and personnel databases. However, the payroll is fully supported by authorized complete documentation. Printed letters are issued to communicate changes including recruitment, promotion, transfer, suspension, and termination. Department heads submit monthly the staff list to the HRD or Finance Department. The staff list contains the name of staff and the number of days employees were on duty. The HRD reviews and forwards these reports to the Finance Department for payroll preparation. Payroll is prepared between the 22nd and 23rd of each month. The payroll is reconciled against the previous month's payroll and copies of letters received from the HRD on payroll changes and staff lists received.

Dimension score: B

23.2 Management of payroll changes

129. The Finance Department is copied with all letters related to staff changes such as hiring, termination, and promotion. This enables prompt update of the payroll records at the Finance Department. The employee database is managed by the HRD at every BI. All changes (as per the civil service law they are approved by the head of the central government institution) are captured within the month they occur and retroactive adjustments are rare, as confirmed by budget units. There were no retroactive adjustments at the visited institutions. If an employee joins close to the end of the month after the payroll is processed, s/he is paid separately within the month and no retroactive payment is made in the following month. Internal and external auditors of the regional government also did not report any findings in this regard.

Dimension score: A

23.3 Internal control of payroll

130. Personnel data are maintained by the HRD and payroll preparation done by the Accounts Department. There is a segregation of duties between maintaining personnel records, preparation of payroll, review of payroll sheets, and signing of bank transfers to employees' accounts. The 'Payroll System' is developed by the region. The system is password protected but does not result in an audit trail. Salary payments that are made through bank checks, together with the approved payroll, are submitted to the bank monthly to be credited to employees' bank accounts. As part of the routine financial audits, internal auditors review the correctness of payroll computation and whether changes are supported by appropriate documents from the HRD. External auditors also review the payroll as part of the annual financial audit.

Dimension score: B

23.4 Payroll audit

131. Internal audit is decentralized at each BI and BIs conduct financial and compliance audit as part of their annual audit programs. Partial payroll audit is conducted in which the payroll is verified for correctness, and triangulation is done with personnel records such as monthly attendance sheets, staff contracts, promotion and salary adjustment, and so on. However, no comprehensive payroll audit was conducted covering the staff structure, grading, salary scale, and head count over the last three completed fiscal years. ORAG also conducts payroll audit as part of its routine annual financial audit, and the procedures are similar to the internal audit, and ORAG has not conducted a comprehensive payroll audit. Audit reports include no major payroll findings. The most common findings include arithmetical errors on payroll and salary paid wrongly to terminated staffs, but these are rare. Risk of payment to a ghost worker is said to be nonexistent in the region as per visited internal audit units and ORAG.

Dimension score : C

PI-24 Procurement management

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|----------|--|
| PI-24 Procurement | B | Scoring method M2 |
| 24.1 Procurement monitoring | B | A consolidated procurement database is maintained by PPPAA. The data are accurate and complete for most procurement methods for goods, services, and works. |
| 24.2 Procurement methods | A | The total value of contracts awarded through competitive methods in the last completed fiscal year represents more than 80%. |
| 24.3 Public access to procurement information | B | Four of the key procurement information elements are fulfilled |
| 24.4 Procurement complaints management | D | The procurement complaint system does not meet criterion (1). |

24.1 Procurement monitoring

132. The legal framework for procurement of the regional government is stipulated in the Public Procurement and Property Administration Proclamation No. 146/2012. Other directives and guidelines that regulate the procurement function include the following:

- Revised Public Procurement Directive No. 28/2019
- Procurement Manual
- Guideline to handle complaint on public procurement and property disposal

133. The proclamation is applicable to all public bodies fully or partially funded by the regional government, zones, woredas, city administration, and municipalities. This proclamation shall not be applicable if agreement with DPs requires using separate project procurement guidelines.

134. The procurement function is decentralized at each public body. Every public body has an established procurement unit that handles all the procurement for the organization. The regional PPPAA is responsible for overall supervision and follow-up of the procurement throughout the region. Every public body submits procurement plan and performance report to the agency. The agency, as per the authority given by the proclamation Article 15 (10) that reads “Set up, develop, maintain and update a database that covers the entire spectrum of the public procurement and property administration,” maintains a consolidated database of procurement plans and actual performance. The database includes information such as type of goods, name of supplier, procurement method, amount, date of award, bidders participated, and so on. No findings were reported in the internal and external reports on the accuracy of the database. However, an assessment by the World Bank procurement team identified serious data gaps in the health sector of the region. The health expenditure accounts for 12 percent of the total expenditure of the region.

Dimension score: B

24.2 Procurement methods

135. The legally accepted procurement methods as per the proclamation are (a) open bidding, (b) request for proposals, (c) two stage tendering, (d) restricted tendering, (e) request for quotation, and (f) direct procurement. The threshold for each procurement method is stipulated in the procurement directive. As mentioned in PI-24.1, procurement is decentralized and each public body is required to submit performance report to the supervisory body, the regional PPPAA. The reports detail the

amount procured using each type of method and this is consolidated at the agency. As shown in Table 3.19, almost all procurements were made competitive methods.

Table 3.19: Volume and share of procurement by procurement method for EFY 2010

| Type of procurement | Volume of procurement in ETB million | | | |
|---------------------|--------------------------------------|--------------------|-----------------------|-----------|
| | Competitive methods | Direct procurement | Request for quotation | Total |
| Goods | 3,412.78 | 0.20 | 0.12 | 3,413.11 |
| Construction | 6,170.40 | — | — | 6,170.40 |
| Services | 3,130.01 | — | — | 3,130.01 |
| Other services | 1,737.11 | 0.49 | 0.37 | 1,737.97 |
| Total | 14,450.29 | 0.69 | 0.50 | 14,451.48 |
| Share in % | 99.99 | 0.00 | 0.00 | |

Source: Regional PPPAA, annual report for EFY 2010.

Dimension score: A

24.3 Public access to procurement information

136. This dimension reviews the level of public access to complete, reliable, and timely procurement information. PPPAA does not operate its own website but uses six notice boards in the town for publication of information and the laws and directives are posted in the website of BoFED. Table 3.20 presents the requirements or elements for public access and whether these are met. Three key procurement information elements are made available to the public.

Table 3.20: Public access to Procurement Information

| Element/Requirements | Met (Yes/No) | Evidence used/Comments |
|--|--------------|---|
| (1) Legal and regulatory framework for procurement | No | The Public Procurement and Property Administration Proclamation No. 146/2012 and the regulation, the manuals, and guidance are available on the BoFED website: www.snnprbofed.gov.et . But currently the website is not fully functional and it is not possible to access the laws and regulations. PPPAA does not have its own website. In addition, the public can purchase the proclamation and the regulations from the regional council at a small amount of money. |
| (2) Government procurement plans | Yes | All public bodies prepare and submit annual plans to PPPAA, and these are consolidated. PPPAA posts the consolidated annual plan in its notice board and additional five places in the town. |
| (3) Bidding opportunities | Yes | Bidding opportunities are posted on the six notice boards in the town, notice boards of the procuring agency, at the regional and national newspapers, radio, and television. Bidding opportunities are posted only for open tenders. |
| (4) Contract awards (purpose, contractor, and value) | Yes | Contract awards are posted at the respective entities' notice boards and the six notice boards of PPPAA. In addition, the award is communicated in writing to the participating bidders. |

| Element/Requirements | Met (Yes/No) | Evidence used/Comments |
|--|--------------|--|
| (5) Data on resolution of procurement complaints | No | Data on resolution of procurement complaints are not published. Only the entity that submitted the complaint received the resolution in writing. PPPAA incorporates the action taken on procurement complaints in its annual report. |
| (6) Annual procurement statistics | Yes | Every public body submits an annual performance report to PPPAA, and this is consolidated. The report includes procurement statistics by method of procurement. Every public body posts the annual report in notice boards. |

Dimension score: B

24.4 Procurement complaints management

137. The complaint resolution mechanisms are described under Chapter 14 of the Public Procurement and Property Administration Proclamation No. 1464/2012, the revised Procurement Directive No. 25/2011, and the Guideline to Handle Complaint. There are three tiers of complaint mechanism:

- The head of the procuring public body
- Independent complaints board
- Court of law

138. A supplier shall make complaints within five working days to the head of the public body. If the supplier is not satisfied with the decision or did not receive response within 10 days, then s/he can lodge the complaint to the independent complaints board. The members of the board are (a) BoFED Head, (b) Regional Chamber of Commerce President, (c) Design and Construction Enterprise Manager, (d) PPPAA Director General, and (e) Trade and Industry Bureau Deputy Head. One representative from PPPAA is assigned as secretary. A supplier who is not satisfied with the decision of the board can go to the court. Table 3.21 summarizes the requirement of this dimension and evidences provided.

Table 3.21: : Criteria for independent complaint system

| Element/ Requirements | Met (Yes/No) | Evidence used/ Comments |
|---|--------------|--|
| (1) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions | No | The complaints board is an independent body which reviews complaints if suppliers are not satisfied with the decision of the head of the procuring public body. All the members are not directly involved in procurement decisions except the Director General of PPPAA, who is authorized to decide on exceptions coming from procuring entities. |
| (2) Does not charge fees that prohibit access by concerned parties | Yes | Bidders are not required to pay service fee to lodge their complaints. |
| (3) Follows processes for submission and resolution of complaints that are clearly defined and publicly available | Yes | The process is clearly defined in the Public Procurement and Property proclamation, Procurement Directive, and Guideline to Handle Complaint. |
| (4) Exercises the authority to suspend the procurement process | Yes | As per Article 74 of the proclamation, the board automatically suspends the procurement when it receives a complaint. |

| Element/ Requirements | Met (Yes/No) | Evidence used/ Comments |
|---|--------------|--|
| (5) Issues decisions within the time frame specified in the rules/regulations and publicly available | No | Most of the visited procuring entities indicated that decisions are made within the time frame. Some of them said that it may not be timely as specified in the manuals due to the volume of works and the complexity of the issue (when it requires additional information to reach on a resolution). |
| (6) Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority) | Yes | The decisions are binding on every party. |

Dimension score: D

PI-25 Internal controls on non-salary expenditure

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|----------|---|
| PI-25 Internal controls on non-salary expenditure | B | Scoring method M2 |
| 25.1 Segregation of duties | A | Appropriate segregation duties are prescribed throughout the payment process, and responsibilities are clearly laid down. |
| 25.2 Effectiveness of expenditure commitment controls | C | The monthly cash flow forecast, the commitment control exercise using Excel which enables a partial commitment exists. |
| 25.3 Compliance with payment rules and procedures | B | Payment rules are generally respected for most of the payments. |

25.1 Segregation of duties

139. The organizational structure and job description of every employee are centrally prepared/approved by the Civil Service Commission. It ensures the existence of enough segregation in different procedures such as procurement, payment, recording, approval, custody of assets, and so on. The public finance administration proclamations, regulations, directives, and manuals provide clear guidance on the segregation of duties for disbursement, acquisition, use, and disposal of other resources, recording, reconciliation, review, and authorization on resources. A broader segregation of duties between the various government executive organs is stipulated under paragraph 6 of The Financial Administration Proclamation No. 128/2009. The following are the major laws, regulations, and directives applied in the region:

- Financial Administration Proclamation No. 128/2009
- Financial Administration Regulation No. 93/2010
- Procurement Directive No. 29/2011
- Government Finance Directive No. 6/2012
- Receipt Vouchers Printing and Management Directive No. 27/2010
- Pool Finance System Management Directive Year 2016
- Budget Administration Directive No. 25/2008

- Property Management Directive No. 14/2005
- Procurement and Property Administration Proclamation No. 146/2012
- Revised Financial Administration Proclamation Year 2018
- Cash Management Directive No. 8/2012
- Cash Payment Directive No. 9/2012
- Budget Allocation and Cost Reduction Directive No. 29/2018
- Payment of Salary through Bank Directive No. 3/2010
- Accounting Directive No. 6/2012

Dimension score: A

25.2 Effectiveness of expenditure commitment controls

140. The Financial Administration Proclamation No. 128/2009 (Article 30) stipulates that no expenditure or commitment of expenditure can be incurred from the budget approved by the state council before the budget is allocated by the head of BoFED. Once the annual budget is approved by the regional council, it is uploaded into IBEX (financial management software). Though IBEX was designed to handle transactions at the commitment level, the frequent loss of connectivity and backlog in transaction processing appear to discourage the use of IBEX as a commitment control tool by the BIs. IBEX limits spending above the budget, and hence there are no cases of overspending. Instead, most BIs use Excel spreadsheet to control commitment, but this is not dynamic as a commitment control tool and the records might not be complete, correct, and up to date. Hence, the expenditure commitment control procedures provide partial coverage and are partially effective.

141. All public bodies prepare annual cash flow forecast that is updated quarterly. Cash requests are made on a monthly basis based on the forecast. Most of the time, all requested cash is received timely. Therefore, there is no accumulation of arrears as a result of overcommitment or unavailability of cash.

Dimension score: C

25.3 Compliance with payment rules and procedures

142. Compliance with payment rules and procedures is generally good. Common internal audit irregularities reported by internal audit units and ORAG are transaction recording errors, poor inventory management, cash shortage, not sufficiently supported payments, payments not in compliance with rules and regulations, and procurements not complying rules and regulations. As per the ORAG report, payments amounting to ETB 14 million in 159 public bodies at the regional and sub regional levels do not comply with rules and procedures in EFY 2010. This is 0.05 percent of the total expenditure for the year. The majority of exceptions are properly authorized and justified.

Dimension score: B

PI-26 Internal audit

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|----------------------|-------|-------------------------------|
| PI-26 Internal audit | C+ | Scoring method M1 |

| Indicator/Dimension | Score | Brief justification for score |
|--|-------|---|
| 26.1 Coverage of internal audit | A | Internal audit function is established in all public bodies and audits are conducted as per annual plans. |
| 26.2 Nature of audits and standards applied | C | The internal audit practice generally follows best practices in audit planning, execution, and follow-up of implementation. |
| 26.3 Implementation of internal audits and reporting | A | 90% of the planned audits for EFY 2010 were performed. |
| 26.4 Response to internal audits | B | Management response for internal audit findings was 85% in EFY 2010. |

26.1 Coverage of internal audit

143. The legal framework for the internal audit function is stipulated in Article 8 of the Financial Administration Proclamation No. 128/2009. It requires every public body to have an internal audit function. Accordingly, every public body has an established internal audit department and hence there is a full coverage of internal audit in the region. The Inspection Directorate (ID) at BoFED is responsible for setting internal audit standards, issuing guidelines and procedures, and overseeing all the internal audit function in the region. It also provides technical support and training to the internal auditor at every public body. Every public body prepares annual audit plans/programs and submits them to the ID. Monthly audit reports are also submitted to the ID and the ID conducts follow-up and supervision. It also conducts investigation and special audits whenever required. The ID consolidates the findings to be presented to the regional council.

Dimension score: A

26.2 Nature of audits and standards applied

144. The internal audit manual is adapted from the Audit Manual of the Federal Auditor General, which is developed based on the International Standards of Supreme Audit Institutions (ISSAI). Though it contains most of the generic auditing techniques and procedures, it differs from the International Standards for the Professional Practice of Internal Auditing (ISPPPIA) in terms of scope and approach. The region also prepared audit charter and training modules. All the internal audit units at every public body prepare annual audit plans based on their knowledge of high-risk areas. But the extent of systemic audit is limited and much of the audit work is not based on a comprehensive risk assessment. The audit plans commonly include financial audit, property audit, HR and payroll audit, and budget audit. The internal audit units at each public body submit periodic reports to the management and ID. The ID submits consolidated reports to the regional council and ORAG. Internal audit units also follow up the implementation of the findings of ORAG in their respective public bodies.

Dimension score: C

26.3 Implementation of internal audits and reporting

145. Internal audits are conducted by each public body based on the annual audit plan/program. Reports are prepared on a monthly, quarterly, and annual basis and these are submitted to the respective management of the public body and the ID at BoFED. The ID also follows up the implementation of the plan and this is also part of the quarterly report that is submitted to the regional council. As shown in Table 3.22, in EFY 2010, 90 percent of the planned audits were performed in 53 public bodies.

Table 3.22: Planned and performed internal audits for EFY 2010

| Type of audit | Planned | Performed | Accomplishment (%) |
|---------------|---------|-----------|--------------------|
|---------------|---------|-----------|--------------------|

| | | | |
|-----------------------|--------------|--------------|-----------|
| Financial | 588 | 564 | 96 |
| Administration | 98 | 83 | 85 |
| Property management | 98 | 77 | 79 |
| Budget administration | 98 | 76 | 78 |
| Internal control | 98 | 72 | 73 |
| Advisory | 588 | 535 | 91 |
| Total | 1,568 | 1,407 | 90 |

Source: BoFED ID.

Dimension score: A

26.4 Response to internal audits

146. Management of the audited entities are required to respond to audit findings within 15 days of the audit report. The response is submitted to the internal audits at the audited entity and the ID. Every public body maintains an audit finding register to follow up the findings from the internal and external audit. Some of the repetitive audit findings include

- Transaction recording errors;
- Weaknesses in preparation of bank reconciliation;
- Not timely settlement of receivables and payables;
- Taking additional per diem before settling previously taken per diem; and
- Inventory and fixed assets recording irregularities.

147. The status of audit follow-up is part of the monthly report submitted to the ID by each entity. In case of repetitive findings, the ID directly requests response from the management of the public bodies. The ID report for EFY 2010 indicates that management response has improved and the performance for the year stands at 85 percent.

Dimension score : B

PILLAR VI. Accounting and reporting

PI-27 Financial data integrity

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|----------|---|
| PI-27 Financial data integrity | B | Scoring method M2 |
| 27.1 Bank account reconciliation | B | The active bank accounts are reconciled at least monthly, usually within four weeks from the end of each month. |
| 27.2 Suspense accounts | NA | Suspense accounts appear in the Chart of Accounts with No. 4201, but they stand for advance payment of petty cash. |
| 27.3 Advance accounts | A | Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared on time. |
| 27.4 Financial data integrity processes | C | The financial data integrity process is not sound enough to ensure personal accountability, resulting in audit trail. |

27.1 Bank account reconciliation

148. Bank accounts are classified as zero balance accounts (ZBAs), receipt accounts (referred to as B accounts), treasury accounts (C accounts), donor-funded projects accounts, and D accounts (PI-21.1). Bank reconciliation reports are instituted as one component in the monthly reporting package that is prepared and submitted to BoFED by all budget units. Therefore, all public bodies prepare bank reconciliations on a monthly basis within a week from the end of the month. The regional treasury accounts at BoFED are reconciled mostly each day, but a complete reconciliation is carried out monthly within four weeks after the end of the previous month.

Dimension score: B

27.2 Suspense accounts

149. Suspense accounts appear in the Chart of Accounts of the SNNPR regional government with No. 4201. However, it was understood that this is the local interpretation of advance accounts recording petty cash advance for travel. Suspense accounts, in the sense of temporary accounts of sundry nature, do not exist. Therefore, this dimension is not applicable.

Dimension score: NA

27.3 Advance accounts

150. As per the financial rules of the region, all staff advances are required to be cleared within seven days of return. If this is not settled, it will be deducted from the next month's salary of the staff, and in practice, this rule is generally respected. Advances to contractors for capital projects are reconciled when payment certificates are presented. Advances of petty cash to staff are recorded in account No. 4201 known as 'suspense account'. These are settled and cleared seven days after return against provision of expense report. All public bodies are required to submit an ageing analysis report to BoFED as part of the monthly report package. This report is submitted within four weeks of the end of the month. There are however uncleared advances amounting to ETB 6.45 billion as of June 30, 2018. Out of this, ETB 2.3 billion represents advance paid to contractors and consultants. As per the audit report of ORAG for the same year, long-outstanding receivables balances amount to ETB 563 million, which is 9 percent of the total advances.

Dimension score: A

27.4 Financial data integrity processes

151. The region uses IBEX for financial recording and reporting. Users are given a password and rights are defined for each user by the information technology (IT) administrator. IBEX has an audit trail. The system is developed by the federal government and used throughout the country. The system consists of the following modules: (a) administration, (b) accounts, (c) accounts consolidated, (d) budget, (e) budget adjustment, (f) budget control, and (g) disbursement. However, the main concern with regard to financial data integrity process relates to where the system fails to prompt users to change their passwords periodically. Accountants interviewed confirmed that they have never changed their passwords for years. The system used for payroll preparation which is developed by the region is called 'Payroll System'. It is a stand-alone system and used by all public bodies. The system is password protected but does not result in an audit trail.

Dimension score: C

PI-28 In-year budget reports

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|--|
| PI-28 In-year budget report | B+ | Scoring method M1 |
| 28.1 Coverage and comparability of reports | A | Coverage and classification of data on the executed budget allow for direct comparison to the original budget. Information includes all items of budget estimates, allowing for direct comparison between approved budget estimates and actual expenditure by detailed economic, functional, and administrative classification and source of funds. The reports also show transfers to deconcentrated units. |
| 28.2 Timing of in-year budget reports | B | Budget execution reports are prepared monthly, within four weeks from the end of the month. |
| 28.3 Accuracy of in-year budget reports | B | Due to IBEX, the accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. Concerns regarding data accuracy are not highlighted. Expenditure is not captured at the commitment stage. |

28.1 Coverage and comparability of reports

152. All budgetary units prepare and submit monthly reports to BoFED. These reports are directly generated from the IBEX financial reporting module. The reports include revenue and expenditure according to type. They allow direct comparison between approved budget estimates and actual expenditure by detailed economic and administrative classification (for both recurrent and capital expenditure) and source of funds. The reports also show transfers to deconcentrated units. In sum, coverage and classification of data on executed budget allow direct comparison to the original budget.

Dimension score: A

28.2 Timing of in-year budget reports

153. Each budget entity is required to submit monthly reports to BoFED within one week after the end of the previous month. But visited public bodies indicated that sometimes it is difficult to meet this deadline due to connectivity problems of IBEX that cause delay in transaction processing. Generally, reports are submitted within four weeks from the end of the previous month. The accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. BoFED then consolidates these reports but does not circulate the consolidated report to budget entities. However, each budget entity has direct access to IBEX and generates its own in-year reports. The consolidated report of the regional government is also submitted to the federal MoF on a quarterly basis.

Dimension score: B

28.3 Accuracy of in-year budget reports

154. The IBEX financial reporting system captures expenditures at both commitment and payment stages. But due to connectivity issues, most BIs do not use the commitments functionality, rather they record commitments in Excel. The system restricts overspending. However, the monthly reports generated and submitted to BoFED by each budget entity do not show commitments but expenditure at the payment stage. Concerns regarding data accuracy exist, but they are neither highlighted in budget entity reports nor consolidated BoFED reports. A separate expenditure analysis report is

prepared quarterly and this is discussed with the Planning Directorate of BoFED and the respective BI's management.

Dimension score: B

PI-29 Annual financial reports

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|---|
| PI-29 Annual financial reports | C+ | Scoring method M1 |
| 29.1 Completeness of annual financial reports | C | The annual financial reports consolidate the financial budget execution data provided by all budget entities. The consolidated annual financial report for EFY 2010 contains information on budgeted and actual information on expenditure accounts (on a cash basis) broken down into administrative, functional, and economic classification, revenue, and cash balances. The financial statements do not provide information on stocks of assets and liabilities nor on debt and guarantees. |
| 29.2 Submission of reports for external audit | A | The consolidated financial report of the last completed fiscal year was submitted three months after the end of the fiscal year (EFY 2010). |
| 29.3 Accounting standards | C | The accounting standards applied to all financial reports are consistent with the national accounting standards (modified cash-basis accounting standards). The standards and accounting policies used are disclosed, but comparative data to the preceding year are not covered. |

29.1 Completeness of annual financial reports

155. A consolidated AFS is prepared by BoFED with reports received from public bodies. The reports are submitted monthly and the last report of the year (June) is considered as annual report. The reports contain the budgeted amounts compared with actual outturns for both revenues and expenditures. They also contain some financial assets such as cash and bank balances, advances, and receivables. However, the reports do not include tangible assets (fixed assets), guarantees, contingent liabilities, and other financial assets such as shares and investments in SoEs.

Dimension score: C

29.2 Submission of reports for external audit

156. Chapter 9, Article 8 in the Financial Administration Regulation No. 178/2011 requires all public bodies to submit annual financial reports within two months of the end of the year and BoFED to prepare the consolidated public accounts of the regional government and submit them for external audit to ORAG within three months of the end of the fiscal year. The consolidated financial report of the last completed fiscal year was submitted for audit on EC 25 September 2011 (GC 5 October 2018). This means that the financial report for budgetary central government was submitted for external audit within three months of the end of the EFY 2010.

Dimension score: A

29.3 Accounting standards

157. The basis of recording PFM operations is the accounting principles of the national accounting standards that refer to modified cash-basis accounting standards, issued by the federal government in EC 2004. These standards are consistently applied in all regions. The last three fiscal years' financial reports are prepared in accordance with the prescribed national accounting standards and ensure consistency of reporting over time. The standards and the accounting policy used are disclosed but comparative data to the preceding year are not covered.

Dimension score : C

PILLAR VII. External scrutiny and audit

PI-30 External audit

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|---|-----------|---|
| PI-30 External audit | C+ | Scoring method M1 |
| 30.1 Audit coverage and standards | B | ORAG covers more than 85% of the total expenditure and revenue of the region for the last three completed fiscal years and follows the International Organization of Supreme Audit Institutions (INTOSAI) regulatory audit manuals. |
| 30.2 Submission of audit reports to the legislature | B | ORAG submitted the audited financial statement on consolidated fund within three months for two of the last three completed fiscal years and within five months for one year. |
| 30.3 External audit follow-up | C | Audited entities responded on time and provided a comprehensive report on action taken. Implementation of audit recommendation remains low. |
| 30.4 Supreme Audit Institution independence | A | ORAG is independent from the executive in all aspects including appointment and removal of the AG, publishing of its report, approval and execution of its budget, and unrestricted and timely access to records. |

158. Proclamation No. 176/2018, the Proclamation issued to re-amend the SNNPR Office of the Auditor General, provides for the legal framework for the establishment of ORAG. ORAG is mandated to audit or delegate the audit of the revenue, expenditure, and accounts of the regional government offices and organizations. It is also mandated to conduct financial, performance, information, environmental, and special audits. It also mandated to issue practicing certificate to accountants and auditors.

30.1 Audit coverage and standards

159. ORAG uses INTOSAI and African Organization of Supreme Audit Institutions (AFROSAI) audit manuals to conduct its audit. This is also a requirement by Proclamation 16 (4) which reads “The Regional Auditor General shall carry out audits based on International Standard of Supreme Audit Institutions.” ORAG largely focuses on financial and compliance audit. It also reviews the efficiency and effectiveness of internal control procedures in the course of conducting performance audits. Comprehensive risk analysis is not conducted but previous experience and the total amount of budget are often a basis of selection of public bodies for audit. ORAG uses the works of the internal audit units. ORAG conducts capacity-building activities with the support of the federal AG and in EFY 2010, 147 auditors were trained in international auditing standards. As shown in Table 3.23, the audit coverage stands at more than 85 percent in all the last three completed fiscal years.

Table 3.23: Audit coverage in revenue/expenditure

| | EFY 2008 | EFY 2009 | EFY 2010 |
|--------------|----------|----------|----------|
| Coverage (%) | 86.81 | 87.94 | 89.01 |

Source: SNNPR ORAG

160. ORAG reports have highlighted relevant material issues and systemic and control risks. Table 3.24 shows some of major findings identified in different entities as per the audit report of EFY 2010.

Table 3.24: Example of major findings in audit of EFY 2010

| Finding | Financial value in ETB |
|---|------------------------|
| Cash shortage | 2,855,658.67 |
| Long outstanding receivables | 563,836,844.52 |
| Uncollected 2% withholding tax | 1,281,759.87 |
| Revenue not recorded | 2,716,660.66 |
| Revenue collected without receipt voucher and not recorded | 42,990,822.98 |
| Unsupported expenditures | 29,514,261.62 |
| Expenditures that do not comply with payment rules and procedures | 14,801,035.41 |
| Procurements that do not comply with rules and regulations | 65,633,646.29 |
| Unidentified receivables recorded | 46,134,334.17 |
| Long outstanding payables | 454,808,148.02 |
| Weaknesses identified in property management | NA |

Source: ORAG audit report for 2010.

Dimension score: B

30.2 Submission of audit reports to the legislature

161. According to Article 13 (5) of Proclamation No. 178/2018, ORAG shall complete the audit and submit the report to the Council within four months of the receipt of the consolidated report from BoFED. BoFED submitted the report within three months of the end of the last three completed fiscal years. As shown in Table 3.25, within the last three completed fiscal years, ORAG received three reports for the years 2015/2016 to 2017/2018 and submitted the audit report within three months for the two years and within five months for one year.

Table 3.25: Dates on which the AG submits audited financial statement to the regional council

| EFY | Date of receipt of AFS by OFAG | Actual date of submission of audit report to Parliament | Remarks (delay or on time with respect to the local legislation) |
|----------------------|--------------------------------|---|--|
| EFY 2010 (2017/2018) | October 7, 2016 | January 6, 2017 | Three months |
| EFY 2009 (2016/2017) | October 6, 2017 | March 5, 2018 | Five months |
| EFY 2008 (2015/2016) | October 5, 2018 | January 2, 2019 | Three months |

Source: SNNPR BoFED.

Dimension score: B

30.3 External audit follow-up

162. Article 18 (3) of Proclamation No. 178/2018 obliges audited entities to take corrective measures within 15 days from the date of receipt of the report. There is also a penalty for not taking corrective actions within a reasonable time frame (Article 21). Part of the audit procedure of ORAG also includes following up on previous years' audit recommendations and the result is included in the audit report submitted to the council. The internal auditors of the audited entity also conduct a follow-up audit of the external audit recommendations. However, execution of audit recommendation remains low. For example, as per the EFY 2009 audit report of ORAG, of the 61 audited entities with major findings in EFY 2008, 31 entities (50 percent) did not take any corrective measures. Of the 31 audited entities with major audit findings in EFY 2009, 13 entities (42 percent) did not take any corrective measures.

Dimension score: C

30.4 Supreme Audit Institution independence

163. This dimension assesses the independence of the Supreme Audit Institution (SAI) from the executive. The basis of the assessment of independence is the principles set out in the International Standard on Supreme Audit Institution, as stipulated in the Mexico Declaration on SAI Independence. All the eight principles are met (see Table 3.26).

Table 3.26: Independence of OFAG

| No. | Element/ Requirements | Met (Yes/No) | Evidence used/Comments |
|-----|---|--------------|---|
| 1. | The existence of an appropriate and effective legal framework and de facto application provisions of this framework | Yes | Article 123 (3) of the constitution of SNNPR provides the legal framework for the establishment of ORAG. Based on the constitution, Proclamation No. 176/2018 stipulates the scope and mandate of ORAG. |
| 2. | Independence of the head of ORAG and its members including security of tenure and legal immunity | Yes | As per Articles 7 (1) and (2) of Proclamation No. 176/2018, the AG is appointed by the regional council. The tenure of the AG is seven years and can be reappointed by the council. Conditions for removal include inability to perform their duties due to apparent health condition, incompetence, lack of commitment to discharge their responsibilities, unethical practice and involvement in corruption and/or unlawful act, attainment of pension age, and resignation. As per Article 17 (2), the AG, Deputy AG, and other auditors of the office shall not be liable for the audit activities they have conducted in good faith. |
| 3. | Broad mandate and full discretion in delivering the tasks entrusted to the SAI | Yes | ORAG is mandated to audit or delegate the audit of the revenue, expenditure, and accounts of the regional government offices, organizations, private or public organizations where necessary, donations, grants, and loans. It shall also conduct performance, environment, information, and special audits. |
| 4. | Unrestricted access to information | Yes | As stipulated in Article 18 (1) of Proclamation No. 176/2018 on the establishment of ORAG, any individual employee or an official, upon request by the AG, auditors, or representatives of ORAG, shall forthwith make available correct and complete books, documents, ledgers, vouchers, and all other documentary or oral evidence that the auditors deem useful and necessary for auditing. Therefore, the AG has no restriction of accessing information in any of public bodies. |
| 5. | The right and obligation to report its work | Yes | The AG is required to submit audit report on the regional consolidated AFS. Where necessary, it can submit semiannual audit report to the council. |

| No. | Element/ Requirements | Met (Yes/No) | Evidence used/Comments |
|-----|--|--------------|---|
| 6. | The freedom to decide the content and timing of audit reports and to publish and disseminate them | Yes | The AG is free to decide on the content and timing of the audit report. Investigative audit may be initiated from other government organs including the Ethics and Anticorruption Commission and AG. |
| 7. | Mechanism to follow up on ORAG's recommendation has been implemented | Yes | One of the routine procedures of ORAG is follow up on previous audit findings. The status of the implementation is also part of the audit report that is presented to the council. |
| 8. | Financial and managerial/administrative autonomy and availability of appropriate human, material, and monetary resources | Yes | As per Articles 6, 9, and 11 of Proclamation No. 176/2018, ORAG shall prepare and submit the organizational structure and salary scale of the office to the council for approval; the salary, allowance, and various benefits of the AG and Deputy AG shall be determined by the council upon presentation by the AG and prepare and submit the budget of ORAG to the council for approval. |

Dimension score: A

PI-31 Legislative scrutiny of audit reports

Summary of scores and performance table

| Indicator/Dimension | Score | Brief justification for score |
|--|-----------|--|
| PI-31 Legislative scrutiny of audit reports | B+ | Scoring method M2 |
| 31.1 Timing of audit report scrutiny | A | The BFAASC scrutinizes the audit reports within two months from the receipt of the audit report from ORAG. |
| 31.2 Hearings on audit findings | A | In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer. |
| 31.3 Recommendations on audit by legislature | A | The BFAASC issues recommendations to be implemented by the executive and systematically follows up on their implementation. |
| 31.4 Transparency of legislative scrutiny of audit reports | D | Hearings are conducted in public and the committee reports are debated in the full chamber of the legislature. The regional radio and TV broadcast live the debates in the full chamber. Nonetheless, the BFAASC reports are not published on an official website or by any other means easily accessible to the public. |

31.1 Timing of audit report scrutiny

164. Audit reports are initially scrutinized by the BFAASC and later with the presence of other standing committee chairpersons and civil society representatives including women and youth associations. After the end of the review, the BFAASC presents a written report to the regional council. The report addresses key findings and recommends courses of actions. This report is submitted to the speaker before the AG delivers his speech on the audit report of the consolidated fund of the regional government. The BFAASC often requests ORAG to explain the audit findings and recommendations

indicated in the submitted audit report. The reports are reviewed within two months from the date of receipt of the audit report.

Table 3.27: Time between the receipt of reports by the BFAASC and completion of their review by the legislature

| | EFY 2008 (2015/2016) | EFY 2009 (2016/2017) | EFY 2010 (2017/2018) |
|---|-------------------------|-------------------------|-------------------------|
| Date on which ORAG submits audit report to the regional council | January 6, 2016 | March 5, 2017 | January 2, 2018 |
| Date on which the scrutiny is completed, including presentation to the full chamber | February 11, 2016 | May 18, 2017 | February 22, 2018 |

Source: Regional council.

Dimension score: A

31.2 Hearings on audit findings

165. In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer.

Dimension score: A

31.3 Recommendations on audit by legislature

166. The BFAASC issues recommendations on the actions to be implemented by the executive to address the issues highlighted by the external audit. The recommendations of the BFAASC are discussed in the full chamber on the date the AG delivers his speech. The BFAASC maintains its own follow-up records on implementation of its recommendations. The examination of the BFAASC reports issued over the past three completed fiscal years, on the implementation of its recommendations, shows that follow-up by the BFAASC on its own recommendations is systematic.

Dimension score: A

31.4 Transparency of legislative scrutiny of audit reports

167. Hearings are conducted in public and the committee reports are debated in the full chamber of the legislature. The regional radio and TV broadcast live the debates in the full chamber. Nonetheless, the reports of the BFAASC are not published on an official website or by any other means easily accessible to the public.

Dimension score: D

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Pillar I. Budget reliability

168. The **transfers from the higher government level** are in block grants (subsidies) constitute about 75 percent of the total regional government revenue. The block grants are reliable except SDG. Transfers to the SNG were consistent with the original approved high-level budgets. They were spread evenly within each year and were provided in acceptable time frames. Earmarked grants were received under budget for two of the assessed years due to inability of the federal government to achieve targeted milestones (HLG-1). The unreliability of earmarked grants affects the timely completion of earmarked projects mainly funded by DPs.

169. The expenditure budget at the aggregate level was reliable (PI-1) while the revenue budget was not reliable (PI-3). The expenditure composition outturn by function was also reliable (PI-2.1 scored B), and the expenditure composition outrun by economic classification was average (PI-2.2 scored C). The reason is high budget adjustments due to poor planning and personnel related costs, which were not included in the original budgets. A good practice is demonstrated in consistent adherence to the practice of not spending beyond the approved contingency vote. No expenditure is made directly from the contingency vote but transferred to budget entities upon approval by the regional president (PI-2.3 scored A).

Pillar II. Transparency of public finances

170. The **budget** is well formulated and is based on administrative, economic, and functional **classification** with consistent documentation compliant with GFS standards (PI-4 scored B). The budget documentation sent to the regional council for the examination and approval is not comprehensive and accessible to the public. It does not cover any of the features such as forecast of deficit and surplus, previous year budget outturn, financial assets, fiscal risks, and so on (PI-5 scored D). **Public access to fiscal information** is limited where most of the information, except enacted budget and annual budget execution report, is not made available to the public (PI-9 scored D). **Public access** to procurement information is mainly hampered by the lack of dedicated website for the agency. Procurement plans, bidding opportunities, and contract awards are posted on notice boards (PI-24).

171. There are no EBFs or EBU at the SNNPR level, so the coverage of **government operations** is complete with all budgeted central government revenue and expenditure included in the financial statements (PI-6 rated A). This practice strengthens budget credibility as the government is capable of budgeting, tracking, recording, and reporting on all its revenues; this also improves service delivery as very few or no resources are wasted.

172. The horizontal allocation of **transfers to lower-level government** structures (woredas and towns) is transparent and rule based. The formula considers revenue-raising capacity and expenditure needs and is applied to seven selected sectors which cover more than 90 percent of the budget. Nonetheless, there are delays in providing reliable information for budget preparation (PI-7.2) as a result of delays from the federal government. Information on annual transfers to zones, woredas, and city administrations is issued after the start of the fiscal year (PI-7.2). This could affect the utilization of budget at the zones, woredas, and city administration levels.

173. A framework of **performance plans for service delivery** relating to the outputs or outcomes for the majority (88 percent) of bureaus is in place. Publication of information on the activities

performed is limited with only some bureaus publishing annually on notice boards. The good practice is that information on resources received by frontline service delivery units is collected, recorded, and disaggregated by source of funds and issued in an annual report. Evaluations of the efficiency or effectiveness of service delivery have been carried out for the majority of service delivery bureaus at least once within the last three years but are not published.

Pillar III. Management of assets and liabilities

174. The regional government's **fiscal risk reporting** is weak. There was no central agency responsible for supervision and control of public corporations. The new Public Enterprise Supervisory Authority is yet to start receiving financial reports of the public enterprises. Consolidated financial statements and audit reports are prepared within six to eight months of the end of the fiscal year, but audit reports are not published. The unaudited financial statements are distributed using different methods, but the website of BoFED is not functioning. Though there are records of some significant contingent liabilities that relate to guarantees provided for agriculture input loan to farmers, the regional government does not report these in its AFSs. This could negatively affect budget reliability as unbudgeted resources could be used to pay for these liabilities when they fall due.

175. **Public investments** in the region are mainly planned by the federal government and the regional government. The federal government's public investment relates to industrial parks while all other investments are planned and implemented by the regional government. The federal government conducted a feasibility study for the industrial parks, and these are published. But the feasibility studies are not reviewed by a body other than the sponsoring organization. However, major project selection by the regional government is largely based on regional priorities as determined in the overall government medium-term strategic plan (GTP II). Project monitoring is conducted jointly by implementing units, BoFED, and other stakeholders through physical inspection and periodic (quarterly) financial progress reports, though they are not published.

176. **Fixed asset management** is decentralized, with each institution responsible for managing its own fixed assets. The challenge is that there is no centralized asset management framework. The regional government does not maintain a register of its financial assets such as investments in SoEs. Though the regional government has legal powers to borrow, currently it has no debt.

Pillar IV. Policy-based fiscal strategy and budgeting

177. **Macroeconomic and fiscal forecasting** is prepared but with assumptions only on regional GDP and investment rates since all other macro indicators (inflation, interest rate, exchange rate, and so on) are the remit of the federal government. The projections cover the budget year and at least the two outer years. The budget is not prepared on a medium-term basis even though a five-year revenue (by type) and expenditure aggregate framework is prepared. The macroeconomic and fiscal forecasts plus the underlying assumptions are forwarded to the regional council for information purpose only, as part of the budget documentation, after approval by the regional cabinet (PI-14 scored C+).

178. There is no **medium-term perspective in expenditure framework**. The SNNP regional government does not prepare a detailed MTEF on a rolling basis. The regional cabinet does not approve the BCC with ceilings. In fact, a circular with ceilings at the administrative level is not issued. In addition to the medium-term strategies, all sectors prepare annual action plans from which the annual budget estimates are derived. At least 32 percent (by value) of sector budgets prepare costed sector strategies. Some annual expenditure policies are aligned to annual action plans and the medium-term strategy (PI-16 scored D+).

179. A clear **budget calendar** exists and is included in the BCC. It allows budgetary units two weeks to submit their proposals. However, only 10 percent of budgetary units comply with it and meet the deadlines for completing estimates. The BCC does not include ceilings for administrative or functional areas. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by budgetary units. The executive has submitted the annual budget proposal to the legislature on the day of the start of the new fiscal year or after the start of the new fiscal year in all past three completed fiscal years (PI-17 scored D). This has also affected the transfer to lower level government (PI-7).

180. The **legislature's review** covers fiscal policies, medium term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. They include negotiation procedures and arrangements for public consultation, but not for technical assistance. The regional council has approved the annual budget within a month of the start of the fiscal year in all last three fiscal years. Clear rules exist for in-year budget adjustments by the executive and are adhered to in all instances (>90 percent in value), but extensive administrative reallocations are permitted (PI-18 scored C+). Nevertheless, the expenditure composition outturn by function was reliable (PI-2.1 scored B) and the expenditure composition outrun by economic classification was average (PI-2.2 scored C).

Pillar V. Predictability and control in budget execution

181. More than 85 percent of the regional tax is collected by the regional RA. It provides information through various channels on main obligations to taxpayers and redress processes and procedures. The RA uses different channels to provide information to taxpayers such as website, weekly television and radio programs on the different regional media, Facebook account, brochures, and booklets. The RA uses a partly structured and systematic approach for assessing and prioritizing compliance risks. Case selection for tax audit is semiautomated with 41 selection criteria mostly manual. About 65 percent of planned audits were completed for the last completed fiscal year. The stock of revenue arrears for the last completed fiscal year was 2.5 percent of the total revenue collection for the year and the arrears balance more than 12 months was 43 percent (PI-19 scored C+). Revenue collections are transferred to the treasury weekly though the report is submitted monthly (PI-20 scored C+).

182. The **predictability of resource allocation** during the year covers processes that are still not well developed and others, which are sound. Cash balances in the TSAs are consolidated every day, but they constitute only 79 percent of all cash accounts owned by the regional government. All the other accounts are consolidated monthly. A cash flow forecast is prepared for the fiscal year and is updated at least quarterly on the basis of actual cash inflows and outflows. Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases. Significant in-year adjustments to budget allocation take place no more than twice a year and are done in a transparent and predictable way (PI-21 scored B+). The expenditure composition outturn by function was reliable (PI-2-1 scored B) and the expenditure composition outrun by economic classification was average (PI-2.2 scored C).

183. The practice related to **expenditure arrears** recording is generally good. Expenditure arrears mostly constitute grace period payables, which is typically applied for unpaid capital expenditures for which the work has been performed/payments certificate received at the end of the year. The stock of expenditure arrears, accounted as grace period payables, was less than 2 percent in all three years of assessment. Grace period payables and sundry creditors are reported by each BI to BoFED as part of the monthly reporting and are monitored monthly (PI-22 scored A).

184. **Payroll** is decentralized at each BI level. The region has developed its own payroll system called 'Payroll System' and it is being used by all BIs. The HR record is not integrated with the payroll database. However, the payroll is fully supported by authorized complete documentation. All payroll changes are reflected in the month in which the change occurred, and retrospective adjustments are rare. The internal audit unit conducts payroll audit as part of the financial audit, and the external auditor also reviews personnel files. However, there is no comprehensive payroll audit (PI-23 scored C+). Both internal and external audit did not report major findings on payroll (PI-26 and PI-30).

185. The **procurement** management of the region is generally good, but there are still some concerns. The procurement function is decentralized at each public body. The regional PPPAA is responsible for overall supervision and follow-up of the procurement throughout the region. Every public body submits procurement plan and performance report to the agency. The agency maintains a consolidated database of procurement plans and actual performance. But still the accuracy of procurement information remains a challenge. The total value of contracts awarded through competitive methods in the last completed fiscal year represents more than 80 percent. **Public access** to procurement information is mainly hampered by the lack dedicated website for the agency. Procurement plans, bidding opportunities, and contract awards are posted on notice boards. Data on resolution of procurement complaints and annual procurement statistics are not published. There is a complaints board but is it not fully independent. The complaint process is clearly defined. Decisions on complaints are issued timely and are binding (PI-24 scored B).

186. The system of **internal control** provides assurance that transactions are performed as intended and resources are used only where appropriate authority has been verified. The legal frameworks for internal control on non-salary expenditure including the various rules and regulations stipulate the segregation of duties between departments, units, and functions. There is a separation of role for preparation, review, and approval of financial documentations. Excel is mainly used to follow up commitments, though it does not effectively control as overspending may occur per line items. There is compliance with payments rules and procedures. About 0.05 percent of the total expenditures were not in line with payment rules and regulations (PI-25 scored B).

187. Every public body has an established **internal audit** department and hence there is a full coverage of internal audit in the region. The ID at BoFED is responsible for setting internal audit standards and overseeing all the internal audit function in the region. The internal audit functions are largely focused on financial compliance audit. But the extent of systemic audit is limited and much of the audit work is not based on a comprehensive risk assessment. The audit plans commonly include financial audit, property audit, HR and payroll audit, and budget audit. The approach is yet to be strengthened to evaluate and improve the effectiveness of the internal control system based on risk assessment. About 90 percent of the planned audits were carried out in the last completed fiscal year. Management response to recommendation is good and 85 percent responded in the last completed fiscal year (PI-26 scored C+).

Pillar VI. Accounting and reporting

188. The reliable reporting of financial information requires constant checking and verification of the recording practices. In this regard, the **financial data integrity** shows that the active bank and advance accounts are regularly reconciled, on a monthly basis, but the process indicative of financial data integrity is not sound enough to ensure personal accountability, resulting in audit trail (PI-27 scored B). The good news is that there are no suspense accounts; however, advances are still outstanding in spite of regular reconciliations, especially those relating to contractors. Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared in a timely way (PI-27 scored B). The coverage and classification of data on executed budget allow for direct comparison to the original budget. The **budget execution reports**

are prepared monthly. Due to IBEX, the accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. Concerns regarding data accuracy are not highlighted. Expenditure is not captured at the commitment stage (PI-28 scored B+).

189. The annual financial report consolidates the financial budget execution data provided by all budget entities. The consolidated annual financial report for EC 2010 contains information on budgeted and actual information on expenditure accounts (on a cash basis) broken down into functional and economic classification, revenue, and cash balances. However, it is incomplete because it does not produce information on stocks of assets and liabilities. The timely submission of the consolidated financial report of the last completed fiscal year proves the existence of good fiscal discipline. The basis of recording of the PFM operations is the **accounting principles** of the national accounting standards referred to as modified cash-basis accounting standards that are issued by the federal government and consistently applied in all country regions. The last three fiscal years' financial reports are prepared in accordance with the prescribed national accounting standards and ensure consistency of reporting over time. The standards and accounting policy used are disclosed, but comparative data to the preceding year are not covered (PI-29 scored C+).

Pillar VII. External scrutiny and audit

190. The external auditor (ORAG) covered most (85 percent) of the regional government budget funds for EFY 2010, applying INTOSAI audit regulations. The **external audit** includes both treasury and donor funds with significant part of the audit on financial compliance. It also reviews the efficiency and effectiveness of internal control procedures as part of conducting performance audits. ORAG submitted the audited financial statement on consolidated funds within three months for two of the last three completed fiscal years and within five months for one year. Audited entities responded on time and provided a comprehensive report on action taken. Implementation of audit recommendation remains low. ORAG is independent from the executive in all aspects including appointment and removal of the AG, publishing of its report, approval and execution of its budget, and unrestricted and timely access to records. This provides enough assurance for the AG to independently deliver on its responsibilities (PI-30 scored C+). This, coupled with the strong legislative scrutiny of the audit report, is a demonstration that the region's external scrutiny and audit is performing well. The BFAASC performs the **legislative scrutiny of the audit report**. In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer. The BFAASC issues recommendations to be implemented by the executive and systematically follows up on their implementation. Hearings are conducted in public and the committee reports are debated in the full chamber of the legislature. The regional radio and TV broadcast live the debates in the full chamber. Nonetheless, the BFAASC reports are not published (PI-31 scored B+).

4.2 Effectiveness of the internal control framework

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

192. **Control environment.** The constitution of SNNPR and the various PFM and related proclamations and regulations are the guiding framework for the control environment. Public bodies post their visions, mission, objectives, and ethical values to be seen by the general public and their own staff. Rules and regulations are generally respected and management and staff are supportive of the internal control systems in place (PI-25). The segregation of duties between organs of the

government is clearly demarcated. Organizational structure, manning, and pay schemes are centralized and regulated by the BCSHRD. ORAG is allowed to have its own structure and pay scheme to enhance independence, audit coverage, and timeliness of submission of audit reports (PI-30). The frequent turnover in leadership at public bodies and turnover of key personnel and the recent political unrest (2017/2018) appear to have affected some of the PFM performance including timeliness of reports, communication, and responsiveness to audit findings (PI-30). Council oversight on audit recommendations strengthened the audit findings follow-up (PI-31). The recent instability in the region limited the coverage of tax audit conducted by the RA (PI-19). The financial activities of public enterprises are monitored by the board governing the enterprises but not BoFED (PI-10).

193. **Risk assessment.** An organizational-level risk assessment is a systematic and forward-looking analysis to see whether the existing internal control procedures in place are effective and efficient to support the achievement of organizational objectives within a stated time frame. The internal audit units conduct a risk assessment as part of their annual audit plan. However, a significant part of the risk assessment is on compliance risks rather than systemic risks. Potential risks arising from public enterprises are not properly managed as they are not reporting to BoFED (PI-10). Public bodies conduct strengths, weakness, opportunities, and threats (SWOT) analysis during sector strategy development. But they do not conduct a comprehensive organizational-level risk assessment. The recurring nature of certain findings by the internal and external audit bodies partly reflects the weakness of certain control activities in procurement, property administration, and expenditure and asset management (PI-11, PI-12, PI-25, PI-26, and PI-30). The regional RA conducts risk assessments to determine its audit strategy but is not based on the compliance improvement plan (PI-19).

194. **Control activities.** The different manuals that stipulate the segregation of duties and procedures for preparation, review, and approval of payments and procurement and use of other resources are generally comprehensive and instrumental as internal control tools. Visited public bodies prepare monthly bank reconciliation and cash counts are conducted periodically. Property management is decentralized, and all public bodies maintain a fixed assets register and conduct annual inventory. Procurements largely follow the established rules and regulations, but areas of concern remain, as indicated in the external audit report of ORAG (PI-30).

195. Use of information and communication technology (ICT) as a controlling activity is limited. Most of the financial management procedures including disbursement, procurement, property management, inventory, and HR are not automated. Payroll is processed using software by the region called 'Payroll System', but it does not result in an audit trail. IBEX is just a budget and ledger accounting software and payments are effected using manual vouchers and cheques. There is no systemic integration between HR records and the payroll. The BoFED treasury cannot determine the amount of cash available in the region. The existing customer account management system at the Commercial Bank of Ethiopia is not supportive in terms of allowing online access to BoFED to the regional government bank accounts. Hence, BoFED cannot determine the cash balance for 'B' accounts (bank accounts used by public bodies for collections) and donor-funded bank accounts (PI-21.1). Though budget transfers are conducted transparently, the frequent budget adjustments affect the strength of the control over the budget (PI-21.4). The recurring nature of audit findings partly indicates the limitation with the effectiveness of the control activities in place. Most of the manuals are to reflect changes in operation and business contexts. The RA reconciles revenue collection and transfers to the treasury quarterly (PI-20).

196. **Information and communication.** Public bodies update their financial accounts monthly into IBEX and submit hard copies to BoFED. SNGs (zones and woredas) submit financial reports quarterly. Comprehensive interim financial reports are prepared and submitted to management quarterly. The monthly reports show budget execution information and other departmental performance reports. Quarterly financial reports are also submitted to BoFED (PI-28). ORAG and internal audit units

communicate their audit findings regularly and management generally provides feedback on actions taken. BoFED shares some information including proclamations, regulations, procedure, and financial information on its website. The AFSs provide detailed information on revenue and expenditure outturns and transfers (PI-28). Financial reports of public bodies generally provide useful information. The accounting system is not in line with international accounting standard such as International Public Sector Accounting Standards (IPSAS). The financial statements do not provide information on tangible assets (PI-11), contingent liabilities, loans, and notes to the accounts in the report (PI-29.1). The financial report also does not provide information on the loan taken by zones and woredas, certain financial assets (investment in SoEs), aging profiles of receivables and payables, and warrantees provided by the regional government for various loans (PI-29).

197. Information access to the public is yet to be developed. The executive and the regional council missed a counter balancing opportunity from the public and civil society due to the lack of public access to some important PFM information elements: service delivery (PI-8), fiscal and budget information (PI-10, PI-14, PI-15), public investment and asset management (PI-11, PI-12), financial reports (PI-29), and hearing on audit findings and annual audit reports (PI-31). Some information related to budget, financial reports, procurements, and audit report is posted on the BoFED website. Procurement information is also posted on different notice boards. Tax and procurement laws are generally known to the public and proclamations are accessible from the regional council. The regional RA communicates tax laws and regulation to the taxpayers through various means (PI-19).

198. **Monitoring.** Various monitoring mechanisms are in place to ensure the efficiency and effectiveness of operations, fulfilment of accountability, compliances to rules and regulations, and safeguarding of resources. Quarterly management meetings at the level of public bodies and periodic regional council meetings that review periodic performances of public bodies are among the monitoring activities. The internal audit units are established in every public body and ORAG monitors whether rules and regulations are complied with. ORAG conducts performance audits to verify if operations and projects are proceeding as intended. The ID at BoFED monitors whether internal audit units are submitting their annual audit plan and performing their operations based on the prevailing standards. Internal audit units, the Inspection Director, ORAG, and the regional council follow up the implementation of audit findings.

199. The quality of financial reports, as well as the institutional capacity of ORAG and internal audit units, needs to be enhanced to apply international standards to external and internal auditing. The monitoring capacity of the BFAASC needs to be developed so that it can discharge its oversight responsibility and back up the efforts of the ID and ORAG.

4.3 PFM strengths and weaknesses

Aggregate fiscal discipline

200. The regional government constitution, different proclamations, rules, and regulations provide for a good environment for fiscal discipline. These have been derived from the federal government. Aggregate expenditure outturn is good (PI-1). However, the reporting system of the region does not produce a consolidated revenue report and it is difficult to evaluate the aggregate revenue outturn. The fact that the region does not have the complete picture on revenue significantly affects the region's fiscal discipline. Clear rules exist for in-year budget amendments by the executive and are adhered to. That said, they allow for extensive administrative allocations and this is demonstrated by the high composition outturn (PI-2).

201. There are no EBFs or EBUs and all government revenue and expenditure are reported. This practice strengthens budget credibility as the government is capable of budgeting, tracking, recording,

and reporting on all its revenues. The regional government's fiscal risk reporting is weak. Supervision of public corporations is weak in that Public Enterprise Supervisory Authority is yet to start receiving financial reports of the public enterprises. Significant contingent liabilities exist but are not reported. Public investment is mainly based on government priorities without proper economic analysis, except for investment projects planned by the federal government. The regional government does not maintain a register of its financial assets such as investments in SoEs. Though the regional government has legal powers to borrow, currently it has no debt.

202. The budget is not prepared on a medium-term basis even though a five-year revenue (by type) and expenditure aggregate framework is prepared. The SNNPR regional government does not prepare a detailed MTEF on a rolling basis. Sector strategies are prepared, but only some of them are costed. A clear budget calendar exists, though compliance is low.

203. The low stock of expenditure arrears (PI-22) and tax arrears (PI-19) is indicative of strong fiscal discipline. The coverage of the in-year budget reports with information on budget execution including revenue and expenditure is comprehensive. It facilitates performance monitoring and helps identify action needed to maintain or adjust planned budget outturns. Expenditure are reported at the payment stage only, and the accuracy of the budget report, however, is to be strengthened with coverage of information on execution at both commitment and payment stages.

Strategic allocation of resources

204. Effective strategic allocation of resources is achieved when available resources are allocated and used in line with government priorities aimed at achieving policy objectives. Frequent budget reallocations override government original policy intentions, leading to poor resource allocation, which affects efficient service delivery, going forward (PI-2).

205. A key issue in allocation of resources in the region, the horizontal allocation of transfers to lower level government structures (woredas, zones, and towns) is transparent and rule based (PI-7). Public investments in the region are planned by the federal government and the regional government. The federal government's public investments relate to industrial parks while all other investments are planned and implemented by the regional government. The federal government conducted a feasibility study for the industrial parks and these are published. However, project selection by the regional government is largely based on regional priorities as determined in the overall government medium-term strategic plan (GTP II).

206. The lack of a fiscal strategy driven by the regional development priorities with specific regional quantitative and qualitative fiscal targets deprives the PFM system of a framework against which the fiscal impact of revenue and expenditure can be assessed during the annual budget preparation process. This weakens both the fiscal discipline and mostly the allocation of resources to strategic priorities.

207. Macroeconomic and fiscal forecasting is prepared with projections covering the budget year and at least the two outer years. However, the fact that the budget is not prepared on a medium-term basis and there is no medium-term perspective in expenditure framework negatively affects the strategic allocation of resources. Moreover, the regional cabinet does not approve the BCC with ceilings. The legislature was not able to approve the budget before the start of the new fiscal year. This deprives the BIs of the knowledge, at the beginning of the fiscal year, of the resources they will have at their disposal for service delivery (PI-18).

208. The other indicators that contribute to the strategic allocation of resources are related to revenue collection and administration and are overall functioning well. The indicators related to revenue collection (PI-19 and PI-20) perform well.

Efficient use of resources for service delivery

209. A framework of performance plans for service delivery relating to the outputs or outcomes for the majority (88 percent) of bureaus is in place. The practice of collecting, recording, and disaggregating by source of revenue of resources received by frontline service delivery units enables to control and evaluate the efficient use of resources deployed for service delivery. This has helped perform evaluations of the efficiency or effectiveness of service delivery to be carried out for the majority of service delivery bureaus. The coverage and publicity of performance plans and achievements made on the delivery of public services is not sufficient enough to promote improvements in the effectiveness and operational efficiency of those services. Moreover, public access to fiscal information is limited where most of the information is not made available to the public (PI-9). Public access to procurement information is also mainly hampered by the lack of a website dedicated for the agency (PI-24).

210. Equitable allocation of resources is fundamental to service delivery. The horizontal allocation of transfers to lower level government structures (zones, woredas, and towns) is transparent and rule based, and the formula considers key service delivery sectors which cover more than 90 percent of the budget. However, the delay in providing reliable information on allocated resources affects timely planning (PI-7.2).

211. There is no medium-term perspective in expenditure framework. The SNNPR regional government does not prepare a detailed MTEF on a rolling basis. Medium-term budgeting provides greater predictability in budget allocations that supports budget units to plan resource use more efficiently. It is a good practice that five-year sector strategies are prepared, but only 32 percent (by value) is costed.

212. The RA uses different channels to provide information to taxpayers, but the risk assessment is not systematic and the performance of audit is low. Nevertheless, the arrears balance is insignificant. The strong internal control on payroll and non-salary expenditures, coupled with high coverage of internal audit, has significantly contributed to the efficient use of resources by reducing misappropriation of resources. But the fact that the audit does not focus on ensuring the adequacy and effectiveness of internal controls but rather on verifying financial transactions and accounting operations might not identify any control weaknesses that lead to inefficient use of resources. The well-functioning procurement with most procurements being done in a competitive method enables the region to achieve the best value for money. Relevant inputs for service delivery are available on time, and the programs and services targeted by the regional government are delivered.

213. External audit coverage is good at 85 percent, but the audit mainly focuses on compliance with rules and regulations. It has however made major findings, but management response remains very low. This affects the timely rectification of weaknesses to deter misappropriation of resources. A good practice by the BFAASC is that it issues recommendations to be implemented by the executive and systematically follows up on their implementation.

4.4 Performance changes since a previous assessment

Aggregate fiscal discipline

214. Aggregate fiscal discipline has improved because of improvement in aggregate expenditure outturn (PI-1 from B to A) and aggregate revenue outturn (PI-3 from D to C). The expenditure composition outturn has also improved (PI-2 from D+ to B+). This improves both fiscal discipline and strategic allocation of resources. The credibility of the budget has also benefited from the low stock of expenditure arrears at less than 2 percent in both assessments. A major weakness noted is on the budget documentation sent to the legislature where it does not fulfil any of the nine information benchmarks.

215. The fiscal risk reporting has significantly deteriorated with a notable decline in performance represented by the extent of central government monitoring of autonomous entities and public enterprises (PI-9.1 from A to D). Currently there is no central government entity that receives a financial report or audit report of the public enterprises.

216. There is no change in multiyear fiscal forecasts and functional allocations (PI-12.1 is D in both assessments) where BoFED does not prepare fiscal forecasts with functional allocations with a multiyear perspective. However, the existence of costed sector strategies has improved (PI-12.3 from D to B). No change is noted on the quality and timeliness of in-year budget reports (PI-24 is C+ in both assessments).

Strategic resource allocation

217. The strategic allocation of resources is positively affected because of the improvement in expenditure composition outturn (PI-2.1 from D to B). The timely and reliable information to SNGs on their allocations has deteriorated (PI-8.2 from B to D) because the zones, woredas, and towns are notified after the start of the new fiscal year. The strategic allocation of resources has improved partially because it benefited from the fact that more sectors (at least 32 percent by value of sectors) now prepare fully costed sector strategies which are aligned to regional GTP II (PI-12.3 2011 framework). However, a clear deterioration is noted on the guidance on the preparation of budget submissions (PI-11.2 from A to D) because the BCC does not include ceilings for individual administrative units or functional areas, while it includes during the PA.

Efficient use of resources for service delivery

218. The availability of information on resources received by service delivery units remains the same. Information on resources received by frontline service delivery units is collected, recorded, and disaggregated by source of funds and provided in an annual report. The improvement in composition of expenditure outturn (PI-2 from D+ to B+) shows the improvement of fiscal discipline where utilization of resources for their originally intended purposes has improved. The delay in providing reliable information on allocated resources to zones, woredas, and towns affects timely planning (PI-8.2 from B to D). Public access to key fiscal information is still low (PI-10 is C in both assessments) depriving the public of information on the use of resources. Revenue management with regard to transparency of taxpayer obligations and liabilities, effectiveness of measures for taxpayer registration and tax assessment, and effectiveness in collection of tax payments remains the same. The RA uses various channels to provide information to taxpayers. The risk management and audit functions still require improvement. Transparency on procurement has improved (PI-19.2 from B to A) and the complaint system has become independent (PI-19.4 from D to A). The internal control on salary and non-salary expenditures remains strong. The monitoring activities of the region have shown an improvement where the coverage and distribution of reports and extent of management response for

internal audit have shown an improvement (PI-21 from C+ to B+). The scope, nature, and follow-up of external audit have also improved (PI-26 from D+ to B+).

5. Government PFM reform process

5.1 Approach to PFM reforms

219. The EMCP is one of the five subprograms of the civil service reform program entrusted with the objectives of designing reform ideas for improved systems of financial management and control that can be used at the regional, zone, woreda, and city administration levels. The reform has been developed and is implemented at the level of the region. Its objective is to create a PFM system that is managed by transparent laws, directives, and guidelines; to acquire qualified manpower in the sector; and to create a modern, efficient, accountable, and result-oriented financial management and control system that will contribute to the government economic development agenda. To this effect, trainings are given on all proclamation, regulations, and directives for officials and experts. The reform is ongoing.

220. The objectives of the EMCP reform are to

- Develop a comprehensive and complete legal framework, including a financial administration proclamation, regulations, and guidelines, for the civil service;
- Introduce a budgetary system that allows informed and rational annual and medium-term resource allocation reflecting government priorities;
- Improve accountability of elected bodies, through introducing transparent accounting, reporting, and control systems;
- Install proper arrangement for the acquisition, safeguard, and control of cash, financial, and physical assets;
- Strengthen internal and external audit discipline;
- Improve financial information systems; and
- Strengthen the HR capacity through extensive training courses organized under the different projects.

Expected outcomes

- A set of best practice guidelines or manuals that cover the following areas: the budget, accounts, cash management, property management, and internal audit.
- Develop a regionwide public financial information management system through the use of modern technology.
- Establish a regionwide accounting system and produce timely accounting reports.
- Establish a modern and efficient cash management system.
- Improve internal audit systems throughout the region.
- Establish a regionwide public property management system.
- Install a transparent, effective, accountable, and economically efficient procurement system.
- Trained public finance staff at region, zone, woreda, and city administration levels.

The areas of the EMCP that the region is tackling

- (a) Finance legal framework
- (b) Budget reform
- (c) Public procurement reform
- (d) Public property management reform
- (e) Cash and disbursements management reform
- (f) Account reform
- (g) Internal audit reforms
- (h) IFMIS
- (i) FTA reform

Achievements of each reform

- (a) Finance legal framework

221. The objectives of this reform are drafting and implementing various financial proclamation, regulation, and directives that will have disciplined and well-controlled PFM in the region. In this legal framework, the following activities were prepared, disseminated, and implemented:

- Regional Financial Proclamation No 128/2002 (2009/2010) EFY
- Regional Financial Regulation No 93/2003 (2010/2011)
- Procurement and Property Management Proclamation No 146/2006 EFY
- Internal Audit Directive No 3. 2005 EFY
- Financial Accountability Directive No. 5/2004 EFY
- Government Accounts Directive No. 6/2004 EFY
- Cash Management Directive No. 8/2005 EFY
- Disbursement Directive No. 9/2005 EFY
- Guarantee Directive No. 10/2005 EFY
- Property Administration Directive No. 14/2005 EFY
- Handover of Property among Government Bodies Directive No. 11/2005 EFY
- Revised Budget Administration Directives No. 25/2008 EFY
- Revised Procurement Directive 28/2010 EFY and

- (b) Budget reform

- A new budget structure that has uniformity with the region has been developed.
- The budget design manual with the new cost-centered budget structure has been prepared.
- Budget training modules have been prepared and trainings are given for officials and experts.
- The region has been able to prepare its budget books on the basis of the reform.

- Budget information system (BIS) has been upgraded to IBEX which has been installed in all regional sectors, zones, woredas, and city administrations.
- A budget calendar has been issued and implemented at all levels.
- The existing budget manual and budget training module have been revised to minimize the disparity of account codes,
- Prebudget discussion has been conducted with citizens at the woredas level,
- Budget administration and control have been conducted using IBEX,
- Budget controlling for all regional bureaus and zones and most of woredas has been conducted using an online computerized system.

(c) Public procurement reform

- Procurement administration to control and monitor procurement administration performance has been established.
- Continuous follow-up and technical support are given to procuring entities and performance improvement is observed in procurement administration.
- Procurement administration compliance audit is conducted and based on findings corrective action is taken.
- Complaints on the public procurement process are resolved.
- Transparency has been increased by providing procurement information for the public.
- Opportunities are given for many bidders who want to participate in public procurement through using an open procurement method.
- All procuring public bodies plan before procurement.
- Procurement documents organized in most of the procuring public bodies.
- Procurement registered in procurement registration journal in most of the regional public bodies, which helps conduct performance evaluation.
- All procuring public bodies have been submitting annual procurement performance report to the agency.
- Procurement data registration through key performance indicators has been started in 5 basic service sectors bureaus and 10 selected woredas.
- Procurement proclamation, directives, and bid documents have been issued and implemented throughout the region,
- Awareness has been created on public procurement administration legal frameworks.

(d) Public property management reform

- Public property and procurement administration proclamation, directives, and different working manuals have been developed and distributed throughout the region.
- Property administration to control and monitor property administration performance has been established.
- Public property is registered and controlled in all public bodies.

- Disposal of public property is carried out by most of the public bodies in accordance with the directives.
 - Trainings are given on property administration.
 - Strong inventory system has been installed.
- (e) Cash and disbursements management reform
- The previous practice of cash transfers has been changed to a zero balance method, based on cash flow and drawing limits.
 - A cash administration and payment procedure manual and related directives have been prepared and implemented on cash management.
 - Training module has been prepared and trainings are provided for all levels.
 - Formats required for the implementation of the reform, cash flow sheets, disbursement request, and approval forms have been designed tested and implemented.
 - Many inactive and unnecessary bank accounts are identified and closed.
 - The cash management and controlling system has been installed throughout the region.
 - Salary payment of government employees in public bodies at all levels is made through the bank.
- (f) Accounts reform
- A new Chart of Accounts has been prepared and implemented for the accounting system.
 - The accounting system has been changed from the single entry system to the modified cash-basis double-entry accounting system.
 - Accounts reform manual and training module have been prepared for region, zone, and woreda levels.
 - Training has been given for all levels.
 - Accounts backlogs are cleared and reduced.
 - Transparency of public budget and expenditures increased quarterly posting to the citizens.
 - Regional sector bureaus, zones, and woredas have been able to produce a timely and accurate accounts report.
 - A single pool accounting service is now in place in all the zones, woredas, and city administrations.
 - IBEX has been installed at all levels to record, summarize, and produce timely reports for decision making.
 - Annual accounts have been closing by standards.
- (g) Internal audit reform
- An internal audit organizational structure has been upgraded.

- At all levels, preaudit functions are replaced by post-audit in accordance with the reform requirements.
- An internal audit manual and training module are prepared and implemented at all budgetary institutions throughout the region.
- Training has been given for officials and experts at all levels and massive workshops are also carried out.
- The internal control system has been strengthened.
- Transparency in audit findings increased posting to the citizens.

(h) IFMIS

- An interim financial information system has been developed with the various versions.
- BIS, BDA 1 for single entry accounting system, BDA 2 new Chart of Accounts in single entry format, and BDA 3 New Chart of Accounts in double-entry account format and modified cash basis have been developed.
- Budget, account, and payroll modules and stand-alone version of the IBEX application have been developed and implemented at all levels.
- Local area network (LAN) and wide area network (WAN) infrastructure has been implemented for 131 zones, woredas, and city administrations.
- The financial systems have been installed at all levels throughout the region.
- Different Information technology materials are purchased and distributed to zones, woredas, and city administrations for strengthening IBEX.
- Different officials and experts have been trained on IBEX.
- The training center at BoFED has been established and all facilities have been completed.

(i) FTA reform

- This is a federal-level policy implemented at the regional level also. Transparency and accountability is one of the key pillars of the government's PBS national program. As part of this project, the government intends to significantly improve the disclosure of budget and expenditure information throughout the region.
- Very simplified, yet accurate and informative, budget, expenditure, procurement, and audit templates have been developed so that citizens can read and understand the PFM information.
- Public financial information has been disseminated on mass media to ensure transparency to citizens throughout the region.
- Budget literacy trainings for citizens at the woreda level have been conducted.
- Citizens are participating in discussion of prebudget, monitoring, and evaluation of capital projects.
- Citizens contribute resources as materials and labor for support of building of basic service facilities. This fills the gap in budget constraints of woredas.
- The ownership of the citizen has been increased on public properties.

- The relationships between service providers and citizens are improving from time to time.
- Service provider and citizens have been discussing on service provision that could increase the relations between them.

5.2 Recent and ongoing reform actions

- More training, capacity-building, and awareness creation workshops and technical supports are required to strengthen all the reform activities on legal frameworks.
- Strong and binding procedural guidelines for municipal revenue administration, budgeting, accounting, and control of internal revenues.
- Retaining of qualified staff and improving skill of existing staff through training are issues that demand more attention from all levels.
- Revised all training materials and trainings will be conducted in institutional training centers.
- Continuous support is needed for public institution to deepen the gain of the reform into the government operation through training and technical support.
- Upgrading the modified cash basis to the accrual system of accounting.
- Strengthening procedures for estimating the depreciation, inventory, and uniformity coding of government properties of the region.
- Strengthening single pool system at zone and woredas levels.
- Strengthening property management stories.
- Strengthening internal control system.
- Strengthening IBEX.
- Introducing the integrated financial management information system (IFMIS) throughout the region.
- Providing training on application of the IFMIS package for all levels.
- Improving the IBEX training center and providing the required materials.
- Introducing programming budget throughout the region.
- Improving the quality of accounting data administration.
- Correction taken on audit findings.
- Strengthening institutional training.

5.3 Institutional considerations

Government leadership and ownership

- Regional and zonal PFM steering committees are established.
- A PFM technical support committee team is established.

222. The regional EMCP reform steering committee is chaired by the head of BoFED and has been overseeing the implementation of the EMCP projects. This steering committee includes BoFED

management members and all heads of zone and special woreda finance and economy development departments/offices. Zones have also established their EMCP steering committee, which is chaired by the zone finance and economy development head. Zone steering committee members have been drawn from the BoFED management members and all woreda finance and economy development offices heads.

223. Under the EMCP steering committee, at all levels of PFM, technical support teams have been organized. Members of this committee are drawn from reform task teams: the budget reform task team, the financial information reform task team, the account reform task team, the internal audit reform task team, the cash management reform task team, and the public procurement and property reform task teams. The PFM technical support team is chaired by PFM coordination division/department heads.

224. The role of this technical support team is to

- Prepare reforms work plan which will then be approved by the steering committee to strengthen the EMCP reforms;
- Give different training for officials, officers, and others;
- Identify the major problem areas for strong follow-up;
- Prepare a plan for training and awareness creations for different officials at regional, zonal, and woreda levels based on public finance implementation gaps;
- Take appropriate corrective actions and submit a detailed report about the EMCP performances, challenges, and the way forward to the steering committee; and
- Plan follow-ups closely on procedural developments, testing, and implementation of the reforms.

225. DPs have been playing the important role in supporting the reforms activities implemented throughout the region. Donors have been financing to

- Conduct different reform trainings and awareness creation workshops for many officials and experts at all levels that started from the beginning of those reforms in the region.
- Provide computers, printers, UPS, furniture, and other IT materials to strengthen IBEX throughout the region.
- Hire IT experts, accountants, and procurement specialists to strengthen continuous follow-up that has been improving the reform activities at all levels.
- Provide operational budget to the region, zones, and woredas to follow up and support the reform activities that achieve the objectives of reforms within a given period.
- Protect basic services which involves budget support integrated with the block grant of the region.

A sustainable reform processes

- The government has been incorporating the reform activities regularly in its works planning and giving more attention to implementation.
- Implementation of reform activities and feedback by the PFM steering committee should be evaluated quarterly.
- Strong follow-up should be undertaken regularly as a daily activity.

- Continuous follow-up should be undertaken by PFM technical support teams throughout the region.

226. The cost of the new strategy is estimated at ETB 3.6 billion over the next five years. It is expected to be funded by the federal government in addition to DP support. Alternative funding source will be from the regional government's own resources. However, the current budget constraints both at the federal and regional Government levels are likely to have repercussions on funding arrangements going forward.

Annex 1: Performance indicator summary

| No. | Indicator | 2018 score | Justification for 2018 score |
|---|--|------------|--|
| HLG-1 | Transfers from a higher level government | D+ | |
| HLG-1.1 | Outturn of transfer from higher-level government | A | Transfers from higher-level government were 100% in all the last three completed fiscal years. |
| HLG-1.2 | Earmarked grants outturn | D | Transfers of earmarked grants deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/2016, 40% in 2016/2017, and 20% in 2017/2018. |
| HLG-1.3 | Timeliness of transfer from higher-level government | A | Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. |
| Pillar I. Budget reliability | | | |
| PI-1 | Aggregate expenditure outturn | B | Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in two of the last three completed fiscal years (93% in EFY 2008, 99% in EFY 2009, and 94% in EFY 2010). |
| PI-2 | Expenditure composition outturn | C+ | |
| 2.1 | Expenditure composition outturn by function | B | Variance in expenditure composition by administrative classification was less than 10% in at least two of the last three years (6% in EFY 2008, 7% in EFY 2009, and 5% in EFY 2010) |
| 2.2 | Expenditure composition outturn by economic type | C | Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years (8% in EFY 2008, 16% in EFY 2009, and 10% in EFY 2010). |
| 2.3 | Expenditure from contingency reserves. | A | Actual expenditure charged to the contingency vote was on average less than 3% in all the three completed fiscal years. |
| PI-3 | Revenue outturn | C | |
| 3.1 | Aggregate revenue outturn | C | Actual revenue was between 92% and 116% of budget revenue in at least two of the last three years (92% in EFY 2008, 91% EFY 2009, and 93% in EFY 2010). |
| 3.2 | Revenue composition outturn | C | Variance in revenue composition was more than 10% in at least two of the last three years (13% in EFY 2008, 13% in EFY 2009, and 9% in EFY 2010). |
| Pillar II. Transparency of public finances | | | |
| PI-4 | Budget classification | B | Budget formulation, execution, and reporting are based on administrative, economic (at least 'group' level of the GFS standard—3 digits), and functional classification using a classification that can produce consistent documentation which is comparable with COFOG standards. |
| PI-5 | Budget documentation | D | The budget documentation fulfils no basic element and one additional element. |
| PI-6 | Central government operations outside financial reports | A | |
| 6.1 | Expenditure outside financial reports | A | There is no expenditure outside government financial reports. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|---|---|------------|---|
| 6.2 | Revenue outside financial reports | A | There is no revenue outside government financial reports. |
| 6.3 | Financial reports of extra-budgetary units | NA | There are no EBUs at the level of SNNPR. |
| PI-7 | Transfers to subnational governments | C+ | |
| 7.1 | System for allocating transfers | A | The horizontal allocation of all transfers to woreda and city administration from the regional government is determined by a transparent and rule-based system. |
| 7.2 | Timeliness of information on transfers | D | Information on annual transfers to zones, woredas, and city administrations is issued after the start of the fiscal year. |
| PI-8 | Performance information for service delivery | C | |
| 8.1 | Performance plans for service delivery | C | A framework of PIs relating to the outputs or outcomes for the majority (88%) of bureaus is in place. |
| 8.2 | Performance achieved for service delivery | D | Information is published annually on the activities performed but only for some bureaus. |
| 8.3 | Resources received by service delivery units | B | Information on resources received by frontline service delivery units is collected annually and recorded only for resources in cash but not in kind at the level of the health sector. At the level of the education sector, information on resources received by frontline service delivery units is collected annually and recorded for both resources in cash and in kind. A report compiling the information collected is prepared at least annually by both bureaus. |
| 8.4 | Performance evaluation for service delivery | C | Evaluations of the efficiency or effectiveness of service delivery have been carried out for the majority of service delivery bureaus at least once within the last three years but are not published. |
| PI-9 | Public access to information | D | The government makes available to the public 2 basic elements, in accordance with the specified time frames. |
| Pillar III. Management of assets and liabilities | | | |
| PI-10 | Fiscal risk reporting | D+ | |
| 10.1 | Monitoring of public corporations | D | The regional government does not receive financial or audit reports of public corporations. |
| 10.2 | Monitoring of sub-national government | C | Unaudited reports on the financial position and performance of the majority of SNGs are published at least annually within nine months of the end of the fiscal. |
| 10.3 | Contingent liabilities and other fiscal risks | D | Though there are records of some significant contingent liabilities, the regional government does not report these in its AFSSs. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|--------------|--|------------|--|
| PI-11 | Public investment management | D+ | |
| 11.1 | Economic analysis of investment proposals | C | A feasibility study was conducted for the largest capital investment projects (93% of the total large investment projects). This was conducted by the Federal Government with support of DPs. The result is published on the federal government's website. However, there is no evidence that the feasibility has been reviewed by an entity other than the sponsoring entities. |
| 11.2 | Investment project selection | C | Prioritization and selection of major investment projects for inclusion into the annual budget are largely based on regional government priorities. The regional government has no standard criteria for prioritization and selection of projects. |
| 11.3 | Investment project costing | D | The budget documentation only shows cost implication of projects for the current year, with no projections of forthcoming year. Nonetheless, the Project Appraisal Document provides information of total capital cost together with associated recurrent cost. |
| 11.4 | Investment project monitoring | C | Project monitoring is conducted by the implementing bureaus in conjunction with other stakeholders. Quarterly physical inspection report is submitted to the BoFED Planning Directorate and other stakeholders. Monthly and annual financial reports also include the budget and actual expenditure of the projects. However, these are not published. |
| PI-12 | Public asset management | C | |
| 12.1 | Financial asset monitoring | C | The AFSs disclose balances of both cash and bank and receivables but not investments in public enterprises. |
| 12.2 | Nonfinancial asset monitoring | C | The regional government maintains a register of its holdings of fixed assets, and collects partial information on their usage and age. There are no complete records of government land, buildings, and natural resources. |
| 12.3 | Transparency of asset disposal | C | Procedures and rules for the transfer or disposal of nonfinancial assets are established, but there are no clear legal provisions for the disposal of financial assets. Proceeds from the sale of fixed assets are disclosed in the financial reports but no disclosure of the new owner(s). |
| PI-13 | Debt management | D | |
| 13.1 | Recording and reporting of debt and guarantees | D | The regional government does not reconcile and update guarantees issued to zones and woredas. |
| 13.2 | Approval of debt and guarantees | D | BoFED is solely responsible for authorizing and approving guarantees. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of guarantees. |
| 13.3 | Debt management strategy | D | The SNNPR regional government does not prepare debt management strategy even though it has borrowing powers and issues loan guarantees to zones and woredas under its jurisdiction. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|--|---|------------|---|
| Pillar IV. Policy-based fiscal strategy and budgeting | | | |
| PI-14 | Macroeconomic and fiscal forecasting | C+ | |
| 14.1 | Macroeconomic forecasts | B | Over the last three completed fiscal years, the Budget and Planning Division of BoFED prepared an MEFF that is part of the medium-term regional strategic plan known as GTP II 2016/2017–2020/2021. The budget document submitted to the regional council also contains macroeconomic forecasts, plus the underlying assumptions. The projections cover the budget year and at least the two outer years. |
| 14.2 | Fiscal forecasts | B | Over the last three completed fiscal years, the Budget and Planning Division of BoFED prepared medium-term macro-fiscal forecasts, with assumptions on GDP and investment rates. The forecasts, for the budget year and the two outer years, include aggregate revenues by type and expenditures. These are submitted to the regional council for information purpose only. |
| 14.3 | Macro-fiscal sensitivity analysis | D | The Budget and Planning Division does not prepare macro-fiscal forecasts based on alternative macroeconomic assumptions. |
| PI-15 | Fiscal strategy | D | |
| 15.1 | Fiscal impact of policy proposals | D | The regional government prepares partial explanation of budget implications on new policy initiatives and major new public investments |
| 15.2 | Fiscal strategy adoption | D | The SNNPR regional government does not produce a fiscal strategy. |
| 15.3 | Reporting on fiscal outcomes | NA | Reporting against fiscal outcomes is not undertaken. |
| PI-16 | Medium-term perspective in expenditure budgeting | D+ | |
| 16.1 | Medium-term expenditure estimates | D | The annual budget document presents estimates of expenditure by administrative, functional, and economic classification for the budget year only; there are no medium-term expenditure forecasts. |
| 16.2 | Medium-term expenditure ceilings | D | The regional cabinet does not approve the BCC with ceilings. |
| 16.3 | Alignment of strategic plans and medium-term budgets | C | At least 32% (by value) of sectors prepare fully costed medium-term strategic plans, that is, some (>25%). Some annual expenditure policies are aligned to annual action plans and the medium-term strategy. |
| 16.4 | Consistency of budgets with previous year's estimates | NA | The government does not prepare an MTEF; therefore, it is not possible to analyze the consistency of budgets to the previous year's estimates. |
| PI-17 | Budget preparation process | D | |
| 17.1 | Budget calendar | D | An annual budget calendar exists and allows budgetary units 2 weeks to submit their proposals. About 10% of budgetary units comply with it and meet the deadlines for completing estimates. |
| 17.2 | Guidance on budget preparation | D | A budget circular is issued to BIs, but it does not include ceilings for administrative or functional areas. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by budgetary units. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|---|--|------------|--|
| 17.3 | Budget submission to the legislature | D | The executive has submitted the annual budget proposal to the legislature on the day of the start of the new fiscal year or after the start of the new fiscal year in all past three completed fiscal years. |
| PI-18 | Legislative scrutiny of budgets | C+ | |
| 18.1 | Scope of budget scrutiny | A | The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. |
| 18.2 | Legislative procedures for budget scrutiny | C | The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. They include negotiation procedures and arrangements for public consultation but not for technical assistance. |
| 18.3 | Timing of budget approval | C | The regional council has approved the annual budget within one month of the start of the fiscal year in all last three fiscal years. |
| 18.4 | Rules for budget adjustments by the executive | B | Clear rules exist for in-year budget adjustments by the executive and are adhered to in all instances (>90% in value). Extensive administrative reallocations are permitted. |
| Pillar V. Predictability and control in budget execution | | | |
| PI-19 | Revenue administration | C+ | |
| 19.1 | Rights and obligations for revenue measures | A | More than 85% of the regional tax is collected by the regional RA. It provides information through various channels on main obligations to taxpayers and redress processes and procedures. |
| 19.2 | Revenue risk management | C | The RA uses a partly structured and systematic approach for assessing and prioritizing compliance risks. Case selection for tax audit is semiautomated with 41 selection criteria mostly manual. |
| 19.3 | Revenue audit and investigation | D | Currently, the RA is not using a compliance improvement plan. It has completed majority (65%) of planned audits for the last completed fiscal year. |
| 19.4 | Revenue arrears monitoring | C | The stock of revenue arrears for the last completed fiscal year (EFY 2010) was 2.5% of the total revenue collection for the year and the arrears balance more than 12 months was 43%. |
| PI-20 | Accounting for revenues | C+ | |
| 20.1 | Information on revenue collections | A | The RA, which collects more than 85% of the revenue and other BIs, submits reports to the treasury monthly. These reports are consolidated into a single report. |
| 20.2 | Transfer of revenue collections | B | The RA and other BIs transfer revenue collection on a weekly basis to the treasury. |
| 20.3 | Revenue accounts reconciliation | C | The quarterly reconciliation, done within four weeks after the end of the quarter, does not include assessments and arrears. Reconciliation only covers collections, retention, and transfers to the treasury. |
| PI-21 | Predictability of in-year resource allocation | B+ | |

| No. | Indicator | 2018 score | Justification for 2018 score |
|--------------|--|------------|---|
| 21.1 | Consolidation of cash balances | C | Cash balances in the TSA are consolidated every day, but they constitute only 79% of all cash accounts owned by the regional government. All the other accounts are consolidated monthly. |
| 21.2 | Cash forecasting and monitoring | B | A cash flow forecast is prepared for the fiscal year and is updated at least quarterly on the basis of actual cash inflows and outflows. |
| 21.3 | Information on commitment ceilings | A | Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases. |
| 21.4 | Significance of in-year budget adjustments | A | Significant in-year adjustments to budget allocation take place no more than twice a year and are done in a transparent and predictable way. |
| PI-22 | Expenditure arrears | A | |
| 22.1 | Stock of expenditure arrears | A | The stock of expenditure arrears, accounted as grace period payables, was less than 2% in all three years of assessment. |
| 22.2 | Expenditure arrears monitoring | A | The data on stock and composition of expenditure arrears are monitored at the end of each month. |
| PI-23 | Payroll controls | C+ | |
| 23.1 | Integration of payroll and personnel records | B | Payroll is reconciled against changes in payroll records and staff lists monthly as well as against previous month payroll. |
| 23.2 | Management of payroll changes | A | Payroll changes are communicated and updated by the HRD to finance immediately and retrospective adjustments are almost nonexistent. |
| 23.3 | Internal control of payroll | B | Payroll changes are made against written and approved letters from the HRD and monthly staff attendance lists. There is a segregation of duty between payroll preparation and maintaining of HR records. Internal audit reviews monthly payroll payments. |
| 23.4 | Payroll audit | C | A partial payroll audit has been conducted by ORAG and internal audit units. |
| PI-24 | Procurement | B | |
| 24.1 | Procurement monitoring | B | A consolidated procurement database is maintained by PPPAA. The data are accurate and complete for most procurement methods for goods, services, and works. |
| 24.2 | Procurement methods | A | The total value of contracts awarded through competitive methods in the last completed fiscal year represents more than 80%. |
| 24.3 | Public access to procurement information | B | Four of the key procurement information elements are fulfilled. |
| 24.4 | Procurement complaints management | D | The procurement complaint system does not meet criterion (1). |
| PI-25 | Internal controls on non-salary expenditure | B | |
| 25.1 | Segregation of duties | A | Appropriate segregation duties are prescribed throughout the payment process, and responsibilities are clearly laid down. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|--|--|------------|---|
| 25.2 | Effectiveness of expenditure commitment controls | C | The monthly cash flow forecast, the commitment control exercise using Excel, enables a partial commitment coverage. |
| 25.3 | Compliance with payment rules and procedures | B | Payment rules are generally respected for most of the payments. |
| PI-26 | Internal audit effectiveness | C+ | |
| 26.1 | Coverage of internal audit | A | Internal audit function is established in all public bodies and audits are conducted as per annual plans. |
| 26.2 | Nature of audits and standards applied | C | The internal audit practice generally follows best practices in audit planning, execution, and follow-up of implementation. |
| 26.3 | Implementation of internal audits and reporting | A | 90% of the planned audits for EFY 2010 were performed. |
| 26.4 | Response to internal audits | B | Management response for internal audit findings was 85% in EFY 2010. |
| Pillar VI. Accounting and reporting | | | |
| PI-27 | Financial data integrity | B | |
| 27.1 | Bank account reconciliation | B | The active bank accounts are reconciled at least monthly, usually within four weeks from the end of each month. |
| 27.2 | Suspense accounts | NA | Suspense accounts appear in the Chart of Accounts with No. 4201 but they stand for advance payment of petty cash. |
| 27.3 | Advance accounts | A | Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared on time. |
| 27.4 | Financial data integrity processes | C | The financial data integrity process is not sound enough to ensure personal accountability, resulting in audit trail. |
| PI-28 | In-year budget reports | B+ | |
| 28.1 | Coverage and comparability of reports | A | Coverage and classification of data on the executed budget allows for direct comparison to the original budget. Information includes all items of budget estimates allowing for direct comparison between approved budget estimates and actual expenditure by detailed economic, functional, and administrative classification and source of funds. The reports also show transfers to zones and woredas. |
| 28.2 | Timing of in-year budget reports | B | Budget execution reports are prepared monthly, within four weeks from the end of the month. |
| 28.3 | Accuracy of in-year budget reports | B | Due to IBEX, the accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. Concerns regarding data accuracy are not highlighted. Expenditure is not captured at the commitment stage. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|--|--|------------|---|
| PI-29 | Annual financial reports | C+ | |
| 29.1 | Completeness of annual financial reports | C | The annual financial reports consolidate the financial budget execution data provided by all budget entities. The consolidated annual financial report for EFY 2010 contains information on budgeted and actual information on expenditure accounts (on a cash basis) broken down into administrative, functional, and economic classification, revenue, and cash balances. The financial statements do not provide information on stocks of assets and liabilities nor on debt and guarantees. |
| 29.2 | Submission of reports for external audit | A | The consolidated financial report of the last completed fiscal year was submitted three months after the end of the fiscal year (EFY 2010). |
| 29.3 | Accounting standards | C | The accounting standards applied to all financial reports are consistent with the national accounting standards (modified cash-basis accounting standards). The standards and accounting policies used are disclosed, but comparative data to the preceding year are not covered. |
| Pillar VII. External scrutiny and audit | | | |
| PI-30 | External audit | C+ | |
| 30.1 | Audit coverage and standards | B | ORAG covers more than 85% of the total expenditure and revenue of the region for the last three completed fiscal years and follows the INTOSAI regulatory audit manuals. |
| 30.2 | Submission of audit reports to the legislature | B | ORAG submitted the audited financial statement on consolidated fund within three months for two of the last three completed fiscal years and within five months for one year. |
| 30.3 | External audit follow-up | C | Audited entities responded on time and provided a comprehensive report on action taken. Implementation of audit recommendation remains low. |
| 30.4 | Supreme Audit Institution independence | A | ORAG is independent from the executive in all aspects including appointment and removal of the AG, publishing of its report, approval and execution of its budget, and unrestricted and timely access to records. |
| PI-31 | Legislative scrutiny of audit reports | B+ | |
| 31.1 | Timing of audit report scrutiny | A | The BFAASC scrutinizes the audit reports within two months from the receipt of the audit report from ORAG. |
| 31.2 | Hearings on audit findings | A | In-depth hearings on key findings of audit reports take place regularly with responsible officers from all audited entities which received a qualified or adverse audit opinion or a disclaimer. |
| 31.3 | Recommendations on audit by legislature | A | The BFAASC issues recommendations to be implemented by the executive and systematically follows up on their implementation. |

| No. | Indicator | 2018 score | Justification for 2018 score |
|---------------------|---|------------|--|
| 31.4 | Transparency of legislative scrutiny of audit reports | D | Hearings are conducted in public and the committee reports are debated in the full chamber of the legislature. The regional radio and TV broadcast live the debates in the full chamber. Nonetheless, the BFAASC reports are not published on an official website or by any other means easily accessible to the public. |
| Total Scored | | 31 | |

Annex 2: Summary of observations on the internal control framework

| Internal control components and elements | Summary of observations |
|--|--|
| 1. Control environment | <p>The constitution of SNNPR and the proclamation for the reestablishment of SNNPR executive organs clearly stipulate the powers, duties, and relations between the various government organs. The reporting lines between the regional government, the judiciary, and the regional council are clearly defined. Implementation of organizational structures, job grading, staffing, and compensation schemes is centrally managed by the BCSHRD. The BCSHRD set guidelines and procedures in line with the regional civil services laws. Individual public bodies are responsible for the hiring and firing based on the civil service laws and guidelines. The BCSHRD monitors to ensure rules are respected.</p> <p>ORAG is an independent organ accountable to the regional council. ORAG is independent to determine its staffing structure and compensation schemes. Internal audit is functional in all public bodies. The ID at BoFED is responsible for guiding and supervising the internal audit functions throughout the region. It compiles key findings and status of implementation from the internal audit reports it collects from Internal Audit units to the regional council.</p> <p>The Regional Ethics and Anticorruption Commission (REAC), accountable to the regional President, is working on training, prevention of corruption, study of internal control weaknesses, and investigation of corruption. From EFY 2008 to EFY 2011, it conducted 31,696 training sessions. In the same period, it prevented ETB 200 million from embezzlement and recovered embezzled amount of ETB 177.⁴ It has also sued 1,018 civil servants for forged educational documents and recovered 61,943 km² illegally occupied land to the land bank. REAC registered the assets of 68,000 government officials and key personnel working in corruption-prone positions.</p> <p>Mass-based organizations governed by local woreda administrations are often invited to attend audit scrutiny by the BFAASC and budget hearings. These are the youth forum, women forum, and residents' forum. Their interaction with the wider community and their membership base is limited. The manner in which they have been organized appears to affect their role in counterbalancing the state role because of their affiliation to the ruling party. Most of the civil societies are mainly operating in development activities. The scope of civil society's role in right issues, transparency, and governance had been constrained by the Charities and Societies Proclamation (Proclamation No. 621/2009). This proclamation is repealed by a new proclamation (Proclamation No 1113/2019) issued in the beginning of 2019. The new law provides more freedom to civil societies to play an important role in the transparency and accountability of the government at all levels.</p> <p>According to REAC, corruption is a serious issue for SNNPR. Areas identified by REAC which are affected by corrupt practices include land administration, procurement (mainly construction), and revenue collection. In Transparency International's Corruption Perception Index 2017/2018, Ethiopia was ranked 114 out of 180 countries, with a score of 34 on a scale of 0 to 100, where 100 means very clean and 0 means highly corrupt.⁵ According to the Doing Business report⁶ of the World Bank (2019), Ethiopia scored 49.06 out of 100 and ranked 159 out of 190 countries. Though these</p> |

⁴ REAC consolidated report for EFY 2008–2011.

⁵ The rank deteriorated from 107 in 2016/2017 (Corruption Perception Index [CPI] score of 35) to 114 (CPI score of 34) in 2017/2018, <https://www.transparency.org/country/ETH#>.

⁶ <http://www.doingbusiness.org/en/data/exploreconomies/ethiopia>.

| Internal control components and elements | Summary of observations |
|--|---|
| | ratings are for Ethiopia as a country, the overall control environment in SNNPR is not very different from the country in general. |
| 2. Risk assessment | An organizational-level risk assessment is not conducted at the level of public bodies. Internal audit units of visited public bodies prepare a risk assessment as part of their annual audit plan preparation. The risk assessment is largely focused on risks associated with the efficiency and effectiveness of existing internal control procedures. ORAG also does not conduct a comprehensive risk assessment in the determination of annual audit plan. The RA conducts risk assessment but has no compliance improvement plan. The prevalence of corruption cases in certain government functions is partly attributed to the inefficiency and ineffectiveness of the existing internal control policies and procedures. The AG indicated in his report that repeated findings are attributed to the weak enforcement and limitation with existing policies and procedures. |
| 3. Control activities | The control activities available for the PFM system include the various manuals, guidelines, and directives which have been issued mainly by BoFED in line with the applicable proclamations and regulations. The manuals provide guidance on procurement, cash management, budgetary control, payroll, inventory and asset management, the segregation of duties, and other control activities (PI-25). Most of the visited public bodies reconcile bank accounts monthly. There is no comprehensive audit for payroll and a procedure for validation of procurement statistics and reports. IBEX is used for recording and reporting of accounting transaction. 'Payroll System' is used to process payroll but does not result in an audit trail. The commitment control feature of IBEX is not in use in some public bodies (PI-25.2). As reported by ORAG, the majority of public bodies did not implement some of the internal control procedures including store record cards, fixed asset registers, and conducting of annual physical count. BFAASC conducts hearings on audit findings and issue recommendations to the executive (PI-31). |
| 4. Information and communication | <p>Rules and regulations, manuals, and guidelines are communicated and widely known to public bodies. BoFED communicates budget ceilings and guidelines and approved budgets to public bodies. Public bodies submit their annual cash flow forecasts to BoFED and these are updated quarterly. IBEX functions through a WAN called Woredanet; public bodies process transaction from their own premises where the server is residing at BoFED. As a result, transactions processed at the public bodies level are reflected immediately in the BoFED server. But still regional public bodies are required to submit monthly reports and zones and woredas submit quarterly (PI-28, PI-29). BoFED does not receive financial reports from public enterprises (PI-10).</p> <p>Public bodies do not produce comprehensive financial reports as per the national standard where a certain level of disclosure is expected. The statement of revenue and expenditure and statement of financial positions are generated from IBEX. No disclosure is provided on public assets, contingent liabilities, certain financial assets, and liabilities. Public bodies produce separate reports for donor-funded projects in a format prescribed in the Grant Agreement entered into with donor partners. Public bodies do not produce a consolidated financial report (PI-29) on the resource they received and spend from various sources. The AFS issued by BoFED provides comprehensive information on annual approved budgeted revenue and expenditure at the regional, sector bureau, zonal, and woreda levels. The report also provides information on other direct funds received by city administrations. The report does not contain comparative financial statements against previous years, statement of financial positions, disclosure on warranties, financial assets, and liabilities including aging profiles (PI-29).</p> <p>BoFED uses its website to post information such as budget, financial, and audit reports. Some procurement data are also posted on the website. Procurement data</p> |

| Internal control components and elements | Summary of observations |
|--|--|
| | are mostly posted on the six notice boards of PPPAA and respective public bodies. Information on service delivery is mostly not made public (PI-8). |
| 5. Monitoring | <p>The various management performance reports, financial statements, and audit reports serve as a monitoring tool to see whether financial reports are accurate, performance target are achieved, and resources are used efficiently and are safeguarded. Internal audit units submit quarterly audit reports. Public bodies submit six-monthly performance reports to the regional council. ORAG submits annual audit reports and performance reports when completed. As indicated above, a substantial part of monitoring activities of internal audit units and ORAG are focusing on the compliance of existing internal control procedures. Annual audit reports of the AG stress the need for the timely response of the executives to findings and to enhance the capacity of ORAG for more audit coverage.</p> <p>Monitoring of public enterprises is weak. Monitoring of nonfinancial assets, investments, and certain financial assets as well as of the effectiveness of internal control on disbursement, procurement, asset management, financial assets, and liabilities, needs improvement. The recurring nature of audit findings partly is attributed to the inefficiency of the internal control procedures in place.</p> |

Annex 3A: Sources of information by indicator

Only the reports listed in this annex were referred

| Indicator/dimension | Data Sources |
|---|---|
| Pillar I. Budget reliability | |
| PI-1 Aggregate expenditure outturn | <ul style="list-style-type: none"> Approved budget for EFY 2008–2010 Annual financial reports for FY 2008–2010 |
| 1.1 Aggregate expenditure outturn | |
| PI-2 Expenditure composition outturn | <ul style="list-style-type: none"> Approved budget for FY 2008–2010 Annual Financial Reports for FY 2008–2010 |
| 2.1. Expenditure composition outturn by function | |
| 2.2. Expenditure composition outturn by economic type | |
| 2.3 Expenditure from contingency reserves | |
| PI-3 Revenue outturn | <ul style="list-style-type: none"> Approved budget for FY 2008–2010 Annual Financial Reports for FY 2008–2010 |
| 3.1 Aggregate revenue outturn | |
| 3.2 Revenue composition outturn | |
| Pillar II. Transparency of public finances | |
| PI-4 Budget classification | <ul style="list-style-type: none"> SNNPR Regional Government Chart of Accounts Federal Government Chart of Accounts Budget for the year 2010 Accounts for the year 2010 |
| 4.1 Budget classification | |
| PI-5 Budget documentation | <ul style="list-style-type: none"> The draft budget proclamation The budget speech Subsidy allocation to woredas MEFF |
| 5.1 Budget documentation | |
| PI-6 Central government operations outside financial reports | <ul style="list-style-type: none"> Budget for the year 2010 Accounts for the year 2010 |
| 6.1 Expenditure outside financial reports | |
| 6.2 Revenue outside financial reports | |
| 6.3 Financial reports of extra-budgetary units | |
| PI-7 Transfers to subnational governments | <ul style="list-style-type: none"> Budget documentation submitted to the regional council for EFY 2011 budget Actual transfers to woredas and city administrations for EFY 2010 |
| 7.1 System for allocating transfers | |
| 7.2 Timeliness of information on transfers | |
| PI-8 Performance information for service delivery | <ul style="list-style-type: none"> Annual performance reports for education, health, and water sectors Education Sector Strategy Health Sector Strategy Water Sector Strategy Annual education statistics abstract Evaluations carried out in EFY 2008, 2009, and 2010 in the education, health and water sectors |
| 8.1 Performance plans for service delivery | |
| 8.2 Performance achieved for service delivery | |
| 8.3 Resources received by service delivery units | |
| 8.4 Performance evaluation for service delivery | |
| PI-9 Public access to fiscal information | |
| 9.1 Public access to fiscal information | |
| Pillar III. Management of assets and liabilities | |
| PI-10 Fiscal risk reporting | <ul style="list-style-type: none"> Proclamation No. 178/2011 for establishment of SNNPR Public Enterprise Supervisory Authority Consolidated AFS for 2017/2018 Data on guarantees issued by BoFED to zones woredas |
| 10.1 Monitoring of public corporations | |
| 10.2 Monitoring of sub-national government (SNG) | |
| 10.3 Contingent liabilities and other fiscal risks | <ul style="list-style-type: none"> List of biggest capital investment projects Sample feasibility studies of some capital projects |
| PI-11 Public investment management | |
| 11.1 Economic analysis of investment proposals | |
| 11.2 Investment project selection | |
| 11.3 Investment project costing | |

| Indicator/dimension | Data Sources |
|---|--|
| 11.4 Investment project monitoring | <ul style="list-style-type: none"> Quarterly physical and financial progress reports; AFS Budget documentation |
| PI-12 Public asset management | <ul style="list-style-type: none"> Consolidated AFSs for 2017/2018 SNNPR Regional Government Procurement and Property Administration Proclamation No. 146/2012 Property Management Directive No. 14/2005 Asset disposal reports |
| 12.1 Financial asset monitoring | |
| 12.2 Nonfinancial asset monitoring | |
| 12.3 Transparency of asset disposal | |
| PI-13 Debt management | <ul style="list-style-type: none"> Data on guarantees issued by BoFED to zones woredas Correspondence letters on guarantee |
| 13.1 Recording and reporting of debt and guarantees | |
| 13.2 Approval of debt and guarantees | |
| 13.3 Debt management strategy | |
| Pillar IV. Policy-based fiscal strategy and budgeting | |
| PI-14 Macroeconomic and fiscal forecasting | <ul style="list-style-type: none"> Medium-term regional strategic plan known as GTP II (2016/2017–2020/2021) Macroeconomic forecasts |
| 14.1 Macroeconomic forecasts | |
| 14.2 Fiscal forecasts | |
| 14.3 Macro-fiscal sensitivity analysis | |
| PI-15 Fiscal strategy | <ul style="list-style-type: none"> Budget speech |
| 15.1 Fiscal impact of policy proposals | |
| 15.2 Fiscal strategy adoption | |
| 15.3 Reporting on fiscal outcomes | |
| PI-16 Medium-term perspective in expenditure budgeting | <ul style="list-style-type: none"> Budget documentation for 2018/2019 Approved budget for 2017/2018 Five-year strategic plans for education, health, road, and water sectors No MTEF |
| 16.1 Medium-term expenditure estimates | |
| 16.2 Medium-term expenditure ceilings | |
| 16.3 Alignment of strategic plans and medium-term budgets | |
| 16.4 Consistency of budgets with previous year's estimates | |
| PI-17 Budget preparation process | <ul style="list-style-type: none"> Budget calendar for the preparation of EFY 2011 budget calendar List of bureaus that completed their budget submissions in time BCC for the preparation of EFY 2011 budget calendar Dates of the submission of the draft budget by BoFED to the regional council for the past three completed fiscal years, provided by the council |
| 17.1 Budget calendar | |
| 17.2 Guidance on budget preparation | |
| 17.3 Budget submission to the legislature | |
| PI-18 Legislative scrutiny of budgets | <ul style="list-style-type: none"> The draft budget proclamation The budget speech The MEFF Subsidy allocation to woredas Standing orders of the regional council Dates of approval of the budget by the Council provided by the Council Financial Administration Proclamation Data on in-year budget transfers for EFY 2010 provided by BoFED |
| 18.1 Scope of budget scrutiny | |
| 18.2 Legislative procedures for budget scrutiny | |
| 18.3 Timing of budget approval | |
| 18.4 Rules for budget adjustments by the executive | |
| Pillar V. Predictability and control in budget execution | |
| PI-19 Revenue administration | <ul style="list-style-type: none"> RA proclamation, directives, and regulations |
| 19.1 Rights and obligations for revenue measures | |
| 19.2 Revenue risk management | |

| Indicator/dimension | Data Sources |
|--|--|
| 19.3 Revenue audit and investigation | <ul style="list-style-type: none"> RA website and Facebook with information on key obligations and rights Revenue Authority Annual Performance for EC 2010 Revenue collection records with stock of revenue arrears and revenue arrears older than 12 months RA quarterly report |
| 19.4 Revenue arrears monitoring | |
| PI-20 Accounting for revenues | <ul style="list-style-type: none"> Discussion and data provided by the RA Revenue Authority Annual Performance Report for 2017/2018 Revenue and arrears reconciliation |
| 20.1 Information on revenue collections | |
| 20.2 Transfer of revenue collections | |
| 20.3 Revenue accounts reconciliation | |
| PI-21 Predictability of in-year resource allocation | <ul style="list-style-type: none"> AFS for EFY 2008–2010 SNNPR monthly revenue report Annual budget and actual revenue for last 3 fiscal years Data on in-year budget transfers for EFY 2010 Supplementary budget proclamation for EFY 2010. Cash forecast prepared by BoA, BoFED, BoT, BoWE, BoH, and BoE |
| 21.1 Consolidation of cash balances | |
| 21.2 Cash forecasting and monitoring | |
| 21.3 Information on commitment ceilings | |
| 21.4 Significance of in-year budget adjustments | |
| PI-22 Expenditure arrears | <ul style="list-style-type: none"> Treasury at BoFED AFSs of EFY 2008, 2009, and 2010 |
| 22.1 Stock of expenditure arrears | |
| 22.2 Expenditure arrears monitoring | <ul style="list-style-type: none"> Interview with payroll units of BoA, BoFED, BoT, BoWE, BoH, BoE Review of payroll sheets and software Internal audit reports and ORAG reports Sample Personnel records |
| PI-23 Payroll controls | |
| 23.1 Integration of payroll and personnel records | |
| 23.2 Management of payroll changes | |
| 23.3 Internal control of payroll | |
| 23.4 Payroll audit | <ul style="list-style-type: none"> Procurement Proclamation, regulation and manuals Procurement plans and reports (BoA, BoE, BoT, BoWE, BoFED, and BoH) Procurement performance report from PPPAA Interview with Chamber of Commerce Website of BoFED |
| PI-24 Procurement | |
| 24.1 Procurement monitoring | |
| 24.2 Procurement methods | |
| 24.3 Public access to procurement information | |
| 24.4 Procurement complaints management | <ul style="list-style-type: none"> Proclamation and manuals <ul style="list-style-type: none"> Financial Administration Proclamation No. 128/2009 Financial Administration Regulation No. 93/2010 Procurement Directive No. 29/2011 Government Finance Directive No. 6/2012 Receipt Vouchers Printing and Management Directive No. 27/2010 Pool Finance System Management Directive Year 2016 Budget Administration Directive No. 25/2008 Property Management Directive No. 14/2005 Procurement and Property Administration Proclamation No. 146/2012 Revised Financial Administration Proclamation Year 2018 Cash Management Directive No. 8/2012 Cash Payment Directive No. 9/2012 Budget Allocation and Cost Reduction Directive No. 29/2018 |
| PI-25 Internal controls on non-salary expenditure | |
| 25.1 Segregation of duties | |
| 25.2 Effectiveness of expenditure commitment controls | |
| 25.3 Compliance with payment rules and procedures | |

| Indicator/dimension | Data Sources |
|--|---|
| | <ul style="list-style-type: none"> ○ Payment of Salary through Bank Directive No. 3/2010 ○ Accounting Directive No. 6/2012 ● Internal Audit reports ● ORAG reports ● Interview with ORAG, the ID, internal audit units, and finance team of visited public bodies |
| PI-26 Internal audit | <ul style="list-style-type: none"> ● Interview with internal audit units and the ID |
| 26.1 Coverage of internal audit | <ul style="list-style-type: none"> ● Financial Administration Proclamation No. 128/2009 |
| 26.2 Nature of audits and standards applied | <ul style="list-style-type: none"> ● Internal Audit Charter |
| 26.3 Implementation of internal audits and reporting | <ul style="list-style-type: none"> ● Internal Audit reports and internal audit annual plans and sample management response letters on internal audit findings |
| 26.4 Response to internal audits | <ul style="list-style-type: none"> ● Audit plan and performance summary issued by the ID ● Summary of internal audit findings and implementation status issued by the ID ● Audit Coverage report by the ID ● Manuals ● Audit report preparation manual/internal audit report writing procedure ● Performance audit training manual ● Internal Audit standards ● Financial audit training manual |
| Pillar VI. Accounting and reporting | |
| PI-27 Financial data integrity | <ul style="list-style-type: none"> ● Financial legislation (Proclamation No. 128/2009) |
| 27.1 Bank account reconciliation | <ul style="list-style-type: none"> ● Treasury at BoFED |
| 27.2 Suspense accounts | <ul style="list-style-type: none"> ● Internal audit |
| 27.3 Advance accounts | <ul style="list-style-type: none"> ● IBEX |
| 27.4 Financial data integrity processes | |
| PI-28 In-year budget reports | <ul style="list-style-type: none"> ● Treasury at BoFED |
| 28.1 Coverage and comparability of reports | <ul style="list-style-type: none"> ● Monthly Budget Execution Reports generated by IBEX |
| 28.2 Timing of in-year budget reports | |
| 28.3 Accuracy of in-year budget reports | <ul style="list-style-type: none"> ● Annual Consolidated Financial Reports for EC 2008–2010 |
| PI-29 Annual financial reports | <ul style="list-style-type: none"> ● SNNPR Financial Administration Proclamation No. 128/2009 |
| 29.1 Completeness of annual financial reports | <ul style="list-style-type: none"> ● Letter of submission to external auditors |
| 29.2 Submission of the reports for external audit | <ul style="list-style-type: none"> ● External auditor |
| 29.3 Accounting standards | |
| Pillar VII. External scrutiny and audit | |
| PI-30 External audit | <ul style="list-style-type: none"> ● Standards and manuals |
| 30.1 Audit coverage and standards | <ul style="list-style-type: none"> ○ Manuals and standards |
| 30.2 Submission of audit reports to the legislature | <ul style="list-style-type: none"> ○ The ISSAI standards/AFROSAI manuals (2010) |
| 30.3 External audit follow-up | <ul style="list-style-type: none"> ○ Audit standard (internally developed) |
| 30.4 Supreme Audit Institution independence | <ul style="list-style-type: none"> ○ Fraud audit manual ○ The Mexico declaration on independence |
| | <ul style="list-style-type: none"> ● Laws and regulations |
| | <ul style="list-style-type: none"> ○ Constitution of SNNPR 1994 |
| | <ul style="list-style-type: none"> ○ Proclamation no 176/2018 for the establishment proclamation of the regional AG |
| | <ul style="list-style-type: none"> ● Annual audit report which contains summary of audit findings and recommendation (audit of public bodies) for EFY 2008–2010 |

| Indicator/dimension | Data Sources |
|--|--|
| PI-31 Legislative scrutiny of audit reports | <ul style="list-style-type: none"> • Standing order of the regional council • Table given by the BFAASC on the dates of reception of ORAG reports and the dates of the end of the scrutiny by the council, for the past three years • Reports on follow-up of BFAASC recommendations covering the past three completed fiscal years |
| 31.1 Timing of audit report scrutiny | |
| 31.2 Hearings on audit findings | |
| 31.3 Recommendations on audit by the legislature | |
| 31.4 Transparency of legislative scrutiny of audit reports | |

Note: BoA = Bureau of Agriculture; BoE = Bureau of Education; BoH = Bureau of Health; BoT = Bureau of Transport; and BoWE = Bureau of Water and Energy.

Annex 3B: List of people interviewed

| Name | Organization | Position | Telephone | Email |
|-------------------------|------------------|---|------------|--|
| SNNPR BoFED | | | | |
| Taregkegn Nuramo | BoFED | Channel 1 Program Coordination Director | 0911722253 | tarekegnnuramo@yahoo.com |
| NigatBelete | BoFED | Budget and Planning Director | 0911060044 | Negatbelet@gmail.com |
| Wubishet T/Yohannis | BoFED | Accounts Consolidation Director | 0913676991 | Wubishettyohannis@gmial.com |
| AlemayehuDemille | BoFED | PBS Accountant (Treasury) | 0912204607 | |
| MelakuDesalegn | BoFED | ID - Auditor | 0911081465 | Edilbarkot@gmail.com |
| MulugetaYilma | BoFED | ID - Auditor | 0916862636 | muleyilma@yahoo.com |
| YosefBekele | BoFED | ID - Auditor | 0946556312 | bekeleyosefat@gmail.com |
| ZenaMenebereluel | BoFED | ID - Auditor | 0912034346 | zenamenbereleul@gmail.com |
| MubarekAwel | BoFED | Public Investment Director | 0916860922 | Mubarekawel55@gmail.com |
| PaulosBarude | BoFED | Public Investment Director | 0911386838 | bargpaba@gmail.com |
| ORAG | | | | |
| TesfayeTafesse | ORAG | Head of ORAG | 0917254343 | Tesfayetafesse2017@gmail.com |
| RA | | | | |
| TayeFetawoke | RA | Director | 0926956066 | tayefeawoke@gmail.com |
| AbdurahimRedi | RA | | | |
| Abera W/Giorgis | RA | Director | 0939952296 | |
| Samuel Negash | RA | Planning Officer | 0913511448 | Samuelnegash83@gmail.com |
| Gebre Gage | RA | Vice Director and General Director Representative | 0911335843 | gebregage@gmail.co |
| BFAASC | | | | |
| TseganeshHanchuso | BFAASC | Vice Chairperson | 0916554111 | tsegahunch@gmail.com |
| AsratAbebe | BFAASC | Chairperson | 0911844950 | Asratabebe992@yahoo.com |
| Education Bureau | | | | |
| Belay Bezuneh | Education Bureau | Planning and Performance | 0912173322 | Belay3322@gmail.com |
| Gashaw W/Mariam | Education Bureau | Monitoring and Evaluation Officer | 0916036391 | gashaw@yahoo.com |
| Water Bureau | | | | |
| DestaDolabo | Water Bureau | Finance Director | 0912164612 | Destadelebo44@gmail.com |
| Elias G/Amlak | Water Bureau | Finance Officer | 0913846309 | e.gebreamlak@yahoo.com |
| MeazaBizuneh | Water Bureau | Finance Officer | 0911336265 | taregobezamb@gmail.com |
| EndalkachewMekonnen | Water Bureau | Planning Director | 0913188175 | Endalk.mekonnen@gmail.com |

| Name | Organization | Position | Telephone | Email |
|---|-----------------------------|--|------------|--|
| BerhanuBekele | Water Bureau | Procurement Officer | 0917764058 | Berish795@gmail.com |
| Bureau of Trade and Industry Development | | | | |
| YosephShiferaw | Industry | Planning | 0912153877 | joseyshif@gmail.com |
| Health Bureau | | | | |
| NafkotBirhanu | Regional Health Bureau | Director | 0913130924 | nafkihealth@gmail.com |
| MuludestaMulugeta | Regional Health Bureau | Finance Officer | 0913350975 | Mulud1973@gmail.com |
| GetahunAsrat | Regional Health Bureau | Budget Officer | 0916078078 | Getahunasrat85@yahoo.com |
| TesfayeDobamo | Regional Health Bureau | PP Officer | 0916822160 | tesfayedob@gmail.com |
| Mohammed Amin | Regional Health Bureau | Administration and Finance Director | 0911790945 | Mohammed2017@gmail.com |
| Transport and Authority | | | | |
| Asrat Aide | RTRA | Planning Director | 0913575165 | Asrat.aide@gmail.com |
| MelesseUro | RTRA | Procurement, Finance, and Property Admin | 0938651395 | u.melesse@yahoo.com |
| Roads Authority | | | | |
| Biniam W/Senbet | Rural Roads Authority (RRA) | Procurement and Property Admin Head | 0916066167 | Sra1234@gmail.com |
| PetrosGodana | RRA | | | |
| TeshaleShigute | RRA | | 0913097688 | |
| MulusheShurla | RRA | | 0926158117 | |
| PPPAA | | | | |
| HabtamuBilate | PPPAA | Procurement Specialist | 0913346080 | habtamubilate@yahoo.com |
| ZelegeBekele | PPPAA | Procurement Specialist | | |
| Ethics and Anti-Corruption Commission (EACC) | | | | |
| MunyeSule | EACC | Commissioner | 0953804000 | nuryesule@gmail.com |
| KassahunFilfilu | EACC | Deputy Commissioner | 0930278948 | kassahun@yahoo.com |

Annex 4: Tracking change in performance based on previous versions of PEFA

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|--|
| A. PFM-out-turns: Credibility of the budget | | | | |
| HLG-1 Transfers from a higher level government | A | D+ | | No deterioration in performance despite that in the score. The deterioration is due to dimension (ii) being scored NA in the PA. |
| (i) Outturn of transfer from higher-level government | A | A | Transfers from higher-level government were 100% in all the last three completed fiscal years. | No change |
| (ii) Earmarked grants outturn | NA | D | Transfers of earmarked grants deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/2016, 40% in 2016/2017, and 20% in 2017/2018. | This dimension was assessed as NA in the PA. |
| (iii) Timeliness of transfer from higher-level government | A | A | Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review. | No change |
| PI-1 Aggregate expenditure out-turn compared to original approved budget | B | A | Aggregate expenditure outturn did not deviate by more than 5% in two of the last three completed fiscal years (92% in EFY 2008, 102% in EFY 2009, and 95% in EFY 2010). | Improvement in score and performance |
| PI-2 Composition of expenditure out-turn compared to original approved budget | D+ | B+ | | Improvement in score and performance due to improvement in score of dimension (i) |
| (i) Extent of the variance in expenditure composition during the last three years, excluding contingency items | D | B | Variance in expenditure composition was less than 10% in all the last three years (6% in EFY 2008, 7% in EFY 2009, and 5% in EFY 2010). | Improvement in score and performance. In the 2015 assessment, variance in expenditure composition exceeded 15% in at least two of the past three years. |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|--|
| (ii) The average amount of expenditure actually charged to the contingency vote over the last three years. | A | A | Actual expenditure charged to the contingency vote was on average less than 3% of the original budget. | No change |
| PI-3 Aggregate revenue out-turn compared to original approved budget | D | C | Actual domestic revenue was between 92% and 116% of budgeted domestic revenue in at least two of the last three years. | Improvement in score and performance. In the 2015 assessment, actual domestic revenue was below 92% or above 116% of budgeted domestic revenue in at least 2 of the last 3 years. |
| PI-4 Stock and monitoring of expenditure payment arrears | B+ | A | | Improvement in score and performance due to improvement in dimension (ii) |
| (i) Stock of expenditure payment arrears and a recent change in the stock. | A | A | The stock of arrears is low (that is, below 2% of total expenditure). | No change |
| (ii) Availability of data for monitoring the stock of expenditure payment arrears. | B | A | The data on stock and composition of expenditure are monitored at the end of each month. | Improvement in score and performance |
| B. Key cross-cutting issues: Comprehensiveness and transparency | | | | |
| PI-5 Classification of the budget | B | B | Budget formulation and execution are based on administrative, economic, and administrative classification using the GFS standard for economic classification and for functional classification, a standard that can produce consistent documentation with the COFOG standards. | No change |
| PI-6 Comprehensiveness of information included in budget documentation | D | D | Recent budget documentation fulfils none of the nine information benchmarks. | No change in performance and overall score |
| PI-7 Extent of unreported government operations. | D+ | D+ | | No change |
| (i) Level of unreported government operations | A | A | The level of unreported extra-budgetary expenditure is insignificant, below 1% of total expenditure. | No change |
| (ii) Income/expenditure information on donor-funded projects | D | D | Information on donor funded projects included fiscal reports is seriously deficient. | No change |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|---|
| PI-8 Transparency of inter-governmental fiscal relations. | A | B | | Deterioration in performance and score due to deterioration in PI-8.2 |
| (i) Transparency and objectivity in the horizontal allocation amongst Sub-national Governments | A | A | The horizontal allocation of all transfers from the regional government to woredas and city administrations (at 90% of transfers) is determined by transparent and rule-based systems. | No change |
| (ii) Timeliness and reliable information to SNGs on their allocations | B | D | Information on annual transfers to zones, woredas, and city administrations is issued after the start of the fiscal year. | Deterioration in performance and score. In the 2015 assessment, the woredas and zones were notified of the ceilings before the start of the new fiscal year. However, as per the current assessment, they are notified after the start of the new fiscal year. |
| (iii) Extent of consolidation of fiscal data for general government according to sectoral categories | A | A | Fiscal information consistent with central government fiscal reporting is collected for 90% of woreda and city administration expenditure and consolidated into annual reports within 10 months of the end of the fiscal year. | No change |
| PI-9 Oversight of aggregate fiscal risk from other public sector entities. | A | D+ | | Deterioration in both score and performance due to deterioration in score in dimension (i) |
| (i) Extent of central government monitoring of autonomous entities and public enterprises | A | D | BoFED does not receive financial report or audit report of the public enterprises. | Deterioration in performance and score. As per the 2015 assessment, BoFED has been receiving quarterly financial and annual audit reports. |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|---|---|
| (ii) Extent of central government monitoring of SNG's fiscal position | A | C | The net fiscal position is monitored at least annually for the most important level of SNGs, but a consolidated overview is missing or significantly incomplete. | Deterioration in performance and score. Guarantees provided by the regional government on behalf of woredas are not consolidated into a fiscal report. |
| PI-10 Public access to key fiscal information | C | C | The government makes available to the public 2 of the 6 listed types of information: annual budget documentation and contract awards and within the time frames required by the framework. | No change |
| C. Budget cycle | | | | |
| C(i) Policy-based budgeting | | | | |
| PI-11 Orderliness and participation in the annual budget process | A | D+ | | Deterioration in score and performance |
| (i) Existence of, and adherence to, a fixed budget calendar | A | D | A clear budget annual budget calendar exists, but the time allowed for budget preparation of ministries, departments, and agencies (MDAs) is clearly insufficient to make meaningful submissions on time. | Deterioration in score and performance. In 2014, the budgetary units had at least 6 weeks from the receipt of the circular to complete their submissions. Now they have 2 weeks. |
| (ii) Guidance on the preparation of budget submissions | A | D | A clear budget circular is sent to MDAs, but it does not include ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by the cabinet only after they have been completed in all details by MDAs, thus seriously constraining the cabinet's ability to make adjustments. | Deterioration in score and performance. In the 2015 assessment, the ceilings in the budget circular were approved by the cabinet before the circular was issued to the MDAs. |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|--|---|
| (iii) Timely budget approval by the legislature | B | C | The legislature has approved the budget within one month of the start of the new fiscal year for the past two years and within two months for one year. | Deterioration in score and performance. In the 2015 assessment, the legislature had approved the budget before the start of the fiscal year, but there has been a delay of up to two months in one of the last three years before the PA. |
| PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting | D+ | C | | Improvement in both score and performance |
| (i) Multiyear fiscal forecasts and functional allocations | D | D | BoFED does not prepare fiscal forecasts with functional allocations with a multiyear perspective. | No change |
| (ii) Scope and frequency of debt sustainability analysis | NA | NA | Not applicable; the regional government does not borrow. | No change |
| (iii) Existence of costed sector strategies | D | B | At least 32% by value (that is, >25%) of sectors prepare fully costed sector strategies which are aligned to regional GTP II. | Improvement in both score and performance |
| (iv) Linkages between investment budgets and forward expenditure estimates | C | C | Links between investment costs and forward-linked recurrent estimates are weak; some sector strategies do not have forward-linked recurrent expenditure estimates. | No change |
| C(ii) Predictability and control in budget execution | | | | |
| PI-13 Transparency of taxpayer obligations and liabilities | A | A | | No change |
| (i) Clarity and comprehensiveness of tax liabilities | A | A | Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the RA. | No change |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|--|
| (ii) Taxpayer access to information on tax liabilities and administrative procedures | A | A | Taxpayers have easy access to comprehensive, user-friendly, and up-to-date information on tax liabilities and procedures, and the RA supplements this with taxpayer education campaigns. | No change |
| (iii) Existence and functioning of a tax appeal mechanism. | A | A | A tax appeals system of transparent administrative procedures is functional. | No change |
| PI-14 Effectiveness of measures for taxpayer registration and tax assessment | B | B | | No change |
| (i) Controls in the taxpayer registration system | B | B | Taxpayers are registered in a complete database system with some links to other relevant government registration systems. | No change |
| (ii) Effectiveness of penalties for non-compliance with registration and declaration obligations | B | B | Penalties for noncompliance exist for most relevant tax areas. | No change |
| (iii) Planning and monitoring of tax audit and fraud investigation programs | B | B | Tax audits and fraud investigations are managed and reported on according to a documented audit plan with clear risk assessment criteria. | No change |
| PI-15 Effectiveness in collection of tax payments | D+ | D+ | | No change in score but deterioration in performance because of dimension (i) and (ii) |
| (i) Collection ratio for gross tax arrears | C | D | The debt collection ratio in the most recent year was below 60% (it was 59%) and the total amount of tax arrears is significant (that is, it was 2.5% of total annual collections). | Deterioration in score and performance. In the 2015 assessment, the average debt collection ratio in the two most recent fiscal years was 66%, and the total amount of tax arrears at the end of each year was significant (above 2%) as a percentage of total revenue collections. |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|---|---|
| (ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration | A | C | Revenue collections are transferred to the treasury at least monthly. | Deterioration in score. The dimension appeared to have been over-scored in the 2015 assessment |
| (iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury | D | D | Complete reconciliation of tax assessments, collections, arrears, and transfers to BoFED does not take place annually. | No change |
| PI-16 Predictability in the availability of funds for commitment of expenditures | A | B+ | | Deterioration in performance and score |
| (i) Extent to which cash flows are forecasted 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. | Deterioration in performance. In the PA, the cash flow forecast used to be updated monthly. |
| (ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure | A | A | MDAs are able to plan and commit expenditure for at least 6 months in advance of the budget appropriations. | No change |
| (iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs | A | A | Significant in-year budget adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way. | No change |
| PI-17 Recording and management of cash balances, debt and guarantees | B+ | D+ | | Deterioration in performance and score |
| (i) Quality of debt data recording and reporting | NA | D | SNNPR does not borrow. | No change in performance but change in score. In the PA, it was scored NA instead of D. |
| (ii) Extent of consolidation of the government's cash balances | B | C | Most cash balances are consolidated monthly. | Deterioration in performance and score |
| (iii) Systems for contracting loans and issuance of guarantees | A | C | The regional government's guarantees are always approved by a single responsible government entity (BoFED) but are not decided on the basis of clear guidelines, criteria, or overall ceilings. | Deterioration in performance and score |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|--|---|
| PI-18 Effectiveness of payroll controls | B+ | C+ | | No change |
| (i) Degree of integration and reconciliation between personnel records and payroll data | B | B | Personnel data and payroll are not directly linked but payroll changes are fully supported by documentation from personnel records and updated each month. | No change |
| (ii) Timeliness of changes to personnel records and the payroll | A | A | Payroll changes are updated daily or within a week and retrospective adjustments are rare and less than 1%. | No change |
| (iii) Internal controls of changes to personnel records and the payroll | A | B | There is no audit trail within the payroll processing system. However, the internal control system in place is sufficient and no changes are made without approved documentations and payroll printouts are subject to review and approval of finance head before payment transfer to employees' accounts. | No change in performance. It appears that the PA overrated this dimension. |
| (iv) Existence of payroll audits to identify control weaknesses and/or ghost workers | B | C | A partial payroll audit has been conducted by ORAG and internal audit units. | Deterioration in performance and score |
| PI-19 Competition, value for money and controls in procurement | C+ | B | | Improvement in score and performance |
| (i) Transparency, comprehensiveness and competition in the legal and regulatory framework | B | A | All the six criteria are met. | Improvement in score and performance. In the 2015 assessment, the requirement on transparency was not met. |
| (ii) Use of competitive procurement methods | A | A | More than 95% of procurements used competitive method. | No change |
| (iii) Public access to complete, reliable and timely procurement information | C | C | Bidding opportunity and contract awards are published. | No change |
| (iv) Existence of an independent administrative procurement complaints system | D | D | The procurement complaints system does not meet criteria (i) and (ii) as well as another criterion. | No change |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|--|
| PI-20 Effectiveness of internal controls for non-salary expenditure | B | C+ | | Deterioration in score and performance |
| (i) Effectiveness of expenditure commitment controls | B | C | Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated. | Deterioration in score. IBEX is not effectively used as a commitment control tool. Most BIs use EXCEL which may not be complete and prone to error and omission. |
| (ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures | B | B | Financial and nonfinancial control systems are comprehensive, well documented, and generally understood. | No change |
| (iii) Degree of compliance with rules for processing and recording transactions | B | B | Rules are generally respected and exceptions are with adequate justification; limitations are noted on fixed asset recording and payment and procurement procedures. | No change |
| PI-21 Effectiveness of internal audit | C+ | B+ | | Improvement in performance due to improvement in all dimensions |
| (i) Coverage and quality of the internal audit function | C | B | Internal audit is functional in all public bodies and audit generally follows international standards. | Improvement in score and performance. Coverage and quality of the internal audit improved. |
| (ii) Frequency and distribution of reports | B | A | Internal audit submits monthly audit reports regularly to the audited entity, BoFED, and ORAG. | Improvement in score and performance. During the 2015 assessment, internal audit units were in the early days of being established and the requirement was not met. |
| (iii) Extent of management response to internal audit function | C | A | Managers take action on time. | Performance improved. Managers at sector bureau levels respond on time. |
| C(iii) Accounting, Recording and Reporting | | | | |
| PI-22 Timeliness and regularity of accounts reconciliation | C+ | B | | Improvement in score and performance due to improvement in dimension (i) |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|--|---|
| (i) Regularity of bank reconciliation | C | B | Bank reconciliation for all treasury-managed bank accounts takes place at least monthly, usually within 4 weeks from the end of the month. | Improvement in score and performance. In the 2015 assessment, there were reconciled differences being carried forward. |
| (ii) Regularity and clearance of suspense accounts and advances | B | B | Reconciliation and clearance of suspense accounts and advances take place at least annually, within two months of the end of the period. Some accounts have uncleared balances brought forward. | No change |
| PI-23 Availability of information on resources received by service delivery units | C | C | Routine data collection provides reliable information on the level of resources received in cash and in kind by either primary schools or primary health clinics across the region on an annual basis. | No change |
| PI-24 Quality and timeliness of in-year budget reports | C+ | C+ | | No change |
| (i) Scope of reports in terms of coverage and compatibility with budget estimates | C | C | Comparison to budget is possible only for main administrative headings. Expenditure is captured at the payment stage. | No change |
| (ii) Timeliness of the issue of reports | A | A | Reports are prepared on time. | No change |
| (iii) Quality of information | B | B | There are some concerns about data accuracy, but these do not undermine their overall consistency or usefulness. | No change |
| PI-25 Quality and timeliness of annual financial statements | C+ | C+ | | No change |
| (i) Completeness of the financial statements | B | B | Annual consolidated financial reports are prepared and contain most expenditures, revenues, assets, and liabilities. | No change |
| (ii) Timeliness of submissions of the financial statements | A | A | The financial report is submitted to external audit within three months. | No change |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|--|---------------------------|--------------------------|--|---|
| (iii) Accounting standards used | C | C | Statements are presented in a consistent format, applying national accounting standards with disclosure of accounting standards. | No change |
| C(iv) External Scrutiny and Audit | | | | |
| PI-26 Scope, nature and follow-up of external audit | D+ | B+ | | Improvement in score and performance due to improvement in all dimensions |
| (i) Scope/nature of audit performed (including adherence to auditing standards) | C | B | ORAG covers more than 85% of the total expenditure and revenue of the region for the last three completed fiscal years and follows the INTOSAI regulatory audit manuals. | Improvement in score and performance. In the 2015 assessment, the audit coverage was 51%. |
| (ii) Timeliness of submission of audit reports to the Legislature | D | B | ORAG submitted the audited financial statement on consolidated fund within eight months of the end of the year in all the three years. | Improvement in score and performance. Timely completion of audit by ORAG significantly improved. |
| (iii) Evidence of follow-up on audit recommendations | B | A | There is a clear evidence of follow-up. ORAG prepares a report on status of previous year audit recommendations and submits it to the council. | Improvement in score and performance. The follow-up of ORAG has improved. |
| PI-27 Legislative scrutiny of the annual budget law | C+ | D+ | | No change in performance |
| (i) Scope of the legislature scrutiny | C | A | The legislature's review covers fiscal policies, medium-term fiscal framework, and medium-term priorities as well as details of expenditure and revenue. | No change in performance despite the change in score. The PA underscored this dimension. |
| (ii) Extent to which the legislature's procedures are well established and respected | B | B | Simple procedures exist for the legislature's budget review and are respected. | No change |

| Indicator/Dimension | Score previous assessment | Score current assessment | Description of requirements met in current assessment | Explanation of change (include comparability issues) |
|---|---------------------------|--------------------------|--|---|
| (iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined) | C | D | The time allowed for the legislature's review is clearly insufficient for a meaningful debate (significantly less than one month). | Deterioration in score but no deterioration in performance. The 2015 assessment itself admitted that the actual time allowed and taken for the review of the budget was 10 days. For this assessment, the time taken to review the budget for the last completed fiscal year was also 10 days. |
| (iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature | B | B | Clear rules exist for in-year budget amendments by the executive and are usually respected, but they allow extensive administrative reallocations. | No change |
| PI-28 Legislative scrutiny of external audit reports | A | A | | No change |
| (i) Timeliness of examination of audit reports by the legislature | A | A | The BFAASC scrutinizes the audit reports within two to three weeks from the receipt of the audit report from ORAG. | No change |
| (ii) Extent of hearing on key findings undertaken by the legislature | A | A | Hearings cover all BIs that have been given adverse or disclaimers of opinions by ORAG. | No change |
| (iii) Issuance of recommended actions by the legislature and implementation by the executive | A | A | The legislature usually issues recommendations to be implemented by the executive, and evidence exists that they are generally implemented. | No change |
| D-1 Predictability of direct budget support | A | NU | Deemed not relevant | Not comparable |
| (i) Annual deviation of actual budget support from forecast | A | NU | Deemed not relevant | Not comparable |
| (ii) In-year timeliness of donor disbursements | A | NU | Deemed not relevant | Not comparable |
| D-2 Financial information provided by donors for budgeting and reporting on projects and programmes | D+ | NU | Deemed not relevant | Not comparable |

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

Annex 5: Calculation sheet templates for PI-1, PI-2, and PI-3

Calculation Sheet for PFM Performance Indicators PI-1, PI-2.1, and PI-2.3

Fiscal years for assessment

Year 1 = 2015/2016

Year 2 = 2016/2017

Year 3 = 2017/2018

Data for year = 2015/2016

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|-----------------------------------|-----------|-----------|-----------------|-----------|--------------------|---------|
| Organs of the government | 2,000.7 | 2,010.3 | 1,879.5 | 130.9 | 130.9 | 7 |
| Justice, police, and security | 2,057.1 | 2,063.7 | 1,932.4 | 131.2 | 131.2 | 7 |
| General services | 1,737.0 | 1,530.1 | 1,631.8 | -101.7 | 101.7 | 6 |
| Agriculture and rural development | 1,990.9 | 1,925.8 | 1,870.2 | 55.6 | 55.6 | 3 |
| Water, mineral, and energy office | 792.8 | 702.1 | 744.8 | -42.6 | 42.6 | 6 |
| Trade and industry | 1,505.8 | 1,426.3 | 1,414.6 | 11.7 | 11.7 | 1 |
| Work and urban development | 1,821.3 | 1,715.6 | 1,710.9 | 4.7 | 4.7 | 0 |
| Education | 6,201.2 | 6,112.5 | 5,825.4 | 287.2 | 287.2 | 5 |
| Youth and sport | 911.4 | 912.1 | 856.1 | 55.9 | 55.9 | 7 |
| Health | 2,856.2 | 2,297.7 | 2,683.1 | -385.5 | 385.5 | 14 |
| Women and children office | 230.6 | 221.7 | 216.7 | 5.0 | | |
| Urban and rural municipality | 1,145.8 | 924.0 | 1,076.3 | -152.4 | 152.4 | 14 |
| Allocated expenditure | 23,250.93 | 21,841.81 | 21,841.81 | 0.00 | 1,359.33 | |
| Interest | 0 | 0 | | | | |
| Contingency | 285.0 | — | | | | |
| Total expenditure | 23,535.89 | 21,841.81 | | | | |
| Aggregate outturn (PI-1) | | | | | | 93 |
| Composition (PI-2) variance | | | | | | 6 |
| Contingency share of budget | | | | | | 0 |

Data for year = 2016/2017

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--------------------------------------|-----------|-----------|-----------------|-----------|--------------------|---------|
| Organs of the government | 2,239.8 | 2,350.5 | 2,237.5 | 113.0 | 113.0 | 5 |
| Justice, police, and security | 2,249.3 | 2,417.2 | 2,247.0 | 170.2 | 170.2 | 8 |
| General services | 1,935.2 | 1,945.6 | 1,933.2 | 12.4 | 12.4 | 1 |
| Agriculture and rural development | 2,498.5 | 2,634.2 | 2,496.0 | 138.2 | 138.2 | 6 |
| Water, mineral, and energy office | 921.1 | 858.7 | 920.1 | -61.4 | 61.4 | 7 |
| Trade and industry | 1,673.8 | 1,339.9 | 1,672.1 | -332.1 | 332.1 | 20 |
| Work and urban development | 2,365.8 | 2,078.8 | 2,363.3 | -284.5 | 284.5 | 12 |
| Education | 7,651.4 | 8,112.0 | 7,643.6 | 468.5 | 468.5 | 6 |
| Youth and sport | 1,032.6 | 1,081.3 | 1,031.6 | 49.7 | 49.7 | 5 |
| Health | 3,108.7 | 3,091.6 | 3,105.5 | -13.9 | 13.9 | 0 |
| Women and children office | 250.5 | 276.0 | 250.3 | 25.7 | 25.7 | 10 |
| Disaster prevention and preparedness | 43.1 | 70.3 | 43.1 | 27.3 | 27.3 | 63 |
| Urban and rural municipality | 1,385.5 | 1,071.1 | 1,384.1 | -313.0 | 313.0 | 23 |
| Allocated expenditure | 27,355.36 | 27,327.27 | 27,327.27 | (0.00) | 2,009.88 | |
| Interest | 0 | 0 | | | | |
| Contingency | 347.4 | — | | | | |
| Total expenditure | 27,702.80 | 27,327.27 | | | | |
| Aggregate outturn (PI-1) | | | | | | 99 |
| Composition (PI-2) variance | | | | | | 7 |
| Contingency share of budget | | | | | | 0 |

Data for year = 2017/2018

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--------------------------------------|------------------|------------------|-----------------|-----------|--------------------|---------|
| Organs of the government | 2,409.8 | 2,468.3 | 2,294.4 | 173.9 | 173.9 | 8 |
| Justice, police, and security | 2,892.9 | 2,817.5 | 2,754.4 | 63.1 | 63.1 | 2 |
| General services | 2,424.8 | 2,238.5 | 2,308.7 | -70.2 | 70.2 | 3 |
| Agriculture and rural development | 3,142.3 | 3,038.5 | 2,991.9 | 46.6 | 46.6 | 2 |
| Water, mineral, and energy office | 1,005.3 | 980.7 | 957.2 | 23.5 | 23.5 | 2 |
| Trade and industry | 2,824.6 | 2,365.4 | 2,689.4 | -324.0 | 324.0 | 12 |
| Work and urban development | 2,212.5 | 2,101.0 | 2,106.6 | -5.6 | 5.6 | 0 |
| Education | 8,895.0 | 8,828.0 | 8,469.1 | 358.9 | 358.9 | 4 |
| Youth and sport | 1,200.2 | 1,196.4 | 1,142.7 | 53.6 | 53.6 | 5 |
| Health | 4,019.9 | 3,802.5 | 3,827.5 | -25.0 | 25.0 | 1 |
| Women and children office | 346.5 | 327.1 | 329.9 | -2.8 | 2.8 | 1 |
| Disaster prevention and preparedness | 158.1 | 185.3 | 150.5 | 34.8 | 34.8 | 23 |
| Urban and rural municipality | 1,626.8 | 1,222.0 | 1,548.9 | -326.9 | 326.9 | 21 |
| Allocated expenditure | 33,158.74 | 31,571.04 | 31,571.04 | 0.0 | 1,508.9 | |
| Interest | 0 | 0 | | | | |
| Contingency | 437.2 | — | | | | |
| Total expenditure | <u>33,595.98</u> | <u>31,571.04</u> | | | | |
| Aggregate outturn (PI-1) | | | | | | 94 |
| Composition (PI-2) variance | | | | | | 5 |
| contingency share of budget | | | | | | 0 |

Results matrix

| Year | For PI-1.1 | For PI-2.1 | For PI-2.3 |
|-----------|---------------------------|----------------------|-------------------|
| | Total expenditure outturn | Composition variance | Contingency share |
| 2015/2016 | 93% | 6% | |
| 2016/2017 | 99% | 7% | 0.0% |
| 2017/2018 | 94% | 5% | |

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Data for year = 2015/2016

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|-----------------|-----------------|-----------------|------------|--------------------|---------|
| Personnel services | 10,646.8 | 10,259.7 | 9,880.4 | 379.3 | 379.3 | 4 |
| Goods and services | 4,298.3 | 4,442.3 | 3,988.9 | 453.4 | 453.4 | 11 |
| Fixed assets and construction | 6,533.4 | 5,548.1 | 6,063.1 | -515.0 | 515.0 | 8 |
| Grants, contributions, and subsidies to institutions and enterprises | 1,498.3 | 1,213.5 | 1,390.4 | -176.9 | 176.9 | 13 |
| Government investment | 17.2 | 14.1 | 15.9 | -1.9 | 1.9 | 12 |
| Miscellaneous payments | 542.1 | 364.2 | 503.1 | -138.9 | 138.9 | 28 |
| Interest | 0 | 0 | 0 | — | — | — |
| Total expenditure | 23,535.9 | 21,841.8 | 21,841.8 | 0.0 | 1,665.4 | |
| Composition variance | | | | | | 8 |

Data for year = 2016/2017

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|-----------------|-----------------|-----------------|------------|--------------------|---------|
| Personnel services | 13,242.6 | 14,893.7 | 13,063.1 | 1,830.6 | 1,830.6 | 14 |
| Goods and services | 5,166.0 | 5,474.4 | 5,096.0 | 378.4 | 378.4 | 7 |
| Fixed assets and construction | 6,980.8 | 5,063.1 | 6,886.2 | -1,823.1 | 1,823.1 | 26 |
| Grants, contributions, and subsidies to institutions and enterprises | 2,124.7 | 1,820.8 | 2,095.9 | -275.1 | 275.1 | 13 |
| Government investment | 13.3 | 13.0 | 13.1 | -0.1 | 0.1 | 1 |
| Miscellaneous payments | 175.4 | 62.4 | 173.0 | -110.6 | 110.6 | 64 |
| Interest | 0 | 0 | 0 | — | — | — |
| Total expenditure | 27,702.8 | 27,327.3 | 27,327.3 | 0.0 | 4,418.0 | |
| Composition variance | | | | | | 16 |

Data for year = 2017/2018

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|-----------------|-----------------|-----------------|------------|--------------------|---------|
| Personnel services | 18,201.7 | 17,907.2 | 17,104.7 | 802.5 | 802.5 | 5 |
| Goods and services | 5,701.4 | 6,069.9 | 5,357.8 | 712.1 | 712.1 | 13 |
| Fixed assets and construction | 6,037.8 | 4,588.4 | 5,673.8 | -1,085.5 | 1,085.5 | 19 |
| Grants, contributions, and subsidies to institutions and enterprises | 3,488.8 | 2,942.8 | 3,278.5 | -335.7 | 335.7 | 10 |
| Government investment | 26.1 | 22.5 | 0.0 | 0.0 | 0.0 | - |
| Miscellaneous payments | 140.2 | 40.3 | 131.7 | -91.4 | 91.4 | 69 |
| Interest | 0 | 0 | 0 | — | — | — |
| Total expenditure | 33,596.0 | 31,571.0 | 31,546.6 | 2.0 | 3,027.1 | |
| Composition variance | | | | | | 10 |

Results Matrix

| Year | Composition variance |
|-----------|----------------------|
| 2015/2016 | 8% |
| 2016/2017 | 16% |
| 2017/2018 | 10% |

Calculation sheet for revenue composition outturn PI-3

Data for year = 2015/2016

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|-----------------|-----------------|-----------------|---------------|--------------------|---------|
| Tax revenues | | | | | | |
| Tax on income, profit, and capital gain | 2,795.6 | 2,831.6 | 2,563.7 | 267.9 | 267.9 | 10.5 |
| VAT on domestically manufactured goods | 1,050.0 | 943.4 | 962.9 | -19.5 | 19.5 | 2.0 |
| VAT on service | 200.4 | 122.3 | 183.8 | -61.4 | 61.4 | 33.4 |
| Excise tax | 6.9 | 0.4 | 6.3 | -6.0 | 6.0 | 94.3 |
| Sales turnover tax on locally manufactured goods | 241.8 | 153.8 | 221.8 | -68.0 | 68.0 | 30.7 |
| Service sales tax | 54.0 | 26.9 | 49.5 | -22.6 | 22.6 | 45.7 |
| Stamp duty | 118.3 | 90.7 | 108.5 | -17.8 | 17.8 | 16.4 |
| External assistance | | | | | | |
| External assistance | 102.0 | 102.0 | 93.5 | 8.5 | 8.5 | 9.0 |
| Other revenue | | | | | | |
| Administrative fees and charges | 134.3 | 82.2 | 123.2 | -41.0 | 41.0 | 33.3 |
| Sales of public goods and services | 686.9 | 500.0 | 630.0 | -129.9 | 129.9 | 20.6 |
| Government investment income | 58.5 | 48.3 | 53.7 | -5.3 | 5.3 | 10.0 |
| Municipalities' nontax revenue | 799.4 | 786.3 | 733.1 | 53.2 | 53.2 | 7.3 |
| Miscellaneous revenue | 192.3 | 224.1 | 176.4 | 47.8 | 47.8 | 27.1 |
| Other revenue | 1.0 | 0.0 | 0.9 | -0.9 | 0.9 | 100.0 |
| Capital revenue | 7.0 | 1.7 | 6.4 | -4.8 | 4.8 | 74.3 |
| Total revenue | 6,448.49 | 5,913.59 | 5,913.59 | (0.00) | 754.61 | |
| overall variance | | | | | | 91.7 |
| composition variance | | | | | | 12.8 |

Data for year = 2016/2017

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|-----------------|-----------------|-----------------|---------------|--------------------|---------|
| Tax revenues | | | | | | |
| Tax on income, profit, and capital gain | 3,510.9 | 3,252.2 | 3,177.6 | 74.6 | 74.6 | 2.3 |
| VAT on domestically manufactured goods | 994.4 | 821.3 | 900.0 | -78.7 | 78.7 | 8.7 |
| VAT on service | 205.4 | 121.3 | 185.9 | -64.6 | 64.6 | 34.7 |
| Excise tax | 2.7 | 1.0 | 2.4 | -1.4 | 1.4 | 59.4 |
| Sales turnover tax on locally manufactured goods | 308.9 | 183.7 | 279.6 | -95.9 | 95.9 | 34.3 |
| Service sales tax | 68.2 | 29.5 | 61.7 | -32.2 | 32.2 | 52.2 |
| Stamp duty | 155.4 | 119.8 | 140.7 | -20.9 | 20.9 | 14.8 |
| External assistance | | | | | | |
| External assistance | 86.7 | 86.7 | 78.4 | 8.2 | 8.2 | 10.5 |
| Other revenue | | | | | | |
| Administrative fees and charges | 169.8 | 92.0 | 153.7 | -61.7 | 61.7 | 40.2 |
| Sales of public goods and services | 751.8 | 600.5 | 680.4 | -79.9 | 79.9 | 11.7 |
| Government investment income | 76.4 | 50.1 | 69.1 | -19.1 | 19.1 | 27.6 |
| Municipalities' nontax revenue | 999.7 | 897.3 | 904.8 | -7.5 | 7.5 | 0.8 |
| Miscellaneous revenue | 312.5 | 661.8 | 282.8 | 379.0 | 379.0 | 134.0 |
| Capital revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total revenue | 7,642.75 | 6,917.21 | 6,917.21 | (0.00) | 923.77 | |
| Overall variance | | | | | | 90.5 |
| Composition variance | | | | | | 13.4 |

Data for year = 2017/2018

| Economic head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--|--------|--------|-----------------|-----------|--------------------|---------|
| Tax revenues | | | | | | |
| | 4,054. | 4,107. | | | | |
| Tax on income, profit, and capital gain | 7 | 8 | 3,752.7 | 355.2 | 355.2 | 9.5 |
| VAT on domestically manufactured goods | 995.7 | 821.7 | 921.5 | -99.8 | 99.8 | 10.8 |
| VAT on service | 175.2 | 131.9 | 162.2 | -30.3 | 30.3 | 18.7 |
| Excise tax | 3.4 | 1.5 | 3.2 | -1.7 | 1.7 | 53.3 |
| Sales turnover tax on locally manufactured goods | 388.7 | 332.0 | 359.8 | -27.8 | 27.8 | 7.7 |
| Service sales tax | 79.0 | 58.1 | 73.1 | -15.0 | 15.0 | 20.5 |
| Stamp duty | 184.8 | 146.6 | 171.0 | -24.4 | 24.4 | 14.3 |
| External assistance | | | | | | |
| External assistance | 87.6 | 87.6 | 81.1 | 6.5 | 6.5 | 8.0 |
| Other revenue | | | | | | |
| Administrative fees and charges | 178.3 | 108.7 | 165.0 | -56.3 | 56.3 | 34.1 |
| Sales of public goods and services | 863.9 | 739.7 | 799.5 | -59.8 | 59.8 | 7.5 |
| Government investment income | 73.7 | 52.9 | 68.2 | -15.3 | 15.3 | 22.4 |
| | 1,237. | 1,120. | | | | |
| Municipalities' nontax revenue | 2 | 3 | 1,145.0 | -24.7 | 24.7 | 2.2 |
| Miscellaneous revenue | 682.5 | 625.1 | 631.7 | -6.6 | 6.6 | 1.0 |
| Total revenue | 9,004. | 8,333. | 8,333.89 | (0.00) | 723.36 | |
| | 64 | 89 | | | | |
| Overall variance | | | | | | 92.6 |
| Composition variance | | | | | | 8.7 |

Results matrix

| Year | Total revenue deviation | Composition variance |
|-----------|-------------------------|----------------------|
| 2015/2016 | 92% | 13% |
| 2016/2017 | 91% | 13% |
| 2017/2018 | 93% | 9% |

Annex 6: Calculation sheet templates for PI-1, PI-2, and PI-3 (2011 framework)

Fiscal years for assessment

| | |
|----------|-----------|
| Year 1 = | 2015/2016 |
| Year 2 = | 2016/2017 |
| Year 3 = | 2017/2018 |

Data for year = 2015/2016

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percentage |
|-----------------------------------|-----------|-----------|-----------------|-----------|--------------------|------------|
| Organs of the government | 2,000.7 | 2,010.3 | 1,879.5 | 130.9 | 130.9 | 7 |
| Justice, police, and security | 2,057.1 | 2,063.7 | 1,932.4 | 131.2 | 131.2 | 7 |
| General services | 1,737.0 | 1,530.1 | 1,631.8 | -101.7 | 101.7 | 6 |
| Agriculture and rural development | 1,990.9 | 1,925.8 | 1,870.2 | 55.6 | 55.6 | 3 |
| Water, mineral, and energy office | 792.8 | 702.1 | 744.8 | -42.6 | 42.6 | 6 |
| Trade and industry | 1,505.8 | 1,426.3 | 1,414.6 | 11.7 | 11.7 | 1 |
| Work and urban development | 1,821.3 | 1,715.6 | 1,710.9 | 4.7 | 4.7 | 0 |
| Education | 6,201.2 | 6,112.5 | 5,825.4 | 287.2 | 287.2 | 5 |
| Youth and sport | 911.4 | 912.1 | 856.1 | 55.9 | 55.9 | 7 |
| Health | 2,856.2 | 2,297.7 | 2,683.1 | -385.5 | 385.5 | 14 |
| Women and children office | 230.6 | 221.7 | 216.7 | 5.0 | | |
| Urban and rural municipality | 1,145.8 | 924.0 | 1,076.3 | -152.4 | 152.4 | 14 |
| Allocated expenditure | 23,250.93 | 21,841.81 | 21,841.81 | 0.00 | 1,359.33 | |
| Grants - SDG | -2,413.2 | -2,411.8 | | | | |
| Contingency | 285.0 | — | | | | |
| Total expenditure | 21,122.69 | 19,430.03 | | | | |
| Aggregate outturn (PI-1) | | | | | | 92 |
| Composition (PI-2) variance | | | | | | 6 |
| Contingency share of budget | | | | | | 0 |

Data for year = 2016/2017

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percentage |
|--------------------------------------|---------|---------|-----------------|-----------|--------------------|------------|
| Organs of the government | 2,239.8 | 2,350.5 | 2,237.5 | 113.0 | 113.0 | 5 |
| Justice, police, and security | 2,249.3 | 2,417.2 | 2,247.0 | 170.2 | 170.2 | 8 |
| General services | 1,935.2 | 1,945.6 | 1,933.2 | 12.4 | 12.4 | 1 |
| Agriculture and rural development | 2,498.5 | 2,634.2 | 2,496.0 | 138.2 | 138.2 | 6 |
| Water, mineral, and energy office | 921.1 | 858.7 | 920.1 | -61.4 | 61.4 | 7 |
| Trade and industry | 1,673.8 | 1,339.9 | 1,672.1 | -332.1 | 332.1 | 20 |
| Work and urban development | 2,365.8 | 2,078.8 | 2,363.3 | -284.5 | 284.5 | 12 |
| Education | 7,651.4 | 8,112.0 | 7,643.6 | 468.5 | 468.5 | 6 |
| Youth and sport | 1,032.6 | 1,081.3 | 1,031.6 | 49.7 | 49.7 | 5 |
| Health | 3,108.7 | 3,091.6 | 3,105.5 | -13.9 | 13.9 | 0 |
| Women and children office | 250.5 | 276.0 | 250.3 | 25.7 | 25.7 | 10 |
| Disaster prevention and preparedness | 43.1 | 70.3 | 43.1 | 27.3 | 27.3 | 63 |
| Urban and rural municipality | 1,385.5 | 1,071.1 | 1,384.1 | -313.0 | 313.0 | 23 |

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|-----------------------------------|-----------|-----------|-----------------|-----------|--------------------|---------|
| | | | | (0.00) | 2,009.88 | |
| Allocated expenditure | 27,355.36 | 27,327.27 | 27,327.27 | | | |
| Grants - SDG | -2,413.2 | -1,447.9 | | | | |
| Contingency | 347.4 | — | | | | |
| Total expenditure | 25,289.60 | 25,879.35 | | | | |
| Aggregate outturn (PI-1) | | | | | | 102 |
| Composition (PI-2) variance | | | | | | 7 |
| Contingency share of budget | | | | | | 0 |

Data for year = 2017/2018

| Administrative or functional head | Budget | Actual | Adjusted budget | Deviation | Absolute deviation | Percent |
|--------------------------------------|-----------|-----------|-----------------|-----------|--------------------|---------|
| Organs of the government | 2,409.8 | 2,468.3 | 2,294.4 | 173.9 | 173.9 | 8 |
| Justice, police, and security | 2,892.9 | 2,817.5 | 2,754.4 | 63.1 | 63.1 | 2 |
| General services | 2,424.8 | 2,238.5 | 2,308.7 | -70.2 | 70.2 | 3 |
| Agriculture and rural development | 3,142.3 | 3,038.5 | 2,991.9 | 46.6 | 46.6 | 2 |
| Water, mineral, and energy office | 1,005.3 | 980.7 | 957.2 | 23.5 | 23.5 | 2 |
| Trade and industry | 2,824.6 | 2,365.4 | 2,689.4 | -324.0 | 324.0 | 12 |
| Work and urban development | 2,212.5 | 2,101.0 | 2,106.6 | -5.6 | 5.6 | 0 |
| Education | 8,895.0 | 8,828.0 | 8,469.1 | 358.9 | 358.9 | 4 |
| Youth and sport | 1,200.2 | 1,196.4 | 1,142.7 | 53.6 | 53.6 | 5 |
| Health | 4,019.9 | 3,802.5 | 3,827.5 | -25.0 | 25.0 | 1 |
| Women and children office | 346.5 | 327.1 | 329.9 | -2.8 | 2.8 | 1 |
| Disaster prevention and preparedness | 158.1 | 185.3 | 150.5 | 34.8 | 34.8 | 23 |
| Urban and rural municipality | 1,626.8 | 1,222.0 | 1,548.9 | -326.9 | 326.9 | 21 |
| Allocated expenditure | 33,158.74 | 31,571.04 | 31,571.04 | 0.0 | 1,508.9 | |
| Grants - SDG | -1,407.7 | -1,126.2 | | | | |
| Contingency | 437.2 | — | | | | |
| Total expenditure | 32,188.28 | 30,444.88 | | | | |
| Aggregate outturn (PI-1) | | | | | | 95 |
| Composition (PI-2) variance | | | | | | 5 |
| Contingency share of budget | | | | | | 0 |

Summary calculation sheet for PI-3 (2011 methodology) (ETB, millions)

| | 2015/2016 | 2016/2017 | 2017/2018 |
|--------------------------|-----------|-----------|-----------|
| Approved original budget | 6,136.46 | 7,351.76 | 8,917.05 |
| Actual aggregate revenue | 5,665.94 | 6,695.52 | 8,246.29 |
| Outturn (%) | 92 | 91 | 92 |

Annex 7: Gender-responsive budgeting pilot

| No. | Pillar | Disaggregation of data required | Responses/information gathered |
|-----|---|---|--|
| 1 | Pillar II. Transparency of public finances PI-9 public access to fiscal information | Segregated data reports from the FTA on access to information to women | No, there are no such reports. |
| | | Information, if any, on how many women attend the open public hearings on budgets and to what extent their questions or needs were considered and addressed | Information is available on the fact that women attend the public hearings but not on how many women attend nor to what extent their questions and needs are considered. |
| 2 | Pillar IV. Policy-based fiscal strategy and budgeting PI-15 Fiscal strategy PI-15.2 Fiscal strategy adoption PI-17 Budget preparation process PI-17.2 Guidance on budget preparation | Is there a published fiscal strategy that includes quantitative fiscal goals and qualitative objectives from GEWE? | No, there is also no published fiscal strategy. However, Pillar VII of GTP II is focused on gender issues. GTP II provides quantitative data on gender parity in the education sector and sets quantitative targets. The strategy document also mentions targets for gender on certain health indicators including prenatal and postnatal care coverage. The GTP II document indicates gender elements in other sectors as well. The GTP also provides quantitative targets to increase women's roles in political leadership and decision making. |
| | | Does the legal framework for public finance and budgeting include specific provisions related to gender issues or gender budgeting? | No, the legal framework for public finance for SNNPR—the financial administration proclamation—does not include specific provisions related to gender issues or gender budgeting. |
| | | Does the guidance on budget preparation request a breakdown of outputs/activities and their budgets by gender and to what extent is that complied with? | No. |
| | | Is gender equality incorporated into overall budget guidelines (budget call and budget manual) and directives from the MoF? | No, the BCC and the budget manual do not include specific issues related to gender. Therefore, both the budget formulation and preparation stages do not consider such issues. |
| | | Do implementing entities prepare their annual action plan and budget report as per the guidance provided on gender segregation? | No, the budget guidelines do not have gender-specific requirements. |
| | | Integrated and reflected gender equality and equity government commitments on a budget speech | No, the budget speeches do not include specific gender issues. |

| No. | Pillar | Disaggregation of data required | Responses/information gathered |
|-----|--|--|---|
| 3 | PI-18 Legislative scrutiny of budgets PI-18.1 Scope of budget scrutiny | Does the scope of budget scrutiny include the budget allocated for gender? | No, the scope of budget scrutiny does not include the budget allocated to gender since there is no specific line item on gender. However, there is a specialized committee on gender, women, and children at the city council that considers the interests of gender and women during the budget scrutiny process. |
| | | To what extent are the women, children, and youth standing committees in parliaments and regional councils involved in analyzing the budget from a gender perspective? | The city council has a standing committee on women, children, and gender. This committee is actively involved in the budget scrutiny process to ensure that the most vulnerable in the society (women, children, youth, and the disabled) are covered in the social intervention programs, even though there is no specific line item budget on gender. |
| | | To what extent are their feedback considered in revision of draft plans and budget? | Yes, the feedback from the women, children, and youth committee are considered in budget revisions. However, the availability of fiscal space and city government priorities potentially override the feedback on budget revisions. |
| 4 | Pillar VII. External scrutiny and audit PI-30 External audit PI-30.1 Audit coverage and standards | Are gender-based performance audits conducted? | No gender-based performance audit was conducted in the last completed fiscal year. The performance audit manual does not provide guidance on conducting a gender-based audit. Hence, the performance audit does not assess the effectiveness and responsiveness of existing PFM policies, strategies, proclamations, directives, and internal control procedures to gender as well as the extent of implementation of gender-based budgets. |
| | | If yes, for which sectors was it conducted and how were the findings used to strengthen programs of sectors? | |