

THE CITY GOVERNMENT OF ADDIS ABABA THE PEFA ASSESSMENT REPORT

FWC Beneficiaries 2009 – Europe Aid/127054/C/SER/Multi
LOT No 11 – PEFA Ethiopia

September 30, 2010 (Final)

Programme financed by the European Commission



Project implemented by

IDC - SAFEGE Group
Subsidiary of SUEZ
ENVIRONMENT

And

LINPICO (France)





THE CITY GOVERNMENT OF ADDIS ABABA THE PEFA ASSESSMENT REPORT

(September 30, 2010)

This project is financed by the European Union (EU) and implemented by LINPICO and IDC, France. Giovanni Caprio and Getnet Haile are the authors of the PEFA of the City Government of Addis Ababa. Giovanni Caprio is responsible for the content of the report which does not necessarily reflect the views of the EU, IDC, LINPICO or the views of the PEFA Secretariat in Washington DC.

CURRENCY AND EXCHANGE RATES

Currency unit = Ethiopian Birr (ETB)

€ 1 = ETB 22.59 (As of September 1, 2010)

US\$ 1 = ETB 16.39 (As of September 1, 2010)

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

Ethiopian Fiscal Year (EFY)	Gregorian (European year Equivalent)
1999	2006/2007
2000	2007/2008
2001	2008/2009
2002	2009/2010
2003	2010/2011

ACRONYMS AND ABBREVIATIONS

AD	Administrative Department
AFDB/AFD	African Development Bank
AFD	African Development Fund
AFRITAC	IMF African centre (regional centre) for technical assistance
BI	Budget Institutions (ministries, agencies, institutions, and other budgetary units)
BOFED	Bureau of Finance and Economic Development
BS	Budget Support
CBE	Commercial Bank of Ethiopia
CAD	Central Accounts Department
CPAR	Country Procurement Assessment Report
CG	Central Government
CIDA	Canadian International Development Agency
COFOG	Classification of Function of Government
CSR	Civil Service Reform Program
DEMFA	Debt Money and Financial Analysis System
DFID	Department for International Development (UK)
DIP	Democratic Institution Programme
EC	European Commission
EFY	Ethiopian Fiscal Year
EMCP	Expenditure Management and Control Program
ERCA	Ethiopian Revenue and Customs Authority
ETB	Ethiopian Birr
EU	European Union
FA	Fiduciary Assessment
FD	Finance Department
FDRE	Federal Democratic Republic of Ethiopia
FY	Financial Year or Fiscal Year
GDP	Gross Domestic Product

GFS	Government Financial Statistics
GNI	Gross National Income
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRD	Human Resource Department
IBEX	Integrated Budget and Expenditures
ID	Inspection Department
IDA	International Development Agency (World Bank)
IMF	International Monetary Fund
IMIS	Integrated Management Information System
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISPPIA	International Standards for the Professional Practice in Internal Audit
IT	Information Technology
JICA	Japan international Cooperation Agency
KWF	<i>Kreditanstalt fuer Wiederaufbau</i> (Germany)
MDA	Ministries, Department and Agencies
MDG	Millennium Development Goals
MEFF	Macroeconomic and Fiscal Framework
MEPD	Ministry of Economic Planning and Development
MTEF	Medium term Expenditure Framework
MOFED	Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia (Central Bank)
ODA	Overseas Development Assistance
OECD	Organization for Economic Cooperation and Development
PAC	Public Accounts Committee
PASDEP	A Plan for Accelerated & Sustained Development to End Poverty
PBS	Protection of Basic Services
PE	Public enterprises
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PIP	Public Investment Program
PM	Prime Minister
PIP	Public Investment Program
PPA	Public Procurement and Property Administration Agency
PPESA	Privatization and Public Enterprises Supervising Agency
PRSP	Poverty Reduction Strategy Program
PSCAP	Public Sector Capacity Building Program
PSNP	Productive Safety Net programme
SIGTAS	Standard Integrated Government Tax Administration System
SME	Small and Medium Enterprises
SN	Sub-National
TIN	Taxpayer Identification Number
TOR	Terms of Reference
UNDP	United Nations Development Program
VAT	Value Added Tax
WB	World Bank
YTD	Year to date

TABLE OF CONTENTS

FOREWORD AND ACKNOWLEDGEMENTS	7
SUMMARY ASSESSMENT.....	8
INTEGRATED ASSESSMENT OF PFM PERFORMANCE	8
IMPLICATIONS FOR BUDGETARY OUTCOME.....	9
PROSPECT FOR REFORMS	10
1. INTRODUCTION	12
2. BACKGROUND INFORMATION ON THE CITY OF ADDIS ABABA.....	15
2.1 ECONOMIC CONTEXT, DEVELOPMENT AND REFORMS	15
2.2 DEVELOPMENT AND REFORMS	17
a) <i>Development and poverty reduction strategies</i>	17
b) <i>Fiscal policy and fiscal development</i>	18
c) <i>Allocation of resources</i>	19
d) <i>City Government</i>	20
2.3 DESCRIPTION OF THE LEGAL AND INSTITUTIONAL FRAMEWORK FOR PFM	20
3. ASSESSMENT OF THE PFM SYSTEMS, PROCESSES AND INSTITUTIONS	21
3.1 BUDGET CREDIBILITY.....	21
3.2 COMPREHENSIVENESS AND TRANSPARENCY	26
3.3 POLICY-BASED BUDGETING	33
3.4 PREDICTABILITY AND CONTROL IN BUDGET EXECUTION.....	36
3.5 ACCOUNTING, RECORDING AND REPORTING	48
3.6 EXTERNAL SCRUTINY AND AUDIT	52
3.7 DONOR PRACTICES.....	56
4. CITY REFORM PROCESS.....	60
ANNEXES.....	61
ANNEX 1: PERFORMANCE INDICATORS SUMMARY.....	62
ANNEX 2: SOURCE OF INFORMATION	63
WEBSITES	63
ANNEX 3: PERSONS MET	64
ANNEX 4: FILES FOR CALCULATING PI-1, PI-2 AND PI3.....	65
ANNEX 4: TABLE 1 (FOR PI-1 AND PI-2 EFY1999-2006/07)	66
ANNEX 4: TABLE 2 (FOR PI-1 AND PI-2 EFY2000-2007/08).....	67
ANNEX 4: TABLE 3 (FOR PI-1 AND PI-2 EFY2001 –2008/09)	68
ANNEX 4: TABLE 4 (FOR PI-3)	69

Foreword and acknowledgements

The present PEFA evaluation of the City of Addis Ababa is based essentially on field work in the period of February 19th through March 16th 2010 carried out by Giovanni Caprio and Getnet Haile. During the same period information for the PEFA evaluation for the Federal Government was also collected¹. The information provided in this report is drawn mainly from official documents and communications as well as from working sessions with qualified counterparts within the Bureau of Finance and Economic development, the Bureau of the Auditor General and the City Council. Comments from the authorities from the EU, the World Bank and from the PEFA Secretariat have been included in the final version of the report dated September 30th, 2010.

The authors are particularly grateful to the City authorities at BOFED, at the Bureau of the Auditor General and the Council who have provided a great deal of the information for the report and have been constantly available and accessible during the field work. Ato Mussa Mohammed has coordinated the PEFA work and has shown great interest in the exercise at the City level.

The authors also express their gratitude to the European Union for its funding and support for this work and to the PEFA Secretariat.

¹ Another team lead by Peter Fairman and including Getachew Gebre has carried out the PEFA exercise for the regions of Oromia, Amhara and Southern Nations. A third team composed of Getachew Gebre and Getnet Haile was in charge of the PEFA for the regions of Benishangul and Harari

Summary assessment

Integrated assessment of PFM performance

Credibility of the budget

The use of the PEFA performance indicators in 2010 to assess the credibility of the budget of Addis Ababa indicates that the overall execution of expenditures during the three EFY 1999-2000-2001 (2006/07-2007/08-2008/09) was mixed. On one hand, the credibility of the budget is well supported by the absence of external arrears as well as by a fair composition of expenditure out-turn compared to original approved budget. On the other hand, however, the overall credibility of the budget is weakened by a high deviation in aggregate expenditures and in domestic revenue to the original approved budget. It should be pointed out that performance of tax revenue is very good and the overall performance of revenue is affected by the very low performance of non tax revenue.

Comprehensiveness and transparency

The absence of unreported government operations, the transparency of Fiscal relations between the City of Addis Ababa, the sub-cities and the *kebeles*, a good classification of the budget and an easy public access to key fiscal information are all elements that ensure comprehensiveness and transparency. However the latter are affected by budget documentation with limited information and by a limited oversight of aggregate fiscal risk from City enterprises by the City Government of Addis Ababa. In fact only 3 out of 5 City enterprises are closely monitored for fiscal risk.

Policy-based budgeting

The annual budget process of the City of Addis Ababa is an orderly and participative process with a multi-year perspective. Bureaus have enough time to prepare their estimates and the circular is comprehensive and approved by the City Council. A 3-year Medium term expenditures Framework was introduced for the first time for the budget of EFY 2000 (2007/08). Linkages between recurrent and investment budgets (and forward expenditure) estimates are weak.

Predictability and control in budget execution

In 2010 legislation for most major taxes is comprehensive and clear with taxpayers having access to up-to-date information on tax liabilities. A tax appeal system also

exists. Taxpayers have a Taxpayer Identification Number and are registered in a database system. Penalties exist and tax audits are performed. However there are significant tax arrears.

Cash flow management and forecasting for expenditures at the City level are functioning well. Debt data quality and reporting are of very good quality. Payroll controls and controls in procurement are satisfactory.

Controls for non-salary expenditure as well as internal audits are also satisfactory. Expenditure commitment controls are in place and limit commitments to approved budget allocation and availability of cash in most cases. Internal audit is operational for all Bureaus within the city.

Accounting, recording and reporting

Reconciliation of all BOFED/Treasury controlled accounts is carried out in a timely fashion. Annual financial statements are comprehensive but there are still delays in submitting them to the Bureau of the Auditor General. Accounting standards used do not meet IPSAS.

External Scrutiny and audit

The scope of audits performed by the Bureau of the Auditor General remains low (much below 50% of total expenditure) and audited financial statements are not presented timely to the Council. There is a monitoring system in place to follow recommendations. A response is made by many entities and there is partial follow up

The Council scrutiny of the draft budget law is satisfactory. It includes estimates of expenditures and revenue but at a stage when detailed proposals have been already finalized. Overall the Council has only about one month to review the draft budget law and uses the existing procedures.

Implications for budgetary outcome

There are several elements such as the absence of expenditures arrears and of extra budgetary operations that very much support aggregate fiscal discipline. Another element is a good knowledge of the debt data due to the reduced number of creditors. However these positive elements are very much affected by the very low aggregate expenditure and revenue out-turn compared to the original approved budget. The absence of oversight of aggregate fiscal risk of the city enterprises also very much affects fiscal discipline at the level of the City Government of Addis Ababa.

Consolidated fiscal data on sub-cities, the elaboration of a three year rolling MTEF (Medium Term Expenditure Framework), a good budget preparation process, as well as a good classification of the budget support the strategic aspect in the allocation of resources. These elements are however weakened by the low level of information included in budget documentation and by the non existence of non costed sector strategies and by the lack of timely availability of information on external resources.

Efficiency in service delivery is essentially supported by good systems of control for non salary expenditures and by the use of city (national) system for the spending of external resources. However the limited oversight of fiscal risk of city enterprises and the very limited scope of external audit represent a constraint for the efficiency in service delivery.

The above three budgetary outcomes are influenced by the integrity of fiscal information which is guaranteed by the timeliness and regularity of accounts reconciliations and to a lesser extent by fairly good financial statements. Notwithstanding, the integrity of fiscal information is greatly affected by the limited scope of external audit.

Overall the PFM system of the City Government of Addis Ababa appears to support the strategic allocation of resources more than fiscal discipline. Service delivery appears mostly affected by the current PFM conditions and as a consequence it has very limited efficiency.

Weaknesses in the City PFM system are known and many of them have already been addressed. PFM reforms have been on-going for several years and will likely continue with the main objective of providing the City population with services of better quality.

Prospect for reforms

Several reforms have been carried out recently² in the budget area, in the area of accounts, internal audit and public procurement. The PEFA evaluation will allow the City Government of Addis Ababa to have a better overview of other areas where improvement is needed.

² An EMCP federal equivalent is put in place at the city administration.

PEFA PERFORMANCE INDICATORS FOR THE CITY GOVERNMENT OF ADDIS ABABA (2010)³

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

³ Scoring is assigned based on best international practices and corresponds to a scale of four (4) points: A (best performance) to D, with the possibility of intermediate scoring (+)

1. Introduction

Background and objectives The Government of Ethiopia agreed to carrying out a PEFA in 2010 as part of the dated covenants for the next phase of the Protection of Basic Services (PBS) project. The exercise will gauge the quality of public financial management (PFM) at the federal and sub-national levels (including the City Government of Addis Ababa). Aside from providing the City Government with an assessment of Addis Ababa's PFM in its own ongoing efforts to reform and improve the quality of its financial management systems, it is intended that the information/analysis included in this PEFA will be of value to the donors. To this end, it is important to note that this assessment has involved active diagnostic work in Addis Ababa (BOFED and other City entities) in order to obtain an accurate understanding of the current state of affairs.

Process at the level of the City Government of Addis Ababa The information required to measure the PFM performance through the 32 high-level indicators (for SN entities) was put together in technical fiches under the coordination of the of the Bureau of Finance and Economic Development (BOFED). The staff members of the latter were always available for interviews (and/or working sessions)⁴ and for providing most of the documentation needed for the exercise. These interviews (and/or working sessions) were extremely useful to check and complete the existing information.

At the beginning of the assignment, the EU Delegation⁵ and KWF representatives in Addis Ababa provided detailed input on the organization of the work and on the documentation needed. The EU has also reviewed the first draft providing useful comments. The World Bank was informed of the exercise and one working session took place with this agency. The PEFA Secretariat (World Bank) in Washington DC was informed of the exercise from the beginning.

Most of the work was carried out in Addis Ababa, the Federal Democratic Republic of Ethiopia during the field period of February 19th through to March 19th. The drafting of a first preliminary Report was finalised on April 6th. The present version of the report dated September 30th is the final one. It includes comments provided by the officials of the City of Addis Ababa, the EU Delegation⁶, the World Bank Office in Addis Ababa, the PEFA Secretariat. It also includes all the comments provided during the September 16th workshop in Addis Ababa.

⁴ These took place on a regular basis during the period of February 19th through March 16th, 2010.

⁵ Christoph Wagner, the Head of the Economic, Social & Trade Section, Benedetta Musillo and Ephraïm Zewdie, the economists also provided basic information (and input) on the assignment.

⁶ Giovanni Caprio from LINPICO/IDC, France and Getnet Haile are the authors of the report. Giovanni Caprio is responsible for its content.

Methodology The methodology of collecting data at the City level consisted of following components:

- Putting together the existing documentation on PFM. In this context much could not be found compared with the documentation available at the Federal level;
- Collecting statistical data for the City Government for the EFY 1999, 2000 and 2001 (2006/07-2007/08- 2008/09);
- Interviews with civil servants at the level of office heads and technicians;
- Presentation of the first draft to the Delegation of the European Union and regional PEFA team members on April 13th, 2010.

No interviews or visits were carried out to individual sub-cities, *kebeles* or city enterprises.

These activities were carried out in the context of the PEFA PFM Performance Measurement Framework adapted to sub-national Government⁷. This methodology is not to evaluate and score different institutions or individuals in charge at the City level. This is rather to buttress the City Government's own PFM reform program and identify priorities within the reform agenda.

Structure of the Report Chapter II briefly describes the context of the municipality, the development objectives and goals, the evolution in GDP and sectoral distribution of resources and the legal and institutional framework for PFM analysis. Chapter III presents the evaluation of PFM systems, processes and institutions based on the 32 high-level indicators of the PEFA performance framework for SN entities. Chapter IV describes recent and on-going reforms and main areas for interventions.

Scope

The City of Addis Ababa has three (3) administrative levels: the City Government of Addis Ababa is the first level. The second level of the City includes ten (10) sub-cities. The third level includes *kebeles*, which are units of sub-cities. There are currently ninety nine (99) *kebeles*. Sub-cities and *kebeles* like the City of Addis Ababa itself have elected councils.

⁷ PEFA, *Guidelines for application of the PEFA Performance Measurement Framework at Sub National Government Level*, Vol 1- Main Guidelines & Vol 2 – Annex, PEFA Secretariat, Washington DC, USA, mars 2008

TABLE 1: ACTUAL EXPENDITURES: EFY 2001-2008/09

ENTITY	ACTUAL EXPENDITURES (In Millions of ETB)	ACTUAL EXPENDITURES (In Percent)
City Government of Addis Ababa (*)	ETB 5477.70	100.00%
- <i>City of Addis Ababa</i>	<i>ETB 3955.20</i>	<i>72.21%</i>
- <i>Sub-cities (10) and kebeles (99)</i>	<i>ETB 1522.50</i>	<i>27.79%</i>

(*) These expenditures exclude the expenditures of City Enterprises

Sources: Own calculations from data provided by BOFED

Total actual expenditures for EFY 2001 (2008/09) amounted to ETB 5477.70 million (100%). Expenditures of sub-cities and *kebeles* represented about 27% of the latter.

The PEFA evaluation will cover total expenditures of the City Government for most of the evaluation (PI-1, PI-2, PI-3, PI-4, PI-5, PI-7, PI-13, PI-14, PI-15, PI-16, PI-17, PI-25, PI-26). The rest of the evaluation will concentrate only on the City itself (72.21%). For example for PI-11, when evaluating the budget preparation process it will be the one of the City (and not the budget preparation process of sub-cities).

2. Background information on the city of Addis Ababa

2.1 Economic Context, Development and Reforms

Addis Ababa was founded in 1887 by Emperor Menelik II⁸ and became the national capital in 1889. The city is located at the geographic center of the nation in the mountainous Shawa Province and is the political and cultural center of Ethiopia. From 1936 to 1941 Addis Ababa was occupied by the Italians, who made it the capital of Italian East Africa and implemented several modernization projects (parts of a first attempt to sketch a modern master plan for the City). In 1963 the Charter establishing the Organization of African Unity was signed in the city. Between 1960 and 1970 the population of the city nearly doubled, and new light manufacturing industries were established.

Today (2010) with a total land area of 54,000 hectares or 540 km², Addis Ababa is the largest city of Ethiopia. It is the Federal Capital of Ethiopia and a Chartered City. The city has three layers of Government: The City Government at the top, 10 Sub City Governments in the Middle, and 99 *Kebele* Governments at the bottom.

Between 1994 and 2007 the population of Addis Ababa grew from 2.12 million (4% of Ethiopia's total population) to 2.73 million (3.7% of Ethiopia's total population), the population growth rate of the city (2.1%) being lower than Ethiopia's population growth rate (2.6%). Today (2010), the population is estimated at about 3 million people.

TABLE 2: PERCENTAGE (%) DISTRIBUTION OF POPULATION OF ADDIS ABABA AND ETHIOPIA: 1994 & 2007

	1994		2007	
	Number	Percentage	Number	Percentage
Addis Ababa	2,112,737	4.0%	2,738,248	3.7%
Country (Ethiopia)	53,477,265	100.0%	73,918,505	100.0%

Sources: Population and Housing Census of 2007, Addis Ababa, December 2008

⁸ The name Addis Ababa, in Amharic term is equivalent to « new flower »

Significant achievements have been made in Addis Ababa in both the education and the health sectors between 2001/02 and 2005/06⁹. The number of primary schools rose from 11,780 to 16,513 by the end of 2005/06 and the number of children in primary school (grade 1-8) increased from 8.1 million to 12.6 million between 2001/02 and 2005/06 with a rise in gross primary enrolment rate of 61.6% to 90.7% at the end of 2005/06.

For the health sector during the period (2001/02-2004/05), the number of health stations increased from 1,311 to 4,211 and the number of health centres and hospitals increased from 412 to 600 and from 115 to 131 respectively.

The City real GDP which is equivalent to about 5% of Ethiopia's GDP in 2008/09¹⁰ as well as the City real GDP per capita have been growing in real terms in the last three years. They are expected to continue to grow in 2009/10.

TABLE 3: GDP (AT CONSTANT FACTOR COST) OF ADDIS ABABA: EFY1998 (2005/06) – EFY2002 (2009/10)

(In billions of ETB and %)

	EFY1999 (2006/07)	EFY2000 (2007/08)	EFY2001 (2008/09)	EFY2002 (2009/10)
GDP (In billions of ETB)	15.3 (*)	16.9 (*)	18.6 (*)	20.6 (**)
GDP (In %)	100.00%	100.00%	100.00%	100.00%
Of which:				
1. Agriculture	0.20%	0.36%	0.27%	0.49%
2. Industry	23.33%	23.31%	23.31%	23.30%
3. Services	76.47%	76.33%	76.42%	76.21%

(*) Estimates (**) Projection

Source: City Government of Addis Ababa, BOFED, Policy and Analysis Department, GDP Services Projections

The Services sector represents about 76% of economic activities and is by far the most important sector of the economy for value added as well as for employment.

⁹ ADDIS ABABA CITY ADMINISTRATION, Bureau of Finance and Economic Development, *Urban development Indicators*, Addis Ababa August 2007, Section III, pages 47-49

¹⁰ This is a very rough estimate between the two figures. GDP data for the City only exist at factor cost while the data available for Ethiopia were at market price.

2.2 Development and Reforms

a) Development and poverty reduction strategies

The Development goals and objectives of the City are stated¹¹. They emphasize the city priorities.

In this context, the generation of substantial employment opportunities by promoting private investment and enhancing potential of micro and small scale enterprises (MSEs) is a priority. In addition the construction of residential houses should be enhanced. The promotion of neighbourhood upgrading activities and the improvement of waste management of the city are also contemplated. The reduction of HIV/AIDS prevalence, care for HIV/AIDS victims and the sensitization of the public at large are important goals. Moreover the promotion of good governance is also emphasized.

For the City authorities good governance with efficiency, transparency and accountability to the residents is paramount¹². The objective being also to create a city in which security, social harmony and equitable municipal services are ensured.

Specific objectives of the authorities are to create favourable living conditions in which residents determine the overall operations of the city and become beneficiaries of its development. In this context speedy and sustainable economic development through the encouragement and enhancement of investment and research will also be supported.

Referring to the above a Local Development Plan (LDP) in 2008 which focuses on strategic investment areas located both in inner city and expansion areas has been prepared. It incorporates the shared vision of stakeholders and includes ideas on the design concept and architectural style. It is a transition from structural plan to actual implementation of the projects.

¹¹ www.addisababacity.gov.et

¹² The objectives of the City Government are spelled out in details in: *Addis Ababa, City Government Revised Chartered Proclamation* (No. 361/2003), July 24th, 2003, Part II, Art. 9

b) Fiscal policy and fiscal development

The City of Addis Ababa has no detailed fiscal policy. However good governance, accountability and transparency being key objectives of the city development these are likely to translate implicitly into good and efficient fiscal policy.

TABLE 4: ACTUAL REVENUE AND EXPENDITURES OF ADDIS ABABA AND PERCENT INCREASES IN THE PERIOD EFY1999-EFY2001

(In millions of current ETB and in %)

ITEMS	EFY1999 (2006/07)	EFY2000 (2007/08)	EFY2001 (2008/09)	PERCENT (%) GROWTH BETWEEN EFY1999 & EFY2001
1. Total revenue and grants	2,425.2	3,008.5	4,064.3	+67.6%
- Grants	49.0	66.4	56.5	+12.2%
2. Total expenditures	2,701.4	3,839.9	5,477.6	+102%
- Interest expenditure	-	-	-	
3. Aggregate deficit (=2-1)	- 276.2	- 831.4	- 1,413.3	+411%
Domestic financing	276.2	831.4	1,413.3	+411%

Source: BOFED, IBEX

Totals revenue and grants have significantly increased (by 67%) in the last three EFY1999 through EFY2001. Expenditures have also increased during the same period and this increase (102%) is more significant than the increase in revenue. This translates also into an increase in the deficit which more than quadrupled in the same period to represent about one-third of revenue.

The increase in expenditures in the period (102%) is essentially due to the increase in capital expenditures (123%). In fact recurrent expenditures have only increased by 59%. During EFY2000, the City Government financed several housing projects such as the *Katema* housing development for 1.4 billion ETB. In addition the City Government also financed road infrastructure and maintenance for 858 million ETB and 248 million ETB respectively. During EFY 2001, the Addis Ababa road authority spent 1.3 billion ETB for the construction and maintenance of urban roads.

c) Allocation of resources

TABLE 5: ACTUAL BUDGETARY ALLOCATIONS BY SUB-FUNCTIONS
EFY1999 (2006/07) – EFY2000 (2008/09)
(In percent of total)

I. MAIN SUB-FUNCTIONS	EFY 1999 (2006/07)	EFY 2000 (2007/08)	EFY 2001 (2008/09)
Natural resources	8.1%	4.7%	5.9%
Education	9.4%	8.9%	7.7%
Culture and Sports	0.2%	0.3%	0.81%
Health	3.1%	3.0%	2.8%
Infrastructure (Economy and Construction)	53.6%	66.1%	61.1%
Sub-total	74.4%	83.0%	78.31%
Remaining sectors	25.6%	17.0%	21.69%
TOTAL ALL SECTORS	100%	100%	100%
II. ECONOMIC CATEGORIES	EFY 1999 (2006/07)	EFY 2000 (2007/08)	EFY 2001 (2008/09)
Current expenditures	32.46%	25.83%	25.52%
Capital expenditures	67.54%	74.17%	74.48%

Source: Team Calculations from BOFED (IBEX) data

From the above it should be noted that capital expenditures are relatively more important than recurrent expenditures and their importance has been increasing in the last three EFY.

Infrastructure expenditures (road, bridge, hospital) are the main expenditure items and they represented on average more than 60% of total expenditures during the period under review. The increase of infrastructure expenditures between EFY 1999 and EFY 2001 is accompanied by a decline in the relative importance for both education and health. This may slow down the progress observed in these two sectors between 2001/02 and 2005/06.

d) City Government

The City Government has the elected City Council which is its main organ of power. In addition to the City Council, other City organs of power are the Mayor, the City Cabinet, the City judicial Organs and the Office of the City Chief Auditor¹³.

The City Government has the power to make laws and to exercise judicial powers specifically conferred on it by the City Charter revised Proclamation as well as executive powers and functions over matters that have not specifically been included in the details of the powers and functions of executive organs of the Federal Government¹⁴.

The City Council is elected by residents of the City for a term of five years and constitutes the executive organs of the City. It approves the budget of the City Government and replaces existing laws issued by the City Government. It also levies taxes and duties as well as sets service charges upon financial matters falling under the power of the City Government in accordance with the City Charter revised Proclamation¹⁵.

The Mayor is elected for five years. He is the Chief Executive Officer of the City and he is accountable to the City Council and to the Federal Government¹⁶.

2.3 Description of the legal and institutional framework for PFM

The Addis Ababa City Government Revised Charter Proclamation (Charter No.361/2003) of July 24th 2003¹⁷ is the main legal reference for the PEFA evaluation of Addis Ababa. It establishes the objectives, the organization, the powers and function of the City Government and of all its organs. The PEFA team was told that there is additional legal material available in Amharic but it had no access to this material.

The Bureau of Finance and Economic Development (BOFED) is the main institution for budget preparation and execution (including treasury, audit and control functions). It interacts with the sectoral Bureaus. The City Council approves the draft budget and the yearly financial accounts. The Bureau of the Auditor General is in charge of external audit of City entities as well as of sub-cities and *Kebeles*.

¹³ *Addis Ababa, City Government Revised Chartered Proclamation* (No. 361/2003), July 24th, 2003, Part II, Art. 10

¹⁴ *Idem* Art 11

¹⁵ *Idem* and *Idem* Part III, Art 12, 13 & 14, & Art 15 through Art 20 for all powers and functions of the City Council

¹⁶ *Idem* Art 21 & *Idem* Art 22 through 26 for the duties and responsibilities of the Mayor

¹⁷ Federal Negarit Gazeta No 86

3. Assessment of the PFM systems, processes and institutions

3.1 Budget credibility

To carry out this assessment, this section considers four (4) indicators to determine whether the budget is sufficiently realistic and is being implemented as planned, namely:

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

PI-1: Aggregate expenditure out-turn compared to original approved budget The ability to implement budget expenditures within the amounts originally forecasted is a key factor for government capacity to keep fiscal discipline.

(i) Difference between real primary expenditure and originally-budgeted primary expenditure

The following two tables present a comparison of expenditures against the approved budget for the EFY1999 (2006/07)-EFY2001 (2008/09). The average variance between actual primary expenditure and the original budgeted amount was above 15% during 3 years. The average variance was mainly due to a greater variance (for the first 2 years) of primary recurrent expenditures. In essence it indicates that the budget approved by the City Council was not rigorous enough in estimating of overall actual expenditure.

TABLE 6: BUDGET EXECUTION RATE FOR TOTAL PRIMARY EXPENDITURES, FOR RECURRENT PRIMARY EXPENDITURES AND FOR CAPITAL PRIMARY EXPENDITURES FOR EFY1999, EFY2000 AND EFY 2001 – (In %)

YEARS (I)	EXPENDITURES (II)	EXECUTION RATE (III)	DEVIATION IN PRIMARY EXPENDITURE (IV = 100% - III)
EFY 1999 (2006/07)	Recurrent expenditures (- debt payment)	61.26%	38.74%
	Capital expenditures (- foreign project grants & loans)	51.32%	48.68%
	TOTAL	54.26%	45.7%
EFY 2000 (2007/08)	Recurrent expenditures (- debt payment)	63.25%	36.75%
	Capital expenditures (- foreign project grants & loans)	57.09%	42.91%
	TOTAL	58.6%%	41.4%
EFY 2001 (2008/09)	Recurrent expenditures (- debt payment)	52.35%	47.65%
	Capital expenditures (- foreign grants & loans)	66.85%	33.15%
	TOTAL	62.43%	37.1%

Source: Accounts Department BOFED (IBEX data)

TABLE 7: DEVIATION IN THE EXECUTION OF BUDGET EXPENDITURE AND VARIANCE IN THE COMPOSITION OF PRIMARY EXPENDITURE EFY 1999-2000-2001 (2006/07-2007/08-2008/09)¹⁸
(Percentage of originally budgeted expenditure)

	EFY 1999 (2006/07)	EFY 2000 (2007/08)	EFY 2001 (2008/09)
TOTAL PRIMARY EXPENDITURE DEVIATION	45.7%	41.4%	37.1%
VARIANCE IN THE COMPOSITION OF PRIMARY EXPENDITURE	- 4%	- 5.0%	15.0%

Source: Own calculations from data provided by the Accounts Department (CAD) of the BOFED-(Annex 4, Tables 1, 2 & 3). The data are audited for EFY 1999 and EFY 2000.

¹⁸ Refer to Annex 4 (Tables 1, 2 & 3) for the details to calculate the deviations between budgeted primary expenditures and actual primary expenditures (same for the variance).

PI-1 Aggregate expenditure out-turn compared to original approved budget	D	Scoring method M1
(i) Difference between real primary expenditure and originally-budgeted primary expenditure (in other words, with debt service charges excluded, and also expenditure on projects with external financing).	D	In two of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 15% of budgeted expenditure.

PI-2: Expenditure out- turn¹⁹ Budget credibility can also be evaluated with the extent to which entities receive the resources originally planned.

(i) Degree to which the variation in the composition of primary expenditure has superseded the global deviation in primary expenditure (as defined in PI-1) in the past three years

The deviation between budgeted amounts and actual out-turns by functional budget head was 15.0% only in one year. The outcomes indicate that the budget heads received resources as originally planned in a fair fashion.

PI-2 Deviations in composition of expenditure out-turn compared to the original approved budget	C	Scoring method M1
(i) Degree to which the variation in composition of primary expenditure has exceeded the global deviation in primary expenditure (as defined in PI-1) in the past three years	C	Variation in the composition of expenditure exceeded the global deviation in primary expenditure by 10 percentage points in no more than one of the past three years

PI-3: Aggregate revenue out -turn Accurate forecasting of domestic revenue is a critical factor in determining budget performance, since budgeted expenditure allocations are dependent upon that forecast.

(i) Real internal income collection in comparison with estimates in the original approved budget

As can be seen from following table, in all the three EFY1999 -EFY2001 (2006/07-2008/09) actual revenues represented less than 70% of budgeted revenues. This indicates that execution of current revenues at the City Government level is not good. However these results should differentiate between tax revenue and non tax revenue (annex 4, table 4). The performance for the former is excellent whereas for

¹⁹ The functional classification is based on 4 functions and a total of 22 sub-functions (refer to PI-5). For the calculation of PI-2 17 sub-functions in EFY1999 and EFY2000, and 18 sub-functions for EFY2001 have been used (refer to Annex 4, Tables 1, 2 & 3).

the latter performance is very poor. The combination of performances for both revenues gives the final results.

**TABLE 8: AGGREGATE EXECUTION OF CURRENT REVENUES AT THE CITY LEVEL
EFY1999-EFY2001 (2006/07-2008/09)²⁰**

(Percentage of originally budgeted revenues)

	EFY 1999 (2006/07)	EFY 2000 (2007/08)	EFY 2001 (2008/09)
ACTUAL CURRENT REVENUES	62.66 %	70.89% %	60.83%

Source: Own calculations from data provided by the Accounts Department (CAD) of the BOFED.
The data are audited for EFY 1999 and EFY 2000-(Annex 3, Table 4)

Indicator	Score	Explanation
PI-3 Deviations in aggregate revenue out-turn compared with the original approved budget	D	M1 Scoring Method
(i) Real collection of internal income in comparison with estimates in the original approved budget.	D	Actual domestic revenue collection was below 92% of budgeted revenue estimates in all of the last three years.

PI-4: Stock and monitoring of expenditure payment arrears The City Government of Addis Ababa like the Federal Democratic Republic of Ethiopia has a long tradition of fiscal discipline. Arrears are not a systemic issue. They are not dealt with in the existing financial City legislation.

Invoices for goods and services received by City Bureaus that are not paid on July 7th (end of EFY) should be paid in the following 30 days (or the first 30 days of the new EFY) and not later than August 6th. This 30-day period is called «Grace Period». It should be noted that grace period payments at the EFY are not arrears. They may include arrears although this is unlikely as pointed out by BOFED²¹. Grace payment expenditures that are not paid by August 6th become arrears from a technical point of view.

²⁰ Refer to Annex 3 (Table 4) for the details to calculate the aggregate execution of current revenues.

²¹ They exclude payments in dispute and court cases

In this context every year, at the end of each EFY, BOFED consolidates the amount of grace payments received from City Bureaus²². Eligible payments follow by August 6th. All the operations are carried out through the IBEX system.

(i) Stock of expenditure payment arrears

As can be seen from the table below, grace period expenditures for the last 2 EFY (2000 & 2001) or for 2007/08 and 2008/09 that may have included arrears were relatively low at the end of the EFY (less than 0.05%) and were all paid by August 6th of the following EFY.

TABLE 9: GRACE PERIOD PAYMENTS

(In million of ETB and in % of total expenditures)

	EFY 2000 (2007/08)	EFY 2001 (2008/09)
1. Expenditures not paid at the end of the EFY (July 7 th)	5.95	27.46
<i>(As a % of total expenditures)</i>	<i>0.016%</i>	<i>0.031%</i>
2. Payments made by the end of the grace period (August 6 th) including funds returned to the treasury	5.95	27.46

Sources: IBEX, Departments of Treasury and Final Accounts

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

From account 5001 (from the IBEX system) it is possible to see whether all payments have been paid by August 6th. The amount not paid by that date becomes an arrear and these are clearly identified by the system (which prevents the build up of arrears in any case).

Indicator	Score	Explanation
PI-4 Stock and Monitoring of expenditure payment arrears	A	M1 Scoring Method
(i) Stock of expenditure payment arrears	A	The stock of arrears is below 0.05%
(ii) Availability of data in order to monitor the stock of expenditure payment arrears	A	Detailed data on the stock of arrears are available at the beginning of each EFY (August 6) for the previous EFY

²² The accounting code for grace period payments is 5001. The amount of these payments is known by July 7th

3.2 Comprehensiveness and transparency

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

P-5: Classification of the budget

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

For the City of Addis Ababa, budget classification is similar to the classification of the FDRE. Formulation and execution are essentially based on the administrative classification based under four (4) functions. There are currently four (4) functions of expenditure: *Administrative and General (1), Economic (2), Social (3), and Other (4)*. The four functions are further divided into twenty two (22) *sub-functions*. These 22 sub-functions only approximately match the 10 COFOG functions, not the 69 sub-functions.

The budget is also based on the economic classification system (e.g. personnel emoluments) which is shown under each City entity. Economic areas and sub-areas of expenditures are then available for each City entity. There are four (4) economic areas of expenditures: *Personnel services (1), Goods and Services (2), Fixed assets and construction (3) and Subsidies, grants and payments (4)*. The economic classification that is implicit uses GFS standards.

The different budget classifications and their application are summarized below:

TABLE 10: BUDGET CLASSIFICATION

Budget classification	Formulation	Approval	Execution
Administrative	Yes	Yes	Yes
(Functional)	Yes	Yes	Yes
(Sub-functional)	Yes	Yes	Yes
Economic (GFSM)	Yes	Yes	Yes

Sources: Last completed budget EFY 2001 (2008/09) of the City Government of Addis Ababa

Indicator	Score	Explanation
PI-5 Classification of the Budget	B	M1 Scoring method
(i) The classification system used to formulate, execute and inform about the central government budget.	B	The budget formulation and execution for the City Government of Addis Ababa is similar to the one at the Federal level. It is based on functional, sub-functional, administrative and economic classifications.

P-6: Budget documentation In order for the City Council to carry out its function of scrutiny and approval, the budget documentation should allow a complete overview of fiscal forecasts, budget proposals and results of past fiscal years.

The annual budget documentation as submitted to the City Council (budget estimates) includes:

TABLE 11: INFORMATION IN BUDGET DOCUMENTATION

Documentary Requirement	Fulfilled
1. Macroeconomic assumptions, including aggregate growth, inflation and interest rate estimates, at the very least.	<u>No</u>
2. Fiscal deficit.	<u>No</u>
3. Deficit financing	<u>No</u>
4. Public debt balance.	<u>No</u>
5. Financial Assets.	<u>No</u>
6. Results of previous budget exercise	<u>No</u>
7. Results of the current budget exercise (2007/08).	<u>No</u>
8. Summarized budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year.	<u>No</u>
9. Explanation of the budget implications of new policy initiatives.	<u>No</u>

i) Proportion of previous information contained in the budgetary documentation published most recently by the central government.

The most recent budget documentation of EFY2002 (2009/10) does not fulfil any of the 9 information benchmarks

Indicator	Score	Explanation
PI-6 Comprehensiveness of information included in budgetary documentation	D	M1 Scoring method
(i) Proportion of information mentioned above and contained in the most recent budgetary documentation published by the central government.	D	Recent budget documentation does not fulfil any of the 9 information benchmark

PI-7: Coverage of Government operations Fiscal information such as the budget, execution reports and financial statements should include all budgetary and extra-budgetary activities in order to allow a complete overview of revenues, expenditures and public financing.

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

The PEFA team could not identify extra-budgetary expenditures besides the expenditures of City Enterprises (refer to PI-9). The latter are not considered in the evaluation of this dimension. Treasury, Accounts and Budget offices at BOFED have confirmed that there are no extra-budgetary expenditures.

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

The information on income and expenditure on the few initiatives financed by donors are included in the budget (adopted) and in actual budget execution data for these initiatives²³. It seems though that some funds are not included in the budget.

²³ Data for EFY 1999, 2000 & 2001 (2006/07, 2007/08 and 2008/09) provided by BOFED (City Government of Addis Ababa

Indicator	Score	Explanation
PI-7 Extent of unreported government operations	NS	M1 Scoring Method
(i) Level of extra-budgetary expenditure (as distinct from that for projects financed by donors) which is not declared, in other words does not appear in fiscal reports.	A	No extra-budgetary expenditures have been identified
(ii) Information on income and expenditure relating to projects financed by donors that is included in fiscal reports.	NS	Donor financed projects and initiatives are basically reported in government final accounts. It appears that some funds are not reported though. It was not possible to establish the exact amount which was reported and which was not.

PI-8: Intergovernmental Fiscal Relations²⁴

i) Transparent systems based on regulations governing horizontal allocations between sub-national governments of unconditional and conditional transfers from central government (budgeted and real allocations).

The City Government of Addis Ababa uses a transparent formula for the (horizontal) transfers to the 10 sub-cities. This formula is essentially based on the level of revenue of the entity and on its population.

ii) Timely provision of reliable information to sub-national governments on the allocations to be made to them by central government for the following year.

The notification of annual budget subsidy of the City Government of Addis Ababa to the 10 sub-cities takes place in practice on/around February 8th of year n for budget year $n+1$ ²⁵.

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

Sub-cities report monthly to BOFED and the consolidation of the data (*ex ante* and *ex post*) is made yearly.

²⁴ This indicator assesses the fiscal relations between the City Government of Addis Ababa and the sub-cities only.

²⁵ BOFED, City Government of Addis Ababa

Indicator	Score	Explanation
PI-8 Transparency of inter-governmental fiscal relations	A	M2 Scoring Method
i) Transparent systems based on regulations regarding horizontal allocation between sub-national governments of unconditional and conditional transfers from central government (budgeted and real allocations)	A	The horizontal allocation of all transfers to sub-cities is determined and rules based systems
ii) Punctual provision of reliable information to sub-national governments about the allocations to be made to them by central government in the coming year	A	Sub-cities are provided reliable information on the on their transfers before they start their detailed budgeting process
iii) Degree to which consolidated fiscal data are gathered and made known (at least in terms of income and expenditure) relating to general government, broken down by sectoral categories	A	Fiscal information (ex ante and ex post) are collected by the City for all sub-cities expenditures. The information is consolidated in the six months following the end of the EFY

PI-9: Oversight of aggregate fiscal risk

i) Degree of central government monitoring of the main autonomous public organisms and state companies.

There are five city (city) enterprises in the City Government of Addis Ababa: 1) The City Buses; 2) The City Pharmacies; 3) The Slaughter Houses; 4) the Enterprise of water and Sewage; 5) City Cinemas. Fiscal activities (revenues and expenditures of these entities are not included in the budget of the City Government of Addis Ababa. Of these 5 enterprises, the City Buses receive a subsidy from the City Administration. The enterprise of Water and Sewage and City Cinemas receive some kind of budget support from the City. The subsidy is included in the City budget.

The above mentioned enterprises are autonomous²⁶ and report to BOFED only on the subsidy (or budget support) portion received from the City. Annual monitoring of of fiscal risk of the city enterprises is carried out by BOFED only for those enterprises that receive budget support (2) or subsidy (1);

ii) Degree to which central government monitors the fiscal position of the sub-national governments.

Sub-cities and *kebeles* may not contract debt²⁷. They may incur a deficit only with the authorization of the City. Therefore fiscal risk is not really an issue at this point.

²⁶ City enterprises are managed by a board as required by law (Addis Ababa City Government Revised Charter Proclamation 361/2003, Federal Negarit Gazeta, July 24th, 2003, art 60)

²⁷ Addis Ababa City Government Revised Charter Proclamation 361/2003, Federal Negarit Gazeta, July 24th, 2003, art 54.4

Indicator	Score	Explanation
PI-9 Oversight of aggregate fiscal risk caused by other public sector institutions	C+	M1 Scoring Method
(i) Degree to which the central government monitors the autonomous public organisms (AGAs) and public companies (PEs).	C	Annual monitoring of the city enterprises is carried out by BOFED for those enterprises that receive budget support or a subsidy (3 out of 5). No consolidation is carried out
(ii) Degree to which the central government monitors the fiscal position of sub-national governments	A	Sub-cities cannot generate fiscal liabilities for the City.

P10- Public Access to fiscal information

In the City of Addis Ababa, the general public has access to following fiscal information²⁸:

TABLE 12: INDICATORS ON PUBLIC ACCESS TO KEY FISCAL INFORMATION

(i) Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the Council.	No.
(ii) In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	Yes. This is made available for researchers, journalists and students. The information comes from the IBEX system
(iii) Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	Yes. This is also made available for researchers, journalists and students.
(iv) External audit reports: All reports on City and consolidated operations are made available to the public through appropriate means within six months of completed audit.	No. However when the audit findings are presented to the Council, journalists and representatives of civil society are present.
(v) Contract awards: Award of all contracts with value above approx. USD 100,000 equivalent is published at least quarterly through appropriate means.	No.
(vi) Resources available to primary service units: Information is publicized through appropriate means at least annually, or available upon request, for primary service units with national coverage in at least two sectors (such as elementary schools or primary health clinics).	Yes. The information is available in the IBEX system and can be obtained upon request.

²⁸ Communication of the Budget Department and of the Central Accounts Department of MOFED

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

The City Government of Addis Ababa makes available to the public 3 of the 6 listed types of information

Indicator	Score	Explanation
PI-10 Public access to key fiscal information	B	M1 scoring method
Number of elements listed above regarding public access to information that is fulfilled.	B	The government makes available 3 of the 6 listed types of information.

3.3 Policy-based budgeting

PI-11 Annual budget preparation

« The City's budgetary Government shall follow the budgetary principles of the Federal Government²⁹ »

(i) Existence and observance of a fixed budget calendar

BOFED has elaborated a new Budget Manual in 2009 (in Amharic). It replaces the old 2007 version keeping the old calendar which reproduces in its broad lines the Federal calendar. The city calendar is strictly respected. It allows 45 days to the Bureaus to complete their proposals³⁰;

(ii) Guidance on the preparation of budget submissions

The Budget circular has ceiling approved by the Council (implicitly through MTEF approval which has the ceilings) around March (before being distributed to Bureaus.

(iii) Timely approval of the budget by the Legislature

In the last three EFY, the budget has been approved before the beginning of the new EFY³¹.

Indicator	Score	Explanation
PI-11 Orderliness and participation in the annual budget process	A	M2 scoring method
(i) Existence and observance of a fixed budgetary calendar	A	A clear annual budget calendar has been established and is strictly adhered to. It allows Bureaus 45 days to complete their detailed estimates on time.
(ii) Directives on the preparation of budgetary documents	A	The Budget circular has ceiling approved by the Council (implicitly through MTEF approval which has the ceilings) around March (before being distributed to Bureaus.
(iii) Timely approval of the budget by the Legislature	A	Parliament has approved the budget before the start of the fiscal year during the last three years.

²⁹ Addis Ababa City Government Revised Charter Proclamation 361/2003, Federal Negarit Gazeta, July 24th, 2003, art 59

³⁰ Expenditure Management and Control Program (EMCP), Assessment Report, 2009

³¹ July 7, 2007 for the budget of EFY2000 (2007/2008), July 4, 2008 for EFY2001 (2008/2009), July 6, 2009 for EFY2010

PI-12 Multi-year perspective

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

A three-year Medium Term Expenditures Framework (MTEF) was introduced at the City level for the first time for the budget of EFY2000 (2007/08). It includes revenues and expenditures and is rolled out every year. The section on capital expenditures is in sectoral classification and covers Road, Education, Health, Water and Sewage, Land Development, etc.

(ii) Scope and frequency of debt sustainability analyses

There is no debt sustainability analysis carried out but debt is not really an issue at the City level at the time of this evaluation (refer to PI-17);

[Because there is no debt sustainability analysis the score for this dimension should be D. However the City borrowing activities are strictly monitored by the Federal Government which should mean an A (this prevents borrowing beyond repayment capacity and acts implicitly as DSA). Notwithstanding this is a specific situation and it is preferred here not to score the dimension]

(iii) Existence of sectoral strategies with multi-annual determination of current expenditure and investment costs

Each Bureau elaborates a five-year sectoral management plan. BOFED consolidates these documents with the consolidated document being revised every three years. The sectoral management plans are not fully costed and have data on capital expenditures only and no data on recurrent expenditures;

(iv) Links between the investments budget and future expenditure estimates

Overall investment decisions have weak links to sector strategies and their recurrent cost implications are irregularly included in forward budget estimates.

Indicator	Score	Explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	NS	M2 scoring method
(i) Multi-annual fiscal forecasts and functional allocations	A	Forecasts of fiscal aggregates in sectoral classification are prepared for three years on a rolling basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear.
(ii) Scope and frequency of debt sustainability analyses	NS	No DSA for external and domestic debt is carried out at the City level but the Federal Government strictly monitors the City's borrowing capacity. The dimension is not scored because of this situation.
(iii) Existence of sectoral strategies with cost determination	D	Sectoral management plans are not fully costed and do not have any information on recurrent expenditure.
(iv) Links between investment budgets and future expenditure estimates	C	Investment decisions have weak links to sector strategies with their recurrent cost implications being irregularly included in forward budget estimates.

3.4 Predictability and control in budget execution

PI-13 Transparency of taxpayer obligations and liabilities

(i) Clarity and comprehensiveness of tax liabilities

In the City Government legislation and procedures used by the Addis Ababa Revenue Authority for all major taxes are comprehensive and clear. This is also the opinion of civil society representatives. The City relies on federal tax legislation mainly on Federal Proclamation 286/1994³². Some are available on Authority's web site (www.aarevenue.gov.et). The discretionary power of the government entities involved is in theory fairly limited.

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

The Addis Ababa Revenue Authority issues brochures in Amharic and English on VAT, Turnover Tax, and Income Tax. In addition this entity organizes radio programmes twice a week as well as TV programmes. Tax information in Amharic and English are also available on the Addis Ababa Revenue Authority's web site (www.aarevenue.gov.et). Despite the above, representatives of civil society believe this is not enough and more should be done as far as access to tax information is concerned³³.

(iii) Existence and functioning of a tax appeals mechanism

An administrative appeal at the Addis Ababa Revenue Authority examines and decides on all applications submitted by tax payers for compromise of penalty, interest, and waiver of tax liability. The appeal is carried out by a committee which reviews determination made by tax authority for accuracy, completeness, and compliance with the proclamation. Any taxpayer who objects to an assessment shall deposit of 50% of the disputed amount and the appeal lodged with the Appeal Commission within thirty days following the day of receipt of the assessment notice or from the date of decision of the review committee otherwise the tax assessment notice will be acceptable and payable.

³² And also Charter Proclamation No. 87/1997, and currently the Amended Charter of the City Government of Addis Ababa Proclamation No. 361/2002 Article 51

³³ Chamber of Commerce of Addis Ababa

Indicator	Score	Explanation
PI-13 Transparency of taxpayers' obligations and liabilities	B	M2 scoring method
(i) Clarity and comprehensiveness of tax liabilities	B	Tax legislation is clear and comprehensive. In addition it limits the discretionary powers of the entities involved.
(ii) Access by taxpayers to information about responsibilities and administrative procedures in relation to taxes.	B	Taxpayers have easy access to comprehensive, user friendly and up-to-date information on main taxes.
(iii) Existence and functioning of a tax appeals mechanism.	B	The appeal mechanism for taxes is set up and is functioning well. there are however some issues regarding efficiency. .

PI-14 Registration and tax assessment

(i) *Application of controls in the taxpayer registration system*

A tax payer data base, the System Integrated Revenue Management (SIRM), is accessible at the level of the City, sub-cities and *kebeles*³⁴. It is connected with the database at the Federal level but there is no full linkage to other databases. There have been information exchange (manually) with manufacturing companies and financial institutions mainly banks.

(ii) *Effectiveness of sanctions for failure to register and declare for tax purposes*

There are no penalties for non compliance with registration.

For late filing or non filing, the income tax which shall be declared and paid by the employers or the employees within thirty days of the end of each calendar month are liable for a penalty equal to: a) 1,000 ETB for the first thirty days (or part thereof) if the declaration remains unfulfilled; b) 2,000 ETB for the next thirty days (or part thereof) if the declaration remains unfulfilled; c) 1,500 ETB for each thirty days (or part thereof) if the declaration remains unfulfilled.

For understatement of taxes, a) As per the new proclamation of Income Tax No.286/2002, if the amount of tax figured out in the declaration understates the amount of tax required to be shown, the taxpayer is liable for a penalty at the

³⁴ The TIGA (Technology in Government in Africa Award) was obtained from Canada in 2003 as a result of effective IT application.

amount of 10% of the understatement or 50% if the understatement is considered substantial; b) The understatement is considered substantial if it exceeds the smaller of the following two amounts: 25% of the tax required to be shown on the return; or 20,000 ETB.

For late payment a tax payer who fails to pay tax liability on the due date is subject to: a) a penalty of 5% (five percent) of the amount unpaid tax on the first day after the due date has passed; and b) an additional 2% (two percent) of the amount of the tax that remains unpaid on the first day of each month thereafter.

From the above it should be emphasized that penalties have been applied in most cases and criminal cases have been brought against those who failed to meet their obligations³⁵. It is possible though that there are not always effective. The existing system needs in this context to be significantly improved;

(iii) Planning and control of tax auditing programmes

Tax audits are carried out at the level of the sub-cities based on policies elaborated by BOFED. There is a general audit plan but each sub city elaborates its own audit plan. General risk criteria such as amount of revenue, types of businesses are taken into consideration. However these are not always clear.

Indicator	Score	Explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C+	M2 scoring method
(i) Application of controls in the taxpayer registration system.	C	There is a registration system at the City, sub-city and <i>kebeles</i> level with some links with the Federal but there is no full linkage to other data bases.
(ii) Effectiveness of sanctions for failure to register and declare taxes.	B	Penalties exist and are applied in most case but they are not always effective.
(iii) Planning and control of tax audit programmes.	C	There are audits based on audit plans. They are not clearly based on risk assessment criteria.

³⁵ Communication of BOFED

PI- 15 Tax collection

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

In EFY2000 (2007/08) and EFY2001 (2008/09), the debt collection ratio was 35.36% and 44.15% respectively.

(ii) Effectiveness of the transfer of tax payments to the Treasury by the revenue Government

Taxpayers pay their taxes (with cash pay order) at sub-city and *kebeles* levels and post offices. Each sub city has an account at the Commercial Bank of Ethiopia. Every week, the tax collected by sub cities, *kebeles* and post offices goes to the City Central BOFED Treasury account at the Commercial Bank of Ethiopia;

(iii) Frequency with which the Treasury completely reconciles accounts reflecting tax valuations, payments, records of late returns and income

BOFED (treasury) makes monthly reconciliation of the amount collected in sub-cities with the statement of bank accounts received from the Commercial Bank of Ethiopia. This reconciliation does not involve tax assessments and arrears.

Indicator	Score	Explanation
PI-15 Effectiveness of tax collection	D+	M1 scoring method
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of fiscal year, which was collected during that fiscal year (average of the last two fiscal years).	D	The debt collection ratio in the last two years was below 60%.
(ii) Effectiveness in the transfer of recovered taxes to the Treasury by the revenue administration.	B	Taxes collected in sub cities, <i>kebeles</i> and post offices tax offices are transferred weekly to Treasury BOFED (at the account of the Commercial Bank of Ethiopia).
(iii) Frequency of complete reconciliation of accounts by the Treasury, including tax valuations, recovery, registers of late payments and income.	D	There is a daily reconciliation between tax collections and Treasury data. There is no reconciliation between collection, tax assessments and arrears.

PI-16 Availability of funds (for expenditure)³⁶

i) Degree to which cash-flow forecasts and monitoring are carried out

At the City level cash flow forecast are prepared annually and updated quarterly.

³⁶ Data and information for PI-16 were provided by Treasury BOFED

ii) Reliability and time horizon of the information on maximum limits and payment commitments provided to the MDOs during the year

Bureaus at the City level are provided with reliable information on their cash flow availability (commitment ceilings) quarterly in advance.

iii) Frequency and transparency of adjustments to budgetary allocations at a level higher than MDO administrations

Budget adjustments during the EFY (for last two fiscal years) are frequent in numbers and amounts³⁷. They are made transparently.

Indicator	Score	Explanation
PI-16 Predictability of availability of funds for commitment of expenditure	C+	M1 scoring method
(i) Degree to which cash flow forecasting and monitoring is carried out	B	A cash flow forecast is prepared for the EFY year and is updated quarterly.
(ii) Reliability and time horizon of the periodic information during the year providing the MDAs with information about maximum limits and payment commitments	B	Entities of the City Government of Addis Ababa are provided with reliable indication of actual resource availability for expenditure commitment a quarter in advance.
(iii) Frequency and transparency of the adjustments made to the budgetary allocations available at a level higher than MDA administrations	C	Budget adjustments during the EFY (for last two fiscal years) are frequent in numbers and amounts and they are made transparently.

PI-17 Cash balances, debt and guarantees

i) Quality of the registration and presentation of reports providing data on indebtedness

The City of Addis Ababa has no authority to contract foreign debt (the Federal Government may borrow money on its behalf though) and MOFED has to give its authorization for contracting domestic debt³⁸. The City contracted for the first time in EFY 2000 (2007/08) a debt with the Commercial Bank of Ethiopia for 1 billion ETB³⁹. In EFY 2001 (2008/09), the City received another loan of 2 billion ETB (in 2 tranches of 1 billion ETB each). Given the limited number of loans, their

³⁷Accounts and Budget did not provide any quantitative data but suggested that total amounts of adjustments are in the order of 20% of total expenditures

³⁸ Proclamation No 361/2003, *Addis Ababa City Government Revised Charter Proclamation*, Federal Negarit Gazeta No 86, 24 July 2003, art 11, k and art. 54

³⁹ The agreement for this loan was signed in November 2007. The loan has a 3-year term with 1 year grace period

amounts are well known and the corresponding loan data are of very good quality (reconciliation is not an issue though);

ii) Degree of consolidation of the government's cash balance

City Revenue accounts are held mainly at the Commercial Bank of Ethiopia⁴⁰. Expenditures accounts are held at the same bank. Calculation and consolidation of the revenue accounts take place weekly. For the expenditure accounts calculation and consolidation take place monthly.

iii) Systems for contracting loans and granting guarantees

The City Government of Addis Ababa needs the authorization of the Federal Government to contract domestic loan. For foreign loans the Federal Government can act on the City's behalf⁴¹. The City may not issue guarantees to sub-cities or *kebeles*, or any other entity within the City.

Indicator	Score	Explanation
PI-17 Recording and Management of Cash balances, Debt and Guarantees	B+	M2 scoring method
i) Quality of the records and reports presented on debt data.	A	Debt data (only domestic) are very good quality and complete due to very low number of loans.
ii) Degree of consolidation of government cash balances	C	Cash balances for revenues accounts are consolidated and calculated weekly. For expenditures account calculation and consolidation takes place monthly
iii) Systems for contracting loans and granting guarantees	A	Authorization of the Federal Government is needed for domestic loans. The Federal Government may contract foreign loans on the City's behalf.

PI-18 Payroll control

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

Payroll is decentralized at the level of each Bureau. In this context there is a personnel list in the Human Resources section of each Bureau (or City entity). Payroll is carried out by the Finance who has this responsibility. The two data bases are not linked but changes in personnel are reflected in the payroll data base subsequently to be operational in the next month of operation.

⁴⁰ Few accounts are at the Dashen Bank

⁴¹ Proclamation No 361/2003 idem art 54

(ii) Timeliness in the introduction of changes to the personnel records and payroll

With the decentralized system of payroll and personnel database at the City level, required changes are almost immediate with monthly update. There is no evidence of retroactive adjustment. In fact any change (excluding changes due to death) has to be notified to Human Resources three months in advance. In the case of death, existing regulations require payment to continue for 3 months following the death and even in this case no retroactive adjustment is necessary.

(iii) Internal control over changes to personnel records and payrolls data

Changes in the personnel data base can only occur if documented by an official request of another section. Authorization for changes in the payroll data base is clear and can only be carried out by the accountant. Changes are recorded and can be referred to.

(iv) Existence of payroll audits to check for oversight errors and/ or ghost workers

There were only partial payroll audits carried out in the last three years. The internal audit activities of the Bureau usually include payroll audits (partial or total) and at least once a year. In addition, the Bureau of the Auditor General carries out partial payroll audits as well. This may occur every year for some Bureaus and every other year for others.

Indicator	Score	Explanation
PI-18 Effectiveness of payroll controls	C+	M1 scoring method
(i) Degree of integration and reconciliation between personnel registers and payroll data	B	Personnel data base and payroll data base are not linked but changes in personnel are reflected subsequently to the payroll.
(ii) Timeliness of changes to personnel records and the payroll	A	Required changes in the personnel record (HRD) are updated on an on-going basis and reflected for payroll prior to next month payment.
(iii) Internal control of changes to the staff register and payroll	B	Authority and basis for changes to personnel records and the payroll are clear.
(iv) Payroll auditing to identify loopholes in controls and/ or fictitious workers	C	Partial payroll audits from internal audits and the Bureau of the Auditor General took place in the last years.

PI-19 Procurement For the evaluation of this indicator the last two EFY2000 (2007/08) and EFY 2001(2008/09) have been taken into consideration. For this period the corresponding Federal legal framework in use at City level was referred to⁴².

(i) Evidence of open competition being used for the adjudication of contracts with a value in excess of the monetary threshold nationally established for small acquisitions (percentage of the number of contracts awarded with a value above the threshold)

Every Bureau or entity in the City has the right to procure whereas BOFED is the core and support process. Data to assess this dimension is available at the level of each Bureau but are not (yet) centralized. Therefore it was not possible to assess this dimension;

(ii) Degree of justification for the use of less competitive methods for procurement

The reference Federal procurement legislation for the period covered by this evaluation which applies to the City of Addis Ababa contemplates the use of procedures other than open bidding⁴³. These are the methods of restricted tender, the two stage tendering, request for proposal, the single sourcing and the request for quotation. The conditions for its use as well as for other non competitive methods are spelled out in detail in the legislation. These conditions require clear justifications in accordance with legal and regulatory requirements⁴⁴. Basically, the other mentioned less competitive methods when used are justified in accordance with clear regulatory requirements. It should be noted though that the City does not carry out any strategic procurements.

(iii) Existence and functioning of a procurement complaints mechanism

Complaints at the City level shall be submitted in the first instance to the head of the procuring entity (Bureau). If the head of the procuring entity does not issue a decision within 5 days or if the candidate is not satisfied with the decision he is entitled to submit a complaint to BOFED. The latter has 15 days to issue a decision. As a third instance, a complaint can be presented in court. Overall the process for submitting and addressing procurement complaints is operative. Data on resolution of complaints at the City level is now accessible to public scrutiny.

⁴² Federal Government of Ethiopia Proclamation Determining Procedures of Public Procurement and Establishing its Supervisory Agency Proclamation No. 430/2005; Federal Public Procurement Directive, MOFED, July 2005

⁴³ Proclamation No. 430/2005, Art.25.2 and Art.26-27-28-29-30; Federal Public Procurement Directive (2005), Art.6.2

⁴⁴ *Idem* and Communication of the FPPA

Indicator	Score	Explanation
PI-19 Competition, value for money and controls in procurements	C+	M2 scoring method
(i) Evidence of the use of open competition methods for awarding contracts with a value in excess of the nationally-established monetary threshold for small acquisitions (percentage of the number of contracts awarded with a value above the threshold).	D	Data on contracts is not centralized and was not available to score this dimension.
(ii) Degree of justification for the use of less competitive methods for acquisitions.	B	Other less competitive methods when used are justified in accordance with clear regulatory requirements.
(iii) Existence and functioning of a complaints mechanism for procurement	B	A process for procurement complaints is operative.

PI-20 Internal controls for non-salary expenditure

In conformity with the PEFA methodology, this evaluation refers to the subject matter of internal controls for non salary expenditures as at time of assessment (EFY2002 - 2009/10).

At the City level there are several phases for payment as follows:

1. Purchase requisition;
2. Submission to budget accountant;
3. Budget accountant checks to establish whether budget is available;
4. Commitment made in budget ledger (for amount needed);
5. Good and services received;
6. Request for payment issued;
7. Budget accountant checks ledgers to establish whether funds are available;
8. Payment.

i) Effectiveness of expenditure commitment controls

A first control occurs to check funds availability (3) and a second control occurs to check availability of funds (7) after goods and services have been received to the satisfaction of the entity. The existing expenditure commitment controls that are in place are comprehensive and effective. In fact they limit commitments to approved budget allocations and to actual cash availability at least for most types of expenditures.

(ii) Scope, relevance and understanding of other internal control regulations and procedures

Control rules and procedures regarding processing and recording transactions have been in application for many years and are generally very well understood by the interested parties⁴⁵. These include routine controls carried out in each Bureau prior to the signing of a contract for goods and/or services, casual labour wages and staff allowances and also *ex post* controls carried out by the Treasury and Accounts Departments of BOFED⁴⁶. The existing set of control rules and procedures appear relevant and comprehensive enough. However they may be sometimes excessive due to duplication of the same type of control (e.g. controls on the availability of approved funds in the budget by both Budget and Finance Sections of the Bureau).

iii) Degree of compliance with regulations on the processing and registration of transactions⁴⁷

The monitoring system in place through the Internal Audit Unit in each Bureau makes it more difficult not to comply with rules for processing and recording transactions. The same system also prevents the occurrence of occasional simplified and non justified procedures.

In general, there has been little evidence of non-compliance with rules for processing and recording transactions and misuse of simplified and emergency procedures is limited due to the monitoring system in place within the Bureaus.

Indicator	Score	Explanation
PI-20 Effectiveness of internal controls on non-salary expenditure	B	M1 scoring method
(i) Effectiveness of controls on expenditure commitments.	B	Expenditure commitment controls are in place and limit commitments to approved budget allocation and availability of cash in most cases.
(ii) Scope, relevance and understanding of other internal control regulations and procedures.	B	Some internal control rules may be excessive but are well understood.
(iii) Degree of compliance with the regulations for processing and registering transactions.	B	Compliance with rules is good due to the monitoring systems in place.

⁴⁵ The main legal texts that cover these controls are the Federal Proclamation No. 57/1996 and the Council of Ministers Regulations No. 17/1997

⁴⁶ Treasury & Accounts Sections (BOFED)

⁴⁷ Sources: Central Accounts Department, Treasury Department, Budget Department and Inspection Department

PI-21 Effectiveness of Internal audit

Internal audit activities at the City level are carried out by the Internal Audit Unit of each Bureau. For these activities an internal systems-based audit manual (in Amharic) based on the Federal Audit Manual is used⁴⁸.

(i) Scope and quality of internal audit function

The audit activities are operational for the totality of the City Bureaus. Systemic audit is one of the approaches and covers about 40% of staff time. The risk-based approach and the transaction-based approach are carried out during the remaining time (40% and 20% respectively)⁴⁹. Overall professional standards are met.

(ii) Frequency and distribution of reports

A report is always drafted after an internal audit. It is always sent to the head of the Bureau and to BOFED. However, audit reports are not yet distributed to the Bureau of the Federal Auditor's General.

(iii) The administration's reaction to internal audit conclusions

Once an audit is completed in a Bureau, the Bureau's Head sends a letter to the Bureau's entity with a copy to the internal audit unit regarding the recommendations. The entity has 10 days to act on the recommendations and after this period the entity writes a letter to the Bureau's Head and to the internal audit unit to inform them of the results in implementing the recommendations. If the results are unsatisfactory, the internal audit writes a letter to BOFED (internal audit core process) to inform about the situation. BOFED in turn sends a notice to the sub-section to ask them to respond within 10 days. There is generally a relatively high level of response. When the responses are unsatisfactory this is due to a lack of Human Resources or to high turnover which cause a delay in implementing the recommendations.

⁴⁸ MOFED, *Procedural Manual for Internal Audit Standards and Code of Ethics for Internal Auditors and Internal Audits*, EFY1996 (2003/04)

⁴⁹ BOFED Core Internal Audit

Indicator	Score	Explanation
PI-21 Effectiveness of Internal Audit	C+	M1 scoring method
(i) Scope and quality of internal audit function	C	Internal audit is operational for all Bureaus within the city. It focuses on systemic issues for about 40% of staff time and meet professional standards
(ii) Frequency and distribution of reports	C	Reports are not sent to the Bureau of the Auditor General
(iii) Administration's response to the conclusions of the internal audit	B	Due to the monitoring system in place comprehensive action is taken by most entities

3.5 Accounting, recording and reporting

PI-22 Reconciliation of Accounts

(i) Regularity of bank account reconciliations

Bank reconciliation for all treasury managed bank accounts at the commercial Bank of Ethiopia takes place monthly. The reconciliation is carried out about a week after the end of the month⁵⁰.

(iii) Regularity of reconciliation and payment of suspense accounts and advances

Suspense accounts are payable account in Ethiopia. These accounts are cleared during the grace period (one month following the end of the EFY). Reconciliation of advance accounts takes place yearly with four weeks following the end of the period⁵¹.

Indicator	Score	Explanation
PI-22 Timeliness and regularity of accounts reconciliation	B	Scoring method M2
(i) Frequency of reconciliation of bank accounts.	B	Bank reconciliation for the City account at the CBE takes place monthly two weeks after the month covered.
(ii) Frequency of reconciliation and payment of suspense accounts and advances.	B	Suspense accounts and advances are cleared yearly one month after the year.

⁵⁰ Communication of Accounts and Treasury, BOFED

⁵¹ *Idem*

PI-23 Resources received by delivery units

i) Compilation and processing of information to show the resources effectively received (in money or in kind) by the majority of front-line service delivery units (with particular focus on primary schools and primary health care clinics) in relation to the resources made available by the relevant sector or sectors, regardless of the level of government responsible for the functioning and funding of these units

[Elementary schools and primary health care are the responsibility of the sub-cities. Resources effectively received by these service delivery units are available in the budget and financial statements of the sub-cities]

PI-24 On-going budgetary reporting during the year

(i) Scope of the reports in terms of coverage and compatibility with budgetary forecasts

Every month, seven days after the month Bureaus report (manually and in electronic form) to BOFED on budget execution. A consolidation is made by line items in one week. The information is available for budget and actual figures. Expenditure is captured at the payment stage only and not at the commitment stage. Data are captured when vouchers are recorded. Technically, during the commitment stage, data cannot be captured. However rough information can be obtained.

(ii) Timeliness of report presentation

Refer to (i). Reports are available within four weeks after the period covered⁵².

(iii) Quality of information

Data on in-year execution reports appear to be accurate and checks for the accuracy of the data are carried out by BOFED. Few material concerns have been raised to date about the quality of these data and they are not highlighted in the reports.

⁵² *Idem*

Indicator	Score	Explanation
PI-24 Quality and timeliness of in-year budget reports	C+	Scoring method M1
(i) Scope of reports in terms of coverage and compatibility with budgetary forecasts.	C	Classification of data allows direct comparison to the original budget. Expenditure is captured at the payment stage only and not at the commitment stage.
(ii) Timeliness in the presentation of reports.	A	Reports are prepared monthly about four weeks after the month.
(iii) Quality of the information.	C	Few material concerns have been raised to date about the quality of these data. Concerns are not highlighted in the reports.

PI-25 Quality and timeliness of annual financial statements

(i) Comprehensiveness of financial statements

A consolidated City of Addis Ababa financial statement is prepared annually by the Accounts office of BOFED. It includes information on revenues and expenditures, financial assets and liabilities.

(ii) Timeliness in the presentation of financial statements

At the time of the PEFA evaluation the last financial statements finalized and sent to the Bureau of the Auditor General were the statements for EFY2000 (2007/08). They were submitted to the Bureau of the Auditor General on October 6, 2009 about 15 months after the end of the EFY. The previous statements (for EFY1999-2006/07) were submitted to OFAG on April 18, 2009, about nine months after the end of the EFY:

TABLE 13: FINANCIAL STATEMENTS: SUBMISSION TO OFAG & TIMELINESS OF SUBMISSION

FINANCIAL STATEMENTS	EFY1999 (2006/07)	EFY2000 (2007/08)
Submission to the Bureau of the Auditor General	April 18, 2008	October 6, 2009
Timeliness of submission (Within the end of the EFY)	9 months	15 months

Sources: Accounts Department, BOFED and Bureau of the Auditor General

(iii) Accounting standards used

Financial statements for the City Government are presented according to the Federal Accounting Standards. They are in a format consistent over time. For the preparation of statements a modified cash basis of accounting that recognizes the following non-cash transactions is used. The accounting standards used are consistent with Generally Accepted Accounting Practices (GAAP). International Public Sector Accounting Standards (IPSAS) are not yet used.

Indicator	Score	Explanation
PI-25 Quality and timeliness of annual financial statements	C+	Scoring method M1
(i) Completeness of financial statements.	B	A consolidated City statement is prepared annually. Information on revenue, expenditure, financial assets and liabilities are included.
(ii) Timeliness in the presentation of financial statements.	C	The annual financial statement is submitted to the Bureau of the Auditor General within 15 months of the end of the fiscal year.
(iii) Accounting standards used.	C	International Public Sector Accounting Standards (IPSAS) are not yet used.

3.6 External scrutiny and audit

PI-26 External Audit

(i) Scope/nature of the audit carried out (including compliance with auditing standards)

The Bureau of the Auditor General⁵³ carries out audits of all entities of the City of Addis Ababa (including the City enterprises), the sub-cities and *kebeles* (a total of 446 entities). Entities audited annually by the Bureau of the Auditor General represent less than 50% of total consolidated expenditures of the mentioned entities. The Bureau of the Auditor General carries out financial audits mainly (75% of staff time) and performance audit (25% of staff time). The Bureau of the Auditor General carries out special investigations (against corruption) also when asked for by the entity. For its activities the Bureau of the Auditor General uses the same audit manual used at the Federal level (and by regions) which reflects audit standards used.

(ii) Timeliness in the presentation of auditing reports to the Legislature

At the time of the PEFA evaluation of the City of Addis Ababa (April 2010), the last two audited statements submitted to the City Council were for the EFY 1998 (2005/06) and EFY 1999 (2006/07). These were submitted more than 12 months after having been received.

TABLE 14: AUDITING OF CITY FINANCIAL STATEMENTS BY THE BUREAU OF THE AUDITOR GENERAL

FINANCIAL STATEMENTS	EFY1998 (2005/06)	EFY1999 (2006/07)
Received by the Bureau of the Auditor General	November 16, 2007	April 18, 2008
Audits of financial statements completed by the Bureau of the Auditor General and submitted to the City Council	July 12, 2009	October 11, 2009
(Duration of audits)	(About 20 months)	(Less than 18 months)

Sources: Accounts, BOFED and the Bureau of the Auditor General

⁵³ For the powers and function of BOFAG and of the Auditor General please refer to: *Addis Ababa, City Government Revised Chartered Proclamation* (No. 361/2003), July 24th, 2003, Part II, Art. 26

(iii) Evidence of the audit's recommendations being acted upon

There is a monitoring system in place to follow the recommendations. The Bureau of the Auditor General sends letter of recommendations and in the case the entity does not respond BOFAG reports them to the Council. Once at the level of the Council, the matter is discussed and instructions are forwarded to the entity. In EFY2001 (2008/09), 29 letters of recommendations were sent to entities of which 19 did not respond (the entity has 30 days to respond). The 19 entities were reported to the Council and there was a follow up but the PEFA team had no evidence of it.

Indicator	Score	Explanation
PI-26 Scope, nature and follow-up of external audit	D+	Scoring method M1
(i) Scope/nature of the audit carried out (including adherence to audit standards).	D	Entities audited annually by BOFAG represent less than 50% of total consolidated expenditures of the 446 to be audited. BOFAG carries out financial audits mainly and performance audit. Audit standards included in the audit manual are used.
(ii) Timeliness in the presentation of auditing reports to the Legislature.	D	The last 2 audited City statements sent to the Council by BOFAG were sent more than 12 months after having been received.
(iii) Proof of audit recommendations being acted upon.	C	A response is made by many entities and there is follow up. For most of them (EFY2001) there was little evidence of follow up.

PI-27 Scrutiny of the budget law by the City Council

i) Scope of examination by the City Council

The Council review covers details of expenditures and revenues when the budget proposal has already been finalized. The review is carried out by the Finance and Economic Development Standing Committee.

ii) Degree to which Council procedures are recognised and respected

The Council has no specific procedures for its reviews and follows the manual used at the federal level. Overall the rules presented in the manual are respected.

iii) Degree to which the City Council has sufficient time to respond to the Budget Bill's propositions, both in terms of detailed estimates and (where relevant) macro-

fiscal aggregates at the start of the Budget preparation cycle (time required, in practice, for all stages).

The Council has about one month to review the budget proposal;

iv) Rules applicable to budgetary amendments during the year which do not require the approval of the Council

Supplementary budgets (or in-year budget amendment) can be authorized by the City Council. Budget amendments are clearly regulated⁵⁴. Although they are respected, they allow significant reallocations.

Indicator	Score	Explanation
PI-27 Scrutiny of the annual budget law by the Council	C+	Scoring method M1
i) Scope of examination by the Legislature.	C	The Council's review includes estimates of expenditure and revenue, but at a stage when detailed proposals have been virtually finalized.
ii) Degree to which legislative procedures are recognised and respected.	B	Procedures from the Federal manual exist for the Council for the budget review and are respected.
iii) Sufficiency of time for the Legislature to respond to the budgetary proposals.	B	The Council has at least one month to review the budget proposals.
iv) Rules applicable to budgetary amendments during the year in course that do not require prior approval of the Legislature.	B	There are clear rules related to budgetary amendments permitted during the course of the year by the Executive, which are normally respected, although they do permit broad administrative reallocations (within the limits of the budget).

PI-28 Scrutiny of audit reports by the City Council.

(i) Punctuality in examination of the audit reports by the Legislature (reports received within the past three years).

At the level of the City, the financial statements are checked by the Council before being sent to BOFAG. Once audited by BOFAG the statements are sent back to the Council. The Finance and Economic Development Standing Committee of the Council carries out its review in about 2 weeks.

(ii) Scope of the hearings carried out by the Legislature into the main findings

In-depth hearings are conducted occasionally in specific cases when requested by the Finance and Economic Development Standing Committee. They are not systematic due to limited capacity covering only few audited entities.

⁵⁴ Federal Financial Administration Proclamation 57/1966 Part IV Art 16-19 is applied

(iii) Measures recommended by the Legislature and their implementation by the Executive

Actions are recommended in most cases but are not generally acted upon although the Finance and Economic Development Standing Committee tries to monitor the situation with the available means.

Indicator	Score	Explanation
PI-28 Legislative scrutiny of external audit reports	C+	Scoring method M1
(i) Timeliness in the examination of audit reports by the Legislature (reports received within the past three years).	A	The Council reviews the statement in 2 weeks time.
(ii) Scope of the hearings held by the Legislature into the main conclusions.	C	In-depth hearings are occasionally held. Such hearings cover only some of the audited entities.
(iii) Measures recommended by the Legislature and implementation of these by the Executive.	C	Measures are recommended, but these are rarely taken forward. The Council does not have enough capacity to follow up on these recommendations.

3.7 Donor Practices

The City of Addis Ababa does not deal directly with donors. It has to go through the Federal Government and the latter is the only one receiving external funds (grants) that are then transferred to the City.

For the last three (3) EFY the City Government received external assistance both from multilateral and bilateral agencies. As it appears from the following table, in EFY actual funds received deviated significantly from funds budgeted. In EFY2000 and EFY2001 the City received an assistance that was not even budgeted.

TABLE 15: EXTERNAL ASSISTANCE TO THE CITY GOVERNMENT OF ADDIS ABABA
(In million of ETB)

Sources	EFY1999 (2006/07)		EFY2000 (2007/08)		EFY2001 (2008/09)	
	Budget	Actual	Budget	Actual	Budget	Actual
External Assistance	278,858.90	48,968.90	-	66,421.90	-	56,502.80
- Multilateral	161,358.70	41,162.40				
<i>Of which EU</i>	74,000.00	21,297.70	-	48,059.40	-	34,588.50
- Bilateral	117,500.20	7,806.50	-		-	
TOTAL	321,622.10	76,297.40	-	109,654.70	-	83,534.20

Sources: Own calculations from data provided by BOFED, City Government of Addis Ababa

D-1 Predictability of Direct Budget Support

External assistance to the City Government goes through the Federal Government. There is no direct budget support to the City Government. Therefore this indicator does not apply to the latter.

D-2 financial information provided by donors for budgeting and reporting on project and program aid

i) Comprehensiveness and punctuality of donors' budgetary estimates in relation to project support

The City receives no comprehensive and punctual donors' budgetary estimates in relation to project support.

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

There is no coverage of reporting by donors on actual donor flows for project support.

Indicator	Score	Explanation
D-2 financial information provided by donors for budgeting and reporting on project and program aid	D	Scoring method M1
(i) Comprehensiveness and punctuality of donors' budgetary estimates in relation to project support.	D	The City receives no estimates in relation to project support.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.	D	Donors do not provide reports on actual flows for project support.

D-3 Proportion of aid that is managed by use of national procedures

i) Overall proportion of aid funds to City Government that are managed through city procedures

The totality of external assistance to the City Government of Addis Ababa is managed through national (city) procedures

Indicator	Score	Explanation
D-3 Proportion of aid that is managed by use of national procedures	A	Scoring method M1
(i) Overall proportion of aid funds that are managed through city procedures.	A	100% of external assistance received by the City are managed to local procedures.

HLG-1 Predictability of Transfers from Higher Level of Government

As presented in the following table, the City Government of Addis Ababa receives practically no subsidies from the Federal Government. It receives a percentage of funds from the Road (Fund). Funds received from Treasury and from MOF in EFY1999 and 2000 respectively were occasional transfers and the amounts were relatively insignificant.

TABLE 16: TRANSFERS FROM THE FEDERAL GOVERNMENT TO CITY GOVERNMENT OF ADDIS ABABA
(In million of ETB)

Sources	EFY1999 (2006/07)		EFY2000 (2007/08)		EFY2001 (2008/09)	
	Budget	Actual	Budget	Actual	Budget	Actual
Treasury	-	110.30	-	-	-	-
MOF Subsidy	-	-	-	106.90	-	-
Road Fund	42,763.20	27,218.20	-	43,125.90	-	27,031.40

Sources: Data provided by BOFED, City Government of Addis Ababa

- (i) *Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the City for inclusion in the latter's budget*
For EFY1999, the deviation was over 35% and for the two subsequent years (EFY2000 and EFY2001) there were no estimates.
- (ii) *Annual variance between actual and estimated transfers of earmarked grants*
Same as above (i)
- (iii) *In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the City EFY)*
Same as above (i)

Indicator	Score	Explanation
HLG-1 Predictability of Transfers from Higher Level of Government	D	Scoring method M1
i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the City for inclusion in the latter's budget.	D	For EFY1999, the deviation was over 35% and for the two subsequent years (EFY2000 and EFY2001) there were no estimates.
ii) Annual variance between actual and estimated of earmarked grants.	D	Refer to above i)
iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the City EFY.	D	Refer to above i)

4. City Reform process

Several reforms have been carried out recently⁵⁵. The ones of key importance are indicated below:

In the budget area, the budget manual has been published and distributed to each budget accountants. In addition training on budget issues has been given to 710 employees (for 200 officials on budget preparation). Moreover the budget preparation templates have been installed into computers and budget activities follow the fiscal calendar.

In the area of accounts, IBEX was implemented (fully implemented in budgetary institution and sub-city) as well as the Zero Balance Accounts Systems. The Cash management and expenditure reforms are being implemented.

In Internal Audit training on financial audit was provided to 142 auditors, and 169 auditors received training in performance audit. The Internal audit manual and training modules were published (600 copies) and distributed. The evaluation on 63 audit reports was carried out to improve the quality of audit work. Awareness creation training on internal audit is provided for cabinet members.

In public procurement the proclamation of Addis Ababa City was enacted on December 1, 2006.

⁵⁵ An EMCP federal equivalent is put in place at the city administration.

ANNEXES

Annex 1: Performance Indicators Summary

A. PFM OUT-TURNS: Credibility of the budget					
Indicator	Scoring	D (i)	D (ii)	D (iii)	D (iv)
PI-1/ M1	D	--	--	--	--
PI-2/ M1	C	--	--	--	--
PI-3/ M1	D	--	--	--	--
PI-4/ M1	A	A	A	--	--
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency					
PI-5/ M1	B	--	--	--	--
PI-6/ M1	D	--	--	--	--
PI-7/ M1	NS	A	NS	--	--
PI-8/ M2	A	A	A	A	--
PI-9/ M1	C+	C	A	--	--
PI-10/ M1	B	--	--	--	--
C. BUDGET CYCLE					
C (i) Policy-Based Budgeting					
PI-11/ M2	A	A	A	A	--
PI-12/ M2	NS	A	NS	D	C
C (ii) Predictability & Control in Budget Execution					
PI-13/ M2	B	B	B	B	--
PI-14/ M2	C	C	B	C	--
PI-15/ M1	D+	D	B	D	--
PI-16/ M1	C+	B	B	C	--
PI-17/ M2	B+	A	C	A	--
PI-18/ M1	C+	B	A	B	C
PI-19/ M2	C+	D	B	B	--
PI-20/ M1	B	B	B	B	--
PI-21/ M1	C+	C	C	B	--
C (iii) Accounting, Recording and Reporting					
PI-22/M2	B	B	B	--	--
PI-23	N.A.	--	--	--	--
PI-24/ M1	C+	C	A	C	--
PI-25/ M1	C+	B	C	B	--
C (iv) External Scrutiny and Audit					
PI-26/ M1	D+	D	D	C	--
PI-27/ M1	C+	C	B	B	B
PI-28/ M1	C+	A	C	C	--
D. DONOR PRACTICES					
D-1/ M1	N.A.	N.A.	N.A.	--	--
D-2/ M1	D	D	D	--	--
D-3/ M1	A.	A	--	--	--
HLG-1	D	D	D	D	--

Annex 2: Source of information

ADDIS ABABA CITY GOVERNMENT, Bureau of Finance and Economic Development, *Urban development Indicators*, Addis Ababa August 2007

PEFA, *Guidelines for application of the PEFA Performance Measurement Framework at Sub National Government Level*, Volume 1- Main Guidelines & Volume 2 – Annex, PEFA Secretariat, Washington DC, USA, March 2008.

Websites

www.addisababacity.gov.et

www.csa.gov.et

Annex 3: Persons met

Ato Fekadu Bekele, *Chamber of Commerce of Addis Ababa;*

Ato Foeno Folla, *Deputy Finance Bureau, Head and process leader of financial procurement and property administration, BOFED;*

Ato Mebratu Gebre, *Senior Administration Officer, Procurement and Property Core Process, BOFED;*

Ato Fanos Gold, *Budget Officer BOFED;*

Ato Gebeyeln Haile, *Senior Legal Officer, AA Revenue Authority;*

Ato Abadi Hailu, *Head Intelligence and investigation sub process AA Revenue Authority;*

Abanesh Gebra Medhin, *Auditor General;*

Dr Atsede Assefa Merkuria, *Spokesman of the City Council of Addis Abbaba, elected City Council Member;*

Girmay Saba, *Officer, Procurement and Property Core Process, BOFED;*

Ato Tewdros Tekle, *Senior Finance Department, accounts Department, BOFED;*

Ato Abraham Tesfaye, *Policy Study and Analysis, BOFED;*

Ato Desalegn Worico, *Senior Officer, Policy Study and Analysis, BOFED.*

ANNEX 4: Files for Calculating PI-1, PI-2 and PI3

Annex 4: Table 1 (For PI-1 and PI-2 EFY1999-2006/07)

		EFY 1999 (2006/07)					
Sub-functional head		budget	actual	difference	absolute	percent	
1	110	Organs of State	62,909,724.00	61,175,951.76	-1,733,772.24	1733772.24	2.8%
2	120	Justice & Legal Affairs	105,751,849.00	118,369,776.47	12,617,927.47	12617927.47	11.9%
3	150	General Services	97,169,286.00	89,118,113.62	-8,051,172.38	8051172.38	8.3%
4	210	Agriculture	36,113,292.00	14,217,427.68	-21,895,864.32	21895864.32	60.6%
5	220	Natural Resources	104,060,195.00	213,639,804.35	109,579,609.35	109579609.4	105.3%
6	230	Trade & Industry	124,778,139.00	59,712,871.09	-65,065,267.91	65065267.91	52.1%
7	310	Education	267,261,828.00	246,243,823.78	-21,018,004.22	21018004.22	7.9%
8	330	Culture & Sport	10,753,284.00	6,543,486.58	-4,209,797.42	4209797.42	39.1%
9	340	Health	84,728,005.00	80,618,671.59	-4,109,333.41	4109333.41	4.9%
10	350	Social & Civil Affairs	17,090,657.00	14,121,175.92	-2,969,481.08	2969481.08	17.4%
11	410	Budget Support	55,000,000.00	46,121,917.19	-8,878,082.81	8878082.81	16.1%
12	460	Contingencies	440,656,202.00	1,500,000.00	0.00	0	0.0%
13	470	Miscellaneous	10,000,000.00	7,557,278.69	-2,442,721.31	2442721.31	24.4%
14	510	Administration & general service	184,391,201.00	62,184,494.85	-122,206,706.15	122206706.2	66.3%
15	520	Economy	2,852,661,855.00	1,405,745,099.87	-1,446,916,755.13	1446916755	50.7%
16	530	Social Service	22,883,307.00	7,403,405.92	-15,479,901.08	15479901.08	67.6%
17	540	Others	361,228,176.00	190,583,217.12	-170,644,958.88	170644958.9	47.2%
total expenditure		4,837,437,000.00	2,624,856,516.48	-2,212,580,483.52	2212580484	45.7%	
composition variance		4,837,437,000.00	2,624,856,516.48		2017819355	41.7%	

Source: City Government of Addis Ababa, Budgetary Revenue & Expenditure for EFY 1999 (2006/07)

Annex 4: Table 2 (For PI-1 and PI-2 EFY2000-2007/08)

EFY 2000 (2007/08)							
		Sub-functional head	budget	actual	difference	absolute	percent
1	110	Organs of State	90,995,114.00	85,820,524.95	-5,174,589.05	5174589.05	5.7%
2	120	Justice & Legal Affairs	156,300,489.00	179,853,823.36	23,553,334.36	23553334.36	15.1%
3	150	General Services	149,819,437.00	132,060,624.22	-17,758,812.78	17758812.78	11.9%
4	210	Agriculture	42,919,996.00	23,176,613.85	-19,743,382.15	19743382.15	46.0%
5	220	Natural Resources	180,167,881.00	176,146,591.95	-4,021,289.05	4021289.05	2.2%
6	230	Trade & Industry	189,842,330.00	61,450,049.08	-128,392,280.92	128392280.9	67.6%
7	310	Education	381,096,192.00	333,475,564.64	-47,620,627.36	47620627.36	12.5%
8	330	Culture & Sport	12,775,139.00	10,393,047.66	-2,382,091.34	2382091.34	18.6%
9	340	Health	148,754,456.00	110,687,470.93	-38,066,985.07	38066985.07	25.6%
10	350	Social & Civil Affairs	21,690,346.00	19,153,616.53	-2,536,729.47	2536729.47	11.7%
11	410	Budget Support	50,000,000.00	51,173,100.10	1,173,100.10	1173100.1	2.3%
12	460	Contingencies	366,399,482.00	0.00	0.00	0	0.0%
13	470	Miscellaneous	5,000,000.00	1,954,480.27	-3,045,519.73	3045519.73	60.9%
14	510	Administration/ general service	166,033,109.00	68,970,544.30	-97,062,564.70	97062564.7	58.5%
15	520	Economy	4,350,235,855.00	2,469,198,970.44	-1,881,036,884.56	1881036885	43.2%
16	530	Social Service	58,990,174.00	10,140,252.39	-48,849,921.61	48849921.61	82.8%
17	540	Others	0.00	0.00	0.00	0	0.0%
total expenditure deviation			6,371,020,000.00	3,733,655,274.67	-2,637,364,725.33	2637364725	41.4%
composition variance			6,371,020,000.00	3,733,655,274.67		2320418112	36.4%

Source: City Government of Addis Ababa, Budgetary Revenue & Expenditure for EFY 2000 (2007/08)

Annex 4: Table 3 (For PI-1 and PI-2 EFY2001 –2008/09)

		EFY 2001 (2008/09)					
		Sub-functional head	Budget	actual	difference	absolute	percent
1	110	Organs of State	143,569,521.00	207,337,788.40	63,768,267.40	63768267.4	44.4%
2	120	Justice & Legal Affairs	250,618,683.00	254,441,062.79	3,822,379.79	3822379.79	1.5%
3	150	General Services	206,444,717.00	276,987,089.74	70,542,372.74	70542372.74	34.2%
4	210	Agriculture	50,770,044.00	29,474,212.43	-21,295,831.57	21295831.57	41.9%
5	220	Natural Resources	284,149,881.00	323,206,662.31	39,056,781.31	39056781.31	13.7%
6	230	Trade & Industry	311,463,092.00	203,587,838.52	-107,875,253.48	107875253.5	34.6%
7	270	Construction	4,134,603,761.00	2,944,224,681.03	-1,190,379,079.97	1190379080	28.8%
8	310	Education	430,928,582.00	422,211,860.50	-8,716,721.50	8716721.5	2.0%
9	330	Culture & Sport	30,995,663.00	44,257,780.39	13,262,117.39	13262117.39	42.8%
10	340	Health	217,293,873.00	44,257,780.39	-173,036,092.61	173036092.6	79.6%
11	350	Social & Civil Affairs	25,843,358.00	155,553,997.56	129,710,639.56	129710639.6	501.9%
12	410	Budget Support	60,000,000.00	28,429,608.83	-31,570,391.17	31570391.17	52.6%
13	460	Contingencies	1,243,287,299.00	80,697,584.00	-1,162,589,715.00	1162589715	93.5%
14	470	Miscellaneous	0.00	0.00	0.00	0	0.0%
15	510	Administration/general service	307,583,208.00	2,661,290.61	-304,921,917.39	304921917.4	99.1%
16	520	Economy	971,660,966.00	63,742,342.31	-907,918,623.69	907918623.7	93.4%
17	530	Social Service	104,896,352.00	401,507,269.99	296,610,917.99	296610918	282.8%
18	540	Others	0.00	39,305,429.38	39,305,429.38	39305429.38	0.0%
		total expenditure deviation	8,774,109,000.00	5,521,884,279.18	-3,252,224,720.82	3252224721	37.1%
		composition variance	8,774,109,000.00	5,521,884,279.18		4564382532	52.0%

Source: City Government of Addis Ababa, Budgetary Revenue & Expenditure for EFY 2001 (2008/09)

Annex 4: Table 4 (For PI-3)

(In million of EB)

DOMESTIC REVENUE PERFORMANCE

	EFY1999 (2006/07)		EFY2000 (2007/08)		EFY2001 (2008/09)	
	Budget	Actual	Budget	Actual	Budget	Actual
Tax	1342	1327	1654	1622	1880	2268
Non Tax	1314	236	991	308	2664	445
Municipal	876	650	990	647	894	595
TOTAL	3532	2213	3635	2577	5438	3308
	62.66%		70.89%		60.83%	

Sources: Data provided by BOFED, City Government of Addis Ababa