



PEFA

Public Expenditure and Financial Accountability

Federal Democratic Republic of Ethiopia (Amhara National Regional Government)



Performance Assessment Report

Final Report

November 11, 2019

Funded by



Report No: AUS0001395

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Public Expenditure and Financial Accountability (PEFA) Assessment

Federal Democratic Republic of Ethiopia
(Regional Government of Amhara)

Final Report - November 11, 2019

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

PEFA Secretariat
November 15, 2019

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Acronyms and abbreviations

AFROSAI	African Organization of Supreme Audit Institutions
AFS	Annual Financial Statement
AGP	Agricultural Growth Program
AmRA	Amhara Revenue Authority
AmRRB	Amhara Regional Revenue Bureau
ANRS	Amhara National Regional State
BCC	Budget Call Circular
BCSHRD	Bureau of Civil Service and Human Resource Development
BI	Budget Institution
BFSC	Budget and Finance Standing Committee
BoA	Bureau of Agriculture
BoE	Bureau of Education
BoH	Bureau of Health
BoFED	Bureau of Finance and Economic Development
BoR&T	Bureau of Road and Transport
BoWIE	Bureau of Water, Irrigation, and Energy
CBE	Commercial Bank of Ethiopia
COFOG	Classification of Functions of Government
COPCD	Channel One Projects Coordination Department
DFID	Department for International Development
DP	Development Partner
EC	Ethiopian Calendar
EBU	Extra-budgetary Unit
EFY	Ethiopian Fiscal Year
EMCP	Expenditure Management and Control Program
ERCA	Ethiopian Revenue and Customs Authority
EU	European Union
FEAC	Federal Ethics and Anticorruption Commission
FGE	Federal Government of Ethiopia
FTA	Financial Transparency and Accountability
GC	Gregorian Calendar
GDP	Gross Domestic Product
GEWE	Gender Equality and Women Empowerment
GFS	Government Finance Statistics
GOFAMM	Government Fixed Assets Management Manual
GRB	Gender-responsive Budgeting
GRPFM	Gender-responsive Public Financial Management
GTP	Growth and Transformation Plan
HLG	Higher-level Government
HR	Human Resource
HRD	Human Resource Department
IBEX	Integrated Budget and Expenditures System
ICT	Information and Communication Technology
ID	Inspection Directorate

IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
JRIS	Joint Review and Implementation Support
KPI	Key Performance Indicator
MDAs	Ministries, Departments, and Agencies
MEFF	Macroeconomic and Fiscal Framework
MIS	Management Information System
MoF	Ministry of Finance
MoU	Memorandum of Understanding
M&E	Monitoring and Evaluation
MTEF	Medium-term Expenditure Framework
NA	Not Applicable
NGO	Nongovernmental Organization
OECD	Organisation for Economic Development and Co-operation
ORAG	Office of the Regional Auditor General
OT	Oversight Team
PA	Previous Assessment
PAC	Public Accounts Committee
PBB	Program-based Budgeting
PBS	Promotion of Basic Services Program
PEFA	Public Expenditure and Financial Accountability
PESFA	Public Enterprises Support and Follow-up Authority
PFM	Public Financial Management
PI	Performance Indicator
PIP	Public Investment Project
PPA	Public Procurement Agency
PPAD	Procurement and Property Administration Directorate
PPP	public-Private Partnership
PPPAAM	Public Procurement and Property Administration Auditing and Monitoring
PPPDS	Public Procurement and Property Disposal Service
REAC	Regional Ethics and Anticorruption Commission
RRA	Rural Roads Authority
SDG	Sustainable Development Goal
SNG	Subnational Government
SNNPR	Southern Nations and Nationalities Peoples' Region
SoE	State-owned Enterprise
SWOT	Strengths, Weakness, Opportunities, and Threats
TSA	Treasury Single Account
TTL	Task Team Leader
ULHRA	Urban Land Holding Registration Agency
UNICEF	United Nations Children's Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
VAT	Value Added Tax

Fiscal year

Ethiopian Fiscal Year (EFY): July 8–July 7

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

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

Currency unit = Ethiopian Birr (ETB)

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

Executive summary

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

2. The Amhara regional assessment covered regional government budgeted units, extra-budgetary units (EBUs), the Office of the Regional Auditor General (ORAG), the regional council, Amhara Chamber of Commerce, and public enterprises. The list of stakeholders met is presented in Annex 3B.

3. The fiscal years for the assessments are Ethiopian Calendar (EC) 2008, 2009, and 2010 (Gregorian Calendar FY2015/2016, 2016/2017, and 2017/2018). The assessment shows the current state of PFM performance of the region as at the time of the fieldwork (March 25, 2019, is the cutoff date). The period covered for each of the 94 dimensions (summarized into 31 performance indicators [PIs]) depends on the dimension and is in accordance with the PEFA measurement framework. Some dimensions were assessed at the time of assessment (March 2019 is the cutoff date). Other dimensions were assessed at the relevant period, which is the last completed fiscal year FY2017/2018 or FY2018/2019 for the last budget submitted to the parliament.

4. The assessment management framework, oversight, and quality assurance are summarized in Box 1.1. The assessment was funded by the World Bank, Irish Aid, the U.K. Department for International Development (DFID), the European Union (EU), the United Nations Children's Fund (UNICEF), and the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). It was managed by the World Bank.

Impact of PFM systems on the main budgetary and fiscal outcomes

Aggregate fiscal discipline

5. The aggregate expenditure of the Regional Government of Amhara for the last three completed fiscal years was reliable. It was 5 percent in EFY 2008, 1 percent in EFY 2009, and 4 percent in EFY 2010. As a result, aggregate expenditure outturn was between 95 percent and 105 percent of the approved aggregate budgeted expenditure in all three fiscal years. Variance in expenditure composition by administrative classification was 10.1 percent, 27.0 percent, and 9.4 percent in EFY 2008, 2009, and 2010, respectively. Variance in expenditure composition by economic classification was 10.3 percent, 11.7 percent, and 7.3 percent for EFY 2008, 2009, and 2010, respectively. In all the past three completed fiscal years, actual expenditure charged to the contingency vote was 0 percent.

6. Variation in the budget composition indicates inability to spend the budget according to the plan (originally approved budget). The same is not true for revenue, as revenue outturn was close to the budgeted figures in all three years and above the budget in two out of three years. It was 101 percent, 103 percent, and 97 percent in EFY 2008, 2009, and 2010, respectively. Similarly, the level of the stock of arrears is not a cause for concern, as it was less than 1 percent of total expenditure on average for the three years of assessment. In addition, the risks to attaining fiscal discipline are limited due to several factors. Although there are no off-budget operations (PI-6), the fiscal risks are not monitored (PI-10) by the regional government, especially with regard to guarantees and contingent

liabilities arising from public-private partnerships (PPPs). The Public Enterprises Supervision and Follow-up Authority has been set up to support, monitor, and evaluate the performance of state-owned enterprises (SoEs) and is operational. That said, there is no debt and thus no need to develop a debt management strategy.

7. The total amount of revenue arrears is limited (PI-19). The actual stock of revenue arrears for the EFY 2010 year-end is 1.7 percent of total revenue. Internal controls of the system concerned with budget execution (PI-23 and PI-25) are well functioning, even though they are not using the best practices of risk-based internal audit. The procurement domain (PI-24) performs very poorly. Overall, the performance of the indicators relevant to aggregate fiscal discipline positively contributes to its attainment.

Strategic allocation of resources

8. Four of the five indicators concerned with policy-based fiscal strategy and budgeting (PI-14, PI-15, PI-16, PI-17, and PI-18) did not receive good overall ratings, which demonstrates that the process to allocate budgetary resources is not in accordance with the regional government's strategic objectives.

9. Although the Regional Planning Commission prepares a Macroeconomic and Fiscal Framework (MEFF), which is developed for the budget year and two outer years, the budget does not have a medium-term focus (PI-16). The quality of the budget preparation process is impaired by the fact that the Cabinet only approves the budget allocations at the end of the preparation process and by the late submission of the draft budget proclamation to the regional council (8–10 days before fiscal year-end for the past three years). Budget scrutiny (PI-18) fares better, but the procedures for budget scrutiny do not include arrangements for public consultation, technical support, or negotiation procedures. The regional council has approved the annual budget rather late, within one month of the start of the fiscal year in all the last three fiscal years.

10. Other indicators, such as budget classification, that contribute to the strategic allocation of resources function, which meets international standards, perform relatively better, though they still exhibit certain weaknesses. The indicators related to revenue collection (PI-19 and PI-20) are performing very well. That said, the exhaustiveness of budget documentation (PI-5) is extremely poor, as it fulfills none of the elements required by the PEFA Framework. Moreover, regarding public investment management (PI-11), project selection for inclusion into the annual budget is largely based on regional government priorities (which include water, irrigation, health, education, animal grazing, and rural roads) and not purely on the results of the feasibility studies conducted.

Efficient use of resources for service delivery

11. In this respect, the PFM system in the regional administration does not work particularly well. This is demonstrated by the low score for the processes that plan services in public investment management (PI-11), medium-term perspective in expenditure budgeting (PI-16), and a budget preparation process (PI-17) providing ceilings for budget estimates to the budget entities. Though the system of allocating transfers (PI-7) is good and determined by a transparent and rule-based transfer system, there are delays in the actual transfer of funds over the year.

12. As a result, the rating related to the specific service delivery performance indicator, which can demonstrate the efficiency with which services are delivered (PI-8), is not good, which leaves room for improvement. Public asset management (PI-12) is rated even worse (D+), which indicates that there is too little transparency on what is effectively maintained by the Regional Government of Amhara.

13. Nevertheless, the mechanisms in place to reduce possible leakages in the system, such as internal controls on expenditure (PI-23 and PI-25), are good. The internal audit (PI-26) and external audit function (PI-30) are adequate. Financial data integrity demonstrates good accounting controls (PI 27), but the public procurement function is still undeveloped and not transparent enough (PI-24). Lastly, oversight arrangements for legislative scrutiny of audit reports (PI-31) are not effective. The Budget and Finance Standing Committee does not conduct hearings in the presence of the executive of the audited officers and does not directly issue recommendations to each audited entity. Recommendations and hearings are not published.

Performance changes since last assessment

14. Based on the 2011 method, between the 2015 and the 2018 PEFA assessments, performance has slightly improved. Performance has improved for 9 PIs and deteriorated for 3 PIs. Still, the majority of PIs (17 out of 28, as the donor practices indicators have not been assessed) show no change in performance. This is shown in Table 0.1, and Annex 4 gives the details of performance change for each PI and dimension.

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

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

Aggregate fiscal discipline

15. Aggregate fiscal discipline has improved as the budget credibility indicators PI-1, PI-2, and PI-3 are three of the seven PIs that have improved. The stock of arrears (PI-22.1) is low in both PEFA assessments.

Strategic resource allocation

16. The strategic allocation of resources has improved owing to the improvement of multiyear forecasting under PI-12. Besides, there is also improvement in PI-14.3, with a sound system of tax audits now performed and managed, which was not the case in the 2015 assessment. The strategic allocation of resources is also supported by a lower frequency and an increased transparency of adjustments to budget allocations above the level of management of Ministries, Departments, and Agencies (MDAs). On the downside, the fact that the Cabinet does not approve the ceilings in the budget call circular (BCC) (PI-11.2) negatively affects the strategic allocation of resources.

Efficient use of resources for service delivery

17. The performance of public services is not better managed, monitored, and controlled than during the previous assessment. Performance is unchanged under the availability of information on resources received by service delivery units (PI-23), though good, as well as under procurement (PI-19), which on the contrary displays poor performance.

Overview of ongoing and planned PFM reforms and main weaknesses identified

18. The regional government's PFM reform initiatives over the years have largely been anchored on the federal government's overall reform program. In 2019 (EFY 2011), the regional government

developed a standalone PFM reform program in line with the federal government's overall reform plan, which is yet to be approved. The new regional PFM reform strategy, at an estimated cost of ETB 3.6 billion over a five-year period has nine components:

- Strengthen fiscal/tax policy to maximize domestic (regional) revenue mobilization and collection
- Implement program-based budgeting (PBB) in line with federal government policy
- Improve cash management and overall payment systems for efficient service delivery
- Monitor and report on loans and guarantees issued to public institutions
- Strengthen financial accountability and reporting framework
- Strengthen internal control functions to reduce wastage
- Improve public procurement and property management systems
- Develop a strong legal framework for PPP arrangements as well as monitor their implementation
- Strengthen the overall government management information system (MIS)

19. Currently, there are no ongoing PFM reform activities, except for the usual and continuous training and capacity-building programs on internal audit and controls, procurement, asset management, treasury management, and accounting and reporting across all regional sectors and woredas. Past PFM reforms have yielded some successes, some of which include 95 percent success rate about participation in internal audit forums and 93 percent success rate on procurement management training, among others.

Table 0.2: Overview of the scores of the PEFA indicators

PFM PI		Scoring method	Dimension ratings				Overall rating
			i	ii	iii	iv	
HLG-1	Transfer from a higher-level government	M1	A	D	A		D+
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	C	C	A		C+
PI-3	Revenue outturn	M2	B	D			C
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	B				B
PI-5	Budget documentation	M1	D				D
PI-6	Regional government operations outside financial reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	A	D			C+
PI-8	Performance information for service delivery	M2	C	D	A	C	C+
PI-9	Public access to fiscal information	M1	D				D
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	D	D		D+
PI-11	Public investment management	M2	C	C	D	C	D+
PI-12	Public asset management	M2	C	D	C		D+
PI-13	Debt management	M2	D	D	D		D
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	B	B	C		B
PI-15	Fiscal strategy	M2	D	D	NA		D
PI-16	Medium-term perspective in expenditure budgeting	M2	D	D	C	NA	D+

PFM PI		Scoring method	Dimension ratings				Overall rating
			i	ii	iii	iv	
PI-17	Budget preparation process	M2	C	C	D		D+
PI-18	Legislative scrutiny of budgets	M1	B	C	C	B	C+
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	A	A	A	A
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	C	D	A	A	B
PI-22	Expenditure arrears	M1	A	C			C+
PI-23	Payroll controls	M1	B	A	B	B	B+
PI-24	Procurement	M2	D	D	C	D	D
PI-25	Internal controls on non-salary expenditure	M2	A	C	B		B
PI-26	Internal audit	M1	B	C	B	A	C+
Pillar VI. Accounting and reporting							
PI-27	Financial data integrity	M2	C	NA	A	C	B
PI-28	In-year budget reports	M1	A	C	C		C+
PI-29	Annual financial reports	M1	C	B	C		C+
Pillar VII. External scrutiny and audit							
PI-30	External audit	M1	C	D	C	D	D+
PI-31	Legislative scrutiny of audit reports	M2	A	D	D	D	D+

1. Introduction

1.1. Background

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

1.2. Rationale and purpose

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

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

1.3. Assessment management, oversight, and quality assurance

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

5. A government PEFA task force was set up to monitor the assessments and provide guidance throughout the process. The task force is led by the MoF Expenditure Management and Control Program (EMCP), which is responsible for the government PFM reforms and strategy, and comprises a focused group of high-level representatives such as the Channel One Projects Coordination Department (COPCD), central accounts of the government, budgeting and gender directorates of the MoF, the Office of Auditor General, Ethiopia Revenue and Customs Authority (ERCA), now the Ministry of Revenue, the Public Accounts Committee (PAC) Secretariat; selected line ministries, and selected state-owned enterprises (SoEs), although the participation of some very much limited. Key donors of the task force include the World Bank, DFID, EU, Irish Aid, UNICEF, and UN Women. A focal person at the regional Bureau of Finance and Economic Development (BoFED), Mr. Gared Lebesse, Channel 1

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

Coordinator, was responsible for arranging and coordinating meetings and data gathering as well as the overall assessment implementation at the regional government level.

PEFA Check

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

Box 1.1: Assessment management and quality assurance arrangements**PEFA Assessment Management Organization**

- Oversight Team (OT) - see the table below.
- Assessment Manager: Demissu Lemma Wondemgezahu and Dawit Shimelis (previous and current Directors of the MoF EMCP, respectively)
- Assessment Team Leader: Elena Morachiello
- Assessment Team: Charles Hegbor (international consultant), Elisaveta Teneva (international consultant), Getnet Haile (local consultant), Samuel Gebremedhin (local consultant)
- PEFA Secretariat
- Peer Reviewers (World Bank, EU, DFID, Irish Aid)

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

Review of concept note and/or terms of reference

- Date of reviewed draft concept note by the PEFA Secretariat: November 13, 2018
- Other invited reviewers who submitted written comments: Eric Brintet (Lead Financial Management Specialist, GGOLF, World Bank); Emmanuel Cuvillier (Sr. Public Sector Specialist, GGOMN, World Bank); Clara Molera Gui (Governance, Delegation of the European Union to Ethiopia); Misrak Tamiru (Women's Economic Empowerment Program Specialist, UN Women); and from the PEFA Secretariat

Review of the assessment report

- Peer reviewers: Holy Tiana Rame (PEFA Secretariat); Jonathan Atkinson (DFID); Amhara regional government, World Bank staff
- PEFA Secretariat's review: Date of the first draft - June 3, 2019, and second draft - November 7, 2019

1.4. Assessment methodology

7. The assessment applied the PEFA 2016 methodology in addition to the 2016 Supplementary Guidelines for Sub-national Assessments, with seven key pillars of performance, which are a prerequisite to an open, well-functioning, and orderly PFM system to achieve government objectives. The assessment covered budget reliability, transparency of public finances, management of assets and liabilities, policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit. Meetings were held with key government

officials and agencies, civil society organizations, and DPs (see Annex 3B). The assessment team reviewed and analyzed official government data.

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

Assessment coverage and timing

9. The Amhara Region PEFA assessment covered budget institutions (BIs) (education, health, roads, housing), the Office of the Regional Auditor General (ORAG), and the regional council. The fiscal years of the assessment are EFY 2008, 2009, and 2010 and Gregorian Calendar (GC) FY2015/2016, 2016/2017, and 2017/2018. The last budget submitted to the regional council is the EFY 2011 budget or Gregorian FY 2018/2019 budget.

Fieldwork

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

11. The larger conference and training event that lasted two days saw a total of 110–115 participants, including 5 from the Southern Nations Nationalities and Peoples Region (SNNPR), 4 from Harari Region, 8 from Somali Region, 3 from Gambella Region, 7 from Amhara Region, 5 from Tigray Region, 4 from Afar Region, and 3 from Benishangul-Gumuz Region. The remaining were from Oromia Region, the city of Addis Ababa, the federal government, DFID, the EU, Irish Aid, UNICEF, UN Women, and World Bank staff. Although the other PEFA assessments that were conducted in 2018 and 2019 besides for the federal government were for Addis City, Tigray, Amhara, Oromia, Somali, and SNNPR, other regions attended to familiarize themselves with the new 2016 methodology in view of possible future assessments.

12. On December 6, 2018, a meeting was organized between officials from the PEFA Secretariat, the assessment team, and key stakeholders in the service delivery sector (education and health) and gender-responsive budgeting (GRB), to discuss the methodology for the inclusion of some selected indicators as pilots.

13. The fieldwork for the Amhara regional assessment began on April 15, 2019, with a kickoff meeting held at BoFED. Present at the meeting were the focal point of the assessment, Gared Lebes (Channel 1 Program Coordination Director at BOFED), the Budget Department, the Macro-fiscal Department, the Planning Commission, and the public investment project (PIP). The mission ended on April 25 with the presentation and distribution of an aide-memoire. Getnet Haile had previously visited the region in January 2019 to set up meetings and distribute the data requests. The focal point Gared Lebesse ensured that the meetings took place and were well organized. In the nine days the mission met with, among others, the following units: BoFED, the Planning Commission, the Public Procurement Authority, the Office of the Auditor General, the Bureau of Agriculture (BoA), Bureau of Education (BoE), and Bureau of Health (BoH), the Revenue Authority, the Housing Authority, the

Water Authority, the Roads Authority, the Chamber of Commerce, and the Ethics and Anticorruption Commission (see Annex 3B for the list of people interviewed).

14. The assessment reflects the status of PFM systems and processes at the date of the end of the mission (April 25, 2019).

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

Pilot: Gender-responsive budgeting

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

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

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

19. The PEFA gender module builds on the work of other relevant stakeholders involved in GRB. This includes UN Women that has devoted significant resources to support gender equality and women's rights through GRB. The country-specific results of the PEFA gender module are intended to be complementary and linked to the collection of information, anchored by UN Women, on GRB as part of Sustainable Development Goal (SDG) indicator 5.c.1. The indicator links the policy and legal requirements for gender equality with the resources allocated for their implementation. The PEFA gender module also builds on the work of numerous individuals involved in GRB in recent decades, as well as institutions that aim to promote its importance. These include, among others, the Organisation for Economic Development and Co-operation's (OECD) analysis of GRB practices in OECD countries and the International Monetary Fund's Fiscal Affairs Department's analysis of practices in G-7 countries. More information is provided in the PEFA Secretariat Note: PEFA Gender Module: Draft for Public Consultation available on the PEFA Secretariat website.

20. Though a more advanced draft for the suggested set of indicators to be applied was circulated in February by the PEFA Secretariat (the indicator set is presented in the abovementioned Note), a more synthetic list of pillars, indicators, and questions to be applied to the Ethiopia assessments was agreed with the PEFA Secretariat in early December 2018 at the start of the fieldwork for the PEFA

assessments. The list is included in Table 1.1. UN Women has provided support to the team for the GRB component. The detailed findings are presented in Annex 8.

Table 1.1: Applied pillars for gender disaggregated information

No.	Pillar	Disaggregation of data required
1	Under Pillar II: Transparency of public finances, Indicator 9: Public access to fiscal information	Segregated data reports from the Financial Transparency and Accountability (FTA) on access to information to women. Information, if any, on how many women attend the open public hearings on budgets and to what extent their questions or needs were considered and addressed.
2	Under Pillar IV: Policy-based fiscal strategy and budgeting, Dimension 15.2: Fiscal strategy adoption and Dimension 17.2: Guidance on budget preparation	Does a published fiscal strategy exist that includes quantitative fiscal goals and qualitative objectives from Gender Equality and Women Empowerment (GEWE)? Does the legal framework for public finance and budgeting include specific provisions related to gender issues or gender budgeting? Does the guidance on budget preparation request a breakdown of outputs/activities and their budgets by gender and to what extent is it complied with? Is gender equality incorporated into overall budget guidelines (budget call and budget manual) and directives instructions from the MoF? Do implementing entities prepare their annual action plan and budget report as per the guidance provided on gender segregation? Integrated and reflected gender equality and equity government commitments on a budget speech.
3	Under Pillar IV: Indicator 18: Legislative scrutiny of budgets, Dimension 18.1: Scope of budget scrutiny	Does the scope of budget scrutiny include the budget allocated for gender? To what extent are the Women, Children, and Youth Standing Committees in parliaments and regional councils involved in analyzing the budget from gender perspective? To what extent is their feedback considered in revision of draft plans and budget?
4	Under Pillar VII: External Scrutiny and Audit, Indicator 30: External audit, Dimension 30.1: Audit coverage and standards	Are gender-based performance audits conducted? If yes, for which sectors were they conducted and how were the findings used to strengthen programs of sectors?

2. Country background information

2.1. Country economic situation

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

22. Ethiopia has registered an annual average growth rate of 10.1 percent in the first Growth and Transformation Plan (GTP I) FY2010/2011–2014/2015. The double-digit economic growth averaging 10.5 percent observed for the last 15 years was not only high and sustainable. There is significant decline in poverty incidence from 44.2 percent in FY2000 to 23.5 percent in FY2016. The trend of GTP I has continued in the GTP II period (FY2015/2016–2019/2020) even in the midst of slow global financial and economic development resulted in low commodity prices and demand as well as the impact of ‘El Niño’-induced drought and political instability slowed down the economy. In this regard, the economy continued to register impressive growth during the first two years of GTP II (FY2015/2016–2016/2017).

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

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

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

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

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

Regional government economic situation

28. Amhara is one of the nine regions and two city administrations making up the Federal Democratic Republic of Ethiopia. It is the second largest making up about 27 percent of Ethiopia's total population. With a land area of 254,708.96 km², this region has an estimated density of 108.2 people per square kilometer and an estimated population of 31 million. Amhara stretches across Northern Ethiopia and shares boundaries with Sudan and four other regional states: Tigray, Afar, Oromia, and Benishangul-Gumuz.

29. The capital city is Bahir Dar. The largest inland water Lake Tana, the source of the Blue Nile, is located in Amhara. The Government of Amhara is composed of the executive branch, led by the President, the Cabinet, 19 sector bureaus, and 12 zones, part of the administrative territorial division that coordinates 182 woredas. The legislative branch comprises the regional council, and the judicial branch consists of three levels: (a) Court of Common Pleas (woreda level); (b) District Court (municipal/zone level), and (c) Amhara National Regional State (ANRS) Supreme Court representing the highest level of state authority. Most of the population lives in the rural area, and agriculture has remained the source of livelihood for the overwhelming majority of the people. There are several industrial parks already in operation and under construction, but the main source of livelihood remains agriculture, as in the rest of the country, and construction.

30. The economic development of the region is driven by GTP II FY2016/2017–2020/2021. One of the core strategies of GTP II (FY2010/2011 to FY2014/2015) is the establishment of industrial parks. The tables below show the GDP by basic price and growth rate of Amhara by the three most developed sectors for five years. There is a constant trend of growth in these sectors with agriculture being the main source of economic activity. Of the 17 parks planned to be built by the Ethiopian government, 3 are in Amhara and they are engaged in textile and agro-processing activities.

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

Industry/Ethiopian fiscal year	2005 (2012/2013)	2006 (2013/2014)	2007 (2014/2015)	2008 (2015/2016)	2009 (2016/2017)
Agriculture	63,114	67,905	72,688	75,569	81,138
Industry	18,282	19,499	21,855	24,266	26,033
Service	33,133	37,119	40,065	44,031	47,710
GDP at constant basic price	113,885	123,529	133,451	142,330	153,518

Source: BoFED.

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

Industry/Ethiopian fiscal year	2005 (2012/2013)	2006 (2013/2014)	2007 (2014/2015)	2008 (2015/2016)	2009 (2016/2017)	Average growth rate (2005–2009)
Agriculture	8.19	7.59	7.04	3.96	7.37	6.83
Industry	15.70	6.66	12.08	11.03	7.28	10.55
Service	12.31	12.03	7.93	9.90	8.36	10.11
GDP growth rate	10.50	8.50	8.00	6.70	7.90	8.30

Source: BoFED.

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

Industry/Ethiopian fiscal year	2005 (2012/2013)	2006 (2013/2014)	2007 (2014/2015)	2008 (2015/2016)	2009 (2016/2017)
Agriculture	55.42	54.97	54.47	53.09	52.85
Industry	16.05	15.79	16.38	17.05	16.96
Service	29.09	30.05	30.02	30.94	31.08

Industry/Ethiopian fiscal year	2005 (2012/2013)	2006 (2013/2014)	2007 (2014/2015)	2008 (2015/2016)	2009 (2016/2017)
GDP growth rate	100.00	100.00	100.00	100.00	100.00

Source: BoFED.

31. Other sectors such as education and health also prepare five-year strategic plans that are aligned with the GTP.

32. There are 14 public corporations in Amhara established under Article 236 of Proclamation issued in 2008 with fully state-owned capital and two PPPs. The profit is reinvested into establishment of new enterprises. The usual activities are manufacturing (metal works and agro-processing) as well as horticulture and road construction. The private sector is poorly developed with working capital provided by the bank credits that are rarely secured. Land for development of industry is available on lease. The process of acquiring land is complicated, bureaucratic, and often discouraging to investors.

33. The key investment sectors are agriculture and food processing, manufacture, and construction. The number of investment projects grows from year to year with capital of ETB 10 billion in 2015, ETB 13.6 billion in 2016, and ETB 104.5 billion in 2017. Among the main projects is the steel and brewery factory in Kombolcha. In terms of the number of small and micro-scale enterprises, Amhara ranks first followed by Oromia and Tigray. This also makes it the region with the highest volume of credits extended for development of small business.

34. The percentage of people with access to potable water has increased within a year from 75 percent in 2017 to 82 percent in 2018. Inflation increased from 2017 to 2018 by 4.2 percent.

2.2. Fiscal and budgetary trends

35. The Amhara Region has been continuously growing for the past decade and registered an average GDP growth of 8.61 percent between EFY 1998 (2005/2006) to EFY 2009 (2016/2017). This growth helped the GDP grow from 62 billion to 154 billion in the same period. This has significantly contributed to reduction of poverty in the region. The total revenue of the region has grown from 27 billion to 37 billion between EFY 2008 and EFY 2010. The contribution of tax and other domestic revenue has been on average around 27 percent, while subsidy from the federal government constitutes a little more than 70 percent of the total revenue.

Table 2.4: Aggregate fiscal data

Regional government actuals (ETB, millions)			
	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Total revenue	27,464	33,842	36,608
Subsidy from the federal government	19,720	24,895	26,057
Tax and other domestic revenue	7,513	8,766	10,376
External assistance	231	181	175
Total expenditure	25,962	32,955	36,130
Surplus	1,502	887	478

Source: Amhara BoFED.

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

Table 2.5: Budget allocations by function

Actual budgetary allocations by sector (as a percentage of total expenditures)			
	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Organs of the government	7	8	8
Justice and security	7	7	8
General services	5	4	5
Agriculture and natural resources	8	8	9
Water resources development	7	5	6
Trade and transport	4	4	3
Mining and energy	0	0	0
Transport and urban development	6	6	5
Rural road	5	3	3
Education	31	33	34
Information and communication technology (ICT)	0	0	0
Youth and sport	1	1	1
Health	12	12	13
Urban development and house construction service	5	5	5
Workers and social affairs	0	0	0
Others	3	2	2
Total	100	100	100

Source: Amhara BoFED.

37. Personnel cost, as a share of total expenditure, has been increasing in the past three years and reached 58 percent in EFY 2010 from 47 percent in EFY 2008. However, capital expenditures (fixed assets and construction) have decreased from 30 percent to 22 percent in the same period. This could have a negative impact on long-term development of the region. Table 2.6 shows budget allocation by economic classification.

Table 2.6: Budget allocations by economic classification

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Personnel services	47	53	58
Goods and services	16	15	14
Fixed assets and construction	30	25	22
Grants, contributions, and subsidies to institutions and enterprises	8	8	6
Government investment	0	0	0
Miscellaneous payments	0	0	0
Total	100	100	100

Source: Amhara BoFED.

2.3. Legal and regulatory arrangements for PFM

38. The Amhara regional government is one of the 11 state members of the Federal Democratic Republic of Ethiopia established by the Federal Constitution. Under the Constitution, the regions have extensive economic autonomy and judicial powers. The revised Constitution of the region, Proclamation No. 59/2001, stipulates that the regional council, being the legislative organ of the regional state, shall be the supreme organ of state power. The highest executive organ of the regional state is the council of the regional government (the Cabinet), headed by the President, and accountable to the regional council. The judicial power of the regional state resides solely and exclusively in the regional judiciary. All proclamations are approved by the regional council and

regulations are approved by the regional cabinet. The respective bureaus also issue internal directives. The regional government has, among others, the powers to:

- Set out the economic and social development policy, strategy, and plan of the regional state and work toward their implementation;
- Administer land and natural resources, in accordance with laws enacted by the federal state;
- Levy and collect taxes and other duties on any sources of revenue reserved to the jurisdiction of the regional state, as well as prepare and issue its own budget and implements;
- Levy and collect income tax on and from the employees of the regional government and private enterprises;
- Determine and collect rural land user fees;
- Levy and collect agricultural income tax;
- Levy and collect tax on and from the revenue generated from houses and properties under private ownership situated in the regional state and to collect rental payments from houses and other forms of property under public ownership of the regional government;
- Levy and collect business profit, personal income, sales, and excise taxes on and from development enterprises operated under the ownership of the regional government;
- Fix and collect royalty to be derived from forest resources; and
- Share income with the federal government as determined by the federal law.

39. The public financial administration of the region is mainly governed by Proclamation No. 178/2011, a proclamation issued to provide for the Revised Finance Administration Proclamation of the Amhara national Regional State. The proclamation defines

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

40. Proclamation No. 179/2011 establishes the regions procurement and property administration. It defines the powers and duties of different organs involved in procurement and property administration, the basic procurement methods and procedures, types of procurements and conditions and procedures for each type, disposal procedures, public property administration procedures, and appeal procedures.

41. The regional government's revenue collection mandate is determined by Proclamation No. 168/2010, a proclamation to provide for the reestablishment and arrangement of powers and duties of the Amhara National Regional State (ANRS) Revenues Authority. This proclamation sets out the

powers and duties of the authority, structure of the authority, and responsibilities for regional police and courts with respect to tax enforcement. There are additional proclamations, regulations, and directives adopted by the region with respect to the different taxes enacted by the region such as income tax, value added tax (VAT), turnover tax, excise tax, and so on.

42. External audit of the region is performed by the independent ORAG, which was established by Proclamation No. 186/2011 and amended with Proclamation No. 267/2019, an amendment proclamation of the Office of Auditor General to establish and determine its power and duties in ANRS. This proclamation defines the power and duties of the auditor general, the procedures for appointment and removal of the auditor general, budget approval procedures of the office, duty to provide information, and so on. Table 2.7 outlines the regional government structure.

Table 2.7: Overview of Amhara Region governance structure

Government level	Corporate body (Yes/No)	Own political leadership (Y/N)	Approves own budget (Yes/N)o	Number of jurisdictions	Average population	Percentage of public expenditure	Percentage of public revenue	Percentage funded by transfers
Regional	Yes	Yes	Yes	1	22 million	20	26	72
Zones	No	Yes	Yes	12				
Woreda	No	Yes	Yes	182		80	74	

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

- All federal government financial management and tax proclamations define the regional government's PFM structure:
 - Proclamation on the definition of power and duties of the executive organs (04/1995)
 - Proclamation establishing the Office of the Federal Auditor General No. 68/1997
 - Proclamation on the establishment of Ethics and Anticorruption Commission (235-2001)
 - Financial Administration Proclamation No. 648/2009, August 6, 2009
 - Procurement and Property Administration Proclamation No. 649/2009, September 9, 2009
 - Proclamation No. 883/2015 Revised Federal Ethics and Anticorruption
 - Proclamation No. 970/2016 Federal Government of Ethiopia Financial Administration (Amendment) Proclamation
 - Proclamation No. 979/2016 Federal Income Tax Proclamation
- There are two tiers of governments under the regional government: (a) zones and (b) woredas. There are 12 zones and 182 woredas.
- The ANRS was established by the Constitution of EFY 1994 (GC 2001)

2.4. Institutional arrangements for PFM

Budgetary systems

- To a large extent, federal government laws guide ANRS budget processes; for instance, actual subsidies to zones and woredas are heavily dependent on actual transfers from the federal government.
- The regional government prepares its own budget. The budget is appropriated by the regional council without federal government interference.
- The regional government allocates subsidies (block transfers) to woredas and city administrations, which in turn appropriate their budget using their own councils.
- The regional government has two main treasury accounts; these are kept at the National Bank of Ethiopia. With the approval of the Regional Finance and Economic Cooperation Bureau, most budgetary entities maintain own revenue accounts with the Commercial Bank of Ethiopia (CBE).
- The regional government maintains its treasury bank accounts with the National Bank of Ethiopia.

Institutional (political and administrative) structures

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

PFM functions

- **Payment.** The regional government commits and pays for its expenditure without federal government interference.
- **Revenue administration.** It raises its own revenues in line with regional government revenue laws.
- **Performance arrangements for service delivery involving the subnational government (SNG).** BoFED transfers funds to woredas for service delivery in accordance with regional government policy.
- **Monitoring of public corporations.** The regional government has a duty to monitor public corporations.
- **Monitoring of lower tiers of SNGs.** The regional government monitors zones and zones monitor woredas and receive timely annual financial reports.

- **Public investment.** Public investment management is managed by BoFED in collaboration with the Regional Planning Commission. It uses internal guidelines for Public Investment Projects (PIPs).
- **Management, monitoring, and recording of assets.** The management, monitoring, and recording of fixed assets are decentralized, with each budgetary unit responsible for managing and safeguarding its assets. Disposal of fixed assets is done mostly centrally, through the Public Procurement and Property Disposal Service (PPPDS).
- **Debt management.** Article 40 of Financial Administration Proclamation of Amhara (178/2011) states that BoFED may borrow money domestically or issue a guarantee or securities on behalf of the regional government.
- **Macroeconomic forecasting.** The regional government prepares macroeconomic forecasts with its GDP assumptions; other assumptions such as interest and inflation rates are determined by the federal government.
- **Cash monitoring and forecasting.** Annual cash forecasting is not performed.
- **Payroll.** Payroll is decentralized, with each budgetary unit managing its own payroll.
- **Procurement.** Each unit prepares procurement plans, but these are not published. Data on procurement are available but may not be complete and accurate.
- **Internal audit.** It is decentralized with each budgetary unit having an internal audit unit. It prepares Annual Internal Audit Plan. Annual and quarterly audit reports are prepared but conformity to international standards is low.
- **Financial reporting.** Annual financial reports are prepared and submitted to ORAG for audit.
- **External audit.** ORAG conducts audit of the accounts of the regional government annually and report to the council.
- **Parliamentary oversight.** The regional council reviews the audit reports through the Public Accounts Committee (PAC).

Structure of the public sector

44. Tables 2.8, 2.9, and 2.10 outline the structure of the public sector and regional government operations. The regional government has 12 zones and 182 woredas under the zones. There are 14 public corporations, but no extra-budgetary units (EBUs). An EBU is defined in accordance with the IMF Government Finance Statistics (GFS) 2014 definition, which is also reported in the Field-Guide page 46, clarifications 6.1, 6.2, and 6.3. According to the IMF GFS definition, EBUs are separate units that operate under the authority or control of a central government (or in the case of an SNG assessment, the state or local government). They may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, EBUs have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction or the nonmarket production of health or education services. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as ‘extra-budgetary funds’ or ‘decentralized agencies’ (GFS Manual 2014, Chapter 2, Section 2.82).

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

2017/2018	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
	Budgetary unit	EBUs		Nonfinancial public corporations	Financial public corporation
SNG (Amhara)	1	0	0	14	0
1st tier subnational (zones)	12	0	0	0	0
2nd tier subnational (woreda)	182	0	0	0	0

Source: BoFED.

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

2017/2018	Regional government			
	Budgetary unit	EBUs	Social security funds	Total aggregated
Revenue	37,693	No data	NA	37,693
Expenditure	37,693	No data	NA	37,693

Source: BoFED 2017/2018 budget.

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

2017/2018	Regional government			
	Budgetary unit	EBUs	Social security funds	Total aggregated
Revenue	36,608	No data	NA	36,608
Expenditure	36,130	364	NA	36,494
Transfers to (-) and from (+) other units of general government	2,544	No data	NA	2,544
Liabilities	6,034	No data	NA	6,034
Financial Assets (cash + cash equivalent)	15,968	No data	NA	15,968
Non-financial assets	No data	No data	NA	No data

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

Institutional responsibilities for PFM

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

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

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

48. As per the Regional Financial Administration Proclamation No. 178/2011, BoFED has the power to supervise and monitor the financial administration of the region and oversee the internal audit functions of public bodies. The public bodies are responsible for managing the budgets allocated to their sectors. There is an internal audit function at each public body reporting administratively to BoFED. Taxes and duties are collected by the Regional Revenue Authority and all collections flow to the consolidated fund account at BoFED treasury account. Payroll and procurement are decentralized to the BIs. Independent external audit is provided by ORAG, which reports to the council.

Requirements for internal control

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

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

the operations on budget execution and reporting. The software allows regular data entry, filling in, and submission of various budget preparation and execution forms. This system is to be used for all intercommunication among budget entities. Budget preparation and execution is to be communicated to the regional council. The annual financial report is to be comprehensive of all financial data and be made public.

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

2.5. Other key features of PFM and its operating environment

50. The regional government has 19 sector bureaus, 12 zones, and 182 woredas. Three of the zones are national zones and are vested with jurisdictional power to appropriate their own budget as per the block subsidy allocation from the region using their own council. The remaining zones are branches of the regional government and have only limited administrative functions. The woredas have legal status, prepare and approve their budgets, execute the same, and report to the regional finance bureau (BoFED) as well as their own councils. IBEX is used for budget management and financial reporting by all budgetary units at the regional, zonal, and woreda levels. IBEX has budget, accounts, budget adjustment, budget control, disbursement, and accounts modules. IBEX functions online and as a stand-alone system, and monthly reports are submitted online by those BIs connected with BoFED and soft copies of reports are submitted by those BIs using the stand-alone system.

3. Assessment of PFM performance

HGL-1 Transfers from a higher-level government

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
HLG-1 Transfers from a higher-level government	D+	Scoring method M1
HLG-1.1 Outturn of transfer from higher-level government	A	Transfers were more than 95% compared to the original budget in all the last three completed fiscal years. Actual transfers have been 100% in 2015/2016, 108% in 2016/2017, and 99% in 2017/2018.
HLG-1.2 Earmarked grants outturn	D	Transfers of earmarked grants deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/2016, 40% in 2016/2017, and 20% in 2017/2018.
HLG-1.3 Timeliness of transfer from higher-level government	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review.

HLG-1.1 Outturn of transfer from higher-level government

51. Generally, planned transfers have been received in full from the federal government in all the three years. As shown in Table 3.1, the outturn was 100 percent in EFY 2008 and exceeded the target in EFY 2009 at 108 percent, while it was slightly below budget at 99 percent in EFY 2010. This performance helped the regional government to have a credible revenue budget and meet the overall planned regional government revenue as federal grants constitute more than 70 percent of total revenue.

Table 3.1: Outturn of transfer from the federal government (ETB)

	EFY 2008 2015/2016	EFY 2009 2016/2017	EFY 2010 2017/2018
Original budget	19,720,021,644	23,091,314,366	26,359,273,372
Actual transfer	19,720,036,126	24,894,514,216	26,056,582,006
% outturn	100	108	99
% deviation	0	8	-1

Source: Amhara BoFED.

Dimension score: A

HLG-1.2 Earmarked grants outturn

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

Table 3.2: Outturn of transfer from earmarked grants (ETB)

	EFY 2008 2015/2016	EFY 2009 2016/2017	EFY 2010 2017/2018
Original budget	2,788,800,000	2,788,800,000	1,512,000,000
Actual transfer	2,788,800,000	1,673,280,000	1,209,599,993
% outturn	100	60	80
% deviation	0	-40	-20

Source: Amhara BoFED.

Dimension score: D

HLG-1.3 Timeliness of transfer from higher-level government

53. There was an even disbursement of transfers (subsidy) to the region from the federal government for the last three completed fiscal years. The transfers are made on a monthly basis. The disbursements are categorized into recurrent (account code 1601) and capital (account code 1602). For EFY 2008, actual recurrent disbursements were between ETB 1 billion and ETB 1.2 billion over 12 months; capital disbursements were between ETB 630 million and ETB 660 million. The trend was similar for the next years, ETB 1.5–1.6 billion for recurrent and ETB 630–650 million for capital in EFY 2009 and ETB 1.5–1.6 billion for recurrent and ETB 650–700 million for capital budget in EFY 2010.

Dimension score: A

PILLAR I: Budget reliability

PI-1 Aggregate expenditure outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1 Aggregate expenditure outturn	A	Scoring method M1
PI-1.1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was 95–105% of the approved aggregate budgeted expenditure in all three last fiscal years.

PI-1.1 Aggregate expenditure outturn

54. Aggregate expenditure outturn for the last three completed fiscal years is reliable, as shown in Table 3.3. It was 95.1 percent in EFY 2008, 100.6 percent in EFY 2009, and 95.9 percent in EFY 2010. As a result, aggregate expenditure outturn was 95–105 percent of the approved aggregate budgeted expenditure in all three fiscal years. The calculations upon which the table is based are reported in Annex 5.

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

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Budget	27,297.88	32,767.57	37,693.14
Actual	25,962.06	32,955.22	36,129.94
% turnout	95.1	100.6	95.9

Source: BoFED Budget Directorate.

Dimension score: A

PI-2 Expenditure composition outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-2 Expenditure composition outturn	C+	Scoring method M1
PI-2.1 Expenditure composition outturn by function	C	Variance in expenditure composition by administrative classification was less than 15% in at least two of the last three years (10.4% in EFY 2008, 27% in EFY 2009, and 9.5% in EFY 2010).
PI-2.2 Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years (10% in EFY 2008, 11.9% in EFY 2009, and 7.1% in EFY 2010).
PI-2.3 Expenditure from contingency reserves	A	Actual expenditure charged to the contingency vote was on average less than 3%.

PI-2.1. Expenditure composition outturn by function

55. As shown in Table 3.4, variance in expenditure composition by administrative classification was 10.4 percent, 27 percent, and 9.5 percent in EFY 2008, 2009, and 2010, respectively. The calculations upon which the table is based are reported in Annex 5.

Dimension score: C

PI-2.2 Expenditure composition outturn by economic type

56. As shown in Table 3.4, variance in expenditure composition by administrative classification was 10.0 percent, 11.9 percent, and 7.1 percent in EFY 2008, 2009, and 2010, respectively. The calculations upon which the table is based are reported in Annex 5. The economic classification is compliant with the GFS standard (up to the 3-digit classification). The Financial Administration Proclamation of the Region stipulates that budget transfers from capital to recurrent budget are not allowed and BoFED is empowered to approve all transfers; however, it can delegate its powers to BIs to make transfers. Transfers between public bodies are made mostly on a quarterly basis upon approval of the cabinet. Some expenditures such as personnel costs for new employees and training costs are not included in each public body's budget, rather they are proclaimed under BoFED, and transfer is made later during the year after some conditions are fulfilled. This coupled with poor planning contributed to high budget adjustments.

Table 3.4: Composition variance by functional and economic classification and contingency (%)

Year	For PI-2.1 Composition variance by function	For PI-2.2 Composition variance by economic type	For PI-2.3 Contingency share
EFY 2008 (2015/2016)	10.4	10.0	0
EFY 2009 (2016/2017)	27.0	11.9	
EFY 2010 (2017/2018)	9.5	7.1	

Source: BoFED Budget Directorate.

Dimension score: C

PI-2.3 Expenditure from contingency reserves

57. Actual expenditure charged to the contingency vote was on average less than 3 percent. In all the past three completed fiscal years, actual expenditure charged to the contingency vote was 0 percent (refer to Table 3.4). The calculations upon which the table is based are reported in Annex 5. The practice of the region is that contingency budget is proclaimed at the BoFED level only and transfer is made to public bodies upon request. Contingency reserves are used to meet unforeseen expenditures that could not be included in their original budget or when it is ascertained that payments are not effectuated for goods supplied and services rendered in the previous year; however, the law does not state the limit on contingency vote as a percentage of total expenditure. Nonetheless, the regional government has consistently adhered to the practice of not spending beyond the approved contingency vote, which reflects a good budget practice.

Dimension score: A

PI-3 Revenue outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3 Revenue outturn	C	Scoring method M2
PI-3.1 Aggregate revenue outturn	B	Actual revenue was 94–112% of budget revenue in all last three years (105% in EFY 2008, 94% EFY 2009, and 95% in EFY 2010).
PI-3.2 Revenue composition outturn	D	Variance in revenue composition was more than 15% in all the last three years (24.7% in EFY 2008, 47.1% in EFY 2009, and 32.4% in EFY 2010).

PI-3.1 Aggregate revenue outturn

58. The regional government revenue budget is reliable, as evidenced in Table 3.5. It was 105 percent in EFY 2008, 94 percent EFY 2009, and 95 percent in EFY 2010. The calculations upon which the table is based are reported in Annex 5. Transfers (subsidies) from the federal government, which account for more than 70 percent of the total revenue of the region, are excluded from the calculation as required by the SNG Adapted Field-Guide. Apart from transfers, the major revenues that are collected by the region are tax, assistance, and other revenues. The performance of tax revenues against the budget was good. Other revenues were below target in all the three years. However, this was partially compensated by overcollection of assistance in all the three years.

Table 3.5: Comparison of budgeted revenue against actual outturn (ETB, millions)

	EFY 2008 2015/2016	EFY 2009 2016/2017	EFY 2010 2017/2018
Original budget	7,578	9,676	11,334
Actual outturn	7,975	9,128	10,727
Actual outturn %	105	94	95

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

Dimension score: B

PI-3.2 Revenue composition outturn

59. Even though the total revenue budget is reliable, as mentioned in PI-3.1, the revenue composition outturn was rather high at 24.7 percent in EFY 2008, 47.1 percent in EFY 2009, and 32.4 percent in EFY 2010 (refer to Annex 5). This occurred because of low budget performance of other

revenues such as municipality revenue, sale of goods and services, administrative fees, investment income, and so on and overcollection of assistance in all the three years.

Dimension score: D

PILLAR II: Transparency of public finances

PI-4 Budget classification

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4 Budget classification	B	Scoring method M1
PI-4.1 Budget classification	B	Budget formulation, execution, and reporting are based on administrative, economic (at least 'group' level of the GFS standard - 3 digits), and functional classification using a classification that can produce consistent documentation comparable with Classification of Functions of Government (COFOG) standards.

PI-4.1 Budget classification

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

Dimension score: B

PI-5 Budget documentation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5 Budget documentation	D	Scoring method M1
PI-5.1 Budget documentation	D	The budget documentation fulfills no elements.

PI-5.1 Budget documentation

61. The documentation that was sent to the regional council for the examination and approval of the EC 2011 budget, on which the table is based, was the following: (a) the draft budget proclamation, (b) the budget speech, and (c) subsidy allocation to woredas. The budget documentation fulfills no elements.

Table 3.6: Budget documentation benchmarks

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

Dimension score: D

PI-6 Regional government operations outside financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6 Regional government operations outside financial reports	A	Scoring method M2
PI-6.1 Expenditure outside financial reports	A	There is no expenditure outside government financial reports.

Indicator/Dimension	Score	Brief justification for score
PI-6.2 Revenue outside financial reports	A	There is no revenue outside government financial reports.
PI-6.3 Financial reports of extra-budgetary units	NA	There are no EBUs at the level of the Amhara Region.

PI-6.1 Expenditure outside financial reports

62. There is no expenditure outside government financial reports.

Dimension score: A

PI-6.2 Revenue outside financial reports

63. Mostly in the health sector, BIs such as hospitals and health centers have the right to use their own retained revenue. This is, however, reported in the proclamation at the budget formulation stage and in the accounts at the reporting stage. The Roads Fund is a Government of Ethiopia fund established to provide for timely payment of contractors contracted to implement federal government road projects and should be budgeted for at the federal level. It is also active at the level of Amhara Region and its operations are administered by the Rural Roads Authority (RRA), the expenditure and revenue of which are reported because it is a budgetary institution. There is thus also no revenue outside government financial reports.

Dimension score: A

PI-6.3 Financial reports of extra-budgetary units

64. There are no EBUs at the level of the Amhara Region.

Dimension score: NA

PI-7 Transfers to subnational governments

Summary of scores and performance table

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

PI-7.1 System for allocating transfers

65. The horizontal allocation formula is revised annually and approved by the regional council after review by the Budget and Finance Standing Committee (BFSC). The horizontal allocation of transfers to woredas and city administrations is transparent and rule based. The regional government uses the unit cost approach for recurrent budget and selected development indicators for capital budget. Spending capacity of the woredas is also considered. Out of the total grant, 80 percent is for recurrent expenditure and 18 percent for capital expenditure, and 2 percent is distributed based on spending capacity. The unit cost approach for recurrent budget is based on 'minimum standard

service' on strategic sectors, that is, education, health, agriculture, animal resources, and provision of clean water. Five indicators are used for capital budget allocation in four sectors (education, health, animal resources, and water). These are student/classroom ratio, education enrollment, basic health service coverage, animal clinic/animal ratio, and coverage of clean water. The assessment teams analyzed the transfers to woredas and city administrations for EFY 2010 and found that **all** transfers were executed in compliance with the formula (refer to Table 3.7).

Table 3.7: Transfers to woredas and city administrations for EFY 2010

Transfer to woredas and city administrations (ETB)	% compliant with the formula
18,015,418,330	100

Source: Amhara BoFED Treasury Directorate.

Dimension score: A

PI-7.2 Timeliness of information on transfers

66. The regional government sends the budget call circular (BCC), which includes an indicative ceiling, to woredas and city administrations in March, after the indicative ceiling is received from the federal government. The regional government received the approved initial ceilings on subsidies from the federal government on June 20, 2017, for FY2017/2018. However, the woredas and city administrations are not notified with the revised ceiling at this stage, but rather they are notified with the final approved subsidy by the regional council. The regional council approved the budget for EFY 2010 on November 18, 2009, 18 days after the beginning of the fiscal year, and woredas and city administrations were notified within seven days of the approval.

Dimension score: D

PI-8 Performance information for service delivery

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8 Performance information for service delivery (M2)	C+	Scoring method M2
PI-8.1 Performance plans for service delivery	C	A framework of performance indicators relating to the outputs or outcomes of the majority (66%) of ministries is in place.
PI-8.2 Performance achieved for service delivery	D	Information is prepared annually but not published on the activities performed for the majority of sectors.
PI-8.3 Resources received by service delivery units	A	Information on resourced received by frontline service delivery units is collected annually and recorded for at least two large ministries, disaggregated by sources of funds. A report compiling the information is prepared at least annually.
PI-8.4 Performance evaluation for service delivery	C	Evaluations of the efficiency or effectiveness of service delivery have been carried out for some ministries at least once within the last three years.

PI-8.1 Performance plans for service delivery

67. The BoH, BoE, BoA, Bureau of Water, and Bureau of Road and Transport (BoR&T) prepare key performance indicators (KPIs), outputs to be produced, and outcomes. These are included in the annual plans of each sector. Examples of KPIs for education include the number of all primary school

teachers by zone and sex (urban/rural), enrollment of students in general secondary school by grade level and woreda, and enrollment of students by grade level and woreda in all primary schools. Examples of KPIs for health include maternity and child care support, provision of vaccine, and infant nutrition. Examples of KPIs for agriculture include number of farmers to be supported by extension package number of farmers to be trained with improved technology, and area to be covered by solid and water conservation. Examples of KPIs for water include number of water holes to be developed, clean water coverage, and area to be covered by irrigation. Examples of KPIs for roads include rural road coverage, mass transport coverage in towns, and reduction of road accident. However, the indicators are not published. The actual expenditure for these sectors combined for EFY 2010 was 66 percent of total expenditure.

Dimension score: C

PI-8.2 Performance achieved for service delivery

68. The BoH, BoE, BoA, Bureau of Water, and BoR&T prepare annual reports on the outcomes achieved. For education, the results are issued every year in the Annual Education Statistics Abstract. For the other sectors they are issued in the Annual Performance Reports. These outcomes are defined similarly to the KPIs. The information is not published. As mentioned under PI-8.1, the combined annual actual expenditure for these sectors combined in EFY 2010 was 66 percent of total expenditure.

Dimension score: D

PI-8.3 Resources received by service delivery units

69. Information on resources received by frontline service delivery units has been collected and recorded at the level of the BoH and BoE annually for the past three completed fiscal years. The information is disaggregated by sources of funds and is compiled annually in a report: the Annual Education Statistics Abstract for education and the Annual Performance Report for health. For instance, for education, ETB 310 million was received in school grants from the federal government and distributed to 8,475 primary schools, 415 secondary schools, and 152 special needs schools. Internal revenue of ETB 534 million was collected by primary and secondary schools. Community contribution of ETB 240 million was received in the form of cash, in kind and labor in EFY 2010.

Dimension score: A

PI-8.4 Performance evaluation for service delivery

70. Internal evaluations of the efficiency and effectiveness for service delivery are carried out quarterly and annually in the health, education, agriculture, water, and roads sectors. Quarterly meetings are conducted by health and education sectors with representatives from zones, woredas, and other stakeholders to evaluate performance. Management also conducts supervision visits and produces reports. An external midterm review has been conducted on the five-year education sector development plan of the region by the Federal Ministry of Education in conjunction with Jimma University. However, these reports are not published. Actual expenditure of these sectors combined for EFY 2010 was 66 percent (more than the majority) of total expenditure.

Dimension score: C

PI-9 Public access to fiscal information*Summary of scores and performance table*

Indicator/Dimension	Score	Brief justification for score
PI-9 Public access to fiscal information	D	Scoring method M1
PI-9.1 Public access to fiscal information	D	The government makes available to the public one basic element, in accordance with the specified time frames.

*PI-9.1 Public access to fiscal information***Table 3.8: Public access to key fiscal information**

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (means of availability)
Basic elements			
1.	Annual executive budget proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature.	No	—
2.	Enacted budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	Immediately after the proclamation's approval by the regional council, the council conference in which the proclamation has been approved is transmitted on TV, radio, and other mass media. The enacted budget is also posted on the BoFED website (www.amharaBoFED.Gov.et) within two weeks of the budget law vote.
3.	In-year budget execution reports: The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	No	The in-year budget execution reports are not publicly available at the regional administration level, though at the woreda and city administration levels they are publicized on the billboards within the FTA program initiative.
4.	Annual budget execution report: The report is made available to the public within six months of the fiscal year's end.	No	
5.	Audited annual financial report, incorporating or accompanied by the external auditor's report: The report(s) are made available to the public within 12 months of the fiscal year's end.	No	
Additional elements			
6.	Pre-budget statement: The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year.	No.	

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (means of availability)
7.	Other external audit reports: All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	No	The contents of the audit report are available on time through the media, but the audit reports themselves are not publicly available. ORAG's website has not been working for the past two months.
8.	Summary of the budget proposal: A clear, simple summary of the executive's budget proposal or the enacted budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	No	
9.	Macroeconomic forecasts: The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	No	

71. The government makes available to the public one basic element, in accordance with the specified time frames.

Dimension score: D

PILLAR III: Management of assets and liabilities

PI-10 Fiscal risk reporting

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10 Fiscal risk reporting	D+	Scoring method M2
PI-10.1 Monitoring of public corporations	C	74.3% (by value) of public enterprises submitted their 2017/2018 annual audited accounts to the Public Enterprises Supervision and Follow-up Authority within six months. 25.7% by value submit after 6 months but within 9 months. This means 100% submit within 9 months. The authority prepares an annual fiscal risk report. However, neither the fiscal risk report nor the annual audited report of each public enterprise is published.
PI-10.2 Monitoring of subnational governments	D	Neither the consolidated audit reports (which contain woreda financial statements) nor the unaudited financial

Indicator/Dimension	Score	Brief justification for score
		reports of woredas are published.
PI-10.3 Contingent liabilities and other fiscal risks	D	Though there are records of some significant contingent liabilities, the regional government does not report these in its AFSs. Also, it does not monitor or report fiscal risks arising out of PPPs.

PI-10.1 Monitoring of public corporations

73. In 2015, the Regional Council of Amhara passed Proclamation No. 236/2015, establishing the Public Enterprises Supervision and Follow-up Authority to, among others, support, monitor, and evaluate the performance of all SoEs within the regional state. In accordance with Article 30 of Proclamation No. 236/2015, the authority has the power to appoint external auditors in consultation with the Regional Auditor General to carry out external audit of each public enterprise. Presently, there are 14 public enterprises in Amhara, 12 of which have completed and submitted their 2017/2018 annual statements and audit reports to the authority at the time of drafting this report. As shown in Table 10.1, 74.3 percent, by value, of public enterprises submitted their audited accounts for FY2017/2018 to the authority within six months and 25.7 percent by value did so after six months (within 9 months). The authority prepares a consolidated fiscal risk report, detailing the financial strengths and weaknesses of each enterprise. That said, neither the annual audited accounts of each public enterprise nor the consolidated fiscal risk report is made available to the public. Additional information on SoEs is included in Annex 7.

Table 3.9: Financial reports of public corporations (FY2017/2018)

Public corporations	Date of audited financial statements	Total expenditure	As a % of total expenditure of public corporations	Are contingent liabilities of the public corporation disclosed in the financial report? (Yes/No)
Road, Building Design & Construction Supervision	03/10/2018	18,291,859.06	5.0	No
Design & Supervision Works Enterprise	12/12/2018	38,129,805.72	10.5	No
Water Well Drilling Enterprise	07/11/2018	27,062,112.76	7.4	No
Road Works Enterprise	21/11/2018	180,642,981.44	49.6	No
Urban Development & Construction S.C.	28/01/2019	7,543,203.08	2.1	No
Seed Enterprise	05/03/2019	26,472,477.26	7.3	No
Building Works Construction	27/02/2019	52,439,325.95	14.4	No
Kombolcha Poultry Resource Dev. Enterprise	17/12/2018	4,190,489.49	1.2	No
Lake Tana Transport Enterprise	12/12/2018	2,162,930.51	0.6	No
Gosh Meda Pipe & Plastic Products Enterprise	27/03/2019	2,182,466.93	0.6	No
Forestry Enterprise	02/01/2019	485,864.68	0.1	No

Public corporations	Date of audited financial statements	Total expenditure	As a % of total expenditure of public corporations	Are contingent liabilities of the public corporation disclosed in the financial report? (Yes/No)
Metal Industry & Machine Technology	06/03/2019	4,304,831.25	1.2	No
Total expenditure	—	363,908,348.13	—	—
Audit reports submitted within six months after year end				74.3%
Audit reports submitted after six months of year end				25.7%

Source: Public Enterprises Supervision and Follow-up Authority.

Dimension score: C

PI-10.2 Monitoring of subnational governments

74. Article 49(c) of Regulation 37/2005 of the Financial Administration of Cities and Municipalities of Amhara Region allows woreda cities and municipalities to borrow from local commercial banks with guarantee from the regional government (BoFED). As indicated under PI-10.3, loans totaling ETB 48.49 billion have been guaranteed by the government. That said, this information is not reported in the AFSs nor consolidated into a fiscal risk report. At present, there is no systematic and formalized reporting framework for woredas and zones to the regional government. Woredas and zones do not submit periodic annual financial reports to BoFED. The standard practice is that all woredas use IBEX for budget management and financial reporting, which is consolidated by BoFED and assumed to be submission of the AFSs. Neither the consolidated audit reports (which contain woreda financial statements) nor the unaudited financial reports of woredas are published.

Dimension score: D

PI-10.3 Contingent liabilities and other fiscal risks

75. Presently, there are six PPP arrangements, out of which two are operational. The regional government, however, does not monitor the activities of these PPPs to ascertain the fiscal risk they pose to the government. In addition to these PPPs, a number of guarantees have been issued for city and urban administrations and the Agriculture Products Supply Agency, which supplies fertilizers and farm inputs to farmers. Available records show that the regional government has guaranteed loans to the Dessie City Administration to the tune of ETB 46.2 billion for the purchase of construction equipment. Also, Kombolcha City has a guarantee of ETB 20 million for the purchase of construction equipment. The Agriculture Products Supply Agency received a guarantee of ETB 2.09 billion for the purchase of agriculture inputs; there is an outstanding balance of ETB 123.4 million to be repaid by the Agriculture Products Supply Agency. Though there are records of some significant contingent liabilities, the regional government does not report these in its AFSs.

Dimension score: D

PI-11 Public investment management

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-11. Public investment	D+	Scoring method M2

Indicator/Dimension	Score	Brief justification for score
management		
PI-11.1 Economic analysis of investment projects	C	The Planning Commission has adopted an EC 2006 federal project investment management guideline, but this is rarely used and not known to implementing units. It is also not published. That said, implementing units undertake feasibility studies for all projects but the results are not published.
PI-11.2 Investment project selection	C	Project selection for inclusion into the annual budget is largely based on regional government priorities (which include water, irrigation, health, education, animal grazing, and rural roads), even though some of these projects are selected purely based on the results of the feasibility studies conducted.
PI-11.3 Investment project costing	D	At present, the annual budget has no medium-term expenditure framework (MTEF); the budget only shows cost implication of projects for the current year, with no projections of forthcoming year. Nonetheless, the Project Appraisal Document provides information of total capital cost together with associated recurrent cost.
PI-11.4 Investment project monitoring	C	The Monitoring and Evaluation (M&E) Directorate of the Planning Commission is weak in terms of project monitoring and supervision, as it has only one staff. That said, the implementing unit monitors investment projects through physical inspection and periodic (quarterly) financial progress reports. The AFSs also report on actual expenditure of the projects. Both physical and financial progress reports are not published.

PI-11.1 Economic analysis of investment projects

77. There is no specific definition referencing ‘major investment project’ as far as the Amhara regional government is concerned. Pages 37 and 84 of the PEFA Framework 2016 and the PEFA Field Guide 2018, respectively, define major investment projects as “total investment cost of project amounting for 1 percent or more of total annual budget expenditure” and these investment projects are “among the largest 10 projects (by total investment cost) for each of the 5 largest central government units, measured by the units’ investment project expenditure.” Table 3.10 shows a list of 10 largest capital investment projects; only 1 out of the 10 meets the PEFA definition. Nonetheless, feasibility studies were conducted for all these projects by each implementing entity, but the results were not published. There is an adopted federal government project investment management guideline of EFY 2006, but this is rarely used and not known to implementing units; it is also not published. Before funding these projects, feasibility studies are carried out by each of these institutions and reviewed by the Planning Commission, but not for majority of these projects, as political considerations also do take precedence.

Table 3.10: List of major capital investment projects FY2017/2018

Name of the capital project	Capital cost (ETB)	Total regional budget (ETB)	% of total regional budget
Tekeze Irrigation Project	55,000,000	37,693,142,155	0.1
Agriculture Irrigation Development Projects (Fruit & Coffee, Cold Store & Fish Processing)	78,730,408	37,693,142,155	0.2
24 New Drinking Water Projects	347,206,000	37,693,142,155	0.9
Irrigation Schemes Design, Construction	345,000,000	37,693,142,155	0.9
13 towns’ Drinking Water Construction	49,643,754	37,693,142,155	0.1
13 Irrigation Projects, construction	85,022,134	37,693,142,155	0.2
Industry Village Development Building	115,416,330	37,693,142,155	0.3

Name of the capital project	Capital cost (ETB)	Total regional budget (ETB)	% of total regional budget
Road Construction, Research and Design Works	566,200,000	37,693,142,155	1.5
27 Secondary Schools, Construction - SDG	111,436,015	37,693,142,155	0.3
5 Rural Hospitals, Construction	52,515,380	37,693,142,155	0.1

Dimension score: C

PI-11.2 Investment project selection

78. A number of elements underpin project selection, and key among them include, but are not limited to, the following:

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

79. Project selection for inclusion into the annual budget is not systematically done in line with the abovementioned selection criteria but is largely based on regional government priorities (which include water, irrigation, health, education, animal grazing, and rural roads—these priorities are set by the regional cabinet), even though some of these projects are selected purely based on the results of feasibility studies conducted.

Dimension score: C

PI-11.3 Investment project costing

80. At present, the annual budget has no MTEF; the budget only shows cost implication of projects for the current year, with no projections of the forthcoming year. Nonetheless, the Project Appraisal Documents (feasibility studies) provide information on total capital cost together with associated recurrent cost at least for the forthcoming year. It is considered a good practice for project costing to include both total investment cost and forward linked recurrent expenditure. As fiscal space is usually limited, a comprehensive cash flow forecasting (costing framework) becomes an important element in decision making for new projects, especially in cases where there are ongoing capital investment projects; this significantly reduces the tendency of uncompleted government projects.

Dimension score: D

PI-11.4 Investment project monitoring

81. The Regional Planning Commission established two years ago, is responsible for the overall M&E of all capital projects. The commission has an M&E Directorate with only one staff; M&E of capital projects is weak at the commission level. That said, the implementing unit monitors capital investment projects through physical inspection and periodic (quarterly) financial progress reports. The AFSs also report on actual expenditure of the projects. However, progress reports (physical and financial) are not published.

Dimension score: C

PI-12 Public asset management

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12 Public asset management	D+	Scoring method M2
PI-12.1 Financial asset monitoring	C	The Public Enterprises Supervision and Follow-up Authority keeps records of investments in public and private entities, but this is not published. The AFSs disclose balances of both cash and bank, but not investments in public enterprises.
PI-12.2 Nonfinancial asset monitoring	D	The regional government does not maintain a consolidated register of its fixed assets; there are no records of government land, buildings, and natural resources. Presently, management of fixed assets is decentralized at the budget unit (and extra-budgetary) level. The asset registers maintained by these budget units provide information on the age and usage of assets.
PI-12.3 Transparency of asset disposal	C	Disposal of fixed assets is regulated by Article 54 of the Amhara Regional Government Procurement and Property Administration Proclamation No. 179/2011 dated July 5, EC 2011, and Directive No. 1/2011. There are no clear legal provisions for the disposal of financial assets. Proceeds from the sale of fixed assets are disclosed in the financial reports; there is no disclosure of the new owner(s).

PI-12.1 Financial asset monitoring

83. The consolidated AFSs of the regional government do not disclose government investments (shares/stocks) in public and/or private enterprises; cash and bank balances are disclosed. The Public Enterprises Supervision and Follow-up Authority is mandated by Proclamation No. 236/2015 to monitor and supervise public enterprises and maintain records of shares in these enterprises, both the number and value of shares. At the end of EFY 2010 (June 2018 GC), the total number of shares in 14 public enterprises stood at 5,770,738,918 valued at ETB 2,315,540,736. However, this information is not published. So far, no dividend has been paid to the regional government even though some of the 14 enterprises are profit making. Officials have indicated that the profit is used to expand existing businesses or create new ones to generate more employment opportunities for the youth.

Dimension score: C

PI-12.2 Nonfinancial asset monitoring

84. Chapter XI of the Amhara Procurement and Property Administration Proclamation No.179/2011 governs fixed asset management. Article 52(2) stipulates that all heads of BIs shall record the date, description, quantity, and cost of acquisition and indicate the custody and usage of fixed assets. In addition to the law, the 'Government Fixed Assets Management Manual' (GOFAMM) outlines the policy guidelines for fixed assets management; it stipulates control and safeguarding of public assets. There is no consolidated fixed assets register. Fixed asset management is decentralized; each budget entity unit maintains a fixed asset register for vehicles, fixtures and fittings, computers, and office equipment, showing both the historical cost of asset, depreciation, and net book value.

There are however no records of buildings. The asset register at each budgetary unit provides information on its usage and age as well as the custodian of the asset; the asset user card provides this useful information. At present, there is no record of land and natural resources belonging to the regional government; nonetheless, the cadastre office has begun identification, demarcation, and registration of urban land with funding from the regional government. Officials have indicated that funding allocated to the cadastre office is inadequate to successfully accomplish the task. Other challenges identified include poor documentation, lengthy adjudication process, and obsolete land registration equipment, among others.

Dimension score: D

PI-12.3 Transparency of asset disposal

85. Disposal of fixed assets is regulated by Article 54 of the Amhara Regional Government Procurement and Property Administration Proclamation No. 179/2011 dated July 5, EC 2011, and Directive No. 1/2011. Accordingly, all fixed assets valued at ETB 10,000 or above and/or cumulatively valued at ETB 500,000 for electronic items and ETB 300,000 for all other assets shall be referred to the regional PPPDS for disposal. Below this threshold, the budget unit shall dispose of assets through public auction. The PPPDS advertises in the national newspapers and conducts public auction, with the highest bidder assuming the right of ownership. Article 54(3) of the same law (Procurement and Property Administration Proclamation No. 179/2011) clearly states that all proceeds from disposal shall be paid into the regional treasury account. For FY2017/2018, a total of ETB 13.8 million was realized as proceeds from fixed assets disposed and paid into BoFED Treasury. There are no legal provisions on the disposal of financial assets. New owners of fixed assets disposed are not disclosed in the financial reports.

Dimension score: C

PI-13 Debt management

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13 Debt management	D	Scoring method M2
PI-13.1 Recording and reporting of debt and guarantees	D	The regional government does not reconcile and update guarantees issued to cities and municipalities annually.
PI-13.2 Approval of debt and guarantees	D	BoFED is solely responsible for authorizing and approving these guarantees. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of these guarantees.
PI-13.3 Debt management strategy	D	Although the region provides guarantees, it doesn't prepare a debt management strategy.

PI-13.1 Recording and reporting of debt and guarantees

87. Article 40 of Financial Administration Proclamation of Amhara (178/2011) states that BoFED may borrow money domestically or issue a guarantee or securities on behalf of the regional government. So far, the regional government has not yet exercised these borrowing powers. It

however issues loan guarantees for cities and municipalities under Article 49(c) of Regulation 37/2005 of the Financial Administration of Cities and Municipalities of Amhara Region. The regional government however does not reconcile, and update guarantees issued on behalf of cities and municipalities annually.

Dimension score: D

PI-13.2 Approval of debt and guarantees

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

Dimension score: D

PI-13.3 Debt management strategy

89. Debt management strategy is not prepared by the regional government.

Dimension score: D

PILLAR IV: Policy-based fiscal strategy and budgeting

PI-14 Macroeconomic and fiscal forecasting

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14 Macroeconomic and fiscal forecasting	B	Scoring method M2
PI-14.1 Macroeconomic forecasts	B	Over the last three completed fiscal years, the Regional Planning Commission prepares a Macroeconomic and Fiscal Framework (MEFF) which is part of the medium-term regional strategic plan known as GTP II 2016/2017–2020/2021. The budget document submitted to the regional council also contains macroeconomic forecasts, plus the underlying assumptions. The projections cover the budget year and at least the two outer years.
PI-14.2 Fiscal forecasts	B	Over the last three completed fiscal years, the Regional Planning Commission prepares medium-term macro-fiscal forecasts, with assumptions on GDP and investment rates. The forecasts, for the budget year and the two outer years, include aggregate revenues by type and expenditures. These are submitted to the regional council for information only.
PI-14.3 Macro-fiscal sensitivity analysis	C	Over the last three completed fiscal years, the Regional Planning Commission prepares a simulation of different scenarios of macro-fiscal forecasts to ascertain the impact on the annual budget and the regional economy at large. These qualitative analyses are for internal use only and are not contained in the budget documents submitted

Indicator/Dimension	Score	Brief justification for score
		to the regional council.

PI-14.1 Macroeconomic forecasts

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

Dimension score: B

PI-14.2 Fiscal forecast

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

Dimension score: B

PI-14.3 Macro-fiscal sensitivity analysis

93. The Regional Planning Commission prepared within the assessment period (last three completed fiscal years 2015/2016, 2016/2017, and 2017/2018) a simulation of different scenarios of macro-fiscal forecasts to ascertain the impact on the annual budget and the regional economy at large. These qualitative analyses are for internal use only and are not contained in the budget documents submitted to the regional council. Therefore, legislators are not informed of the impact of government policies on the economy.

Dimension score: C

PI-15 Fiscal strategy

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

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15 Fiscal strategy	D	Scoring method M2
PI-15.1 Fiscal impact of policy proposals	D	The regional government prepares partial explanation of budget implications on new policy initiatives and major new public investments
PI-15.2 Fiscal strategy adoption	D	The Regional Government of Amhara does not produce a fiscal strategy.
PI-15.3 Reporting on fiscal outcomes	NA	The development of a fiscal strategy is the responsibility of the federal government; therefore, this dimension is not applicable.

PI-15.1 Fiscal impact of policy proposals

95. As indicated under element 10 of PI-5 above, the regional government prepares and provides the regional council partial explanation of budget implications for new policy initiatives and major new public investments; these are included in the budget speech but not the estimates of the budgetary impact of all major revenue policy changes and major changes to expenditure programs.

Dimension score: D

PI-15.2 Fiscal strategy adoption

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

Dimension score: D

PI-15.3 Reporting on fiscal outcomes

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

Dimension score: NA

PI-16 Medium-term perspective in expenditure budgeting

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

Summary of scores and performance table

Indicator/Dimension	Score 2018	Brief justification for score
PI-16 Medium-term perspective in expenditure budgeting	D+	Scoring method M2
PI-16.1 Medium-term expenditure estimates	D	The annual budget document presents estimates of expenditure by administrative, functional, and economic classification for the budget year only; there is no medium-term expenditure perspective.

Indicator/Dimension	Score 2018	Brief justification for score
PI-16.2 Medium-term expenditure ceilings	D	Aggregate and sector bureau expenditure ceilings for the budget are approved by the regional cabinet after the BCC is issued to budgetary units.
PI-16.3 Alignment of strategic plans and medium-term budgets	C	At least 54% (by value) of sectors prepare fully costed medium-term strategic plans. Some annual expenditure policies are aligned to annual action plans and the medium-term strategy. Most of these sector strategies are unrealistic.
PI-16.4 Consistency of budgets with previous year's estimates	NA	The government does not prepare an MTEF; therefore, it is not possible to analyze the consistency of budgets to the previous year's estimates.

PI-16.1 Medium-term expenditure estimates

99. There is no medium-term perspective in expenditure framework. The Regional Government of Amhara does not prepare detailed medium-term expenditure estimates (MTEF) on a rolling basis. It only prepares aggregate expenditure estimates. Also, it prepares detailed annual budget estimates which show expenditure according to administrative, functional, and economic classifications. Program budget has not yet been introduced.

Dimension score: D

PI-16.2 Medium-term expenditure ceilings

100. For FY2018/2019 (EC 2011, last budget submitted to the regional council), BoFED issued the first BCC on April 18, 2019, which was late. That said, the MEFF and the aggregate expenditure estimates were submitted to the regional cabinet for approval, including budgetary units (sector bureaus) ceilings. For 2018/2019, these were approved around the first week of May 2019 after the issuance of the first BCC.

Dimension score: D

PI-16.3 Alignment of strategic plans and medium-term budgets

101. Table 3.11 shows an analysis of sector bureaus that prepare fully costed medium-term strategic plans. In addition to the medium-term strategies, all sectors prepare annual action plans from which the annual budget estimates are derived. The analysis shows that at least 54 percent (by value) of sector budgets prepare sector strategies but may not necessarily align to both the medium-term strategy and annual action plans. A critical review of costing estimates in the respective strategic plans of each of the four sectors listed in Table 3.11 indicates that these strategies are unrealistic: most activities are 'wish lists' with unrealistic cost estimates. For instance, the education strategy shows a total cost of ETB 59.1 billion (capital ETB 22.3 billion and recurrent ETB 36.8 billion) over a five-year period EFY 2008 to EYF 2012. The road sector has a total cost of ETB 28 billion, out of which ETB 1 billion is recurrent. While the water sector has a total cost of ETB 8.3 billion, the health sector has a total cost of ETB 150 billion made up of capital ETB 47 billion and recurrent ETB 103 billion. These four sectors (education, health, roads, and water) have an estimated total cost of ETB 245.4 billion over a five-year period, averaging about ETB 49 billion per year, which is more than the entire regional government budget of ETB 37.7 billion in 2017/2018. This is about 130 percent of the entire regional budget, which is unrealistic.

Table 3.11: Sector bureaus with fully costed medium-term strategy

Sector bureau	FY2017/2018 budget (ETB)
BoE	12,305,627,294
Bureau of Water, Irrigation, and Energy (BoWIE)	1,781,918,728
BoR&T	1,193,170,313
BoH	5,138,962,037
Total sector budget	20,419,678,372
Total regional government budget	37,693,142,155
% that prepared a fully costed strategy	54

Source: FY2017/2018 approved budget estimates from BoFED.

Dimension score: C

PI-16.4 Consistency of budgets with previous year's estimates

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

Dimension score: NA

PI-17 Budget preparation process

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	D+	Scoring method M2
PI-17.1 Budget calendar	C	An annual budget calendar exists and some budgetary units comply with it and meet the deadlines for completing estimates.
PI-17.2 Guidance on budget preparation	C	A budget circular is issued to BIs, including ceilings for administrative areas. Total budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by budgetary units.
PI-17.3 Budget submission to the legislature	D	The executive has submitted the annual budget proposal to the legislature significantly less than one month before the start of the fiscal year in all the last three years.

PI-17.1 Budget calendar

103. A clear budget calendar exists and is included in the BCC (refer to Table 3.12). According to the dates in the calendar, the budgetary units should have seven weeks to complete their budget estimates. For the preparation of the EFY 2011 budget, however, the BCC was sent two weeks late and the deadline for the submission of the budget estimates by budgetary units was left unchanged on Ethiopian calendar Ginbot 15, EC 2010 (May 22, GC 2018). That said, BIs still had five weeks to complete their budget submission. Nonetheless, as shown in Table 3.13, only 60 percent of budgetary units in terms of EFY 2010 actual expenditure were able to complete their detailed estimates on time for the preparation of the EFY 2011 budget.

Table 3.12: Budget calendar

Cycle/Part/Stage	Ethiopian Calendar	Gregorian Calendar	Actual delay from calendar dates, Ethiopian Calendar	Actual delay from calendar dates, Gregorian Calendar
Planning cycle				
1.1. Pre-planning preparation	Up to Yekatit 30	Up to March 9	—	—
1.2. Send BCC at the regional level	Up to Magabit 10	Up to March 19	Miazia 11	April 19
1.3. BCC sent by different levels of government (zone and woreda)	Up to Megabit 25	Up to April 3	—	—
1.4. Budget preparation and request	Megabit 25 to Ginbot 15	April 3–May 23	—	—
1.5. Budget hearing	Up to Ginbot 30	Up to June 7	—	—
Executive approval of budget				
2.1 Approval of regional and woreda budget share and grant formula	Up to Yekatit 30	Up to March 9	—	—
2.2 Approval of regional budget	Sene 1–30	June 8–July 7	—	—
2.3 Approval of woreda, city administration, and zone budget	Hamle 10–22	July 17–29	—	—
Budget execution				
3.1 Budget notification to regional woredas, city administrations, and zones	Hamle 1–7	July 8–14	—	—
3.2 Notification of approved budget to BIs	Hamle 8–25	July 15–August 1	—	—
3.3 Summarizing the budget in IBEX	Hamle 26–30	August 2–6	—	—
3.4 Send budget to zonal finance offices for summarizing of budget in IBEX	Nehassie 1–10	August 7–16	—	—
3.5 Budget implementation	Starting Hamle 1	Starting July 7	—	—
3.6 Submit monthly budget execution report	Starting Hamle 30	Starting August 6	—	—
Follow-up and verification of accounts	Starting Hamle 30	Starting August 6	—	—

Source: BCC.

Table 3.13: BIs that submitted after the deadline for the preparation of the EFY 2011 budget

BIs that submitted after the deadline	Submission date	Actual expenditure for 2010
Office the Spokespersons	04/06/2018	189,149,381.13
Zonal Administration	24/05/2018	2,185,728,877.88
Women's and Children Affairs Office	24/05/2018	224,316,901.25
Supreme court	27/05/2018	724,869,898.82
Zone Police Office	31/05/2018	1,151,672,651.04
Prisons Administration Commission	05/06/2018	363,871,815.80
Office of Militia Affairs	01/06/2018	187,031,691.77
Plan Commission	25/05/2018	7,124,391.01

BIs that submitted after the deadline	Submission date	Actual expenditure for 2010
Bureau of Finance and Economic Development	30/05/2018	896,265,658.96
Information Main Office	25/05/2018	201,406,514.06
Revenue Office	29/05/2018	499,889,671.94
Mass-Media Enterprise	29/05/2018	168,724,191.35
BoA	26/05/2018	1,658,002,471.55
Agricultural Research Institute	25/05/2018	155,922,259.43
Union Work Cooperatives Expansion Office	25/05/2018	230,740,509.33
Environment, Forest, and Wildlife Protection and Development Authority	25/05/2018	15,904,296.62
Water, Irrigation, and Energy Development Office	25/05/2018	2,156,543,827.47
Public Enterprise Support and Follow-up Authority	06/06/2018	4,750,651.76
Tourism Commission	29/05/2018	249,741,677.87
Amhara Regional People Martyrs Memorial of Obelisk Office	25/05/2018	19,582,188.70
Transport Office	03/06/2018	1,676,409,979.17
Rural Road Office	25/05/2018	1,012,609,318.01
YeketemaMeretYizotaMizgebanaMereja Agency	24/05/2018	55,694,269.20
Civil Service Office	28/05/2018	338,345,590.37
Management Institute	26/05/2018	46,015,416.34
Workers and Social Affairs	26/05/2018	63,506,243.59
Total		14,483,820,344.42
Total expenditure for the year		36,129,940,802.70
Percentage of late submission		40

Source: Data provided by the Budget Directorate.

Dimension score: C

PI-17.2 Guidance on budget preparation

104. A comprehensive and clear budget circular is issued to BIs covering capital and recurrent expenditure for the full fiscal year. The circular includes ceilings by administrative category. The bureaus visited by the assessment team (BoH, BoE, BoA, BoR&T) confirmed that the guidelines in the circular were clear and complete. That said, the budget estimates are reviewed and approved by the Cabinet only after they have been completed in every detail by the budgetary units.

Dimension score: C

PI-17.3 Budget submission to the legislature

105. The executive has submitted the draft budget proclamation to the regional council 8–10 days before the start of the fiscal year in all the last three years (refer to Table 3.14), which is less than one month before the start of the fiscal year.

Table 3.14: Dates of submission of the budget to the regional council

Fiscal year	Ethiopian Calendar	Gregorian Calendar
EC 2011	20/10/2010	28/06/2018
EC 2010	22/10/2009	30/06/2017
EC 2009	22/10/2008	28/06/2016

Dimension score: D

PI-18 Legislative scrutiny of budgets

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18 Legislative scrutiny of budgets	C+	Scoring method M1
PI-18.1 Scope of budget scrutiny	B	The legislature's budget scrutiny covers fiscal policy and aggregate for the coming year as well as details of expenditure and revenue.
PI-18.2 Legislative procedures for budget scrutiny	C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to.
PI-18.3 Timing of budget approval	C	The regional council has approved the annual budget within one month of the start of the fiscal year in all last three fiscal years.
PI-18.4 Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget adjustments by the executive and are adhered to in all instances (>90% in value). Extensive administrative reallocations are permitted.

PI-18.1 Scope of budget scrutiny

106. As mentioned in PI-5, the budget documentation sent to the council consists of (a) the draft budget proclamation, (b) the budget speech, (c) subsidy allocation to woredas. The regional council does not thus receive any document covering medium-term fiscal forecast and medium-term priorities. The BFSC of the regional council reviews the documentation it receives, and, for the draft budget proclamation, it examines the details of expenditure and revenue. The documentation it receives includes the budget speech that covers fiscal policies. As a result, the legislature's budget scrutiny covers fiscal policy and aggregate for the coming year as well as details of expenditure and revenue.

Dimension score: B

PI-18.2 Legislative procedures for budget scrutiny

107. The regional council's procedures to review budget proposal are approved in advance of budget hearings and are adhered to. The procedures for the BFSC do not include arrangements for public consultation, technical support, or negotiation procedures. The committee is a specialized one responsible for budget scrutiny and the review of audit reports. It has six members including the chairperson who is the only full-time member. Other members meet at least twice a year and on an ad hoc basis as required.

Dimension score: C

PI-18.3 Timing of budget approval

108. As shown in Table 3.15, the regional council has approved the annual budget within one month of the start of the fiscal year in all the last three fiscal years. The Ethiopian fiscal year begins on July 8.

Table 3.15: The regional council's approval of the budget for the past three approved budgets

Approved budget	Date of approval by the council in Ethiopian Calendar	Date of approval by the council in Gregorian Calendar
Budget for EFY 2009	30/11/2008	7/8/2016
Budget for EFY 2010	18/11/2009	26/7/2017
Budget for EFY 2011	13/11/2010	20/7/2018

Source: Budget and Finance Committee.

Dimension score: C

PI-18.4 Rules for budget adjustments by the executive

109. The Financial Administration Proclamation, paragraph 23, stipulates that the executive cannot increase total expenditure during the year without the regional council's approval. Transfers are not allowed from the capital to the recurrent budget. This provision gives BoFED the flexibility to transfer budget allocations between sectors, programs, and economic items. Therefore, clear rules exist for in-year budget adjustments by the executive. They allow extensive administrative reallocations. The adjustments the executive can do during the year without legislative approval are either (a) adjustments to budgetary units' own budget ceilings that do not require prior BoFED approval and (b) adjustments that require prior BoFED approval but not cabinet or legislative approval.

Table 3.16: Percentage of transfers that adhere to the rules for in-year budget adjustments, EFY 2010

In-year transfers for EFY 2010	% of transfers that adhere to the rules
ETB 9 billion	100

Source: Data provided by the Budget Directorate.

Dimension score: B

PILLAR V: Predictability and control in budget execution

PI-19 Revenue administration

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19 Revenue administration	A	Scoring method M2
PI-19.1 Rights and obligations for revenue measures	A	About 88% of the regional tax is collected by the Regional Revenue Bureau. It provides information through various channels on main obligations to taxpayers and provides for complaints resolution.
PI-19.2 Revenue risk management	A	There is risk assessment and management function, which registers and monitors the usual risks in the area of tax registration, declaration, and payment. There is comprehensive, structured, and systematic approach for assessing and prioritizing risk covering all groups of taxpayers.
PI-19.3 Revenue audit and investigation	A	Sound system of audit is performed and managed in accordance with a documented compliance improvement plan with all planned audits and investigations completed for the last fiscal year.
PI-19.4 Revenue arrears monitoring	A	The actual stock of revenue arrears for the year-end 2010 EC is 1.7% (less than 10%). Previous year arrears are carried forward and collected during the next fiscal year. The age of revenue arrears is not specifically monitored, even if the data exist. The remaining balance is materially insignificant.

PI-19.1 Rights and obligations for revenue measures

110. The revenue administration structure of Amhara consists of several levels mirroring the budget expenditure administrative structure. The regional authority of revenue, known as ANRS Revenue Authority, was established in 2011 with the name of the Revenue Authority. It was restructured two months ago, and by approval of the regional council, it became Amhara Regional Revenue Bureau (AmRRB). It succeeds the previous Revenue Authority restructuring the previous zonal regional branch office into three zonal departments (corresponding to the three metropolitan cities of Amhara) with woreda offices. Currently, the overall structure of the AmRRB consists of a head office in Bahir Dar, 140 woreda offices, 12 zones, and 3 cities with 18 lower sub-city offices equal to the woreda office level.

111. The regional revenue consists of (a) a block subsidy transferred by the FGE and (b) revenue collected by the regional revenue entities. There are two types of revenue generating the regional income: (a) regional revenue with collected amount of about ETB 10.5 billion by AmRRB and (b) municipal tax which is collected by the municipal tax offices. The revenue collected for the last completed fiscal year (EC 2010) is presented in Table 3.17. The total collection of Amhara Region represents 29 percent of the total revenue. AmRRB collected 88 percent, or most revenue, and the remaining 12 percent was collected by the municipal tax offices.

Table 3.17: Total regional revenue and collection by Amhara Region for EFY 2010 (2017/2018)

	Revenue EFY 2010 (ETB)	Share (%)
Total	36,607,921,993.136	
Subsidy from the federal government	26,056,582,005.990	71
Total collection in Amhara Region	10,551,339,987.146	29
Municipal revenue	1,243,847,633.440	12
AmRRB	9,307,492,353.706	88

Source: BoFED and team calculation.

112. The AmRRB City Office is a member of the regional cabinet and reports to both the regional council and the Cabinet. Its budget is approved by the regional council. It receives transferred revenue from the federal government.

113. The Regional Bureau of Revenue in Amhara collects most of revenue of the region. AmRRB has full control of revenues and how the overall management is carried out including providing information through various channels on obligations of taxpayers: assessment of tax compliance risk, tax audit and investigation, complaints resolution, and revenue arrears monitoring.

114. The taxpayers are grouped into three categories according to annual turnover as follows: (a) category A - more than ETB 1 million; (b) category B - ETB 0.5–1 million; and (c) category C - below ETB 0.5 million.

115. A redress mechanism was designed in EC 2006 (2014) with procedures and processes allowing tax claims filing and decision. It is outside the general tax system and consists of the following structure: (a) Appeal Commission operating on a regional level and (b) Tax Appeal Committee operational on a lower level. There are three levels for complaints: (a) first level of appeal at woreda/towns and cities offices, (b) second level of appeal at the regional level, and (c) third level of appeal is the high court at the zonal level. When a tax-related complaint is filed, 50 percent of the initially imposed amount is to be paid to have eligible claim. Despite the 50 percent payment burden, 134,231 tax appeals were filed at the first (woreda) level for the last financial year. About 73 percent (or 95,520) were rejected and the rest 23 percent (or 36, 711) were accepted.

Dimension score: A

PI-19.2 Revenue risk management

116. The risk analysis function at AmRRB is undertaken by the Tax Audit and Legal Enforcement Department. It registers and monitors the usual risks in the area of tax registration, declaration, and payment categorizing the taxpayers into four groups according to risk probability and based on 14 risk criteria. The risk assessment covers all four groups (high, low, medium, and no risk), whereas risk management is mostly focused on identifying payers with the largest and medium risk of noncompliance. The main risk in the area of tax is the wholesale operators evading tax payment. There is a comprehensive, structured, and systematic approach for assessing and prioritizing risk covering all groups of taxpayers. A documented risk management approach known as Taxpayer's Compliance Risk Management Strategy was developed in EC 2007 (2015).

Dimension score: A

PI-19.3 Revenue audit and investigation

117. A documented risk management approach named 'Tax Audit Management Strategy' was issued in EC 2009. The Audit and Investigation Department of the Regional Revenue Bureau usually undertakes 100 percent audit of all high-risk taxpayers every year in accordance with an annual audit plan. The most recent audit plan, undertaken last year, consists of audits covering 30,000 taxpayers. The rate of performed planned audits for the last completed year was 89.5 percent. In addition, ad hoc audits were also carried out. Three types of audits were undertaken: (a) desk audit, (b) on-the-spot audit, and (c) comprehensive audit.

118. A sound system of audit is thus performed and managed in accordance with a documented compliance improvement plan with all planned audits and investigations completed.

Dimension score: A

PI-19.4 Revenue arrears monitoring

119. The revenue arrears are planned but uncollected tax payments that are not paid by the respective year-end. The end of the financial year in the Ethiopian Calendar is July 7. All tax due after this date is recorded as arrear by the AmRRB. Arrears are disaggregated. There is a record of annual plan and performance, as well as revenue arrear by main source such as direct tax, indirect tax, municipal, penalties, and so on. The information provided by AmRRB is reliable, the records reviewed show balance of receivables after new assessments and the aging payments under dispute, or to be refunded, can be classified into current or in arrears, and the aging is recorded only within one year.

120. The stock of revenue arrears at the end of the last completed fiscal year (FY2018) is ETB 182,200,632. The total revenue collection for the same year is ETB 10,551,339,987.146, and the revenue arrears older than 12 months for the same period are not recorded. The actual stock of revenue arrears for the year-end EFY 2010 was 1.7 percent of total regional expenditure (less than 10 percent). The uncollected revenue recorded for a completed year is partially collected during the next fiscal year. The age of revenue arrears is not specifically monitored, even if they are not collected by year-end, and during the next fiscal year the remaining balance is materially insignificant.

Dimension score: A

PI-20 Accounting for revenue

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	A	Scoring method M1
PI-20.1 Information on revenue collections	A	The data are complete with source and period of collection. The collected revenue data are consolidated into a monthly report.
PI-20.2 Transfer of revenue collections	A	AmRRB, which collects most government revenue, transfers 100% of the collections directly into Treasury Single Account (TSA) controlled by the Treasury within one working day. The tax is paid either directly to a treasury-controlled account or to a CBE account, which is reconciled on a daily basis.
PI-20.3 Revenue accounts reconciliation	A	Frequency of complete accounts reconciliation between revenue assessments, collections, arrears, and receipts by the Treasury is monthly, within 15 days of the end of the month.

PI-20.1 Information on revenue collections

121. The Treasury at BoFED obtains revenue data from AmRRB weekly into the TSA through the SIGTAX system (management information system [MIS] on tax revenue), which integrates all central government revenue. The Bureau of Revenue provides the weekly electronic data on paper on a monthly basis. Table 3.18 shows the amount of tax budgeted, adjusted, and actually collected by revenue groups as of April 22, 2019, that is, at the time of the assessment.

Table 3.18: Tax collection by group as of time of assessment - April 22, 2019 (EC 2011) in ETB million

Group (Description)	Budget	Adjusted budget	Actual revenue
I. Domestic revenue	15,180	15,117	6,800
1. Direct tax (income, profit, capital gain, VAT)	10,667	10,624	4,141
2. Indirect tax (sales, stamp duty)	865	860	830
3. Customs duty on imported goods (wood products)	11	11	(0.018)
4. Excise tax on imported goods (petroleum, alcohol, tobacco)	—	—	0.53
5. Nontax revenue (administrative fees and charges)	827	812	997
6. Capital revenue (sales on stock, royalty on public assets)	—	—	857
7. Subsidy (block grants from national government)	1,296	1,296	19,103
8. Municipal revenue (lease, vehicles, roads, rent)	1,514	1,514	831
II. External assistance^a	162	162	0.91
Total (I + II)	15,342	15,277	6,780

Source: BoFED Treasury.

Note: a. EU, United Nations Conservation and Development Fund, United Nations Fund for Population Activity, Finland Department for International Development Cooperation (DIDC).

122. The data are complete and consolidated into a monthly report. The evidence provided is a report generated from the SIGTAX database system showing the consolidated revenue collections as received through the Treasury. This information is identifiable by source and revenue type.

Dimension score: A

PI-20.2 Transfer of revenue collections

123. AmRRB that collects most government revenue transfers 100 percent of collections directly into the TSA controlled by the Treasury within one working day. The tax and duties are paid either directly to a treasury-controlled account or to a CBE account, which are both reconciled on a daily basis. The situation is the same as it was in the previous PEFA assessment in 2015. Revenue collection enters into the TSA daily.

Dimension score: A

PI-20.3 Revenue accounts reconciliation

124. AmRRB, which collects most central government revenue, undertakes complete reconciliation of assessed and collected revenue accounts with collections being transferred electronically weekly (on paper monthly) to the Treasury. The complete reconciliation of revenue assessments, collections, and transfers with the Treasury is performed monthly within 15 days of the end of the month overdue payables or incurred arrears are reported only on a quarterly basis within four weeks. The reconciliation process is facilitated by the SIGTAX system, which contains the arrears-recording module. Table 3.19 shows the revenue plan, actual collection, and arrears for year-end EFY 2010.

Table 3.19: Revenue collection performance for EFY 2010 (2017/2018) (ETB)

	Plan	Actual	Arrears	% performance
Municipal revenue	1,310,000,000	1,295,184,860	4,961,177	0.38
AmRRB	8,690,000,000	8,621,157,274	177,239,456	2.06
Total	10,000,000,000	9,916,342,134	182,200,633	1.84

Source: AmRRB.

Dimension score: A

PI-21 Predictability of in-year resource allocation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	B	Scoring method M2
PI-21.1 Consolidation of cash balances	C	Cash balances in the TSA are consolidated every day but they constitute only 76% of all cash accounts owned by the regional government.
PI-21.2 Cash forecasting and monitoring	D	There is no practice of preparing annual cash flow forecasts and hence no update on actual inflow and outflow. Therefore, cash needs are not based on budgetary commitments and are not updated and monitored by BoFED.
PI-21.3 Information on commitment ceilings	A	Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases.
PI-21.4 Significance of in-year budget adjustments	A	Significant in-year adjustments to budget allocation take place no more than twice a year and are done in a transparent and predictable way.

PI-21.1 Consolidation of cash balances

125. All bank accounts are kept only in local currency and in compliance with the financial regulation, relevant for the entire country. They are opened only in the CBE. The financial legislation applies to all country regions and stipulates that donor funds accounts are to be reconciled monthly within one-month time frame (by end of next month for the preceding one).

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

- (a) Z-account is a TSA for disbursement of budget allocations allowing monthly cash withdrawal to a limit set by BoFED on the basis of the monthly cash requirements of the respective BIs. These cash requirements are made quarterly. These accounts are reconciled daily with the CBE. BoFED monitors the balance position of all BIs daily. The TSA constitutes about 76 percent of total cash balance of the regional government.
- (b) B accounts are revenue deposit accounts keeping the collected own source revenue generated by the BI and woredas, and they are swept to the Treasury on a monthly basis.
- (c) Aid account (donor partner) Channel 1 is a donor fund account and the number of these accounts varies across all BIs depending on the type and nature of projects supported in the respective sector. It is designated to fund capital expenditure and is not part of the TSA. Disbursements are transferred on a performance and results-oriented basis and are provided in a bank account in the CBE opened by the BI. The balance in these accounts is consolidated monthly. They are not consolidated into the overall cash position of the regional government.
- (d) SDG is not part of the Treasury.
- (e) C account (Channel 2 or direct grant to ministries) is not part of the TSA and not consolidated into the overall cash position of the regional government.

127. Only the Z-account balance is part of the TSA even though all abovementioned accounts are centralized in the CBE, which facilitates consolidation and monitoring though at a different frequency. Cash balances are consolidated informing the release of funds by BoFED.

128. The methodology requires that data on consolidated cash balances are provided as of the assessment time, for example, end of March 2019 (EC 2011), but data were provided only for the year-end period. Table 3.20 presents the cash data in and out of TSA for two consecutive fiscal years.

Table 3.20: Volume of cash in and outside TSA in ETB for year-end for EC 2009 and 2010 (ETB)

	2017/2018 (EC 2010)	2016/2017 (EC 2009)
Total cash	4,815,979,577.81	5,377,791,343.29
Total cash balance in TSA (4105)	3,683,024,659.97	4,340,461,257.69
Cash in other accounts not part of TSA (4103)	986,306,392.22	893,049,152.33
Cash in hand (4101)	146,648,525.62	144,280,933.27
Share of TSA cash balance	76%	81%

Source: Annual financial reports for EC 2009 and 2010, BoFED.

129. In summary, the cash balances are consolidated at frequency different for each type of account. The Z-account which is in the TSA is consolidated daily, whereas the B and aid accounts are consolidated on a monthly basis within five days after the end of the month. The aid accounts differ in number from one budget body to another. The total number is 65 at the BoFED level.

Dimension score: C

PI-21.2 Cash forecasting and monitoring

130. The legal framework in relation to cash forecasting is Article No. 31. Submission of Cash Flow and Cash Requirements in the Financial Administration Proclamation No. 178/2011 and it reads as follows: “No disbursements shall be made out of the approved budget unless the head of the public body or his authorized representative submits to the Bureau cash flow and cash requirements.” There is no requirement that all central budget bodies prepare annually a cash forecast based on their cash needs and respective procurement plans. Therefore, such cash flow plans are not prepared and submitted to BoFED for consolidation and preparation of the annual cash flow of the regional government.

131. The visited five key budget bodies do not prepare annual cash flow and do not update their plans based on actual cash inflow and outflow. They rather submit cash request to BoFED five days after the end of the quarter. Therefore, cash flow forecasts are not prepared annually based on budgetary commitments and are not updated and monitored by BoFED.

Dimension score: D

PI-21.3 Information on commitment ceilings

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

Dimension score: A

PI-21.4 Significance of in-year budget adjustments

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

134. The largest in-year adjustment during EFY 2010, the last completed fiscal year, was 0.8 percent of total expenditure. That is not significant even if there was a volume threshold of adjustment. Supplementary budget was voted by the regional council during EFY 2010, allowing for an increase in total expenditure by ETB 209 million for road construction and industrial development, among others. Therefore, in-year adjustment to budget allocation took place only once a year and in a transparent and predictable way, through vote of supplementary budget.

Dimension score: A

PI-22 Expenditure arrears

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	C+	Scoring method M1
PI-22.1 Stock of expenditure arrears	A	The stock of expenditure arrears, accounted as grace period

Indicator/Dimension	Score	Brief justification for score
		payables, was less than 1% in all three years of assessment.
PI-22.2 Expenditure arrears monitoring	C	The data on stock and composition of expenditure are monitored at the end of each fiscal year, but are not disclosed in the AFSs.

PI-22.1 Stock of expenditure arrears

135. The system of budget execution in Amhara Region is decentralized. The accounts payable and the respective accumulation of arrears are recorded by the budget entities at a lower government level (woreda) and are provided as information to sector bureaus. As reported, information of unpaid payables exists but is not requested and consolidated by BoFED at the regional government level. Thus, monitoring and analysis of cases, types, and reasons for the incurred arrears is not performed.

136. There is no legal concept of arrears but rather a local definition (based on practice) of due payment defined as outstanding payment not paid within a month, so every payable of more than 30 days is to be considered as arrear. Salaries are paid by the 23rd of the current month and all services and goods are purchased on forecasted cash availability/cash basis.

137. Generally, as is the practice at the federal government level, the fiscal discipline related to timely payment of obligations is well respected and current expenditures are paid from the current approved budget. Nevertheless, a grace period payables practice exists and is applied mostly for unpaid procurement expenditure for capital SDG projects (account 5001 in the Chart of Accounts). Thus, unpaid payment certificates/claims (usually received close to year-end) mostly related to procurement of capital projects are accrued as grace period payables. This practice has been sustained for quite a long period.

Table 3.21: Stock of arrears and total budget expenditures for EFY 2008–2010 (2016–2018) (ETB)

	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)	EFY 2010 (2017/2018)
Stock of arrears: Expenditure not paid at the end of the budget year EFY June 30 (fiscal year ends on July 7)	279,180,898.48	561,146,319.94	40,743,832.14
Grace period payables (balance as of 6th August - one month after year-end)	11,041,912.58	257,593,810.91	35,717,532.38
Share: Grace period payables	0.04%	0.79%	0.09%
Total budget expenditures	25,962,064,628.15	32,767,568,959.00	37,693,142,155.00

Source: BoFED.

138. The composition of arrears incurred over the three years of assessment is for services and works related to procurement contract on capital investment (unpaid payment claims accrued as grace period payables). There are no arrears on salaries or pension payments. The stock of arrears is less than 1 percent on average for the three years of assessment. It is monitored and reported monthly while the age profile is reported on a quarterly basis.

Dimension score: A

PI-22.2 Expenditure arrears monitoring

139. The arrears or the grace period payables do not appear on the AFSs and are not reported as a liability in the quarterly financial reports. There is no formal reporting on arrears. Data exist and can

be generated from IBEX. Nevertheless, the practice of monitoring expenditure arrears data on the basis of the available volume at the end of each fiscal period exists. Sector bureaus register grace period payables monthly but do not formally report to BoFED or analyze the data. Aging is not a feature of IBEX. There is no information on the composition and age of expenditure arrears. A report on age is prepared by the bureaus but is not sent to or consolidated by BoFED.

Dimension score: C

PI-23 Payroll controls

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	B+	Scoring method M1
PI-23.1 Integration of payroll and personnel records	B	Payroll is reconciled against changes in payroll records and staff lists monthly as well as against previous month payroll.
PI-23.2 Management of payroll changes	A	Payroll changes are communicated and updated by the Human Resource Department (HRD) to finance within a week and retrospective adjustments are rare, and if any, the retrospective adjustment is less than 1%.
PI-23.3 Internal control of payroll	B	Payroll changes are made against written and approved letters from the HRD and monthly staff attendance lists. There is a segregation of duty between payroll preparation and maintaining of human resource (HR) records. Internal audit reviews monthly payroll payments.
PI-23.4 Payroll audit	B	A partial payroll audit has been conducted by ORAG, internal audit units, and the Bureau of Civil Service and Human Resource Development (BSCHRD).

23.1. Integration of payroll and personnel records

140. Payroll is decentralized at the public body level. Every public body is responsible for the maintenance of personnel records and preparation of payroll and payment of salaries and wages. Eight public bodies including BoFED, BoA, BoH, BoE, BoWIE, BCSHRD, and BoR&T were assessed to understand the overall control on payroll.

141. According to the Amhara Regional State Civil Servant Proclamation No. 171 /2010, the BSCHRD is responsible for overseeing organizational structures, positions, compensation, and salary scales of the regional government. Public bodies are required to get prior approval of the BSCHRD for any changes in transitional structure and addition or exclusion of a position or changes in the grade level of a given position. Changes in organizational structures, budget for new positions, and salaries scales should finally be approved by the regional council following the recommendation of the BSCHRD.

142. The HRD at each public body is responsible for facilitating the recruitment process. It ensures that a budget is available for a position requested by departments for placement. Budget clearance is provided by the budgeting department of the respective public bodies. The personnel records are not automated; also, there is no direct integration between payroll and personnel databases. However, the payroll is fully supported by authorized complete documentation. Printed letters are issued to communicate changes including recruitment, promotion, transfer, suspension, and termination. Department heads submit a monthly staff list to the HRD or Finance Department. The staff list contains the names of staff and the number of days employees were on duty. Some of the HRDs review these reports and forward to the Finance Department for payroll preparation. The payroll is prepared between the 22nd and 23rd of each month. The payroll is reconciled against the previous month

payroll and reconciled against copies of letters received from the HRD on payroll changes and staff lists received.

Dimension score: B

23.2. Management of payroll changes

143. The accountants in charge of payroll preparation are responsible for updating payroll records. Payroll changes are communicated by the HRD to the payroll unit on the same day or within a week. All payroll changes are accounted within the month where the changes are made. New employees employed after the 23rd of the month are included in the following month's payroll. Retrospective adjustments are almost nonexistent. In rare cases where employees are terminated or resigned between the pay day and end of month (23rd and 30th of the month), they reimburse the extra pay or the extra payment is deducted from the employee terminal benefits. This occurs for one or two personnel within a year for some (for example, BoA and BoR&T) and none at all for the other visited public bodies (for example, BoE). Such retrospective adjustments represent less than 0.04 percent of salaries paid.

Dimension score: A

23.3. Internal control of payroll

144. Payroll changes are made only against documents received from the HRD. Departments submit the staff attendance list either directly to finance or through the HRD. Most of the visited public bodies use a payroll software called Smart that is developed in-house. Some use Excel spreadsheets. Smart is password protected and prevents unauthorized access but does not track audit trails. The computer used to run payroll is also password protected. Payroll sheets are approved by the head of finance before payment is transferred to employees' bank account. The internal audit units review payroll payments as part of the financial audit.

Dimension Score: B

23.4. Payroll audit

145. There was no comprehensive payroll audit conducted where the HR database is checked against payroll payments, head counts, and validation of attendance sheets. However, the internal audit units and ORAG undertake payroll audit as part of financial compliance audit. Both of them review personnel records to verify that payroll payments are in line with staff records. Risk of payment to a ghost worker is said to be nonexistent in the region by visited internal audit units and ORAG.

146. The BCSHRD conducts HR audit to ensure compliance by public bodies to HR rules and regulations including promotion, allowance entitlement, transfer, and placement. The BCSHRD, in collaboration with the Regional Ethics and Anticorruption Commission (REAC), conducts investigation on the legitimacy of employees' credentials. A total of 532 employees voluntarily disclosed that they presented forged credential (diploma, degree, or MSc degree certificates) for their employment. They have been demoted to an appropriate position as they declared voluntarily within the deadline granted by the regional council. After the deadline, the commission identified 5,055 personnel files from 22 public bodies based on information from informants. At the time of this assessment, the REAC found 3,194 to be genuine and 634 (17.2 percent) of them forged. Those employees identified with forged credential have been suspended and a legal process is ongoing.

Dimension Score: B

PI-24 Procurement

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	D	Scoring method M2
PI-24.1 Procurement monitoring	D	No procurement database or record is maintained.
PI-24.2 Procurement methods	D	Competitive procurement method represents about 33% based on the sampled five major public bodies.
PI-24.3 Public access to procurement information	C	Three of the key procurement information elements are fulfilled.
PI-24.4 Procurement complaints management	D	The procurement complaint system does not meet criterion (1), but four of the other criteria are met.

PI-24.1 Procurement monitoring

147. The ANRS Public Procurement and Property Administration No. 179/2011 stipulates the legal framework for the procurement of goods and services from government funds. This proclamation is applicable to all public bodies fully or partially funded by the regional government and to city administration and municipalities. This proclamation shall not be applicable if agreement with DPs requires using separate project procurement guidelines. This proclamation does not apply when a public body enters into a contractual agreement with other public bodies of the regional government for the provision of goods and services. The following regulations and guidelines have been issued based on the proclamation:

- Administration of Complaint on Procurement and Property Disposal (Issued in 2012)
- Procurement Manual (issued in 2012)
- Regulation for the Establishment of Procurement and Property Disposal Services (2012)

148. Procurement function is largely decentralized at the public body level. Certain items are procured centrally. The ANRS PPPDS procures common user items, vehicles, maintenance, and insurance services on behalf of public bodies. The Public Procurement and Property Administration Auditing and Monitoring Directorate (PPPAAM) is another procurement-related directorate responsible for monitoring and auditing of procurement activities in the region. It also grants waivers for procuring entities when submitting a request and justification for the use of a different procurement method other than the conditions provided in the procurement manual. PPPAAM has 13 employees, including 5 procurement auditors.

149. About 36 percent of the total ANRS annual expenditure (2017/2018) represents procurement of goods, services, and works.

150. Procurement personnel working on the World Bank-funded projects use an Excel-based procurement database, based on a template provided by the World Bank. However, no database is maintained for procurements other than for World Bank-funded projects. Neither the proclamation nor the various manuals and guidelines of ANRS cite the need for a procurement database. Procurement units of public bodies prepare procurement reports from the source documents. Internal audit units or ORAG does not validate procurement reports.

Dimension score: D

PI-24.2 Procurement methods

151. The default method of procurement of the regional government is open competitive bidding. Other procurement methods are (a) restricted tendering, (b) stage bidding, (c) request for proposal, (d) request for quotation, and (e) single sourcing. Procurement operation is decentralized at public body level except certain items indicated above. Reports prepared by PPPAAM provide procurement information of only five major bureaus, which represent about 60 percent of the central regional government capital expenditures. According to the report prepared by PPPAAM, the share of open competitive bidding in EFY 2010 (2017/2018) by the five bureaus was 33 percent. Most of the single methods were attributed to contract awards by the Regional Rural Road Agency and regional public enterprises engaged in infrastructure development. The Chamber of Commerce Secretary indicated the disappointment on the direct award of procurement to SoEs and state-affiliated companies while the private sector could have played a vital role in achieving value for money had the award been on a competitive basis. Table 3.22 shows the share of open bidding on the five sector bureaus. This information is neither validated by internal nor external audit.

Table 3.22: Procurement volume and share of open competitive bid in five sector bureaus in ETB million (2017/2018)

Type of procurement	Procurement by five bureaus											
	Agriculture		Health		Road		Education		Water		Total	
	Total	Open	Total	Open	Total	Open	Total	Open	Total	Open	Total	Open
Goods	6.90	6.44	2.53	1.16	2.71	2.01	35.65	24.36	—	—	48	34
Works	—	—	0.09	—	65.89	—	—	—	1,019.37	359.09	1,085	359
Non-consultancy	0.06	—	1.74	—	7.72	4.07	—	—	—	—	10	4
Consultancy	—	—	—	—	28.75	2.64	—	—	82.33	19.50	111	22
Total (ETB, millions)	6.96	6.44	4.35	1.16	105.07	8.72	35.65	24.36	1,101.70	378.59	1,254	419
Share in % (2017/2018)	—	92.57	—	26.73	—	8.30	—	68.32	—	34.36	—	33

Dimension score: D

PI-24.3 Public access to procurement information

152. This dimension reviews the level of public access to complete, reliable, and timely procurement information. The summary table below (Table 3.23) shows the requirements or elements for public access and whether these are met. Three key procurement information elements are made available to the public, and government procurement plans are prepared by the public bodies but are not accessible to the public.

Table 3.23: Public access to procurement information

Element/Requirements	Met (Yes/No)	Evidence used/comments
(1) Legal and regulatory framework for procurement	Yes	The Public Procurement and Property Administration Proclamation No. 179/2011 and the regulation, the manuals, and guidance are available on BoFED website: www.amharaBoFED.gov.et/directives_manuals.html . In addition, the public can purchase the proclamation and the regulations from the regional council at a small amount of money. The Chamber of Commerce indicated that the procurement laws and guidelines are clear and understandable by the business community.

Element/Requirements	Met (Yes/No)	Evidence used/comments
(2) Government procurement plans	No	All visited public bodies prepared annual procurement plan. According to PPPDS, 70% of the sector bureaus and all of the zonal offices prepare an annual plan. PPPDS does not consolidate procurement plans or share it with the public.
(3) Bidding opportunities	Yes	Bidding opportunities are posted at the national newspapers called 'Addis Zemen' and the 'Ethiopian Herald', which have a wider national coverage. Bidding opportunities are posted only for open tenders. Ethiopian Television is also used.
(4) Contract awards (purpose, contractor, and value)	Yes	Contract awards are posted at the respective entities' notice boards. In addition, the award is communicated in writing to the participating bidders.
(5) Data on resolution of procurement complaints	No	Data on resolution of procurement complaints are not published. Only the entity submitted the complaint received the resolution in writing. PPPAAM incorporates the action taken on procurement complaints in its annual report.
(6) Annual procurement statistics	No	No annual procurement statistics is prepared. Some of the visited entities prepare a report what they call KPI report which is submitted to the regional PPPAAM and later shared with the federal PPA. This report is not accessible to the public.

Dimension score: C

PI-24.4 Procurement complaints management

153. According to Article 57 (1) of Proclamation 179/2011, bidders must file their complaints to the head of the procuring entity within five days from the notification of bid evaluation results. The head of the procuring entity should respond within 4 days.² If the bidders did not receive a response or are not satisfied with the decision, they can lodge their complaints to PPPAAM. The procuring entity shall suspend the procurement process until the complaint is resolved. The number of complaints received in 2017/2018 was about 1 to 3 per visited public body. Table 3.24 summarizes the requirement of this dimension and evidences provided.

Table 3.24: Criteria for independent complaint system

Element/Requirements	Met (Yes/No)	Evidence used/ Comments
(1) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	No	PPPAAM is not involved in the procurement operation though it is a directorate under BoFED; it is therefore seen as not independent. It reviews procurement complaints when bidders do not agree with the position of the procuring entity on their complaint.
(2) Does not charge fees that prohibit access by concerned parties	Yes	Bidders are not required to pay service fee to lodge their complaints.
(3) Follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes	The process is clearly defined in the procurement and property proclamation (Article 57), the procurement manual, and more specifically the complaint administration manual.
(4) Exercises the authority to suspend the procurement process	Yes	The proclamation indicated that the procurement process shall be suspended until a resolution reached.
(5) Issues decisions within the time frame specified in the	No	Most of the visited procuring entities indicated that decisions are made within the time frame. Some of them said that it may not be timely as specified in the

² Procurement and property administration complaint management manual

Element/Requirements	Met (Yes/No)	Evidence used/ Comments
rules/regulations which are publicly available		manuals due to the volume of works and the complexity of the issue (when it requires additional information to reach on a resolution).
(6) Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes	The decisions are binding to every party.

Dimension Score: D

PI-25 Internal controls on non-salary expenditure

Summary of scores and performance table

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

PI-25.1 Segregation of duties

154. The internal control systems for the PFM of ANRS are established by the various PFM proclamations and regulations including the Financial Administration Proclamation, Procurement and Property Administration Proclamation and Regulation, and the various manuals and guidelines. The existing PFM proclamations and regulations are under revision and expected to be revised soon. The Financial Administration Proclamation and Procurement Proclamation of the FGE, Addis Ababa City Government, Oromia Regional State, and Tigray Regional State were revised between 2016 and 2019. The Civil Service Proclamation and Regulation provides the internal control framework on recruitment, promotion, demotion, and compensation scheme, which is partly covered under PI-23. The following directives and guidelines are in use by the regional government:

- Financial Administration Proclamation (Proclamation No. 178/2011)
- Financial Administration Regulation (89/2011)
- Procurement and Property Administration Proclamation (179/2011)
- Procurement and Property Administration Regulation
- Manual for the Procurement of Goods and Services (7/2011)
- Manual for the Administration of Budget (8/2011)
- Manual for Cash Management (4/2011)
- Cash Disbursement Manual (5/2011)
- Accounting Procedure Directive (6/2011)
- Financial Accountability Directive (3/2011)

- Internal Audit Guideline (9/2011)
- Internal Control Standards (10/2011)
- Property Administration Directive (2/2011)
- Procedure on Guarantor (11/2011)
- Stock Management Manual (2012)
- Government Vehicle Use and Administration Manual (3/2012)

155. The internal audit units, ORAG, and the civil service play a key role in conducting an independent assessment on the compliance of the rules and regulations.

156. A broader segregation of duties between the various government executive organs is stipulated under Proclamation No. 176/2010 on the Re-establishment of the Powers and Duties of Government Organs. In addition, the BCSHRD ensures that appropriate organizational structures and segregation of duties are in place in line with prevailing rules and regulations.

157. In addition, each government organ has a clear organizational structure, and staff members are provided with job descriptions. The various public finance administration proclamations, regulations, directives, and manuals provide clear guidance on the segregation of duties for disbursement, acquisition, use, and disposal of other resources, recording, reconciliation, review, and authorization. The internal and external audit reports indicated certain fraudulent activities, which can partly be related to a nonfunctioning segregation of duties.

Dimension score: A

PI-25.2 Effectiveness of expenditure commitment controls

158. According to Article 32 (2) of the Financial Administration Proclamation No. 178/2011, no commitment shall be made by a public body unless there is a sufficient unencumbered balance from the budget to discharge any debt. Public bodies use Excel spreadsheets to control commitment. An Excel spreadsheet is not dynamic as a commitment control tool as it does not prevent overcommitment as it happens to some of the visited public bodies. Though IBEX was designed to handle transactions at the commitment level, the frequent loss of connectivity and backlog in transaction processing appear to discourage the use of IBEX as a commitment control tool. Overspending per line item is later corrected through budget transfer. Nonetheless, the amounts of overspending or overcommitment are not significant. The monthly cash flow request is indirectly guiding the extent of commitment for the period. The proclamation allows entering commitments for capital projects which extend beyond a year if there is approved budget for the first fiscal year (Article 32 (3)). The relevant commitment because of long-term construction contracts will be incorporated in the subsequent cash flow request following the receipt of a payment certificate from contractors. BoFED requests from public bodies an approved payment certificate received from suppliers to validate their cash flow requests.

159. All visited public bodies including BoFED do not prepare annual cash flow forecast. Public bodies are only required to submit quarterly cash flow forecasts. Most of the time, all requested cash is received timely. However, in January 2019, most of the visited public bodies did not receive what they requested (for capital budget) during the month. The delay in cash transfer to public bodies is mainly caused by the delay of transfer of subsidies from the FGE. However, there is no accumulation

of arrears as a result of over commitment or unavailability of cash. The maximum delay on payment to suppliers and contractors has been two weeks.³

Dimension score: C

PI-25.3 Compliance with payment rules and procedures

160. Generally, payment rules are complied with. Common internal audit irregularities reported by internal audit units and ORAG are fraud, unpaid VAT collections, payment without sufficient documentation, erroneous payment for construction contracts, payment without invoice, and not complying with procurement rules and regulations. The most widely reported irregularities are disbursement with insufficient documentation in 108 public bodies and irregularities with procurement rules and regulation in 140 audited entities respectively.⁴ According to the audit report of ORAG on the consolidated fund for EFY 2010 (2017/2018), payments which are effected without sufficiently complying with the payment rules represent about 0.81 percent⁵ of the annual expenditure of ANRS. The majority of exceptions are properly authorized and justified.

Dimension score: B

PI-26 Internal audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	C+	Scoring method M1
PI-26.1 Coverage of internal audit	B	Internal audit units of 25 public bodies at the regional level (which represents about 75% of the central regional government budget) covers 68% of the total expenditures and revenue in 2017/2018.
PI-26.2 Nature of audits and standards applied	C	The internal audit practice generally follows best practices in audit planning, execution, and follow-up of implementation. The audit largely focuses on compliance audit.
PI-26.3 Implementation of internal audits and reporting	B	22 internal audit units that represent public bodies that constitute about 86% of the regional budget performed about 80% of their annual audit plan.
PI-26.4 Response to internal audits	A	The executives respond to all the audit findings.

PI-26.1 Coverage of internal audit

161. According to Articles 6 and 7 of the Financial Administration Proclamation No. 178/2003 of ANRS, each head of a public body is required to ensure that the internal audit unit is properly staffed with qualified personnel. BoFED is mandated to monitor internal audit units, to present findings from the internal audit report to the regional council. The Inspection Directorate (ID) at BoFED is responsible for overseeing the internal audit functions in the region. It is responsible for setting internal audit standards, building capacity of the internal auditors, consolidating key audit findings, and submitting to the regional cabinet and regional council quarterly. The ID also conducts internal audits when requested. It has seven auditors.

³ Based on the discussion with visited public bodies.

⁴ The audit report on the Consolidated Fund Financial Statement of EFY 2010 (2017/2018).

⁵ PEFA team computation (value of audit findings by ORAG divided by total expenditure for the year including donor-funded projects: ETB 292.7 million divided by ETB 36.1 billion).

162. All the regional sector bureaus and their branches and woredas have internal audit units (250 entities). The financial coverage at the sector bureaus level is estimated at about 86 percent⁶ of total expenditure (based on computation of the audit coverage of 25 sector bureaus, which represented 75 percent the total expenditure of the central regional government). The internal audit also covers the audit of revenue and donor-funded projects.⁷

Dimension score: B

PI-26.2 Nature of audits and standards applied

163. The ID distributes various manuals to the internal audit units. The manuals contain guidance and procedures on internal audit standards, procedures, risk assessment procedures, report writing, and code of ethics.

- Internal Audit Standard, Auditor Code of Ethics and Audit Manual - issued in 2007
- Internal Audit guidance - issued in 9/2012
- Internal Control guidance - 10/2012
- Internal Audit Report Writing Manual (December 2011)
- Risk Based Audit Plans 2010

164. Risk assessment is carried out by all internal audit functions. The risk assessment takes into account the total expenditure amount, complexity, and operation with limited internal control procedure. Risk areas are identified and rated based on the level of risk and a weight is provided to arrive at the annual audit plan. The risk assessment however is largely focused on compliance risk rather than on assessment of the effectiveness of the internal control systems. ORAG is using the internal audit reports as part of its audit procedure. Internal audit units also follow up the implementation of the findings of ORAG in their respective public bodies.

Dimension score: C

PI-26.3 Implementation of internal audits and reporting

165. Based on the review of 22 public bodies (which represents about 80 percent of the regional public bodies budget), internal audit plan, and performance for EFY 2010 (2017/2018) which includes the BoA, BoE, BoH, BoR&T, Bureau of Water, the internal audit units accomplished 86 percent of their annual plan on average. These 22 public bodies accomplished 550 programmed audits out of 634 planned programmed audits. Furthermore, each internal audit unit of these public bodies prepares quarterly reports and submits a copy to the head of institution and the ID of BoFED for review and comments in accordance with the Financial Administration Proclamation No. 178/2003 of the ANRS Government.

Dimension score: B

PI-26.4 Response to internal audits

166. Management generally responds to audit findings within 15 to 30 days. The internal audit units report the status of implementation of audit findings to the ID. The summary of status of audit

⁶ ETB 4.3 billion out of ETB 5 billion expenditure of the 25 sector bureaus.

⁷ The internal audit unit of the BoA conducted audit of the project funds of the Agricultural Growth Program (AGP) and the Sustainable Land management Projects. The internal audit unit of the Bureau of Water and Energy conducts project audit funded by UNICEF.

recommendation is presented to the Audit Implementation Task Force through BoFED. Table 3.25 shows the financial representation of the audit findings which are fully resolved, in progress, and those for which no action has been taken.

Table 3.25: Internal Audit findings summary for the audit findings between EFY 2004 (2011/2012) to 2010 (2017/2018)

Errors and related issues to be rectified ^a	Value of findings in ETB million					
	Sector bureau	%	Zones and woredas	%	Total at regional level	%
Resolved	1,118	91	52	40	1,171	86
Action is ongoing	106	9	13	10	119	9
No action taken	4	0	65	50	68	5
Total	1,228		130		1,358	
Findings which cause refund ^b						
Cash refunded	21	67	71	53	92	55
Claim is ongoing - in process	7	23	33	24	40	24
No action taken	3	10	31	23	34	21
Total	31		135		166	

Source: ID.

Note: a. Cash overages, payment with insufficient documentation, suspense accounts, receivables and payables accounts, procurement, budget utilization, tax accounting, and manpower.

b. These are cash shortages, unlawful payments, fraud, property, and stock losses.

Dimension score: A

PILLAR VI: Accounting and reporting

PI-27 Financial data integrity

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	B	Scoring method M2
PI-27.1 Bank account reconciliation	C	The active bank accounts are reconciled at least monthly, usually within four weeks from the end of each month.
PI-27.2 Suspense accounts	NA	Suspense accounts appear in the Chart of Accounts with the number 4201 but they stand for advance payment of petty cash.
PI-27.3 Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared on time.
PI-27.4 Financial data integrity processes	C	The financial data integrity process is not sound enough to ensure personal accountability resulting in audit trail.

PI-27.1 Bank account reconciliation

167. The TSA was put in place in EFY 2007/2008 and reconciliations are made daily through IBEX through the CBE. The bureaus have other accounts in the CBE whose reconciliation is not facilitated by the TSA, and they are related to own source revenue and donor-funded capital projects. Salaries are paid from recurrent expenditure accommodated by the Z-account.

168. The financial legislation (Proclamation No. 178/2011) specifies that the bank accounts are to be reconciled on a monthly basis by the end of the next month. The Treasury reported the existence of 65 bank accounts of which 60 are active and 5 are inactive. The bank reconciliations for all active

regional government bank accounts are done both at an aggregate and a detailed level and within the following periods:

- The TSA (Z-account) is reconciled daily at the end of each business day.
- The AmRRB bank accounts (revenue accounts) are reconciled once a month within 15 days of the end of the period.
- The remaining bank accounts (the SDG accounts and donor accounts, which are outside the TSA) are reconciled manually with banks statements received from the CBE. The reconciliation takes place monthly, but the results of the reconciliations are generally not reported to BoFED. These reconciliations are decentralized. It was also identified that some sector bureaus reconcile donor accounts in a period longer than three months (for example, BoWIE).

169. In summary, bank reconciliation for all central government bank accounts in the TSA at the CBE takes place daily. The revenue-related bank accounts are reconciled monthly within 15 days of the end of the period. The remaining bank accounts (B accounts and aid accounts), accounting for more than 10 percent of the budget, are reconciled manually and the results of the reconciliations are not reported to BoFED to take action to reconcile any differences with the responsible budget entity.

Dimension score: C

PI-27.2 Suspense accounts

170. Suspense accounts appear in the Chart of Accounts of the Regional Government of Amhara with the number 4201. However, it was understood that this is the local interpretation of advance accounts recording travel petty cash advance. Suspense accounts in the sense of temporary accounts of sundry nature do not exist. Therefore, this dimension is not applicable.

Dimension score: NA

PI-27.3 Advance accounts

171. Advance payments of petty cash to staff are recorded in account No. 4201 known as 'suspense account'. These are settled and cleared seven days after return against provision of expense report. The advance account also accommodates advance payments of 30 percent that are usually provided and administered within the procurement rules with regard to public procurement contracts. Such payments are secured by unconditional bank guarantees and are reconciled within a month of recording.

172. The volume of advance accounts as of the time of assessment covering the preceding fiscal year is ETB 11.1 billion, the majority constituting advance payment to contractors about ETB 5.4 billion. The cleared advance payments for petty cash and operational imprests (account 4201) amount to ETB 12,583,614 at year-end EFY 2010, representing less than 1 percent of total actual government revenue for the same EFY.

Dimension score: A

PI-27.4 Financial data integrity processes

173. IBEX is an integrated budget and expenditure system developed under a Decentralization Support Activity Project deployed in EFY 2001. It provides online (centralized) and offline (used in time of network interruption) access to financial data in real time to the budget users of the regional

government. There are 257 reporting budget entities including sector bureaus and woredas. All servers are located at BoFED. The system consists of the following modules: (a) administration, (b) accounts, (c) accounts consolidated, (d) budget, (e) budget adjustment, (f) budget control, and (g) disbursement. It activates log-off if it is idle for more than five minutes. Individual password was operated at the beginning, but the volume of data transmitted together with the frequent connectivity problems necessitates a solution compromising on integrity. There is an individual account for each user, but a shared password is used in all sector bureaus (each budget entity) to reduce the number of licensed users so that IBEX can accommodate data entry and transfer. Thus, audit trail is not ensured. The problem is recognized by the local authority, and the new integrated financial management information system (IFMIS) already in operation at the federal government level and accepted to be deployed in the regions is believed to be the solution. Currently, the system is restricted for concurrent usage and does not allow audit trail. Hence, individual accountability cannot be ensured. The unit in charge of verifying financial data integrity is known as the IBEX Management Department.

174. The passwords can be changed, but they do not expire such that the system will require their frequent update. There are different levels of access and administrators' rights. Levels of access are documented, ranging from a 'read-only' basis to user with rights to interact with the system at a higher level that allows the user to create, modify, or prepare a report. This implies that the system can enable audit trail in the system although it does not permit tracing of change to a particular individual.

175. In summary, IBEX is used for recording and consolidation of budget execution data. It is deployed to all budget entities covering users in all levels of government administration (from woredas up to sector bureaus) with nearly 257 reporting entities. It provides online and offline platform and allows for individual account, logging off after five minutes of idle time; however, for technical capacity limitations of the system, the access is not restricted by individual password and data entry and changes cannot ensure audit trail.

Dimension score: C

176. **Ongoing reforms.** The problem of connectivity interruption and capacity limitation of IBEX is recognized by the local authority. There is a new IFMIS already in operation at the federal government level that is accepted to be deployed in the regions. The region is in preparation for the new IFMIS, but it is not clear when it is going to be rolled out.

PI-28 In-year budget reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget reports	C+	Scoring method M1
PI-28.1 Coverage and comparability of reports	A	Coverage and classification of data on executed budget allows for direct comparison to the original budget. Information includes all items of budget estimates allowing for direct comparison between approved budget estimates and actual expenditure by detailed economic, functional, and administrative classification and source of funds; the reports also show transfers to zones and woredas.
PI-28.2 Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter. The bottleneck is the delay of reporting on budget execution from the lowest level (woreda).
PI-28.3 Accuracy of in-year budget reports	C	Due to IBEX, the accuracy of reports are generally consistent from year to year, capturing expenditure at the payment

Indicator/Dimension	Score	Brief justification for score
		stage. There is no analysis of budget execution on a half-yearly basis. Expenditure is not captured at the commitment stage.

PI-28.1 Coverage and comparability of reports

177. All budget execution fiscal data are received from the BIs at BoFED through IBEX, providing a template for reporting on total expenditure broken down into items of expenditure. This template provides the approved budget estimates and transfers added and deducted adjusted budget and actual expenditure. Expenditure data for this report are entered by all BIs and provided to BoFED every month. Based on this information, BoFED generates quarterly reports that are issued 45 days after the end of the respective quarter.

178. Coverage and classification of data on the executed budget allow direct comparison to the original budget. Information includes all items of budget estimates allowing for direct comparison between approved budget estimates and actual expenditure by detailed economic, functional, and administrative classification (for both recurrent and capital expenditure) and source of funds. The reports also show transfers to zones and woredas.

Dimension score: A

PI-28.2 Timing of in-year budget reports

179. In summary, IBEX makes the in-year budget report standard throughout all budget users of the regional government. The accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. Table 3.26 shows when the in-year budget reports were generated for the last completed fiscal year, that is, 2017/2018 (EFY 2010). The budget execution reports are prepared quarterly and usually issued within two months after the end of quarter. The reason why the in-year budget reports are not provided earlier is the delay of report on budget execution submitted by the lowest woreda level.

Table 3.26: Time of in-year budget report issue for EC 2010 (2017/2018)

	End of quarter	Date of in-year budget report	Time of issue after quarter end
1	July 30, 2010	September 13, 2010	Within two months after quarter end
2	January 30, 2010	March 27, 2010	Within two months after quarter
3	April 30, 2010	June 15, 2010	Within two months after quarter

Source: BoFED.

180. In summary, budget execution reports are prepared quarterly and issued within eight weeks from the end of each quarter.

Dimension score: C

PI-28.3 Accuracy of in-year budget reports

181. The IBEX financial reporting system captures expenditures at both commitment and payments stages, and the system rejects unapproved commitments. However, the monthly reports generated and submitted to BoFED by each budget entity do not show commitments but only expenditure at the payment stage. Commitment control ledger at the sector level is not included in the budget execution reports because of connectivity problems that trigger delay in document submission. Concerns regarding data accuracy exist. They are neither highlighted in budget entity reports nor consolidated in BoFED reports. One major concern that remains unresolved is the overstatement of revenues in the

consolidated BoFED report. Transfers to budget entities are recorded as revenues by budget entities and these are not set off against regional subsidies/grants to budget entities.

182. In sum, IBEX makes the in-year budget report standard throughout all budget users of the regional government. The accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage.

Dimension score: C

PI-29 Annual financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	C+	Scoring method M1
PI-PI-29.1 Completeness of annual financial reports	C	The annual financial reports consolidate the financial budget execution data provided by all budget entities. The last year EC 2010 consolidated annual financial report contains information on budgeted and actual information on expenditure accounts (on a cash basis) broken down into administrative, functional, and economic classification, revenue, and cash balances. The financial statements do not produce information on stocks of assets and liabilities, and no information was provided on debt and guarantees.
PI-29.2 Submission of reports for external audit	B	The consolidated financial report of the last completed fiscal year was submitted six months after the end of the fiscal year (EC 2010).
PI-29.3 Accounting standards	C	The accounting standards applied to all financial reports are consistent with the national accounting standards (modified cash basis accounting standards). The standards and accounting policies used are disclosed but comparative data to the preceding year are not covered.

PI-29.1 Completeness of annual financial reports

183. Article 59 of the Amhara Financial Administration Proclamation No. 178/2011 prescribes the content of consolidated AFSs. According to the law, the report should include (a) financial transactions on revenue and expenditure, (b) debt, (c) contingent liabilities, (d) guarantees, (e) transfers/subsidies, (f) accounts on special funds, (g) assets, and (h) liabilities.

184. The existing accounting system in the field of public administration is based on the national legislation, which is applied consistently. The annual financial reports consolidate the financial budget execution data provided by all budget entities. The last year consolidated annual financial report (for EC 2010) was provided. It represents a report on annual budget execution on all central budget organizations. It contains information on budgeted expenditure and actual information on expenditure accounts (on a cash basis), broken down into functional and economic classification, revenue, and cash balances. Furthermore, the financial statements do not produce information on stocks of assets and liabilities and do not provide information on debt and guarantees. There is no analysis of comparison of the actual outturn with the initial government budget. The report contains some of the financial assets and liabilities. But it does not contain disclosure of specific financial assets such as government interest (investment) in SoEs, debt guarantees, contingent liabilities, and nonfinancial assets.

Dimension score: C

PI-29.2 Submission of reports for external audit

185. Article 58 in the Financial Administration Proclamation No. 178/2011 requires that BoFED prepares the consolidated public accounts of the regional government and submits them for external audit to the Auditor General within three months of the end of the fiscal year. The consolidated financial report of the last completed fiscal year was submitted on April 24, EC 2011 (or January 2, GC 2019). This means that the financial report for budgetary central government was submitted for external audit within six months of the end of EFY 2010.

Dimension score: B

PI-29.3 Accounting standards

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

Dimension score: C

PILLAR VII: External scrutiny and audit*PI-30 External audit**Summary of scores and performance table*

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	D+	Scoring method M1
PI-30.1 Audit coverage and standards	C	ORAG covers more than 57% of the total expenditure and revenue of ANRS for the last completed fiscal years and follows the International Organization of Supreme Audit Institutions (INTOSAI) regulatory audit manuals.
PI-30.2 Submission of audit reports to the legislature	D	ORAG submitted the audited financial statement on consolidated fund within 9 months from the receipt of the draft report from BoFED for the last completed fiscal year and within 13 months for one of the completed fiscal years.
PI-30.3 External audit follow-up	C	Audited entities responded timely and provided a comprehensive report on action taken. About 75% of them responded within a year.
PI-30.4 Supreme Audit Institution independence	D	ORAG is independent from the executive in all respective including appointment and removal of the Auditor General, publishing of its report, and unrestricted and timely access to records. However, its budget is still approved by BoFED.

187. The revised Constitution of ANRS (Article 1116 (1)) and the reestablishment proclamation for ORAG (Proclamation No. 186/2011 as amended as per Proclamation No. 267/2019) provide the legal framework for the establishment of ORAG. ORAG is mandated to conduct the audit of government funds of the regional government including sector bureaus, agencies, woredas, and their branches. ORAG is mandated to conduct financial audit, performance audit, information audit, environmental audits, and special audits. It is also mandated to issue practicing certificates to accountants and auditors.

PI-30.1 Audit coverage and standards

188. ORAG uses the following manuals:

- Regulatory Audit Manual issued by the African Organization of Supreme Audit Institutions (AFROSAI) (2010)
- Ethiopian Auditing Standard for Performance Audit and Environmental Audit - 2003 (prepared by the Office of the Federal Auditor General [OFAG]; Amhara and Benishangul Gumuz ORAGs (under Auditor General Capacity Enhancement Project)
- Financial Audit Manual (2002)
- Fraud Audit Manual (2006)

189. ORAG audits all government funds including treasury sources and donor funds. A significant part of its audit is on financial compliance. It also reviews the efficiency and effectiveness of internal control procedures while conducting performance audits. Comprehensive risk analysis is not conducted, but previous experience and the total amount of budget are often a basis of selection of public bodies for audit. ORAG uses the works of the internal audit units, conducted audit on gender mainstreaming in 2016, and commissioned Bahir Dar University to conduct a study on the performance of ORAG. The study is expected to be completed by July 2019. ORAG has conducted an experience sharing visit to six regional auditor general offices including SNNPR, Tigray, Addis Ababa, Oromia, Dire Dawa, and Harari. ORAG has shared the learning from the experience in writing with its staff members. Learnings including organizational structure, classification of audited entities from risk perspective, audit team management, interim audit, special audits, and cash audit are shared with auditors in writing. ORAG has 210 staff members with about 4 percent vacant positions.

190. ORAG conducted a quality assurance exercise on 16 audit reports issued in 2017/2018. The assessment was largely focused on the relationship of the audit findings, evidences and the audit finding, and opinion provided. The zonal branch of ORAG responded to the comments of the ad hoc team established for quality assurance exercise.

191. The audit coverage with respect to financial audit, including expenditure and revenue audit, for the past three years is summarized under Table 3.27. In addition to the financial audit, ORAG conducted special audits and performance audits in the period covered by the assessment. The financial audit includes the audit of donor-funded projects managed by the audited entities. There are no EBUs in the region.

Table 3.27: Audit coverage (sector bureaus only)

Audited fiscal year	No. of audited entities - all audits	No. of audited entities - financial audit	Type of audit	Total expenditure/revenue in ETB billions	Audited expenditure/revenue in ETB billions	% of coverage from total expenditure/revenue	Joint coverage %
2009	262	236	Expenditure	36.600	26.810	73.73	57
			Revenue	13.150	1.350	11.00	
208	268	215	Expenditure	27.297	23.498	86.08	72
			Revenue	7.453	1.461	20,00	
2007	258	206	Expenditure	21.526	17.130	79.60	At least 62%
			Revenue	6.065	NA		

192. Most of the audit reports of the audited entities had received qualified audit opinion. The number of audited entities with an unqualified audit opinion slightly increased in the audit of EFY 2009, from 6 to 14. See Table 3.28.

Table 3.28: Number of BIs audited and the type of audit opinion received

Audit Opinion	No. of BIs 2007 (2014/2015)	No. of BIs 2008 (2015/2016)	No. of BIs 2009 (2016/2017)
Unqualified	7	6	14
Qualified	192	203	215
Disclaimer	5	3	2
Adverse	—	3	5
Total	204	215	236

Dimension score: C

PI-30.2 Submission of audit reports to the legislature

193. According to Article 15 (1) of Proclamation 186/2011, ORAG should submit the audit report to the regional council within eight months from the receipt of the consolidated financial statements from BoFED. This is a relatively longer period compared to other regional SAI submission dates that are four months on average. Audit reports on the consolidated fund of ANRS for EFY 2008 and 2009 were submitted to the regional council within nine months. The audit for EFY 2007 was submitted after 13 months, with a considerable delay, as shown in Table 3.29.

Table 3.29: Dates on which the Auditor General submits audited financial statement to the regional council

Ethiopian Financial Year	Date of receipt of AFSs by OFAG	Audit report submission to parliament due date by Law (according to proclamation)	Actual date of submission of Audit Report to Regional Council	Remarks (delay or on time with respect to the local legislation)
EFY 2010 (2017/2018)	January 2, 2019	September 2, 2019	Not yet	
EFY 2009 (2016/2017)	April 30, 2018	December 29, 2018	January 21, 2019	Delay (8 months 22 days)
EFY 2008 (2015/2016)	February 10, 2017	October 9, 2017	October 9, 2017	On time (8 months)
EFY 2007 (2014/2015)	March 24, 2016	November 23, 2016	May 4, 2017	Delay (13 months 10 days)

Dimension score: D

PI-30.3 External audit follow-up

194. According to Article 21 (3) of Proclamation No. 186/2003, audited entities should provide a report on action taken based on the recommendation of the Auditor General within 15 days for financial audit and within 30 days for performance audit. According to ORAG, out of the 28 audited sector bureaus in 2017/2018, 5 responded within 15 days, 18 responded late (within a year), and 5 never responded. The audit recommendation follow-up team of ORAG follow ups the audit findings and recommendations. ORAG submits reports on the status of implementation of audit findings and recommendations by the audited entities. The audit implementation task force (PI-31.3) conducts a quarterly meeting and shares action taken by the respective organization based on the audit findings.

Table 3.30 shows the summary of responses on audit recommendation by the audited entities. The information includes the response on performance audit as well. As can be seen in the table, the percentage of entities responding to audit recommendation declined from 90.05 percent to 74.60 percent in 2017/2018 (on the audit of EFY 2009). The ORAG team indicated that the executive reshuffle and turnover (following the unrest in 2017 and 2018) affected the responsiveness of the audited entity.

Table 3.30: Summary of management response during the last three completed fiscal years

Audit period	Total number of audited entities	No. of entities responded to recommendations	Percentage of response
EFY 2009 (2016/2017)	248	63 ^a	74.60
EFY 2008 (2015/2016)	221	22 ^b	90.05
EFY 2007 (2014/2015)	206	5	97.53

Note: a. Out of the 63 nonresponsive audited entities, 18 are central regional government entities.

b. All of the entities which did not respond to audit findings are woreda administrations (which are outside the central regional government).

Dimension score: C

PI-30.4 Supreme Audit Institution independence

195. This dimension assesses the independence of the SAI from the executive. The basis of the assessment on independence is the principles set out in the International Standard on Supreme Audit Institution, as stipulated in the Mexico Declaration on SAI Independence. Out of the eight principles, seven of them are met; one of them is partly met. See Table 3.31.

Table 3.31: Independence of ORAG

Element/Requirements	Met (Yes/No)	Evidence used/comments
The existence of an appropriate and effective legal framework and of de facto application provisions of this framework	Yes	Article 116 of the 1994 Constitution of ANRS provides the legal framework for the establishment of ORAG. Based on the Constitution, the Proclamation No. 186/2011 (as amended as per Proclamation No. 267/2019) stipulates the scope and mandate of ORAG.
Independence of OFAG head and its members including security of tenure and legal immunity	Yes	The Auditor General is independent of the executives and appointed by the regional council (Constriction 1994 Article 116). The Auditor General shall be appointed for two terms, where one term is 12 years. Conditions for the removal of the Auditor General includes ascertained capacity limitation, guilty conduct, corrupt practices, completion of term, retirement age, and resignation based on the Auditor General's own request. The proclamation does not stipulate the manner in which the stated causes are validated and approved by the regional council. Proclamation No. 267/2019 (Amendment to Article 23) indicated that the head of auditees, local administrators, and house speakers have the obligation to secure the auditors and the work from any physical and physiological impact. It also stipulates that that the Auditor General shall not be subject to criminal or civil charges because of his/her report presented to the regional council.

Element/Requirements	Met (Yes/No)	Evidence used/comments
Broad mandate and full discretion in delivering the tasks entrusted to the SAI	Yes	The ANRS ORAG is mandated to audit the accounts of all public bodies including sector bureaus, zonal offices, woredas, colleges, schools, and health centers. It is also mandated to audit donor funds. It may delegate to external auditors some of the audit functions. The revised proclamation permitted ORAG to establish a regional audit service corporation which operates on a commercial basis just like the FGE's Audit Service Corporation. The Audit Service Corporation which is to be established will be responsible for the audit of regional SOEs and other funds. ORAG issues practicing certificates to auditors and accountants. It shall also conduct performance, environment, and information audits and special audits.
Unrestricted access to information	Yes	As stipulated in Article 21 of the Proclamation No. 186/2011 on the establishment of ORAG, auditees are responsible to make available documents, oral evidences, and other information that the auditor deems necessary for auditing. The Auditor General has no restriction in accessing information in any of public bodies.
The right and obligation to report its Work	Yes	The Auditor General is required to submit audit reports on the Annual Regional Consolidated Fund Financial Statement (Article 10 (2) of Proclamation No. 186/2011. The Auditor General also submits performance audit reports as completed to the regional council. ORAG submits audit reports twice in a year.
The freedom to decide the content and timing of audit reports and to publish and disseminate them	Yes	The Auditor General is free to decide in determining the content and timing of the audit report. Investigative audit may be initiated from other government organs including Ethics and Anticorruption Commission and Attorney General.
Follow-up mechanism on ORAG's recommendation has been implemented	Yes	ORAG has established a team for audit follow-up. It reports quarterly on the status of implementation of the audit findings and recommendations to the audit follow-up task force. ORAG is a member of the Audit Follow-up Committee which follows up the implementation of audit findings.
Financial and managerial/administrative autonomy and availability of appropriate human, material and monetary resources	No	Amendment Proclamation No. 267/2019 (of the establishment of ORAG) entitled the Auditor General to be autonomous for determining its manpower structure and benefit schemes. The proclamation indicated the issuance of a new regulation based on the proclamation which will be a guidance on the implementation of the autonomy in determining HR requirements and pay schemes. The regulation is drafted and submitted to the regional council, but this was not approved as of November 8, 2019.

Dimension score: D

PI-31 Legislative scrutiny of audit reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	D+	Scoring method M2

Indicator/Dimension	Score	Brief justification for score
PI-31.1 Timing of audit report scrutiny	A	The BFSC scrutinizes the audit reports within two to three weeks from the receipt of the audit report from ORAG.
PI-31.2 Hearings on audit findings	D	No hearing is conducted.
PI-31.3 Recommendations on audit by legislature	D	The BFSC submits its recommendation report to the Speaker following the scrutiny of the audit report but the respective audited entities are not in attendance. The BFSC is a member of the audit implementation task force, which follows up the implementation of audit findings.
PI-31.4 Transparency of legislative scrutiny of audit reports	D	The scrutiny of the audit reports is conducted in the presence of representative of certain civil societies. The committee reports are not published and are not accessible to the public.

PI-31.1 Timing of audit report scrutiny

196. According to the 1994 Constitution of ANRS, the regional council shall receive audit reports from ORAG. The BFSC of the regional government is responsible for the scrutiny of the audit report received from ORAG. As mentioned in PI-18.2, the BFSC has six members including the chairperson who is the only full-time member. Other members meet at least two times a year and on an ad hoc basis.

197. Audit reports are initially scrutinized by the BFSC and later with the presence of other standing committee chairpersons (36) and civil society representatives including women and youth associations. After the end of the review, the BFSC presents a written report to the regional council. The report addresses key findings and recommends courses of actions. This report is submitted to the speaker before the Auditor General delivers his/her speech on the audit report of the consolidated fund of the regional government. The BFSC often requests ORAG to explain the audit findings and recommendations indicated in the submitted audit report. The reports are reviewed within two to three weeks from the date of the receipt of the audit report.

Table 3.32: Time between the receipt of reports by the BAASC and completion of their review by the legislature

	EFY 2007 (2014/2015)	EFY 2008 (2015/2016)	EFY 2009 (2016/2017)
Date on which ORAG submitted audit report to the regional council (excluding the compiled consolidated fund audit) ^a	July 1, 2016	June 10, 2017	June 25, 2018
Separate audit report on consolidated fund submitted by BoFED ^a	May 4, 2017	October 9, 2017	January 21, 2019
Date on which the BFSC scrutinized the audit report	July 1–5, 2016	Jul 1–5, 2017	July 1–5, 2018
Date on which the Auditor General delivered his/her report to the full chamber	July 12, 2016	July 20, 2017	July 12, 2018

Source: ORAG and BFSC.

Note: a. The audit report on the consolidated financial statement (submitted by BoFED) was not completed on time. Hence, the audit report contains the audited financial report on public bodies (other than BoFED) of year n, and the audit of the consolidated financial statement submitted by BoFED of year n-1. That means that the audit report of a consolidated financial statement was delayed by one year. In sum, the annual report of the Auditor General covers the n-1 of the audited public bodies but n-2 of the consolidated fund.

Dimension score: A

PI-31.2 Hearings on audit findings

198. No hearing is conducted on the audit findings. Though media and civil society representatives attend the scrutiny of the audit report, the executive of the audited entities did not attend any of the scrutiny sessions conducted for the last three completed fiscal years.

Dimension score: D

PI-31.3 Recommendations on audit by legislature

199. The BFSC submits its overall recommendation following the scrutiny of the audit report (PI-31.1) to the Speaker. The recommendations of the BFSC are discussed in the full chamber on the date the Auditor General delivers his/her speech. No recommendation letter is issued by the council to the audited executives. The BFSC does not maintain its own follow-up records on implementation of its recommendations. However, an audit findings implementation task force, composed of the Deputy Speaker, BoFED head, BFSC chairperson, Auditor General, Regional Ethics and Anticorruption Commissioner, and the Attorney General and Secretariat of the President, jointly follows up implementation of audit findings. The task force signed a memorandum of understanding (MoU) in November 2011. The main objective of the MoU is to jointly collaborate for the implementation of the audit findings and recommendation of the Auditor General. Members of the task force take responsibility jointly and individually for the implementation. Each committee member submits a quarterly report on the status of the implementation to the BFSC which chairs the task force. A similar structure is available at the woreda level, chaired by the woreda-level BFSC. The regional Attorney General of the Ethics and Anticorruption Commission submits reports on action taken and BoFED submits summary of findings of internal audit units. The task force meeting is held quarterly.

Dimension score: D

PI-31.4 Transparency of legislative scrutiny of audit reports

200. The BFSC scrutinizes the audit report in the presence of chairpersons of other standing committee members and representatives from the civil societies and the regional government media. However, this does not constitute a hearing as the audited entities do not attend the process. The review of the BFSC report is not published or transmitted by TV or media other than the speech of the Auditor General delivered to the full chamber.

Dimension score: D

4. Conclusions of the analysis of PFM systems

4.1. Integrated assessment of PFM performance

201. The **transfers from the higher government level** are in block grants constituting 70 percent of the total regional government revenue. In all three fiscal years under review, the transfers to the SNG were consistent with the original approved high-level budgets. They were spread evenly within each year and were provided in acceptable time frames. Earmarked grants were received under budget for two of the assessed years due to inability of the federal government to achieve targeted milestones. Being less than 10 percent of the total transfers, they did not affect the revenue stream.

Pillar I: Budget reliability

202. Budget reliability was average in the three assessed years. The aggregate **expenditure outturn** was very good, ranging between 95 percent and 100 percent of the approved budget (PI-1 scored A), but **composition outturn** by both functional and economic classification proved to be a weak point. The reason is high budget adjustments due to poor planning and personnel related costs, which were not included in the original budgets (PI-2 scored C+). A good practice is demonstrated in consistent adherence to the practice of not spending beyond the approved contingency vote. Contingency reserves are not fixed by law and can be made effective only by legislative approval (PI-2.3 scored A). **Revenue outturn** shows that the planning was generally good with actual revenue around 100 percent but with poor revenue composition of significant deviation of more than 15 percent in all three years. The reason is low tax performance in collection of municipal tax, administrative fees, and others (PI-3 scored C). The continuous budget reallocation raises questions about budget reliability as well as the delivery of government services based on its original policy intent

Pillar II: Transparency of public finances

203. The **budget** is well formulated based on administrative, economic, and functional **classification** with consistent documentation compliant with GFS standards (PI-4 scored B). The budget documentation sent to the regional council for the examination and approval is not comprehensive and accessible to public. It does not cover any of the features such as forecast of deficit and surplus, previous year budget outturn, financial assets, fiscal risks, and so on (PI-5 scored D).

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

205. The horizontal allocation of **transfers to lower level government** structures (woredas and towns) is transparent and rule based. The unit cost approach is applied for both recurrent and capital budgets. The timeliness of reliable information provided to lower SNGs on their allocations from the Regional Government of Amhara (central government) for the coming year is only after the start of the fiscal year (PI-7 scored C+).

206. The availability of **performance plans for service delivery** is in place only for majority (66 percent) of sector industries. The information on the achievement reached for these plans is not published and does not reach the public. The good practice is that information on resourced received by frontline service delivery units is collected, recorded, and disaggregated by source of funds and issued in an annual report. The performance of service delivery was evaluated for efficiency or effectiveness at least once within the last three years (PI-8 scored C+). Only the annual budget law

and the annual budget execution reports are available to the public. This is insufficient for **fiscal transparency** (PI-9 scored D).

Pillar III: Management of assets and liabilities

207. The oversight role of the Regional Government of Amhara in relation to the identification, monitoring, and **reporting of fiscal risk** is not strong. Most (74.3 percent) of the public enterprises submitted their 2017/2018 annual audited accounts to the Public Enterprises Supervision and Follow-up Authority, which is responsible for monitoring and evaluating the performance of all SoEs. Annual fiscal risk report is prepared; however, neither this report nor the annual audited report of each public enterprise is published. There are records of significant contingent liabilities, related to guarantees to PPPs that the regional government does not report in its AFSs (PI-10 scored D+).

208. **Public investment** does not appear to be a key factor for economic growth in Amhara Region. The economic analysis of investment projects is weak. Project selection is largely based on regional government priorities (which include water, irrigation, health, education), though there are guidelines for preparing capital project feasibility studies. The project implementing unit monitors investment projects through physical inspection and periodic (quarterly) financial progress reports, though they are not published (PI-11 scored D+). Weaknesses in this area affect budget reliability in terms of poor and unreliable budget allocation to capital projects.

209. **Fixed asset management** is decentralized, with each institution responsible for managing its own fixed assets. The challenge is that there is no centralized asset management framework. The regional government maintains a register of its financial assets, including investments in SoEs; however, this information is not published (PI-12 scored D+). The regional government has the power to borrow from local sources but doesn't exercise the borrowing powers. The Regional Government has the mandate to provide loan guarantees but doesn't reconcile guarantees issued. The Regional Government doesn't have a policy, guidelines and procedure that guide the issuance of these guarantees. (PI-13 scored D).

Pillar IV: Policy-based fiscal strategy and budgeting

210. **Macroeconomic and fiscal forecasting**, referred to as MEF, is prepared by the Regional Planning Commission with assumptions mainly on regional GDP since all other macro indicators (inflation, interest rate, exchange rate, and so on) are the remit of the federal government. The forecasts are for five years, with yearly updates and submitted to the regional council after they have been reviewed by the regional cabinet (PI-14 scored B).

211. The budget is not prepared on a medium-term basis even though a five-year revenue (by type) and expenditure aggregate framework is prepared. Preparation of **fiscal strategy** is the remit of the federal government (PI-15 is D). Aggregate and sector bureau expenditure ceilings for the budget are approved by the regional cabinet after the BCC is issued to budgetary units. This suggests that expenditure ceilings are not considered and applied to the estimates of the sector bureaus. Available information suggests that at least 54 percent, by value, of sector bureaus prepare fully costed sector strategies. They also prepare annual action plans. The annual expenditure policy of these bureaus is aligned to the medium-term strategies (PI-16 scored D+).

212. A clear **budget calendar** exists and is included in the BCC. For the preparation of the current fiscal year (EFY 2011) budget, the BCC was sent two weeks late and the deadline for the submission of the budget estimates by budgetary units was left unchanged. As a result, the BIs had five weeks to complete their budget submission. Only 60 percent of the budgetary units were able to complete their detailed estimates on time for the preparation of the EFY 2011 budget. A comprehensive and clear

budget circular is issued to the BIs covering capital and recurrent expenditure for the full fiscal year. The circular includes expenditure ceilings. The budget estimates are reviewed and approved by the Cabinet. The executive has submitted the draft budget to the regional council only 10 days before the start of the fiscal year in all the last three years, which is less than one month before the start of the fiscal year (PI-17 scored D+).

213. The scope of the **budget scrutiny** covers fiscal policy and details of expenditure and revenue: (a) the draft budget proclamation, (b) the budget speech, and (c) subsidy allocation to woredas. The regional council did not review the documents covering medium-term fiscal forecast and medium-term priorities. The council's procedures to review budget proposal are approved in advance of budget hearings and are adhered to. However, procedures do not include arrangements for public consultation, technical support, or negotiation procedures. The Budget and Finance Committee is a specialized one responsible for budget scrutiny and the review of audit reports. The regional council approved the annual budget within one month of the start of the fiscal year in the three fiscal years under review. Clear rules exist for in-year budget adjustments and they are always adhered to. Total expenditure cannot be expanded; reallocations cannot be made from capital to recurrent costs. Only extensive administrative reallocations are permitted (PI-18 scored C+).

Pillar V: Predictability and control in budget execution

214. The budget execution is generally well predicted and controlled. With a few exceptions related to public procurement and internal audit, the budget execution ensures that revenue is collected and resources are allocated and used as intended by the regional government and approved by the regional council.

215. Two types of revenue streams generate the regional income: (a) regional revenue collected by AmRRB amounting to about ETB 10.5 billion and (b) transfers from the federal government amounting to about ETB 26 billion for the last fiscal year. AmRRB provides information through various channels on main obligations to taxpayers and provides for complaints resolution. It has risk assessment and management function registering and monitoring the usual risks in the area of tax registration, declaration, and payment. A sound system of audit is performed and managed in accordance with a documented compliance improvement plan. All planned audits and investigations were completed for the last fiscal year. Stock of revenue arrears is 0.5 percent. Previous year arrears are carried forward and collected during the next fiscal year (PI-19 scored A). The collected revenue data are complete and consolidated into a monthly report. The **revenue collection** enters directly the TSA controlled by the Treasury within one working day undertaking reconciliation of revenue collections, arrears, and transfers monthly (PI-20 scored A).

216. The **predictability of resource allocation** during the year covers processes that are still not well developed and others, which are sound. The cash balances are reconciled at frequency different for each type of account. Most of the cash (76 percent) in the TSA is consolidated daily, whereas the remaining part (own source revenue and donor funds) are consolidated monthly. The downside in this process is that cash flow forecasts are not prepared annually based on budgetary commitments. Therefore, cash inflow and outflow are not monitored by BoFED to make management decision on priority payments in case of cash shortage (PI-21.1 scored C and PI-21.2 scored D). The poor practice of cash flow management is compensated by the fact that budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases. In addition, there are no significant in-year adjustments, which are not transparent and predictable, to the budget allocation (PI-21.3 and PI-21.4 scored A).

217. The practice of **expenditure arrears** recording is generally good. The composition of arrears incurred over the three years of assessment are for services and works related to procurement

contract on capital investment and constitute unpaid payment claims accrued as grace period payables. There are no arrears on salaries. The stock of arrears is less than 1 percent on average for the three years of assessment (PI-22.1). It is monitored and reported monthly while the age profile is monitored only at the end of each fiscal period (PI-22 scored C+).

218. **Payroll controls** ensure that the related expenditures are contained in accordance with the laws and approved allocations. Most of the public bodies use a software developed in-house and some use an Excel template for payroll preparation. The HR record is not integrated with the payroll database. HR communicates changes such as appointment, payment, promotion, and contract termination in writing the same month the change has taken place. Retrospective adjustments are rare. The internal audit unit conducts payroll audit as part of the financial audit, and the external auditor also reviews personnel files. However, there is no comprehensive payroll audit. The Ethics and Anticorruption Commission, in collaboration with the Civil Service Office, examined personnel files to validate claimed credentials (PI-23 scored B+).

219. Value for money and efficiency in service delivery are aspects of a well-functioning **public procurement system**. Significant public spending takes place through the public procurement system. Serious concern has been identified in the lack of a procurement database. The BIs rather prepare procurement reports from source documents and submit semiannually to the Procurement and Property Administration Directorate (PPAD). There are no comprehensive procurement data on procurement at the regional government level. The procurement performance of five selected sector bureaus shows that the share of competitive method is 33 percent. Most of the assessed public bodies prepare annual plans, bidding opportunities, and published contract awards. Data on resolution of procurement complaints and annual procurement statistics are not published. The complaint process is clearly defined but may not be available to the public. Decisions on complaints are issued on time and are binding. Nonetheless, the procurement system does not ensure that money is used effectively, that value for money is achieved, and that the programs and services targeted by the Regional Government of Amhara are delivered (PI-24 scored D).

220. The system of **internal control** provides assurance that transactions are performed as intended and resources are used only where appropriate authority has been verified. The legal frameworks for internal control on non-salary expenditure, including the various rules and regulations, stipulate the segregation of duties between departments, units, and functions. There is a separation of role for preparation, review, and approval of financial documentations. Excel is mainly used to follow up commitments, though it does not effectively control as overspending may occur per line items. There is compliance with payments rules and procedures. About 0.8 percent of the total expenditures were not in line with payment rules and regulations (PI-25 scored B).

221. Regular, but still not adequate, feedback to management is provided by the **internal audit** function that is supposed to review and assess the performance of the internal control systems. Internal audit is functional in all public bodies. The ID oversees the function of the internal audit units and provides methodological guidance and technical supports. The internal audit functions are largely focused on financial compliance audit. Most of the visited internal audit units produce and submit audit reports quarterly. Management generally responds within one month of internal audit findings. Even if the systematic approach is employed at internal audit function, it primarily checks financial transactions and compliance with laws and regulations. The approach is yet to be strengthened to evaluate and improve the effectiveness of the internal control system based on risk assessment (PI-26 scored C+).

Pillar VI: Accounting and reporting

222. Reliable reporting of financial information requires constant checking and verification of the recording practices. In this regard, the **financial data integrity** shows that the active bank and advance accounts are regularly reconciled, on a monthly basis, but the process indicative of financial data integrity is not sound enough to ensure personal accountability resulting in audit trail (PI-27 scored B). The coverage and classification of data on executed budget allow for direct comparison to the original budget. The **budget execution reports** are prepared quarterly and issued late, that is, within eight weeks from the end of each quarter. The bottleneck is the delay of reporting on budget execution from the lowest woreda level. Due to IBEX that makes the in-year budget reports standard throughout all budget users of the regional government, the accuracy of reports is generally consistent from year to year, capturing expenditure at the payment stage. However, there is no analysis of budget execution and expenditure is not captured at the commitment stage. Thus, the quarterly in-year budget reports may not present full and comprehensive data (PI-28 scored C+).

223. The annual financial report consolidates the financial budget execution data provided by all budget entities. For the last year, EC 2010, the consolidated annual financial report contains information on budgeted expenditure and actual information on expenditure accounts (on a cash basis) broken down into functional and economic classification, revenue, and cash balances. It does not however produce information on stocks of assets and liabilities. The consolidated financial report of the last completed fiscal year was submitted regularly: six months after the end of the fiscal year. The basis of recording of the PFM operations is the **accounting principles** of the national accounting standards referred to modified cash basis accounting standards that are issued by the federal government and consistently applied in all country regions. The last three fiscal years' financial reports are prepared in accordance with the prescribed national accounting standards and ensure consistency of reporting over time. The standards and accounting policy used are disclosed but comparative data to the preceding year is not covered (PI-29 scored C+).

Pillar VII: External scrutiny and audit

224. The external auditor (ORAG) covered the majority (57 percent) of the regional government budget funds for EFY 2015–2017, applying INTOSAI audit regulations. The **external audit** includes both treasury and donor funds with significant part of the audit on financial compliance. It also reviews the efficiency and effectiveness of internal control procedures as part of conducting performance audits. The annual audited financial report has been provided for legislative scrutiny later than the accepted eight months in two of the three financial years under review. ORAG follows up the implementation of audit recommendation and provides a quarterly report on the status of audit findings to the audit implementation task force. ORAG is generally an independent organ. The law does not clearly indicate the immunity of the Auditor General (PI-30 scored D+).

225. The BFSC performs the **legislative scrutiny of the audit report**. The audit findings are discussed with representatives of civil society; however, hearings are not conducted with representatives of audited entities. The committee does not directly issue recommendations to the audited entities but rather to the task force initiative (with members from BoFED, Attorney General, Secretariat of the President), which follows up on the implementation of audit findings. The committee does not publish its review nor are the hearings transmitted by TV or media other than the speech of the Auditor General delivered to the full chamber (PI-31 scored D+).

4.2. Effectiveness of the internal control framework

226. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (a) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (b) accountability

obligations are fulfilled; (c) applicable laws and regulations are complied with; and (d) resources are safeguarded against loss, misuse, and damage.

227. **Control environment.** The Constitution of ANRS and the various PFM and related proclamations and regulations are the guiding framework for the control environment. Public bodies post their visions, missions, objectives, and the ethical values to be seen by the general public and their own staff. Rules and regulations are generally respected, and management and staff are supportive of the internal control systems in place (PI-25). The segregation of duties between organs of government is clearly demarcated. Organizational structure, manning, and pay schemes are centralized and regulated by the BCSHRD. With the new proclamation, ORAG has been allowed to have its own structure and pay scheme to enhance independence, audit coverage, and timeliness of submission of audit reports (PI-30). The frequent turnover in leadership at public bodies and turnover of key personnel and the recent political unrest (2017/2018) appear to have affected some of the PFM performance including timeliness of reports, communication, and responsiveness to audit findings (PI-30). The formation of the audit finding implementation task force assisted in addressing long outstanding recommendations that were not implemented since 2012. The REAC, Regional Attorney General, BoFED, and other task force members submit reports on their accomplishment toward the implementation of audit findings. The BFSC's capacity is limited to effectively play its oversight role on budget and follow-up of implementation of audit findings.

228. **Risk assessment.** An organizational-level risk assessment is a systematic and forward-looking analysis to see whether the existing internal control procedures in place are effective and efficient to support the achievement of organizational objectives within a stated time frame. The internal audit units conduct a risk assessment as part of their annual audit plan. However, a significant part of the risk assessment is about compliance risks rather than systemic risks. Public bodies conduct Strengths, Weakness, Opportunities, and Threats (SWOT) analysis in the course of sector strategy development. But they do not conduct a comprehensive organizational-level risk assessment. The recurring nature of certain findings by the internal and external audit bodies partly reflects the weakness of certain control activities in procurement, property administration, investment management, and asset management (PI-11, PI-12, PI-25, PI-26, and PI-30). Regional Revenue Authority conducts risk assessments to determine its audit strategy (PI-19).

229. **Control activities.** The different manuals that stipulate the segregation of duties and procedures for preparation, review, and approval of payments, procurement, and use of other resources are generally comprehensive and instrumental as internal control tools. Most of the manuals are old and need updating (PI-25). Visited public bodies prepare monthly bank reconciliation and cash counts are conducted periodically. ORAG indicated that it could not audit and provide its opinion on fixed asset and inventory (records and annual counts) for majority of the public bodies as they did not have the relevant control activities in place (maintaining records and conducting physical counts).

230. Use of ICT as a controlling activity is limited. Most of the financial management procedures including disbursement, procurement, property management, inventory, HR, and payroll are not automated. IBEX is just a budget and ledger accounting software and payments are done using manual vouchers and cheques. There is no systemic integration between HR records and the payroll. BoFED's Treasury cannot determine the amount of cash available in the region. The existing customer account management system at the CBE is not supportive in terms of allowing online access to BoFED to the regional government bank accounts. Hence, BoFED cannot determine the cash balance for B accounts (bank accounts used by PBs for collections) and donor-funded bank accounts (PI-21.1). Though budget transfers are conducted transparently, the frequent budget adjustments affect the strength of the control over the budget (PI-21.4). The recurring nature of audit findings partly indicates the limitation with the effectiveness of the control activities in place. Most of the manuals are old (issued between

2007 and 2012) to reflect changes in operation and business contexts. Public investment guidelines, issued in 2014, were rarely used (PI-11) and not known to implementing units. The Revenue Authority reconciles revenue collection and transfers to the Treasury on a weekly basis (PI-20).

231. **Information and communication.** Public bodies update their financial accounts monthly into IBEX. Comprehensive interim financial reports are prepared and submitted to management quarterly. The monthly reports show budget execution information and other departmental performance reports. Quarterly financial reports are also submitted to BoFED (PI-28). ORAG and the internal audit units communicate their audit findings regularly and management generally provides feedback on action taken. BoFED shares some information including proclamations, regulations, procedures, and financial information on its website. The AFSs provide detailed information on revenue and expenditure outturns and transfers (PI-28). Financial reports of public bodies generally provide useful information. Based on the existing national standards, only 6 percent of the audited public bodies receive unqualified audit opinion. About 90 percent of audited entities receive qualified audit opinion (PI-30). The accounting system is not in line with international accounting standards such as International Public Sector Accounting Standards (IPSAS). The financial statements do not provide information on tangible assets (PI-11), contingent liabilities, loans, and notes to the accounts in the report (PI-29.1). The financial report also does not provide information on the loan taken by city administrations, certain financial assets (investment in SoEs), aging profiles of receivables and payables, and warranties provided by the regional government for various loans (PI-29).

232. Information access to the public is yet to be developed. The executive and the regional council missed a counter-balancing opportunity from the public and civil society due to the lack of public access to some important PFM information elements: procurement information (PI-24), service delivery (PI-8), fiscal and budget information (PI-10, PI-14, PI-15), public investment and asset management (PI-11, PI-12), financial reports (PI-29), and hearing on audit findings and annual audit reports (PI-31). ORAG's Facebook account provides relative information on reports of audit findings and the Auditor General's speech in the regional council. Audit reports of ORAG are not published. Tax and procurement laws are generally known to the public and proclamations are accessible from the regional council. The Regional Revenue Authority communicates tax laws and regulation to the taxpayers through various means (PI-19).

233. **Monitoring.** Various monitoring mechanisms are in place to ensure the efficiency and effectiveness of operations, fulfillment of accountability, compliances to rules and regulations, and safeguarding of resources. Quarterly management meetings at the level of public bodies and biannual regional council meetings that review periodic performances of public bodies are among the monitoring activities. The internal audit units and ORAG monitor whether rules and regulations are complied with. ORAG conducts performance audits to verify if operations and projects are proceeding as intended. The ID at BoFED monitors whether internal audit units are submitting their annual audit plan and perform their operations based on the prevailing standards. Internal audit units, the Inspection Director, ORAG, and the audit finding implementation task force monitor the implementation of audit findings. The newly established quality assurance team of ORAG monitors whether ORAG teams conducted the audit in line with the audit guidelines (PI-30).

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

4.3. PFM strengths and weaknesses

Aggregate fiscal discipline

235. The overall fiscal discipline shows both good and not so good sides. Most elements of the PFM system that contribute to achieving this result do not appear to be sound. The production of credible budget in terms of expenditure and revenue outturn and consistently adhered practice of not spending beyond approved contingency reserve are positive features. However, the expenditure composition outturn with reallocation from functional to economic spending and lower revenue performance in collection of tax has affected the planned spending. This has not led to increased borrowing or expanded indebtedness but may have affected the in-year service delivery.

236. In terms of classification (PI-4), the budget is well formulated according to administrative, functional, and economic GFS classification system allowing transactions to be tracked throughout the budget's formulation, execution, and reporting cycle. The financial reports cover all budgetary activities of the central government and allow a complete picture of revenue and expenditures across every category which is essential for aggregate fiscal discipline.

237. Fiscal risk monitoring (PI-10) and reporting of SoEs is weak though the Public Enterprises Support and Follow-up Authority is active in the supervision of SoEs and 74 percent of them submit annual audited accounts to the authority. The consolidated annual reports from the zones are not always provided to BoFED. There are contingent liabilities consisting of loans with a commercial bank guaranteed by BoFED not reported in the financial statements even though records are available. Such risks can undermine fiscal discipline.

238. The management of public assets (PI-12) does not support aggregate fiscal discipline. There is no consolidated register of the fixed assets. The resources owned by the regional government are not used efficiently and effectively in the implementation of policy objectives.

239. Even if most (54 percent) of the sectors prepare fully costed medium-term strategic plans (PI-16) and have the annual expenditure policies aligned to these plans, there is no medium-term perspective allowing predictability of future effects. Such a perspective could also be useful to manage changes in the process of allocating resources to the best possible scenarios. Lack of medium-term perspective on budgeting generally affects predictability of future expenditure planning and budget allocations.

240. The good aspect for this budgetary outcome is that the budget execution is generally predictable and well controlled. The commitments are controlled, payments are made in time when obligations are due, and cash allocation arrangements are effective. The low stock of expenditure arrears (PI-22) is indicative of adequate commitment controls and the strict quarterly cash rationing. However, a better cash flow management with annual cash flow forecast practice in place would facilitate the administration to be more flexible for time of cash shortage (delayed of transfers) or inadequate budgeting for contracts. The payroll controls also contribute to sound fiscal discipline by limiting the payroll costs to the approved volume (PI-23).

241. The coverage of the in-year budget reports with information on budget execution including revenue and expenditure is good. It facilitates performance monitoring and helps identify action needed to maintain or adjust planned budget outturns. The accuracy of the budget report, however, is to be strengthened with coverage of information on execution at both commitment and payment stages. Also, the issue of the in-year budget reports is to be shortened so that adequate and timely decision are made on any highlighted deviations from plans to adjust the budget execution to meet the objectives of the regional government.

242. It is critical for aggregate fiscal discipline that the annual budgetary financial reports of the regional government are complete, comprehensive, and transparent (PI-29). The weakness in the composition of the financial statements is that they do not produce information on stocks of assets and liabilities. Thus, there is no record of how resources were obtained and used and what liabilities the government is to handle in making timely and appropriate decisions so that expenditures are well managed. The modified cash basis accounting standards do not provide comparative data to the preceding fiscal year. This hinders assessment of efficiency and progress made.

Strategic allocation of resources

243. The information on government fiscal plans, positions, and performance is not easily accessible to the general public and thus government accountability is undermined. Therefore, there is no dialogue between the government, public, and interested stakeholders on how resources can be better allocated to serve the needs of society. Another weakness to note is that public investment management (PI-11) does not sufficiently reflect generally accepted good practice of project investment analysis, project selection based on strategic development goals, and project costing for full project life cycle. The practice shows that resources are allocated based on regional government priorities and not so much on feasibility studies. Budgets show cost implication of projects for the current year, with no projections of the forthcoming year. Still, the positive aspect is that decisions on project selection are rather based on strategic allocation of resources considering specific social and economic needs.

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

245. The good performance with reference to allocation of resources is the fact that there are budget ceilings (PI-17) which set the limit of spending and the fact that there are rules for budget amendments which set rigorous limit on expansion of budget expenditure and allow only administrative reallocation. Although they are outlined and respected, the weakness is that the process is not well structured and planned to allow the budget entities to take their time in the preparation of their detailed estimates. Moreover, the legislature was not able to approve the budget before the start of the new fiscal year. This deprives the BIs of the knowledge, at the beginning of the fiscal year, of the resources they will have at their disposal for service delivery (PI-18).

246. The ability to collect revenue is essential for the good public finance management of any government. Providing the expected volume of taxes and other revenue generates funds to allow the regional governments to achieve their budget and policy objectives. The other indicators that contribute to the strategic allocation of resources are related to revenue collection and administration and are overall functioning well. The indicators related to revenue collection (PI-19 and PI-20) perform well. Collection, transfer, and reconciliation are performed in good volume, manner, and time.

Efficient use of resources for service delivery

247. There are no operations outside financial reports that may affect the quality and quantity of services provided on behalf of the regional government (PI-6). Having the complete resources covered in financial reports facilitates adequate management consistent with government policies and procedures.

248. The coverage and publicity of performance plans and achievements made on the delivery of public services (PI-8) is not sufficient and to the extent that such information promotes improvements in the effectiveness and operational efficiency of those services. Publication and inclusion of service delivery performance information in budget documentation would strengthen the accountability of the executive for the planned and achieved outputs and outcomes of the regional government programs and services.

249. Operational efficiency in public service delivery is partially achieved by compiling an annual report with information on resources received by service delivery units. This core objective of the PFM system, however, is yet to be reached by improving the processes of coverage of service delivery information in budget proposal and execution documentation.

250. The Regional Government of Amhara does not have sufficient knowledge of the existence and application of assets, implying that the assets are not being used effectively. Also, without overall record and management of assets (no record of land and natural resources), decision cannot be made as to what assets are needed or fully utilized. Besides budget discipline, such weak practice of public asset management also affects service delivery where certain assets may come handy for policy implementation while they are discarded in another area.

251. The predictability and control of budget execution is strong. Effective management of policy and program implementation requires predictability in the availability of resources when they are needed, and control ensures that policies, regulations, and laws are complied with. Public procurement and internal audits are areas which still cannot contribute to make the control of public funds as transparent, efficient, and accessible as information to the public. This is compensated by a strong revenue collection and administration with sufficient control in place to deter evasion and ensure that instances of noncompliance are revealed. Efficient tax collection system enables the government to achieve reallocation and expenditure policy objectives. Strong tax performance generates resources for reallocation and creates capacity for the provision and delivery of services.

252. Due to the strong practice of expenditure commitments and preliminarily approved ceiling, the cash requirement, requested and disbursed quarterly to the respective sector bureaus, never exceeds the commitment limits. The strict rules in budget adjustments during the year additionally ensure that there is less impact on the efficiency of service delivery.

253. The procurement system is not functioning well, and it does not ensure that money is used effectively, that value for money is achieved, and that the programs and services targeted by the Regional Government of Amhara are delivered. The system is generally well defined with transparent legal framework that establishes the procedures, accountability, and controls; however, it is poorly implemented, and the procurement practice lacks basic elements, such as monitoring, competitiveness in tendering, and transparency, to be reliable.

254. There is a systematic approach to evaluate and improve the effectiveness of the internal control system based on risk assessment (PI-26). However, the internal audit is primarily oriented to check financial transaction processes and compliance with laws and regulations. The audit does not cover the entire governance operations and hence it is not focused on assuring the adequacy and effectiveness of internal controls but rather on verifying financial transactions and accounting operations.

255. The external audit and scrutiny by the legislature (PI-30 and PI-31) as currently undertaken do not hold the Regional Government of Amhara accountable for its fiscal and expenditure policies and their implementation. The budget execution report is audited with some delay in two of the assessed years. The Annual Audit Report is scrutinized by the regional council in good time, but effective

hearings with the participation of the executive and mass media coverage and publication of results are not conducted. The external audit is not effective to enable adjustments and corrections in the PFM system. The scrutiny by the legislature does not result in actions to be taken up by the executive nor is the executive's work transparent to the public.

4.4. Performance changes since a previous assessment

256. Overall, there is no change in the performance between 2015 and 2018 for most of the indicators. For those that did change, slightly more indicators (seven) improved in performance compared to those (five) that deteriorated. The area of most notable improvement is budget credibility with PI-1, PI-2, and PI-3 improving, especially PI-3 going from C to A. There is deterioration budget preparation (PI-11 2011 Framework), in-year reporting (PI-24 2011 Framework), and the annual accounts (PI-25 2011 Framework), as well as in transfers from the federal government (HLG-1) and from the region to woredas (PI-8 2011 Framework).

Aggregate fiscal discipline

257. Aggregate fiscal discipline has improved because of improvement in PI-1 (from B to A), PI-2 (from D+ to C+), and PI-3 (from C to A). The stock of arrears is low and below 2 percent in both assessments.

258. The budget documentation sent to the legislature is still poor with none of the nine information benchmarks of the framework being met in both assessments. A notable deterioration in performance is represented by the guidance on budget preparation (PI-11 (ii) 2011 Framework). In the period covered by the 2015 PEFA assessments, the ceilings were approved by the regional cabinet before the BCC was issued to budgetary units. In 2018, the ceilings were approved after the distribution of the BCC. There was also deterioration in the timeliness of the submission by ORAG of the audited financial statements to the council (PI-26 (ii) 2011 Framework), but a clear improvement in the follow-up of ORAG's recommendations, with the audit finding implementation task force now being operational.

Strategic resource allocation

259. The strategic allocation of resources has improved partially because it benefited from the fact that more sectors (at least 54 percent, by value, of sectors) now prepare fully costed sector strategies which are aligned to regional GTP II (PI-12 (iii) 2011 Framework). The ratio was 40 percent for the 2015 Assessment, which was constituted by the education sector alone. Controls on payroll and non-payroll expenditure are adequate and so is the internal audit function. Procurement remains weak especially with regard to the use of competitive procurement methods (PI-19 (ii) 2011 Framework) which is still rated D, and the existence of an independent administrative procurement complaints system (PI-19 (iv) 2011 Framework) is also still rated D.

Efficient use of resources for service delivery

260. Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary clinics across the region. The corresponding indicator (PI-23 2011 Framework) was scored A in 2018 and should have been scored A in 2015 as well.

5. Government PFM reform process

261. In September 2018, the regional government developed a five-year stand-alone PFM reform strategy for EC 2011 to EC 2014 (Gregorian FY2018/2019 to 2021/2022) anchored on the federal government PFM strategy. This strategy is a follow-up to previous piecemeal PFM reform initiatives with identified gaps in terms of reform components. The following sections describe the current strategy and its key components.

5.1. Approach to PFM reforms

262. The current (new) PFM reform strategy has nine key components as follows:

- Strengthen fiscal/tax policy to maximize domestic (regional) revenue mobilization and collection.
- Implement program-based budgeting (PBB) in line with federal government policy.
- Improve cash management and overall payment systems for efficient service delivery.
- Monitor and report on loans and guarantees issued to public institutions.
- Strengthen financial accountability and reporting framework.
- Strengthen internal control functions to reduce wastage.
- Improve public procurement and property management systems.
- Develop a strong legal framework for PPP arrangements as well as monitor their implementation.
- Strengthen overall government MIS.

263. The cost of the new strategy is estimated at ETB 3.6 billion over the next five years. Officials of the regional government have indicated that the expectation is for the federal government to fund the entire cost of the strategy, probably with DP support. Also, the regional government officials will make a formal presentation of the strategy to the Joint Review Implementation Support (JRIS) meeting expected to be held in May 2019⁸ to seek donor support. The second funding option, though not realistic, is to use the regional government's own resources.

5.2. Recent and ongoing reform actions

264. At present, there are no ongoing PFM reform actions. That said, the regional government continuously provides training and capacity-building programs for sector bureau and woreda PFM officials in planning and budgeting, procurement and property management, treasury and expenditure management, internal audit and controls, and accounting and reporting. The regional government received support from the World Bank through the federal MoF during the first phase of the PFM and Promotion of Basic Services Program (PBS)⁹ program between EC 2008 and EC 2010 (Gregorian FY2015/2016–2017/2018), where a number of planned activities were successfully performed, including the following:

- 118 males and 53 females at zones and woredas participated in internal audit forum, with a success rate of 95 percent

⁸ Usually, two JRIS sections are held each year in May and November.

⁹ Promoting basic services.

- 42 woredas evaluated on procurement management KPIs, with a success rate of 93 percent
- 76 percent success rate achieved for providing training for 35 males and 5 females with regard to recording and reporting fraud and corruption cases
- Training on financial accountability and internal and external audit for woreda budget and finance officers; 107 males and 197 females attended the training
- 95 percent success rate for training and capacity building for 45,090 female students and 55,567 male students across woredas on understanding public planning and budgeting systems.

5.3. Institutional considerations

Government Leadership and Ownership

265. The institutional arrangement referencing the new PFM reform strategy has three levels:

- High-level regional steering committee made up of heads of sector bureaus, the regional auditor general, and the head of civil service.** The high-level steering committee is scheduled to meet twice a year to review reform progress, challenges, and the way forward.
- PFM steering committee composed of heads of BoFED, ORAG, the Revenue Authority, and Procurement.** This committee will also meet twice a year to take stock of activities undertaken by each component head within the PFM technical committee.
- PFM technical committee composed of deputy heads of sector bureaus and heads of all directorates in each sector bureau, plus the deputy auditor general.** The technical committee will meet once a month to evaluate progress of work under each PFM component. Provision has also been made for weekly meetings between component heads in each sector bureau.

266. The institutional arrangement described above existed during the just-ended PFM and PBS World Bank Program, which worked well; therefore, the government has maintained the structure in the new strategy.

Coordination across the government

267. The head of Channel 1 funds is responsible for coordinating all regional PFM training programs. Training activities have been mainstreamed into the day-to-day functions of sector bureaus and woredas. Also, to ensure peer review and idea sharing, the respective officials (PFM functional directors and their deputies, plus technical staff) are grouped for joint training programs. High-level regional officials also take part in the biannual JRIS meetings.

A sustainable reform process

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

Transparency of the PFM program

269. The new PFM reform strategy for 2018/2019–2021/2022 includes a detailed action plan for the five-year period and the budget requirements. The strategy has been forwarded to the federal government and is still awaiting approval. When approved, it is expected to be published. It is also planned to have community and civil society engagements during implementation.

ANNEXES

Annex 1: Performance indicator summary

No.	Indicator/Dimension	2018 score	Justification for 2018 score
HLG-1	Transfers from a higher-level government	D+	
	(i) Outturn of transfer from higher-level government	A	Transfers were more than 95% compared to the original budget in all the last three completed fiscal years. Actual transfers have been 100% in 2015/16, 108% in 2016/17, and 99% in 2017/18.
	(ii) Earmarked grants outturn	D	Transfers of earmarked grants deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/16, 40% in 2016/17, and 20% in 2017/18.
	(iii) Timeliness of transfer from higher-level government	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review.
Pillar I. Budget reliability			
PI-1	Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in all three last fiscal years.
PI-2	Expenditure composition outturn	C+	
	(i) Expenditure composition outturn by function	C	Variance in expenditure composition by administrative classification was less than 15% in at least two of the last three years.
	(ii) Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years.
	(iii) Expenditure from contingency reserves	A	Actual expenditure charged to the contingency vote was on average less than 3%.
PI-3	Revenue outturn	C	
	(i) Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budget revenue in all last three years (105% in EFY 2008, 94% EFY 2009, and 95% in EFY 2010).
	(ii) Revenue composition outturn	D	Variance in revenue composition was more than 15% in all the last three years (24.7% in EFY 2008, 47.1% in EFY 2009, and 32.4% in EFY 2010).
Pillar II. Transparency of public finances			
PI-4	Budget classification	B	Budget formulation, execution, and reporting are based on administrative, economic (at least 'Group' level of the GFS standard-3 digits), and functional classification using a classification that can produce consistent documentation with comparable with COFOG standards.
PI-5	Budget documentation	D	The budget documentation fulfills no elements.
PI-6	Regional government operations outside financial reports	A	
	(i) Expenditure outside financial reports	A	There is no expenditure outside government financial reports.
	(ii) Revenue outside financial reports	A	There is no revenue outside government financial reports.
	(iii) Financial reports of extra-budgetary units	NA	There are no EBUs.

No.	Indicator/Dimension	2018 score	Justification for 2018 score
PI-7	Transfers to subnational governments	C+	
	(i) System for allocating transfers	A	The horizontal allocation of all transfers to woreda and city administration from the regional government is determined by transparent and rule-based system.
	(ii) Timeliness of information on transfers	D	Information on annual transfers to woredas and city administrations is issued after the start of the fiscal year.
PI-8	Performance information for service delivery	C+	
	(i) Performance plans for service delivery	C	A framework of performance indicators relating to the outputs or outcomes of the majority (66%) of ministries is in place.
	(ii) Performance achieved for service delivery	D	Information is prepared annually but not published on the activities performed for the majority (66%) of ministries.
	(iii) Resources received by service delivery units	A	Information on resources received by frontline service delivery units is collected and recorded for at least two large ministries, disaggregated by sources of funds. A report compiling the information is prepared at least annually.
	(iv) Performance evaluation for service delivery	C	Evaluations of the efficiency or effectiveness of service delivery have been carried out for some ministries at least once within the last three years.
PI-9	Public access to information	D	The government makes available to the public one basic element, in accordance with the specified time frames.
Pillar III. Management of assets and liabilities			
PI-10	Fiscal risk reporting	D+	
	(i) Monitoring of public corporations	C	74.3% by value of public enterprises submitted their 2017/2018 annual audited accounts to the Public Enterprises Supervision and Follow-up Authority within six months. 25.7% by value submit after 6 months but within 9 months. This means that 100% submit within 9 months. The authority prepares an annual fiscal risk report. However, neither the fiscal risk report nor the annual audited report of each public enterprise is published.
	(ii) Monitoring of subnational governments	D	Neither the consolidated audit reports (which contain woreda financial statements) nor the unaudited financial reports of woredas are published.
	(iii) Contingent liabilities and other fiscal risks	D	Though there are records of some significant contingent liabilities, the regional government does not report these in its AFSs. Also, it does not monitor or report fiscal risks arising out of PPPs.
PI-11	Public investment management	D+	
	(i) Economic analysis of investment proposals	C	The Planning Commission has adopted an EC 2006 federal project investment management guideline but this is rarely used and also not known to implementing units. It is also not published. That said, implementing units undertake feasibility studies for all projects but the results are not published.

No.	Indicator/Dimension	2018 score	Justification for 2018 score
	(ii) Investment project selection	C	Project selection for inclusion into the annual budget is largely based on regional government priorities (which include water, irrigation, health, education, animal grazing, and rural roads), even though some of these projects are selected purely based on the results of feasibility studies conducted.
	(iii) Investment project costing	D	At present, the annual budget has no MTEF; the budget only shows cost implication of projects for the current year, with no projections of forthcoming year. Nonetheless, the project appraisal document provides information on total capital cost together with associated recurrent cost.
	(iv) Investment project monitoring	C	The M&E Directorate of the Planning Commission is weak in terms of project monitoring and supervision, as it has only one staff. That said, the implementing unit monitors investment projects through physical inspection and periodic (quarterly) financial progress reports. The AFSs also report on actual expenditure of the projects. Both physical and financial progress reports are not published.
PI-12	Public asset management	D+	
	(i) Financial asset monitoring	C	The Public Enterprises Supervision and Follow-up Authority keeps records of investments in public and private entities, but this is not published. The AFSs disclose balances of both cash and bank but not investments in public enterprises.
	(ii) Nonfinancial asset monitoring	D	The regional government does not maintain a consolidated register of its fixed assets; there are no records of government land and natural resources. Presently, management of fixed assets is decentralized at the budget unit (and extra-budgetary) level. The asset registers maintained by these budget units provide information on the age and usage of assets.
	(iii) Transparency of asset disposal	C	Disposal of fixed assets is regulated by Article 54 of the Amhara Regional Government Procurement and Property Administration Proclamation No. 179/2011, dated July 5, EC 2011, and Directive No. 1/2011. There are no clear legal provisions for the disposal of financial assets. Proceeds from the sale of fixed assets are disclosed in the financial reports; there is no disclosure of the new owner(s).
PI-13	Debt management	D	
	(i) Recording and reporting of debt and guarantees	D	The regional government does not reconcile and update guarantees annually.
	(ii) Approval of debt and guarantees	D	BoFED is solely responsible for authorizing and approving these guarantees. Nonetheless, there are no guidelines, policies, and procedures that guide the issuance of these guarantees.
	(iii) Debt management strategy	D	Although the region provides guarantees, debt management strategy is not prepared.
Pillar IV. Policy-based fiscal strategy and budgeting			

No.	Indicator/Dimension	2018 score	Justification for 2018 score
PI-14	Macroeconomic and fiscal forecasting	B	
	(i) Macroeconomic forecasts	B	The Regional Planning Commission prepares an MEFF, which is part of the medium-term regional strategic plan known as GTP II 2016/2017–2020/2021. The budget document submitted to the regional council also contains macroeconomic forecasts. The projections cover the budget year and at least the two outer years.
	(ii) Fiscal forecasts	B	The Regional Planning Commission prepares medium-term macro-fiscal forecasts, with assumptions on GDP and investment rates. The forecasts, for the budget year and the two outer years, include aggregate revenues by type and expenditures. These are submitted to the regional council for information only.
	(iii) Macro-fiscal sensitivity analysis	C	The Regional Planning Commission prepares a simulation of different scenarios of macro-fiscal forecasts to ascertain the impact on the annual budget and the regional economy at large. These qualitative analyses are for internal use only and are not contained in the budget documents submitted to the regional council.
PI-15	Fiscal strategy	D	
	(i) Fiscal impact of policy proposals	D	The regional government prepares partial explanation of budget implications on new policy initiatives and major new public investments.
	(ii) Fiscal strategy adoption	D	The regional government of Amhara does not produce a fiscal strategy.
	(iii) Reporting on fiscal outcomes	NA	Not applicable
PI-16	Medium-term perspective in expenditure budgeting	D+	
	(i) Medium-term expenditure estimates	D	The annual budget document presents estimates of expenditure by administrative, function, and economic classification for the budget year only. There is no medium-term expenditure perspective.
	(ii) Medium-term expenditure ceilings	D	Aggregate and sector bureau expenditure ceilings for the budget are approved by the regional cabinet after the BCC is issued to budgetary units.
	(iii) Alignment of strategic plans and medium-term budgets	C	At least 54% (by value) of sectors prepare fully costed medium-term strategic plans. Some annual expenditure policies are aligned to annual action plans and the medium-term strategy. Most of these sector strategies are unrealistic.
	(iv) Consistency of budgets with previous year estimates	NA	The government does not prepare an MTEF: it is not therefore possible to analyze the consistency of budgets to previous year's estimates.
PI-17	Budget preparation process	D+	
	(i) Budget calendar	C	An annual budget calendar exists and some budgetary units comply with it and meet the deadlines for completing estimates.

No.	Indicator/Dimension	2018 score	Justification for 2018 score
	(ii) Guidance on budget preparation	C	A budget circular is issued to BIs, including ceilings for administrative areas. Total budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by the cabinet after they have been completed in every detail by budgetary units.
	(iii) Budget submission to the legislature	D	The executive has submitted the annual budget proposal to the legislature significantly less than one month before the start of the fiscal year in all the last three years.
PI-18	Legislative scrutiny of budgets	C+	
	(i) Scope of budget scrutiny	B	The legislature's budget scrutiny covers fiscal policy and aggregates for the coming year as well as details of expenditure and revenue.
	(ii) Legislative procedures for budget scrutiny	C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to.
	(iii) Timing of budget approval	C	The regional council has approved the annual budget within one month of the start of the fiscal year in all of the last three fiscal years.
	(iv) Rules for budget adjustments by the executive	B	Clear rules exist for in-year budget adjustments by the executive and are adhered to in all instances (>90% in value). Extensive administrative reallocations are permitted.
Pillar V. Predictability and control in budget execution			
PI-19	Revenue administration	A	
	(i) Rights and obligations for revenue measures	A	About 88% of the regional tax is collected by the Regional Revenue Bureau. It provides information through various channels on main obligations to taxpayers and provides for complaints resolution.
	(ii) Revenue risk management	A	There is a risk assessment and management function, which registers and monitors the usual risks in the area of tax registration, declaration, and payment. There is a comprehensive, structured, and systematic approach for assessing and prioritizing risks covering all groups of taxpayers.
	(iii) Revenue audit and investigation	A	Sound system of audit is performed and managed in accordance with a documented compliance improvement plan with all planned audits and investigations completed for the last fiscal year.
	(iv) Revenue arrears monitoring	A	The actual stock of revenue arrears for the EC 2010 year-end is 1.7% (less than 10%). Previous year arrears are carried forward and collected during the next fiscal year. The age of revenue arrears is not specifically monitored even if the data exist. The balance is materially insignificant.
PI-20	Accounting for revenues	A	
	(i) Information on revenue collections	A	The data are complete with source and period of collection. The collected revenue data are consolidated into a monthly report.
	(ii) Transfer of revenue collections	A	AmRRB, which collects most government revenue, transfers 100% of the collections directly into the TSA controlled by the Treasury within one working day.

No.	Indicator/Dimension	2018 score	Justification for 2018 score
			The tax is paid either directly to a Treasury-controlled account or to a CBE account, which is reconciled on daily basis.
	(iii) Revenue accounts reconciliation	A	Frequency of complete accounts reconciliation between revenue assessments, collections, arrears, and receipts by the Treasury is monthly, within 15 days of the end of the month.
PI-21	Predictability of in-year resource allocation	B	
	(i) Consolidation of cash balances	C	Cash balances in the TSA are consolidated every day but they constitute only 76% of all cash accounts owned by the regional government.
	(ii) Cash forecasting and monitoring	D	There is no practice of preparing annual cash flow forecasts and hence no update on actual inflow and outflow. Therefore, cash needs are not based on budgetary commitments and are not updated and monitored by BoFED.
	(iii) Information on commitment ceilings	A	Budgetary units are able to plan and commit expenditure for one year in advance in accordance with the budgeted appropriations and commitment releases.
	(iv) Significance of in-year budget adjustments	A	Significant in-year adjustment to budget allocation takes place no more than twice a year and is done in a transparent and predictable way.
PI-22	Expenditure arrears	C+	
	(i) Stock of expenditure arrears	A	The stock of expenditure arrears, accounted as grace period payables, was less than 1% in all three years of assessment.
	(ii) Expenditure arrears monitoring	C	The data on stock and composition of expenditure are monitored at the end of each fiscal year but are not disclosed in the AFSs.
PI-23	Payroll controls	B+	
	(i) Integration of payroll and personnel records	B	Payroll is reconciled against changes in payroll records and staff lists monthly and also against previous month payroll.
	(ii) Management of payroll changes	A	Payroll changes are communicated and updated by the HRD to finance within a week and retrospective adjustments are rare, and if any, the retrospective adjustment is less than 1%.
	(iii) Internal control of payroll	B	Payroll changes are made against written and approved letters from the HRD and monthly staff attendance lists. There is segregation of duty between payroll preparation and maintaining of HR records. Internal audit reviews monthly payroll payments.
	(iv) Payroll audit	B	A partial payroll audit has been conducted by ORAG, internal audit units, and the BSCHRD.
PI-24	Procurement	D	
	(i) Procurement monitoring	D	No procurement database or record is maintained.
	(ii) Procurement methods	D	Competitive procurement method represents about 33%, based on the sampled five major public bodies.
	(iii) Public access to procurement information	C	Three of the key procurement information elements are fulfilled.

No.	Indicator/Dimension	2018 score	Justification for 2018 score
	(iv) Procurement complaints management	D	The procurement complaint system does not meet criterion (1) but three of the other criteria are met.
PI-25	Internal controls on non-salary expenditure	B	
	(i) Segregation of duties	A	Appropriate segregation duties are prescribed throughout the payment process, and responsibilities are clearly laid down.
	(ii) Effectiveness of expenditure commitment controls	C	The monthly cash flow forecast, the commitment control exercise using Excel, enable a partial expenditure commitment limit.
	(iii) Compliance with payment rules and procedures	B	Payment rules are generally respected for most of the payments.
PI-26	Internal audit effectiveness	C+	
	(i) Coverage of internal audit	B	An internal audit unit of 25 public bodies at the regional level (which represents about 75% of the central regional government budget) covers 68% of the total expenditures and revenue in 2017/2018.
	(ii) Nature of audits and standards applied	C	The internal audit practice generally follows best practices in audit planning, execution, and follow-up of implementation. The audit largely focuses on compliance audit.
	(iii) Implementation of internal audits and reporting	B	22 internal audit units which represent public bodies that constitute about 86% of the regional budget performed about 80% of their annual audit plan.
	(iv) Response to internal audits	A	The executive responds to all of the audit findings.
Pillar VI. Accounting and reporting			
PI-27	Financial data integrity	B	
	(i) Bank account reconciliation	C	The active bank accounts are reconciled at least monthly, usually within four weeks from the end of each month.
	(ii) Suspense accounts	NA	Suspense accounts appear in the Chart of Accounts with number 4201 but they stand for advance payment of petty cash.
	(iii) Advance accounts	A	Reconciliation of advance accounts takes place at least monthly, within a month from the end of each month. All advance accounts are cleared on timely.
	(iv) Financial data integrity processes	C	The financial data integrity process is not sound enough to ensure personal accountability resulting in audit trail.
PI-28	In-year budget reports	C+	
	(i) Coverage and comparability of reports	A	Coverage and classification of data on executed budget allow for direct comparison to the original budget. Information includes all items of budget estimates allowing for direct comparison between approved budget estimates and actual expenditure by detailed economic and administrative classification and source of funds; the reports also show transfers to zones and woredas.
	(ii) Timing of in-year budget reports	C	Budget execution reports are prepared quarterly and issued within 8 weeks from the end of each quarter. The bottleneck is the delay of reporting on budget

No.	Indicator/Dimension	2018 score	Justification for 2018 score
			execution from the lowest level (woreda).
	(iii) Accuracy of in-year budget reports	C	Due to IBEX, the accuracy of reports is generally consistent from year to year, capturing expenditure at payment stage. There is no analysis of budget execution on half-year basis. Expenditure is not captured at the commitment stage.
PI-29	Annual financial reports	C+	
	(i) Completeness of annual financial reports	C	The annual financial reports consolidate the financial budget execution data provided by all budget entities. The last year EC 2010 consolidated annual financial report contains information on budgeted and actual information on expenditure accounts (on a cash basis) broken down into functional and economic classification, revenue, and cash balances. The financial statements do not produce information on stocks of assets and liabilities and no information was provided on debt and guarantees.
	(ii) Submission of reports for external audit	B	The consolidated financial report of the last completed fiscal year was submitted six months after the end of the fiscal year (EC 2010).
	(iii) Accounting standards	C	The accounting standards applied to all financial reports are consistent with the national accounting standards (Modified Cash Basis Accounting Standards). The standards and accounting policies used are disclosed but comparative data for the preceding year are not covered.
Pillar VII. External scrutiny and audit			
PI-30	External audit	D+	
	(i) Audit coverage and standards	C	ORAG covers more than 57% of the total expenditure and revenue of the ANRS for the last completed fiscal years and follows the INTOSAI regulatory audit manuals.
	(ii) Submission of audit reports to the legislature	D	ORAG submitted the audited financial statement on consolidated fund within 9 months from the receipt of the draft report from BoFED for the last completed fiscal year and within 13 months for one of the completed fiscal years.
	(iii) External audit follow-up	C	Audited entities responded on time and provided a comprehensive report on action taken. About 75% of them responded within a year.
	(iv) Supreme Audit Institution independence	D	ORAG is independent from the executive in all respects including appointment and removal of the Auditor General, publishing of its report, and unrestricted and timely access to records. However, its budget is still approved by BoFED.
PI-31	Legislative scrutiny of audit reports	D+	
	(i) Timing of audit report scrutiny	A	The BFSC scrutinizes the audit reports within two to three weeks from the receipt of the audit report from ORAG.
	(ii) Hearings on audit findings	D	No hearing is conducted.
	(iii) Recommendations on audit by the legislature	D	The BFSC submits its recommendation report to the speaker following the scrutiny of the audit report but

No.	Indicator/Dimension	2018 score	Justification for 2018 score
			not to the respective audited entities. The BFSC is a member of the audit implementation task force, which follows up the implementation of audit findings.
	(iv) Transparency of legislative scrutiny of audit reports	D	The scrutiny of the audit reports is conducted in the presence of representatives of certain civil societies. The committee reports are not published and are not accessible to the public.
	Total Scored	31	

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	<p>The Constitution of ANRS, the Proclamation for the Reestablishment of ANRS Executive Organs, clearly stipulates the powers, duties, and relations between the various government organs. The reporting lines between the regional government, the judiciary, and the regional council are clearly defined. Implementation of organizational structures, job grading, staffing, and compensation schemes are managed centrally by the BCSHRD. The BCSHRD set guidelines and procedures in line with the regional civil services laws. Individual public bodies are responsible for the hiring and firing based on the civil service laws and guidelines. The BCSHRD monitors to ensure rules are respected.</p> <p>ORAG is an independent organ accountable to the regional council. The recent changes in the legal framework provided the Auditor General more independence on determination of its staffing structure and compensation schemes. Because of this, ORAG anticipated improvements on quality of audit reports, audit coverage (PI-30.1) and timeliness of submission of the audit of the consolidated fund (PI-30.2). Internal audit is functional in all public bodies. The ID at BoFED is responsible for guiding and supervising the internal audit functions throughout the region. It compiles key findings and status of implementation from the internal audit reports it collects from internal audit units to the regional council.</p> <p>The REAC, which is accountable to the regional president, is working on preventing corruption, conducting investigations, and suing those involved in corrupt practices. The REAC registered the assets of 60,000 government officials and key personnel working in corruption prone positions. The asset data are available to the public upon request. Recent cases include investigation on forged credentials (PI-23) and corruption by government officials. The REAC claimed provision of training on corruption prevention to over 2 million people since its establishment. The FEAC is a member of the 'Audit Findings Implementation Task Force' and submits reports on action taken on people involved in corrupt practices based on the audit findings it receives from ORAG¹⁰ and ID. The REAC indicated the lack of clarity with some of the ORAG reports as a challenge. With the amendment of the law, its role on investigation and initiating of legal proceeding is transferred to the Regional Police Department and Bureau of Justice, respectively. The ANRS AG is also a member of 'Audit Findings Implementation Task Force' and reports quarterly on action taken based on the findings of the external audit report.¹¹</p>

¹⁰ The REAC received 87 corruption reports between 2014 and March 2019. Based on these reports, 32 people have been sued by the REAC (the court charged 20 of them and set 5 free; the remaining 7 cases are ongoing). In 16 cases, shortage claims were refunded and the legal case has been terminated; 14 cases have been dropped as they did not qualify for corruption charges. Source: Report submitted by the REAC on April 5, 2019.

¹¹ Quarterly report on action based on ORAG recommendation (April 5, 2019): The report covers findings between 2014 and December 2018.

Internal control components and elements	Summary of observations
	<p>Mass-based organizations organized by local woreda administrations are often invited to attend audit scrutiny by the BFSC and also budget hearings. The groups are youth forum, women's forum, and residents' forum. Their interaction with the wider community and their membership base is limited. The manner in which they have been organized appears to affect their role in counterbalancing the state role because of their affiliation to the ruling party.¹² Most of the civil societies¹³ are mainly operating in development activities. The scope of civil society's role in right issues, transparency, and governance had been constrained by the Charities and Societies Proclamation (Proclamation No. 621/2009).¹⁴ This proclamation has been repealed by a new proclamation (Proclamation No 1113/2019) issued in the beginning of 2019. The new law provides more freedom to civil societies to play an important role in the transparency and accountability of the government at all levels.</p> <p>According to the REAC, corruption is a serious issue for the ANRS. Areas identified by the REAC which are affected by corrupt practices include land administration, procurement (mainly construction), and revenue collection. In Transparency International's Corruption Perceptions Index 2017/2018, Ethiopia was ranked 114 out of 180 countries, with a score of 34 on a scale where 100 means very clean and 0 means highly corrupt.¹⁵ According to the Doing Business report¹⁶ of the World Bank (2019), Ethiopia scored 49.06 out of 100 and ranked 159 out of 190 countries. Though these ratings are for Ethiopia as a country, the overall control environment in Amhara is not very different from the country in general.</p> <p>Despite comprehensive legal frameworks, the overall control environment appears to be affected by the unrest in the region between 2016 and 2018, the frequent changes in leadership at the bureau level, and turnovers in key personnel. As indicated in the ORAG report, the level of responsiveness of executives to audit recommendations has declined from 97% in 2015/2016 to 75% in 2017/2018 (PI-30.3).</p>
2. Risk assessment	<p>Organizational-level risk assessment is not conducted at the level of public bodies. Internal audit units of visited public bodies prepare risk assessments as part of their annual audit plan preparation. The risk assessment is largely focused on risks associated with the efficiency and effectiveness of existing internal control procedures. ORAG also does not conduct a comprehensive risk assessment in the determination of the annual audit plan. The prevalence corruption cases in certain government functions is partly attributed to the inefficiency and ineffectiveness of the existing internal control policies and procedures. The Auditor General indicated in his report that repeated findings are attributed to the weak enforcement and limitation with existing policies and procedures (ORAG report for EFY 1010 (2017/2018)).</p>
3. Control activities	<p>The control activities available for the PFM system include the various manuals, guidelines, and directives that have been issued mainly by BoFED in line with the applicable proclamations and regulations. The manuals provide guidance on procurement, cash management, budgetary control, payroll, inventory and asset management, the segregation of duties, and other control activities (PI-25). Most of the visited public bodies reconcile bank accounts monthly. There is no comprehensive audit for payroll or a procedure for validation of procurement statistics and reports. Though</p>

¹² Mass Based Societies in Ethiopia: Prospects and Challenges Published by Development Assistance Group Ethiopia - issued in 2012; Non-state actors - by European Civil Society Fund / A Civil Society Support Program - issued in 2014.

¹³ According to a study published in the African Sociological Review, Vol 21 1 2017, 159 civil societies were operating in 503 projects, which cost about ETB 6.5 billion (other reports indicated about 180 NGOs were operational).

¹⁴ Amhara Region has its own regional charity law (Proclamation No. 194/2012); mainly a replica of the FGE's proclamation.

¹⁵ The rank has deteriorated from 107 in 2016/2017 (CPI score of 35) to 114 (CPI score of 34) in 2017/2018,

<https://www.transparency.org/country/ETH#>.

¹⁶ <http://www.doingbusiness.org/en/data/exploreconomies/ethiopia>.

Internal control components and elements	Summary of observations
	<p>the accounting system (IBEX) allows separate passwords per user, due to technical problems faced by BoFED, all users of IBEX at visited BIs use a shared password (single password), which makes it impossible to ensure integrity of the system. The commitment control feature of IBEX is not in use (PI-25.2). As reported by ORAG, the majority of the public bodies did not implement some of the internal control procedures, including store record cards, fixed asset registers, and conducting of annual physical count. The BFSC is poorly staffed with only one full-time committee member. The BFSC did not conduct hearings on audit findings and does not issue recommendations to the executive (PI-31).</p>
<p>4. Information and communication</p>	<p>Rules and regulations, manuals, and guidelines are communicated and widely known to public bodies. BoFED communicates budget ceilings and guidelines and also approved budgets to public bodies. Public bodies do not submit their annual cash flow forecast to BoFED (though the ANRS Public Finance Administration Proclamation requires this). It is not clear how BoFED manages its cash flow without collecting the annual cash flow plans of public bodies. IBEX functions through a wide area network called Woredanet; public bodies process transactions from their own premises, while the server is at BoFED. As a result, transactions processed at the level of public bodies are reflected immediately in the BoFED server. Public bodies used to submit monthly printed financial reports before the IBEX database interconnected with the BoFED database online. Managements of public bodies receive quarterly financial reports (PI-28, PI-29).</p> <p>Public bodies do not produce comprehensive financial reports according to the national standard where a certain level of disclosure is expected. Statement of revenue and expenditure and statement of financial positions are available in IBEX but these reports are not printed and reported at the public bodies' level. No disclosure is provided on public assets, contingent liabilities, and certain financial assets and liabilities. Public bodies produce separate reports for donor-funded projects in a format prescribed in the grant agreement entered into with donor partners. Public bodies do not produce a consolidated financial report (PI-29) on the resource they received and spend from various sources. The AFS issued by BoFED provides comprehensive information on the annual approved budgeted revenue and expenditure at the regional level, sector bureau, zonal, and woreda level. The report also provides information on other direct funds received by city administration. The report does not contain comparative financial reports against previous years or statements of financial positions, disclosure on warranties, financial assets, and liabilities including aging profiles (PI-29). A significant number of financial audit reports of public bodies received qualified audit opinion (PI-30). In addition, the draft consolidated financial statement and the audit report on consolidated fund are submitted with considerable delay compared to other regions.</p>
<p>5. Monitoring</p>	<p>The various management performance reports, financial statements, and audit reports serve as a monitoring tool to verify whether financial reports are accurate, performance target are achieved, and resources are used efficiently and are safeguarded. Internal audit units submit quarterly audit reports. Public bodies submit six-month performance reports to the regional council. ORAG submits an annual audit report and performance reports, as completed. As indicated earlier, a substantial part of monitoring activities of internal audit units and ORAG focus on the compliance of existing internal control procedures. Annual audit reports of the Auditor General stress the need for timely responsiveness of the executives to findings and to enhance the capacity of ORAG for more audit coverage.</p> <p>Monitoring of non-financial assets, investments, and certain financial assets needs and the monitoring of the effectiveness of internal control on disbursement, procurement, asset management, financial assets, and liabilities need improvement. The recurring nature of audit findings is partly attributed to the inefficiency of the internal control procedures.</p>

Annex 3A: Sources of information by indicator

Only the reports listed in this annex were used as reference.

Indicator/dimension	Data sources
Pillar I. Budget reliability	
PI-1 Aggregate expenditure outturn	<ul style="list-style-type: none"> Approved budget for FY2008 to FY2010 Annual Financial Reports for FY2008 to FY2010
1.1 Aggregate expenditure outturn	
PI-2 Expenditure composition outturn	<ul style="list-style-type: none"> Approved budget for FY2008 to FY2010 Annual Financial Reports for FY2008 to FY2010
2.1 Expenditure composition outturn by function	
2.2 Expenditure composition outturn by economic type	
2.3 Expenditure from contingency reserves	
PI-3 Revenue outturn	<ul style="list-style-type: none"> Approved budget for FY2008 to FY2010 Annual Financial Reports for FY2008 to FY2010
3.1 Aggregate revenue outturn	
3.2 Revenue composition outturn	
Pillar II. Transparency of public finances	
PI-4 Budget classification	<ul style="list-style-type: none"> Amhara Regional Government Chart of Accounts Federal Government Chart of Accounts Budget for 2010 Accounts for 2010
4.1 Budget classification	
PI-5 Budget documentation	<ul style="list-style-type: none"> The Draft Budget Proclamation The Budget Speech Subsidy Allocation to Woredas
5.1 Budget documentation	
PI-6 Regional government operations outside financial reports	<ul style="list-style-type: none"> Budget for 2010 Accounts for 2010
6.1 Expenditure outside financial reports	
6.2 Revenue outside financial reports	
6.3 Financial reports of extra-budgetary units	
PI-7 Transfers to subnational governments	<ul style="list-style-type: none"> Budget documentation submitted to the regional council for the EFY 2011 budget Actual transfers to woredas and city administrations for EFY 2010
7.1 System for allocating transfers	
7.2 Timeliness of information on transfers	
PI-8 Performance information for service delivery	<ul style="list-style-type: none"> Annual performance plans for education, health, agriculture, water, and roads sectors Annual performance reports for education, health, agriculture, water, and roads sectors Education Sector Development Program Health Sector Development Strategy Annual education statistics abstract Education sector development program midterm review report Field visit reports in education and health sectors Quarterly performance review meeting reports in education and health sectors
8.1 Performance plans for service delivery	
8.2 Performance achieved for service delivery	
8.3 Resources received by service delivery units	
8.4 Performance evaluation for service delivery	
PI-9 Public access to fiscal information	<ul style="list-style-type: none"> Amhara regional government website (www.amharaBoFED.gov.et)
9.1 Public access to fiscal information	
Pillar III. Management of assets and liabilities	
PI-10 Fiscal risk reporting	<ul style="list-style-type: none"> Proclamation No. 236/2015 establishing the Public Enterprises Supervision and Follow-up Authority List of 14 SoEs plus number and value of shares owned by the regional government Consolidated AFS for 2017/2018
10.1 Monitoring of public corporations	
10.2 Monitoring of subnational governments	
10.3 Contingent liabilities and other fiscal risks	

Indicator/dimension	Data sources
	<ul style="list-style-type: none"> Data on guarantees issued by BoFED to city/urban towns
PI- 11 Public investment management	<ul style="list-style-type: none"> List of 10 biggest capital investment projects Adopted PIM guidelines from the federal government Sample feasibility studies of some capital projects Quarterly physical and financial progress reports; AFS
11.1 Economic analysis of investment proposals	
11.2 Investment project selection	
11.3 Investment project costing	
11.4 Investment project monitoring	
PI-12 Public asset management	<ul style="list-style-type: none"> Consolidated AFS for 2017/2018 Proclamation No. 236/2015 establishing the Public Enterprises Supervision and Follow-up Authority Article 54 of the Amhara Regional Government Procurement and Property Administration Proclamation No. 179/2011
12.1 Financial asset monitoring	
12.2 Nonfinancial asset monitoring	
12.3 Transparency of asset disposal	
PI-13 Debt management	<ul style="list-style-type: none"> Not applicable
13.1 Recording and reporting of debt and guarantees	
13.2 Approval of debt and guarantees	
13.3 Debt management strategy	
Pillar IV. Policy-based fiscal strategy and budgeting	
PI-14 Macroeconomic and fiscal forecasting	<ul style="list-style-type: none"> Medium-term regional strategic plan (known as GTP II 2016/17-2020/21) Macroeconomic forecasts Sensitivity analysis for 2018/2019
14.1 Macroeconomic forecasts	
14.2 Fiscal forecasts	
14.3 Macro-fiscal sensitivity analysis	
PI-15 Fiscal strategy	<ul style="list-style-type: none"> Not applicable
15.1 Fiscal impact of policy proposals	
15.2 Fiscal strategy adoption	
15.3 Reporting on fiscal outcomes	
PI-16 Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> Budget documentation for 2018/2019 Five-year strategic plans for water and irrigation, roads and transport, and health sector GTP II and Educational Sector Development Plan 5 plus annual action plans for 2018/2019
16.1 Medium-term expenditure estimates	
16.2 Medium-term expenditure ceilings	
16.3 Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
PI-17 Budget preparation process	<ul style="list-style-type: none"> Budget calendar for the preparation of the EFY 2011 budget calendar List of bureaus that completed their budget submissions in time BCC for the preparation of the EFY 2011 budget calendar Dates of the submission of the draft budget by BoFED to the regional council for the past three completed fiscal years
17.1 Budget calendar	
17.2 Guidance on budget preparation	
17.3 Budget submission to the legislature	
PI-18 Legislative scrutiny of budgets	<ul style="list-style-type: none"> The Draft Budget Proclamation The Budget Speech Subsidy allocation to woredas Standing orders of the regional council Dates of approval of the budget by the council provided by the BFSC Financial Administration Proclamation Data on in-year budget transfers for EFY 2010
18.1 Scope of budget scrutiny	
18.2 Legislative procedures for budget scrutiny	
18.3 Timing of budget approval	
18.4 Rules for budget adjustments by the executive	

Indicator/dimension	Data sources
Pillar V. Predictability and control in budget execution	
PI-19 Revenue administration	<ul style="list-style-type: none"> AmRRB proclamation, directives, and regulations Revenue agency website and Facebook page with information on key obligations and rights Taxpayer's Compliance Risk Management Strategy AmRRB Annual Performance - EC 2010 Report on planned risk mitigation activities and audit and fraud investigations Revenue collection records with stock of revenue arrears and revenue arrears older than 12 months
19.1 Rights and obligations for revenue measures	
19.2 Revenue risk management	
19.3 Revenue audit and investigation	
19.4 Revenue arrears monitoring	
PI-20 Accounting for revenue	<ul style="list-style-type: none"> Discussion and data provided by AmRRB AmRRB Annual Performance Report for 2017/2018 AmRRB revenue and arrears reconciliation
20.1 Information on revenue collections	
20.2 Transfer of revenue collections	
20.3 Revenue accounts reconciliation	<ul style="list-style-type: none"> Treasury at BoFED Amhara current month (April 2019) revenue report Annual budget and actual revenue for last three fiscal years Data on in-year budget transfers for EFY 2010 Supplementary budget proclamation for EFY 2010
PI-21 Predictability of in-year resource allocation	
21.1 Consolidation of cash balances	
21.2 Cash forecasting and monitoring	
21.3 Information on commitment ceilings	
21.4 Significance of in-year budget adjustments	
PI-22 Expenditure arrears	<ul style="list-style-type: none"> Treasury at BoFED AFS of EFY 2008, 2009, and 2010
22.1 Stock of expenditure arrears	
22.2 Expenditure arrears monitoring	<ul style="list-style-type: none"> Interview with payroll units of BoA, BoFED, BoR&T, Bureau of Water and Energy, BoH, BoE Review of payroll sheets and software Internal audit reports and ORAG reports Sample personnel records
PI-23 Payroll controls	
23.1 Integration of payroll and personnel records	
23.2 Management of payroll changes	
23.3 Internal control of payroll	
23.4 Payroll audit	
PI-24 Procurement	<ul style="list-style-type: none"> Proclamation and manuals <ul style="list-style-type: none"> Administration of complaint on procurement and property disposal (Issued in 2012) Procurement Manual (issued in 2012) Regulation for the establishment of Procurement and Property Disposal Services (2012) Procurement plans and reports (BoA, BoE, BoR&T, Bureau of Water and Energy, BoFED, BoH) Procurement performance report from PPPDS and PPPAAM Interview with Chamber of Commerce Website of BoFED: www.amharaBoFED.gov.et/directives_manuals.html
24.1 Procurement monitoring	
24.2 Procurement methods	
24.3 Public access to procurement information	
24.4 Procurement complaints management	

Indicator/dimension	Data sources
PI-25 Internal controls on non-salary expenditure	<ul style="list-style-type: none"> • Proclamation and manuals <ul style="list-style-type: none"> ○ Financial Administration Proclamation No. 178/2003 ○ Financial Administration Proclamation (Proclamation No. 178/2011) ○ Financial Administration Regulation (89/2011) ○ Procurement and Property Administration Proclamation (179/2011) ○ Procurement and Property Administration Regulation ○ Manual for the Procurement of Goods and Services (7/2011) ○ Manual for the Administration of Budget (8/2011) ○ Manual for Cash Management (4/2011) ○ Cash Disbursement Manual (5/2011) ○ Accounting Procedure Directive (6/2011) ○ Financial Accountability Directive (3/2011) ○ Internal Audit Guideline (9/2011) ○ Internal Control Standards (10/2011) ○ Property Administration Directive (2/2011) ○ Procedure on Guarantor (11/2011) ○ Stock Management Manual (2012) ○ Government Vehicle Use and Administration Manual (3/2012) • Internal audit reports • ORAG reports • Interview with ORAG, ID, internal audit units, and finance team of visited public bodies
25.1 Segregation of duties	
25.2 Effectiveness of expenditure commitment controls	
25.3 Compliance with payment rules and procedures	
PI-26 Internal audit	<ul style="list-style-type: none"> • Interview with internal audit units and ID • Financial Administration Proclamation No. 178/2003 • Internal audit reports and internal audit annual plans and sample management response letters on internal audit findings <ul style="list-style-type: none"> ○ BoE ○ BoA ○ BoR&T ○ Bureau of Water and Energy ○ Audit plan and performance summary - issued by ID ○ Summary of internal audit findings and implementation status - issued by ID ○ Audit coverage report by ID ○ Manuals • Audit report preparation manual - 2016/internal audit report writing procedure 2012 • Performance audit training manual - 2015 • Internal audit standards - 2016 • Financial audit training manual - 2016
26.1 Coverage of internal audit	
26.2 Nature of audits and standards applied	
26.3 Implementation of internal audits and reporting	
26.4 Response to internal audits	
Pillar VI. Accounting and reporting	
PI-27 Financial data integrity	<ul style="list-style-type: none"> • Financial legislation (Proclamation No. 178/2011) • Treasury at BoFED • Internal audit • IBEX
27.1 Bank account reconciliation	
27.2 Suspense accounts	
27.3 Advance accounts	
27.4 Financial data integrity processes	

Indicator/dimension	Data sources
PI-28 In-year budget reports	<ul style="list-style-type: none"> • Treasury at BoFED
28.1 Coverage and comparability of reports	<ul style="list-style-type: none"> • Monthly budget execution reports generated by IBEX
28.2 Timing of in-year budget reports	
28.3 Accuracy of in-year budget reports	<ul style="list-style-type: none"> • Annual Consolidated Financial Reports for EC 2008–2010
PI-29 Annual financial reports	<ul style="list-style-type: none"> • Amhara Financial Administration Proclamation No. 178/2011, Article 59
29.1 Completeness of annual financial reports	
29.2 Submission of reports for external audit	<ul style="list-style-type: none"> • Letter of submission to external auditors
29.3 Accounting standards	<ul style="list-style-type: none"> • External auditor
Pillar VII. External scrutiny and audit	
PI-30 External audit	<ul style="list-style-type: none"> • Standards and manuals
30.1 Audit coverage and standards	<ul style="list-style-type: none"> ○ Manuals and standards
30.2 Submission of audit reports to the legislature	<ul style="list-style-type: none"> ○ The International Standard for Supreme Audit Institutions/AFROSAI manuals (2010)
30.3 External audit follow-up	<ul style="list-style-type: none"> ○ Audit standard (internally developed)
30.4 Supreme Audit Institution independence	<ul style="list-style-type: none"> ○ Fraud Audit Manual ○ The Mexico Declaration on Independence
	<ul style="list-style-type: none"> • Laws and regulations
	<ul style="list-style-type: none"> ○ Constitution of ANRS 1994
	<ul style="list-style-type: none"> ○ Proclamation No. 267/2019 for the amendment of the Reestablishment Proclamation of the Regional Auditor General (186/2011)
	<ul style="list-style-type: none"> ○ ANRS Proclamation No. 186/2011 on the reestablishment of ORAG
	<ul style="list-style-type: none"> • Memorandum of understanding on follow-up of audit findings - 2012
	<ul style="list-style-type: none"> • Master list of entities to be audited - June 21, 2018
	<ul style="list-style-type: none"> • Quality assurance report - 2018 by ORAG
	<ul style="list-style-type: none"> • Best practice learning based on peer experience sharing with other ORAGs - August 14, 2018
	<ul style="list-style-type: none"> • Six-month budget performance report of ORAG submitted to regional council - January 27, 2019
	<ul style="list-style-type: none"> • Gender Mainstreaming Audit Report 2015
	<ul style="list-style-type: none"> • Annual audit report which contains summary of audit findings and recommendation (audit of public bodies)
	<ul style="list-style-type: none"> ○ EFY 2009 for all audited public bodies plus consolidated fund of EFY 2008 (dated May 17, 2018)
	<ul style="list-style-type: none"> ○ EFY 2008 for all audited public bodies plus consolidated fund of EFY 2007 (dated June 27, 2017)
	<ul style="list-style-type: none"> ○ EFY 2008 for all audited public bodies plus consolidated fund of EFY 2006 (dated June 23, 2016)
	<ul style="list-style-type: none"> • Separate report on the audited financial statement of ANRS for the following years:
	<ul style="list-style-type: none"> ○ EFY 2009 (2016/2017) - dated January 21, 2019
	<ul style="list-style-type: none"> ○ EFY 2008 (2015/2016) - dated February 6, 2018
	<ul style="list-style-type: none"> ○ EFY 2009 (2014/2015) - dated May 4, 2016
	<ul style="list-style-type: none"> • Report on status of audit finding implementation
	<ul style="list-style-type: none"> ○ Issued by the REAC on April 12, 2019
	<ul style="list-style-type: none"> • Management responses on audit findings
	<ul style="list-style-type: none"> ○ Water resource development bureau
	<ul style="list-style-type: none"> ○ BoFED and others

Indicator/dimension	Data sources
PI-31 Legislative scrutiny of audit reports	<ul style="list-style-type: none"> • Standing order of the regional council - BFSC section • Discussion with the BFSC chairperson • Recommendation minutes written to the Speaker on audit scrutiny • Covering letters of ORAG on submission of audit reports • Reports on status of audit findings: <ul style="list-style-type: none"> ○ Report submitted by the REAC (January 2019) ○ Report submitted by Bureau of Attorney General (January 2019) ○ Report on audit implementation follow-up by BoFED (January 2019)
31.1 Timing of audit report scrutiny	
31.2 Hearings on audit findings	
31.3 Recommendations on audit by legislature	
31.4 Transparency of legislative scrutiny of audit reports	

Annex 3B: List of people interviewed

Name	Organization	Position	Telephone	Email
Amhara Bureau of Finance and Economic Development				
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Bureau of Agriculture				
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Public Procurement and Property Disposal Service				
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Name	Organization	Position	Telephone	Email
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Amhara Regional Council				
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Urban Land Holding Registration Agency (Cadastre)				
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Amhara Regional Office of Auditor General				
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Annex 4: Tracking change in performance based on previous versions of PEFA

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
HLG-1 Transfer from a higher-level government	A	D+		No deterioration in performance despite change in the score. The deterioration is due to dimension (ii) being scored NA in the previous assessment.
(i) Outturn of transfer from higher-level government	A	A	Transfers were more than 95% compared to original budget in all the last three completed fiscal years. Actual transfers have been 100% in 2015/2016, 108% in 2016/2017, and 99% in 2017/2018.	No change
(ii) Earmarked grants outturn	NA	D	Transfers of earmarked grants were deviated by more than 10% in at least two of the three years under review. Actual deviations were 0% in 2015/2016, 40% in 2016/2017, and 20% in 2017/2018.	This dimension was assessed as NA in the previous assessment.
(iii) Timeliness of transfer from higher-level government	A	A	Actual disbursements of both recurrent and capital grants have been evenly spread within each of the last three years under review.	No change
PI-1 Aggregate expenditure outturn compared to original approved budget	B	A	In none of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure.	Improvement in score and performance. In the 2015 assessment, the actual expenditure deviated in absolute terms from budgeted expenditure by 9.6%, 6.3%, and 10.6% in EFY 2003, 2004, and 2005, respectively.
PI-2 Composition of expenditure outturn compared to original approved budget	D+	C+		Improvement in score and performance
(i) Extent of the variance in expenditure composition during	D	C	Variance in expenditure composition exceeded 15% in no more than one of the last three years.	Improvement in score and performance. In the 2015 assessment, variance in expenditure

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
the last three years, excluding contingency items				composition exceeded 15% in at least two of the past three years.
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget.	No change
PI-3 Aggregate revenue outturn compared to original approved budget	C	A	Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in all the last three years.	Improvement in score and performance. In the three years preceding the 2015 assessment, actual revenue exceeded budgeted amounts by 34% and 5% and fell short by 8% in EFY 2003, 2004, and 2005, respectively.
PI-4 Stock and monitoring of expenditure payment arrears	B+	B+	—	No change
(i) Stock of expenditure payment arrears and a recent change in the stock	A	A	—	No change
(ii) Availability of data for monitoring the stock of expenditure payment arrears	B	B	Stock of expenditure arrears is generated at year-end but may not be complete for grace period payables. Age is not monitored.	No change
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	B	B	The budget formulation and execution are based on administrative and economic classification using the GFS standard for economic classification, and for functional, a standard that can produce documentation that is consistent with the COFOG standards.	No change
PI-6 Comprehensiveness of information included in budget documentation	D	D	Recent budget documentation fulfills none of the nine information benchmarks.	No change in performance and overall score. Apparent change within the score because the previous assessment wrongly considered element No. 3 'Deficit financing' and element

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
				No. 5 'Financial assets' as met. These are not met.
PI-7 Extent of unreported government operations	D+	D+	—	No change
(i) Level of unreported government operations	A	A	The level of unreported extra-budgetary expenditure is insignificant—below 1% of total expenditure.	No change
(ii) Income/expenditure information on donor-funded projects	D	D	Deficiency of information on donor-funded projects included in fiscal reports	No change
PI-8 Transparency of inter-governmental fiscal relations	B+	B	—	Deterioration in performance and score due to deterioration in PI-8.2
(i) Transparency and objectivity in the horizontal allocation amongst subnational governments	A	A	The horizontal allocation of all transfers from the regional government to woredas and city administrations (at 90% of transfers) is determined by transparent and rule-based systems.	No change
(ii) Timeliness and reliable information to subnational governments on their allocations	B	D	Information on annual transfers to woredas and city administrations is issued after the start of the fiscal year.	Deterioration in performance and score. In the 2015 assessment, the woredas and city administrations were notified of the ceilings before the start of the new fiscal year. However, according to the current assessment, they were notified after the start of the new fiscal year.
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	A	A	Fiscal information consistent with central government fiscal reporting is collected for 90% of woreda and city administration expenditure and consolidated into annual reports within 10 months of the end of the fiscal year.	No change
PI-9 Oversight of aggregate fiscal risk from other public sector entities.	C+	C+	—	No change in overall score and performance even though there is improvement in

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
				dimension (i) and deterioration in dimension (ii).
(i) Extent of central government monitoring of autonomous entities and public enterprises	C	B	All public enterprises submit annual audited accounts to the Public Enterprises Supervision and Follow-up Authority. The authority prepares consolidated an annual fiscal risk report.	Improvement in both score and performance
(ii) Extent of central government monitoring of subnational government's fiscal position	A	C	Woreda cities and municipalities generate fiscal risk through borrowing from commercial banks which is guaranteed by the regional government. However, BoFED does not prepare a consolidated fiscal risk report even though the data are available.	Deterioration in both score and performance
PI-10 Public access to key fiscal information	B	C	The government makes available to the public 1 of the 6 listed types of information.	No change in performance despite the change in score. The previous assessment over-scored the indicator and considered that 4 of the 6 listed types of information were met. In reality, at the time of the 2015 assessment, as now, only the elements relating to resources made available to primary service delivery units were met. The elements relating to year-end financial statements, contract awards, and external audit reports that were assessed as 'met' were not met.
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	A	C	—	Deterioration in score and performance
(i) Existence of, and adherence to, a fixed budget calendar	A	C	A clear annual budget calendar exists, but some delays are often experienced in its implementation. It allows MDAs reasonable time (at least 4 weeks from receipt of the	Deterioration in score and performance. In 2014, the budgetary units had at least 6 weeks from the receipt of the circular to

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			budget circular) but many nonetheless fail to complete their detailed estimates on time.	complete their submissions and most budgetary units submitted on time.
(ii) Guidance on the preparation of budget submissions	A	C	A comprehensive and clear budget circular is sent to MDAs, including ceilings for individual administrative units. The budget estimates are reviewed and approved by cabinet only after all details have been completed by MDAs, thus seriously constraining cabinet's ability to make adjustment.	Deterioration in score and performance. In the 2015 assessment, the ceilings in the budget circular were approved by cabinet before the circular was issued to the MDAs.
(iii) Timely budget approval by the legislature	A	C	In two of the last three years, the legislature has approved the budget within two months of the start of the fiscal year.	Deterioration in score and performance. In the 2015 assessment, the last three budgets had been approved close to the start of the fiscal year.
PI-12 Multiyear perspective in fiscal planning, expenditure policy, and budgeting	D+	C	—	Improvement in both score and performance
(i) Multiyear fiscal forecasts and functional allocations	D	D	BoFED does not prepare fiscal forecasts with functional allocations with a multiyear perspective.	No change
(ii) Scope and frequency of debt sustainability analysis	NA	NA	Not applicable; regional government can borrow locally but this power has not been used.	No change
(iii) Existence of costed sector strategies	C	B	At least 54% (by value) of sectors prepare fully costed sector strategies which are aligned to regional GTP II.	Improvement in both score and performance
(iv) Linkages between investment budgets and forward expenditure estimates	C	C	Linkages between investment costs and forward-linked recurrent estimates are weak; some sector strategies do not have forward-linked recurrent expenditure estimates.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
<i>C(ii) Predictability and Control in Budget Execution</i>				
PI-13 Transparency of taxpayer obligations and liabilities	A	A	—	No change
(i) Clarity and comprehensiveness of tax liabilities	A	A	Legislation and procedures for most taxes are comprehensive and clear.	No change
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	AmRRB uses multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas and on rights, including educational campaigns.	No change
(iii) Existence and functioning of a tax appeal mechanism.	A	A	A tax appeals system for transparent administrative procedures is functional.	No change
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B+	—	Improvement in performance
(i) Controls in the taxpayer registration system	B	B	Taxpayers are registered in a complete database system with some linkages to other relevant government registration systems.	No change
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	Penalties for non-compliance exist for most relevant areas but are not always effective due to insufficient scale and/or inconsistent administration.	No change
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	A	Tax audits and fraud investigations are managed and reported on according to a documented audit plan with clear risk assessment criteria.	Improvement in performance. There is a sound system of audits performed and managed in accordance with a documented compliance improvement plan. Audit plan is based on clear risk assessment approach (issued in 2016) that was nonexistent in 2015.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-15 Effectiveness in collection of tax payments	D+	A	—	No change in performance
(i) Collection ratio for gross tax arrears	A	A	The total amount of tax arrears is insignificant (that is, less than 2% of total annual collections).	No change
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	Transfers to the Treasury are made daily.	No change
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	D	A	Complete reconciliation of tax assessments, collections, arrears, and transfers to the Treasury takes place at least monthly within one month of end of month.	No change in performance. Scored D in 2015 because evidence of tax reconciliation was not provided. Since 2010, when SIGTAX was commissioned, tax reconciliation with the Treasury has been effective.
PI-16 Predictability in the availability of funds for commitment of expenditures	C+	D+	—	Improvement in overall performance, as dimension (i) was overrated in 2015 (score should have been D) and dim. (iii) has improved
(i) Extent to which cash flows are forecasted and monitored	B	D	A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows.	No change. Higher score in 2015 was due to confusion of cash plan with quarterly cash requests. No cash flow plans are prepared before the start of the fiscal year (in both 2015 and 2019).
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	A	MDAs are able to plan and commit expenditure for at least 6 months in advance of the budget appropriations.	No change
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	C	A	Significant in-year budget adjustments to budget allocations take place only once or twice a year and are done in a transparent and predictable way.	Improvement in score and performance. At the time of the 2015 assessment significant in-year adjustments were frequent but undertaken with some transparency.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-17 Recording and management of cash balances, debt and guarantees	B+	C+	—	Not comparable since dimension (i) in 2015 was NA.
(i) Quality of debt data recording and reporting	NA	D	The regional government does not reconcile and update guarantees annually.	Not comparable as score in previous assessment in 2015 was NA.
(ii) Extent of consolidation of the government's cash balances	B	C	Most cash balances are calculated and consolidated at least weekly, but some budgetary funds remain outside the arrangement.	Deterioration in score but not in performance. Donor funds were excluded from consolidation in 2015 and this remains the practice. The 2015 assessment considers only the Z-accounts which are in the TSA that is reconciled daily. Though score B required 'most' materiality, the narrative indicates that 30% of cash balances 'fall outside the system'.
(iii) Systems for contracting loans and issuance of guarantees	A	A	BoFED is solely responsible for approving all loans and guarantees for woreda cities and municipalities. Loans and guarantees are issued in accordance with Regulation 37/2005 of the Financial Administration of Cities and Municipalities for urban city loans.	No change
PI-18 Effectiveness of payroll controls	B+	B+	—	No change in performance
(i) Degree of integration and reconciliation between personnel records and payroll data	B	B	Personnel data and payroll are not directly linked but payroll changes are fully supported by documentation from personnel records and updated each month.	No change
(ii) Timeliness of changes to personnel records and the payroll	A	A	Payroll changes are updated daily or within a week and retrospective adjustments are rare and less than 1%.	No change
(iii) Internal controls of changes to personnel records and the payroll	A	B	There is no audit trail within the payroll processing system. However, the internal control systems in place are sufficient and no changes are made without approved documentations, and payroll printouts are	No change in performance. It appears that the previous assessment overrated this dimension.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
			subject to review and approval of the finance head before payment transfer to employees' accounts.	
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	B	Payroll is decentralized and each internal audit unit conducts monthly payroll audits. ORAG covers payroll audit in its annual audit of public bodies. There is no special comprehensive payroll audit.	No change
PI-19 Competition, value for money, and controls in procurement	D+	D+	—	No change
(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework	B	B	Five of the criteria are met. There is no public access to procurement plans and resolution on procurement complaints.	No change
(ii) Use of competitive procurement methods	D	D	Use of competitive methods is 33%.	No change
(iii) Public access to complete, reliable, and timely procurement information	C	C	Bidding opportunity and contract awards are published.	No change
(iv) Existence of an independent administrative procurement complaints system	D	D	Private sector and civil society representatives are not members of the complaint review team.	No change
PI-20 Effectiveness of internal controls for non-salary expenditure	B	C+	—	No change in performance
(i) Effectiveness of expenditure commitment controls	B	C	Expenditure commitment controls exist and provide partial coverage and are partially effective.	No change in performance. The previous assessment appears to have overrated this dimension.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Comprehensiveness, relevance, and understanding of other internal control rules/procedures	B	B	Other internal control rules and procedures are comprehensive and well understood, and some need update.	No change
(iii) Degree of compliance with rules for processing and recording transactions	B	B	Rules are generally respected and exceptions are with adequate justification; limitations are noted on fixed asset recording and payment and procurement procedures.	No change
PI-21 Effectiveness of internal audit	B+	B+	—	Improvement in performance due to improvement in dimension (iii)
(i) Coverage and quality of the internal audit function	B	B	Internal audit is functional in all public bodies, and audit generally follows international standards.	No change
(ii) Frequency and distribution of reports	A	A	Internal audit submits quarterly audit reports regularly.	No change
(iii) Extent of management response to internal audit function	B	A	Managers take action on time.	Performance improved. Managers at sector bureau levels respond on time.
<i>C(iii) Accounting, Recording, and Reporting</i>				
PI-22 Timeliness and regularity of accounts reconciliation	B	B	—	No change
(i) Regularity of bank reconciliation	B	B	Bank reconciliations for all Treasury-managed bank accounts take place at least monthly, usually within 4 weeks from the end of month.	No change
(ii) Regularity and clearance of suspense accounts and advances	B	B	Reconciliation and clearance of suspense accounts and advances take place at least annually within two months of the end of the period. Some accounts have uncleared balances brought forward.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-23 Availability of information on resources received by service delivery units	B	A	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary clinics across the region. The information is compiled in a report at least annually.	No change in performance despite the change in score. The previous assessment underscored the dimension as the same conditions were in place at the time of the assessment.
PI-24 Quality and timeliness of in-year budget reports	C+	C+	—	Deterioration in performance despite no change in the overall score
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Comparison to budget is possible only for the main administrative headings. Expenditure is captured either at the commitment or payment stage (not both).	No change in score and overall performance but slight improvement within the score. Comparison is possible between approved budget estimates and actual expenditure by detailed economic and administrative classification and source of funds.
(ii) Timeliness of the issue of reports	A	C	Reports are prepared quarterly or more frequently and issued within eight weeks of the end of the quarter.	Deterioration in score and performance. While in 2015 the in-year budget reports were issued four weeks from the end of the quarter, in 2019 they were issued later (eight weeks) because of the delay in reporting on budget execution from the lowest level.
(iii) Quality of information	B	B	There are some concerns about data accuracy, but these do not undermine overall consistency or usefulness of the data.	No change
PI-25 Quality and timeliness of annual financial statements	C+	C+	—	Overall improvement in performance given improvement under dim. (ii) despite no change in the overall score
(i) Completeness of the financial statements	B	C	Financial reports are prepared annually, and they include information on revenue, expenditure, and cash balances.	No change. The Annual Consolidated Financial Report has not changed since 2015. Then and now, it still does not contain full disclosure on revenue, expenditure, and financial assets/liabilities.
(ii) Timeliness of submissions of the financial statements	B	A	The financial report is submitted to external audit within six months.	Improvement in score and performance. The Annual Consolidated Financial Report for the

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
				last completed fiscal year (EC 2010) was submitted six months after year-end. In 2015, it was submitted eight months after year-end.
(iii) Accounting standards used	C	C	Statements are presented in consistent format, applying national accounting standards with disclosure of accounting standards.	No change
<i>C(iv) External Scrutiny and Audit</i>				
PI-26 Scope, nature, and follow-up of external audit	C+	C+	—	No overall change in score but Improvement in performance within the score due to an improvement in dimension (iii).
(i) Scope/nature of audit performed (including adherence to auditing standards)	C	C	ORAG covers at least 50% of total expenditures and revenue of the regional Government. The audit largely focuses on financial compliance audit. ORAG also conducts performance audits. There is an overall improvement in terms of coverage and standard application but does not change the score.	No overall change in score or main performance despite some improvement within the score
(ii) Timeliness of submission of audit reports to the legislature	C	C	ORAG submitted the audited financial statement on consolidated fund (2016/2017 - end of the period covered) within 8 months and 22 days from the receipt of the draft report from BoFED.	No change
(iii) Evidence of follow-up on audit recommendations	B	A	There is clear evidence of follow-up. ORAG submits status of audit implementation quarterly, and an ad hoc team of ORAG follows up implementation.	Performance improved. The audit finding implementation task force is now operational.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
PI-27 Legislative scrutiny of the annual budget law	C+	D+	—	No Change
(i) Scope of the legislature scrutiny	C	B	The legislature's review covers fiscal policy and aggregates for the coming year as well as detailed estimates of expenditure and revenue.	No change in performance despite the change in score. The previous assessment underscored this dimension.
(ii) Extent to which the legislature's procedures are well established and respected	B	B	Simple procedures exist for the legislature's budget review and are respected.	No change
(iii) Adequacy of time for the legislature to provide a response to budget proposals, both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	C	D	The time allowed for the legislature's review is clearly insufficient for a meaningful debate (significantly less than one month).	Deterioration in score but no deterioration in performance. The 2015 assessment itself admitted that the actual time allowed and taken for the review of the budget was 10 days. For this assessment, the time taken to review the budget for the last completed fiscal year was also 10 days.
(iv) Rules for in-year amendments to the budget without ex ante approval by the legislature	B	B	Clear rules exist for in-year budget amendments by the executive and are usually respected, but they allow extensive administrative reallocations.	No change
PI-28 Legislative scrutiny of external audit reports	A	D+	—	No performance change. The previous assessment overrated two out of the three dimensions for this PI.
(i) Timeliness of examination of audit reports by the legislature	A	A	The BFSC scrutinizes the audit reports within two to three weeks from the receipt of the audit report from ORAG.	No change

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Extent of hearing on key findings undertaken by the legislature	A	C	No hearing is conducted in the presence of the audited entities. Scrutiny on the audit report is conducted in the presence of all standing committee members and some representatives of associations. The BoFED head attends hearings when the Auditor General delivers the speech and recommendations forwarded by the council.	No performance change. It appears that the previous assessment was overrated. The scrutiny in the presence of other stakeholders may be misunderstood as a hearing in the presence of audited entities' executives.
(iii) Issuance of recommended actions by the legislature and implementation by the executive	A	D	No written recommendation issued to audited entities in the last three compiled fiscal years. A general recommendation is shared with the Speaker.	No performance change. The previous assessment overrated the dimension.
D-1 Predictability of direct budget support	NA	NA	Not applicable	No change
(i) Annual deviation of actual budget support from forecast	NA	NA	Not applicable	No change
(ii) In-year timeliness of donor disbursements	NA	NA	Not applicable	No change
D-2 Financial information provided by donors for budgeting and reporting on projects and programs	D+	NU	Deemed not relevant	Not comparable
(i) Completeness and timeliness of budget estimates by donor for project support	C	NU	Deemed not relevant	Not comparable
(ii) Frequency and coverage of reporting by donors on actual flows for project support	D	NU	Deemed not relevant	Not comparable
D-3 Proportion of aid that is managed by use of national procedures	C	NU	Deemed not relevant	Not comparable

Note: NU = Not used.

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

Calculation sheet for PFM performance indicators PI-1, PI-2.1, and PI-2.3

Fiscal years for assessment	
Year 1 =	2015/2016
Year 2 =	2016/2017
Year 3 =	2017/2018

Data for year = 2015/2016

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	1,718.5	1,837.2	1,674.1	163.1	163.1	9.7
Justice and security	1,771.0	1,761.3	1,725.2	36.1	36.1	2.1
General services	1,307.3	1,338.9	1,273.5	65.4	65.4	5.1
Agriculture and natural resources	2,121.8	2,203.8	2,066.9	136.9	136.9	6.6
Water resources development	1,627.0	1,802.8	1,584.9	217.9	217.9	13.8
Trade and transport	984.6	945.5	959.1	-13.6	13.6	1.4
Mining and energy	3.7	4.1	3.6	0.6	0.6	16.0
Transport and urban development	1,511.2	1,441.6	1,472.1	-30.4	30.4	2.1
Infrastructure and construction	964.6	1,241.0	939.7	301.4	301.4	32.1
Education	7,887.1	7,977.1	7,683.1	294.0	294.0	3.8
ICT	12.1	9.4	11.8	-2.4	2.4	20.3
Youth and sport	160.4	171.5	156.3	15.3	15.3	9.8
Health	3,342.1	3,112.0	3,255.7	-143.7	143.7	4.4
Urban services	1,177.0	1,382.1	1,146.6	235.5		
Workers and social affairs	49.1	42.8	47.8	-5.0	5.0	10.5
Others	2,013.9	690.7	1,961.8	-1,271.1	1,271.1	64.8
Allocated expenditure	26,651.53	25,962.06	25,962.06	—	2,696.96	
Contingency	646.40	—				
Total expenditure	<u>27,297.88</u>	<u>25,962.06</u>				
Aggregate outturn (PI-1)						95.1
Composition (PI-2) variance						10.4
Contingency share of budget						0.0

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

Data for year = 2016/2017

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	2,021.0	2,643.8	2,064.2	579.6	579.6	28.1
Justice and security	1,966.6	2,468.5	2,008.6	459.8	459.8	22.9
General services	1,504.1	1,434.9	1,536.2	-101.2	101.2	6.6
Agriculture and natural resources	2,339.5	2,790.4	2,389.5	400.9	400.9	16.8
Water resources development	1,742.7	1,775.5	1,779.9	-4.5	4.5	0.3
Trade and transport	801.0	1,191.7	818.1	373.6	373.6	45.7
Mining and energy	9.1	7.1	9.3	-2.2	2.2	24.0
Transport and urban development	1,813.8	2,020.0	1,852.5	167.5	167.5	9.0
Rural road	890.3	1,115.5	909.3	206.2	206.2	22.7
Education	8,651.9	10,975.6	8,836.7	2,138.9	2,138.9	24.2
ICT	10.8	10.7	11.0	-0.3	0.3	3.1
Youth and sport	209.4	227.1	213.9	13.2	13.2	6.2

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Health	4,045.7	3,947.2	4,132.2	-185.0	185.0	4.5
Urban development and house construction service	1,547.9	1,696.3	1,581.0	115.3	115.3	7.3
Workers and social affairs	59.7	59.8	61.0	-1.1	1.1	1.9
Others	4,652.4	591.2	4,751.8	-4,160.5	4,160.5	87.6
Allocated expenditure	32,265.97	32,955.22	32,955.22	—	8,909.99	
Contingency	501.6	—				
Total expenditure	<u>32,767.57</u>	<u>32,955.22</u>				
Aggregate outturn (PI-1)						100.6
Composition (PI-2) variance						27.0
Contingency share of budget						0.00

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

Data for year = 2017/2018

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	2,790.7	2,832.7	2,731.1	101.6	101.6	3.7
Justice and security	2,860.2	2,826.4	2,799.2	27.1	27.1	1.0
General services	1,990.2	1,783.1	1,947.7	-164.6	164.6	8.5
Agriculture and natural resources	3,167.8	3,191.2	3,100.3	90.9	90.9	2.9
Water resources development	1,802.0	2,176.3	1,763.5	412.7	412.7	23.4
Trade and transport	805.1	959.5	787.9	171.6	171.6	21.8
Mining and energy	8.1	8.9	7.9	1.0	1.0	13.0
Transport and urban development	1,193.2	1,676.4	1,167.7	508.7	508.7	43.6
Rural road	879.8	1,012.6	861.0	151.6	151.6	17.6
Education	12,305.6	12,200.4	12,043.1	157.3	157.3	1.3
ICT	21.7	19.2	21.2	-2.0	2.0	9.2
Youth and sport	268.8	293.7	263.1	30.6	30.6	11.6
Health	5,139.0	4,622.4	5,029.3	-406.9	406.9	8.1
Urban development and house construction service	1,815.5	1,845.4	1,776.7	68.7	68.7	3.9
Workers and social affairs	71.5	63.5	70.0	-6.5	6.5	9.3
Others	1,798.5	618.3	1,760.1	-1,141.8	1,141.8	64.9
Allocated expenditure	36,917.54	36,129.94	36,129.94	0.0	3,443.7	
Contingency	775.6	—				
Total expenditure	<u>37,693.14</u>	<u>36,129.94</u>				
Aggregate outturn (PI-1)						95.9
Composition (PI-2) variance						9.5
Contingency share of budget						0.0

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

Results matrix

Year	For PI-1.1	For PI-2.1	For PI-2.3
	Total expenditure outturn	Composition variance	Contingency share
2015/2016	95.1%	10.4%	
2016/2017	100.6%	27.0%	0.0%
2017/2018	95.9%	9.5%	

Calculation sheet for expenditure by economic classification variance PI-2.2

Data for year = 2015/2016

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
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Personnel services	13,405.9	12,158.1	12,735.3	-577.2	577.2	4.5
Goods and services	4,141.1	4,029.4	3,934.0	95.4	95.4	2.4
Fixed assets and construction	8,880.4	7,745.4	8,436.2	-690.7	690.7	8.2
Grants, contributions and subsidies to institutions and enterprises	806.6	1,952.3	766.3	1,186.0	1,186.0	154.8
Government investment	0.5	11.1	0.5	10.6	10.6	2,028.3
Miscellaneous payments	94.5	65.8	89.8	-24.1	24.1	26.8
Total expenditure	27,329.1	25,962.0	25,962.0	0.0	2,583.9	
Composition variance						10.0

Data for year = 2016/2017

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Personnel services	16,358.7	17,357.3	16,455.4	902.0	902.0	5.5
Goods and services	4,523.5	4,851.3	4,550.2	301.1	301.1	6.6
Fixed assets and construction	10,054.3	8,184.8	10,113.8	-1,929.0	1,929.0	19.1
Grants, contributions and subsidies to institutions and enterprises	1,710.6	2,475.1	1,720.7	754.4	754.4	43.8
Government investment	0.1	0.0	0.1	0.0	0.0	61.1
Miscellaneous payments	114.4	86.7	115.0	-28.4	28.4	24.7
Total expenditure	32,761.6	32,955.2	32,955.2	0.0	3,914.8	
Composition variance						11.9

Data for year = 2017/2018

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Personnel services	22,976.7	20,819.2	22,023.7	-1,204.5	1,204.5	5.5
Goods and services	4,845.7	5,109.3	4,644.7	464.6	464.6	10.0
Fixed assets and construction	8,277.7	7,876.1	7,934.4	-58.2	58.2	0.7
Grants, contributions and subsidies to institutions and enterprises	1,454.9	2,209.4	1,394.6	814.8	814.8	58.4
Government investment	132.1	109.9	126.6	-16.6	16.6	13.2
Total expenditure	37,687.1	36,123.9	36,123.9	0.0	2,558.8	
Composition variance						7.1

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

Results matrix

Year	Composition variance
2015/2016	10.0%
2016/2017	11.9%
2017/2018	7.1%

Calculation sheet for revenue composition outturn PI-3**Data for year = 2015/2016**

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Tax on income, profit, and capital gain	4,121.3	3,959.6	4,337.2	-377.6	377.6	8.7
Other direct taxes	23.9	32.1	25.2	6.9	6.9	27.6

VAT from sales of goods	583.9	1,208.8	614.5	594.3	594.3	96.7
VAT from services	61.8	53.9	65.0	-11.0	11.0	17.0
Excise taxes on locally manufactured goods	6.6	84.9	6.9	78.0	78.0	1,125.4
Sales turnover tax on locally manufactured goods	397.9	297.5	418.8	-121.3	121.3	29.0
Service sales tax	70.1	68.2	73.7	-5.5	5.5	7.5
Stamp duty	117.9	109.8	124.1	-14.2	14.2	11.5
Social contributions						
Contributions to pension fund	0.0	0.0	0.0	0.0	0.0	-
Grants						
External assistance						
External assistance	124.0	231.1	130.5	100.6	100.6	77.1
Other revenue						
Administrative Fees and Charges	76.9	144.7	80.9	63.8	63.8	78.8
Sales of Public Goods and Services	893.0	609.2	939.8	-330.6	330.6	35.2
Government Investment Income	73.6	107.6	77.4	30.2	30.2	38.9
Municipalities non tax revenue	850.0	771.3	894.5	-123.2	123.2	13.8
Miscellaneous Revenue	176.7	296.0	186.0	110.0	110.0	59.1
Capital Revenue	0.3	0.0	0.3	-0.3	0.3	88.6
Total revenue	7,577.86	7,974.87	7,974.87	(0.00)	1,967.46	
Overall variance						105.2
Composition variance						24.7

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

Data for year = 2016/2017

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Tax on income, profit and capital Gain	3,967.3	4,124.9	3,742.6	382.3	382.3	10.2
Other direct taxes	15.9	24.1	15.0	9.1	9.1	60.9
VAT from sales of goods	602.5	1,587.1	568.4	1,018.7	1,018.7	179.2
VAT from services	56.1	81.2	53.0	28.2	28.2	53.3
Excise taxes on locally manufactured goods	18.5	109.3	17.4	91.9	91.9	527.4
Sales turnover tax on locally manufactured goods	1,249.0	307.7	1,178.3	-870.6	870.6	73.9
Service sales tax	251.5	76.2	237.2	-161.0	161.0	67.9
Customs duty on imported goods	0.4	0.0	0.4	-0.4	0.4	100.0
Excise tax on imported goods	0.0	0.0	0.0	0.0	0.0	100.0
Sales tax on imported goods	0.0	0.0	0.0	0.0	0.0	100.0
Stamp duty	441.4	140.2	416.4	-276.2	276.2	66.3
Social contributions						
Contributions to pension fund	0.0	0.0	0.0	0.0	0.0	100.0
Grants						
External assistance						
External assistance	117.2	180.9	110.5	70.4	70.4	63.7
Other revenue						
Administrative fees and charges	104.1	146.2	98.2	47.9	47.9	48.8
Sales of public goods and services	310.5	775.1	292.9	482.2	482.2	164.6
Government investment income	99.5	111.2	93.9	17.3	17.3	18.5
Municipalities' non tax revenue	1,200.0	1,080.2	1,132.0	-51.9	51.9	4.6
Miscellaneous revenue	1,242.0	384.0	1,171.7	-787.7	787.7	67.2
Capital revenue	0.4	0.0	0.3	-0.3	0.3	92.8
Total revenue	9,676.25	9,128.22	9,128.22	(0.00)	4,296.07	

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Overall variance						94.3
Composition variance						47.1

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

Data for year = 2017/2018

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Tax revenues						
Tax on income, profit and capital gain	4,754.0	5,206.5	4,499.3	707.2	707.2	15.7
Other direct taxes	19.4	34.9	18.4	16.5	16.5	90.1
VAT from sales of goods	706.7	1,255.0	668.8	586.2	586.2	87.6
VAT from services	68.7	118.6	65.1	53.5	53.5	82.2
Excise taxes on locally manufactured goods	18.7	211.8	17.7	194.1	194.1	1097.0
Sales turnover tax on locally manufactured goods	1,432.6	580.8	1,355.9	-775.1	775.1	57.2
Service sales tax	325.0	132.5	307.6	-175.1	175.1	56.9
Customs duty on imported goods	0.4	0.0	0.4	-0.4	0.4	99.7
Excise tax on imported goods	0.0	0.0	0.0	0.0	0.0	866.3
Sales tax on imported goods	0.0	0.0	0.0	0.0	0.0	100.0
Stamp duty	589.3	177.9	557.7	-379.8	379.8	68.1
Social contributions						
Contributions to pension fund	0.0	0.0	0.0	0.0	0.0	209.3
Grants						
External assistance						
External assistance	127.6	175.2	120.8	54.4	54.4	45.1
Other revenue						
Administrative fees and charges	119.8	162.3	113.3	48.9	48.9	43.2
Sales of public goods and services	1,427.9	954.3	1,351.4	-397.1	397.1	29.4
Government investment income	121.5	106.0	115.0	-9.0	9.0	7.8
Municipalities non tax revenue	1,310.0	1,243.8	1,239.8	4.0	4.0	0.3
Miscellaneous revenue	311.8	366.2	295.1	71.1	71.1	24.1
Capital revenue	0.3	0.7	0.3	0.3	0.3	105.7
Total revenue	11,333.87	10,726.57	10,726.57	0.00	3,472.88	
Overall variance						94.6
Composition variance						32.4

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

Results matrix

Year	Total revenue deviation	Composition variance
2015/2016	105.2%	24.7%
2016/2017	94.3%	47.1%
2017/2018	94.6%	32.4%

Annex 6: Calculation sheet templates for PI-1 and PI-2 (2011 Framework)

Calculation sheet for PFM performance indicators PI-1, PI-2.1, and PI-2.3

Fiscal years for assessment

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

Data for year = 2015/2016

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	1,712.7	1,837.2	1,674.3	162.9	162.9	9.7
Justice and security	1,768.8	1,761.3	1,729.0	32.3	32.3	1.9
General services	1,307.3	1,338.9	1,278.0	60.9	60.9	4.8
Agriculture and natural resources	2,118.5	2,203.8	2,070.9	133.0	133.0	6.4
Water resources development	1,629.5	1,802.8	1,592.8	210.0	210.0	13.2
Trade and transport	983.3	945.5	961.2	-15.6	15.6	1.6
Mining and energy	3.7	4.1	3.6	0.6	0.6	15.6
Transport and urban development	1,511.2	1,441.6	1,477.2	-35.6	35.6	2.4
Infrastructure and construction	964.6	1,241.0	942.9	298.1	298.1	31.6
Education	7,867.3	7,977.1	7,690.5	286.6	286.6	3.7
ICT	12.1	9.4	11.8	-2.4	2.4	20.6
Youth and sport	160.4	171.5	156.8	14.7	14.7	9.4
Health	3,279.4	3,112.0	3,205.8	-93.7	93.7	2.9
Urban services	1,177.0	1,382.1	1,150.6	231.5		
Workers and social affairs	49.1	42.8	48.0	-5.2	5.2	10.8
Others	2,013.9	690.7	1,968.7	-1,278.0	1,278.0	64.9
Allocated expenditure	26,558.83	25,962.06	25,962.06	0.00	2,629.64	
Contingency	646.4	—				
Total expenditure	27,205.18	25,962.06				
Aggregate outturn (PI-1)						95.4
Composition (PI-2) variance						10.1
Contingency share of budget						0.0

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

Data for year = 2016/2017

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	2,020.6	2,643.8	2,071.3	572.5	572.5	27.6
Justice and security	1,966.6	2,468.5	2,015.9	452.5	452.5	22.4
General services	1,504.1	1,434.9	1,541.8	-106.8	106.8	6.9
Agriculture and natural resources	2,339.5	2,790.4	2,398.2	392.3	392.3	16.4
Water resources development	1,699.9	1,775.5	1,742.5	32.9	32.9	1.9
Trade and transport	793.7	1,191.7	813.6	378.1	378.1	46.5
Mining and energy	9.1	7.1	9.4	-2.3	2.3	24.3
Transport and urban development	1,813.8	2,020.0	1,859.3	160.7	160.7	8.6
Rural road	890.2	1,115.5	912.5	203.0	203.0	22.2
Education	8,631.0	10,975.6	8,847.5	2,128.2	2,128.2	24.1

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
ICT	10.8	10.7	11.0	-0.4	0.4	3.4
Youth and sport	209.4	227.1	214.7	12.5	12.5	5.8
Health	4,000.2	3,947.2	4,100.6	-153.4	153.4	3.7
Urban development and house construction service	1,547.9	1,696.3	1,586.8	109.5	109.5	6.9
Workers and social affairs	59.7	59.8	61.2	-1.4	1.4	2.2
Others	4,652.4	591.2	4,769.1	-4,177.9	4,177.9	87.6
Allocated expenditure	32,148.80	32,955.22	32,955.22	—	8,884.31	
Contingency	501.6	0.0				
Total expenditure	32,650.40	32,955.22				
Aggregate outturn (PI-1)						100.9
Composition (PI-2) variance						27.0
Contingency share of budget						0.0

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

Data for year = 2017/2018

Administrative or functional head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Organs of the government	2,789.1	2,832.7	2,739.1	93.6	93.6	3.4
Justice and security	2,860.2	2,826.4	2,808.9	17.4	17.4	0.6
General services	1,990.2	1,783.1	1,954.5	-171.4	171.4	8.8
Agriculture and natural resources	3,167.8	3,191.2	3,111.0	80.2	80.2	2.6
Water resources development	1,752.3	2,176.3	1,720.9	455.4	455.4	26.5
Trade and transport	803.7	959.5	789.3	170.2	170.2	21.6
Mining and energy	8.1	8.9	7.9	1.0	1.0	12.6
Transport and urban development	1,193.2	1,676.4	1,171.8	504.6	504.6	43.1
Rural road	879.8	1,012.6	864.0	148.6	148.6	17.2
Education	12,285.4	12,200.4	12,065.0	135.4	135.4	1.1
ICT	21.7	19.2	21.3	-2.0	2.0	9.5
Youth and sport	268.6	293.7	263.8	29.9	29.9	11.3
Health	5,084.3	4,622.4	4,993.1	-370.7	370.7	7.4
Urban development and house construction service	1,815.5	1,845.4	1,782.9	62.5	62.5	3.5
Workers and social affairs	71.5	63.5	70.2	-6.7	6.7	9.6
Others	1,798.5	618.3	1,766.2	-1,148.0	1,148.0	65.0
Allocated expenditure	36,789.91	36,129.94	36,129.94	0.0	3,397.6	
Contingency	775.6	0.0				
Total expenditure	37,565.50	36,129.94				
Aggregate outturn (PI-1)						96.2
Composition (PI-2) variance						9.4
Contingency share of budget						0.0

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

Results matrix

Year	For PI-1.1	For PI-2.1	For PI-2.3
	Total expenditure outturn	Composition variance	Contingency share
2015/2016	95.4%	10.1%	
2016/2017	100.9%	27.0%	0.0%
2017/2018	96.2%	9.4%	

Calculation sheet for expenditure by economic classification variance PI-2.2

Data for year = 2015/2016

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Personnel services	13,405.8	12,158.1	12,793.3	-635.2	635.2	5.0
Goods and services	4,073.2	4,029.4	3,887.1	142.3	142.3	3.7
Fixed assets and construction	8,827.6	7,745.4	8,424.3	-678.9	678.9	8.1
Grants, contributions, and subsidies to institutions and enterprises	804.3	1,952.3	767.5	1,184.8	1,184.8	154.4
Government investment	0.5	11.1	0.5	10.6	10.6	2018.6
Miscellaneous payments	93.6	65.8	89.4	-23.6	23.6	26.4
Total expenditure	27,205.1	25,962.0	25,962.0	0.0	2,675.3	
Composition variance						10.3

Data for year = 2016/2017

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Personnel services	16,358.6	17,357.3	16,514.4	842.9	842.9	5.1
Goods and services	4,466.2	4,851.3	4,508.7	342.6	342.6	7.6
Fixed assets and construction	9,996.0	8,184.8	10,091.2	-1,906.4	1,906.4	18.9
Grants, contributions, and subsidies to institutions and enterprises	1,709.3	2,475.1	1,725.6	749.5	749.5	43.4
Government investment	0.1	0.0	0.1	0.0	0.0	61.2
Miscellaneous payments	114.2	86.7	115.3	-28.6	28.6	24.8
Total expenditure	32,644.4	32,955.2	32,955.2	0.0	3,870.1	
Composition variance						11.7

Data for year = 2017/2018

Economic head	Budget	Actual	Adjusted budget	Deviation	Absolute deviation	Percent
Personnel services	22,975.3	20,819.2	22,097.2	-1,278.0	1,278.0	5.8
Goods and services	4,781.5	5,109.3	4,598.8	510.5	510.5	11.1
Fixed assets and construction	8,219.1	7,876.1	7,904.9	-28.8	28.8	0.4
Grants, contributions, and subsidies to institutions and enterprises	1,451.7	2,209.4	1,396.2	813.2	813.2	58.2
Government investment	131.9	109.9	126.8	-16.9	16.9	13.3
Total expenditure	37,559.4	36,123.9	36,123.9	0.0	2,647.4	
Composition variance						7.3

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

Results matrix

Year	Composition variance
2015/2016	10.3%
2016/2017	11.7%
2017/2018	7.3%

Annex 7: Additional information on SoEs

No.	Name of institution	EFY	Income statement				Profit after tax
			Revenue	Expenditure	Profit before tax	Tax on profit	
1	Road and Building Design and construction supervision	2008	136,869,846.00	77,565,723.00	59,304,123.00	17,858,268.00	41,445,855.00
		2009	107,236,960.80	82,640,631.70	24,596,329.10	7,408,545.25	17,187,783.85
		2010	108,050,625.78	89,768,766.72	18,281,859.06	4,581,580.87	13,700,278.19
2	Design and Supervision Works Enterprise	2008	37,764,847.23	29,120,347.61	8,644,499.62	2,730,636.36	5,913,863.26
		2009	42,510,066.78	37,503,575.77	5,006,491.01	2,550,322.23	2,456,168.78
		2010	Data not yet available	Data not yet available	Data not yet available	Data not yet available	Data not yet available
3	Water Well Drilling Enterprise	2008	1,816,300,234.09	1,508,948,132.97	307,352,101.12	87,180,928.60	220,171,172.52
		2009	1,441,417,221.00	1,421,038,521.40	20,378,699.80	5,548,439.99	14,830,259.79
		2010	Data not yet available	Data not yet available	Data not yet available	Data not yet available	Data not yet available
4	Road Works Enterprise	2008	94,115,472.28	70,967,677.65	23,147,794.63	6,727,361.33	16,420,433.40
		2009	104,213,559.50	151,131,285.76	(33,698,609.66)		(33,698,609.66)
		2010	130,147,203.65	129,661,338.97	485,864.68		(19,461,578.49)
5	Urban Development and construction s,c	2008	25,590,718.98	22,582,173.82	3,008,545.16	423,660.85	2,452,082.31
		2009	25,704,257.87	27,643,154.18	(1,938,896.31)	—	(1,938,896.31)
		2010	25,229,796.28	27,392,726.79	(2,162,930.51)		(2,162,930.51)
6	Seed Enterprise	2008	308,306,363.46	177,068,654.34	131,237,709.12	42,604,590.14	108,723,904.73
		2009	238,781,556.73	182,171,151.32	56,610,405.41	15,505,604.82	41,104,800.59
		2010	201,007,914.61	162,878,108.89	38,129,805.72	6,029,207.86	32,100,597.86
7	Building works construction	2008	253,321,375.00	228,948,689.00	24,372,686.00	7,217,736.00	17,154,950.00
		2009	298,503,998.83	198,098,516.96	100,405,481.87	29,393,499.37	71,011,982.50
		2010	225,348,743.57	217,805,540.49	7,543,203.08	2,091,364.66	5,451,838.42
8	Kombolcha poultry Resource Dev. Ent.	2008	297,481,415.61	242,121,557.44	55,359,858.17	16,151,234.98	39,208,623.18
		2009	334,707,624.03	303,137,533.56	31,570,090.47	7,186,145.79	24,383,944.68
		2010	261,084,453.51	234,022,340.75	27,062,112.76	4,898,681.28	22,163,431.48
9	Lake Tana Transport Enterprise	2008	12,073,697.31	11,011,010.51	1,062,686.80	—	1,062,686.80
		2009	7,674,037.00	10,952,321.00	(3,278,283.00)	—	(3,278,283.00)
		2010	3,305,413.21	7,495,902.70	(4,190,489.49)		(4,190,489.49)
10		2008	226,190,583.24	214,682,701.82	11,507,881.42	3,507,486.85	8,000,394.57
		2009	125,778,730.60	110,854,716.49	15,248,236.35	4,574,470.91	10,673,765.45

No.	Name of institution	EFY	Income statement				Profit after tax
			Revenue	Expenditure	Profit before tax	Tax on profit	
	Gosh Meda Pipe and Plastic Product Enterprise	2010	155,121,708.69	128,649,231.43	26,472,477.26	6,656,971.38	19,815,505.88
11	Forestry Enterprise	2008	490,783,982.97	432,803,774.25	57,980,208.72	16,658,053.89	41,322,154.83
		2009	432,152,260.33	407,576,754.05	35,133,431.79	10,557,925.51	24,575,506.28
		2010	839,819,432.88	716,250,438.50	180,642,981.44	54,192,894.43	123,568,994.38
12	Metal Industry and Machine Technology	2008	836,106,413.68	742,135,443.44	93,970,970.24	27,930,741.78	66,040,228.46
		2009	691,527,275.06	608,853,145.36	82,674,129.70	23,751,003.96	58,923,125.74
		2010	831,296,735.33	778,857,409.38	52,439,325.95	14,890,274.31	37,549,051.64
13	Water Works Construction	2008	0.00	8,109,372.99	(8,109,372.99)	0.00	(8,109,372.99)
		2009	2,886,937.66	29,065,461.91	(26,178,524.25)	—	(26,178,524.25)
		2010	25,320,059.07	29,624,890.32	(4,304,831.25)	(1,291,449.38)	(4,304,831.25)
14	Housing Development Enterprise	2009	59,822,684.80	28,540.00	205,855.20	(177,315.20)	(177,315.20)
		2010	2,368,019.74	185,552.81	2,182,466.93		2,182,466.93

Annex 8: Gender-responsive budgeting pilot

Background

1. The FGE began working toward mainstreaming GRB into PFM more than a decade ago, with assistance from DPs, mainly UN Women and UNICEF. The government, with assistance from the DPs, developed a training manual in August 2012 as well as a national guideline on GRB in November 2012. So far, training and capacity building on how to incorporate gender responsiveness into the planning, budget formulation, and preparation phases have been provided for sector budget institutions. Nonetheless, no concrete output has been achieved in this direction except the training programs. It is important to note that the country's PFM legal framework makes provision for the inclusion of gender issues into the planning and budgeting process, which is yet to be implemented.

No.	Pillar	Disaggregation of data required	Responses/information gathered
1	Pillar II: Transparency of public finances	Segregated data reports from the FTA on access to information to women	No, there are no such reports.
	PI-9 Public access to fiscal information	Information, if any, on how many women attend the open public hearings on budgets and to what extent their questions or needs were considered and addressed	There are no public hearings on the budget.
2	Pillar IV: Policy-based fiscal strategy and budgeting	Does a published fiscal strategy exist that includes quantitative fiscal goals and qualitative objectives from GEWE?	No, there is also no published fiscal strategy. However, the seventh pillar of GTP II focuses on gender issues. GTP II provides quantitative data on gender parity in the education sector and sets quantitative targets. The strategy document also mentions targets for gender on certain health indicators, including prenatal and postnatal care coverage. The GTP II document indicates gender elements in other sectors as well. The GTP also provides quantitative targets to increase women's roles in political leadership and decision making.
	PI-15 Fiscal strategy		
	PI-15.2 Fiscal strategy adoption		
	PI-17 Budget preparation process	Does the legal framework for public finance and budgeting include specific provisions related to gender issues or gender budgeting?	The regional legal framework for public finance and budgeting, the Financial Administration Proclamation, does not include specific provisions related to gender issues or gender budgeting.
	PI-17.2 Guidance on budget preparation	Does the guidance on budget preparation request a breakdown of outputs/activities and their budgets by gender and to what extent is that complied with?	Though the budget preparation guidance does not request for a breakdown of outputs/activities and their budgets by gender, it does at least demand budgetary units to give priority to gender issues. When preparing their budget submissions, budgetary units comply with this request.
		Is gender equality incorporated into overall budget guidelines (budget call and budget manual) and directives from the MoF?	The budget call gives guidance to budgetary units to give priority to gender issues while preparing the budget. However, the overall budget manual and directives do not incorporate gender equality issues.
		Do implementing entities prepare their annual action	No, the budget guidelines do not have gender-specific requirements. However, some

No.	Pillar	Disaggregation of data required	Responses/information gathered
		plan and budget report as per the guidance provided on gender segregation?	implementing entities such as the BoE and BoH prepare annual action plans with gender-disaggregated data.
		Integrated and reflected gender equality and equity government commitments on a budget speech	No, the budget speech does not include specific gender issues.
3	PI-18 Legislative scrutiny of budgets PI-18.1 Scope of budget scrutiny	Does the scope of budget scrutiny include the budget allocated for gender?	No, the scope of budget scrutiny does not include the budget allocated to gender since there is no specific line item on gender. There is a specialized committee on women, children, and youth at the level of the regional council, but the committee does not take part in budget reviews.
		To what extent are the Women, Children, and Youth Standing Committees in parliaments and regional councils involved in analyzing the budget from gender perspective?	The Women, Children, and Youth Standing Committees of the regional council are not involved in analyzing the budget from a gender perspective.
		To what extent is their feedback considered in revision of draft plans and budget?	NA
4	Pillar VII: External Scrutiny and Audit PI-30 External audit PI-30.1 Audit coverage and standards	Are gender-based performance audits conducted?	Gender-based performance audits were conducted in 2016/2017.
		If yes, for which sectors were they conducted and how were the findings used to strengthen programs of sectors?	<p>The audit was conducted for the education sector. Data collected from schools in 44 woredas indicated that 1,298 sexual violence acts were reported, where 86.4% represents sexual harassment of girls. The violence arose mainly from outside the schools. About 5.5% was from within the school, with 4.5% from schoolboys and 0.92% from teachers.</p> <p>Contributing factors for sexual violence and harassment at high school level were Khat and Shisha houses, clubs, and liqueur houses (a good lesson to learn is from Mekelle University where Khat and Shisha houses have been removed from the area).</p> <p>The Gender Directorate at Gondar University did not receive additional funding unlike other education structures affected by similar episodes, for example, the University in Mekelle. No supplementary educational material and tutorial services were provided to female students and as a result, female student performance and success rates in Gondar University are significantly lower than those of Mekelle.</p>

No.	Pillar	Disaggregation of data required	Responses/information gathered
			<p>Schools are not providing reproductive health training to their students. Not even brochures and flyers are distributed to raise awareness. University students interviewed on this issue indicated that, had proper training been provided to them at elementary and secondary school level, they would have been well prepared to deal with challenges they are currently facing.</p> <p>The assessment team noted that, though there is an overall intention by the Ministry of Education to improve the disproportionate ratio of male and female students in the universities, especially minimizing the dropouts of girls and increasing the leadership role of women teachers at the universities, the variation of performance at Gondar University and Mekelle University is a good example of the impact of alternative policy action (or inaction) on gender issues and GRB.</p>