



Federal Democratic Republic of Ethiopia (Federal Government)

Public Financial Management Reform Strategy (2023-2028)

MINISTRY OF FINANCE

MARCH 2023

Acknowledgement

This PFM reform strategy would not have been possible without the financial and technical support of FCDO Ethiopia.

The Ministry of Finance would like to acknowledge the coordination and facilitation role played by its own Expenditure Management and Reform Directorate, inputs received from its other Directorates, and the assistance received from numerous other public bodies, including the Ministry of Revenue, the Office of the Federal Auditor General, the House of Peoples' Representatives, the Federal Ministry of Education, the Federal Ministry of Health, the Public Procurement & Property Administration Agency and the Ethiopian Roads Administration.

The Ministry would also like to acknowledge with much appreciation the crucial role played by development partners during the inception and validation workshops and bilateral meetings.

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Abbreviation and Acronyms

AABE	Accounting and Auditing Board of Ethiopia
BFPC	Budget, Finance, and Planning Standing Committee
BI	Budgetary Institutes
CBE	Commercial Bank of Ethiopia
CC	Climate Change
CRGE	Climate Resilient Green Economy
CSO	Civil Society Organization
DPs	Donor Partners
e-GP	Electronic Government Procurement
EBF	Extra Budgetary Fund
EBU	Extra Budgetary Unit
EIH	Ethiopian Investment Holding
EMIS	Education Management Information System
EMRD	Expenditure Management and Reform Directorate
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
FCDO	Foreign, Commonwealth and Development Office (of the UK Government)
FDRE	Federal Democratic Republic of Ethiopia
FEACC	Federal Ethics and Anticorruption Commission
FPPPA	The Federal Public Procurement and Property Administration Agency
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GHG	Green House Gases
GIA	Gender Impact Assessment
GoE	Government of Ethiopia
GRB	Gender Responsive Budgeting
GTP	Growth and Transformation Plan
HGER	Homegrown Economic Reform
HoPR	House of People Representatives
IA	Internal Audit
IAU	Internal Audit Unit
IBEX	Integrated Budget and Expenditure Management Software
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
M&E	Monitoring and Evaluation
MAPS	Methodology for Assessing Procurement Systems
MoF	Ministry of Finance
MoPD	Ministry of Planning and Development
MoR	Ministry of Revenue

MTEF	Medium Term Expenditure Framework
NBE	National Bank of Ethiopia
NGO	Non-Government Organizations
OFAG	Office of the Federal Auditor General
ORAG	Office of the Regional Auditor General
PAC	Public Accounts Committee
PBB	Programme Based Budgeting
PBs	Public Bodies (often referred to as Ministries, Departments and Agencies)
PEFA	Public Expenditure & Financial Accountability
PEHAA	Public Enterprises Holding and Administration Agency
PFM	Public Financial Management
PIM	Public Investment Management
PMO	Prime Minister's Office
PPP	Public Private Partnership
PR	Public Relations
REACC	Regional Ethics and Anticorruption Commission
SNG	Sub National Government
SOE	State Owned Enterprise
TADAT	Tax Administration Diagnosis Assessment Tool
TOR	Terms of Reference
TSA	Treasury Single Account
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations
ZBA	Zero Balance Account

Executive Summary

This document sets out the Federal Government of Ethiopia's strategic plan to tackle challenges presented by public financial management (PFM) systems at the Federal level. The objective of the strategy is to **improve PFM to facilitate Ethiopia's progress on the pathway to prosperity**. It is fully aligned with the national Ten-year Development Plan.

The strategy synthesises recent PFM diagnostics and discussions with stakeholders to identify issues faced by PFM systems and procedures and then suggests a plan to tackle these. Stakeholders included public bodies, parliament, and donor partners. Activities that make up this strategic plan are sequenced over a five-year period (EFY 2016-2020), although it is recognised that not all challenges identified will be met within this period.

Findings are set out against the seven PEFA (Public Expenditure and Accountability) framework pillars plus one additional cross-cutting pillar. Activities to address the findings have then been formulated and set out in a matrix to form a sequenced and prioritised five-year plan. To ensure accountability, the strategy also sets out the governance arrangements underpinning strategy implementation and a monitoring and evaluation framework (with output indicators, milestones, and outcome indicators). A Steering Committee chaired by the Minister of Finance will oversee implementation.

The strategy has eight pillars, as follows:

- **Pillar I addresses budget reliability.** The outcomes sought are for expenditure and revenue outturns to show minimal variances, in accordance with good international practice.
- **Pillar II addresses transparency of public finances.** The outcomes sought are that budget documentation presented to the legislature is inclusive of all information and that the public has access to key information, that public servants are aware of the need to produce and disseminate information to key stakeholder groups, civil society organisations, and media are also aware of principles of financial accountability and contribute to the demand for information, and that financial data is comprehensive, both in terms of government published data concerning extra-budgetary units and in terms of service delivery.
- **Pillar III concerns the management of assets and liabilities.** The outcomes sought are that all public corporations publish annual financial statements within six months of year-end, that sub-national governments produce annual and timely statements, that quantified and consolidated contingent liabilities and fiscal risks of Government published annually, that there is properly regulated public investment management, and that all public assets are properly recorded, managed, and monitored.
- **Pillar IV concerns policy-based fiscal strategy and budgeting.** Outcomes sought are the fiscal strategy and budget prepared with due regard to government fiscal policies, a budget with a medium-term focus, for budget circulars to be released after legislative approval of budget ceilings, that sector strategies are available for all sectors and published by Ministry of Planning and Development, for legislative scrutiny of the budget is given two months and that there is a tax policy in place which promotes the policy priorities of Ethiopia's Climate Resilient Green Economy.
- **Pillar V concerns predictability and control in budget execution.** Outcomes sought are a revenue management regime which takes account of risk, provides reliable revenue estimates, monitors arrears, and produces reliable information, predictability of in-year resource allocation, Payroll integrity, procurement practice which reflects the recommendations of the Methodology for Assessing Procurement

Systems (MAPS) and which has enhanced transparency and reflects climate smart principles, internal controls which are effective, and an internal audit function which reflects international standards and a risk-based methodology, and which covers all PBs and whose reports are acted upon by management.

- **Pillar VI concerns accounting and reporting.** Outcomes sought are that advances are cleared promptly, that there is timely in-year Integrated Financial Management Information System (IFMIS)-generated reporting, that annual accounts include information on tangible assets and guarantees, and that methodology is consistent with International Public Sector Accounting Standards (IPSAS) is fully rolled out.
- **Pillar VII relates to external scrutiny and audit.** Outcomes sought are an autonomous SAI (the Office of the Federal Auditor General (OFAG)) whose reports are responded to, and a Public Accounts Committee which follows up the work of OFAG and holds that office accountable, and a media sector and civil society organisations who play a role in enhancing government accountability.
- **Pillar VIII concerns cross-cutting issues.** Outcomes sought relate to gender budgeting, professionalisation of the PFM sector, climate responsive PFM, building financial management literacy across government and enhancing fiscal federalism.

The strategy also includes a risk assessment and suggests mitigation. This will be monitored by the Steering Committee.

1. Introduction

This document sets out the Federal Government of Ethiopia's strategic plan to tackle challenges presented by public financial management (PFM) systems at the Federal level.

The strategy aims to improve PFM to facilitate Ethiopia's progress on the pathway to prosperity. It is fully aligned with the Ten-year Development Plan.

The strategy synthesises recent PFM diagnostics and discussions with stakeholders to identify issues faced by PFM systems and procedures and then suggests a plan to tackle these. Activities that make up this strategic plan are sequenced over a five-year period, although it is recognised that not all challenges identified will be met within this period. The five-year period will commence at the beginning of EFY 2016 (8th July 2023) and finishes at the end of EFY 2020 (7th July 2028).

2. Background and Context

Policy and Legal Context

The Constitution of the Federal Democratic Republic of Ethiopia, which came into effect in 1995, provides the legal and institutional framework for public financial management. It sets out the separation of duties of the Executive (set out in detail in Chapter 8, Articles 72-77), Judiciary (Chapter 9, Articles 78-84, and Legislature (Parliament). Chapter 11 (Miscellaneous provisions) sets out some key responsibilities and functions, including public expenditure (Article 94), revenue (Article 95), and powers of federal taxation (Article 96). Article 101 establishes the powers of the Auditor General.

Since the Constitution's promulgation, Parliament has enacted several proclamations in line with the Constitution to establish and elaborate rules and regulations, and their supporting institutional arrangements for public financial management.

Over the last 20 years, Ethiopia has made impressive progress in fighting poverty and tackling economic development. In November 2010 Government issued the first Growth and Transformation Plan (GTP I) covering the years 2010/11 to 2014/15 and followed this with GTP II in May 2016, which covered 2015/16 to 2019/20. During this time, Ethiopia achieved '...rapid and high economic growth. Gross Domestic Product (GDP) grew on average by 9.2% per year, and the volume of real GDP rose from Birr 828 billion in the 2009/10 fiscal year to Birr 1.99 trillion in the 2019/20 fiscal year'¹. Prudent fiscal policy underpinned by well-chosen strategic priorities (including agricultural development) was seen as instrumental in bringing about this growth even though there remained significant challenges, not least inflation, poor domestic revenue performance and disappointing exports. Public-sector large-scale infrastructure developments were at the centre of rapid growth, funded by debt and development receipts.

The current **national development plan**, the '**Ten Years Development Plan – a pathway to prosperity**' (2021-2030), recognises several challenges inherent in the economy. There are some specific macroeconomic imbalances, particularly inflation and large-scale government indebtedness. Although economic growth has been impressive, unemployment continues to rise (particularly in urban areas), in addition to issues created by the country's need to trade internationally. Imports are consistently greater than the value of goods exported, meaning that managing and maintaining a stock of foreign currency to fund this is a constant challenge. Further, a balance of payments issue results in constant challenges

¹ 'Ten Years Development Plan – A pathway to prosperity' 2021-2030, FDRE, p2

around foreign currency. Meanwhile, the economy remains vulnerable to **exogenous shocks**, or shocks which are often external or unforeseen (exemplified by the downturn experienced as a result of Covid-19 and internal security issues, but also by continuing climate-related shocks). It is felt that an aspect of previous approaches – **high public sector-led infrastructure** development – has actually made inherent inequalities worse, not least because of the impact of ‘state capture’ of infrastructural development processes which have in the past served the interests of an elite and those with privileged market access. In addition, basic **service provision** (particularly in health and education) lags behind public expectations in terms of both quality and access, and limited **government capacity**, widespread malpractice, and the failure of public sector institutions to deliver and manage both resources and projects are seen as instrumental in constraining future growth.

The new strategy takes a different tack from the GTPs, seeking greater partnership (e.g., with the private sector) and focusing on the quality of growth. This tack is markedly different from approaches used by previous Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) governments, which sought to create a big inclusive state that dominated and controlled the economy, and often rejected the idea of partnerships with both the public sector and civil society, which were perceived as ‘outside’ actors.

The current ten-year plan identifies ten strategic pillars, namely:

1. Quality Economic Growth and Shared Prosperity
2. Economic Productivity and Competitiveness
3. Technological Capability and Digital Economy
4. Sustainable Development Financing
5. Private Sector-led Economic Growth
6. Resilient Green Economy
7. Institutional Transformation
8. Gender Equality
9. Access to Justice and Efficient Civil Services
10. Regional Peace Building and Economic Integration

At the heart of the ten-year plan is ‘**homegrown economic reform**’ (HGER)², with a focus on **sustaining rapid growth whilst maintaining macroeconomic stability, including the reduction of debt and the creation of employment**. HGER is to be achieved through macroeconomic, sectoral, and structural reforms. A crucial part of the macroeconomic reforms is fiscal policy reform. As such, modernisation and enhancement of tax collection capacity are fundamental to the plan’s ambition of achieving ‘proper public expenditure management’ and reforms in debt management. Indeed, there is a focus on ‘making the overall tax administration fair, transparent and accountable’³. For example, the plan notes that ‘...the fiscal policy direction of the country in the coming ten years is to maintain healthy balance between government revenue and expenditure’. And ‘by reforming the tax policy and regulations, modernizing the tax system and administration, reforming the tax structure and

² The Growth and Transformation Plan I and II (the predecessors of the current HGER) were primarily led by high public investments in infrastructure and human capital development which fuelled the country’s growth. Though the investments narrowed the gaps in transport and energy infrastructure and laid the foundation for sustained growth, both plans were only partially successful in achieving structural transformation and stimulating exports. They also failed to encourage private sector development to create decent jobs. Moreover, the efforts to finance ambitious public investment programs through directing domestic financial resources and domestic borrowing, coupled with poor project execution, resulted in severe macroeconomic imbalances (including foreign exchange shortages, increased risk of external debt distress, growing financial sector vulnerabilities, limited access to finance for the private sector, high inflation, and potential misallocation of resources).

³ ‘Ten Years Development Plan – A pathway to prosperity’ 2021-2030, FDRE, p9

fighting illegal trade activities; it is projected to raise gross domestic revenue from birr 395 billion to birr 3.9 trillion⁴. The National Development Plan notes a decrease in tax to GDP. It seeks to reverse this through policy (to a collection of 18.2% tax to GDP), legislative and regulatory reform, digitisation, improving accountability and transparency, and fostering a culture of greater compliance.

Similarly, the plan notes that **‘[the] budget administration and auditing system has been given due attention. Strict auditing and monitoring system is necessary in order to ensure that the allocated budget is utilized for the intended social and economic purposes by ensuring that development projects designing follows thorough appraisal and feasibility studies’⁵.**

Furthermore, on budgeting and expenditure management, the plan notes that **‘...the government budget allocation will prioritize poverty reduction, human resources development, infrastructure development, and the development of productive sectors so as to raise overall production and productivity... Additionally, major reforms will be undertaken to strengthen and enhance the effectiveness of government expenditure’⁶.** A particular area of concern is weak public investment management, which negatively impacts on foreign currency reserves, public loan repayment capacity, and capital productivity. Delays in implementation and poor feasibility assessment result in cost overruns. The reform of public enterprises, enhancing revenue generation, strengthening public-private partnerships (PPP), and strengthening public finance administration are all identified as initiatives that will contribute to improving infrastructural development⁷. Major economic reforms include the introduction of a capital market and the strengthening of digital finance. These are significant policy departures.

Meanwhile, as part of the discussion on structural reforms, the plan notes as a priority **‘...promoting the development of civic societies: domestic reform processes are designed to create a conducive environment for civic societies to play a significant role in economic, social, and political activities’.** The plan notes the clear role of civil society as part of a broader, longer-term democratisation process. **This has implications for (more) extensive participation in fiscal accountability and transparency activities and, along with the participation of the private sector, represents a significant policy departure from the previous GTPs.**

This, therefore, speaks to the importance of tax and revenue management, budgeting, auditing, project appraisal and broader accountability to the strategic policy direction of Federal Democratic Republic of Ethiopia (FDRE) and points to how any PFM Reform Strategy can and should be linked to the broader policy framework in place in Ethiopia. Finally, PFM, more generally, is an enabler of the economic sector development plan at the heart of the Ten-year Plan.

Consequently, this PFM strategy should be seen as both setting out the reforms needed to help institutions maintain their constitutional obligations (as set out in the supreme legal instrument) and directly aligned to and enables the implementation of the Ten-Year Plan (the supreme policy document) and the legislative framework.

⁴ ‘Ten Years Development Plan – A pathway to prosperity’ 2021-2030, FDRE, p32

⁵ ‘Ten Years Development Plan – A pathway to prosperity’ 2021-2030, FDRE, p9

⁶ ‘Ten Years Development Plan – A pathway to prosperity’ 2021-2030, FDRE, p32

⁷ 10-year development plan (EFY 2013 – 2022), Amharic version - p91 (published by the Planning and Development Commission)

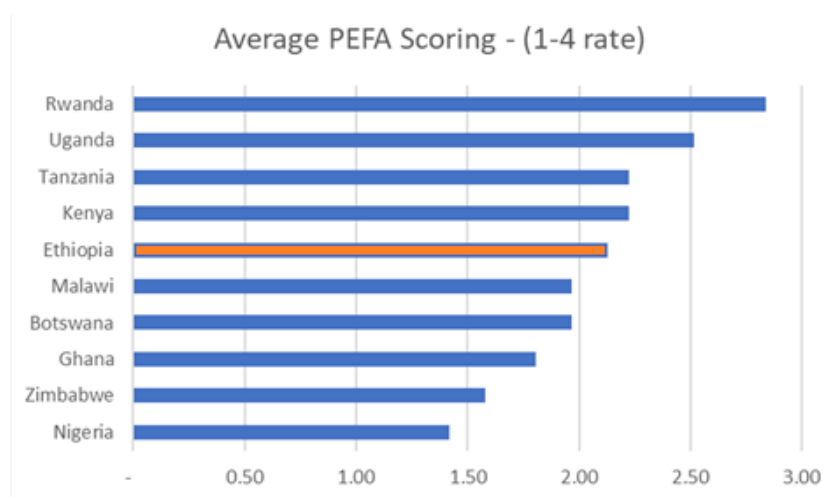
Reform History

Over the last twenty years, Ethiopia has had a good track record of PFM reform. PEFA assessments from 2006 have shown the country performing well against other countries in the sub-Saharan Africa region (see Figure 1), brought about by a solid commitment to nationally-led reform. Since the 1990s, reforms have successfully been undertaken at the Federal, Regional and woreda levels, with sub-federal systems being robust enough to accommodate donor modalities akin to budget support in the mid-2000s. These years saw the roll-out of the IBEX platform, comprising budget formulation and expenditure systems working on a double-entry basis. In addition, there were strong reform programmes which yielded impressive results around financial reporting, budgeting, and external audit coverage across jurisdictions.

Over the past four years, reforms have been guided by the PFM Reform Strategy for 2018–2022. Commitment to reform is strong across both the Federal Government and the Regions, and whilst donors have given significant support, there is considerable domestically led drive and ownership. The PEFA assessment⁸ has highlighted ‘... notable achievements in

improving the legal framework⁹, revenue performance¹⁰, budget preparation¹¹ and management, cash management, debt management¹², accounting and reporting¹³, procurement and asset management, internal audit, external audit, financial information systems, and transparency and accountability in PFM’.

Figure 1: Average PEFA Scoring (2016 PEFA Framework)



However, the PEFA assessment also noted that there had been performance deterioration in certain PEFA indicators related to budget credibility, predictability, and control in budget

⁸ PEFA 2019, Federal Government of Ethiopia, page 100.

⁹ Legal and regulatory reforms for overall Public Financial Management Administration, Income Tax, Office of the Auditor General, Public Investment Management, Public Procurement, Property Administration, and Public Private Partnership Administration have all been undertaken in recent years, as well as the publication of a Gender Responsive Budgeting guideline.

¹⁰ Revenue performance has been supported by reforms in the automation of revenue administration. The Tax Administration Support System (TASS) has been operational since 2020, enabling taxpayers to access online services. The process of replacing SIGTAS is ongoing. Capacity development activities are ongoing in the area of fiscal and tax policy with the support of development partners.

¹¹ This has included the roll-out of programme-based budgeting.

¹² Recent reforms in public debt management have seen the Debt Management and Financial Analysis System (DMFAS) upgraded. Medium-term debt management strategies, regular debt sustainability analysis reports, and debt-related periodic reports were all produced and made public.

¹³ This has included the development of Citizens' Budget Preparation Guidelines and, so far, the publication of one Citizens' Budget Report

execution. This is now of considerable concern to FDRE. Figure 1 shows Ethiopia's comparative standing against other countries in the region in terms of PEFA performance.¹⁴

FDRE has recently undertaken significant reforms in fiscal risk reporting, public investment management, and the oversight of State-Owned Enterprises (SOEs). However, these are all areas where challenges remain. An emerging agenda has been the professionalisation of the PFM sector. The Accounting Auditing Board of Ethiopia (AABE) has been established, and is working towards establishing a professional accounting organization, and has been instrumental in helping the roll-out of International Financial Reporting Standards at major public interest entities such as SOEs and in regulating Ethiopia's accounting and auditing practices.

PFM reforms were financed by government and development partners. Recent donor-funded reforms have been dominated by the World Bank's Ethiopia Public Financial Management Project. A key part of this has been the roll-out of a new IFMIS system, which has then itself necessitated and driven a number of reforms. Roll-out has been a little slow and hampered partly by the insufficient capacity to provide technical support and poor internet connectivity. Despite this, the roll-out is now pretty much complete. More than 200 public bodies (PBs) are now entirely using IFMIS, and few federal PBs are awaiting the transition from IBEX to IFMIS. The roll-out of IFMIS has contributed to better cash management, with a reduction of the 'cash float'. It also stands to improve the timeliness and quality of financial reports. The underlying Chart of Accounts is GFS compliant.

IBEX has also been enhanced at the SN level, with the roll-out of payroll modules at the woreda level.

The programme has also supported strengthening accountability institutions (including Offices of Regional Auditors General and the Office of the Federal Auditor General) and anti-corruption commissions, and procurement, in particular e-Government Procurement (e-GP). e-GP has been piloted in nine procuring entities, and more than 60 entities are using the platform.

Support has also been given by the IMF. AFRITAC-East has supported the development of tools to guide Public Investment Management (PIM), and certain aspects of treasury management, including the extension of the TSA.

Previous Strategy

This strategy document replaces and updates the 'Government Financial Management Strategic Plan', published by Government in March 2018.

The previous strategy was implemented during the period 2018-2022 and encompassed fiscal policy, tax policy, programme budgeting, cash management and payments, debt management, public accounting and reporting, internal audit, procurement and asset management, financial information and monitoring systems, and support to partnerships between government and the private sector.

The previous strategy sets out tasks and outcomes against nine goals, namely:

- Goal 1: Balance government revenues and expenditures over the medium-term
- Goal 2: Making cost-effective budget allocations

¹⁴ Based on data available from PEFA. The assessments were conducted between 2017 and 2022. The rating is computed by converting A, B, C, D into 4,3,2,1 respectively. This analysis doesn't take into account the specific country contexts and ongoing PFM reforms.

- Goal 3: Make government debt management and payment systems modern, efficient, and cost-effective
- Goal 4: Timely and accurate government accounting and reporting
- Goal 5: Strengthen value for money by improving the internal audit and control system
- Goal 6: Modern government procurement and public asset management system
- Goal 7: Modern IT systems that support government financial administration
- Goal 8: Government financial administration that is participatory, transparent, and accountable
- Goal 9: Greater capacity in government financial administration

The 2018-2022 strategy had many strengths, including the provision of a clear statement of the FDRE priorities at the time of writing (although there was ranking of priorities – see below). It also set clear structures and recommendations about the governance and monitoring of PFM reform, much of which will be taken by this strategy.

However, many stakeholders, including the PEFA assessors, government officials and development partners, have pointed to a number of deficiencies, including:

- **The strategy is limited in scope.** The document has been very much one of the Ministry of Finance but does not include other important agencies involved in the PFM cycle, including the Ministry of Revenue, the Office of the Federal Auditor General, Parliament and the Federal Ethics and Anti-Corruption Commission. It also fails to address issues around broader accountability, for example, the involvement of civil society;
- **It sets out tasks, but these are not sequenced or timebound,** making the monitoring of the implementation of the strategy very difficult;
- **Tasks are not prioritised** – most to least important; and
- **There is no clear and succinct M&E framework.**

These shortcomings were discussed and validated by internal stakeholders invited from various government entities in a Ministry of Finance run workshop.

3. Compiling the strategy

Methodology

This strategy has been developed to replace the ‘Government Financial Management Strategic Plan, 2018-2022’. The primary reason for developing a new strategy is that the existing strategy is about to expire, but there are also in place more up-to-date diagnostics which help to inform a coherent view of strengths and weaknesses across the PFM cycle.

The primary diagnostic is the Public Expenditure and Financial Accountability (PEFA) Assessment – the Federal Democratic Republic of Ethiopia Performance Assessment Report, published in November 2019 (referred to as the PEFA). The PEFA assessment is a comprehensive diagnostic which can help guide the design of PFM reform programmes, but importantly PEFA assessments do not make recommendations. The use of the latest PEFA assessment to develop this strategy has been guided by the PEFA Secretariat’s guidance document *Using PEFA to Support Public Financial Management Improvement – PEFA Handbook Volume 4* (often just called PEFA Volume 4). This recommends an approach where weaknesses are identified. Then the underlying causes of weaknesses are identified, along with the desired outcomes of reform in specific PFM areas. The actions required are then identified to address these and then sequenced and prioritised, with due consideration

given to the constraints faced. These elements were used to create this PFM reform strategy.

Further, other elements beyond the PEFA assessment have been considered in developing the strategy. This includes any diagnostic studies/tools and progress made post the completion of the PEFA in 2019 and (prior to the formulation of this strategy in 2022). The approach for this strategy formulation has therefore been:

- To take the PEFA as the primary source document. The resulting strategy has followed the PEFA structure of seven pillars, with the addition of an eighth pillar to capture some cross-cutting issues. The overall assessment against the performance framework is set out in Annex 1. The review has revealed serious challenges in budget reliability, public access to information, certain aspects of asset and liability management, fiscal strategy, fiscal risk management, PIM, medium-term perspectives in budgeting, procurement, and internal audit. Overall, the PEFA has painted a disappointing picture, noting that ‘...on the basis of the 2011 method, between the 2015 and the 2018 assessments, there have been more deteriorations in performance (7) than improvements (3) ... Fifteen indicators have remained unvaried and six are not comparable’.
- To augment the PEFA with some additional diagnostics, including:
 - A MAPS assessment (2021);
 - PEFA Climate (2021)
 - A TADAT assessment (2016);
 - Open Budget Survey (2021): International Budget Partnership;
 - CABRI PFM Capability Assessment Report (2021); and
 - UN Women Gender Gap Analysis (2018);
- Various government, project and donor reports have also been consulted, including Expenditure Management and Control Directorate (EMCD) annual performance reports, the World Bank’s PBB Report Rapid Assessments, Fiduciary Risk Assessments of FCDO, IFMIS Effectiveness Reports, PIM Guidelines, and reports from the Ethiopia Tax Systems Transformation Programme.
- To further supplement the analysis, interviews of stakeholders were also undertaken (see Annex 4 for a list of people met). This has allowed the strategy to take account of progress that has been made since the PEFA was concluded in 2019 (some 2-3 years before the underlying analysis); and
- To present a consolidated discussion document, synthesising findings from the above three activities. The document ‘Discussion Document: Identifying issues for Ethiopia’s PFM Reform Strategy’ was presented at a cross-government workshop in September 2022. The document itself presented reform priorities. This tool considers matters raised by the PEFA which could be remedied reasonably easily (‘quick wins’) as well as considering the impact of any given intervention on the overall effectiveness of PFM systems. Much of the sequencing suggested was determined by logic and common sense. The consultation meeting allowed stakeholders to discuss and agree on prioritisation and sequencing and provide useful updates and current perspectives on key issues. A number of refinements resulted, including an enhanced focus on professionalisation and capacity building needed for compliance and some fresh perspectives on internal and external audits. All these elements have been considered in the ‘Issues Identified’ section below, which sets out issues and actions to be taken, pillar by pillar.

4. Characteristics of this Strategy

The strategy has the following characteristics:

- **It is aligned and consistent with and enables the strategic policy framework for Ethiopia.** In particular, it is aligned with the ‘Ten Years Development Plan – A pathway to prosperity’ and is essential in enabling more efficient and effective service delivery, home-grown economic reform and growth, which all lie at the centre of this national development plan;
- **It covers all aspects of the PFM cycle.** It is not centred purely on the Ministry of Finance but takes account of other institutions (e.g., OFAG and the Ministry of Revenue) and issues (accountability and civil society engagement);
- **Its focus is on the federal government, but it recognises the role that the federal government plays in the improvement of the quality of fiscal federalism,** in particular, the role that the federal entities can play to inspire, lead, promote and mentor reform at the regional level and across the subnational governments¹⁵;
- **It is time-bound and sequenced,** allocating activities across the five years of the strategy;
- **It nevertheless recognises that there are reforms that cannot be accommodated within the five-year strategy.** These are recognised in the underlying analysis but, due to their nature or prioritisation, are not always included in the strategic plan itself¹⁶;
- In its allocation, **it prioritises activities.** Prioritisation has taken into account the overall policy framework of the federal government as well as consideration of ‘quick wins’, where PEFA performance can be turned around with relatively little effort, and stakeholder consultation, which has ensured an appreciation of context and has informed the feasibility of proposals; and
- **It has a monitoring and evaluation framework** with output indicators, milestones, and outcome indicators.

5. Governance of PFM reform

The implementation of previous the previous PFM reform strategy has had specific governance arrangements. Activities have been overseen by a National PFM Reform Steering Committee chaired by our Minister of Finance. The committee has representation from the Minister of Revenue, the Minister of Planning, the Governor of the National Bank of Ethiopia, and the Auditor General. The administrative focal point of the reform has been the Expenditure Management and Control Reform Directorate under the MoF.

Under this committee sits the Technical PFM Reform Steering Committee. It reports to the National PFM Steering Committee and comprises selected directorates from the MoF and technical representatives from five key public bodies (AABE, OFAG, FPPPA, NBE, and the Regional Bureaux). The Technical Steering Committee is chaired by the Director of EMCD.

These arrangements have been broadly successful and will thus continue, although terms of reference of the committees will be revisited to reflect the following:

¹⁵ Fiscal federalism is treated as a cross-cutting issue in this document. The subsequent interventions identified are not actions for individual SN governments but rather for the Federal Government to take in its role of lead and coordinator.

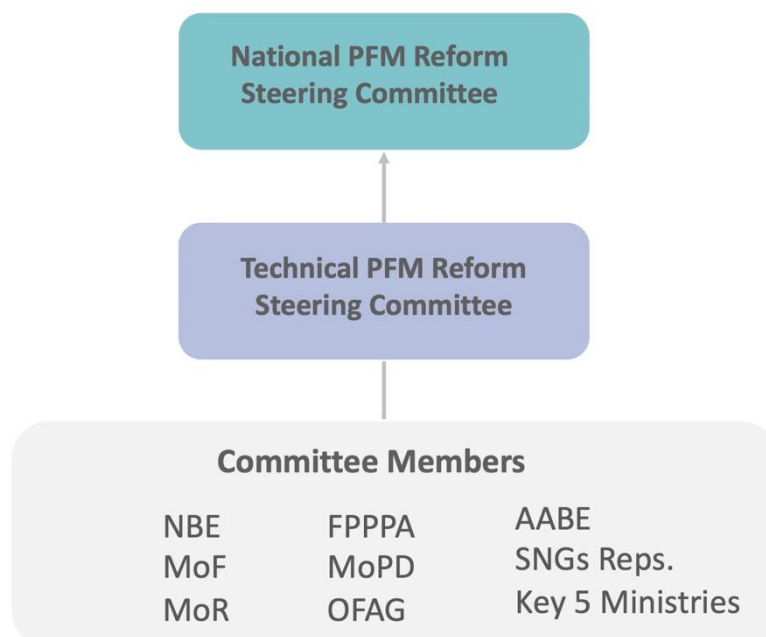
¹⁶ For example, IPSAS reforms will, in all probability, take longer than five years to roll out; professionalisation initiatives will be ongoing and not complete within the five years, and some of the reforms supported by the federal government to be rolled out in regions (e.g., IFMIS) also have a long-time horizon.

- A clear set of procedures about how M&E information resulting from this strategy's M&E framework will be used and how this information will (re)enforce accountabilities. These will be developed by the Technical Committee from the outset¹⁷;
- Clear statements and assignment of responsibility for the oversight of risks to deliver the strategy and mitigation actions for those risks. Section 8 of this document sets out risk and mitigation. This needs to be seen as a 'living document', with risks adequately tracked and monitored, new risks added as they emerge, and mitigation strategies adapted and monitored. A review and update of the Risk Analysis will thus be an item of standing business for each Technical Committee meeting, with revised analysis being produced as a result of collective monitoring and discussion; and
- Broader membership of both of these committees, given the nature of this strategy, to include the Ministry of Revenue, the Ministry of Planning and Development, the Office of the Federal Auditor General, the Federal Ethics and Anti-corruption Commission and other bodies working in accountability. We will explore the option of forming two sub-committees, one involving the regions and one the broader representation of the various federal stakeholder bodies. (Institutional set-up and the proposed institutional structures for the implementation, monitoring and evaluation of the Strategy are laid out in section 3 of the MEL framework)
- The role of the Technical Committee in supporting regions in developing their respective PFM strategies. EMCD will be responsible for facilitating and coordinating reforms implemented by the Federal government at regional levels, such as the IFMIS roll-out.

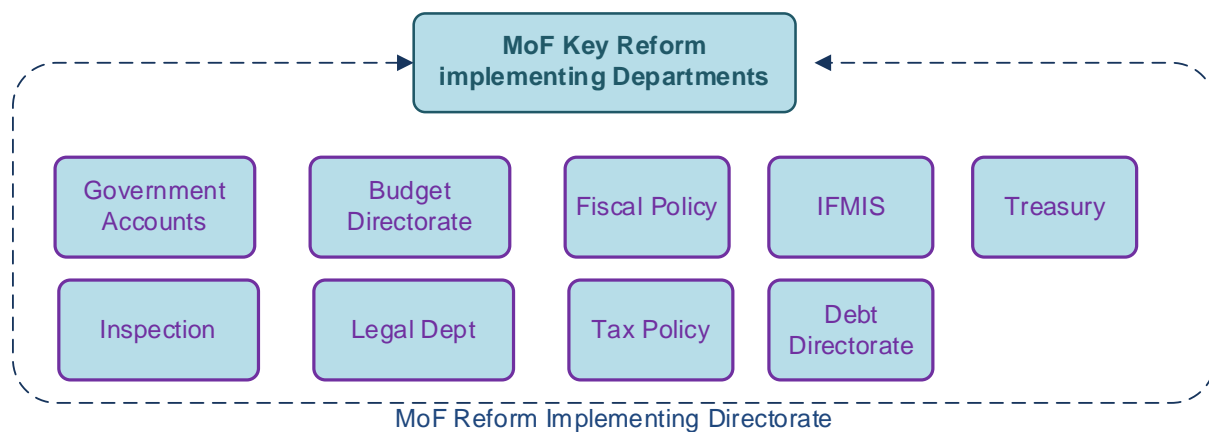
Each public body will assign a focal point to facilitate reform implementation, reporting and M&E.

An essential task for the Technical Committee will be the production of annualised plans supporting the overall strategy. This will unpack the activities identified in the strategy and break them down into smaller incremental actions and steps with timelines for completion. In addition, an annual plan template has been developed and will be completed by the responsible agency and focal point. These individual plans will then be compiled into a yearly master plan, which the Committee will monitor.

A tentative structure is depicted below.



The Directorates of MOF which will be members of the Technical Committee are depicted below. This might be revised and revisited on the advice of the National Steering Committee.



6. Analysis of Issues

Pillar I – Budget Reliability

Issues identified

Excessive ‘expenditure composition outturn’ variances. This is a measure to show the extent of reallocations between the main budget categories during execution and, therefore, by implication, the reliability of the budget. There are two different dimensions to this, namely:

- **Variations by function** for the three years surveyed by the PEFA averaged more than 15% ¹⁷, and for EFY 2013 stood at 23%. This was mainly due to non-utilization of allocated budget and unbudgeted customs payments. But the PEFA also notes the need to reallocate budgets due to drought and ‘political instability’. In recent years, the impact of COVID-19 and internal instabilities have contributed to the need for budget transfers between Budget Institutions (BIs). These challenges have also contributed to underspending of capital budgets.
- **Variation by economic type** was also high (12.2% in 2015/2016, 18.6% in 2016/2017, and 7.2% in 2017/2018).

There is also excessive **variation in revenue outturn against budget**. In terms of aggregate revenue outturn, the actual total revenue outturn for at least two of the last three years of the PEFA, review fell in the range of 92% to 116%¹⁸. For the years following the PEFA it fell within the range of 104% and 117%. Meanwhile, composition variance was also high – for all three years of the PEFA survey, it was more than 15%¹⁹, and ranged from 15% to 19% between 2019 and 2021. The tax revenue was short of the budget in all three years, with donor assistance being higher than that budgeted, thus helping to account for higher aggregate revenue outturns.

One of the challenges faced in this area is high staff turnover amongst budget experts across PBs. Further, it is clear that budget performance is not as keenly monitored and evaluated as it might be, with deficiencies in the in-year reporting regime. Capital expenditure is a particular challenge, with some delays in expenditure against budget allocation attributable to elongated procurement processes.

Unpredictability in assistance and loan payments also contribute adversely to revenue outturn variance.

However, perhaps the biggest challenge in expenditure budgeting relates to discipline around budgetary processes. The MoF also feels that low priority is given to the budget process across government. The PEFA review goes further, feeling that procedurally the ease at which budget adjustments are made contributes to a culture of lax budgeting, stating that *‘...the budget administration directive provides guidance about the procedures to use when making budget transfers. However, the lack of restriction or limit on transfers to be made within a year could make BIs reluctant to properly plan, knowing that they can make budgeted adjustments during execution’*.

¹⁷ 25.9% in 2015/2016, 25.1% in 2016/2017, and 23.3% in 2017/2018

¹⁸ 102.9% in 2015/2016, 93.7% in 2016/2017, and 93.8 in 2017/2018

¹⁹ 21.1% in 2015/2016, 23.2% in 2016/2017, and 21.4% in 2017/2018

Similarly, the PEFA notes, in respect of revenue, that whilst “...*the major reasons for low collection of domestic revenue were weak economic performance and shortage of foreign currency leading to low foreign trade*’.... ‘*Other major factors that led to low tax collections include weak tax enforcement, [and] insufficient skills in tax administration*...”.

Interventions to be included in strategy

Consideration should be given to strengthening the management and regulation of budgetary compliance so that fiscal discipline is improved. Therefore, consideration should be given to reviewing the regulatory framework, perhaps by comparing it with good practice from other jurisdictions and by considering how the existing regulatory framework can be better enforced. (*Strategy Plan P.I.1.1.1*)

Capacity building needs to take place for planning and budgeting officers across PBs, with particular emphasis on the complexities of capital budgeting. Consideration should be given to the enhancement of the oversight role of the PIM Directorate. (*Strategy Plan P.I.1.1.2 & P.I.1.1.4*)

PFM literacy amongst senior management and heads of PBs also needs to be enhanced. This will help to ensure that the annual budget process has adequate traction. (*See Strategy Plan P.I.1.1.5*)

A critical review of the readiness of capital projects should be included in the budget process to help to ensure that only capital projects that can be implementable in the fiscal year are included (taking into consideration all factors: procurement, land availability, and many other impending factors known to delay project implementations) (*Strategy Plan P.I.1.1.3*)

Issues relating to poor revenue and tax enforcement need to be addressed. Revenue budgeting across PBs also needs capacity support. (*Strategy Plan P.I.2.1*). There is also a link here with revenue forecasting covered in Pillar V. Enhancements to capacity in this area for MoF and MoR.

Pillar II: Transparency of Public Finances

Issues identified

There are challenges relating to access to information and the availability of documentation for two key stakeholder groups, namely the **legislature** and the **public**, as follows:

- **In respect of the legislature, the 2019 PEFA identified that budget documentation presented by the Executive to the Council of Representatives is insufficient compared to the documentation required by good international practice.** In particular, the previous year's outturn is not included in the pack of documents sent for consideration of elected representatives, and there is no information provided on debt stock, financial assets, and summaries of fiscal risk. An issue that underpins this is **an apparent lack of awareness amongst MoF staff around international good practice regarding what information should be included in budget documentation** and what should ideally be provided. No guidelines exist on this issue; furthermore, there is no 'demand pull' from elected representatives who seem aware of the value of this information.
- **In respect of the public, access to fiscal information is limited.** The PEFA assessment found that three basic elements (Executive budget proposal documentation, in-year execution reports, annual budget reports) are not available, and three additional elements (pre-budget statement, summary of budget proposal [a citizens' budget] and macro-economic forecasts) are also absent. Work has recently been undertaken to improve the website of MoF and thus improve public access to fiscal information. This is a useful platform for improving performance in this area. However, the 2021 Open Budget Survey confirmed that some documents are still unavailable in the budget document, including executive budget proposals, in-year budget reports, and year-end reports. The production of a Citizens' Budget has been undertaken in the past but does not seem to have been institutionalised.

The challenge in both areas is not that information does not exist. The Budget Directorate has agreed that it is possible to prepare most reports required by good practice (although in-year reporting remains a challenge – see discussion in Pillar VI).

Support is clearly needed in this area, but levels of commitment and degrees of collaboration from PBs across the government present an ongoing challenge. This suggests that levels of awareness and professionalism need to be addressed, not just by senior management of MoF but also by the top of government. Another aspect to be considered in this space is the demand for information instead of its supply. Demand for fiscal information from a broad spectrum of stakeholders (politicians, citizen groups, civil society organisations and the media) appears low, reflecting a lack of understanding of public financial management and its importance to policy implementation. For example, if elected representatives understood the value of scrutinising prior year outturns, a demand for this information would be created, which would leverage fiscal transparency.

The PEFA also ruled that the inclusion of expenditure and revenue in financial reports is, in effect, incomplete. The diagnostic report identified revenue and expenditure for EBU²⁰ not included in the published statements of the government. Further examination has shown that **there is no regulatory framework to ensure these elements are included in the government's consolidated financial statements.** However, the roll-out of the IFMIS –

²⁰ These Extra budgetary units are (a) the Road Fund, (b) the Industrial Development Fund, (c) the Oil Stabilization Fund, and (d) the Pension and Security Fund

ultimately to all PBs – presents an opportunity to enhance the inclusivity of the financial framework and resulting financial statements.

A report on service delivery was not routinely published. This report should include information on outputs and outcomes from all sectors, again disaggregated by programme. Key data exists at the sector level and, in some sectors, is properly consolidated (most notably in health and education), but this is not then consolidated further at the federal level for all sectors and made available. There is a lack of clarity regarding who is responsible for providing data, to whom, and how data should be published. Some formalisation of responsibilities and accountabilities is required.

An overarching issue relating to the transparency of finances, particularly the extent to which data are available, relates to IT platforms. The IFMIS roll-out is now pretty much complete across the government, and it is intended that, through a staggered roll-out, all PBs, including EBU, will be captured on the system.

Interventions to be included in strategy

Budget guidelines, e.g., the inclusion of the previous year's outturn (a basic element in the PEFA) and debt stock, financial assets, and summary of fiscal risks, all to be included, with an explanation of budget implications and medium-term framework (currently partially covered in the budget speech) made explicit underlying documents. This is a high priority, as it represents a 'quick win'. Capacity building also needs to be undertaken for the Budget, Finance, and Planning Standing Committee at Parliament, so that this extra documentation is used and improves the quality of decision-making. This capacity support should also include parliamentary secretariat staff. (*Strategy Plan P.II.1.1*)

Improving access to fiscal information: Identify which units and departments are responsible for producing outstanding documents (and reflect this responsibility in the relevant financial manuals, guidelines, and directives). Prepare a short workplan to allow publication of all documents (save, possibly, in-year reporting) within two years. Training and awareness raising should be given to relevant parties so that the importance of publicizing this information is well understood. (This is a medium priority). (*Strategy Plan P.1.2*)

Raising awareness of public financial information issues. This includes among public servants across PBs who have a responsibility to work with central authorities (principally the MoF and MoPD) to produce key information, and among a broad spectrum of stakeholders which can play an enhanced role in holding government to account (elected representatives, media, CSOs). (*Strategy Plan P.II.1.3*)

Capturing of EBU data: Revision of guidelines (and Public Finance Administration proclamation) to guide how revenue and expenditure from EBUs can be captured. Ensure that the inclusion of these entities is clear in the IFMIS roll-out strategy. (This is a medium priority). (*Strategy Plan P.II.2.1*)

Service delivery data: Regulatory change to identify the Ministry of Planning and Development as the focal point for the coordination of the production of service delivery data across sectors. Development of standard format for sector service delivery reports. Each sector to provide reports, which will be consolidated by MoF and published on the website. (There is an opportunity to build on existing data in key sectors, so it should be a high priority. Clear opportunity to radically improve PEFA performance in this dimension within 2-3 years). (*Strategy Plan P.II.3.1*)

Pillar III: Management of assets and liabilities

Issues identified

Monitoring of public corporations needs to be strengthened. Good practice requires the annual financial statements of all public corporations to be published within six months of the end of the fiscal year, and a consolidated financial performance is published by the government annually. The PEFA reported that 99.6% (by value) of public corporations submit their annual financial statements to both the government and OFAG between two to five years after the end of the financial year, but only 0.4% (by value) submit their reports within six months of the end of the financial year. In an attempt to improve oversight in this area, the Ethiopian Investment Holdings body (EIH) has been established, and there appears to have been a shift of responsibility for monitoring state-owned enterprises (SOEs) that are transferred to EIH (although not all SOEs fall into this category). Existing challenges are:

- A lack of clarity regarding the scope of EIH. Some institutions fall under its purview, whilst others do not;
- A lack of clarity around how, explicitly, SOEs are to be monitored, in particular, in respect of risks and liabilities they might pose;
- A lack of clarity around how MoF consolidates and publicises the financial statements of SOEs, including those under EIH;
- A lack of capacity within some of these institutions regarding the recognition and accounting treatment of some categories of financial assets, such as investments and contingent liabilities, in line with international standards. Additionally, for some SOEs, producing IFRS-based audited annual statements in a timely manner also remains challenging.

Consolidated audited financial statements of subnational governments (SNGs) are not published in a timely manner. Annual financial statements of regional governments are submitted to Federal Government, but the reports are not published, and there are no guidelines for the preparation of consolidated reports. There is also a significant delay in the publication of the audited reports of each region. The roll-out of IBEX to regional governments will positively impact the roll-out of IFMIS to the regions. However, currently, a constraint is the migration of data produced on IBEX platforms to IFMIS-based reports. The IFMIS directorate of MoF is developing a tool to migrate IBEX data from regional governments into the IFMIS to ensure the timely consolidation of SNGs' audited financial statements. However, the SNGs are still using the IBEX system, and current arrangements for consolidation are cumbersome and time-consuming.

Quantified and consolidated contingent liabilities and other fiscal risk of the Government are not published annually. A fiscal risk report is not prepared. This report should include information on contingent liabilities from Government programmes and projects, including EBU, government guarantees for SOEs, PPP, and other entities.

Investment management needs strengthening. The PEFA reported that major capital projects are often included in the budget without any supporting economic analysis. The selection criteria are primarily based on an application of government priorities. They are performed at the Council of Minister level, as opposed to applying systematic criteria such as desirability, achievability, and viability. Public investment projects do not have a complete comprehensive costing framework that includes both the cost of the project and forward-linked recurrent expenditures, and there is no forward-linked information in the MTEF. Since the PEFA, the Public Investment Management Directorate of the Ministry of Planning and Development has been strengthened and is more effective. It now reviews public investment

projects before inclusion in the budget. The Proclamation on Public Investment Management has been enacted²¹, and the MoPD developed various public investment management guidelines. However, there are still some capacity constraints, a need to employ qualified personnel and technology, and a need to build the staff capacity to conduct economic analysis in line with good practice. The respective roles of MoF and MoPD in prioritizing proposed public investment, including public-private partnership (PPP) projects, need to be coordinated and streamlined to ensure projects are selected according to the priorities of the National Development Plan. There is also an issue with awareness and enforcement of the requirement for PBs to submit capital proposals for analysis. PBs are not sending their proposals (despite the early call by the MoPD) in a timely manner, creating pressure at the time of budget compilation.

There are also several challenges around asset management, namely:

- **The Government does not maintain a record of its holdings in all categories of financial assets and doesn't maintain a comprehensive and consolidated register of its non-financial assets.**
- **The value of Government Investment in SOEs and other companies is not recorded and** recognized at fair or market value, and information on the portfolio of financial support is not published annually.
- **Asset registers at the PB level do not provide information on the age and usage of the assets.** Some entities now perform a valuation of buildings and include them in asset registers. However, there are no policies or procedures which require the registration of some of the financial assets and consolidation of non-financial holdings of all kinds, including land, infrastructure, and subsoil assets. This will need to be resolved as part of the IFMIS roll-out.

Interventions to be included in strategy

There needs to be a clear policy developed and promulgated concerning the responsibilities around the monitoring of SOEs. This is a high priority. (*Strategy Plan P.III.1.1*)

Regarding SNGs' consolidated audited annual financial statements, the financial reporting guidelines should be revised to address the timeliness of preparing and publishing the consolidated financial statements. This can be achieved relatively easily and should be accorded high priority. Issues around the consolidation of SNG statements are more complex, but in the short term, will be resolved by the ongoing development of the tool to extract IBEX data and, in the longer term, by the comprehensive roll-out of IFMIS. (*Strategy Plan P.III.2.1*)

Fiscal Risk Reports: There should be a revision of the reporting guideline of the Budget Directorate to include fiscal risk reports as one of its deliverables. There will need to be initiatives to build the capacity of the Debt Directorate to produce fiscal risk reports annually, which includes the fiscal risks from SOEs, SNGs, EBFs, and Climate change, among others²². This might include exposure to good international practice through study tours and mentoring. Reforms need to be sequenced, with the development of guidelines (high priority) preceding capacity development and promulgation (in the outer years of the strategy). (*Strategy Plan P.III.3.1*)

²¹ Public Investment Management Proclamation No 1210/2020

²² There was a fiscal risk statement produced in 2019 which included a section on the risks posed by natural disasters. This was not made public, but lessons from this exercise might guide the way forward.

Public Investment Management: Deficiencies in assessing the efficiency and effectiveness of prioritization of public investment proposals before being included in the capital budget need to be addressed as a matter of priority. A medium-term Public Investment Plan Framework in line with the national strategy must also be developed. For this to be effective, the capacity at MoPD needs to be sufficient. An independent assessment of the capacity of MoPD in discharging its PIM responsibility in light of the PIM proclamation planning for the capacity development plan should therefore be undertaken to assess the extent to which there may be capacity gaps and implementation of the same. Production and publishing pre-feasibility, feasibility, midterm, final, and ex-post project evaluations need to be made more effective, perhaps through experience sharing with other countries. A project management database might also be developed. There also need to be initiatives to raise awareness of PIM issues with PBs to ensure compliance with the proclamation, i.e., the need to have all capital project proposals assessed in a timely and appropriate manner. A regulation supporting the proclamation might also be developed. Capacity also needs to be built to perform in-depth climate and gender aspects of project proposals and should be part of the project prioritisation process. (*Strategy Plan P.III.4.1*)

Public Asset Management: Consideration needs to be given to establishing a Public Asset Management Unit in the MoF responsible for recording, consolidating, and monitoring public assets. Existing property management manuals need to be assessed to address limitations in thresholds, capturing of project assets, use of IFMIS, and consolidation reporting. To ensure the appropriate calibre of staff involved in this area, there should be an upward revision of professional qualification requirements of positions responsible for public asset management. In the short term, strict registration of assets in IFMIS and validation of records should be a top priority (requiring awareness-raising activities). In the long term, asset recording should be in alignment with IPSAS implementation roadmaps. Capacity building in public asset management will be required over the short to medium term. (*Strategy Plan P.III.5.1*)

Pillar IV: Policy-based fiscal strategy and budgeting

Issues identified

A fiscal strategy and reports of fiscal outcomes were unavailable at the time of the PEFA. However, work on this is now ongoing. A fiscal strategy developed based on macroeconomic and fiscal forecast and assessment of the fiscal impact of revenue and expenditure policy proposals is instrumental to ensure greater predictability of budget allocations. A Fiscal Strategy is under development, which includes qualitative fiscal policy objectives. It is expected that the strategy document will be available within the next six months and, once developed, needs to be reported periodically.

Medium-term expenditure estimates are incomplete. The annual budget document contains only the budget year estimates. The preparation of medium-term estimates is intended to strengthen fiscal discipline and improve predictability of budget allocations. Good practice requires a budget estimate of the following two fiscal years allocated by administrative, economic, and programme (or functional) classifications.

Medium-term expenditure ceiling approval. The Council of Ministers approves the budget's aggregate and ministry-level expenditure ceilings after the Budget Call Circular is issued to budgetary units. Good practice requires expenditure ceilings for the budget year, and the two following fiscal years are approved by the government before the first budget circular is issued.

Alignment of Strategic plans and budgets. Due to the unavailability of sector strategies of some key PBs and sectors, it was impossible to assess whether the annual strategic goals aligned with the budget.

The number of days available for the legislature to review annual budget proposals is 30 days, whereas good practice requires at least two months. It should be stressed that the Budget, Finance, and Planning Standing Committee (BFPC) appears to be comfortable with the current arrangements. However, the number of days might not be sufficient if more documents are to be seen in line with good practice.

Interventions to be included in strategy

The fiscal impact of policy proposals, fiscal strategy, and reports of fiscal outcomes: The capacity of the Fiscal Policy Directorate is already being developed through FCDO intervention and needs to continue. Plans should be put in place to publish the Macro Fiscal Sensitivity Analysis. A guideline should also be developed, focusing on the timely preparation and publication of the various reports of the Fiscal Policy Directorate. (*Strategy Plan P.IV.1.1*)

Medium-term expenditure estimates: Assessing the feasibility of producing two more years of expenditure estimates to be included in the annual budget. This is a relatively complex reform, requiring multi-year effort across PDs. Capacity will need to be developed at PB and Budget Directorate level, and budget manuals and the legal framework should be revised. As a starting point, it is suggested that a feasibility study should be conducted, setting out a sequenced plan for rolling out these reforms. (*Strategy Plan P.IV.2.1*)

Medium-term expenditure ceilings: To conduct a high-level discussion with the Macro Committee to get expenditure ceilings approved in a timely manner, thereby ensuring that annual budget circulars are issued after the expenditure ceiling is approved. Plan for capacity building of the Budget Directorate to produce additional expenditure ceilings for the next two years. This is a medium priority. (*Strategy Plan P.IV.3.1*)

Sector Strategies need to be produced for all sectors. These are currently available for some sectors but not all. The MoPD should establish a website where sector strategic plans, mid-term sector strategy reviews, and M&E reports, among others, are accessible to the public (this is a high priority). The Budget Directorate and PBs then need to ensure that budget proposals are in line with strategies and that sector strategies align with national strategy. This requires capacity building with PB planning functions, MoF and MoPD. *(Strategy Plan P.IV.4.1)*

Timing of submission of the budget proposal: A study should be conducted to look at the feasibility of revising the budget calendar in line with best practices to allow the Budget and Finance Standing Committee to have two months to review the budget proposal. In addition, the capacity of the committee members and parliamentary secretariat staff needs to be enhanced so that the Parliament can review more budget documents in line with best practices. Experience sharing from other countries on the budget scrutiny processes, the documentation, public participation, and other matters and determining whether two more months are required to meet good practice. *(Strategy Plan P.IV.5.1)*

There needs to be a tax policy framework which promotes the policy priorities of Ethiopia's CRGE. This will include looking at options on how taxes might be levied on polluters. It also requires consideration of any impact that revenue policies have on climate change mitigation. New policies need to be assessed against potential climate impact. And ultimately, a Carbon Tax policy needs to be formulated. *(Strategy Plan P.IV.6.1)*

Pillar V: Predictability and control in budget execution

Issues identified

REVENUE

In common with some areas of public financial management, revenue management is currently undergoing key reforms to IT platforms²³ which seeks to modernise the practice and improve the consolidation and modernisation of data. Given that this has a public portal, this also addresses some challenges around access to information faced by taxpayers.

Nevertheless, several challenges still obtain, including:

- **Revenue Risk Management.** The PEFA assessment notes that the Ministry of Revenue uses ‘...a partly structured and systematic approach for assessing and prioritising compliance risk’. Whilst some risk assessment is undertaken it is not fully systemic and at the core of MoR working practices.
- **Revenue Arrears monitoring:** Complete information on tax arrears is not produced and published, and some arrears data appears unreliable. Similarly, revenue accounts reconciliations, which are produced monthly, do not include assessments and arrears, only collections and transfers to the Treasury.
- **Revenue collection information:** There are monthly reports which cover tax revenue collected (produced by MoR), but this is only approximately 81% of domestic revenues. Non-tax revenue collection information is not periodically reported. What hampers reporting from PBs into MoR is a weakness in the regulatory framework; there is a need to tighten requirements around the periodic reporting of revenue collected by PBs.
- **A tax expenditure report was not available at the time of the PEFA.** Such a report covers MoR’s activities, results, plans, and other tax-related information. Such a report was produced in 2020, and steps now need to be taken to ensure that its production is institutionalised for future years
- **Revenue estimation:** There is a need²⁴ to improve revenue estimation processes, with revenue potential properly assessed and forecasting models (supported by software) refined. In the case of non-tax revenue, there is also a need to improve revenue projections of PBs who collect revenue so that the revenue budget has a sounder basis. But this needs to be backed by changes in the policy and regulatory framework.
- **Assessment of tax revenue management:** In 2016, a Tax Administration Diagnostic Assessment Tool (TADAT) assessment was undertaken. The assessment covered a wide range of taxation issues, including taxpayer registration, risk management, compliance, timeliness of declaration and tax payments, the accuracy of declaration, dispute resolution, revenue management, accountability, and transparency. Whilst the report is old, some of the issues highlighted are still relevant. At the time, no action plan was developed to address issues raised by the assessment.
- **Information regarding Tax appeals:** Information relating to taxpayer appeals was not in the public domain at the time of the PEFA review. Nevertheless, such

²³ A Tax Transformation Programme supported by the UK began in 2018. A Tax Administration Support System (TASS) has been operational since 2020. A web portal enables taxpayers to access e-filing and e-payments. This platform replaces the SIGTAS system.

²⁴ This need was identified by the Ministry of Revenue itself rather than the PEFA or TADAT assessment

information is available, and it has been confirmed that this can be published if required.

PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION

Ongoing reform in this area has been the roll-out of a new IFMIS system, replacing the IBEX platform. This has a number of implications for cash management.

The consolidation of Cash Balances remains an issue: Good practice requires that all government cash and bank balances be consolidated on a daily basis, if not weekly. As of 2019 (when the PEFA review was undertaken), 76% of the cash balance was calculated on a monthly basis. In the future, the roll-out of IFMIS will improve the capability of PBs to produce daily consolidated cash balances information for MoF. (However, those PBs still on IBEX remain a challenge, although these are reducing rapidly). The introduction of e-payment is expected to ensure improved timeliness of payment transaction entries. One challenge that remains relates to the use of ZBA (bank accounts which are zeroed at the end of each working day as part of consolidation into the Treasury Single Account). Not all entities are yet on the ZBA system, which hampers the Treasury's ability to form a consolidated daily view of cash holdings.

An issue picked up by the PEFA was the significance of in-year budget adjustments: In-year adjustments to budget allocations frequently occur. These are not untransparent or ultra vires (the legislative framework gives MoF discretion to make reallocations among ministries and programmes within the approved total expenditure). However, the sheer volume of reallocations poses questions relating to the credibility of initial budget allocations. This may, in part, be due to a lack of capacity at the PB level to budget effectively (an issue on which CABRI²⁵ has also commented and the lack of time that PBs feel they have to work on draft budget proposals).

PAYROLL

The roll-out of the IFMIS system, with its associated payroll and HR modules, has positively impacted the strength of internal controls in respect of emolument payments. However, it was noted in the PEFA that a comprehensive **payroll audit** had not been conducted for any central government entity in the last three fiscal years. The view of both OFAG and the Inspection Directorate is that the routine scrutiny of payroll transactions as part of the final accounts audit provides the appropriate audit coverage. This is not consistent with good practice (where more intensive verification is periodically performed, e.g., to identify ghost workers), and it has been established that comprehensive payroll reviews can be undertaken by Internal Audit Units and OFAG, although these do not feature in current plans.

PROCUREMENT

The PEFA review noted that most central government institutions do not maintain databases for procurement activities. The public does not access procurement information, including government procurement plans, contract awards, data on resolutions of procurement complaints, and annual procurement statistics. The Methodology for Assessing Procurement Systems (MAPS) assessment, undertaken in 2019, identified inconsistency with procurement laws, poor engagement of CSOs, inadequate monitoring and evaluation, and an inaccessible appeal system. A five-year action plan was generated by the World Bank (which was

²⁵ CABRI PFM Capability Assessment Report No 3, 2020

working with the Federal Public Procurement and Property Administration Agency to address challenges identified by the review). Implementation of this has now started, and progress for implementation should be reviewed on a rolling basis by the PFM Strategy Steering Committee

A critical reform in the area of procurement is the roll-out of e-GP, an electronic procurement platform, which stands to address a number of weaknesses identified by the PEFA and MAPS assessments. It is currently being piloted. The Federal Public Procurement and Property Administration Agency (FPPPA) plans to roll out e-GP with sixty more entities in the coming three years. However, although developed, the full roll-out strategy is not yet fully funded.

INTERNAL CONTROLS ON NON-SALARY EXPENDITURE

Effectiveness of expenditure commitment controls and arrears: The PEFA found certain instances where BIs could not pay committed expenditures to contractors due to the unavailability of cash. It appears that whilst there is a strict regime of cash rationing, commitment controls are not used in the IFMIS. Linking commitments to cash availability would eliminate the possibility of in-year arrears.

Arrears information: Data on the stock and composition of expenditure arrears are only available annually at the end of each fiscal period but not monthly. Interviews with government counterparts across PBs confirmed that expenditure arrears do not naturally build up over the year. All commitments are based on cash availability. The only possible arrears that exist are at year-end, with goods received but not yet paid for. These instances will be better captured once IPSAS accounting is fully introduced.

INTERNAL AUDIT

Nature of internal audits, standards applied, and management response: Internal audit functions mainly focus on compliance rather than systemic audits. A consolidated performance audit report was not available. Internal auditor turnover was significant, which affected the audit coverage. In 2019, management response to internal audits was just 26% of reports issued. Since the PEFA, internal audit positions have apparently been downgraded throughout the government, and there are now significant staffing and retention issues.

Interventions to be included in strategy

REVENUE

- **Revenue risk management:** A review of risk management at MoR should be undertaken, with a view to targeted assistance to strengthen the capacity of risk assessment and prioritisation. This can be repeated every other year. (*Strategy Plan P.V.1.1*)
- **Non-tax revenue report and collection:** A review of existing legal frameworks relating to non-tax revenue collections (those outside the mandate of MoR) should be undertaken. A regulatory framework to ensure that the Treasury Department is supplied with revenue projections and collection information in a timely manner should be issued. If necessary, training can be given to PBs who collect revenue on the development of appropriately robust projections. A plan should be developed to ensure that all PBs can provide monthly reports from year 2 or 3 of the strategic plan. (*Strategy Plan P.V.1.2*)
- **Tax Arrears recording, reporting, and reconciliation:** An assessment needs to be undertaken to review the current tax arrears recording, monitoring, and reporting

practices, with a view to developing an improvement plan to achieve quality and reliable arrears recording and reporting and reconciliation practices between MoR and MoF. MoR to establish a procedure and a capacity-building plan for publishing key tax information, including Tax Arrears reports, cost-benefit analysis of tax expenditures, tax appeal decisions, and annual performance reports of MoR. Assessing the quality of the taxpayer" database and developing an implementation plan to improve the quality of the database. *(Strategy Plan P.V.1.3)*

- **A review should be undertaken of the TADAT findings** (Annex III), and any outstanding issues integrated into the current reform plans of MoR. *(Strategy Plan P.V.1.4)*
- **A Tax Expenditure Report** should be produced annually from now on. The UK's current support can ensure that this is institutionalised within MoR. *(Strategy Plan P.V.1.5)*
- **Provision needs to be made to publish the results of taxation appeals.** *(Strategy Plan P.V.1.3.3)*

PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION

- **Enhancing predictability of in-year resource allocation:** Extending ZBA to the branches of PBs. Allowing access to the Treasury to access all bank accounts and explore possibilities where cash balances can be reconciled daily (for those accounts outside the TSA). Negotiating with NBE and CBE and planning towards achieving capabilities to access all bank accounts in order to produce a consolidated cash balance report daily. *(Strategy Plan P.V.2.1.1)*
- **Regarding consolidation of cash balances**, discussions should take place between MoF and CBE to speed up the transfer of revenues collected by MoR into the Treasury Central Account instantly and avoid delays of one or more days. *(Strategy Plan P.V.2.1.2)*
- **Budget reallocations can be reduced if budgets are initially realistic and robust.** Therefore, it is important to build the capacity of budget experts so that they can be able to prepare realistic annual budgets and restrict the number of in-year budget adjustments. *(Strategy Plan P.V.2.2)*

PAYROLL

The OFAG and Inspection Directorate should develop an audit programme for a comprehensive payroll audit and implement on a rolling basis across PBs, so that each entity is covered once every two years. If needed some technical assistance should be provided in this area. *(Strategy Plan P.V.3.1)*

PROCUREMENT

Implementing the roll-out strategy (revising as required) for e-GP, focusing on how the system can be used to improve monitoring, evaluating, and managing public procurements. Seek clarity regarding the funding of the roll-out. *(Strategy Plan P.V.4.1.1, P.V.4.1.2)*

Review the legal framework to address any inconsistency identified in the MAPS (Annex IV) report and procurements related to projects financed internationally. *(Strategy Plan P.V.4.1.3)*

Develop terms of reference and consider revising the existing procurement regulations to establish an **independent complaints review board**. *(Strategy Plan P.V.4.1.4, P.V.4.1.5)*

Develop a framework to enhance CSOs' engagement in the procurement cycle, in particular, through the monitoring of contract awards. (*Strategy Plan P.V.4.2*)

Implement MAPS action plan (Annex IV). Ensure that the MAPS action plan is monitored as part of overall PFM Strategy implementation.

Undertake rolling training to strengthen procurement efficiency, continuing with procurement professionalization whilst addressing structural issues contributing to the turnover of procurement personnel. (*Strategy Plan P.V.4.1.3 and cross-referenced to Pillar 8*)

Ensure that procurement procedures reflect a good practice approach to climate change issues and reflects sustainability, ensuring that procurement staff are trained on sustainability issues, and revising guidelines and contracts to ensure that climate-related risks are understood and, where possible, mitigated (*Strategy Plan P.V.4.3.*)

INTERNAL CONTROLS OVER NON-SALARY EXPENDITURE

Effectiveness of commitment controls. To avoid the situation where commitments cannot be paid because of a lack of cash, cash modules and commitment modules of the IFMIS need to be linked. IFMIS now uses a commitment facility (unlike IBEX) but only checks commitments against available budget allocations. This needs to be re-visited. A quick review needs to be undertaken to confirm that this is indeed the case. (*Strategy Plan P.V.6.1*)

Internal Audit and Internal Control over non-salary expenditure:

- Internal Audit Units and the Inspection Directorate's capacity need to be enhanced, and the professionalism of internal audit addressed. (*Strategy Plan P.V.6.1.1, P.V.6.1.2, P.V.6.1.5*)
- Awareness training should be given to senior management of PBs to inculcate a full understanding of the role of internal audit and its function as a support to management. (*Strategy Plan P.V.6.1.4*)
- Response mechanisms to internal audit reports should be reviewed and institutionalised. To strengthen the application of internal audit standards and encourage risk-based auditing, organisational level risk assessment is to be practised at the PBs level, led by the PBs respective heads, and audit programs to be based on such risk assessments. Implement the IFMIS roll-out strategy and amend it if necessary. (*Strategy Plan, P.V.6.2*)

Pillar VI: Accounting and Reporting

Issues identified

Huge balances on advance accounts remain uncleared. The PEFA identified a balance of ETB 70.9 billion of uncleared advances as of June 2018, and by 2021 the balance had more than doubled to ETB 165 billion. The situation is exacerbated by there being no specific unit at the MoF level to monitor and reconcile the stock of advances.

There is no consolidation at the central government level of in-year reports comparing actual expenditure with the budget. BIs prepare financial reports, and these are submitted to the MoF, but they are not consolidated. This should be improved with the complete roll-out of the IFMIS across all BIs and PBs, although challenges around maintaining data in a timely manner across PBs might be illuminated and will impact the quality of data.

The annual financial reports are incomplete; they do not include information on tangible assets and guarantees. Fixed assets are now recorded routinely in IFMIS on acquisition. However, existing high-value fixed assets (buildings, etc.) and work in progress (construction) have yet to be valued.

The public accounts of the Federal Government are not prepared using any specific international accounting standards. Federal Government has agreed internally on a process where International Public Sector Accounting Standards (IPSAS) will be rolled out. This lays the groundwork for a move to accruals accounting. This is a significant and complex reform.

The Chart of Accounts used in the IFMIS needs to comply with current international standards. Government's Budget Classification merited a "B" rating in the PEFA, but this was based on the Budget Classification Structure (BCS) and Chart of Accounts (CoA) embedded in the IBEX system, given the time of assessment. Assurance is now needed that the new BCS and CoA conforms to the latest international standards (GFMS 2014) and IMF Technical Notes, and facilitates Programme Based Budgeting.

Interventions to be included in strategy

A multi-pronged approach is recommended for advances. Firstly, awareness needs to be at the PB level for the monitoring of advances. Some training needs to be given. Secondly, there needs to be a clear allocation of responsibility at MoF for ensuring oversight across PBs. Thirdly, steps should be taken to ensure systematic coverage of these issues in internal and external audit programmes. To fully institutionalise, financial regulations need to be revisited. (*Strategy Plan P.VI.1.1*)

In-year report consolidation will become easier once all BIs are using the same IT platform, so this is another area where the completion of a timely roll-out of the IFMIS will have a positive impact. This is a high priority. To ensure the reliability of in-year financial reports, PBs should ensure that data are entered into IFMIS in a timely manner and are accurate and up to date. A review of the workload and duties of the Government Accounting Unit should also be undertaken. Although not impacting the timeliness of reporting (but rather its accuracy), some attention should be given to ensuring the integrity and currency of data in the IFMIS (or IBEX) system, and Internal Audit should regularly review this issue across PBs. (*Strategy Plan P.VI.2.1*)

IFMIS roll-out will also affect the accounting for assets. Further support can be given to the valuation and accounting for assets, and this will also be needed if a full transition to IPSAS is also to be affected. See below. (*Strategy Plan P.VI.3.1*)

The transition to IPSAS needs to be reinvigorated and accelerated. The current draft roadmap needs to be updated and validated, and appropriate technical assistance needs to be scoped and identified. Part of this process needs to focus on improving the financial report of PBs to be as informative as possible and include both standard financial statements and disclosures. Experience sharing with countries that have followed a similar route should be considered. *(Strategy Plan P.VI.4.1)*

An assessment should now be undertaken of the new BCS/CoA included in the IFMIS system to ensure compliance with GFSM 2014 standards, IMF Technical Notes, and that the BCS supports Programme Based Budgeting (and possibly links to development plan priorities). *(Strategy Plan P VI.5)*

Pillar VII: External scrutiny and audit

Issues identified

The Financial independence of the Office of the Federal Auditor General (OFAG) is somewhat compromised. OFAG is independent in most respects but still has its budget ceiling determined by MoF rather than having a separate parliamentary appropriation. This issue is linked to a more general one surrounding the governance of the audit function. In May 2018, the Parliament enacted Regulation No. 8/2018: Administration of Employees of the OFAG, which provides OFAG independence with the budget issue and salary and benefits of staff. The regulation was issued on December 25, 2018. According to the regulation (Articles 40 and 71), an independent audit commission which oversees the budget and organisation structure, staff salary, and benefits will be established. However, this Commission is still not functional, so OFAG is still dependent on MoF for appropriations.

Hearings of the Public Accounts Committee are held to discuss audit findings, but these are only for a proportion of audit reports. In 2018/19, only 10% of reports which gave an adverse opinion or a disclaimer were discussed. Since the 2019 PEFA, a new PAC has been put in place, which is better resourced but needs capacity support (for both members and the supporting secretariat). A strong PAC is vital to ensure the implementation of findings and recommendations of OFAG.

The Office of the Federal Auditor General does not have a systematic report and recommendation follow-up mechanism. Whilst a follow-up to the previous year's audit is included as part of the normal audit process, there is no systematic and documented follow-up system. A tracking system is under development but has been work in progress for some while²⁶. This may at least partially explain why there are so many repeat findings in OFAG reports, although the Ministry of Finance now levies fines on PBs which do not respond to audit recommendations and findings.²⁷

Whilst OFAG is a good performer, there is a risk that it will not be able to catch up with recent developments. It reports the need to be able to audit in a computerised environment, particularly given the roll-out of the IFMIS. It requires online access and the ability to scrutinise records properly, ideally using computer audit-assisted techniques. The organisation's capacity to undertake IT audit also needs to be enhanced, reflecting the enhanced digitisation of government services, including the IFMIS, but also the e-GP and Ethiopian Government Electronic Services Portal, The roll-out of IPSAS, particularly in respect of asset accounting, will also require capacity support for those auditing the resulting financial statements.

Parliamentary capacity also needs to be enhanced in relation to its understanding of PFM matters. It has a vital role in reviewing draft legislation, but needs to be able to assess all proposals against an understanding of good PFM practice, and with consideration of the impact of any proposed legislation against existing laws.

²⁶ The system was piloted in some federal agencies. It links the public accounts committee, OFAG and the auditee institution online and facilitates audit recommendation follow-up by these agencies. However, it has not been fully rolled out.

²⁷ Proclamation No 970/2016, Article 72 allows for the head of a PD to be fined between ETB 5,000 and 10,000 for failure to respond. If this happens more than three times, the head faces dismissal.

Interventions to be included in strategy

Acceleration of the proper promulgation of the new Audit Board and consideration of budget appropriation issues for OFAG. This should include consideration of a number of options, including setting the overall ceiling for OFAG as a percentage of the overall general appropriation. *(Strategy Plan P.VII.1.1)*

The development of a guidance note (for all PBs) about responses to reports, including desired timelines and possible sanctions if these are not respected. This should be supported by the roll-out of PFM awareness training for senior management, which should be mandatory for both new appointees and incumbents. *(Strategy Plan P.VII.1.2.1)*

The review of legislation and regulations to reflect these changes, perhaps with a new supporting regulation. *(Strategy Plan P.VII.1.2.2)*

The roll-out of a tracking system for audit recommendations. *(Strategy Plan P.VII.1.2.3)*

A full review of the Public Accounts Committee, with potential support to build its members' and secretariat's capacity. *(Strategy Plan P.VII.2)*

It is also recommended that capacity assistance continues for OFAG. Whilst this element performed reasonably well in the PEFA assessment, this is a fast-moving area, and it is incumbent on the office to keep abreast of professional development. There are particular topics which may need attention in the future, including auditing the use of the new IFMIS and financial statements prepared under IPSAS. There is also a need to mainstream climate change issues and 'green finance' into audit activities, particularly in the area of performance audit. *(Strategy Plan P.VII.1.4)*

To enhance the impact of audit work, the media sector and NGOs need to be more aware of and better understand the work of OFAG and play a role in enhancing accountability. A programme of training needs to be developed and rolled out. *(Strategic Plan P.VII.3)*

Parliamentary capacity needs to be enhanced to review draft legislation to ensure that good PFM practice is reflected and impact on existing laws and policies is assessed. A programme of training needs to be developed and rolled out. *(Strategic Plan P.VII.2.3.1)*

Pillar VIII: Cross-cutting Issues

Introduction

This pillar, used in addition to the seven pillars that set out the full budget cycle, gathers together some cross-cutting issues that need to be addressed if a holistic approach is to be taken to PFM. Some of these issues – gender, climate change and fiscal federalism– reflect how three significant policy issues can be reflected in PFM reform, facilitating a policy framework that ensures the pressing issues are addressed. Some – professionalisation and raising financial management literacy – are underlying issues which, when addressed, will have a positive catalysing impact on the progress of PFM reform and overall public sector institutional performance.

Where possible, interventions identified by this analysis have been mainstreamed into the actions for Pillars I to VII. For example, training of parliamentarians on issues related to gender and climate. Where there is not possible – where actions are truly stand alone in terms of their execution – these have been set out in a matrix section for Pillar VIII.

Issues Identified

GENDER RESPONSIVE BUDGETING

Although there is awareness of the issue of ensuring that budgets are gender-responsive, concrete actions have not yet been taken to institutionalise GRB into the planning and budgeting process. A National GRB guideline was developed by the MoF in 2012 in collaboration with UN Women, and training was delivered to sector Budget Institutions on integrating gender responsiveness into the budget. In 2016 the Federal Government of Ethiopia's Financial Administration proclamation was amended to highlight the need to consider gender issues during public budget preparation. In 2022 the World Bank and GoE published a gendered fiscal incidence analytics looking at the differences in the welfare impact of taxes and government spending on men and women²⁸. However, GRB-relevant interventions currently remain fragmented and have limited efficacy.

CLIMATE RESPONSIVE PUBLIC FINANCIAL MANAGEMENT

Whilst Ethiopia has embraced policies to tackle climate change, starting with the Climate Resilient Green Economy (CRGE) policy in 2011, public finances are not monitored with a view to establishing the extent to which these policies have been delivered, and **there is little to link climate-related policy aspirations to the budget cycle**. Budget circulars are currently silent on how any proposed **budget** or expenditure should be linked to, appraised against or identified using mitigation and adaptation criteria. Mechanisms to track and report on **climate-related expenditure** are being developed²⁹, but this needs to be followed through, and any appraisal and prioritization of **investment** expenditure only embraces climate if funded by a donor who expressly demands such. The **procurement** legislative and regulatory framework is also silent on how green policies might be supported. For **asset management**, there are no guidelines around managing and reporting climate sensitive-

²⁸ Ambel, Alemayehu A., Wondimagegn M. Tesfaye, and Manex B. Yonis. "A Gendered Fiscal Incidence Analysis for Ethiopia." (2022).

²⁹ The UK funded BRE Programme is working with the MoF's IFMIS Directorate to integrate this tagging into the IFMIS

assets³⁰. **Debt information** does not include any climate change related data. In terms of **revenue policy**, there is no carbon tax policy yet in place (although carbon tax studies have been undertaken³¹), and new revenue measures are not assessed for any climate impact. In terms of legislative scrutiny of the budget, elected members have no capacity to review budgetary proposals to determine whether or not they are climate smart.

Consideration should now be given to how, bit by bit and incrementally, rather than as a 'big bang' implementation, the budget cycle at the federal level can be made 'climate smart'. It is understood that there will be actions in the forthcoming Disaster Risk Financing Strategy that will all be about strengthening existing PFM practices to be climate - and disaster-smart. These need to be mainstreamed into the overall PFM plan.

PROFESSIONALISATION

At the heart of any reform strategy is an acceptance that institutions are not behaving optimally – in other words, that there are issues and challenges – and that this behaviour can be changed or improved. This holds true for this PFM strategy, which identifies (through a synthesis of consultation and analysis of various diagnostic documents) a series of issues and sets out how these might be addressed or corrected. Essential to changing institutional behaviour, however, is changing the behaviour of individuals who work within these institutional frameworks.

A theme which genuinely cuts across the analysis of current PFM systems is that individuals –due to either ignorance or malintent – fail to do what good practice expects of them.

An essential part of tackling this is to look at professionalising the PFM sector. Currently, two fundamental facets which help mould behaviour appear to be missing. Firstly, there are no definitive professional standards that govern how procedures and practices should be followed and applied. The absence of codified, universally recognised Ethiopian Standards means that those working in the sector lack guidance, and as a result, different 'ways of working' might prevail. These standards would set out the nuts and bolts of 'how to' do something. Secondly, there is no common understanding and codification of a universally accepted code of ethics for those working in the PFM sector, setting out what, in terms of behavioural norms, is expected of public officers and why.

It is suggested that addressing these challenges through a professionalisation programme would have far-reaching consequences. Many of the challenges identified throughout the strategy are challenges of compliance. A professionalisation programme would seek to address this at the very core; policies and procedures might already exist, but they are, sometimes ignored for various reasons. Professionalisation would teach practitioners how to follow procedures and why they should. It would provide benchmarks for measuring performance – both institutional and personal. And it would seek standardisation, bringing together disparate initiatives (often supported by well-meaning but poorly coordinated donor interventions) under a nationally owned, nationally driven, and contextually relevant

³⁰ "Exposure and sensitivity of public lands, buildings, and infrastructures to climate variability, extreme weather events and transition risks are identified for the relevant assets. Information is included in the register. Contribution to emission and capture of GHG of relevant non-financial assets are identified. Procedures and rules for the disposal, transfer, and use of lands and subsoils provide climate related arrangements and are complied with." Climate PEFA. This might include roads and bridges which prematurely degrade due to exposure to the effects of climate-related events.

³¹ Telaye Mengistu, Andualem, et al. "Exploring carbon pricing in developing countries: A macroeconomic analysis in Ethiopia." Sustainability 11.16 (2019): 4395.

professional framework, covering accounting, auditing, procurement, revenue collection and accountability mechanisms. Linkages between PFM professionalisation and the Civil Service Reform Roadmap (led by the Civil Service Commission) also need to be explored.

BUILDING FINANCIAL MANAGEMENT LITERACY ACROSS GOVERNMENT

The low level of public financial management literacy across all stakeholders involved in the budget cycle has a number of implications. In particular:

- On the supply side, it impacts the reporting quality and compliance levels. A number of issues identified across the budget cycle are down to non-compliance, and the likely underlying cause is a lack of understanding of good PFM and accountability principles. It also impacts how existing information – for example, budget execution reports – are used as tools of management and are used in decision-making processes which enhance the quality of instructional performance; and
- On the demand side, it impacts the level of expectations, not just from senior managers to their staff, but also demand-side actors such as the media, CSOs and parliamentarians on what can rightfully be asked for in terms of accountability and financial management information.

ENHANCING FISCAL FEDERALISM

Ethiopia's federal nature and the governance structures underpinning the state mean that each region is largely responsible for its PFM arrangements and reform programmes, with service delivery, accounted for at the woreda level. As part of the PEFA assessment exercise of 2019, six regional entities were separately assessed using PEFA's subnational assessment framework (Amhara, Addis Ababa, Oromia, Somali Region, SNNPR and Tigray were subsequently published). Familiar challenges - budget preparation processes and subsequent reliability, the completeness of budget documentation, public asset and public investment management, performance information on service delivery, public access to key fiscal information, fiscal risk reporting, debt management, and the existence of fiscal strategy documents – were identified. An additional challenge relates to the compliance by the Regions with requirements of climate response, and reporting to Federal Government on how funds allocated by transfers have been used in accordance with climate smart principles.

Improvements in performance were often down to enhancements of IBEX (the IFMIS platform still in place in the regions). But inherent weaknesses in that platform – principally the integration of PFM function beyond budget and general ledger modules – will continue to inhibit progress. For this reason, the IFMIS platform now in place at the federal level will be rolled out across regions. This will be a critical reform for the federal government to support and goes beyond the life of this strategy.

There is also recognition that due to recent internal conflicts and security operations, vital PFM infrastructure has been destroyed or damaged. Whilst it is impossible to fully quantify the task ahead, this strategy recognises that substantial rehabilitation and reconstruction will be necessary.

MANAGING REFORM

It is recognised that an important element of success for the implementation of this strategy is the capacity of government to manage the change and reform processes. At the heart of this process is the Expenditure Management Reform Directorate (EMRD). With the new strategy comes greater responsibility (given the holistic nature of the strategy and the need

to keep on top of a detailed MEL framework). Currently EMRD is under-staffed and in need of support.

Interventions to be included in the strategy

GENDER

To ensure linkages between budget initiatives with an overarching policy framework, a review to establish what national gender policies are in place should be undertaken. GRB budgeting guidelines then need to be linked to the strategy. (*Strategy Plan P.VIII.1.1.1*)

The clarification and revision of the policy framework is a complex process and likely to require multi-year effort from PBs across the government.

It is recommended that the government should, in the meantime, capitalise on existing momentum in relation to gender equality by implementing the below 'quick-win' approach, which would contribute to creating solid ground for institutionalising the current GRB guidelines and solving the key challenges outlined in the PEFA assessment. This involves:

- Establishing mechanisms for identifying non-compliance with BCC requirements around gender targets. To do this, fiscal strategy and budgeting through a gender lens need to be improved. (*Strategy Plan P.VIII.1.1.2*)
- Enhancing linkages between policy and budgeting by ensuring current national gender equality goals are reflected in the. A first step to achieving this can be through publishing annual gender **budget statements**, allowing national and PB level analysis of the extent to which gender-related goals are being reached. Such a statement should be informed by an **ex-ante Gender Impact Assessment (GIA)**. (*Strategy Plan P.VIII.2.1.1*)
- Further, budget execution reports should incorporate a gender perspective by identifying the year-to-date gender-related spending. While the above recommendation help optimises resource allocation to gender equality, it can only achieve a positive outcome if these allocations are spent. An **ex-post GIA** of the budget execution should be conducted to assess whether the resources allocated to gender equality have been spent and to assess the impact of programmes funded through the budget on men and women. This will also help the government understand where the gaps are and inform the design and modification of budget policies. (*Strategy Plan P.VIII.1.1.2*)
- The legislative budget committee should commission a review of how resources have been used to deliver gender-related outcomes and should be capacitated to then analyse such a review. (*Strategy Plan P.VIII.1.1.2*)
- Finally, capacity within OFAG should also be built to allow for the audit of the promulgation of gender-related policies.

PROFESSIONALISATION

Work has already begun on professionalisation initiatives under the Accounting and Auditing Board of Ethiopia (AABE). The work of the Board to set out clear sequenced plans to inculcate professional and ethical standards into the PFM space must now be supported and included as part of the Government's PFM Reform Strategy. (*Strategy Plan P.VIII.2.1.1*)

Essential to the success of this is political support at the highest level. So far, this seems forthcoming but needs to be maintained. Leaders in the sector should support maintaining the profile of this work by demonstrating its relevance to the government's delivery of its policy framework. (*Strategy Plan P.VIII.2.1.2*)

CLIMATE RESPONSIVE PUBLIC FINANCIAL MANAGEMENT

Budgeting

Responsibility needs to be assigned within the Ministry of Finance to ensure the 'greening' of the budget. It is suggested that a Climate Change Unit be set up within the Budget Directorate of the Ministry of Finance. (*Strategy Plan P.VIII.3.1.1*)

The sequenced reforms it should undertake will then include the following:

- An in-depth review of existing budgeting practices to better identify the gaps and weaknesses currently evident; (*Strategy Plan P.VIII.3.1.2*)
- The development of assessment frameworks which should be applied to determine the extent to which any budget proposals meet the government's climate-related policies (as well as the relevant sectoral policies); (*Strategy Plan P.VIII.3.1.3*)
- Steps to integrate climate change considerations into the budget circular. This will guide PBs on how to integrate climate change into planning and budgeting processes, including incorporating climate-related fiscal risks. (*Strategy Plan P.VIII.3.1.4*)

Consideration should also be given as to how to implement actions recommended by the upcoming Disaster Risk Financing Strategy, which aims to strengthen existing PFM practices to make them climate smart.

In terms of sector policies, support intended to increase PB capacity to produce these should include modules on making such policies climate smart. This will need the involvement of a duly capacitated Ministry of Planning and Development.

Tracking climate related expenditure

The Ministry of Finance needs to follow up on the ongoing exercise to embed the climate tagging methodology into the IFMIS. Support should be provided to the Ministry of Finance (in maintaining the tagging framework) and PBs (who will be instrumental in identifying climate-related expenditure). In addition, tagging initiatives should be introduced incrementally, and once rolled out, an assessment should be undertaken to determine the effectiveness and efficiency of the exercise in providing the required information to assess performance against CRGE targets.

Climate related public expenditure reviews

The Ministry of Finance should be given assistance to commission and manage periodic public expenditure reviews with the view of testing the alignment of budgets with climate policy goals and impacts on climate outcomes. This should include tax expenditures and subsidies. (*Strategy Plan P.VIII.3.1.5*)

Public Investment Management

A climate-smart approach needs to be integrated into ongoing PIM reforms. The Public Investment Management proclamation stipulates that an environmental impact assessment is needed as part of the review of investment projects. This does not go as far as performing an assessment of projects through a climate lens, which will incorporate such issues as the extent to which mitigation and adaptation principles have been reflected. Whilst environmental impact guidelines have been drawn up by MoPD, these do not provide guidance on how to assess the impact of significant proposed projects on national mitigation targets and climate vulnerability. No detailed methodology is provided for project appraisal so

that CC risks are to be addressed at the project design stage. International good practice should be embraced, and a study of relevant approaches used elsewhere needs to begin the process. This needs to include SOEs and EBFs.



Procurement

The current regulatory framework does not allow the taking into account of climate impacts of any procurement decisions. As such, there is a need to develop a green procurement framework. Ultimately legislative reform is required, but a series of incremental steps can be followed. The 'building blocks' below are suggested as a starting point towards establishing sustainable procurement practice.

Building Block 1 (Years 1 and 2 of the strategy period)

- Identify key green procurement champions. Procurement staff should receive induction training in green procurement principles. Include green procurement guidelines in the employee onboarding programme.
- Ensure that key contracts contain green criteria and that contract awards should be based on value-for-money, not the lowest price.
- Identify critical climate-related impacts of the procurement process

Building Block 2 (Years 2 and 3 of the strategy period)

- Key staff should receive basic training on green procurement principles.
- climate-related risks should be assessed and used to inform prioritisation.
- Conduct a detailed appraisal of climate-related impacts of the procurement process.

Building Block 3 (years 3 and 4 of the strategy period)

- Key staff should receive advanced training on green procurement principles.
- Provide refresher training to key procurement staff on the latest climate-related procurement principles.
- Assess all contracts for climate-related risks and identify actions, particularly for high-impact contracts.
- Undertake a life-cycle analysis.

Asset management

As part of the reforms around recording and monitoring assets, guidelines should be drawn to clearly define what climate-sensitive assets are and how they should be treated and recorded.

Debt management

As part of the reforms around risk reporting and debt stock, initiatives should consider how such reports can incorporate climate-related data. This could be linked to broader initiatives around making fiscal risk statements public. MoF has already started to model disaster-related fiscal risk for incorporation into the MEFF document.

Revenue

Revenue policy (and its subsequent implementation through revenue administration) needs to reflect overall policy aspirations³² to minimise Green House Gas (GHG) emissions³³ and provide some incentivisation to that end. In addition, some consideration needs to be given on how to levy taxes on polluters and to assess the impact various revenue policies have on CC mitigation and adaptation issues and on aspirations relating to the achievement of GHG targets.

Practical measures supporting this will include establishing a structured and systematic approach to assessing and prioritising compliance risk from climate-related taxes and maintaining comprehensive information on GHG emitters. There also needs to be a compliance improvement plan and a system to assess the effectiveness of penalties for non-compliance.

There also needs to be a review to enable the formulation of a carbon tax policy, together with plans of how legislative changes might be made to launch carbon taxation.

Longer-term measures, probably outside of the timeframe of this policy, might be the provision of social transfers and reductions in the basic rate of income taxes may help offset the burdens of a carbon tax for low and middle-income households.

There also needs to be the development of a framework to allow the assessment of new revenue measures against climate related criteria.

Legislative scrutiny

Support to parliamentarians and parliamentary secretariats needs to include capacity building on how to assess budgetary proposals and budgetary outturns to ensure that they comply with Ethiopia's climate-related policy framework and that they are climate smart.

Reporting, Transparency, and accountability

Initiatives need to be put in place to communicate the progress of climate-related budgeting reform in the public domain. This will help inform the relevant stakeholders about the government's actions and support more active engagement of citizens, civil society, and elected representatives.

BUILDING FINANCIAL MANAGEMENT LITERACY ACROSS GOVERNMENT

A set of PFM training modules should be designed for senior management of PBs and parliamentarians on finance committees, including new appointees. These should be mandatory. (*Strategy Plan P.VIII.4.1.1, P.VIII.4.1.2*)

³² As set out in the CRGE.

³³ The 10-year plan targets to increase greenhouse gas emissions reduction capacity from the present 92.7 million metric tons of carbon dioxide equivalent (CO₂E) to 162.3 million metric tons of carbon dioxide equivalent, among other CC-related targets.

These modules can be rolled out to key actors outside PBs in due course – civil society, media, and parliamentarians. (*Strategy Plan P.VIII.4.1.3*)

ENHANCED FISCAL FEDERALISM

The following are areas where the federal government has a role in supporting individual regions with the roll-out of their PFM strategies:

- Support to improving the overall PFM performance of regional government through:
 - IFMIS roll-out across all regional Bureaux of Finance and regional PBs (*Strategy Plan P.VIII.5.1.1*);
 - Peer-to-peer support improving the quality of accounting, reporting, and integration with other PFM functions, internal audit, procurement, budgeting (including programme budgeting), asset and investment management *woredanet* infrastructure and data centre management. (*Strategy Plan P.VIII.5.1.3*); and
 - Enhanced PFM reform governance by including SNGs at the (Federal) Technical Steering Committee (*Strategy Plan P.VIII.5.1.2*).
- Support to enhanced revenue generation and revenue administration capacity of SNGs through:
 - Peer-to-peer support from MoR to development of the capacity of Regional Bureaux of Revenue in revenue administration and accounting. (*Strategy Plan P.VIII.5.3.1*)
- Strengthening the accountability institutions of SNGs through:
 - Assisting with the development of Offices of Federal Auditors General (ORAGs) in the region through peer-to-peer support (*Strategy Plan P.5.2.2*) and through the maintenance of mechanisms by which learning can be shared and mentoring support provided by OFAG to ORAGs, e.g., consultative fora for Auditors General (*Strategy Plan P.5.2.1*);
 - Building the capacity of Regional Ethics and Anticorruption Commissions in corruption prevention and detection through support and mentoring given by the Federal Ethics and Anticorruption Commission (FEACC) (*Strategy Plan P.VIII.5.2.3*);
 - Providing support to Regional Councils (and in particular PACs and Budget and Finance Standing Committees) through support from OFAG and MoF (*Strategy Plan P.VIII.5.2.4*).

Federal Government will also coordinate support to conflict-affected regions to restore PFM capability. (*Strategy Plan P.VIII.5.1.4*)

For all these interventions, FDRE will be a champion of the Regions with development partners, seeking funding support for PFM reform across jurisdictions.

MANGING REFORM

EMRD needs to be reviewed for staffing and consideration needs to be given to supporting it with both additional capacity building and technical assistance. This will help to ensure that reform is properly co-ordinated and sequenced, that key stakeholders are managed and supported, and the steering committee properly informed of progress, constraints and actions needed. (*Strategy Plan P.VIII 6.1*)

7. Opportunities and constraints

Since the formulation of the last PFM Strategy, the government has shifted fundamentally in policy direction. Whilst PFM was always seen as an important part of the policy and reform framework, aspects of PFM are now cited, front and centre, as important aspects of delivering the **home-grown economic reform** that is an essential part of the government's growth agenda. This presents a massive opportunity and should ensure that this strategy receives support from the highest levels of government, an essential facet of any reform's success. It is, therefore, critical that the leadership of the institutions most relevant to the delivery of this strategy play their part in keeping the PFM reform agenda on the agenda.

There is an important aspect of the policy change that needs to be harnessed, too. The government has now explicitly welcomed the idea of **piloting reforms**, something which under previous administrations was not embraced. This presents opportunities and gives reform leaders some leeway in determining how reform might be delivered. For example, with the training of PB senior management or with the roll-out of the professionalisation agenda, different approaches might be piloted in different PBs to determine which approaches work best before a more comprehensive roll-out.

Another significant change in policy direction is the intention to better **involve civil society in accountability**. This presents a huge opportunity, allowing authorities to build on some advances already made but involving a wider constituency of stakeholders. In light of this, a rapid stock-take of civil society and its capacity to engage with aspects of financial accountability, which should, *inter alia*, identify where there may be opportunities for engagement. This is reflected in the strategy matrix.

The dynamics within **parliament** have also undergone a change. In particular, Parliamentary Standing Committees are now more vigorous and engaged. This presents an opportunity, both in terms of strengthening parliamentary oversight but also finding a well-placed champion of PFM reform.

A particular feature of the current reform architecture is that it is dominated by some '**big ticket**' reforms, in particular, the roll-out of IFMIS, IPSAS and e-GP. These reforms will bring many benefits, including those associated with timely and integrated in-year and annual reporting, asset accounting, and functional integration. However, there are also risks in relying on these reforms.

Whilst **IFMIS** has been rolled out across the vast majority of PBs at the federal government level, two challenges remain – 1) the roll-out to regions, which will affect the ability of the government to produce fully consolidated national accounts; and 2) institutionalising the use of the system (e.g., in-year reporting, use of commitments). Meanwhile, **IPSAS** will thoroughly modernise how the government accounts for its resources, but it is a complex reform that needs high-level domestic political support and support from development partners and will take years to fully roll-out. And finally, **e-GP**, in line with any platform roll-out, is complex. Should any of these endeavours run into difficulties, there will be far-reaching implications for the successful delivery of key aspects of this strategy.

The implementation of the strategy will be severely constrained if it is not possible to secure **adequate resourcing**. Internally the government faces challenges presented by recovering from the COVID-19 pandemic, inflation caused by the global downturn and the war in Ukraine, and by the costs of security operations to address internal instabilities, particularly in the North. Meanwhile, some of these pressures also affect donors. It will be important to consider different scenarios and prioritise activities carefully in annual planning processes. It will also be important to roll out reform as cost-effectively as possible.

8. Risk and mitigation strategies

There are a number of risks facing the implementation of the PFM strategy.

Risk	Potential Impact	Mitigation
Ongoing conflict and instability within Ethiopia	<ul style="list-style-type: none"> • Budget reliability tested as demands of managing crises results in fiscal stress • Domestic resources used for reform get diverted • Ongoing conflict has an impact on assistance flows (e.g., IMF debt relief) 	<p>Seek early conflict resolution</p> <p>Support conflict-affected regions to restore their PFM system</p>
Climate Change and other non-climate disaster risks	<ul style="list-style-type: none"> • Significant budget adjustment, significant variance between budget and outturns at aggregate and composition level • Affects budget reliability and available fiscal space 	<p>Conduct comprehensive fiscal risk assessments including those risks from climate change and other natural disasters; and allocating resources to deal with disasters proactively without significantly affecting the annual budgets.</p>
Global economic downturn reduces fiscal space for both government and DPs	Scarcity of funds for reform	Advocate for PFM reform as being a means of ensuring more efficient and effective resource allocation
Change in policy direction of government; abandonment of ten-year plan	Downscaling of the importance of PFM in the government's list of priorities	Leaders in PFM reform to continue to advocate for 'Ethiopia 2030: The pathway to Prosperity' and, more broadly, the centrality of PFM reform as delivering growth under any policy framework
Fluctuating political Commitment	Past successes in PFM reform in Ethiopia have been secured through political commitment at the highest levels. Without these initiatives – particularly involving cross-government cooperation, legislative backing, revision and allocation of resources, will falter.	<p>Seek high-level endorsement for PFM reform across the Federal government</p> <p>Ensure accountabilities of PFM reform governance structures (e.g., PFM Reform Steering Committee) to the top of government (PM's Office).</p> <p>Ensure proper follow-up of M&E</p>

High staff turnover, poor retention, and inability to recruit qualified personnel in key areas	Lack of key personnel to deliver complex reforms; reform effort falters.	Address the professionalisation agenda of strategy and look to target key professional groups as part of the broader civil service reform agenda Ensure flexibility of pay scales to aid with targeting key professional groups Link professionalisation and training to career development and ensure robust induction schemes for entrants
PFM reform is not properly coordinated and managed	Stagnation of reform, duplication of effort	The identification of clear governance structures for PFM reform, including steering committees, thematic groups, and M&E processes to properly manage and track reform, coupled with fully harmonised donor coordination mechanisms
Competing priorities mean that PFM Reform Strategy is not given due prominence amongst some of the key PBs	Stagnation of reform as some key PBs (including MoR, OFAG, MoPD but also key line ministries) address other priorities and reforms.	Build MoF's capacity to lead the reform process and EMCD's capacity to coordinate reform and support Steering Committee so that it can take meaningful action. Consider measures to incentivise reform, e.g., by high-profile naming of top performers. Enlist the support of the PMO and Parliament Ensure early cross-PB ownership of strategy by early cross-government validation
Cumbersome procurement processes delay the progress of reform	Lack of capacity in developing TORs, bid documents, weak tender and contract management for goods and services needed by the PFM Reform Strategy will contribute to implementation delay	Ensure procurement training of key personnel where and if relevant; ensure robust M&E of Strategy Implementation to provide early warning of bottlenecks and constraints.
Delay in necessary legislative drafting, revision, and promulgation will hamper the progress and effectiveness of PFM reform	Key revisions or newly drafted legislation might linger at Cabinet or not be promptly debated and passed by Parliament.	Ensure support and awareness of key potential champions (top of government, Ministers, parliamentarians)

Annex I: 2019 PEFA Assessment Summary

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

Annex II: Strategic Plan

Pillar I: Budget reliability

Outcome sought	Activities	Responsible Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.I.1. Expenditure Variances								
P.I.1.1 Expenditure outturns show minimal variances, in accordance with good international practice	P.I.1.1.1 Review the regulatory framework governing budgetary compliance (to include comparing with good practice from other jurisdictions) to improve enforcement of budgetary rules.	MoF	Review report. Revision to regulatory framework. Improved compliance.	x				
	P.I.1.1.2 Capacity building plan – and then roll-out - for planning and budgeting officers across PBs, with particular emphasis on the complexities of capital budgeting.	MoF, MoPD	Capacity building reports	x	x	x	x	x
	P.I.1.1.3 Draft and put in place mechanisms to review the readiness of capital projects to be included in the budget process (Cross-reference to Pillar III)	MoPD Directorate	Review mechanisms drafted and rolled out	x	x	x	x	x
	P.I.1.1.4 Build capacity to enhance the role of the PIM Directorate in overseeing capital budget proposals	MoPD PIM Directorate	Capacity building reports		x			
	P.I.1.1.5 PFM literacy training across senior management in PBs. (Cross-reference to Pillar VIII)	MoF	Capacity building reports		x	x	x	x
P.I.2. Revenue outturn variances								
P.I.2.1. Revenue outturns show minimal variances against budget, in	P.I.2.1.1 Issues relating to poor revenue and tax enforcement need to be addressed in consultation with	MoR, MoF	Periodic agency reports	x	x	x	x	x

Outcome sought	Activities	Responsible Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
accordance with good international practice	donors already engaged in this area . Cross-reference to Pillar V							
	P.I.2.1.2 Capacity support to the MoR and the Fiscal Policy Directorate in the construction of robust revenue projections, thereby reducing propensity of variance against estimates	MoR / Fiscal Policy Directorate	Capacity Building Report which includes joint projection tools, models, and procedures to enhance reliability of estimates		x			
	P.I.2.1.3 Capacity support to revenue budgeting across PBs (for non-tax revenue) – Cross reference to Pillar V	MoF	Capacity building initiative reports	x	x			

Pillar II: Transparency of Public Finances

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.II.1. Production of Budget information and accountability								
P.II.1.1. Budget Documentation presented to the legislature is inclusive of all information as determined by good international practice	P.II.1.1.1 Revise budget guidelines to incorporate all the elements currently missing in budget documentation	Budget Directorate, Tax Policy Directorate, MoF	Revised guidelines	x				
	P.II.1.1.2 Capacity support to Budget Directorate, Tax Policy Directorate (for Tax Expenditure reports) and Fiscal Policy Directorate/Debt Directorate (Summary information of fiscal risks), Government Accounts (previous year budget execution reports in the same format as budget estimates)		Training/support given	x	x			
	P.II.1.1.3 Submission of all budget documents (as required by good international practice and PEFA PI-5) to parliament	Budget Directorate	Reports submitted in budget package		x	x	x	x
	P.II.1.1.4 Technical assistance to Budget, Finance and Planning Standing Committee members and secretariat staff on the draft budget review	Budget Directorate, Parliament	Training given		x	x		
P.II.1.2. Public has access to all elements of information as prescribed by good international practice (e.g. PEFA)	P.II.1.2.1 Conduct review of current documents published and those required by good practice (as set out by PEFA PI-9, including budget proposals, enacted budgets, execution reports, audit financial statements, pre budget statements, external audit	Budget Directorate, MoF	Review, assignment of responsibility document (and possibly circular)	x				

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	reports, summaries of budget proposals and macro forecasts) , and assign responsibilities for the production of absent documents							
	P.II.1.2.2 Produce workplan for the publication of documents		Workplan	x				
	P.II.1.2.3 Roll-out of workplan		Workplan reports		x	x		
	P.II.1.2.4 Publication of budget information prescribed by good international practice (e.g. PEFA)		Complete budget information publicised on the website of MoF	x	x	x	x	x
P.II.1.3. Public servants are aware of the need to produce and disseminate information to key stakeholder groups (especially elected representatives and the public).	P.II.1.3.1 Train staff in the Budget Directorate of MoF on principles underpinning financial accountability	Budget Directorate, MoF	Training given evidenced by training reports	x				
	P.II.1.3.2 Train senior management of PBs on principles of financial accountability (rolling programme)	Budget Directorate, MoF	Training given evidenced by training reports		x	x		
	P.II.1.3.3 Train high-level finance staff across PBs on principles of financial accountability (rolling programme)	Ministry of Finance	Training given evidenced by training reports			x	x	
P.II.1.3. CSOs and media are also aware of principles of financial accountability and contribute to the demand for information	P.II.1.3.4 Train CSOs and media on principles of financial accountability (rolling programme)	Ministry of Finance	Training given evidenced by training reports				x	x
P.II.2. Comprehensiveness of Financial Data								

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.II.2.1 Published financial information of GoE contains data from extra-budgetary units, supported by a regulatory framework which ensures the inclusiveness of government's financial statements	P.II.2.1.1 Review and revise guidelines (and legislative framework) to ensure that revenue and expenditure from EBUs is captured and that responsibilities and accountabilities are clear	Reform Unit, Ministry of Finance	Revised guidelines. Revised Public Financial Administration proclamation.		x			
	P.II.2.1.2 Ensure that IFMIS roll-out includes EBUs	Reform Unit, Ministry of Finance	Confirmatory report	x				
	P.II.2.1.3 Completion of IFMIS roll-out, which includes full assimilation of EBUs. Production of consolidated financial statements using IFMIS which include EBUs	Reform Unit, Ministry of Finance	IFMIS reports, consolidated GoE statements including EBUs	x	x	x	x	x
P.II.3. Comprehensive sector and consolidated service delivery data								
P.II.3.1. The routine publication of service delivery data by the Federal Government, showing outputs and outcomes achieved through public expenditure for all sectors	P.II.3.1.1 Review the current regulatory framework to ensure the assignment of clear responsibilities for the coordination and consolidation of sector service delivery reporting, with the Ministry of Planning and Development as the clear focal point	Ministry of Finance, Ministry of Planning	Revised regulations. Guidelines	x				
	P.II.3.1.2 Development of a standardised format for reporting of sector service delivery by MoPD. (Consider support from short-term technical assistance if necessary)	Ministry of Planning & Development	Standardised reporting template	x	x			
	P.II.3.1.3 Roll-out of reporting template to all sectors and PBs.	Ministry of Planning &	Training reports		x			

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	Training is given on how to report using the template	Development						
	P.II.3.1.4 Sector reports produced by each sector and consolidated by MoPD; a consolidated report published on the website	Ministry of Planning & Development	Consolidated, cross government sector delivery report produced and published on website			x		

Pillar III: Management of Assets and Liabilities

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.III.1. Monitoring of public corporations								
P.III.1.1 Annual financial statements of all public corporations are published within six months of the end of the fiscal year, and a consolidated financial performance is published by the Government annually	P.III.1.1.1 Draft and put in place a policy which clarifies which agencies are responsible for monitoring State-owned enterprises (in particular defining roles of MoF, PEHAA [Public Enterprises Holding and Administration Agency] and EIH)	MoF	Policy document adopted, oversight reports	x				
	P.III.1.1.2 Draft and put in place a policy as to how MoF consolidates and publicises the financial statements of SOEs, including those under EIH	MoF	Policy document adopted, financial statements		x			
	P.III.1.1.3 Clarify policies regarding the recognition and accounting treatment of some categories of financial assets, such as investments and contingent liabilities, in line with international	MoF	Policy document in place		x			

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	standards for all SoEs							
	P.III.1.1.4 Support to design and maintenance of Public Corporations, investment in other companies (government shares), and Contingent liability databases	MoF	Database			x	x	
	P.III.1.1.5 Support to the publication of annual financial statements, which now include a disclosure about Public Corporations and contingent liabilities, in line with IPSAS	MoF	Annual Financial Statements			x	x	x
	P.III.1.1.6 Facilitate the publication of a consolidated report on the financial performance of the public corporation annually.	MoF	Consolidated reports of financial performance			x	x	x
	P.III.1.1.7 Facilitation of a public corporation performance assessment (including risk assessments) workshop with the presence of relevant entities including EIH, PEHAA, MoPD and other stakeholders	MoF PEHAA EIH	Workshop / Publication of Proceedings of the workshop			x	x	x
P.III.2. Consolidated Financial Statements of SNGs								
P.III.2.1 Annual and timely publication of financial statements of subnational	P.III.2.1.1 Revision of the financial reporting guidelines to address the timeliness of preparing and	MoF, SNGs	Revised reporting guidelines	x				

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
governments (SNGs – the Regions)	publishing SNG consolidated financial statements.							
	P.III.2.1.2 For the short-term, produce consolidated statements by continuing development of the tool to extract IBEX data, and in the longer term, by the comprehensive roll-out of IFMIS (within six months of the end of each financial year)	MoF	Developed tool, consolidated statements produced from multiple sources	x	x			
	P.III.2.1.3 In the longer term, continue the roll-out of IFMIS, in particular, replacing IBEX across SNG, to enable the production of consolidated using just IFMIS data (within six months of the end of each financial year)	MoF	IFMIS roll-out reports at Federal Level at all PDs	x	x			
	P.III.2.1.4 Provide support to SNGs in the use and roll-out of IFMIS in each region	MoF		x	x	x	x	x
P.III.3. Reporting of liabilities and risks								
P.III.3.1. Quantified and consolidated contingent liabilities and fiscal risks of Government published annually	P.III.3.1.1 Revision of the reporting guideline of the Budget Directorate to include fiscal risk reports as one of its deliverables.	Budget Directorate, MoF	Revised guideline	x				
	P.III.3.1.2 Build the capacity of the Debt Directorate to produce fiscal risk reports annually, which includes the fiscal risks from SOEs, SNGs, EBFs, and Climate change,	Debt Directorate, MoF	Capacity building reports, study tour reports, resulting guidance notes from		x	x		

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	amongst others, through study tours and mentoring, and guidance note relating to these reports		Debt Directorate					
	P.III.3.1.3 Continue capacity-building initiatives internally	Debt Directorate	Capacity building reports			x	x	x
	P.III.3.1.4 Develop and promulgate guidelines on how to incorporate climate-related data in debt stock reporting	Debt Directorate	Guideline, revised reporting				x	x
P.III.4. Public Investment Management								
P.III.4.1 Properly regulated public investment management, with the selection of projects based on rigorous economic analysis policy prioritisation and viability linked to proper forward planning, and which also reflects good climate awareness practice	P.III.4.1.1 Guidelines governing the prioritisation of capital budgets to be developed for PIM. These need to incorporate issues relating to gender and climate.	PIM Unit, MoPD	Capital project prioritisation guidelines	x				
	P.III.4.1.2 Develop a medium-term Public Investment Plan Framework in line with the national strategy.	PIM Unit, MoPD	Public Investment Plan Framework	x				
	P.III.4.1.3 Undertake an independent assessment of the capacity of MoPD in discharging its PIM responsibility in light of the PIM	PIM Unit, MoPD	Capacity Assessment Report	x				

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	proclamation.							
	P.III.4.1.4 Implement capacity enhancement plan resulting from assessment. In particular, this should address production and publishing pre-feasibility, feasibility, midterm, final, and ex-post project evaluations need to be made more effective, perhaps through experience sharing with other countries	PIM Unit, MoPD	Capacity building plan, reports		x	x	x	x
	P.III.4.1.5 Development of project management database	PIM Unit, MoPD	Database		x			
	P.III.4.1.6 Roll-out of initiatives to raise awareness of PIM issues with PBs to ensure compliance with the proclamation, i.e., the need to have all capital project proposals assessed in a timely manner. A regulation supporting the proclamation might also be developed. (Cross-reference with Pillar VIII – Professionalisation)	MoPD	Training, revised regulation		x	x	x	x
	P.III.4.1.7 Build capacity to perform in-depth climate and gender aspects of project proposals and integrate them into project evaluation processes. Integrate good practice	MoPD	Capacity building reports. Guidelines			x	x	x

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	into a guideline.							
	P.III.4.1.8 Revise and roll out Environmental Impact guidelines to provide guidance on climate change mitigation, adaptation and vulnerability. (To include SOEs and EBFs)	MoPD	Revised guidelines: Environmental and Climate Impact Guidelines		x	x	x	x
P.III.5. Public Asset Management								
P.III.5.1. Assets are properly recorded, managed, and monitored	P.III.5.1.1 Assess the need for Public Asset Management Unit in the MoF responsible for recording, record consolidation, and monitoring of public assets.	MoF	Assessment TOR/ Framework, Assessment report	x				
	P.III.5.1.2 Assess property management legal framework and manuals to address limitations in thresholds, capturing of project assets, use of IFMIS, and consolidation reporting. This should include climate-responsive asset management and also asset measurement, recognition, and disclosure requirements as per IPSAS	MoF	Assessment report, revised manuals, revised Property Administration Proclamation	x	x			
	P.III.5.1.3 Develop and roll out a plan for the valuation of major fixed assets (buildings and infrastructure) across PBs in line with IPSAS principles	MoF	Guidelines, plan, roll-out reports				x	x

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	P.III.5.1.4 Review qualification requirements for those accounting for assets	MoF	Assessment report	x				
	P.III.5.1.5 Address issues across PBs relating to the recording of assets in IFMIS. The short-term priority is to ensure comprehensive records and longer alignment with IPSAS implementation roadmaps.	MoF	IFMIS records, Reports on reconciled Asset register captured in IFMIS (Y 4-5), Disclosure report on the Annual Financial Statement of PBs and MoF about their assets (in line with IPSAS – Y5)	x	x	x	x	x
	P.III.5.1.6 Guidelines drawn up to clearly define what climate-sensitive assets are and how they should be treated and recorded.	MoF	Climate Sensitive Asset Guidelines		x			

Pillar IV: Policy based Fiscal Strategy and Budgeting

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.IV.1. Fiscal Policy								
P.IV.1.1. The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.	P.IV.1.1.1 Continue support to the production of a fiscal strategy – annual production of this document needs to be institutionalised	Fiscal Policy Directorate	Annual fiscal strategies	x	x	x	x	X
	P.IV.1.1.2 Continue to develop and publish the Macro Fiscal Sensitivity Analysis. A guideline should also be developed on the timely preparation and publication of the various reports of the Fiscal Policy Directorate reports.	Fiscal Policy Directorate	Macro Fiscal Sensitivity Analysis	x	x	x	x	x
	P.IV.1.1.3 Development of a guideline for the timely preparation and publication of the various reports of the Fiscal Policy Directorate.	Fiscal Policy Directorate	Guideline	x				
P.IV.2. Multi-year focus of budget estimates								
P.IV.2.1 The budget has a medium-term focus	P.IV.2.1.1 Perform assessment of feasibility to produce 3-year estimates to be included in the annual budget.	Budget Directorate, Ministry of Finance	Feasibility assessment	x				
	P.IV.2.1.2 (Assuming outcome of above activity) – production of a sequenced plan for the roll-out of multi-year approach across all PBs.	Budget Directorate	Sequenced plan	x				
	P.IV.2.1.3 (Assuming outcome of above activity) – revision of legal framework	Budget Directorate	Revised legal framework		x			

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	and budget manuals.							
	P.IV.2.1.4 Roll-out and capacity building to PBs.				x	x	x	x
P.IV.3. Medium Term Expenditure Ceilings								
P.IV.3.1. Properly sequenced approvals so that Budget Circulars are issued after legislative approval of budget ceilings	P.IV.3.1.1 Consultation between MoF and the HoPR's Macro Committee to adjust approval timelines for.	MoF, HoPR	Agreed new timelines		x			
	P.IV.3.1.2 Build capacity of the Budget Directorate to produce additional expenditure ceilings for the next two years.	Budget Directorate, MoF				x	x	
P.IV.4. Availability and use of sector strategies								
P.IV.4.1. Sector strategies available for all sectors and published by MoPD	P.IV.4.1.1 Build the capacity of PBs in sectors where sector strategies are not produced and provide refresher training to those which do.	MoPD	Training reports	x	x			
	P.IV.4.1.2 Collate all Sector Strategies and publish them on the website.	MoPD	Strategy documents, website		x	x	x	x
	P.IV.4.1.3 Institutionalise process of establishing that budget proposals from sectors/PBs are consistent with sector strategies through a programme of training for PB planning functions, MoF and MoPD, and through the development of guidelines	MoF, MoPD, PBs	Training reports, guidelines		x			
P.IV.5. Legislative scrutiny of budget process								
P.IV.5.1 Legislative scrutiny of budget	P.IV.5.1.1 Feasibility study to investigate revision of Budget Calendar, inter alia,	MoF, HoPR	Feasibility study				x	

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
proposals is at least two months, in line with good international practice	looking at international experience							
P.IV.6. Climate Smart Tax Policy Regime								
P.IV.6.1. A tax policy which promotes the policy priorities of Ethiopia's CRGE	P.IV.6.1.1 Conduct a review of how taxes can be levied on polluters.	MoF	Review report			x		
	P.IV.6.1.2 Conduct an assessment of what impact various revenue policies have on CC mitigation and adaptation issues and on aspirations relating to the achievement of GHG targets.	MoF	Assessment report		x			
	P.IV.6.1.3 Develop a framework on how to assess any new revenue policy against climate considerations	MoF	Assessment framework		x	x		
	P.IV.6.1.4 Establish a structured and systematic approach to assessing and prioritising compliance risk from climate-related taxes, a compliance improvement plan, and a system to assess the effectiveness of penalties for non-compliance	MoF	Assessment report		x	x		
	P.IV.6.1.5 Establish mechanism for maintaining a register of large GHG emitters	MoF, Climate Resilient Green Economy (CRGE) Facility, Public Bodies	Mechanism report			x		
	P.IV.6.1.6 Formulation of Carbon Tax Policy	MoF	Policy			x	x	

Pillar V: Predictability and control in budget execution

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.V.1. Revenue management regime which takes account of risk, provides reliable revenue estimates, monitors arrears, and produces reliable information								
P.V.1.1 Properly integrated risk management incorporated into the revenue management regime.	P.V.1.1.1 Undertake periodic reviews of risk management at the Ministry of Revenue.	MoR	Review report which sets out how targeted assistance can strengthen risk assessment/ management capacity Repeated review reports for years 3 and 5	x		x		x
	P.V.1.1.2 Technical assistance in response to review and capacity building.	MoR	Capacity building reports	x	x	x	x	x
P.V.1.2. Improved collection and reporting of non-tax revenue.	P.V.1.2.1 Undertake a review of existing legal frameworks relating to non-tax revenue collections (those outside the mandate of MoR) and issue a regulatory framework to ensure that the Treasury Department is supplied with revenue projections and collection information in a timely manner.	MoF	Review report, revised regulatory framework	x	x			
	P.V.1.2.2 Targeted capacity building to PBs who collect revenue on the development of appropriately robust projections.	MoF	Capacity building reports		x	x		

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	P.V.1.2.3 Development of a plan to ensure that all PBs are able to provide monthly reports from year 3 of this strategy.	MoF			x			
	P.V.1.2.4 Production of monthly reports across PBs detailing collections against projections.	MoF	Monthly reports			x	x	x
P.V.1.3. Robust tax arrears monitoring, reporting and reconciliation, and publication of key tax revenue information	P.V.1.3.1. Assessment to review the current system of tax arrears recording, monitoring, and reporting practices.	MoF, MoR	Assessment report	x				
	P.V.1.3.2 Development of the improvement plan to achieve quality and reliable arrears recording and reporting, and reconciliation practices between MoR and MoF	MoF, MoR	Improvement plan approved	x				
	P.V.1.3.3 Development of a procedure for publishing key tax revenue information, including Tax Arrears (including ageing), cost-benefit analysis of tax expenditure, tax appeal decisions, and annual performance reports of MoR.	MOR	Procedure document	x				
	P.V.1.3.4 Development and roll-out of capacity building plan to facilitate the roll-out of the above procedure.	MoF, MoR	Capacity building plan and progress reports		x	x	x	x
	P.V.1.3.5 Critical review of the quality of the Taxpayer Database, including development and implementation of a data clean-up plan	MoR			x	x	x	x

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.V.1.4. Implementation of all TADAT findings	P.V.1.4.1 Form team to review TADAT and establish which recommendations remain outstanding	MoR	Review document	x				
	P.V.1.4.2 Draft roadmap for the implementation of remaining TADAT recommendations (Annex III) and implement	MoR	Roadmap document, progress reports	x	x	x		
P.V.1.5 Tax Expenditure reports produced as a matter of course	P.V.1.5.1 Take forward existing UK support to institutionalise the production of Tax Expenditure reports	MoR	Annual tax expenditure reports	x	x	x	x	x
P.V.2. Predictability of in-year resource allocation								
P.V.2.1 Government cash and bank balances consolidated as frequently as possible (with the aim of doing this on a daily basis within the life of strategy)	P.V.2.1.1 Roll-out ZBA approach to all PB accounts. This should include ways of ensuring how the Treasury can access all bank accounts, including those outside TSA structure	Treasury	Weekly, then daily cash balances report generation	x	x	x	x	x
	P.V.2.1.2 Consultation between MoF and Central Bank of Ethiopia to explore ways of accelerating transfers of cash collected by MoR from collection bank accounts to the Treasury Single Account	Treasury	Cash transfers with increased frequency, ultimately instantly	x	x			
P.V.2.2 Improved budget reliability and reduction of in-year reallocations	P.V.2.2.1 Improve budgeting to reduce in-year budget reallocations (cross-referenced to Pillar 1 activities)	MoF	Improved budgeting evidenced by reduced number of in-year reallocations		x	x	x	x
P.V.3. Payroll Integrity								
P.V.3.1 Greater confidence in	P.V.3.1.1 Development of an audit	OFAG,	Standard payroll audit	x				

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
payroll data with a reduction in payroll 'ghosts' and robust ongoing payroll controls.	programme for a comprehensive payroll audit.	Inspection Directorate	programme which can be used across PBs					
	P.V.3.1.2 Implement plan on a rolling basis across PBs, so that each entity is covered once every two years.	OFAG, Inspection Department	Implementation plan, audit reports		x	x	x	x
P.V.4. Procurement								
P.V.4.1. MAPS recommendations acted upon, resulting in an integrated procurement database across government, functional Procurement Complaints Review Board, increased professionalisation	P.V.4.1.1 Ensure that there is a robust, fully funded and fully costed roll-out strategy for e-GP to improve monitoring, evaluation, and management of public procurement.	Procurement Authority	e-GP fully implemented across PBs, ensuring the population of a cross-government integrated database	x				
	P.V.4.1.2 Ensure roll-out of e-GP.	Procurement Authority	e-GP functional in each PB		x	x	x	x
	P.V.4.1.3 Ensure that the plan resulting from the MAPS review (Summarised in Annex IV), is implemented, monitored by the PFM Steering Committee and is seen as part of the overall PFM strategy	Procurement Authority	Revised legal framework	x	x	x	x	
	P.V.4.1.4 Draw up terms of reference for an independent Procurement Complaints Review Board.	Procurement Authority	Terms of Reference		x			
	P.V.4.1.5 Establish Procurement Complaints Review Board and make an appropriate revision to the Procurement Regulations.	Procurement Authority	Procurement Board minutes, revised Procurement Regulations			x		
	P.V.4.1.6 Seek inclusion of procurement officers in moves to professionalise public financial	Procurement Authority	Professionalisation plans and reports		x	x	x	x

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	management sector – cross-reference to Pillar 8 (Cross-Cutting/Professionalisation).							
P.V.4.2. Enhanced transparency in public procurement	P.V.4.2.1 Develop and roll-out framework for ensuring greater CSO engagement in the procurement cycle, in particular, the monitoring of awards and contract implementation progress.	Procurement Authority	Published framework, media and CSO reports			x	x	x
P.V.4.3. Procurement which reflects good practice approach to climate change issues	P.V.4.3.1 Develop training and train procurement staff across PBs on sustainable procurement principles.	Procurement Authority	Training material, reports, list of 'green' procurement champions	x	x	x		
	P.V.4.3.2 Revise procurement guidelines and standard contracts to include 'green' issues and identification of climate-related impacts on the procurement process.	Procurement Authority	Revised guidelines, contracts	x	x			
	P.V.4.3.3 Conduct a detailed appraisal of climate-related impacts of the procurement process.	Procurement Authority				x		
	P.V.4.3.4 Develop and roll-out advanced training on green procurement principles to key staff.	Procurement Agency	Training materials			x	x	
	P.V.4.3.5 Institutionalise assessment of all contracts for climate-related risks and identify actions, particularly for high-impact contracts.	Procurement Agency	Contract assessments, action plans				x	x
P.V.5. Internal controls over non-salary expenditure								
P.V.5.1. Effective	P.V.5.1.1 Ensure that cash modules	MoF	Report confirming	x				

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
commitment controls which contribute to fiscal discipline and the management of arrears	and commitment modules of IFMIS are linked, ensuring that commitments can only be raised when cash is allocated and available.		appropriate linkages					
	P.V.5.1.2 Ensure that commitment modules are rolled out and used by all PBs. Make any necessary changes to Financial Regulations.	MoF	System reports, amended regulations		x	x	x	x
P.V.6. Internal Audit								
P.V.6.1. Internal audit coverage across PBs which is delivered in accordance with international standards, which provides advice which is acted on by senior management, and which is reported on in the public domain	P.V.6.1.1 Review Internal Audit function across government to include job grading, retention issues, etc. and link internal audit to initiatives to professionalise the PFM sector (cross refer to Pillar VIII).	MoF	Review report, implementation of recommendations	x				
	P.V.6.1.2 Develop and roll out capacity building plan for internal audit function, to include application of recognised IA standards	MoF, IAUs, Inspection Directorate	Capacity building plan, roll-out reports	x	x	x		
	P.V.6.1.3 Review and institutionalise management response mechanisms to internal audit reports	MoF, IAUs, Inspection Directorate	Review reports, necessary changes to regulatory frameworks	x	x			
	P.V.6.1.4 Awareness training developed and rolled out to senior management across PBs to inculcate a full understanding of the role of internal audit and its function as a support to management	MoF, IAUs, Inspection Directorate	Development of training modules, roll-out reports			x	x	x

Outcome sought	Activities	Lead agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	P.V.6.1.5 Support given to production of Internal Audit Annual Reports, containing information about plan vs. actual audit performance, coverage, management responses and other issues.	IAUs, Inspection Directorate	First annual report		x			
P.V.6.2. Internal audit coverage of PBs, which reflects risk-based audit methodology	P.V.6.2.1 Develop Enterprise Risk Assessment Module.	IAUs, Inspection Directorate, MoF	Enterprise Risk Assessment Module		x	x		
	P.V.6.2.2 Provide training for conducting risk assessments for PBs.	IAUs, Inspection Directorate, MoF	Training reports			x		
	P.V.6.2.3 Produce Internal Audit Plans which reflect risk assessments.	IAUs, Inspection Directorate, MoF	Internal Audit Plans			x	x	x

Pillar VI: Accounting and Reporting

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.VI.1. Production of financial information and financial accountability								
P.VI.1.1 Advances are cleared promptly and the balance on advance accounts kept at reasonable levels	P.VI.1.1.1 Build awareness in PBs for senior management to monitor advances	MoF, PBs	Training reports		x			
	P.VI.1.1.2 Review oversight arrangements of PB advances at MoF.	MoF	Review report		x			
	P.VI.1.1.3 Revise financial regulations to reflect responsibilities and accountability mechanisms	MoF	Revised regulations			x		
	P.VI.1.1.4 Provide assistance to produce a Consolidated Receivables report which shows receivables by age	MoF	Reporting template, first report				x	
	P.VI.1.1.5 Ensure that IA functions in each PB review advance once a year and that OFAG covers issues in the Final Accounts audit.	Inspection Directorate, MoF	IA reports			x	x	x
P.VI.2. In-year reporting								
P.VI.2.1 Timely in-year reports produced by IFMIS showing expenditure to date against budget	P.VI.2.1.1 Ensure timely roll-out of IFMIS system to replace IBEX in all PBs.	MoF	System reports	x				
			Capacity building to head of PBs and Federal level cabinmate about understanding and use of PFM reports for decision making purpose	x				

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
			Mandatory production and publication of in-year financial statements		x	x	x	x
	P.VI.2.1.2 Perform review of workload and duties of Government Accounting Unit and building the capacity as needed so that consolidated In year reports can be produced timely	MoF, Government Accounting Unit	Review reports	x				
	P.VI.2.1.3 Provision of training on how to use financial reports for decision-making to senior staff of PBs.	MoF	Training reports					
P.VI.3. Completeness of annual financial reports								
P.VI.3.1 Annual accounts include information on tangible assets and guarantees	P.VI.3.1.1 Consider valuation of and accounting for assets as an issue to be considered as part of IPSAS roll-out – support will be needed across PBs as part of a multi-year engagement	MoF	System reports	x	x	x	x	x
P.VI.4. Transition to IPSAS								
P.VI.4.1. IPSAS accounting fully rolled out and all financial statements prepared in accordance with internationally recognised standards	P.VI.4.1.1 Update and validate current IPSAS roadmap; identify technical assistance needs	MoF	Revised roadmap, technical assistance needs assessment	x				
	P.VI.4.1.2 Secure funding for IPSAS roll out.	MoF	Project agreements	x				
	P.VI.4.1.3 Capacity Building (Training on IPSAS), the roll-out	MoF	Reports		x	x	x	x

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	of roadmap							
P.VI.5: Revision of Chart of Accounts								
P.VI.5.1 Revising the chart of accounts ensure compliance with GFSM 2014 for improved Government Statistics, adoption of IPSAS, better PBB reporting	P.VI.5.1.1. Conduct gap assessment of the existing chart of accounts against the GFSM 2014, IMF technical note on chart of accounts, IPSAS, Programme based budget reporting and IPSAS	MoF	Assessment Report	x				
	P.VI.5.1.2: Revision of the Chart of Account based on the assessment findings	MoF	Revised Chart of Accounts		x			

Pillar VII: External scrutiny and audit

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.VII.1. External Audit								
P.VII.1.1 Complete autonomy, including financial independence, secured for Supreme Audit Institution (OFAG).	P.VII.1.1.1 Accelerate putting in place a new Audit Board to ensure oversight of OFAG	PAC, the Audit Board	New Audit Board in place – Board minutes	x				
	P.VII.1.1.2 Review options for determining budget ceiling for OFAG, including percentage appropriation model, separate appropriation, etc.	Audit Board	Options paper, Audit Board minutes adopting preferred option	x				
P.VII.1.2 Audit reports and recommendations responded to in a timely manner by all PBs across the government.	P.VII.1.2.1 Development of a guidance note for all PBs about how and when to respond to Audit Reports.	OFAG	Guidance Note	x				
	P.VII.1.2.2 Review of legislation and regulations to ensure good practice and reflection of the above guidance note	OFAG, MoF, HoPR	Revised legislation		x			
	P.VII.1.2.3 Reinvigorate roll-out of audit recommendations tracking system	OFAG	Tracking system in place		x	x		
P.VII.2. External Scrutiny								
P.VII.2.1. A fully capacitated Public Accounts Committee which is able to use the work of OFAG to hold it and the executive to account.	P.VII.2.1.1 Review capacity of PAC, with a view to producing capacity building plan for committee members and parliamentary secretariat	HoPR	Review of capacity		x			
	P.VII.2.1.2 Roll-out of a capacity building plan, to include the review	HoPR	Capacity building plan reports			x	x	x

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
	of climate-related expenditure and gender issues							
P.VII.2.2. OFAG keeps abreast of reforms and developments across the government, enabling it to remain relevant in its advice and oversight	P.VII.2.2.1 Review of capacity needs of OFAG, bearing in mind challenges resulting from IFMIS implementation, IPSAS, climate and gender	PFAG	Review report	x				
	P.VII.2.2.2 Ongoing capacity assistance reflecting capacity needs assessment, with particular emphasis on building OFAG's capacity to undertake IT audit	OFAG	Capacity building reports		x	x	x	x
	P.VII.2.2.3 Training of OFAG staff to enable audit of Gender Responsive Budgeting and climate related issues	OFAG	Training materials, training reports			x	x	
P.VII.2.3 Parliament has capacity to review draft legislation to ensure that good PFM practice is reflected and impact on existing laws and policies is assessed.	P.VII.2.3.1 Training given to parliamentarians in reviewing legislation ensure that good PFM practice is reflected and impact on existing laws and policies is assessed.	HoPR	Training material and reports			x		
P.VII.3. Accountability and the media, CSOs								
P.VII.3.1 Media sector and NGOs are aware of the work of OFAG, and play a role in enhancing accountability	P.VII.3.1.1 Programme of training and awareness raising for media and CSOs	OFAG	Training reports		x			

Pillar VIII: Cross-cutting Issues

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
P.VIII.1. Gender Budgeting								
P.VIII.1.1 Gender-related expenditure linked to a robust policy framework	P.VIII.1.1.1 Review of Gender Policy Framework to map all policies in place	MoF, Ministry of Women and Social Affairs	Review documentation	x				
	P.VIII.1.1.2 Review of GRB budgeting guidelines to ensure linkages to the strategic framework	MoF, Ministry of Women and Social Affairs	Revised guidelines, review report		x			
	P.VIII.1.1.3 Conduct a Gender PEFA	MoF, Ministry of Women and Social Affairs	Gender PEFA assessment report		x			
P.VIII.2. Professionalisation								
P.VIII.2.1 Professional standards applied across the PFM sector in Ethiopia which guide both technical practice and ethical standards	P.VIII.2.1.1 Continue to advocate for professionalisation with PMO; ensure agreement of Professionalisation strategy	AABE	Government minutes, memoranda, directives Professionalisation strategy	x				
	P.VIII.2.1.2 Promulgation of Professionalisation Strategy	AABE, PBs	Strategy reports		x	x	x	x
P.VIII.3. Climate Responsive PFM								
P.VIII.3.1 Budgets fully	P.VIII.3.1.1 Establish and capacitate Climate Budget Department in Budget Directorate, MoF.	MoF	Revised MoF structure, capacity building plans	x	x	x		

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
reflect CRGE and other climate-related policies of the government			and reports					
	P.VIII.3.1.2 An in-depth review of existing budgeting practices to better identify current gaps and weaknesses.	Climate Budget Department, MoF	Review report		x			
	P.VIII.3.1.3 The development of assessment frameworks which should be applied to determine the extent to which any budget proposals meet the government's climate-related policies (as well as the relevant sectoral policies).	Climate Budget Department, MoF	Assessment frameworks		x			
	P.VIII.3.1.4 Steps to integrate climate change considerations into the budget circular. This will provide guidance to PBs as to how to integrate climate change into planning and budgeting processes, including the incorporation of climate-related fiscal risks.	Climate Budget Department, MoF	Revision to budget circular guidance		x	x		
	P.VIII.3.1.5 Conduct Climate-related Public Expenditure Review	MoF, CRGE PBs	Public Expenditure Reviews			x	x	
	P.VIII.3.1.6 review upcoming Disaster Risk Financing Strategy to ensure that all recommendations around strengthening PFM practices to make them more climate-smart are incorporated in mainstream reform plans	MoF	Review document		x			
P.VIII.4. Building Financial Management Literacy across government								
P.VIII.4.1 Greater PFM compliance grounded in the	P.VIII.4.1.1 A set of PFM training modules designed for senior management of PBs and parliamentarians on finance committees, including new appointees.	MoF	Module design	x				

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
high level of PFM awareness across PB leadership and other key stakeholders								
	P.VIII.4.1.2 Roll-out of training to leaders in PBs and key stakeholders				x	x	x	x
	P.VIII.4.1.3 Conduct assessment of the potential for CSO and media engagement in PFM and conducting consultative workshop based on the findings.	MoF	Assessment report		x			
	P.VIII.4.1.4 Roll out of training to Civil society, media, and parliamentarians					x	x	x
P.VIII.5. Enhancing Fiscal Federalism								
P.VIII.5.1 Improved overall PFM performance of SNGs through support to core functions and roll-out of IFMIS	P.VIII.5.1.1 Support to IFMIS implementation across SNGs	MoF- IFMIS Directorate	Annual reports showing progress of IFMIS implementation.		x	x	x	x
	P.VIII.5.1.2 Inclusion of SNGs on PFM Technical Steering Committee	MoF	Steering committee minutes	x	x	x	x	x
	P.VIII.5.1.3 Assisting regions with reform implementation to improve the quality of accounting, reporting, and integration with other PFM functions, internal audit, procurement, budgeting (including programme budgeting), asset and investment management <i>woredanet</i> infrastructure and data centre management	MoF- relevant departments as applicable FPPPA	Memoranda of understanding between federal government and SNGs. Joint action plan to be developed with KPIs Annual progress reports against KPIs	x	x	x	x	x
	P.VIII.5.1.4 Supporting conflict-affected regions to restore their PFM system	MoF	Damage assessment reports Action plan detailing	x	x	x	x	x

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
			federal government support Implementation reports					
	P.VIII.5.1.5 Support to regions to report to Federal Government on the use of funds allocated for climate Expenditure (This requires supporting of SNGs to be able to tag climate related expenditure)	MoF	Report on climate related expenditure			x	x	x
P.VIII.5.2. Strengthened accountability institutions of SNGs	P.VIII.5.2.1 Conducting consultative fora with the Regional Office of Auditors General (ORAGs)	OFAG	Meeting minutes and communiques	x	x	x	x	x
	P.VIII.5.2.2 ORAG Capacity Building training/peer-to-peer support from OFAG	OFAG	Training reports	x	x	x	x	x
	P.VIII.5.2.3 Mentoring and peer-to-peer capacity building support to REACCs in corruption prevention and detection	FEACC	Training reports		x	x	x	
	P.VIII.5.2.4 Building the capacity of regional councils (specifically the regional PACs and Budget and finance standing committees)	OFAG /MoF	Training reports		x	x	x	
P.VIII.5.3. Enhanced revenue generation and revenue administration capacity of SNGs	P.VIII.5.3.1 Capacity Building Support to regional Bureaux of Revenue	MoR	Training reports		x	x	x	
P.VIII.6 Managing Reform								
P.VIII.6.1: Strengthening the	P.VIII 6.1.1 Capacity	MoF	Capacity Assessment	x				

Outcome sought	Activities	Lead Agency	Output Indicator	Y1	Y2	Y3	Y4	Y5
capacity of EMRD	Assessment of the EMRD		report					
	P.VIII.6.1.2 Capacity Building Support to EMRD (staffing and training)	MoF	Staffing and Training reports	x				
	P.VIII.6.1.3 Technical assistance support to EMRD	MoF	TA progress reports		x	x	x	x

Annex III: Summary of TADAT Performance Assessment

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
POA 1: Integrity of the Registered Taxpayer Base		
P1-1. Accurate and reliable taxpayer information .	D	Reliability of the taxpayer registration database is low as a result of the uncertainty as to the number of active taxpayers and poor design of the tax administration system (SIGTAS) and lack of procedures for maintaining the tax register.
P1-2. Knowledge of the potential taxpayer base.	D	ERCA does not routinely undertake actions nor routinely use third party data to identify unregistered entities.
POA 2: Effective Risk Management		
P2-3. Identification, assessment, ranking, and quantification of compliance risks.	D	ERCA does not conduct research to identify compliance risks. Further, a structured risk assessment process is yet to be implemented.
P2-4. Mitigation of risks through a compliance improvement plan.	D	ERCA does not have a compliance improvement plan.
P2-5. Monitoring and evaluation of compliance risk mitigation activities.	D	The impact of risk mitigation activities on taxpayer compliance behavior is neither monitored nor evaluated.
P2-6. Identification, assessment, and mitigation of institutional risks.	D	A enterprise risk management framework was developed in 2012 but has not yet been implemented.
POA 3: Supporting Voluntary Compliance		
P3-7. Scope, currency, and accessibility of information.	C	There is a wide range of information available to taxpayers at a minimal cost. However, It is not available at convenient times nor is it always current.
P3-8. Scope of initiatives to reduce taxpayer compliance costs.	C	A presumptive tax regime (turnover tax) is in place to provide simplified record keeping and reporting arrangements for small taxpayers. Common misunderstandings by taxpayers are analyzed and published as FAQs (frequently asked questions). Tax forms are outdated, and the e-filing system is currently limited to taxpayers only (not authorized agents).
P3-9. Obtaining taxpayer feedback on products and services.	B	ERCA uses a variety of methods to elicit regular feedback from taxpayers, but taxpayer input is not taken into account in the design of new
		administrative processes and products when they are first introduced.
POA 4: Timely Filing of Tax Declarations		

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
	D	Overall, the data provided to rate this indicator (Attachment III, Tables 4 – 8) are inconsistent and unreliable, and therefore determined to unusable to rate this indicator.
P4-11. Use of electronic filing facilities.	D	Electronic filing is currently in place for all core taxes but restricted to the large taxpayer branch and some of the medium taxpayer branches. Moreover, because e-filing is not mandatory, taxpayers can alternate between e-filing and manual filing.
POA 5: Timely Payment of Taxes		
P5-12. Use of electronic payment methods.	D	There are no facilities for taxpayers to pay taxes electronically.
P5-13. Use of efficient collection systems.	D	Although there is some withholding at source for certain taxes, there are no advance payment arrangements for income taxes. arrangements.
P5-14. Timeliness of payments.	D	A large percentage of value added tax (VAT) payments is reported to be made on time (88 and 95 percent by number and value respectively – Attachment III – Table 10) but this performance statistic needs to be qualified owing to: (i) an unreliable taxpayer registration database (POA 1); (ii) generally unreliable information on filing (POA 4); (iii) the uncertainty regarding the timeliness of payments related to returns filed electronically in the absence of matching electronic payments facilities; and (iv) delays in processing returns and other liabilities. Therefore the data cannot be used to rate this indicator.
P5-15. Stock and flow of tax arrears.	D	Although the level of tax arrears appears to be low (between 12–15 percent – Attachment III, Table 11), the assessment team determines that the data is unreliable given the existence of a large number of taxpayers liable to
		personal income tax (PIT) that do not have tax accounts associated to their Taxpayer Identification Number (TINs); the inaccuracy of taxpayer account balances resulting from delays in posting of liabilities; and SIGTAS specification related inaccuracies in calculating interest and penalties for delayed payments. The data therefore cannot be used to rate this indicator.
POA 6: Accurate Reporting in Declarations		

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
P6-16. Scope of verification actions taken to detect and deter inaccurate reporting.	D+	The audit program covers all core taxes and most key taxpayer segments, but selection of cases for audit is decentralized. There is no automated crosschecking of third-party information against taxpayer returns.
P6-17. Extent of proactive initiatives to encourage accurate reporting.	D	There is no system for public and private rulings although nonbinding opinions are issued to guide taxpayers.
P6-18. Monitoring the extent of inaccurate reporting.	D	There is no monitoring of the extent of inaccurate reporting for any core tax.
POA 7: Effective Tax Dispute Resolution		
P7-19. Existence of an independent, workable, and graduated dispute resolution process.	D+	A tiered review mechanism is in place and is used, but there are no documented administrative procedures to support the review process. Furthermore, the administrative and appeal stages are not fully independent, and complete details about the tiered dispute process are not published.
P7-20. Time taken to resolve disputes.	D	Data is not kept on the time taken to determine disputes.
P7-21. Degree to which dispute outcomes are acted upon.	D	Dispute outcomes are not acted upon.
POA 8: Efficient Revenue Management		
P8-22. Contribution to government tax revenue forecasting process.	D	Involvement in revenue forecasting is minimal.
P8-23. Adequacy of the tax revenue accounting system.	D	The system does not align with tax laws and government accounting standards with much of the revenue monitoring and reporting done manually.
P8-24. Adequacy of tax refund processing	D	The VAT refund system is inadequate. It is manual, not risk-based, requires a separate refund claim by taxpayers, and does not pay interest due to taxpayers for delayed refunds. Accurate data on time taken to process refunds is not available.
POA 9: Accountability and Transparency		

INDICATOR	Score 2016	SUMMARY EXPLANATION OF ASSESSMENT
P9-25. Internal assurance mechanisms.	C+	An independent Internal Audit and Ethics and Liaison Directorates exist but neither has sufficient staff with skills appropriate for the functions. Not all key procedures and internal controls are documented and the audit programs do not cover all key operations. The Ethics and Liaison Directorate (ELD) has appropriate investigative powers, oversees the formulation of integrity strategies, and maintains integrity statistics, but these are not publicly reported.
P9-26. External oversight of the tax administration.	C	Independent external oversight of the ERCA is undertaken by several agencies and taxpayers can ultimately seek redress through an external Ombudsman.
P9-27. Public perception of integrity.	C	Perception surveys are conducted annually, but the results are not published, used to improve ERCA's governance framework, or monitored each year against past performance.
P9-28. Publication of activities, results, and plans.	D	ERCA does not publicize its activities, results or plans.

Annex IV: Summary of MAPS Recommendation

Recommended

No.	Recommended Action	Responsibility	Timeline
	Pillar I Legal, Regulatory and Policy Framework		
1	Revise the PPL considering the recommendations provided in the Matrix.	MoF – Federal	ST
	When preparing the new Procurement Proclamation (i) identify discrepancies, overlaps, and repetitions within the procurement legal and regulatory framework and address them in the revised legislation.	BoF – Regions	MT
2	Ensure integrity and consistency of the law:	MoF – Federal BoF – Regions	Reg
	a. Identify and address discrepancies, overlaps, and repetitions between the procurement legal and regulatory framework and other laws. Some examples are identified in the Matrix.	MoF – Federal BoF – Regions	ST-LT
	b. Add a function to the Regulatory Bodies to screen all procurement laws, circulars, letters, and similar advisory documents, from all sources, for their consistency. Public Bodies should be mandated to submit such documents to the Regulatory Bodies.	MoF – Federal BoF – Regions	ST
	c. Ensure such screening is carried out regularly.	MoF – Federal BoF – Regions	Reg
3	Ensure consistency of the secondary public procurement legislation and other level legislation with the requirement of the PPL ³⁰ .	MoF – Federal BoF – Regions	ST
4	Develop appropriate legislation for SOEs' procurement based on analytical study to identify the need and objective of regulating their procurement.	FPPA jointly with the regional regulatory bodies	ST

No.	Recommended Action	Responsibility	Timeline
5	<p>Establish a single, central, and easily accessible repository for all directives, circulars, letters, and similar advisory documents to be kept up to date and complete.</p> <ul style="list-style-type: none"> - Improve coverage and functionality of the PPA website and maintain its contents up to date. - Regions should establish their own website and until then consider using the federal PPA's website for the short term. 	Regulatory bodies and MoF/BoF	ST
6	Agree on harmonized SBDs for the federal and regional levels, update the SBDs, and publish on the website Maintain it up to date.	Regulatory bodies	ST - MT
7	Develop a policy for promotion of sustainable procurement.	MoF/BoF	MT
8	Engage procurement stakeholders to create awareness on sustainable procurement.	Regulatory bodies	MT
9	In the Regions, issue PPP directives in accordance with their PPL or preferably separate PPP proclamation with a directive.	BoF - Regions	MT
Pillar II Institutional Framework and Management Capacity			
10	<p>Adopt and implement a law to ensure proper project planning, administration, and management.</p> <p>At the federal level such law is currently in the process and it needs to be championed for approval.</p>	NPDC House of the People's Representatives Regions	ST
11	<p>Improve performance on payment:</p> <ul style="list-style-type: none"> - Review the processes for payment of invoices to identify and remove bottlenecks. - And streamline budget transfer process from federal to regions - Ensure consistency between finance and procurement documents on payment procedures. - Consider publishing payment procedures on websites for easy access to the bidding community and the public 	PBs MoF/BoF	ST + Reg

No.	Recommended Action	Responsibility	Timeline
12	Review the organizational structure of the regulatory bodies to identify improvements to allow the regulatory bodies to focus on and properly discharge their key responsibilities. Provide adequate staffing as per the approved positions.	MoF/BoF	MT
13	Establish regulatory function with adequate structure and resource, independently from BoF particularly in the big regions like Oromia and Addis Ababa City Administration.	BoF - Regions	MT – LT
14	Procurement of common goods (FA):		
	a. Improve performance of PPDS and provide adequate staffing to PPDS as recommended in the Matrix.	Federal + Regions	MT
	b. Expand line items for framework agreement to harness the benefit from FA.	SNNPR and Afar	
15	Consider revising the primary legislation in the Regions to include the centralized procurement arrangement (pool system) used in Woredas and Zones.	BoF	MT
16	Implement e-GP:		
	a. Pilot at the federal level ³¹ .	PPA	Immediate
	b. Prepare a roadmap for the roll out at the federal level.	PPA	ST
	c. Prepare Roadmap for development and implementation in the Regions	Federal PPA and BoF	ST
18	Improve system for collecting and use of procurement data.	Regulatory bodies	MT
	a. Establish a procurement policy team that utilizes the procurement data to make procurement policy recommendation.	Regulatory bodies	ST
	b. Consider integrating the existing KPI system with e-GP to ensure consolidated data collection, analytics, and reporting	Regulatory bodies	MT

No.	Recommended Action	Responsibility	Timeline
	C. Issue annual reports publicly on the performance of the procurement system including trend analysis.	Regulatory bodies	Reg
19	Training:		
	a. Update the procurement professionalization training strategy document and the roadmap to reflect current developments and lessons and address the challenges to establish skill based sustainable training program.	PPA	ST
	b. Consider establishing permanent training programs of suitable quality in regions or agree with the federal PPA to access training programs offered at federal level	Regions Regulatory bodies	ST
20	Establish competence-based professional development and procurement profession based on the technical and behavioral competencies.	PPA and CSC	MT
21	Develop performance evaluation system specific to public procurement and link with incentives and promotion.	CSC	MT
Pillar III Public Procurement Operations and Market Practices			
22	Introduce a requirement in the legislation to carry out need analysis, followed by the market research	MoF - Federal	ST
23	Develop tools and guidance on procurement performance such as on market research, procurement methods and evaluation of bids, sustainable procurement (see the Matrix) and introduce training on the new tools.	PPA - Federal	ST-MT Reg
24	Carry out dedicated review of record keeping to get it improved	PPA - Federal	ST+Reg
25	Establish a system of monitoring and evaluating contract implementation	PPA - Federal	Reg
26	Establish and carry out regular assessment of risks associated with the identified key sectors	PPA - Federal	Reg

No.	Recommended Action	Responsibility	Timeline
27	Consider adding to the menu of procurement tools such as rejection of abnormally low bids, multistage procurement methods, life cycle cost evaluation criteria, sustainability criteria and contract management features such as arbitration.	MoF - Federal	ST+MT
28	Streamline the process for advertising bids in newspaper in collaboration with the Press Agency. Consider establishing email communication and wire transfer for payment of services charges.	Regulatory bodies	ST
29	Carry out dialogue with the private sector and remove constraints inhibiting access of private sector to the public procurement market.	PPA	Reg
Pillar IV Accountability, Integrity and Transparency of the Public Procurement System			
30	Develop and maintain an online, interactively searchable database, updated regularly and accessible to the general public that will provide data in open format. Once e-GP system becomes operational, such database should be created through e-GP system.	PPA	MT
31	Introduce in the legislation and establish and maintain a mechanism for CSOs engagement in the procurement cycle and feedback loops on procurement performance and to help to make public procurement more competitive and fairer, improving contract performance and securing results.	Regulatory bodies	ST+MT
32	Procurement review and audit:		
	a. Review and provide clear definition of audit and review responsibilities among the institutions (review and monitoring by the Regulatory Bodies and audit by OFAG/ORAG) to remove duplication and inconsistency in their mandates. In the interim, the institutions should agree on how their audit are differentiated.	MoF/BoF	MT+LT
	b. In agreement with OFAG and ORAG support improve capacity building to the auditors in procurement. Ensure that the auditor to audit procurement are hired based on competencies and skills in procurement.	PPA	MT

No.	Recommended Action	Responsibility	Timeline
	c. Establish a formal follow-up procedure for procurement audits. It is necessary to ensure enforcement of actions and addressing the reviews and audit findings by the public bodies with necessary support from management level.	MoF	ST
33	Consider reestablishing the Federal Complaint Review Board with structure allowing to avoid conflict of interest and with adequate resources to carry out its responsibilities in a timely manner.	MoF	MT
34	In Oromia and Addis Ababa establish a separate review body ideally supported by its own secretariat or consider sharing services from one appeal body with the federal government.	BoF	MT
35	Revise procedural provisions on complaint appeal to ensure that bidder have the right to review on the important procurement decisions, provide for realistic time and procedure to review complaints, publish the decisions of CRB, define the mechanism to enforce the decision of the CRB/BoF in the legal documents	MoF	ST
36	Establish practical and accessible appeal system for procurement at local level	BoF	MT
37	Ensure consistency of the public procurement legislation and other laws related to fraud and corruption.	MoF	MT
38	Improve availability and access to information showing evidence that the laws on fraud, corruption and other prohibited practices are being enforced.	PPA + AG	Reg

Annex V: Public Finance Management Monitoring, Evaluation and Learning Framework

This document is included as a separate attachment.

Annex VI: Stakeholders consulted

	Name	Organisation	Position
1	Ato Dawit Shimeles	MoF - Expenditure Management and Reform Directorate (EMRD)	Director
2	Ato Dessu Gebre	MoF - EMRD	Team Leader
3	W/ro Sosina Beyene	MoF - EMRD	Team Leader
4	Ato Muluken Asseged	MoF - EMRD	Team Leader
5	Ato Daniel Haile	Ministry of Education	Finance Team Leader
6	Ato Mesele Getachew	Ministry of Education	Finance Team Leader
7	Ato Delil Kedir	Ministry of Education	Property Management
8	Ato Addisu Tesfaye	Ministry of Education	Procurement
9	Sebsibie Lema	Ministry of Education	EMIS & ICT CEO
10	Ato Solomon	Ministry of Health	Finance Directorate
11	Ato Simachew Anemut	Ministry of Health	Budget Control & Monitoring Team Lead
12	Ato Naod	Ministry of Health	Planning Directorate
13	Ato Alemayehu Bekele	Ethiopian Road Authority (ERA)	M&E Team Lead
14	Mamaru Tesfa	Ethiopian Road Authority (ERA)	Internal Audit
15	W/ro Aster Mamo	Ethiopian Road Authority (ERA)	Goods Procurement & Facility Management Directorate
16	Ato Endale	Ethiopian Road Authority (ERA)	Planning and Budget Team Lead
17	Ato Hailu	Ethiopian Road Authority (ERA)	Payment and Payroll Team lead
18	W/ro Neteru Wendwessen	MoF - Treasury	Director
19	W/ro Emebet Aklilu	MoF - Treasury	Revenue Team Leader
20	Ato Yohannis Hailu	MoF - Debt Directorate	Director
21	Ato Dawit Birhanu	MoF - Budget Directorate	Budget Team Lead
22	Ato Henok Zewdu	MoF - Public Enterprise	Public Enterprise Senior Expert
23	Ato Alehegne Mewakgne	MoF - Government Accounts	Director
24	W/ro Shishay	MoF - Government Accounts	
25	W/ro Aster	MoF - Government Accounts	
26	w/ro Abaynesh Teshome	MoF - Legality Inspection Directorate	Director
27	Ato Nigussie		
28	Ato Mekonnen Geda	MoF - IFMIS	Deput Director
29	Ato Jenso	MoF - Fiscal Policy Directorate	Director

30	Ato Zelalem Abate	MoF - Public Relation	PR and Information Directorate Expert
31	Ato Tsegaye Abebe	Public Procurement & Property Administration Agency	Procurement Project coordinator and Training Advisor
32	Ato Gebeyaw	Public Procurement & Property Administration Agency	Procurement Project coordinator
33	Ato Negash	Public Procurement & Property Administration Agency	Procurement Project coordinator
34	W/ro Muludesta Workneh	Public Procurement Service	Procurement and Contract Administration Sector Deputy Director General
35	H.E W/ro Arara Mosisa	Parliament - PAC	Deputy Chairperson
36	Hon. Dr Eng Seleshi Kore	Parliament - Budget and Finance Standing Committee	Deputy Chairperson
37	W/ro Roman Alebachew	Ministry of Revenue - Strategic Department	Main Team Leader
38	Ato Ashenafi Molla	Ministry of Revenue	Team Leader
39	Tilahun Banke	MoF - Budget Directorate	Budget Director
40	Bera Tadesse	Office of the Federal Auditor General	Deputy Auditor General (Audit Division)
41	Awoke Yabe		OFAG office Head
42	Theodros	Ministry of Planning (MoP) - Public Investment Management (PIM) Directorate	Team Leader
43	Keteme	MoP - PIM	Team Leader
44	Aselefech	MoP - PIM	Team Leader
45	Bereket	MoP - PIM	Director
46	Meron Tadesse	World Bank	Senior Financial Management Specialist
47	Abiy Demissie	World Bank	Senior Financial Management Specialist
48	Mathias Hoffmann	KfW Group	Portfolio Manager (Principal)
49	Fisseha Alazar	EU Delegation - Ethiopia	Programme Manager - Governance and Service Delivery Team
50	Zeleka Paulos	UNICEF Ethiopia – Social Policy	Social Policy Specialist
51	Enat Shiferaw	UN Women	Programme Analyst, National Planning and Gender Responsive Budgeting

Annex VII: Key documents consulted

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Annex V: Public Finance Management Monitoring, Evaluation and Learning Framework

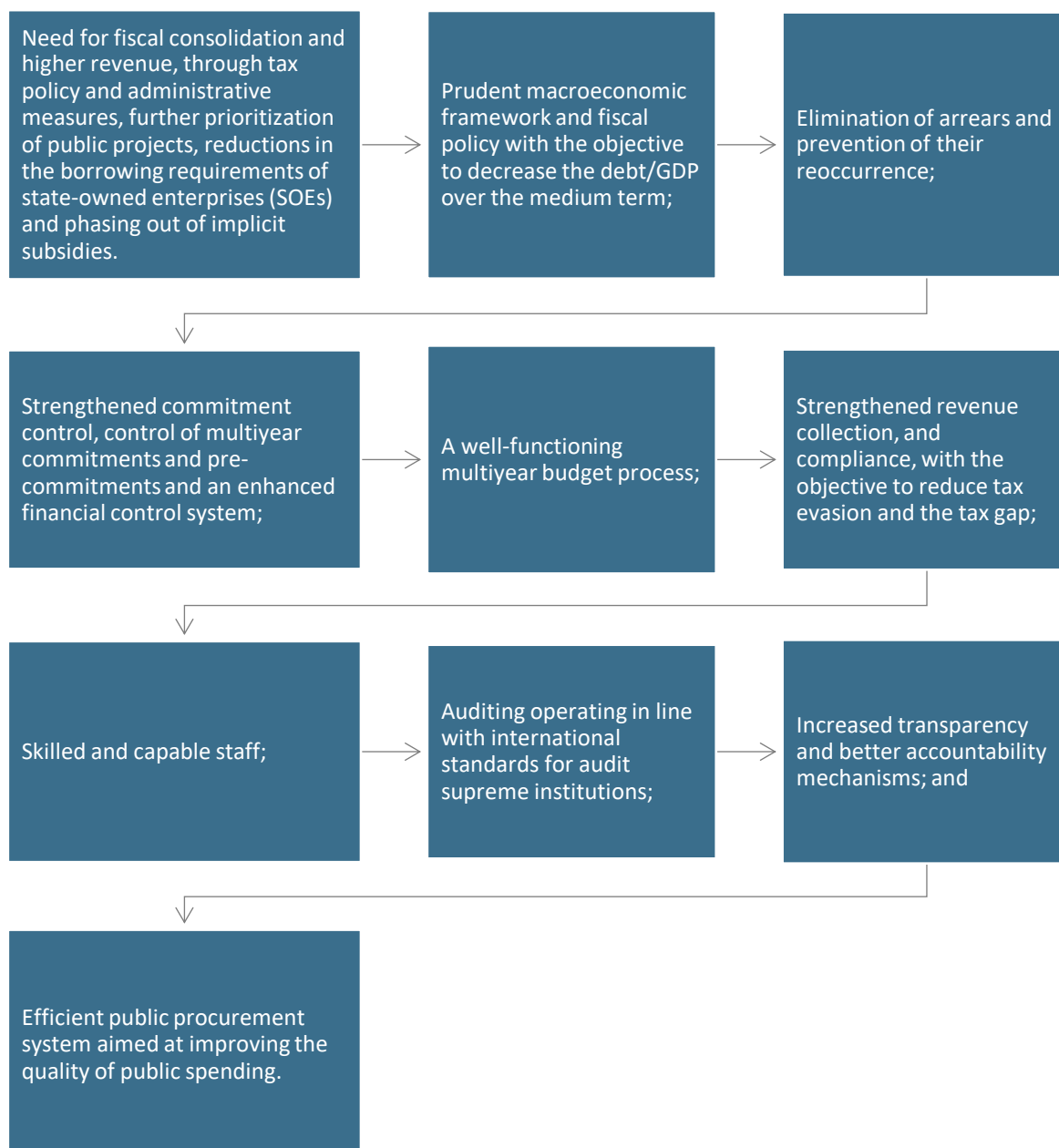
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1. Summary of Key Points

The overall objective of the PFM reform strategy is to achieve a better balanced and sustainable budget with a reduced debt ratio through more robust financial management and control and audit processes where budget execution is adequately linked to national development policies.

The main thematic priorities, as outlined in the PFM Strategy document, are summarized as follows:



Implementation of the PFM Strategy requires a sound monitoring system which will be designed at the initial stages of the strategy implementation. This design will take into consideration the following:

- *Public Finance Management Reform (PFM) management structure and institutional set-up:* The key elements of this set-up will be established as part of the PFM Action Plan. (Although the basic structure is there in terms of accountable institutions, there is a need to review the efficiency of the functioning of the existing PFM management structure in practice).
- *Costing of the PFM Strategy:* The Technical Committee will develop estimated costs (budget) for each identified intervention in consultation with implementing entities. The Steering Committee will review the approved cost of the strategy for final approval. The approved strategic plan budget (cost) will be part of the PFM Strategy document and reflected in the action plans of the responsible entities.

- a. The respective lead agency for implementing the interventions, indicated in the strategic plan and identified in the MEL framework, should propose the budget required for the performance of the strategic interventions based on experience and gathering additional information. Cost estimates should be supported by relevant analysis.

Monitoring and evaluating the cost-effectiveness and efficiency of the strategic plan is critical; however, implementing this strategic plan can only be done if and when the cost estimate of every intervention is undertaken. *At this point of strategy development, the costing of the strategy was not possible, mainly as developing cost estimates specifically for the interventions such as IPSAS implementation, Public Investment Management, Public Asset Management, and roll out of IFMIS require extensive data collection and extensive discussion with different directorates and institutional partners.* The costing should be done later by the Technical Committee as part of annual planning and should be integrated with the strategic plan and the MEL framework which is an integral part of the Strategic plan. The establishment of the PFM management structure and institutional set-up, costing of the PFM strategy, and the establishment of the PFM monitoring and reporting systems will be integrated into the Annual Plans and appropriately sequenced. Annual plans should clearly sequence and cost activities needed to establish and run PFM MEL and should clearly define interventions that come under different management structures/functions such as quarterly steering groups, meetings, reporting, etc.

- *PFM monitoring and reporting:* Concrete steps and the key elements of the preparation of the semi-annual and annual reports will need to be defined, including the deadlines for preparing the reports and the reporting formats and templates to be used. (The steps, deadlines and reporting templates should be determined in the Instruction for PFM monitoring and reporting, which should be prepared by the Ministry of Finance (MOF)).
 - a. To facilitate the presentation of PFM reporting information on the progress of reforms, there is a need to define the Semi-annual and Annual Progress Report structure/s in advance to support the coordination of gathering the required information from ministries, structures and institutions involved in the implementation of the PFM strategy actions.
 - b. To ensure timely evaluation(s), which would in turn inform, the further prioritisation of PFM strategic interventions, the scope and timings of evaluations should be decided on in advance (semi-annual, annual, bi-annual). Based on the type and timing of the evaluation, it is recommended to determine the following scope of the PFM strategy and the Action Plan evaluation:
 - i. The implementation of Strategy and Action Plan (effectiveness);

- ii. The adequacy of the interventions to achieve the desired results and objectives (relevance);
- iii. The adequacy and efficiency of the PFM management structure (efficiency)
- iv. The preparatory works for evaluation should start in early 2023.

PEFA assessment can be used instead of implementing one of the annual PFM Strategy evaluations, especially given that the PFM Strategy relies on the latest PEFA (2019), augmented by additional diagnostics and a wide range of consultations undertaken by the team. Subsequent PEFAs can be undertaken as a way to monitor progress and performance and could be a substitute for at least one of the annual PFM strategy reviews and reporting. Given the new strategy is not yet adapted it would be advisable to allow for at least a year or so to pass in terms of the strategy's implementation to schedule the next PEFA.

Introduction

Monitoring of the implementation of the strategies should be done by different structures in Ethiopia, both functional structures and inter-ministerial coordination structures established for specific strategic areas. However, the primary responsibility for coordination and monitoring of the reform will be placed with the Ministry of Finance, the Ministry of Revenue, the Ministry of Planning and Development, the Office of the Federal Auditor General (OFAG), the Public Procurement and Property Administration Agency (PPPAA) and the Accounting and Auditing Board of Ethiopia. They will have relevant roles and responsibilities for coordinating information aggregation and reports under the relevant pillars.

In addition, the Steering Committee will monitor the PFM Strategy, which will act as an oversight committee responsible for directing and monitoring PFM reform activities with a support of a Technical Committee, which should be established to catalyse the reform activities.

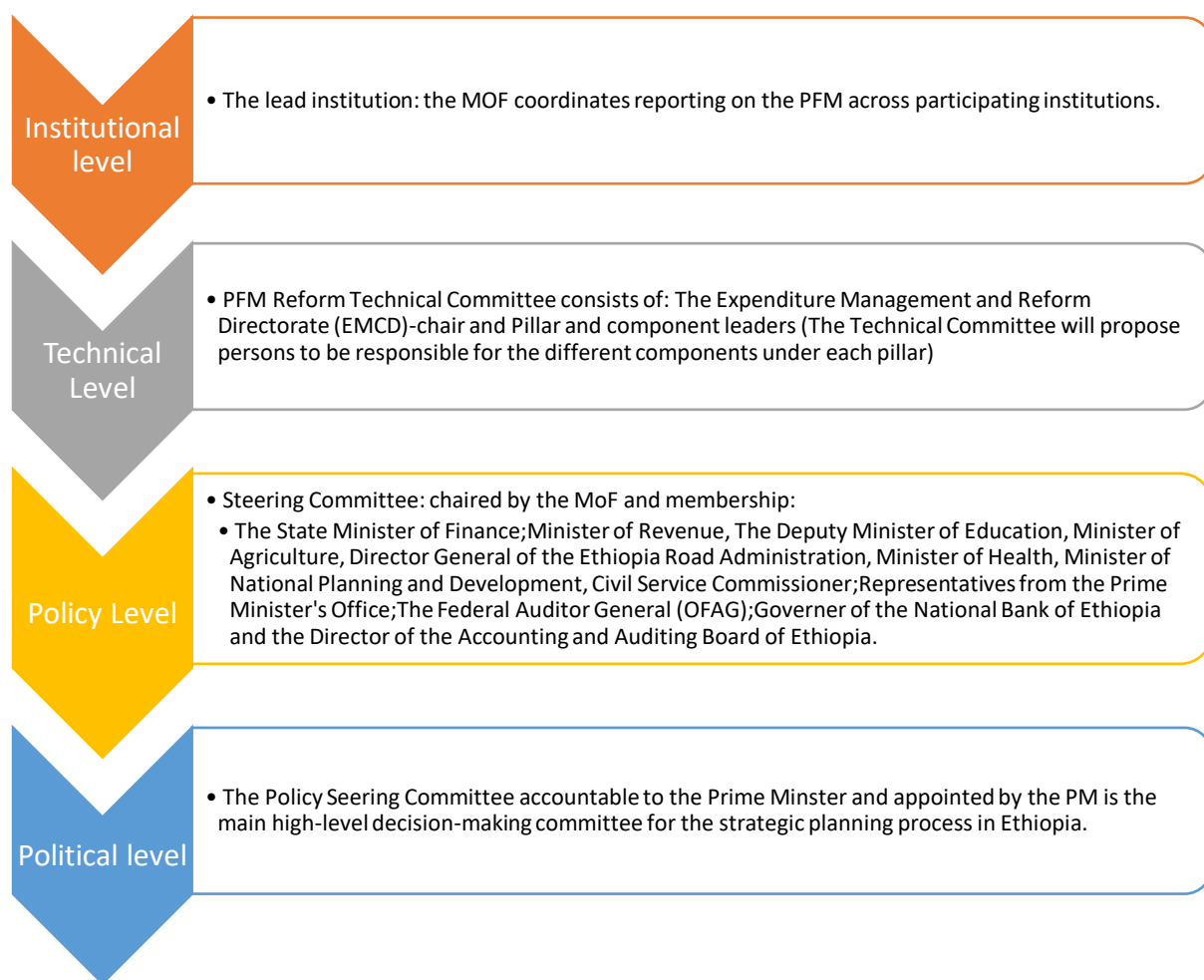
Finally, the National Planning Council and National Planning Committee are responsible for, the overall monitoring of the strategic framework in Ethiopia. As such, the results of all MEL activities for the PFM strategy will be shared with them and MoF on a regular basis. MoF already has the experience, and a dedicated directorate overseeing PFM reform activities will lead the coordination of MEL reporting.

Although the focus of MEL for PFM strategy is equally on all pillars of the strategy, special attention has to be paid to those areas in PEFA where monitoring was assessed as weak in the past, including:

- Monitoring of public cooperations;
- Monitoring of subnational government;
- Financial asset monitoring; Nonfinancial asset monitoring;
- Revenue arrears monitoring;
- Expenditure arrears monitoring and Procurement monitoring.

2. Institutional set-up for PFM monitoring and evaluation

Institutional setup for the monitoring and evaluation of the PFM Strategy ordinarily consists of four levels, starting with the role of the lead institution – the MoF and ending with the political level:



The **first level** consists of the lead institution, the MOF, which coordinates reporting on the PFM across participating institutions.

The **second level** is usually the PFM Reform Technical Committee which consists of the following:

- The Director of Expenditure Management and Reform Directorate (EMCD)
- Pillar and component leaders:

The Director of EMCD will chair the Technical Committee. The Technical Committee will propose persons to be responsible for the different components under each pillar.

The **third level** consists of the Steering Committee¹ to be established to ensure the effective implementation of the reform strategy and to facilitate the coordination of efforts or reporting and learning. The Minister of Finance will chair Steering Committee. The Committee members will likely comprise the following participants:

¹ The implementation of previous PFM reforms have been overseen by a National PFM Reform Steering Committee chaired by the State Minister of MoF. The administrative focal point of the reform has been the Expenditure Management and Control Reform Directorate under the MoF. Beneath this has been a PFM Steering Committee, comprising the Ministry of Finance and Regional Bureaux. These arrangements should stay, although the terms of reference of the committees should be revisited, as they should now include: (i) A clear set of procedures about how M&E information will (re)enforce accountabilities; and (ii) Board membership in both of these committees, given the broader nature of this strategy, to include the Ministry of Revenue, the Ministry of Planning and Development, the Office of the Federal Auditor General, the Federal Ethics and Anti-corruption Commission and possibly other bodies working in accountability. Perhaps two sub-committees could be formed, one involving the regions and one the broader representation of the various federal stakeholder bodies.

- The State Minister of Finance (MOF Reform Implementing Directorate-see PFM strategy pg. 19) ;
- Minister of Revenue
- The Deputy Minister of Education
- Minister of Agriculture
- Director General of the Ethiopia Road Administration
- Minister of Health
- Minister of National Planning and Development
- Civil Service Commissioner;
- Representatives from the Prime Minister's Office²;
- The Federal Auditor General (OFAG);
- Governor of the National Bank of Ethiopia
- and the Director of the Accounting and Auditing Board of Ethiopia.

To provide focal points for reform, PFM Reform Unit will be established across Public Bodies - starting with the significant sectoral Public Bodies - to facilitate the implementation, reporting and M&E of reform. These Units where possible can be sub-units (part of already existing) Finance and Administration units within Public Bodies, staffed with existing civil servants whose Job Descriptions specifically refer to MEAL tasks of PFM Strategy.

The **fourth level** is at the Steering Committee level, which is accountable to the Prime Minister and appointed by the PM, as the main high-level decision-making committee for the strategic planning process in Ethiopia. The PM will be informed on the overall process of implementation of PFM reform through reports that the Steering Committee will submit.

A subcommittee to support regions in developing their respective PFM strategy should be established (or retained, as this was a feature in the last strategy), and a representative of that committee should attend the meetings of the National Steering Committee.

3. Monitoring and reporting system for the PFM Strategy in Ethiopia

To ensure quality and useful monitoring and reporting, it is necessary to establish immediately upon the adoption of the PFM strategy the following:

- Clear monitoring and reporting process with responsibilities and calendar.
- Templates and tools to be used in monitoring and reporting (including any IT solutions, if possible, some suggestions are part of the following sections of this document);
- Consensus on the ways to use monitoring and reporting information in the decision-making process; and
- The capacity for MEL of both lead and the key participating institutions.

Clear monitoring and reporting process are needed to inform the participants of their responsibilities and allow them to prepare for any commitments. Established processes should include the procedures to complete monitoring and reporting (WHAT), the responsible institutions for completion of procedures (WHO) and the time to complete these procedures (WHEN/FREQUENCY). The basis for creating this process for the entire duration of the PFM

² Linking the PFM strategy work with the 10-year plan.

strategy is presented in the MEL Matrix and is complementary to the Consolidated Strategy Matrix.

Templates and tools (drafts/examples of which are also included with this document) are necessary to structure the communication between institutions and to ensure that the presentation of information is compatible and easy to consolidate. These templates should be tested with relevant institutions (selected number of institutions/pilots) to determine if they produce the required information. Furthermore, these templates should be accompanied by instructions on how to fill the templates so that all institutions deliver the same message and apply the same reporting standards. Finally, to guarantee that everyone interprets instructions in the same way, a briefing is needed almost at the beginning of the strategy implementation, especially given that many institutions will be involved in the monitoring and reporting process.

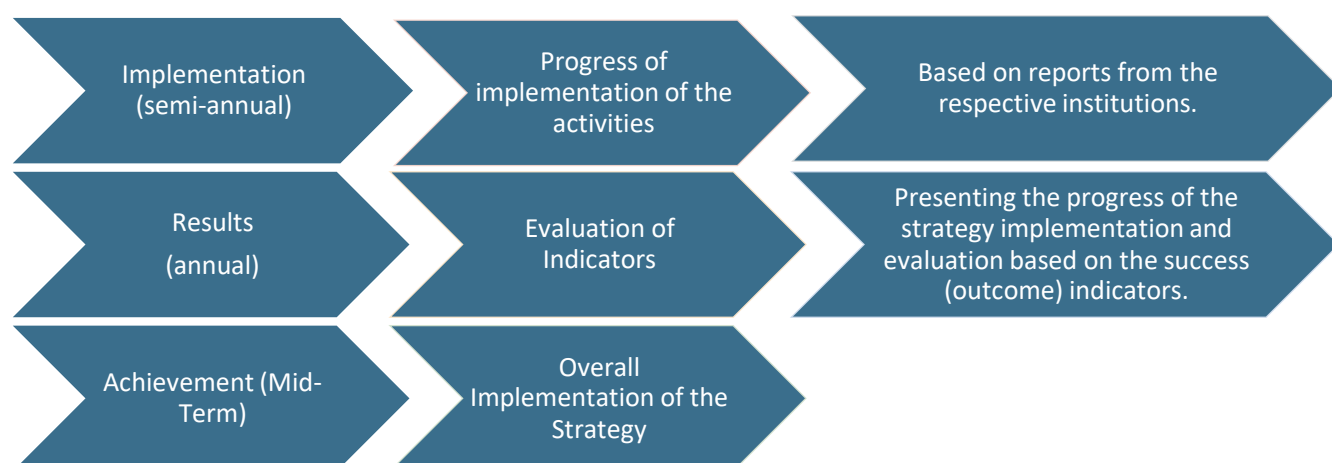
To ensure that reporting and performance information is utilised for future policy design, it is important to structure the information well so that policymakers and the wider public spend as little time as possible to absorb it. The report structure must therefore be designed to meet the needs of the end users.

And finally, the **capacity of the institutions** to produce quality information and consolidate information is also essential, as it requires skills to produce good reporting, not as that is often a case reporting information focused on daily, routine actions but rather on analysis of the achievements. The capacity for PFM MEL should therefore be improved through guidance, training, and practice/in-house mentoring.

The basic elements of the monitoring system of the PFM Strategy are defined in the Action Plan, MEL Matrix, and complementary Consolidated Strategy Matrix.

Frequency: As presented in the figure below the implementation of the PFM should be monitored semi-annual and annually, with a mid-term evaluation (interim) of the strategy.

Figure 1: M&E System of the PFM Strategy



Key steps of reporting and responsible institutions:

This section sets out possible institutional arrangements for implementation, coordination and MEL

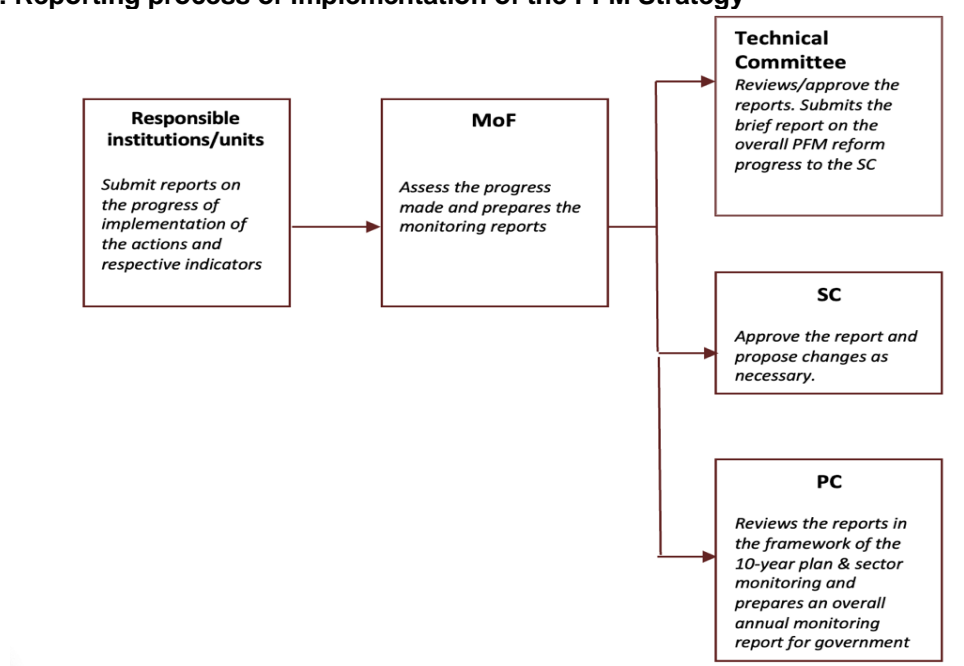
Lead Ministries, Departments and Agencies are responsible for carrying out the activities and reflecting them in their departmental/institutional work plans, allocating resources to the relevant activities, implementing them and reporting on the achievements of activities.

The Legislature and Broader Coalitions such as the Parliament, Assemblies, the private sector and civil society groups are important in achieving some results. Civil society has both the non-auditing and auditing roles in this process. Under the non-auditing roles, civil society organizations can play a participatory role in the strategic planning stage and the budgeting stage of the public financial management process. In the auditing role, civil society organizations can monitor government expenditure, contract analysis and follow up on the Auditor General's reports. In addition to the oversight role which Parliament has in managing public finance, it also has a duty of accounting to the people, ensuring that executive authority is called upon to render account, e.g. through the public accounts committee and Auditor General.

The Technical Committee is responsible for providing technical guidance to strategy implementation and facilitating of cooperation and the collaboration of various entities. They are responsible for consolidation of quarterly and annual results, consolidation and review of strategy annual plans and resource allocations to achieve strategy before submitting them for approval to the Steering Committee. They should meet regularly at the start of the implementation and then at least twice a year once the dynamic of strategy implementation has been decided.

The Steering Committee is the key authority and decision-making body for the PFM Strategy. They are in charge of providing direction and provision of oversight, and guidance on the approach to the delivering results. This committee provides the authorisation needed for achieving reform implementation. The decisions made by the Steering Committee are final and should be implemented by the relevant PFM stakeholders. The committee should meet at least twice a year.

Figure 2: Reporting process of implementation of the PFM Strategy



To guide the Ministry of Finance in carrying out monitoring/reporting on the implementation of the PFM Strategy, suggested instructions for Monitoring and Reporting on the Implementation of the PFM Strategy can be found in Annex 1.

It is also important to highlight the role of oversight institutions, such as Supreme Audit Institutions (SAI) And Public Accounts Committees (PAC), in monitoring and evaluating the PFM Strategy. Causal evidence points out that significantly increased support for SAIs could lead to the improved achievement of objectives relating to external audits, particularly core public management and anti-corruption objectives. Building the capacity of SAI is crucial as they lack qualified staff and technical capacity and a general lack of financial resources. To ensure that government responds to recommendations from SAIs, sufficient political will or strengthening of the enforcement power on the part of the SAI should be built as a precondition for the implementation of this strategy. To enhance these enforcement powers lack of demand on the part of civil society and the media has to be tackled, including a lack of capacity on the part of SAIs to engage with civil society and the media effectively.

Furthermore, PACs are successful as catalysts for improving policy implementation and ensuring the availability of government information to parliament. Focusing on governments' financial activity and accountability rather than evaluating the content of government policies; having a broad mandate and the freedom to choose what to investigate, including the ability to investigate past and present government expenses regardless of when they were made; the power to check whether the government actually undertakes steps to implement the recommendations of the PAC; and close working relationships with Auditors General are key factors that can support effective implementation of the PFM, however, that the success of a PAC again depends on adequate technical support, nonpartisan functioning of the committee, and media coverage and public involvement.

4. Monitoring, Evaluation and Learning (MEL) Framework for the PFM Strategy

The MEL framework below depicts the overall design of the PFM strategy. In addition to improving the implementation and monitoring of the PFM strategy and strengthening its periodic evaluation, the MEL assigns the relevant competent authority for individual activities, which will avoid doubts over the responsibility for implementation and will ensure that the coordinating body is not over-burdened with both implementation and coordinating/ monitoring responsibilities.

It should be noted that in process of developing the Annual Work Plan MELs, which should be coordinated by the Technical Steering Committee, the Government may wish to select outcome-level targets. Therefore, they may wish to include in the MEL framework for example, under outcome P.I.1.1, an outcome-level target around maintaining an “A” PEFA score in the aggregate expenditure composition PEFA indicator and improving to “B” PEFA results under the expenditure composition outturn and revenue outturn dimensions and similar.

Pillar I: Budget reliability

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.I.1 Expenditure Variances						
P.I.1.1 Expenditure outturns show minimal variances, in accordance with good international practice	P.I.1.1.1 Review the regulatory framework governing budgetary compliance.	MoF	Revised regulatory framework and improved compliance with procedures Legal and regulatory changes made to enable implementation of the new standard	Gap analysis of requirements to implement the standard. Revised regulatory framework. OFAG reports on compliance. Procedures and manuals on requirements of the new standard. Reports on the application of the standard (measured on an annual basis). Analytical review demonstrating greater budgetary compliance year-on-year	Qualitative	Annual Y1
	P.I.1.1.2 Capacity building for planning and budgeting officers across PBs, with	MoF - EMCD, MoPD	Needs assessment, a strategic plan, a financing strategy, and a rollout plan of the existing training programs.	Capacity building strategy Financial plan Capacity building reports	Quantitative	Semi-Annual Y1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	particular emphasis on the complexities of capital budgeting.		<p>A pool of officers trained in planning and budgeting created and assigned to budget-related work.</p> <p>Budget skills strategy drafted, including a needs assessment, and prepare an action plan in consultation with relevant stakeholders</p>			
	P.I.1.1.3 Draft and put in place mechanisms to review the readiness of capital projects to be included in the budget process (Cross-reference to Pillar III)	MoPD - PIM Directorate	Identified and incorporated legal and fiduciary requirements into capital monitoring and reporting processes. Decreased variance which comes from Capital Expenditure Deficits funded by borrowing.	Policies and processes for capital project monitoring and reporting documents	Qualitative Quantitative	Annual Y1-Y5
	P.I.1.1.4 Build capacity to enhance role of PIM Directorate in overseeing capital budget proposals	MoPD -PIM Directorate	Staff capable of assessing the feasibility and realistic nature of the budgets and timeframes	Capital Budget Analysis Capacity building reports	Quantitative Qualitative	Annual Y2
	P.I.1.1.5 PFM literacy training across senior management in PBs. (Cross-reference to Pillar VIII)	MoF - EMCD	Funds committed for training of senior management	Capacity building reports	Quantitative	Semi-Annual Y2-Y5
P.I.2 Revenue outturn variances						
P.I.2.1 Revenue outturns show minimal variances against budget, in accordance	P.I.2.1.1 Issues relating to poor revenue and tax enforcement addressed, in consultation with	MoR, MoF Specific directorate: (MoF: Budget,	<p>institutional arrangements for forecasting revenue in place.</p> <p>Scenario/s for government's expenditure and revenue outturn factor/s in dependence on</p>	Periodic agency reports Revenue budgets	Qualitative	Annual Y1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
with good international practice	donors already engaged in this area (including FCDO). Cross-reference to Pillar V	fiscal directorate) MoR (Planning Directorate)	revenue from natural resources, sources of economic and revenue volatility, tax policy and administrative reforms, unanticipated macroeconomic developments, and 'windfall' incomes (including revenues from privatization))			
	P.I.2.1.2 Capacity support to the MoR and the Fiscal Policy Directorate	MoR / MoF- Fiscal Policy Directorate	Staff capable of constructing robust revenue projections in the following year reducing propensity of variance against estimates	Capacity building Capability assessment Revenue projections	Qualitative Quantitative	Annual Y2
	P.I.2.1.3 Capacity support to revenue budgeting across PBs (for non-tax revenue) – Cross reference to Pillar V	MoF - EMCD	More realistic non-tax estimates Improve provision of financial details	Budget Implementation report Capacity building initiative reports	Qualitative Quantitative	Annual Y1-Y2

Pillar II: Transparency of Public Finances

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.II. 1 Production of financial information and financial accountability						
P.II.1.1 Budget Documentation presented to the legislature is inclusive of all information as determined by good international practice	P.II.1.1.1 Revise budget guidelines to incorporate all the elements currently missing in budget documentation	MoF - Budget Directorate, EMCD	Budgetary documentation delivered to parliamentarians in accordance with guidelines, which reflects good practice - leads to better decision-making Submission of all budget documents (as required by good international practice and PPEFA PI-5) to parliament	Budget documentation as presented to Parliamentarians. Reports submitted in budget package	Qualitative Quantitative	Annual Y1

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	P.II.1.1.2- P.II.1.1.4 Capacity support to Budget Directorate, Capacity support to Budget, Tax Policy Directorate and Fiscal Policy Directorate/Debt Directorate, Government Accounts, Finance and Planning Standing Committee members and secretariat staff	MoF - Budget Directorate, EMCD Parliament	PFM information/data accessed and utilised by the executive, the public and the parliament	Budget documentation Capacity building and training records Capabilities surveys over the PFM strategy duration Tax Expenditure reports Summary information of fiscal risks Previous year budget execution reports in the same format as budget estimates	Qualitative	Annual Y1-Y5
P.II.1.2. Public have access to all elements of information as prescribed by good international practice	P.II.1.2.1 - P.II.1.2.3 Conduct review of current documents published, and those required by good practice, and assign responsibilities for production of absent documents	EMCD (FTA Unit), under the MoF	Produced Workplan and roll out of Workplan addressing the production of all Eight elements, including all five basic elements, in accordance with the specified time frames, available to the public.	Workplan for the review, assignment of responsibility document (and possibly circular) Published budget information (as prescribed by PEFA standards)	Qualitative	Annual Y 1-Y5
P.II.1.3 Public servants (are aware of the need to) produce and disseminate information to key stakeholder groups (especially elected representatives and the public). CSOs and media aware of principles of financial	P.II.1.3.1 Train staff in Budget Directorate of MoF on principles underpinning financial accountability	MoF-EMCD, Budget Directorate, MoF	Published recent audit reports in user friendly and accessible format Published Budget Booklet	Training given evidenced by training reports Capability assessments	Qualitative	Annual Y1
	P.II.1.3.2 Train senior management of PBs on principles of financial accountability (rolling programme)	MoF-EMCD, Budget Directorate, MoF	Senior management of PBs aware of need to present information to aid accountability	Audit strategy and guideline Training given evidenced by training reports Capability assessments	Qualitative	Annual Y2-Y3

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
accountability and contribute to demand for information	P.II.1.3.3 Train high-level finance staff across PBs on principles of financial accountability (rolling programme)	Ministry of Finance EMCD	Proactively released information of legitimate public interest where consistent with the principles of financial accountability and related regulations	Training given evidenced by training reports Capability assessments	Qualitative	Annual Y3-Y4
	P.II.1.3.4 Train CSOs and media on principles of financial accountability (rolling programme)	Ministry of Finance - EMCD	Media and CSOs capable of utilising and publishing research and holding executive powers accountable	Training given evidenced by training reports Media reports CSO research/policy briefs	Qualitative	Annual Y4-Y5

P.II.2. Comprehensiveness of Financial Data						
P.II.2.1 Published financial information of GoE contains data from extra-budgetary units, supported by a regulatory framework which ensures the inclusiveness of the Government's financial statements	Review and revise guidelines (and legislative framework) to ensure that revenue and expenditure from EBU is captured, and that responsibilities and accountabilities are clear	MoF - EMCD (FTA Unit)	Revised guidelines and Revised Public Financial Administration proclamation in place	Guidelines Official gazette	Qualitative	Annual Y2
	Ensure that IFMIS roll-out includes EBUs	MoF-FIMIS, EMCD	The completed rollout of IFMIS including EBUs	Confirmatory workplan and report	Qualitative	Annual Y1
	Completion of IFMIS roll-out which includes full assimilation of EBUs.	MoF-FIMIS, EMCD	Production of consolidated financial statements using IFMIS, which include EBUs	IFMIS reports, consolidated GoE statements	Qualitative	Annual Y1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.II.3. Comprehensive sector and consolidated service delivery data						
P.II.3.1. The routine publication of service delivery data by	P.II.3.1.1 Review current regulatory framework to ensure	Ministry of Finance, Ministry of	Revised regulations and Guidelines developed	Regulatory framework review	Qualitative	Annual Y1

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
Federal Government, showing outputs and outcomes achieved through public expenditure for all sectors	the assignment of clear responsibilities for the coordination and consolidation of sector service delivery reporting, with Ministry of Planning and Development as the clear focal point	Planning & Development (MoPD)				
	P.II.3.1.2 Development of standardised format for reporting of sector service delivery by MoPD. (Consider support from short-term technical assistance if necessary)	MoPD	Standardised reporting template developed	Reporting templates Technical assistance reports	Qualitative	Annual Y1-Y2
	P.II.3.1.3- P.II.3.1.4 Roll-out of reporting template to all sectors and PBs. Training given on how to report using template	MoPD	Sector reports produced by each sector and consolidated by MoPD; consolidated report published on website	Training reports Consolidated, cross-government sector delivery report Reports accessible on website	Qualitative Quantitative	Annual Y2 -Y3

Pillar III: Management of Assets and Liabilities

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.III.1. Monitoring of public corporations						
P.III.1.1 Annual financial statements of all public corporations published within six	P.III.1.1.1 Draft and put in place a policy which clarifies which agencies are	MoF – Public Enterprise Directorate	Policy document adopted, oversight reports Clarified roles of MoF, PEHAA and EIH	Annual financial statement Consolidated financial performance report	Qualitative	Annual Y1

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
months of the end of the fiscal year, and a consolidated financial performance is published by the Government annually	responsible for monitoring State-owned enterprises	Ethiopian Investment Holding				
	P.III.1.1.2 Draft and put in place policy as to how MoF consolidates and publicises the financial statements of SOEs, including those under EIH	MoF – Public Enterprise Directorate Ethiopian Investment Holding	Policy document adopted, oversight reports Clarified roles of MoF, PEHAA and EIH	Annual financial statement Consolidated financial performance report	Qualitative	Annual Y1
	P.III.1.1.3 Clarify policies regarding the recognition and accounting treatment of some categories of financial assets, such as investments and contingent liabilities, in line with international standards for all SoEs	MoF – Government Accounts	Policy document in place	Monitoring reports on both explicit and implicit contingent liabilities	Qualitative Quantitative	Annual Y3
	P.III.1.1.4 Support design and maintenance of Public Corporations, investment in other companies (government shares) database, and Contingent liability database	MoF – Public Enterprise Directorate	Established and utilised databases	Public Corporation investment database	Quantitative	Annual Y3-Y4

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	P.III.1.1.5 Support publication of annual financial statements	MoF – Government Accounts	Financial statement includes a disclosure about Public Corporations and contingent liabilities, in line with IPSAS	Annual Statement	Quantitative	Annual Y3-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.III.2. Consolidated Financial Statements of SNGs						
P.III.2. 1 Annual and timely publication of financial statements of subnational governments (SNGs – the Regions)	P.III.2.1.1 Revision of the financial reporting guidelines to address the timeliness of preparing and publishing SNG consolidated financial statements.	MoF – Government Accounts, IFMIS, SNGs	SNGs annual financial statements to the government published. Decrease in delays in publishing audited reports of regional governments.	Revised reporting guidelines	Qualitative Quantitative	Annual Y1
	P.III.2.1.2 For the short-term, produce consolidated statements by continuing development of the tool to extract IBEX data, and in the longer term by the comprehensive roll-out of IFMIS	MoF - IFMIS	Developed tool, consolidated statements produced from multiple sources	Tools Consolidated statements	Quantitative	Annual Y1-Y2
	P.III.2.1.3 In the longer term, continue the roll-out of IFMIS	MoF -IFMIS	Replacing IBEX across SNG, to enable the production of consolidated using only IFMIS data (within six months of the end of each financial year) Number of multiple sources where IFMIS established and utilised producing timely, comprehensive, and reliable financial statements in line with international accounting and reporting standards	IFMIS roll-out reports at Federal Level at all PDs	Qualitative Quantitative	Annual Y1-Y2
	P.III.2.1.4 Provide support to SNGs in the use and roll-out	MoF - IFMIS	Sequenced roll out of IFMIS in each region	IFMIS roll-out reports at Regional Level	Qualitative Quantitative	Annual Y 1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	of IFMIS in each region					
P.III.3. Reporting of liabilities and risks						
P.III.3.1. Quantified and consolidated contingent liabilities and fiscal risks of Government published annually	P.III.3.1.1 Revision of the reporting guideline of the Budget Directorate	MoF-Budget Directorate, EMCD	Budget Directorate Guideline includes fiscal risk reports as one of its deliverables.	Revised guideline	Qualitative	Annual Y1
	P.III.3.1.2 Build the capacity of the Debt Directorate to produce fiscal risk reports annually	MoF-Debt Directorate, EMCD	Number of Annual fiscal risk reports include the fiscal risks from SOEs, SNGs, EBFs, and Climate change,	Training reports study tours and mentoring reports	Qualitative Quantitative	Annual Y2-Y3
	P.III.3.1.3 Continue capacity building initiatives internally	MoF-Debt Directorate, EMCD	Enhanced and sustain the technical capacity of front, middle and back offices of the Debt Management Units	Training reports	Qualitative	Annual Y3-Y5
	P.III.3.1.4 Develop and promulgate guidelines on how to incorporate climate related data in debt stick reporting	MoF -Debt Directorate, EMCD	Guidelines on climate incorporated in debt stick reporting	Guideline, Reports	Quantitative	Annual Y4-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.III.4. Public Investment Management						
P.III.4.1 Properly regulated public investment management, with selection of projects based on rigorous economic analysis policy prioritisation and viability linked to proper forward planning	P.III.4.1.1 Guidelines governing the prioritisation of capital budgets to be developed for PIM	MoPD - PIM Directorate, MoPD	Strengthening project selection procedures to ensure only affordable, well-designed projects with high returns enter annual development programmes Guidelines incorporate issues relating to gender and climate	Capital project prioritisation guidelines	Qualitative	Annual Y1
	P.III.4.1.2 Develop a medium-term Public Investment Plan	MoPD - PIM Directorate,	Public Investment Management Roadmap developed	Public Investment Plan Framework	Qualitative	Annual Y1

	Framework in line with the national strategy					
	P.III.4.1.3 Undertake independent assessment of the capacity of MoPD in discharging its PIM responsibility considering the PIM proclamation	MoPD -PIM Directorate,	Independent assessment	Capacity Assessment	Qualitative	Annual Y1
	P.III.4.1.4 Implement capacity enhancement plan addressing capacity to produce and publish pre-feasibility, feasibility, midterm, final, and ex-post project evaluations	MoPD -PIM Directorate,	Number of produced and published pre-feasibility, feasibility, midterm, final, and ex-post project evaluations	Assessment recommendations Capacity building plan, reports need to be made more effective, perhaps through experience sharing with other countries	Qualitative Quantitative	Annual Y2-Y5
	P.III.4.1.5 Development of project management database	MoPD -PIM Directorate,	Project management database	Database	Quantitatively	Annual Y2
	P.III.4.1.6 Roll-out of initiatives to raise awareness of PIM issues with PBs to ensure compliance with the Proclamation	MoPD	All capital project proposals assessed in a timely manner. A regulation supporting the proclamation might also be developed. (Cross-reference with Pillar VIII – Professionalisation)	Training, revised regulation	Quantitative	Annual Y2-Y5
	P.III.4.1.7 Build capacity to perform in-depth climate and gender assessments of project proposals and integrate into	MoPD, MoF-EMCD	An expert pool of climate and gender carrying out gender and climate assessments and integrating gender and climate lens in project evaluation	Capacity building reports. Guidelines	Qualitative	Annual Y3-Y5

	project evaluation process.		processes and guidelines available Gender Impact Assessments Revised and rolled out Environmental Impact assessment guidelines			
	P.III.4.1.8 Revise and roll out Environmental Impact (EI)	MoF – Climate Unit,	EI guidelines to also provide guidance on climate change mitigation, adaptation and climate vulnerability. (To include SOEs and EBFs)	Assessment report	Qualitative and Quantitative	Annual Y2-Y5
P.III.5. Public Asset Management						
P.III.5.1 Assets are properly recorded, managed, and monitored	P.III.5.1.1 Evaluate need for Public Asset Management Unit in the MoF responsible for recording, record consolidation, and monitoring of public assets.	MoF – Government Accounts	Arrangements for accounting, reporting, and monitoring of investments, and public assets identified	Assessment report	Qualitative	Annual Y1
	P.III.5.1.2 Assess property management manuals.	MoF - EMCD	Limitations in thresholds, capturing of project assets, use of IFMIS, and consolidation reporting addressed	Assessment report, revised manuals	Qualitative	Annual Y1- Y2
	P.III.5.1.3 Roll out plan for the valuation of major fixed assets (MoF, PBs	Plan for the valuation of major fixed assets (buildings and infrastructure) across PBs in line with IPSAS principles	Guidelines, Action Plan and report	Qualitative	Annual Y4-Y5
	P.III.5.1.4 Review qualification requirements for those accounting for assets	MoF – Government Accounts	Reviewed and amended qualification requirements Include in manuals climate-responsive asset management and also asset measurement, recognition and disclosure requirements as per IPSAS	Assessment report	Qualitative	Annual Y1

	P.III.5.1.5 Address issues across PBs relating to recording of assets in IFMIS.	MoF-IFMIS	<p>Develop and roll out plan for the valuation of major fixed assets (buildings and infrastructure) across PBs in line with IPSAS principles</p> <p>Comprehensive records, and longer alignment with IPSAS implementation roadmaps</p> <p>Drawn guidelines clearly define climate sensitive assets and how to treat and record them.</p>	<p>IFMIS records</p> <p>Reports on reconciled Asset register captured in IFMIS (yr 4-5), Disclosure report on the Annual Financial Statement of PBs and MoF about their assets (in line with IPSAS – Y5)</p>	<p>Qualitative</p> <p>Quantitative</p>	Annual Y1-Y5
	Guidelines drawn up to clearly define what climate sensitive assets are and how they should be treated and recorded.	MOF – Climate Unit	Climate Sensitive Asset Guidelines	Adopted Guidelines	Qualitative	Annual Y2

Pillar IV: Policy-based Fiscal Strategy and Budgeting

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.IV.1. Fiscal Policy						
P.IV.1.1. The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.	P.IV.1.1.1 Continue support to production of a fiscal strategy –	MoF - Fiscal Policy Directorate	Annual fiscal documents	Annual fiscal strategies	Qualitative Quantitative	Annual Y1-Y5
	P.IV.1.1.2 Continue to develop and publish the Macro Fiscal Sensitivity Analysis.	MoF - Fiscal Policy Directorate	A guideline on the timely preparation and publication of the various reports of the Fiscal Policy Directorate reports.	Macro Fiscal Sensitivity Analysis	Qualitative Quantitative	Annual Y1-5
	P.IV.1.1.3 Development of a guideline for the timely preparation and publication of the various reports of the Fiscal Policy Directorate.	MoF - Fiscal Policy Directorate	Guidelines with standards for preparation and publication of reports by Fiscal Policy Directorate developed	Guideline	Qualitative	Annual Y1
Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.IV.2. Multi-year focus of budget estimates						
P.IV.2.1. The budget has a medium-term focus	P.IV.2.1.1 - P.IV.2.1.2 Perform assessment of feasibility to produce 3-year estimates to be	Budget Directorate, Ministry of Finance; MoPD	Potential for producing 3-year estimates assessed with a sequenced plan for the roll-out of multi-year approach across all PBs proposed	Feasibility assessment Sequenced plan	Qualitative	Annual Y1

	included in the annual budget.					
	P.IV.2.1.3 Revision of legal framework and budget manuals (assuming outcome of P.IV.2.1.1)	MoF - Budget Directorate, EMCD	Legal framework and budget manual revised based on feasibility assessment results	Relevant legal framework Budget manual	Qualitative	Annual Y2
	P.IV.2.1.4 Roll-out and capacity building to PBs	MoF-EMCD, Budget Directorate	Increased capacity building and the number of trainings in PBs	Training reports	Qualitative Quantitative	Annual Y2-Y5
Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.IV.3 Medium Term Expenditure Ceilings						
P.V.3.1 Properly sequenced approvals, so that Budget Circulars are issued after legislative approval of budget ceilings	P.V.3.1.1 Consultation between MoF and the Macro Committee to adjust approval timelines for.	MoF, Macro Committee	Agreed new timelines	Consultation reports	Qualitative	Annual Y2
	P.V.3.1.2 Build capacity of the Budget Directorate to produce additional expenditure ceilings for the next two years.	Budget Directorate, MoF	Capacity for production of 3-year expenditure ceilings	Training reports	Qualitative Quantitative	Annual Y2-3
Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.IV.4. Availability and use of sector strategies						
P.IV.4.1 Sector strategies available for all sectors and published by MoPD	P.IV.4.1.1.1 – P.IV.4.1.2 Build capacity of PBs in sectors where sector strategies are not produced,	MoPD, MoF-EMCD	Strategies produced All Sector Strategies collated and published on website	Training reports Sector strategies Strategy documents, website	Qualitative Quantitative	Annual Y1-Y5

	and provide refresher training to those which do					
	P.V.4.1.1.3 Institutionalise process of establishing budget proposals from sectors/PBs consistent with sector strategies	MoF, MoPD, PBs	Process institutionalised through training for PBs planning functions, MoF and MoPD, and development of guidelines	Training reports Guidelines	Qualitative Quantitative	Annual Y2
Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.IV.5. Legislative scrutiny of budget process						
P.IV.5.1 Legislative scrutiny of budget proposals is at least two months, in line with good international practice	P.IV.5.1.1 Feasibility study to investigate revision of Budget Calendar, inter alia looking at international experience	MoF, HoPR	Legislative scrutiny of budgets	Feasibility study	Qualitative	Annual Y4
P.IV.6. Climate Smart Tax Policy Regime						
P.IV.6.1. A tax policy which promotes the policy priorities of Ethiopia's CRGE	P.IV.6.1.1 Conduct review on how taxes can be levied on polluters.	MoF – Tax Policy Directorate, Climate Unit	Review report	Review	Qualitative	Annual Y3
	P.IV.6.1.2 Conduct an assessment of impact various revenue policies have on CC mitigation and adaptation issues and on aspirations relating to the	MoF – Climate Unit / Tax Policy Directorate	Assessment report	Assessment	Qualitative Quantitative	Annual Y2

	achievement of GHG targets.					
	P.IV.6.1.3 Develop framework on how to assess any new revenue policy against climate considerations	MoF – Climate Unit / Tax Policy Directorate	Assessment framework	Assessment	Qualitative	Annual Y2-Y3
	P.IV.6.1.4 Establish a structured and systematic approach to assessing and prioritising compliance risk from climate related taxes	MoF – Climate unit, CRGE PBs	<p>Develop framework on assessing new revenue policy against climate considerations</p> <p>Compliance improvement plan and a system to assess the effectiveness of penalties for non-compliance</p> <p>Assessment of the impact of various revenue policies on CC mitigation, adaptation issues and on achievement of GHG targets</p> <p>Established mechanism for maintaining register of large GHG emitters</p>	<p>Assessment report</p> <p>Assessment framework</p> <p>Review of the new policies</p> <p>Review of possibility of tax levy on polluters</p>	Quantitative Qualitative	Annual Y2-Y3
	P.IV.6.1.5 Establish mechanism for maintaining register of large GHG emitters	MoF- Climate unit CRGE PBs	Register of large GHG emitters	Mechanism report	Quantative	Annual Y3
	P.IV.6.1.6 Formulation of Carbon Tax Policy	MoF – Climate unit, Tax Policy Directorate	Policy Draft in place	Progress reports Policy	Qualitative	Annual Y3-Y4

Pillar V: Predictability and control in budget execution

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.V.1. Revenue management regime which takes account of risk, provides reliable revenue estimates, monitors arrears and produces reliable information						
P.V.1.1 Properly integrated risk management integrated into revenue management regime	P.V.1.1.1 Undertake periodic review of risk management at the Ministry of Revenue	MoR	Review report which sets out how targeted assistance can strengthen risk assessment /management capacity	Risk management review at Ministry of Revenue	Qualitative	Bi-annual - Repeated review reports for years 3 and 5- Y1-Y3-Y5
	P.V.1.1.2 Technical assistance in response to the review	MoR	Systematic approach to risk management established	Risk management review at Ministry of Revenue Technical assistance reports	Qualitative Quantitative	Annual y1-y5
P.V.1.2 Improved collection and reporting of non-tax revenue	P.V.1.2.1 Undertake review of existing legal frameworks relating non-tax revenue collections (those outside the mandate of MoR) and amend regulatory framework as per findings	MoF	Treasury Department is supplied with revenue projections and collection information in a timely manner	Review report, revised regulatory framework	Qualitative	Annual y1-y2
	P.V.1.2.2 Targeted capacity building to PBs who collect revenue	MoF	Developed appropriately robust projections by PBs who collect revenue.	Capacity building reports PBs projections	Quantitative	Annual y2-y3
	P.V.1.2.3 Development of a plan to ensure that all PBs can provide monthly reports from year 3 of this strategy	MoF	Road map/development plan design to ensure PBs equipped to provide monthly reports from year 3	Development plan	Qualitative	Annual y2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	P.V.1.2.4 Production of monthly reports across PBs	MoF	Monthly reports detailing collections against projections	Monthly reports	Qualitative Quantitative	Monthly Semi-annual Y3-Y5
P.V.1.3. Robust tax arrears monitoring, reporting and reconciliation	P.V.1.3.1 Assessment to review current system of tax arrears recording, monitoring, and reporting practices	MoF, MoR	Identified areas for improvement in recoding, monitoring, and reporting practices for tax arrears	Assessment report	Qualitative	Annual Y1
	P.V.1.3.2 Development of improvement plan to achieve quality and reliable arrears recording and reporting, and reconciliation practices between MoR and MoF	MoF, MoR	Improvement plan approved	Improvement plan	Qualitative	Annual Y1
	P.V.1.3.3 Development of a procedure to publishing key tax revenue information	MOR	Key tax revenue information includes Tax Arrears (including ageing), cost-benefit analysis of tax expenditure, tax appeal decisions, and annual performance reports of MoR	Procedure document	Qualitative Quantitative	Annual Y1
	P.V.1.3.4 Development and roll-out of capacity building plan to facilitate roll-out of above procedure	MoR	Implemented capacity building plan	Capacity building plan and progress reports	Qualitative Quantitative	Annually Y2-Y5
	P.V.1.3.5 Critical review of the quality	MoR	Developed and implemented data clean-up plan	Review Development plan	Qualitative Quantitative	Annual Y2-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	of the Taxpayer Database					
P.V.1.4 Implementation of all TADAT findings	P.V.1.4.1 Form team to review TADAT and identify outstanding recommendations	MoR	Roadmap for the implementation of remaining TADAT recommendations drafted and implement	Review document Roadmap document, progress reports	Qualitative	Annual Y1
P.V.1.5 Tax Expenditure reports produced as a matter of course	P.V.1.5.1 Take forward existing UK support to institutionalise production of Tax Expenditure reports	MoR	Annual tax expenditure reports produced in line with international practices	Annual reports Programme support reports Produced Tax expenditure reports	Quantitative	Annual Y1-Y5
P.V.2. Predictability of in-year resource allocation						
P.V.2.1 Government cash and bank balances consolidated as frequently as possible (with the aim of doing this on a daily basis within life of strategy)	P.V.2.1.1 Roll-out ZBA approach to all PB accounts.	MoF-Treasury Directorate	Treasury has access to all bank accounts including those outside TSA structure	Government cash and bank balance reports Daily/weekly cash balances	Qualitative	Annual Y1-Y5
	P.V.2.1.2 Consultation between MoF and Central Bank of Ethiopia to explore ways of accelerating transfers of cash collected by MoR from collection bank accounts to the Treasury Single Account	MoF-Treasury Directorate	Cash transfers with increased frequency, ultimately instantly	Consultation reports	Qualitative	Annual Y1-Y2
P.V.2.2 Improved budget reliability and reduction of in-year reallocations	P.V.2.2.1 Improve budgeting to reduce in-year budget reallocations (cross-referenced to Pillar 1 activities)	MoF, PBs	Improved budgeting evidenced by reduced number of in-year reallocations	Budget reports	Qualitative Quantitative	Annual Y2-Y5
P.V.3. Payroll Integrity						

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.V.3.1 Greater confidence in payroll data with reduction in payroll 'ghosts' and robust ongoing payroll controls	P.V.3.1.1 Development of audit programme for a comprehensive payroll audit.	OFAG, Inspection Directorate	Standing payroll audit programme which can be used across PBs	Implementation plan, audit reports	Quantatative	Annual Y1
	P.V.3.1.2 Implement plan on a rolling basis across PBs, so that each entity is covered once every two years.	OFAG, Inspection Directorate	Implementation plan	Audit reports	Quantitative	BI- Annual/Annual Y2-Y5
P.V.4. Procurement						
P.V.4.1. MAPS recommendations acted upon, resulting in integrated procurement database across government, functional Procurement Complaints Review Board, increased professionalisation	P.V.4.1.1 - P.V.4.1.2 Ensure that there is a robust, fully funded and fully costed strategy and the rollout for e-GP to improve monitoring, evaluation, and management of public procurement	FPPPPAA	e-GP fully implemented and functional across PBs, ensuring the population of a cross-government integrated database	Fully costed rollout strategy for e-GP Implementation reports	Qualitative Quantitative	Annual Y1-Y5
	P.V.4.1.3 Review progress of implementing MAPS report recommendations,	FPPPPAA	Inconsistencies in legal framework resolved for international procurements MAPS review implementation and M&E report	Revised legal framework	Qualitative	Annual Y2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	P.V.4.1.4- P.V.4.1.5 Draw up terms of reference for an independent Procurement Complaints Review Board and make appropriate revision to Procurement Regulations	FPPPAA	Establish Procurement Complaints Review Board	Terms of Reference Procurement Board minutes, revised Procurement Regulations	Qualitative	Annual Y2-Y3
	P.V.4.1.6 Seek inclusion of procurement officers in moves to professionalise public financial management sector – cross-reference to Pillar 8 (Cross-Cutting/Professionalisation)	FPPPAA	Professionalisation plans developed	Reports	Qualitative	Annual Y2-Y5
P.V.4.2. Enhanced transparency in public procurement	P.V.4.2.1 Develop and roll-out framework for ensuring greater CSO engagement in the procurement cycle, in particular the monitoring of awards and contract implementation progress	FPPPAA	Enhanced involvement of CSOs in the procurement cycle	Published framework, media and CSO reports	Qualitative	Annual Y3-Y5
P.V.4.3. Procurement practice reflect good practice approach to	P.V.4.3.1 - P.V.4.3.4 Develop training and train procurement staff across PBs on	FPPPAA	Procurement guidelines and standard contracts include 'green' issues and identification of climate	Procurement guidelines Training modules Training evaluation Capability Assessments	Qualitative Quantitative	Annual Y1-Y4

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
climate change issues	'green' procurement principles		related impacts on the procurement process Developed and rolled-out advanced training on green procurement principles to key staff			
	P.V.4.3.5 Institutionalise assessment of all contracts for climate-related risks and identify actions, particularly for high impact contracts	FPPAA	Detailed appraisal of climate related impacts of procurement process	Climate appraisals Impact assessments of procurement processes Climate related risk analysis Terms of reference/contract assessments	Qualitative	Annual Y4-Y5
P.V.5. Internal controls over non-salary expenditure						
P.V.5.1. Effective commitment controls which contribute to fiscal discipline and the management of arrears	P.V.5.1.1 Ensure that cash modules and commitment modules of IFMIS are linked	MoF - IFMIS	System in place enables commitments to be raised only when cash is allocated and available	Report confirming appropriate linkages	Qualitative	Annual Y1
	P.V.5.1.2 Ensure that commitment modules are rolled out and used by all PBs.	MoF - IFMIS	Utilised commitment modules Amended Financial Regulations	System reports	Qualitative Quantitative	Annual Y2-Y5
P.V.6. Internal Audit						
P.V.6.1. Internal audit coverage across PBs which is delivered in accordance with international standards, and which provides advice which is	P.V.6.1.1 Review Internal Audit function across government to include job grading, retention issues, etc.	MoF	Internal audit linked to initiatives to professionalise PFM sector (cross refer to Pillar 8)	Review report Report on implementation of recommendations	Qualitative Quantitative	Annual Y1
	P.V.6.1.2 Develop and roll out capacity building plan for internal audit function	MoF, IAUs, Inspection Directorate	Application of recognised IA standards included in internal audit function	Capacity building plan, roll-out reports	Qualitative Quantitative	Annual Y1-Y3

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
acted on by senior management	P.V.6.1.3 Review and institutionalise management response mechanisms to internal audit reports	MoF, IAUs, Inspection Directorate	Institutionalised management response mechanisms to internal audit reports (exmpl.Internal Audit Code of practice)	Review reports, necessary changes to regulatory frameworks	Qualitative	Annual Y1-Y2
	P.V.6.1.4 Awareness training developed and rolled out to senior management across PBs	MoF, IAUs, Inspection Directorate	Full understanding of the role of internal audit and its function as a support to management to instilled among PB's senior management structures	Training modules Roll-out repots	Qualitative Quantitative	Annual Y3-Y5
	P.V.6.1.5 Support given to production of Internal Audit Annual Reports,	IAUs, Inspection Directorate	Internal Audit report containing information about plan vs. actual audit performance, coverage, management responses and other issues.	Annual report	Quantitative	Annual Y2
P.V.6.2. Internal audit coverage of PBs reflects risk-based audit methodology	P.V.6.2.1 - P.V.6.2.2 Develop Enterprise Risk Assessment Module and support training for Risk assessment implementation in PBs	IAUs, Inspection Directorate, MoF	Developed Enterprise Risk Assessment Module Rolled out training for PBs in conducting risk assessments	ERA Module Capability assessments Training evaluations	Qualitative Quantitative	Annual Y2-Y3
	P.V.6.2.3 Produce of Internal Audit Plans reflecting risk assessments	IAUs, Inspection Directorate, MoF	Internal Audit Plans	Risk assessments Internal Audit Plans	Quantitative	Annual Y3-Y5

Pillar VI: Accounting and Reporting

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VI.1. Production of financial information and financial accountability						

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VI.1. 1 Advances are cleared promptly and balance on advance accounts kept at reasonable levels	P.VI.1.1.1 Build awareness in PBs for senior management to monitor advances	MoF, PBs	Enhanced understanding of the utilisation of scarce resources and maximum impact of their timely allocation and deployed	Training reports Senior management survey Skills transfer interviews	Quantitative	Annual Y2
	P.VI.1.1.2- P.VI.1.1.3 Review oversight arrangements of PB advances at MoF.	MoF	Revised financial regulations to reflect responsibilities and accountability mechanisms based on review of oversight arrangement of MSA advances at MoF	Review report Revised regulations	Qualitative	Annual Y2-Y3
	P.VI.1.1.4 Provide assistance to produce a Consolidated Receivables report	MoF	Consolidated Receivables report shows receivables by age	Reporting template, the first report	Quantitative	Annual Y4
	P.VI.1.1.5 Ensure that IA functions in each PB review advances once in a year and that OFAG covers issue in Final Accounts audit.	Inspection Directorate, MoF	Improved IA reports and strengthened OFAG Final Account audit report	IA reports	Qualitative	Annual Y3-Y5
P.VI.2. In-year reporting						
P.VI.2.1 Timely in-year reports produced by IFMIS showing expenditure to date against budget	P.VI.2.1.1 Ensure timely roll-out of IFMIS system to replace IBEX in all PBs	MoF	Complete and timely in-year reports Mandatory production and publication of in-year financial statements	System reports	Quantitatively	Annual Y1-Y5
	P.VI.2.1.2 Perform review of workload and duties of Government Accounting Unit	MoF, Government Accounts	Review reports	Review reports	Qualitative	Annual Y1
	P.VI.2.1.3 Provision of training of how to use financial reports	MoF - EMCD	Utilisation of Financial reports for decision making	Training reports Decisions	Qualitative	Annual Y1-Y2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	for decision-making to senior staff of PBs					
P.VI.3. Completeness of annual financial reports						
P.VI.3. 1 Annual accounts include information on tangible assets and guarantees	P.VI.3.1.1 Consider valuation of and accounting for assets as an issue to be considered as part of IPSAS roll-out – support will be needed across PBs as part of multi-year engagement	MoF – Government Accounts	IPSAS rollout – valuation and inclusion of assets	System reports	Qualitative Quantitative	Annual Y1—Y5
P.VI.4. Transition to IPSAS						
P.VI.4.1 IPSAS accounting fully rolled out and all financial statements prepared in accordance with internationally recognised standards	P.VI.4.1.1 Update and validate current IPSAS roadmap; identify technical assistance needs	MoF	Current IPSAS roadmap updated and validated	Revised roadmap Technical assistance needs assessment	Qualitative	Annual Y1
	P.VI.4.1.2 Secure funding	MoF	Government/donor funding secured	Government reports Donor reports	Qualitative Quantitative	Annual Y1
	P.VI.4.1.3 Capacity Building (Training on IPSAS)	MoF - EMCD	Roll-out of roadmap	Reports, Road map	Qualitative Quantitative	Annual Y2-Y5
P.VI.5: Revision of Chart of Accounts						
P.VI.5.1 Revised chart of accounts comply with GFSM 2014 for improved Government Statistics, adoption of IPSAS and better PBB reporting	P.VI.5.1.1 - P.VI.5.1.2. Assessment and revision of the existing chart of accounts in line with the GFSM 2014, IMF technical note on chart of accounts, IPSAS, Programme	MoF	The budget presented in a format that reflects the most important classifications and the classification embedded in the chart of accounts to ensure that all transactions can be reported in accordance with any of the classifications used.	Gap assessment report Revised Chart of Accounts	Quantative	Annual Y1. Y2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	based budget reporting and IPSAS					

Pillar VII: External scrutiny and audit

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VII.1. External Audit						
P.VII.1.1 Complete autonomy, including financial independence, secured for Supreme Audit Institution (OFAG)	P.VII.1.1.1 New Audit Board to oversee OFAG	HOPR	Staffed and functioning New Audit Board overseeing OFAG	Board minutes	Qualitative	Annual Y1
	P.VII.1.1.2 Review options for determining budget ceiling for OFAG, including percentage appropriation model, separate appropriation, etc,	Audit Board	Adopted preferred option	Options paper, Audit Board minutes	Qualitative	Annual Y1
P.VII.1.2 Audit reports and recommendations responded to in a timely manner by all PBs across government	P.VII.1.2.1 Development of a guidance note for all PBs about how and when to respond to Audit Reports	OFAG	PBs responding in a timely manner to Audit Reports	Guidance Note	Qualitative	Annual Y1
	P.VII.1.2.2 Review of legislation and regulations to ensure good practice and reflection of above guidance note	OFAG, MoF, HoPR		Revised legislation	Qualitative	Annual Y2
	P.VII.1.2.3 Reinvigorate roll-out of audit recommendations tracking system	OFAG	Tracking system in place	Tracking system Progress reports	Qualitative	Annual Y2-Y3
P.VII.2. External Scrutiny						

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VII.2.1. A fully capacitated Public Accounts Committee which is able to use the work of OFAG to hold it and the executive to account	P.VII.2.1.1 Review the capacity of PAC	HoPR	Capacity building plan for committee members and parliamentary secretariat produced and rolled out	Review of capacity Capacity building plan	Qualitative	Annual Y2
	P.VII.2.2.2 Roll-out of capacity building plan, to include the review of climate related expenditure and gender issues	HoPR	Capacity developed, including on gender and climate related expenditure issues	Capacity building reports	Qualitative	Annual Y3-Y5
P.VII.2.2. OFAG keeps abreast of reforms and developments across government, enabling it to remain relevant in its advice and oversight	P.VII.2.2.1 Review of capacity needs of OFAG	OFAG	Ongoing capacity assistance reflecting capacity needs assessment in IFMIS implementation, IPSAS, climate and gender	Review report Capacity building reports	Qualitative	Annual Y1
	P.VII.2.2.2 Ongoing capacity assistance reflecting capacity needs assessment	OFAG	OFAG's capacity to undertake IT audit enhanced	Capacity building reports	Qualitative	Annual Y2-Y5
	P.VII.2.2.3 Training of OFAG staff to enable audit of Gender related Budgeting and climate related issues	OFAG	Examples of GRB and Green Budgeting/Audits	Training materials Audits	Qualitative Quantitative	Annual Y3-Y4
P.VII.2.3 Parliament has capacity to review draft legislation to ensure that good PFM practice is reflected and impact on existing laws and policies is assessed.	P.VII.2.3.1 Capacity development of parliamentarians to assess and ensure legislation encompasses good PFM practice.	HoPR	Impact of existing laws and policies is assessed and legislation adjusted.	Training materials, reports Overview of legislative changes	Qualitative	Annual Y3
P.VII.3 Accountability and the media, CSOs						

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VII.3.1 Media sector and NGOs aware of work of OFAG, and plays role in enhancing accountability	P.VII.3.1.1 Programme of training and awareness raising for media and CSOs	OFAG	Media, civil society and other citizen groups enabled to engage on budget formulation, budget execution and oversight	Training reports Media articles Citizen Budgets	Qualitative Quantitative	Annual Y2

Pillar VIII: Cross-cutting Issues

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VIII.1. Gender Budgeting						
P.VIII.1.1 Gender-related expenditure linked to a robust policy framework	P.VIII.1.1.1 Review of Gender Policy	MoF, Women's Affairs Office, Women's Affairs Departments in 16 line ministries, Women's Affairs Bureaus in 10 regional governments and in two special administrative regions and The Ethiopian Women's Development Fund (EWDF)	Framework to map all policies in place Review of GRB budgeting guidelines with clear linkages to strategic frameworks	Review documentation Revised GRB guidelines Review report	Qualitative	Annual Y1
	P.VIII.1.1.2 Review of GRB budgeting guidelines	MoF, Ministry of Women and Social Affairs	GRB budgeting guidelines ensure linkages to the strategic framework	Revised guidelines, review report	Qualitative	Annual Y2
	P.VIII.1.1.2 Conducting Gender PEFA	MoF, Ministry of Women and Social Affairs	Gender PEFA assessment report inform the further implementation of the PFM strategy. Recommendations	GR PEFA	Quantitative	Year 2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
			included in Annual Work Plans			
P.VIII.2. Professionalisation						
P.VIII.2.1 Professional standards applied across the PFM sector in Ethiopia	P.VIII.2.1.1 Continue to advocate for professionalisation with PMO to ensure agreement of Professionalisation strategy	AABE	Standards implemented direct both technical practice and ethical standards	Government minutes, memoranda, directives Professionalisation strategy	Qualitative	Annual Y1
	P.VIII.2.1.2 Promulgation of Professionalisation Strategy	AABE, PBs	The professionalisation policy is part of a broader public procurement capacity-building strategy	Strategy reports	Qualitative Quantitative	Annual Y2-Y5
P.VIII.3. Climate Responsive PFM						
P.VIII.3.1 Budgets fully reflect CRGE and other climate related policies of government	P.VIII.3.1.1 Establish and capacitate Climate Budget Department in Budget Directorate, MoF	MoF	Revised MoF structure and enhanced capacity of the staff to perform climate change mainstreaming in PFM	Capacity building plans and reports TORs Job Descriptions Department mandate	Qualitative	Annual Y1-Y3
	P.VIII.3.1.2 Review of existing budgeting practices to better identify the gaps and weaknesses currently evident	Climate Budget Department, MoF	Steps to integrate climate change considerations into the budget circular. Provided guidance to PBs on integrating climate change into planning and budgeting processes, including the incorporation of	Review report Revised budget circular guidance	Qualitative	Annual Y2

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
			climate-related fiscal risks			
	P.VIII.3.1.3 Development of assessment frameworks for appraisal of government budget proposals as per government climate policies	Climate Budget Department, MoF	Assessment framework in place to support appraisal of budget submissions as per climate-related policies commitments and as per relevant sectoral policies)	Assessment frameworks	Qualitative	Annual Y2
	P.VIII.3.1.4. Steps to integrate climate change considerations into the budget circular.	Climate Budget Department, MoF	Budget Circular with Guidance to PBs to integrate climate change into planning and budgeting processes, including the incorporation of climate-related fiscal risks.	Revised Budget Circular	Qualitative	Annual Y2-Y3
	P.VIII.3.1.5 Conduct Climate related Public Expenditure Review	MoF, CRGE PBs	Public Expenditure Reviews	Expenditure Reviews (either with Climate integrated or self-standing Climate Review)	Quantitative	Annual Y3-Y4
	P.VIII.3.1.6 Review upcoming Disaster Risk Financing Strategy	MoF	Recommendations around strengthening and making PFM practice climate smart incorporated in mainstream reform plans	Review document	Qualitative	Annual Y2
P.VIII.4. Building Financial Management Literacy across government						
P.VIII.4.1 Greater PFM compliance grounded in high level of PFM	P.VIII.4.1.1 -P.VIII.4.1.2 A set PFM training modules designed for senior management of PBs and parliamentarians on	MoF - EMCD	Tailored made training modules utilised for institutional capacity	Modules Training evaluation Senior management skills transfer survey	Qualitative Quantitative	Annual Y1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
awareness across PBs leadership and other key stakeholders	finance committees, including new appointees.		building existing senior management and induction of the new ones Roll-out of training to leaders in PBs and key stakeholders			
	P.VIII.4.1.3 Assessment of the potential for CSOs and media's engagement in PFM.	(commissioned by) MoF	Develop PFM annual workplans include actions with CSOs and media	Reports on the Consultative workshop Findings and validation of recommendations report work plan/s	Qualitative	Y2
	P.VIII.4.1.4 Roll out of training to Civil society, media, and parliamentarians	MoF - EMCD	Improved capacity of CSOs, media and parliamentarians in promoting critical financial literacy and helping wider audience (citizens) understand PFM processes and foster greater accountability	Training materials Training valuations CSO research Media coverage	Qualitative Quantitative	Annual Y3-Y5
P.VIII.5. Enhancing Fiscal Federalism						
P.VIII.5.1 Improved overall PFM performance of SNGs through support to core functions and roll-out of IFMIS	P.VIII.5.1.1 Support to IFMIS implementation across SNGs	MoF- IFMIS Directorate	Progress in implementation of IFMIS	Annual report	Qualitative Quantitative	Annual Y2-Y5
	P.VIII.5.1.2 Inclusion of SNGs on PFM Technical Steering Committee	MoF-EMCD	SNGs included on PFM Technical Steering Committee	Steering committee minutes	Qualitative	Annual Y1-Y5
	P.VIII.5.1.3 Assisting regions with reform implementation to improve the quality of	MoF- relevant departments as applicable	Joint action plan developed with KPIs	MoU between federal government and SNGs	Qualitative	Annual Y1-Y5

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
	accounting, reporting, and integration with other PFM functions, internal audit, procurement, budgeting (including programme budgeting), asset and investment management woredanet infrastructure and data centre management	FPPPA	Memoranda of understanding between federal government and SNGs.	Annual progress reports against KPIs		
	P.VIII.5.1.4 Supporting conflict-affected regions to restore their PFM system	MoF-EMCD	Action plan detailing federal government support	Damage assessment reports Implementation reports	Qualitative Quantitative	Annual Y1-Y5
	P.VIII.5.1.4 Supporting regions to report to Federal Government on the use of funds allocated for climate Expenditure	MoF	SNGs able to tag climate related expenditure	Report on climate expenditure	Quantitative	Annual Y2-5
P.VIII.5.2. Strengthened accountability institutions of SNGs	P.VIII.5.2.1 Conducting consultative fora with the Regional Office of Auditors General (ORAGs)	OFAG	Consultative For a with ORAGs	Meeting minutes and communiques	Qualitative	Annual Y1-Y5
	P.VIII.5.2.2 ORAG Capacity Building training/peer-to-peer support from OFAG	OFAG	Peer-to-peer support available	Training reports	Qualitative	Annual Y1-Y5
	P.VIII.5.2.3 Mentoring and peer-to-peer capacity building support to REACCs in corruption prevention and detection	FEACC	Peer-to-peer support available on corruption prevention and detection	Training reports Capability assessments	Qualitative	Annual Y2-Y4
	P.VIII.5.2.4 Building the capacity of regional councils	OFAG /MoF-EMCD	Capacity of the regional PACs and Budget and finance standing committees built	Training reports	Qualitative	Annual Y2-Y4

Outcome sought	Activities	Lead Agency	Indicator	Data source	Type	Frequency
P.VIII.5.3. Enhanced revenue generation and revenue administration capacity of SNGs	P.VIII.5.3.1 Capacity Building Support to regional Bureaux of Revenue	MoR	Regional Bureaux of Revenue capacities enhanced	Training reports Capacity assessment	Qualitative	Annual Y2-Y4

5. Evaluation of the PFM Strategy

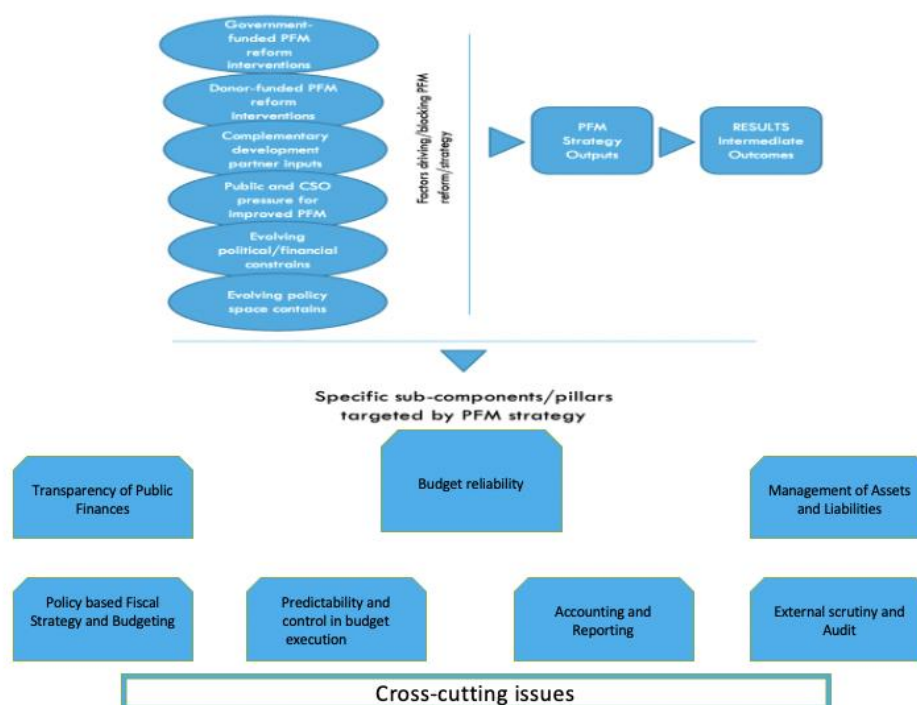
Evaluation is a much more resource and skills-intensive process than monitoring, and it requires sophisticated analytical skills and expertise in various data collection and analysis methods. In the case of PFM strategy, evaluation can be carried out either internally by program staff (if they have the right skills and capabilities) or commissioned to be conducted by external providers.

Given the nature of the PFM strategy design, based on PEFA assessment and other relevant documents that could be considered part of a broader type of ex-ante evaluation process the new strategy should undergo interim and ex-post evaluations³.

The ex-post evaluation should utilise the OECD-DAC evaluation criteria. It should assess the relevance, coherence, efficiency, effectiveness, sustainability and impact of PFM reform and the external support provided to those programmes. It should also pay attention to three dimensions of PFM reform processes:

- The contexts in which reforms have taken place;
- The Mechanisms adopted for the design, management, and delivery of reforms; and
- The consequent Outcomes achieved

Figure 3: Overview of the evaluation framework



Evaluation framework and evaluation questions⁴

The ToRs for the mid-term and final evaluation should state or call clearly for the design methodology which utilises the DAC criteria. Below are examples of questions that could be addressed within those evaluations:

³ Ex-ante evaluation is done to design a program, an interim evaluation is done during the implementation, and an ex-post evaluation is done after completion of the program.

⁴ This is not the exhaustive list of questions but rather the basis for more detailed evaluation questions to be developed by the evaluation team and key stakeholders.

A. Inputs & context: the design of PFM reform

EQ 1: What has been the nature and the scale of PFM reform inputs provided by the Government and by Donors?

EQ 2: What types of structures have been used to design and manage these reform inputs? Have these structures served to provide a coordinated and harmonised delivery framework?

EQ 3: What types of complementary actions have Donors taken to support PFM reforms, and what has been their significance? Have they had any influence on the external constraints to reform?

EQ 4: To what extent has there been domestic, public or regional institutional pressure in support of PFM reform and what has been the influence on the external constraints to reform?

EQ 5: How relevant was the PFM reform programme to the needs and the institutional context? Was donor support consistent with national priorities? To what extent were adaptations made in response to the context and the changing national priorities?

B. Outputs: the delivery of PFM reform

EQ 6: What have been the outputs of the PFM reform process and to what extent has direct donor support contributed to these outputs?

EQ 7: How efficiently were these outputs generated? Was the pacing and sequencing of reforms appropriate and cost-effective? Was the cost per output acceptable?

EQ 8: What have been the binding external constraints on the delivery of PFM reform outputs: political, financing or policy factors? How has this varied across different PFM reform components?

C. Outcomes: an overall assessment of PFM reform & of donor support for PFM reform

EQ 9: What have been the intermediate outcomes of PFM reforms in terms of changes in the quality of PFM systems?

EQ10: To what extent have the outcomes generated been relevant to improvements in the quality-of-service delivery, particularly for women and vulnerable groups?

EQ 11: Have reform efforts been effective? If not, why not? If yes, to what extent have PFM reform outputs been a causal factor in the changes identified in intermediate outcomes?

EQ 12: To what extent do the gains identified at the Intermediate Outcome levels appear sustainable? Is the process of PFM reform sustainable?

D. Impact: assessment of the impact that has been achieved on a component-by-component and pillar-by-pillar basis

EQ13: What changes have been generated in the PFM system, as measured by changes in the quality of:

- i) Strategic budgeting;
- ii) Budget Preparation (including budget deliberation by the Legislature);
- iii) Resource management (covering both inflows and outflows);
- iv) Internal controls, audit and monitoring;
- v) Accounting and reporting; and
- vi) External Accountability
- vii) Integration of Cross-cutting issues

EQ15: Identify any other benefits that had arisen, despite not being included in the original Reform Programme of Outputs or Key Activities.

The evaluations must be planned to ensure necessary preparations and financial, human or other resources to complete the evaluation. Depending on the tasks and depth of the evaluation, it can last from three to six months.

The PFM Strategy should undergo a mid-term evaluation process and highlight the achievements of the first two years of the strategy in relation to the expected outcomes and the level of achievement of the objectives of the strategy. The Mid-term evaluation is important as it would serve to define a more precise action plan for the following period and for a better assessment of financial needs for the implementation of the strategy for the remaining period by identifying needed programming resources within the frame of the Medium-Term Budget Programme.

6. ANNEX 1: Instructions for the PFM strategy and Action Plan Monitoring and Reporting and Proposed Reporting Templates

Given that the MoF is already using Microsoft365, there is potential to develop simple tools through a combination of MS Planner, MS Forms, MS SharePoint, MS PowerAutomate, and PowerBI to address some of the administrative burden MEL process will entail, however, the templates below could be used to inform and support the creation of the MEL system that leverages on the existing technology used by the public service in Ethiopia to streamline/automate aspects of PFM MEL system.

This MEL Framework document recommends that the annual progress report should be widely published. To this end, the steering committee could consider developing a communication strategy/plan to inform the public of progress incrementally along the reform process.

THE INSTRUCTIONS FOR THE PFM STRATEGY AND THE ACTION PLAN MONITORING AND REPORTING

1. Introduction

These instructions define the actors and the procedures for monitoring and reporting on the implementation of the PFM Strategy and Action Plan. The purpose of the Instructions is to unify the monitoring and reporting process by defining the procedures, responsibilities, deadlines, and templates. The primary users of these Instructions are the Ministry of Finance, state administration bodies and independent institutions that take part in the implementation of the PFM Strategy. The secondary users are the wider public, NGOs and other organisations interested in the PFM.

2. PFM monitoring and reporting actors, processes, and deadlines

1. The overall monitoring of the implementation of objectives, indicators and activities of the PFM Strategy is carried out by the MoF through regular communication with the relevant parties.
2. The monitoring of the implementation of different activities, linked performance indicators and objectives is carried out by each department involved at the MoF and other relevant parties in charge of these activities as indicated in the Strategy.
3. The reporting is semi-annual and annual. The preparation of the semi-annual and annual reports is coordinated by the MOF based on the information received from the various departments at the MoF and other relevant parties in charge of respective objectives.
4. The semi-annual report will be prepared in the following way:
 - a. By the xx date, the MoF shall send a letter and/or an email to various departments at the MoF and other relevant parties to request to submit a semi-annual report.

- b. By xx date, relevant departments at the MoF and other relevant parties in charge of the activities as indicated in the Strategy shall submit a report in the form provided in the instruction. If respective structures, ministries, and independent institutions do not provide information in time, the State Minister of Finance can take other actions.
 - c. The **MoF** shall analyse the information received from respective structures/institutions, conduct the assessment by completing the database and compile a draft Semi-annual Progress Report. They may request additional information from the respective responsible structures if the information submitted is unclear, sufficient, or unsatisfactory.
 - d. By xx date, the **MoF** shall finalise the Semi-annual Progress Report and submit it to the State Minister of Finance and the Steering Committee for consideration.
- 5. The annual report will be prepared in the following way:
 - a. By the xx of each year, the **MoF (the team responsible for PFM strategy monitoring)** shall send a letter and /or email to the respective structures/institutions to remind them of the submission of annual reports on the implementation of the PFM Strategy.
 - b. By the xx of the following year, the institutions in charge of the implementation of results shall summarise the information received from partners in the implementation and submit summarised information to the **MoF** in the format provided by the instructions.
 - c. The **MoF** shall analyse the information received from institutions in charge of the implementation of results, consolidate the information and prepare a draft Annual Progress Report. They may request additional information from these structures/institutions if the submitted information unsatisfactory or insufficient.
 - d. By the xx of each year, the **MoF** shall submit the draft Annual Progress Report to the State Minister and the Steering Committee for consideration and approval.
- 6. If needs be, the **MoF** can organise workshops to guide the staff of responsible units and help them strengthen the skills needed to prepare PFM-related reports.

Two Tables could be used to provide semi-annual and annual information on the implementation of the PFM Strategy:

- a. Semi-annual Report Template
- b. Annual Report Template

3. Semi-annual reporting templates and instructions

7. The format and instructions on filling in the semi-annual report template are provided below. It should be used by all responsible units to provide semi-annual information on the implementation of activities. This Table is in Excel format.

Semi-annual Report Template

Nr	Activity	Responsible Unit	Deadline	Achievements (Progress in Implementation)	Next steps (milestones)	Expected time of realisation
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
Filled in by MoF	Filled in by each structure/institution	Filled in by MoF	Filled in by each structure/institution	Filled in by each structure/institution	Filled in by each structure/institution	Filled in by each structure/institution
Filling in instructions						
Column 1	In this column the Number of the Action in the Action Plan is indicated. This column is filled in by the MoF.					
Column 2	In this column the activities from the Action Plan are provided. This column is filled in by each structure/institution. In this column the indicators for the realization of results are listed.					
Column 3	In this column the responsible unit for reporting is indicated					
Column 4	In this column the deadline for implementation of respective activity is provided. This column is filled in by each structure/institution.					
Column 5	In this column the description of major achievements in implementing the activity is described. Each responsible structure should provide only strategic information on the realization of activity which would help to determine the realization of the result. The achievements should be supported by evidence, if possible (e.g. statistical data, comparisons, etc.). <i>Routine and administrative information (the number of meetings organized, working groups established, etc.) should be avoided.</i> For example, if the law was prepared implementing the activity, the achievements should explain what will change as a result briefly summarizing the main benefits of the law rather than just					

	making a fact that the law has been prepared and when. The information presented under this column should justify the status of realization.
Column 6	In this column the next steps to implement the activity should be provided. This column is filled in only for those activities of which the status is “partially implemented” or “not implemented”. This column is filled in by respective structure/institution.
Column 7	In this column the institution must indicate the expected new date of the realization of activity based on the next steps. This column is filled in only for those activities of which has not been completed or have not started yet.

Examples:

<p>5.2.2.1. Perform professional development and training on the audit methodology and practices for internal auditors in the public sector</p>	<p>6 officials trained in 3 days</p>	<p>The Director of Expenditure Management and Control Directorate</p>	<p>3 Q 2022</p>	<p>1. During the reporting period the directorate has organised one training courses of 3 days. The following number of participants attended the training courses, as well as the total % of staff trained until Q2 is presented in the table below.</p> <table> <tr> <th>Ministries</th> <th>Nr Staff Trained</th> <th>% of Staff Trained until Q3-2022</th> </tr> <tr> <td>Ministry of Education</td> <td>2</td> <td>33%</td> </tr> <tr> <td>Ministry of Transport</td> <td>2</td> <td>33%</td> </tr> <tr> <td>Ministry of Economy</td> <td>1</td> <td>17%</td> </tr> <tr> <td>Ministry of Agriculture</td> <td>1</td> <td>17%</td> </tr> </table> <p>In total out of X staff, until Q3 are trained XX staff or XX% of the total staff of central ministries, to be trained.</p>	Ministries	Nr Staff Trained	% of Staff Trained until Q3-2022	Ministry of Education	2	33%	Ministry of Transport	2	33%	Ministry of Economy	1	17%	Ministry of Agriculture	1	17%	<p>The next training courses are planned to take place on XXXXX, XXX and XXX.</p>	<p>Q I 2023</p>
Ministries	Nr Staff Trained	% of Staff Trained until Q3-2022																			
Ministry of Education	2	33%																			
Ministry of Transport	2	33%																			
Ministry of Economy	1	17%																			
Ministry of Agriculture	1	17%																			

4. Annual reporting templates and instructions

1. The format and instructions on how to fill in the Annual Report Template are provided below. This format provides information on the implementation of activities and progress achieved in implementing specific objectives and performance (outcome) indicators.

2. The Annual Report Template is more analytical than the semi-annual report. Apart from information on activity implementation, the Annual Report Template asks to provide information on the progress towards achieving objectives and performance indicators. Therefore, the Annual Report Template is more elaborate.

4.1. Annual Report Template

I. Information on progress against objectives (This information should be provided in Word format)

In this section, the institution in charge of the specific objective provides a brief overview on the implementation of specific objectives. This section is prepared based on the overall progress in implementing activities and on the achievements against performance indicators (specific objectives and results). The achievements in this section should be illustrated using graphs, tables, or pictures. The key factors that influenced on the achievement or failure of results are provided. The assessment of whether the target values of performance indicators are likely to be achieved should be provided. Also, priority actions to improve performance should be provided.

A Summary of the achievement score should be included in this section (score could be given on the bases of a sliding scale: 1. The achievement score is progressing positively; 2. The achievement score has not changed, and 3. The achievement score shows a negative trend).

II. Information on progress against performance indicators and activities (This information should be provided in Excel format)

The Template below provides an example of information on the achievement against performance indicators that could be reported on and implementation of activities. To report on the achievement of performance indicators, the actual achievements for the two previous years (reporting years and the year preceding the reporting year) should be provided, as well as the target value for the respective year. The information on the achievement of performance indicators should be provided by the institution in charge of performance indicators as indicated in the Consolidated Strategy Matrix. Respective institutions also must report on the implementation of activities.

Note: the first annual report will be establish the baseline data. Therefore, during the first annual report, the column Baseline Data will be filled in by respective units.

4.2. Performance Assessment Framework (PAF)

Performance Assessment Framework can be used to measure the progress of indicators versus targets established in the strategy.

Policy Area
1.i. <description of policy area>>

Objective number		Objective	Baseline Data and Source of Data		Indicator 2023	Indicator Target 2023	Indicator 2023	Indicator 2024	Indicator 2024	Indicator Target 2025	Indicator 2025
1		Description of Objective									
		<<objective>>									
1.a	Indicator name	Baseline	2022								
	<<description of indicator>>										
	Unit measure:	Source of Verification									
	Responsible Unit for reporting										

On the implementation of the activities the same template as indicated above for semi-annual reporting will be used.

Example

Pillar no							
Fiscal rules, forecasting and fiscal responsibility framework							
Obj.ind. number		Policy Objective	Baseline Level 2020	Indicator Achieved Level 2023	Progress Versus Baseline	Indicator Target Level 2024	Achievements versus Target Level %
1		Description of Objective					
		Objective x - Sustainable and prudent fiscal frameworks, based on clearly stated fiscal objectives, underpin the budget					
		Indicator					
		Example: expenditure outturn by composition to be +-#%	+15	≤ 0		≤ 0	

Legend:		The achievement score is progressing positively	
		The achievement score has not changed	
		The achievement score shows a negative trend	

Proposed Semi-annual Report Template⁵

1. Introduction

< short introduction on the scope of the report >>

2. Overview of implementation of the PFM strategy

< brief information on the overall status of implementation, including a graph on the overall number of activities started, not started, planned to start after Q1 >>

3. Overall progress in implementing the pillars of the Strategy

< brief information on the overall status of implementation of 6 pillars, including a comparative graph for 6 areas >>

A more detailed assessment of the progress made under each of the pillars is provided below.

Pillar I – Budget Reliability

Pillar II: Transparency of Public Finances

Pillar III: Management of assets and liabilities

Pillar IV: Policy-based fiscal strategy and budgeting

Pillar V: Predictability and control in budget execution

Pillar VI: Accounting and Reporting

Pillar VII: External scrutiny and audit

Pillar VIII: Cross Cutting

4. Overall performance according to implementing structures

< brief information on the overall status of implementation by responsible units, including a comparative graph on the overall number of activities started, not started, and planned to start after Q1 for each unit>

5. Conclusions and Recommendations

This section must present very shortly and, in the bullet, points out the main issues observed during the assessment. The conclusions must present the most concerning issues which are common for many actions and can be linked to issues of both internal and external influencing factors.

At the part of the conclusions, one of the sections must be dedicated specifically to the quality of submissions, as this will be one of the challenges that MoF will face during the monitoring process.

The report must also list some recommendations for the Minister of Finance related to some specific issues observed if considered necessary.

ANNEX 1: DETAILED EXPLANATION OF IMPLEMENTATION OF EACH ACTIVITY

This section is prepared using the information received from the relevant departments and stakeholder institutions. This information is supplementary information for those who will want to have a more detailed picture of the implementation of each individual activity. The information in this Annex can contain information presented in/or using the Semi-annual Report Template.

Note: All narrative reports should not exceed 5-7 pages at the maximum.

⁵ The Semi-annual Progress Report should provide an overall picture of the areas where progress is satisfactory or unsatisfactory, brief info on the reasons for unsatisfactory results and suggestions for the next steps that could be taken to improve performance on implementation of activities. The semi-annual report is a working document that should be used for internal purposes, for review of the progress made within a given year of implementation of the strategy and any information on delays of implementation and the issues of concerns should be highlighted in this report.

Proposed Annual Progress Report Template⁶

1. Executive Summary

In this section, brief information on the progress against each specific objective is provided based on performance indicators and the implementation of activities (only achievements implementing the most important activities should be presented). The importance of activities is decided based on the scope of the impact of the activity, attention on the political agenda, and interest of the donor community, media or civil society. Graphs, tables, and pictures can be used to support the achievements.

This section can also be used to brief the decision-makers, the general public or stakeholders.

The following graphs could be used to illustrate the progress:

Graph 1: The overall progress implementation of activities in 201X (a pie graph to show the overall ratios fully implemented, partially implemented, not implemented, and planned to start after 201X)

Graph 2: The overall assessment of reaching the target indicators (the graph to be presented for years after 201X)

2. Overall progress in implementing the Strategy

This section could have two sub-sections. One could be dedicated to overall progress using statistical data (e.g. share of improved indicators, implemented activities). The second sub-section could describe successes or failures in achieving progress under each pillar.

2.1. Overall information on the progress of Strategy by pillars

In this sub-section, information on the progress against performance indicators and activities should be provided.

Note: the first annual report is often used for establishing the baseline data, so in that report, there should not be comparative analyses on progress made under each specific indicator. The following reports will include analyses of the progress made towards reaching the targets.

The information on improved and not improved performance indicators should be presented. This information will show whether the PFM Strategy is coming closer to achieving the targets.

The overall annual information on the implementation of all activities should be provided in this section.

Several graphs can be used to support the achievements:

1. A pie chart on the number of well-progressed and not progressed performance indicators, this information can also be presented by each pillar.
2. A pie chart of fully implemented, partially implemented and not implemented activities;
3. A graph on the number of fully implemented, partially implemented and not implemented activities by each of the seven pillars of PFM;
4. A graph on the number of fully implemented, partially implemented and not implemented activities by each institution.

2.2. Progress of implementation of reforms under each of the pillars Progress against activities

⁶ The focus of the Annual Report is to check on the implementation progress achieved against each objective, using the information on performance indicators. The annual report, therefore, must present information on the progress of all seven pillars and the impact of the activities undertaken in the current reporting year. The annual report will have a broader audience than the semi-annual report and should be widely published.

<brief information on the overall status of implementation of each of the components under each of the pillars, including a comparative graph for all components>

- Graph x Overall ratio of implementation (pie graph)
- Graph x: Implementation of activities by specific component (number of activities)

<for each component, short information must be provided on the main achievements in terms of reforms undertaken. The information should not be a simple description of activities but the effects produced by implementing activities>.

Progress against performance indicators

<The progress against objectives will be measured using respective performance indicators under each pillar>

Next steps for timely implementation

The next steps for timely implementation should be recommended in this section.

2.3. Priority actions for next year

This section should summarise the actions that the Government or institutions should implement to overcome the challenges, and improve performance along each specific objective. A summary list of actions should be provided for each objective and a list of common actions if applicable. Any capacity-building activities to address the failures and underperforming should also be listed.