

**Addendum to Fiduciary Systems Assessment**

**ESPES -2nd Additional Financing**

**April 21, 2021**

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## ACRONYMS AND ABBREVIATIONS

AF	Additional Finance
BOF	Bureau of Finance
BIs	Budgetary Institutions
COPCD	Channel One Programs Coordinating Directorate
DLI	Disbursement-Linked Indicator
EFY	Ethiopia fiscal year
ETB	Ethiopian birr
ESPES	Enhancing Shared Prosperity through Equitable Services
FEACC	Federal Ethics and Anti-Corruption Commission
FM	Financial Management
FPPA	Federal Public Procurement Agency
FSA	Fiduciary Systems Assessment
FY	Fiscal Year
GAC	Governance and Anti-Corruption
GC	Gregorian calendar
GOE	Government of Ethiopia
GPG	General-Purpose Grant
HCP	Human Capital Project
IBEX	Integrated Budget and Expenditure system
ICB	International Competitive Bidding
IDA	International Development Association
IFMIS	International Financial Management Information System
IFR	Interim Financial Report
IGFTS	Intergovernmental Fiscal Transfer System
IPF	Investment Project Financing
JRIS	Joint Review and Implementation Support
MoF	Ministry of Finance
ORAG	Office of Regional Auditor General
PAP	Program Action Plans
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
P4R	Program-for-Results
SNNPR	Southern Nations, Nationalities, and Peoples' Region
SPG	Specific Purpose Grant
WoF	Woreda Office of Finance
ZoF	Zone Office of Finance

## I. CONCLUSION

1. **Introduction:** A Fiduciary System Assessment (FSA) for the 2<sup>nd</sup> Additional Financing - Enhancing Shared Prosperity through Equitable Services (ESPES) was carried out on Federal, Regional and Local Government entities that are implementing the program consistent with WB Policy, Directive and Fiduciary Systems Assessment Guidance Note for Program-for-Results Financing. Due to the Covid-19 pandemic, field visit to the regions and woredas was not conducted. However, virtual meetings were conducted with MoF, regions and woredas and important documents which are relevant for the assessment were shared electronically with the Bank. The objective of the FSA is to conclude whether the Program fiduciary systems provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.
2. **Reasonable assurance:** The FSA concludes that the Financial Management, Procurement and Governance systems capacity and performance continue to be adequate to provide reasonable assurance that the funds will be used for the intended purposes with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.
3. **Risk assessment:** The overall fiduciary risk of the program continues to be substantial. For the Financial Management, the key Financial Management risks identified include weak internal controls in the areas of cash on hand, cash at bank (bank reconciliation), timely settlement of advances, property management and ineffective internal audit process due to numbers and non-operational of system and risk-based audit, failure in disclosing annual budget, budget execution and audit reports on BoFs and ORAGs websites affects transparency. The same risk mitigation measures proposed in the 1<sup>st</sup> AF, providing areas focused institution trainings, development, and maintenance of websites of BoFs and ORAGs, in the form of Program Action Plans (PAPs) will continue, especially those that are not fulfilled. In addition, new DLRs and PAP are proposed. DLRs focusing on PFM reform strategies adopted by regions which includes the allocation of adequate resources to implement the reforms as noted in these PFM strategies is proposed. In addition, DLR, focusing Property management and internal audit is proposed. Furthermore, capacity building activities will be included in the IPF component of the program. As disclosed in the program expenditure framework section, there are no new expenditure and procurement profiles, only additional expenditures are planned in the same project duration. The overall expenditure framework and profiles are still the same focusing on basic services. Some reductions are made to the expenditure framework to allow for other project operations in the same area and this is documented in the revision to the expenditure framework of during the restructuring of the existing operation. Therefore, there is no need to change in financial management arrangements from the original and 1<sup>st</sup> AF of the program. These arrangements will continue to be applicable for this AF.
4. The procurement system both at federal and Regional remains to be governed by the same federal and regional proclamations. However, the Federal Government has finalized a revised proclamation which is expected to be ratified by Parliament soon. The existing Proclamation No. 649/ 2009 which has been governing procurement for more than ten years will be replaced by the new proclamation. Following the Federal ratification of the law, regional administrations are expected to revise their laws based on the new federal law. The same procurement risks identified in the earlier assessment remain particularly risk associated with capacity limitation including (i) not having adequate number of qualified procurement staff, (ii) inadequate resources assigned for procurement regulatory function, (iii) gaps in procurement planning, bidding document preparation, evaluation, contract management, and record keeping at decentralized level, (iv) lack

of simplified standard procurement procedure and documents that can be uniformly applied across Woredas, etc. On the other hand, progress is noted in improved function of procurement regulatory bodies in the manner they managed to deliver on the procurement DLI. The regulatory bodies are registering procurement process data and reporting on procurement performance through agreed KPIs, though a lot of the reporting needs further improvement. Similarly, the regional regulatory bodies are making effort to deliver on their responsibility to undertake procurement audit on procurement implementing institutions, again with much improvement needed on quality and coverage of the audits. Procurement expenditure profile at decentralized level still indicates the contract amounts of single contracts are much below the exclusion threshold under PforR operations, signifying the risk of encountering a high value contract within the program expenditure is low. Based on data reviewed for the EFY2011 (2019), the share of expenditure of the five sectors (Agriculture, Education, Health and Water) is significant at 54%. On the other hand, share of capital allocation, which is spent through procurement, within the four basic sectors has dramatically dropped to 21% which in the earlier assessment covering the period EFY 2007-2009 (2015-2017) was 70%. Overall procurement risk is rated Substantial. The risk mitigation measures under this AF will include improved DLR target and PAP actions to address the observed gaps.

5. Appropriate systems to handle the risks of fraud and corruption, including effective complaint-handling mechanisms, that have been agreed on and established in the parent and 1<sup>st</sup> AF will continue in this program as well.

## II. SCOPE

6. The scope of the FSA is based on the existing boundary of the program and expenditure framework that is the General-Purpose Grant (GPG) as disclosed under expenditure framework.

### **Institutional Arrangements**

7. For the FM, the Program will continue to use the government system (federal, regional and local level) for FM, procurement and governance. The Ministry of Finance (MoF) will continue to be the Implementing Agency for the current ESPES as well as for this additional financing of ESPES. Within MoF, the Channel One Programs Coordinating Directorate (COPCD) will continue to be the responsible body for coordinating the PforR activities across the basic service ministries, government bodies and sub-national government entities and for ensuring compliance with joint legal agreements. COPCD's specific responsibilities under the PforR continue to include: i) directly supervising, reviewing, and monitoring progress of all aspects of PforR implementation, ii) ensuring timely fulfillment of actions in the Implementation Support Plan, and iii) leading and coordinating government's involvement in the semiannual JRIS missions and other ongoing dialogues. MoF will continue to have the overall responsibility for budgeting in compliance with the Expenditure Framework, implementation oversight, financial management, flow of funds and accounting for the program funds as well as the implementation of the Program Action Plans. The Office of the Auditor General (OFAG) in addition to being a verifying agent will continue to audit Program accounts as per agreements.

8. At the regional government level, Bureaus of Finances (BoFs) will continue to have similar responsibilities at the regional level as MoF has at the federal level. Channel One Coordinators will continue to play active role at the regional level. BoF responsibilities include at least the following: i) receiving, consolidating, and transferring financial and expenditure reports from the Woreda Finance Offices (WoFs) to MoF; ii) receiving Woreda level plans for the basic service sectors and assisting Woredas in reconciling their plans within the agreed budget; iii) allocating budgets to

Woredas in line with the agreed fiscal transfer formulas; iv) reviewing and consolidating results reports from Woreda governments.

9. At local level, WoFs and Urban Administration Offices of Finance have similar responsibilities as those of the BoFs. Their responsibilities also include at least: i) undertaking regular M&E and coordination with Woreda sector offices; ii) undertaking operational tasks such as planning, supervision, and financial management; iii) submitting consolidated monthly reports, including monthly reconciliation of expenditures to BoFs; iv) reporting on a monthly basis on the actual use of block grants including basic services sub-program resources at local level and overall performance in relation to service delivery targets.

10. Councils at regional, zonal, woreda and kebele levels: i) provide general oversight of those sub-national government institutions involved in the PforR Program's implementation; ii) review and approve annual development plans and budgets; and iii) facilitate information sharing and harness the involvement of citizens in the planning, budgeting, and management of delivering basic services.

11. For procurement, the program will continue to rely on the government system. Federal Public Procurement and Property Administration Agency (FPPA) is responsible for procurement oversight at federal level. Each Region has its own Regional Procurement Regulatory bodies, albeit at different organizational independence and capacity level, responsible to the Bureau of Finance (BoF). The institutional framework for procurement regulation and oversight is established at all levels of government. The Government has established a "Pool" system at Woreda level where pooled staff based at the Woreda Office of Finance (WoF) office procure goods, works and services on behalf of sectors.

12. The procurement organization encompass different layers of institutions responsible for procurement function at decentralized level with capacity level. The institutions that play critical role in procurement function for the basic service delivery are: (i) regional procurement regulatory bodies, (ii) basic sector regional bureaus, and (iii) Woreda level procurement units. The detail description and responsibility identified and explained in the IFA for the first AF is functioning without change.

13. For Governance, the Bank will rely on the Government's system of fraud and corruption prevention and control. The structural arrangement for the control of fraud and corruption cover the FEACC, REACCs at Regional level and ethics officers assigned at WoF level. The Woreda council with its budget standing committee will continue to play an oversight role. The system of public complaint redress mechanism for all types of complaints arising during service delivery including mal-administration, mismanagement of resources and malpractice in procurement administration will also continue to be addressed by the above-mentioned structure.

### **Expenditure Framework**

14. The 2<sup>nd</sup> AF will scale-up PforR component of ESPES and increase its contribution to the GPG. The AF support of the Government Program, investing in two priority areas of the COVID-19 response: protecting the poor and vulnerable and strengthening policies and institutions for rebuilding better. The scope of the Government program, the GPG, will not change. Domestic investment will account for 82 percent of the GPG budget. IDA investment, including ESPES, this 2nd AF and other operations that contribute to the GPG, represents roughly 10 percent of the total GPG budget. Other donor partner investments in the GPG make up roughly 8 percent of its budget.

By pooling funding with domestic resources, ESPES and the other World Bank and donor investments in the GPG contribute to the Government Program and help incentivize key reforms in the pro-poor sectors with widespread, national impacts. Tables 1 and 2 outline the Expenditure Framework and Program Financing.

**Table 1: ESPES 2nd Additional Financing Expenditure Framework FY21 - FY23**  
(Based on recurrent spending at woreda level, US\$ millions)

	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
	Estimate	Forecast	Forecast
<b>Total block grant transfer to regions</b>	<b>169,869.0</b>	<b>195,349.0</b>	<b>228,558.0</b>
<b>Total woreda budget (block grants)</b>	<b>4,111.0</b>	<b>4,111.0</b>	<b>4,182.5</b>
Recurrent	3535.4	3535.4	3596.9
Capital	575.5	575.5	585.5
<b>Woreda recurrent spending on basic service sectors</b>			
Agriculture	364.1	364.1	370.5
Water	63.6	63.6	64.7
Education	1,389.4	1,389.4	1,413.6
Health	484.4	484.4	492.8
Rural roads	31.1	31.1	31.7
<b>Total woreda recurrent spending on basic services</b>	<b>2,332.7</b>	<b>2,332.7</b>	<b>2,373.2</b>
Total woreda basic service spending attributed to <b>ESPES 2<sup>nd</sup> AF</b>	<b>1,276.2</b>	<b>1,276.2</b>	<b>1,298.4</b>
Total woreda basic service spending attributed to <b>other WB programs<sup>1</sup></b>	<b>1,056.5</b>	<b>1,056.5</b>	<b>1,074.8</b>
Agriculture	356.9	356.9	363.1
Education	426.6	426.6	434.1
Health	233.3	233.3	237.3
Water	35.0	35.0	35.6
Rural roads	4.7	4.7	4.7

**Table 2: Program Financing (US\$ millions)**

<b>Financing Source</b>	<b>FY16-18 (ESPES Original Program)</b>	<b>FY19-21 (ESPES 1<sup>st</sup> AF)</b>	<b>FY22-23<sup>2</sup> (ESPES 2<sup>nd</sup> AF)</b>	<b>Total</b>
BORROWER/RECIPIENT	5,898	7,060	3,303	16,261
ESPES PROGRAM	600	700	250	1,550
OTHER DONORS	320	240	299	858
<b>TOTAL</b>	<b>6,818</b>	<b>8,000</b>	<b>3,852</b>	<b>18,669</b>

15. As can be seen above expenditures of the basic services are shared among ESPES and other WB Operations. Based on discussions with teams and OPCS, a memo is prepared to explain FM aspects including reporting and audit. This memo is appended here with this addendum. Please refer to Annex 7 for this.

<sup>1</sup> Current WBG-supported programs include CALM (P170384), GEQIP-E (P163050) and the Health SDG-PF (P160108). The Expenditure Framework also includes future contributions by the HCP (P172284) currently under preparation, as well as placeholders for a potential PforR component under the One-WaSH program and for future investment in rural roads.

<sup>2</sup> As noted above, the ESPES 2<sup>nd</sup> AF does not change the Program Closing Date. It was extended under the ESPES 1<sup>st</sup> AF to FY23 and will remain as such in the 2<sup>nd</sup> AF. The PforR component of the ESPES 2<sup>nd</sup> AF, however, was intended to fully disburse by FY21. The later Closing Date was to allow for implementation of the IPF component and ESAP3.

### III. REVIEW OF PERFORMANCE OF PUBLIC FINANCIAL MANAGEMENT CYCLE

#### Country PFM

16. Since the completion of the 1<sup>st</sup> AF, the PEFA 2018 and MAPS have been completed for Ethiopia. PFM reform strategy has been developed and implemented at federal level. All regions and the two-city administration have adopted the federal PFM reform strategy and implemented. The woreda PFM bench marking assessment continues to improve the system at lower level. Assessment on improvement of selected indicators (cash management and bank reconciliation), introduced in the 1<sup>st</sup> AF, has been conducted and the PFM bench marking assessment has been repeated. Both were under verification by OFAG (the verifier).

17. The Public Expenditure and Financial Accountability assessment for FY2018 indicate that while most indicators remained the same compared to previous years, the Debt Department has improved the recording of income and expenditure information in donor-funded projects, information to sub-national governments on their budget allocations is communicated on time and considered reliable, systems are in place for contracting loans and issuance of guarantees, and financial statements are compiled and submitted on time. Budget discipline at the aggregate level continues to be reasonably assured. Macroeconomic forecasting and fiscal forecasting are performing well, and payroll management and internal control continue to be reasonable. Audit coverage and quality have improved significantly, although the same unaddressed findings persist year after year. The main weaknesses identified at the federal level are in tax collection, public access to budget information, medium-term perspective in budgeting, unreported extra-budgetary funds, and limited parliamentary oversight. Low tax collection by international standards is related to significant constraints in tax administration, both in terms of system shortcomings and poor capacity affecting implementation and compliance. With regard to policy-based budgeting, Ethiopia does not have a medium-term expenditure framework, limiting the Government's ability to plan beyond a one-year horizon. Fiscal risk monitoring is weak and lacks complete and timely financial information, especially from SOEs, and there are challenges in the management and control of assets and liabilities including shortcomings in undertaking independent economic analysis for major public investments. Public procurement processes are also characterized by several weaknesses which undermine procurement efficiency and effectiveness, including: limited regulatory capacity of FPPA, delays in procurement processes, inadequate application of evaluation criteria, uneven use of standard bidding and contract documents, and weak contract administration capacity and practices.

#### Planning and Budgeting

18. **Budget:** - The program will continue to use the government budget system. The assessment found that pre-budget discussions continue at the lower level, the annual budget preparation process adheres the budget rule and calendar, the annual budget is approved by the council both at region level, zonal level (in some jurisdiction) and woreda level. The approved annual budget is proclaimed both at region and woreda level and formal budget notification is sent by BoFs to public bureaus and woredas. The annual budget is recorded in the Integrated Budget and Expenditure system (IBEX) and budget is controlled at both transaction and reporting level. However as indicated in the PEFA 2018 report, almost all assessed regions poorly performed the budget documentation indicator- the comprehensiveness of the information provided in the annual budget documentation presented by the executive to the regional council. This indicator need attention to improve the transparency of public finances.

19. **Fiscal transparency:** - The fiscal transparency at lower (woreda) level is encouraging. Through the Financial Transparency and Accountability (FTA) initiative, woredas disclose annual budget, budget execution and external audit report to the public through various methods such as through FTA standard templates posted on standard notice board, brochures, T-shirts, banners, calendars, excel tabular formats along with pamphlets and electronic display boards. The annual regions subsidy is disclosed on MoF website. Somali and SNNPR have also disclosed the annual budget, budget executions and audit reports on the website of Bureau of Finances (BoFs)'s and Office of Regional Audit General (ORAGs). In other regions, the website of BoFs and ORAGs were not working and hence we could not check the disclosure of these financial information. To enhance the fiscal transparency, all regional BoFs and ORAGs are required to make functional their website and disclose budget, budget execution, audit report and other important resources for ease references.

20. **Procurement planning:** - Procurement planning is required under the Federal Public Procurement law as well as in regional laws. The laws establish procurement plans are expected to follow a model established by the regulatory framework and should contain information relevant to the procurement transactions including the subject matter of procurement, beneficiary, estimated value, procurement method, estimated dates for launch, bid submission and contract award and delivery. Only contracts that are stipulated in the procurement plan are supposed to be procured but this is not the practice. There are contracts which are not found in the procurement plan at both the regional and woreda levels. Those prepared exhibit several weaknesses. More importantly, the procurement plans prepared by the regional procuring entities are not prepared using standard format, lacking method, and cost. Some procuring entities do not submit their procurement plans within the specified time frame, creating difficulties on the regulatory agencies to follow up and plan. In addition, entities do not update the changes in their procurement plan and do not send the revised plans to the regulatory authorities; the procuring entities do not publish their procurement plan. These limitations on the procurement planning have negative impact on procurement outcomes such as (i) difficulty to follow up and monitor procurement performance with lack of milestones for the procurement activities; (ii) not providing sufficient heads up on the upcoming procurement opportunities to the private sector and thus lowering the level of competition; (iii) exposing to use less competitive procurement methods; (iv) creating problems for follow up and preparing audit plan for the regulatory bodies.

21. **Procurement profile of the program:** - Based on IBEX data for EFY 2011 (2019), on average 30% of the total regional budget for all sectors was spent through procurement which is a reduction from EFY2007 (2015) data when the share of procurement from total budget was 50%. Yet, the total amount allocated to be spent through procurement for eight regions is ETB 57.5 Billion, which is a significant amount.

22. When the data is seen specific for the four basic sectors (Agriculture, Education, Health, Water), the allocation for these basic sectors out of the total for all sectors is at 54%, with ETB 104 billion allocated for these sectors out of the total ETB 192 billion. Nevertheless, the capital expenditure or procurement share of these four basic sectors from their allocation is at 21% indicating the share has significantly dropped from the earlier assessment covering the period EFY2007-2009 (2015-2017), when the average capital expenditure from the total budget had been 70% during the period. The current allocation for recurrent expenditure is taking an average 79% of the total allocation in the basic sectors. But the amount for the 21% totaling ETB 22.2 billion to be spent through procurement at the four basic sectors in the eight regions is still significant. Detail of procurement allocation at regions and the basic sectors is presented in Table 2 and 3 below.

Table 2: IBEX EFY 2011-Basic Sectors (Agriculture, Education, Health and Water) capital allocation and share [ETB x 000,000]

	Total All Sectors [ETB]	Four basic Sectors [ETB]		Capital - All sectors [ETB]		Capital - four Sectors [ETB]	
Afar	5,373	2,665	50%	1,986	37%	1,043	39%
Amhara	4,979	25,866	58%	12,676	28%	4,311	17%
Benishangul-Gumuz	3,682	2,059	56%	826	22%	338	16%
Gambella	2,578	1,205	47%	190	7%	163	13%
Oromia	65,624	36,734	56%	17,843	27%	7,301	20%
SNNP	38,671	20,188	52%	10,296	27%	3,128	15%
Somali	17,090	7,883	46%	9,690	57%	4,757	60%
Tigray	14,230	7,221	51%	3,991	28%	1,116	15%
<b>Grand Total</b>	<b>192,227</b>	<b>103,820</b>	<b>54%</b>	<b>57,498</b>	<b>30%</b>	<b>22,156</b>	<b>21%</b>

Table 3: IBEX EFY 2011-Capital / procurement total regional allocation for each of basic sectors [ETB x 000,000]

	Agriculture	Water	Education	Health	Total
Afar	341	369	207	127	1,043
Amhara	655	1,664	1,032	961	4,311
Benishangul-Gumuz	45	110	96	87	338
Gambella	60	35	36	32	163
Oromia	1,292	3,245	1,458	1,306	7,301
SNNP	662	827	1,066	572	3,128
Somali	1,568	1,388	1,111	690	4,757
Tigray	200	581	287	47	1,116
<b>Total</b>	<b>4,823</b>	<b>8,219</b>	<b>5,293</b>	<b>3,821</b>	<b>22,156</b>

23. Of the total regional budget, woredas take share of average 60% which is around total of ETB 116 billion. But the woreda's share out of the total regional capital allocation is 29% for all sectors signifying most procurement is happening at regional sector offices level, while most of the recurrent allocation averaging 74% goes to woredas. When the data is observed for the four basic sectors, Woredas are allocated average 22% of the total capital allocation for the four basic sectors at the regions which is till a significant procurement load at Woredas to achieve the objective of delivering basic services. Table 4 below indicates allocation of capital expenditure through procurement at Woredas level.

Table 4: IBEX EFY 2011-Capital / procurement Woredas level allocation for each of basic sectors [ETB x 000,000]

	Agriculture	Water	Education	Health	Total
Afar	63	101	102	47	313
Amhara	185	270	588	187	1,231
Benishangul-Gumuz	25	6	38	24	93
Gambella	-	-	-	-	-
Oromia	130	248	423	104	905
SNNP	172	224	250	278	923
Somali	310	309	388	309	1,316
Tigray	30	26	126	12	194
	<b>915</b>	<b>1,186</b>	<b>1,914</b>	<b>960</b>	<b>4,975</b>

## Budget Execution

24. **Treasury management and funds flow:** - The Inter-Governmental Fiscal Transfer (IGFT) system is the primary mechanism by which the government plans to reach its development targets in basic service delivery. This system will continue for 2<sup>nd</sup> AF of ESPES. This method employs a principal-based allocation procedure to distribute funds between regions that is based on a parliamentary-approved algorithm. The algorithm takes into account various development metrics of regions including poverty rate, population size, and infrastructure gap. Once subsidies are transferred from the federal- to the regional-level, the regions take a similar approach in distributing funds to Woredas.

25. The data collected for the past three years (EFY 2010-2012) shows that the federal government has fully disbursed the allocated subsidy to regions. Assessed regions also disbursed 99% to 100% of the allocated subsidy to woredas for the past three years. The subsidy is available in orderly and predictable manner to regions and in turn to woredas. The 2018 PEFA reports corroborates these findings.

26. Disbursement based on achievement of results will continue for the 2<sup>nd</sup> AF. As of end of Feb 2021, the disbursement for the program is summarized in the table 5.

Table 5: Bank Disbursement

	Original		1 <sup>st</sup> AFA			Total Disbursement
	IDA 57160		IDA 6130		TFA7523	USD
	SDR	USD	SDR	USD	USD	
Signed amount	431,500,000	600,000,000	431,000,000	600,000,000	4,548,267	
Disbursed	427,220,956	597,657,222	356,225,999	499,124,551	4,548,267	1,101,330,040

21 The cumulative program expenditure for the original and 1<sup>st</sup> AF of ESPES as of October 10,2020 is presented in table 6. In addition, the comparison of actual and plans (Program expenditure performance) are shown in table 7 below.

Table 6: Cumulative program expenditure

	Gross- original & 1 <sup>st</sup> AF- ESPES		GEQIP E share up to July 7,2020		CALM share up to October 10,2020		Net-Original & 1 <sup>st</sup> AF- ESPES	
	In million ETB	In million USD	In million ETB	In million USD	In million ETB	In million USD	In million ETB	In million USD
Education	192,489.29	7,041.74	11,985.18	395.62			180,504.11	6,646.12
Health	84,628.67	3,133.79					84,628.67	3,133.79
Agriculture	55,329.87	2,016.50			5,142.22	143.64	50,187.65	1,872.86
Water	10,344.87	375.12					10,344.87	375.12
Road	1,672.84	53.23					1,672.84	53.23
	<b>344,465.54</b>	<b>12,620.37</b>	<b>11,985.18</b>	<b>395.62</b>	<b>5,142.22</b>	<b>143.64</b>	<b>327,338.14</b>	<b>12,081.12</b>

Table 7: Program expenditure performance (in million Birr)

	ESPES & PBS As at October 10,2020		PBS portion Up to January 09,2016		ESPES portion January 10,2016- October10,2020		GEQIP- E share up to July 7,2020		CALM share up to October 10,2020	Net-Original & 1 <sup>st</sup> AF-ESPES As at October 10,2020			Performance
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	actual	Plan	Actual	Plan	Actual	
Education	327,893.6	250,759.43	58,354.25	5,8270.14	269,539.4	192,489.29	11,985.18	11,985.15			25,7554.2	180,504.14	70%
Health	95,271.8	106,686.67	21,900.93	22,058	73,370.87	84,628.67					73,370.87	84,628.67	115%
Agriculture	63,825.92	72,793.98	19,517.58	17,464.11	44,308.34	55,329.87			5,142.22	5,142.22	39,166.12	50,187.65	128%
Water	16,429.19	13,788.87	3,329	3,443.9	13,100.19	10,344.97					13,100.19	10,344.97	79%
Road	8,060.05	2,928.39	1,516.83	1,255.5	6,543.22	1,672.89					6,543.22	1,672.89	26%
	<b>511,480.6</b>	<b>446,957.34</b>	<b>104,618.6</b>	<b>10,2491.7</b>	<b>40,6862</b>	<b>344,465.69</b>	<b>11,985.18</b>	<b>11,985.15</b>	<b>5,142.22</b>	<b>5,142.22</b>	<b>389,734.6</b>	<b>327,338.32</b>	<b>84%</b>

27. As indicated above, the Bank disbursement as of October 10,2020 USD 1,101.33 million did not exceed the net program expenditure USD 12,081.12 million.

28. As noted above the expenditure framework of ESPES is amended (restructuring of 2021) basically to document or capture of the reduction of or split of expenditures to other programs operations (CALM, GEQIP other upcoming ones like HCP). The IFRs will include schedules and explanations to show this split. Please refer to Annex 7 for a memo prepared in discussion with OPCS and teams to show the FM aspects/implications/arrangements of this split.

29. **Accounting and financial reporting:** The government accounting policies and procedures continue to be used for the program. Also, IBEX system is in use for transactions recording and reporting at regional, zonal and woreda level. The system is operating both offline and online mode. The number of online modes operators is increasing but needs more improvement. During the assessment, the percentage of online mode at region, zone and woreda level was 24%,79% and 28% respectively. In regions like Oromia, Amhara and SNNPR, zones are responsible to receive and consolidate woredas reports and then send to their respective BoFs. In other regions, woredas directly send their financial report to BoF. Woredas, and Zones are submitting the in- year and year-end reports within the stipulated deadline. Woredas and zones operating offline mode submit monthly financial statements both in soft and hard copies. At Zone and BoF level check lists have been prepared to control the quality of the financial reports. All assessed regions closed the EFY 2012 account and have submitted the financial report to MoF. MoF is submitting the quarterly IFR of the program timely and it is up to date.

### **Procurement processes and procedures**

30. **Publication of procurement opportunities:** Most public bodies at regional level publish their procurement tender on Either Addis Zemen or Ethiopian Herald Newspapers when using open bids method. The bid submission period for the national competitive bidding ranges from 15 to 30 days. The content of invitation is different from entity to entity and many critical elements are sometimes missing important information such as quantity of items, the bidding document submission place and time, and the financing source.

31. **Procurement methods:** Most of the procurement at woreda level is using shopping method. Woredas mainly use the local notice boards, invited suppliers using RFQ/letter or collecting the proforma by the procurement officers. The RFQ used by the woredas is not standard and misses different sections. Commonly, the regions and Woredas use Amharic and local languages when writing the invitation letter for shopping.

32. **Bidding Documents:** While bidding documents are generally prepared at regional implementing agencies, some shortcomings are identified e.g. eligibility and qualification criteria are not provided, and the use of specifications that are proprietary observed. Preparation of bidding documents is not supported by Standard Bidding Documents and lack complete information for potential bidders. The bidding documents contain only list of required materials and specifications. In some of the woredas where the SBDs are used, some of the important sections such as Bid Data Sheet, Evaluation and Qualification criteria, and Special Conditions of Contract are not properly filled out. The bidding documents do not provide clear and reasonable evaluation and qualification criteria. In most of the Woredas, the bidding documents consist of only the invitation to bid and bill of quantity and the evaluation criteria is not specified at all.

33. **Bid Opening:** In the regions and woredas, there is a tender committee to open bids but lacking basic procurement related training. The committee is comprised of either from members of

the procurement unit only or sometimes mixed with members from other user departments. In most of the cases, the committee consist an ad-hoc members/representative from audit and sectors/user departments during bid opening. The committee is mainly responsible for the opening and evaluation of bids in all woredas. Majority of the entities keep bid opening minutes and in most of the woredas the opening is recorded in the registration book. However, at some regions and woredas they do not have tender endorsing committee rather the review and approval of the bid evaluation report is done by the head of the public body or head of the procurement department as per stated threshold.

34. **Evaluation:** Bid Evaluation is conducted by the evaluation committee comprising the procurement staff and representatives from the user departments. After the bid submission and during the period of the evaluation, information on the examination, clarification and evaluation of bids/proposals is not disclosed to participants or to other parties not officially involved in the evaluation process, as regulated in the legal framework. The procuring entities follow different steps for evaluating bids using preliminary evaluation, and financial evaluation. The technical evaluation is not done in most woredas, because of lack of clear technical evaluation criterion in the bidding document. The common practice during evaluation is that the least price is considered after eligibility criteria and the arithmetic errors are checked.

35. Key weaknesses include lack of clear requirements and specification; lack of qualification requirements for some procurement contracts at regional and woreda levels; bidders are not notified the procurement outcomes; sometimes merit point system of bid evaluation is used while conformance criteria evaluation system is stated in the standard bidding document. In addition, regions and Woredas do not have a standard Bid evaluation template for bid evaluation report.

36. **Contract management:** Contracts are prepared in an abridged form without containing the essential provisions that clarify and share responsibilities between the supplier and public body. In most cases, the contract document provides only the agreed contract amount, the material and quantity to be delivered, delivery time and signature. When the contract document is prepared in a longer format, the sharing of responsibilities between the supplier and the public body is unfairly unbalanced which ultimately affect contract performance. Except for procurement of “Works” contract that is managed by the requesting work unit, contract management is the responsibility of the procurement team. The team composition in the revised pool manual suggests for “Contract Administration” expert which should be met, given the existing low capacity in contract administration.

37. **Implementation of Key Procurement Performance Indicators (KPIs):** The implementation of the KPIs in all regions and the three sectors (Agriculture, Education, Health) is progressing well albeit quality issues.

38. In addition to the IBEX data, the assessment looked into the KPI data that was submitted annually as part of DLR deliverable. The main data include the total procurement expenditure, list of procurement activities, share of open bidding procedure, and the bid process time. The data received indicates no large value contract exists at regional level that reaches the OPRC threshold for exclusion of contracts under PforR operations. The maximum contract amount identified is ETB 250 million (around USD 7 million) which is much below the threshold for Goods USD 30 million. However, it is noted that total amount of contracts reported under the KPI does not match with the data received from IBEX. This indicates that regions are not registering all the contracts at each sector. To address this quality issues the DLR recommended under this AF will require the KPI

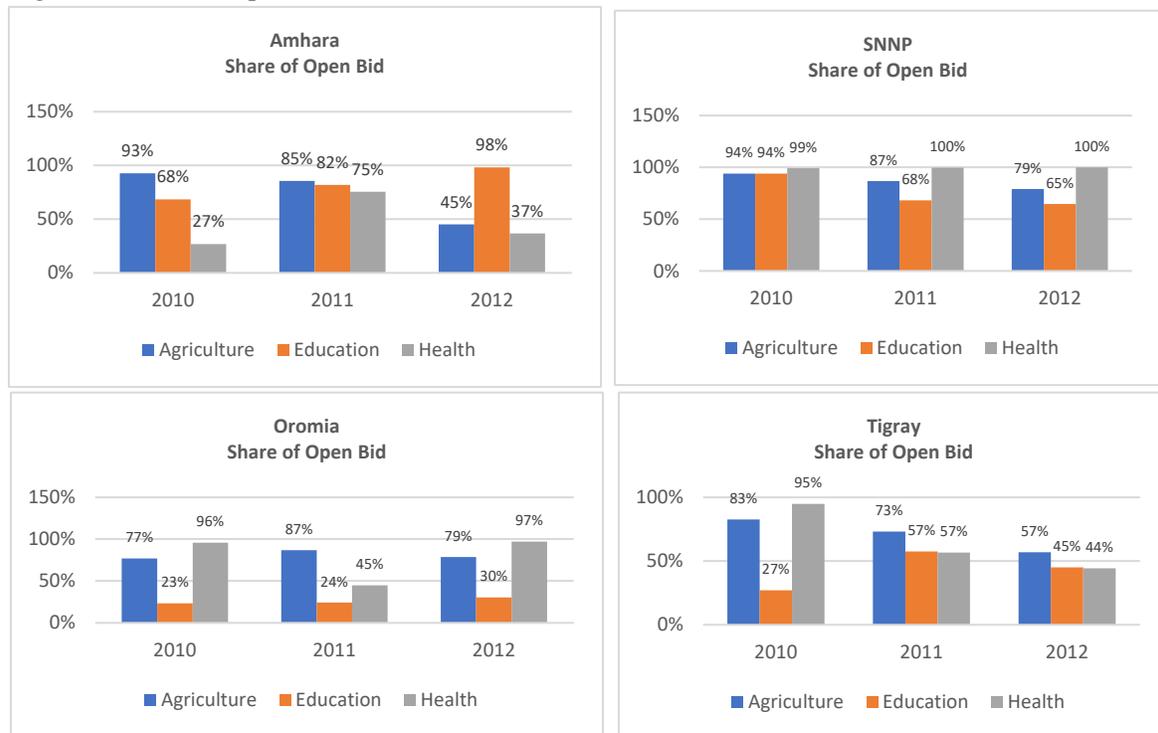
report should include budget allocation and expenditure data that should be consistent with the KPI report.

39. While the KPI data has quality issues particularly related with the comprehensiveness of the data capture, the practice is encouraging. It is understood, the system building effort is a process that passes through obstacles and challenges and the end result cannot be achieved in one go. The effort requires continuous engagement and resource. The aim is to streamline the thinking and necessity of collecting data and measuring performance of procurement through KPIs. In the past none of the regulatory bodies considered this to be their basic duty, instead investing all their time on audit and trainings. The regulatory bodies are now putting great effort in the endeavor. It requires collecting and entering data at each stage of procurement process for each item. The envisaged capacity and streamlining of the system take time to reach a dependable stage. The initial aim was to make the exercise be a catalyst and eye opener for the regulatory bodies to improve the oversight system and achieve higher. And the exercise has fulfilled this objective. The below figures indicate the results of the two indicators using data collected the past three years (EFY 2010-2012).

Table 8: Average Bid Process Period [days]

Region	EFY 2010 (2018)	EFY 2011 (2019)	EFY 2012 (2020)
Amhara	51	52	44
Oromia	85	76	100
SNNP	36	66	42
Tigray	52	47	59

Figure 1: Share of Open Bid



## **Internal control and internal audit**

40. **Internal controls:** - The government internal control system continue to be used for the program. The government internal control procedures are incorporated in the regions' financial administration proclamation, procurement and property administration proclamation, directives, guidance notes and manuals. Though internal control procedures are well captured in various documents, there is a challenge in implementation mainly due to capacity problems. The quarterly continuous audit, being carried out for the program, raised recurring issues mainly in the areas of cash on hand control, monthly bank reconciliation, property management, timely settlements of advances and receivables. The 1<sup>st</sup> AF of ESPES incorporated selective indicators (cash control and bank reconciliation) to improve the control. The assessment has been completed and it was under verification by ORAG. A set back to improve the controls in the areas of property management and payroll is mainly due to absence of appropriate application software. Unlike IFMIS, the IBEX system has no property management and payroll models to control the movement of fixed asset and stock items and to integrate HR records with the payroll database. DLRs are proposed to address the property management weaknesses. The PFM strategy being implemented at regional level is required to address these during the 2<sup>nd</sup> AF of ESPES.

41. **Internal audit:** - The internal audit arrangement at the original and 1<sup>st</sup> AF will continue to be used for the program. The internal audit and inspection departments at regional BoFs are responsible for capacity building of internal auditors at regions and follow up and consolidate the quarterly internal audit reports of bureaus and woredas. Internal auditors at regional bureaus and woredas prepare annual audit plan and perform financial audit accordingly. Both submit monthly and quarter report to their office heads and to the internal audit and inspection department of BoFs respectively. Due to number of vacant posts and capacity problem, the internal auditors mostly focus on traditional audit-vouching, do not perform system and risk-based audit. The PEFA 2018 indicated that there was good internal audit coverage at the regional level, but the audit largely focuses on financial compliance with limited coverage on systemic audit. The PFM strategy being implemented at regional level should incorporate capacity building activities to improve the internal audit function at Woreda/sub national level. DLRs are also proposed to address the internal audit vacant posts.

42. **Governance and Anticorruption:** There is robust legal framework for addressing F & C risks in Ethiopia. FEACC and REACCs in cooperation with the Federal Attorney General have adopted both preventive and curative approaches in combating corruption in the country. FEACC will concentrate on the preventive side on expanding and promoting ethics and anti-corruption education, while Federal Attorney General focuses on the curative side on prosecution of alleged corruption offences. FEACC has signed MOU with REACCs on April, 2012 and with the Federal Attorney General and Federal police on August 2019 which established closer relationship in carrying out mutual cooperation activities, building capacities and compiling country level reports on F & C that will be reported to the Bank's Integrity vice Presidency (INT). Government's determination in controlling F & C could be also being explained in structuring and the assigning of officers/ focal representatives in many of the offices and enhancing of anti- corruption alliances/ movements, preparation of training modules for officers and council members, provision of cascaded training and information sharing of the ESPES PforR fiduciary requirements. With regard to PforR operations, the involvement of BoF, REACCs and the relationship of FEACC with the World Bank will continue in this program operation as well. Moreover, at woreda level in addition to the internal auditors and their reporting relationship to the head of WoF, woreda cabinet, relevant sector, and to Ethics and Anti-Corruption (EAC) officers has been and also will be used to recover any mishandling of resources is further strengthened.

43. Unlike other P for R operations, which apply the ACG that requires submitting of a bi-annual verified compliant handling as well as fraud and corruption report from the beneficiary government institutions to the Bank through FEACC, the ESPES PforR apply strengthening of the system due to the fact that collecting a bi-annual report from more than 1000 beneficiary Woredas would not be practical. Accordingly, the lead agency FEACC being having established vertical working relationship with all public institutions through the respective ethics units can coordinate the overall fraud and anti- corruption movement and the Bank's requirements. Moreover, the system of public complaint redress mechanism for all types of complaints arising during service delivery including mal-administration, mismanagement of resources and malpractice in procurement administration will also continue. These structures also exist at woreda level (housed under the woreda administration) and with Kebele Managers' office at village level. Complaints at the lowest level are presented to the Kebele Manager who is the first point of contact and is structurally accountable to the woreda administration.

### **Auditing**

44. **Program audit:** - The external audit arrangement of the program will continue during the 2<sup>nd</sup> AF. Office of Federal Auditor General (OFAG) will continue to perform both the quarterly continuous audit and the year end audit. OFAG submitted the program year end audit report for the year ended July 7, 2020 and it is up to date. Continuous audit report for the quarter ended July 7, 2020 was already submitted and 1<sup>st</sup> quarter ended October 10, 2020 was not yet submitted. OFAG gave unqualified opinion for the year ended July 7, 2020 but the management letter raised several issues mainly generic in nature on the areas of cash, property management, settlement of advances and receivables and some ineligible expenditures which require attention. For past years, MoF has already submitted status report for rectification of audit findings raised in the audit report of previous years and all have been resolved.

45. ORAGs audit budgetary institutions' books of account in their respective regions. Each ORAG present the consolidated audit report to their respective regional councils. The oversight role is performed by the budget and finance standing committee of the regional and woreda councils. As indicated in the PEFA 2018, ORAGs performance vary region to region on external audit report (audit coverage and standards, timely submission to the legislative, external audit follows up and audit institutions independence and legislative scrutiny of audit report (timing of scrutiny, hearing audit findings, audit recommendation by legislature and transparency). Somali and SNNPR's ORAGs relatively performed well in both cases while Amhara and Oromia poorly performed on external audit report.

46. **Procurement Audit:** As one of the core responsibilities of the regulatory units, the assessment has noted that generally procurement audit has been undertaken on a regular basis guided by audit checklist adopted by each region. The data received from FPPPA indicates the regional regulatory bodies have increased their procurement audit coverage since the last assessment. According FPPPA data all regions except Afar have covered at least 15% of woredas as indicated in the below table. However, the audit reports are not publicized and have limited circulation between the auditee and the BoF and there is no practice in communicating the report to the wider public and regional administration. Hence, the incentive in addressing audit findings and working on the recommendations is limited.

47. The assessment received the Woreda audit reports of the regional regulatory bodies and noted that findings across regions are similar. The main findings of the reports include (i) issues

related with procurement plans such as procurement plan are not mostly prepared, plans not following template, plans not approved by authorized person, not choosing the right method in the plans or not including method, , implementations not done per the procurement plan, (ii) issues in the bidding documents such as use of brand names in specifications, not bidding document no prepared using standard, missing conditions of contracts, unclear evaluation criteria, unspecified bid validity period, not specifying bid opening date and time etc., (iii) bid invitation without completing the bidding documents, inviting same bidders repeatedly when limited tender and shopping method were used (iv) issues in bid evaluations such as evaluations not based on the bid evaluation criteria, disqualifying bidders for minor deviations, applying evaluation criteria not disclosed in the bidding document, not opening bid at the date and time indicated in the bidding documents, unavailability of bid opening attendance record and bid opening minutes, (v) issues in contract management such as not taking corrective action during implementation.

Table 9: Procurement Audit Coverage [EFY 2011]

S/N	Regions	Woreda Audit		Sectors Audit	
		No. Woredas	Coverage in %	No. Sectors	Coverage in %
1	Amhara	49	26.9	10	18.2%
2	Oromia	218	64.9%	16	28.0%
3	SNNP	49	31.1%	24	41.6%
4	Tigray	12	27.8%	5	12.2%
5	Somali	25	26.9%	10	17.6%
6	Ben/Gum.	6	28.6%	3	10.0%
7	Gambella	8	61.5%	6	13.3%
8	Harari	2	22.2%	2	4.5%
9	Afar	4	12.5%	2	4.5%

### Financial Management and Procurement Capacity

48. **Financial management-Staffing:** Through the ESPES IPF budget, adequate number of accountants, IBEX expert, FTA experts, internal auditors are recruited and assigned at MoF, regions BoFs and ZoFs to support the regular government staff on PFM. These contract staff have adequate experience and skill compared to the government staff. Also, in the past three years, through the IPF budget, institutionalized trainings on budgeting, accounts, IBEX, internal audit have been provided to staffs at woreda level. Monitoring and support are being provide by MoF and BoFs to bureaus and woredas. These should be continued during the 2<sup>nd</sup> AF to enhance staff capacity.

49. **Procurement-Staffing:** There is a shortage of qualified staff in the regional regulatory bodies as well as at procurement implementing offices. Structurally the regulatory agencies have very few staff to carry out all the responsibilities of the bodies per the legal framework. For example, Oromia Procurement Regulatory Agency has only four procurement staff to carry out the procurement audit of the regional sector agencies, and the woredas. For the proper functioning of the regional regulatory agencies and to increase the procurement audit coverage as well as improve on quality, and there should be adequate procurement staff number, cross support by the FPPAA, and adequate guidance and training.

50. Inadequate allocation of resources including budget and facilities continues to be a key factor impeding the performance of the procurement regulatory agencies at the regional level. Almost all regional procurement regulatory bodies face problems related with insufficient budget

allocation and vehicle supply to travel to the woredas and carry out the procurement audit as well as follow up of the audit findings. This is having a direct impact for expanding the audit coverage of the regulatory bodies at both regional sector agencies and woredas. For example, Amhara procurement regulatory body faces serious problem in having sufficient budget, and it is not even possible to determine the amount of budget allocated specific for the procurement regulatory body. This is due to that fact that the regulatory body is still not considered as a cost center.

#### **IV. STATUS OF RISKS & MITIGATION MEASURES**

51. This addendum to assessment assessed whether there are any new fiduciary risks not originally envisaged manifested during implementation of the ongoing project (iii) whether the original mitigation measures effectively mitigated the risk and (iv) how any risk mitigation measures that were not implemented such as those in the PAP affected the performance of the Program and if additional actions are needed to address the risk. In this regard, the IFA notes in the program expenditures framework section that there are no new expenditure and procurement profiles.

52. As far as the risks and mitigation measures are concerned, for financial management, more or less the same risk profiles are noted. There are challenges in internal controls with repetitive internal control challenges are noted including weak property management, weak cash management. In addition, internal audit weaknesses are also noted again. Challenges to the oversight function including timeliness, transparency and follow up on audit findings is also an issue. These are more or less similar to the past issues and risks. Status of past mitigation measures are shown in table 5 and 6 below. FM PAP and DLIs are updated taking on board unfulfilled actions and are more focused on key issues like internal audit, system issues, internal control and M&E and accountability measures thereof to address repetitive findings.

53. Likewise, similar risks that were identified in the initial assessment were also identified in the current assessment with regard to procurement management system. The risks involve both the regulatory and operational environment at decentralized level. The regulatory environment has actually declined in terms of capacity to have effective oversight on procurement activities under respective jurisdictions. The assessment notes that not all PAPs recommended in the initial assessment were implemented. While the PAP action to ensure a minimum of 15% procurement audit coverage annually was somewhat achieved with quality issues by most regions, the PAP to finalize, disseminate and implement simplified Woreda procurement directive was not achieved and is still under process. Hence this revised assessment has recommended to keep these PAPs with some modification to be implemented in the AF project duration. On the other hand, the DLI action that has objective of strengthening function of regional regulatory units has shown encouraging progress. The regional regulatory bodies have started collecting procurement process data though analyzing data and reporting on performance with quality based on indicators remains to be achieved. During the AF period, performance measurement system using KPIs will be modified to address quality issue and will be scaled up to include Sidama Region and Dire Dawa City Administration in order to continue to strengthen and streamline the system through annual performance reporting.

54. As indicated above, on the governance aspect (fraud and corruption and compliant handling mechanism) the system is strengthen progressively starting from the parent program through the additional financing stage. Accordingly, during the parent program implementation the DLIs and PAP are focusing on assigning of Ethic officers at WoF level; and also developing training manual and provide training on effective oversight, transparency and accountability for budget for the Woreda council budget standing committee members. On the other hand, during the additional

financing period, the system is further strengthened by introducing the F&C and compliant recording system and providing decision on cases; rectification and follow-up of Woreda audit findings by the council. Under the proposed additional financing period strengthening of the system will continue.

55. Based on the above reasons, the fiduciary risk assessed for this operation is rated as “Substantial”.

56. Some of the PAP and DLIs will still continue to be applicable as noted in the table 10 and 11 below. In addition, new PAP and DLIs are identified in table 12 and 13 respectively below:

Table 10: Status of PAP-fiduciary

Action	When	Status	Continue/cancelled
<b>Financial Management</b>			
<p><b>Internal control</b>            For repetitive internal control weaknesses, institute strong M&amp;E system and take accountability measures to ensure that actions are taken.            For long outstanding Advances, track long outstanding balances and take action to resolve them;</p>	Year 1-3, 1 <sup>st</sup> AF	Both the quarterly continuous and year end audit reports of the program showed recurring internal control weakness in the area of cash control, bank reconciliation, settlement of advances and property management	<p><b>This action will continue in the 2nd AF.</b>            The adopted region PFM strategies should address these</p>
<p>Address system challenges that improve internal controls:            a) Finalize and rollout a payroll application software.            b) Make sure existing property management record system is operational at local level. Find automation options including replication of existing efficient computer systems (if any).            c) Improve websites of BoFs to improve disclosure to address PEFA concerns.            d) Sustain and manage IBEX system at woredas effectively.</p>	Year 1-3, 1 <sup>st</sup> AF	<p>a) Payroll application software rolled out in Amhara and SNNPR region and partially in Afar region. Other regions use MS-excel to process            b) No region currently uses property management application system            c) Only Somali, SNNPR BoFs disclose fiscal information (Budget and audit report on their website. The</p>	<p><b>This action will continue in the 2nd AF.</b>            The adopted region PFM strategies should address these</p>

		website in other regions were not functioning d) Good progress on use of IBEX but the number of woreda, operating on online mode, should further increase	
<b>Internal Audit</b> a) Target reforms that address the internal audit challenge at decentralized level should be developed. b) Regions should fill vacant posts of internal auditors at local levels. c) Build capacity of auditors on an ongoing basis through regular trainings	Year 1-3, 1 <sup>st</sup> AF	a) Not yet done b) Is being done but needs further improvement c) Is being done but needs further improvement	<b>This action will continue in the 2<sup>nd</sup> AF.</b> The adopted region PFM strategies should address these.
<b>Procurement</b>			
Regional regulatory bodies maintain a minimum of 15% Woreda procurement audit coverage annually	Year 1-3, 1 <sup>st</sup> AF		MoF reported as achieved
Strengthen staffing and provide adequate resource (budget, transport, and so on) to regional regulatory bodies to carry out their function commensurate with the level of procurement spending in the region	Year 1-3, 1 <sup>st</sup> AF	The assessment still finds this problem unresolved at regional regulatory bodies	<b>This action still needs to be continued in this 2<sup>nd</sup> AF</b>
Customize, rollout and implement simplified procurement directives and procedures on Woredas	Year 1-2, 1 <sup>st</sup> AF	Not yet achieved	<b>This action still needs to be continued in this 2<sup>nd</sup> AF</b>
<b>F&amp;C and Complaints Handling</b>			
Provide TOT to REACCs by FEACC; REACCs conduct cascaded training to Woredas on record keeping and reporting of F&C cases	Year 1-3, 1 <sup>st</sup> AF		<b>This action will continue in the 2<sup>nd</sup> AF.</b>

Table 11: status of 1<sup>st</sup> AF Fiduciary DLI

#	DLI	Amount	Deadline	Status
<i>DLR 8.5</i>	Develop Federal PFM reform strategy (baseline: no Federal PFM strategy exists in EFY 2009)	\$5	May-18	Achieved
<i>DLR 8.6</i>	All nine (9) regions and two (2) city administrations adopt PFM reform strategy (baseline: no PFM strategy exists in any region/city-administration in EFY 2010)	\$5	May-19	Achieved
<i>DLR 8.7</i>	Improve results on the selected PFM indicators: i) Cash Management: 40% of woredas submit to BoF on a quarterly basis (as part of the financial report) copies of their cash count statements. ii) Bank reconciliation: 55% of woredas submit to BoF on a quarterly basis (as part of the financial report) copies of their bank reconciliation statements, all by EFY 2011.	\$10	Nov-19	MoF reported that it is achieved and is currently finalizing verification- However, no official reporting is made to the World Bank for review and validate the said achievement.
<i>DLR 8.8</i>	Repeat benchmarking PFM evaluation	\$10	Nov-20	MoF reported that it is achieved and is currently finalizing verification- However, no official reporting is made to the World Bank for review and validate the said achievement.
<i>DLR 8.9</i>	Improve results on the selected PFM indicators: i) Cash Management: 50% of woredas submit to BoF on a quarterly basis (as part of the financial report) copies of their cash count statements. ii) Bank reconciliation: 65% of woredas submit to BoF on a quarterly basis (as part of the financial report) copies of their bank reconciliation statements, all by EFY 2012.	\$10	Nov-20	Outstanding- The DLI will continue for this 2 <sup>nd</sup> AF
<i>DLR 9.6</i>	Procurement performance is reported by four regions (Amhara, Oromia, SNNP, Tigray) based on KPIs on three basic sectors (agriculture, health, education) pertaining to analyzed data captured for EFY 2009	\$10	May-18	Achieved
<i>DLR 9.7</i>	Procurement performance is reported by four regions (Amhara, Oromia, SNNP, Tigray) based on KPIs on three	\$10	May-19	Achieved

	basic sectors (agriculture, health, education) pertaining to analyzed data captured for EFY 2010			
<i>DLR 9.8</i>	Procurement data entry streamlined and continue to be collected based on the KPIs on 3 basic sectors (agriculture, health & education) in the nine regions	\$10	May-20	Achieved
<i>DLR 9.9</i>	Procurement performance reported by 9 regions based on the KPIs on 3 basic sectors (agriculture, health & education), pertaining to analyzed data captured for EFY2011.	\$10	Nov-20	Outstanding- <b>This DLI will be modified and continue in the 2nd AF</b>
<i>DLR 10 (b).4</i>	Woreda Budget & Finance Standing Committee review annual audit findings and action has been taken in 15% of the woredas where audit report is submitted on woreda treasury accounts by ORAGs by May 1, 2019	\$5	May-19	Outstanding-- <b>This DLI will continue in the 2nd AF</b>
<i>DLR 10 (b).5</i>	Woreda Budget & Finance Standing Committee review annual audit findings and action has been taken in 25% of the woredas where audit report is submitted on woreda treasury accounts by ORAGs by May 1, 2020	\$10	May-20	Outstanding-- <b>This DLI will continue in the 2nd AF</b>
<i>DLR 10 (c).1</i>	100 woredas use electric record keeping (excel or more advanced systems) and use this system to report to BoF on F&C cases/tip offs according to the agreed format	\$10	Nov-18	Achieved
<i>DLR 10 (c).2</i>	25% of woredas where at least one F & C case has been recorded with the ethics officer have referred the cases to REACCs for action.	\$15	Nov-20	Outstanding-- <b>This DLI will continue in the 2nd AF</b>

### Proposed New PAP and DLRs

**Table 12: Proposed new PAPs**

Action	When
<b>FM</b>	
<ul style="list-style-type: none"> <li>MoF and Regions take actions to address PEFA 2018's low scores in various aspects of the PFM system. They should consider developing actions plans to address the issues and revise their PFM reform strategies.</li> </ul>	Year 1
<ul style="list-style-type: none"> <li>At least 60% of the woredas in regions maintained internal audit department/unit with at least 85% of approved internal audit positions filled</li> </ul>	Year 1-2
<ul style="list-style-type: none"> <li>To enhance the fiscal transparency, all regional BoFs and ORAGs are required to make functional their website and disclose budget, budget execution, audit report and other important resources for ease references</li> </ul>	Year 1-2
<b>Procurement</b>	

<ul style="list-style-type: none"> <li>With assistance from FPPPA, BOFEDs prepare revised draft regional procurement laws based on the newly revised federal law</li> </ul>	Year 1-2
<ul style="list-style-type: none"> <li>Regional regulatory bodies maintain a minimum of 25% Woreda procurement audit coverage annually</li> </ul>	Year 1-2
<b>F&amp;C</b>	
<ul style="list-style-type: none"> <li>FEACC will Provide training on record keeping and reporting of F&amp;C to REACCs as well as to WOFED ethic officers from at least to the hundred Woredas that have received computers through the program</li> </ul>	Year 1-2

**Table 13: Proposed new DLRs**

Action	Target	Remark on baseline, Scalability, Verification protocol
<b>FM DLRs</b>		
<ul style="list-style-type: none"> <li><b>DLR on Regional PFM strategy-</b> Five (6) regional and Two (2) city administration governments allocate agreed portion of their annual budget to implement PFM reforms of their PFM reform strategies. For EFY 2014 the agreed allocation will be (a) 0.1% of their EFY 2013 budget for Amhara National Regional State, Southern Nations, Nationalities and Peoples Regional State, Somali National Regional State, Benishangul Gumuz National Regional State, Gambella National Regional State, Addis Ababa City Administration, and Dire Dawa City Administration; and (b) 0.012% of EFY 2013 budget for Oromia National Regional State.</li> </ul>	May 2022	<p>Baseline- zero allocation of regional governments' budget for PFM reforms</p> <p>Scalability- Yes -for number of regions that allocated budget</p> <p>Verification protocol- The Region revises or endorses their existing PFM reform strategy. The region allocates a portion of the EFY 2014 annual budget (either at the beginning of EFY 2014 or during the supplementary budget hearing or calendar during the year-EFY 2014) to support the implementation of their PFM reform strategies and promises to allocate similar rates for future years. BoF reports to MoF of the allocation of budget attaching the approval of the budget and their PFM reform strategy by April 2022. The MoF prepares consolidated report by May 2022. MoF calls OFAG to verify and submits the consolidated reports prepared and each regional report received from regions. OFAG reviews these reports, reviews budget proclamation/approval document and verifies that the region has indeed allocated resources for PFM reforms. OFAG submits their verification report to MoF by mid-June 2022. MoF submits to the Bank by end June 2022 (a) the consolidated report sent to OFAG and (b) OFAG's verification report</p>
<ul style="list-style-type: none"> <li><b>DLR on Property management</b> - 50% of woredas in selected regions and city administration governments: (a) conducted fixed asset count for EFY2013 (b) reconciled with records (fixed asset registers) and (c) reported to BoF by end</li> </ul>	May 2022	<p>Baseline- 34% June 2017 Woreda PFM Benchmarking report</p> <p>Scalability- Yes -for % of regions that achieved the 50% cap/rate</p>

<p>February 2022. The selected regions and city administration governments are: Oromia National Regional State, Amhara National Regional State, Southern Nations, Nationalities and Peoples Regional State, Benishangul Gumuz National Regional State, Somali National Regional State, Gambella National Regional State, Addis Ababa City Administration, and Dire Dawa City Administration.</p>		<p>Verification protocol- 50% of Woredas in each selected region conducted a fixed asset count and reconciled it with records (fixed asset register) by end December 2021 and reports to BoF by end January 2022. The BoF reviews woreda reports and prepares a consolidated regional report on fixed asset count and reconciliation and submits the same to MoF by February 2022. The MoF prepares consolidated report on count and reconciliation by March 2022. MoF calls OFAG to verify all and submits consolidated reports prepared and each regions' reports (received from regions). OFAG reviews these reports, and conducts visits a representative sample of regions and woredas to verify that woredas indeed has counted and reconciled fixed assets and reported to BoF. OFAG submits verification reports to MoF by end May 2022. MoF submits to the Bank by June 2022 (a) the consolidated report on count and reconciliation sent to OFAG and (b) OFAG's verification report.</p>
<p><b>Procurement DLRs</b></p>		
<p>Oversight function of Regional Procurement Regulatory Bodies has been improved:</p>		
<ul style="list-style-type: none"> <li>Eight regions (Afar, Amhara, Benishangul, Gambella, Harari, Oromia, SNNP, Somali) reported Procurement Performance to their respective Cabinets for each of the five basic sectors (Health, Education, Agriculture, Water, Roads) based on agreed KPIs pertaining to analyzed data captured in EFY2013 with the following key elements addressed: (i) reports shall indicate performance comparison of current year with past years indicator results, (ii) reports shall include capital budget allocation and financial expenditure data of the reporting year and confirm the procurement report is consistent with budget and expenditure, and (iii) performance reports are signed off with Head of BoF or Head of Regulatory Body in case of independent structure;</li> </ul>	<p>Nov 2021</p>	<p>Scalability- Yes- it will be scalable based on the % of eight regions achieving the target (paid at 1/8 of total value for each region).</p> <p>Verification Protocol- FPPPA is the verifying entity.</p>
<ul style="list-style-type: none"> <li>Dire Dawa City Administration and Sidama Region commenced procurement data entry for five basic sectors (Health, Education, Agriculture, Water, Roads) based on agreed</li> </ul>	<p>June 2022</p>	<p>Scalability- Yes- it will be scalable based on the % of the two administrations achieving the target (paid at 1/2 of total value for each administration). The verifier may fast track the</p>

KPIs and furnished data captured in the first three quarters of EFY2014		verification process for the three quarters data and submit report by April 2022.  Verification Protocol- FPPPA is the verifying entity
<b>F&amp;C DLRs-</b> No new DLRs are envisaged		

## V. IMPLEMENTATION SUPPORT

57. The Bank fiduciary team will continue to follow up implementation progress of the program by reviewing quarterly financial reports, quarterly continuous audit reports, annual program audit reports and relevant progress reports on the implementation of PAP and DLIs. In addition, fiduciary specialists will participate in supervision mission and bi-annual Joint Review and Implementation Support (JRIS) Mission. The objective of the implementation support is to assess the achievement of agreed actions and DLIs, the continuing adequacy of systems, to monitor risks and mitigation measures and covenants and agreements.

## ANNEXES

### Annex 1: PEFA 2018: Overall summary of PFM performance scores

		Federal	Addis City	Oromia Region	Amhara Region	Tigray Region	SNNP Region	Somali Region
<b>HLG -1</b>	<b>Transfers from a higher-level government</b>	NA	NA	D+	D+	A	D+	B+
HLG 1.1	Outturn of transfer from higher-level government	NA	NA	A	A	A	A	A
HLG 1.2	Earmarked grants outturn	NA	NA	D	D	A	D	B
HLG 1.3	Timeliness of transfer from higher-level government	NA	NA	A	A	A	A	A
<b>Pillar I – Budget Reliability</b>								
<b>PI-1</b>	<b>Aggregate expenditure outturn</b>	A	D	B	A	C	B	A
<b>PI-2</b>	<b>Expenditure composition outturn</b>	D+	D+	D+	C+	D+	C+	D+
PI-2.1	Expenditure composition outturn by function	D	D	C	C	C	B	D
PI-2.2	Expenditure composition outturn by economic type	C	D	D	C	D*	C	B
PI-2.3	Expenditure from contingency reserves	A	C	A	A	A	A	C
<b>PI-3</b>	<b>Revenue outturn</b>	D+	D	B	C	C	C	D
PI-3.1	Aggregate revenue outturn	C	D	B	B	B	C	D
PI-3.2	Revenue composition outturn	D	D	B	D	D	C	D
<b>Pillar II – Transparency of Public Finances</b>								
<b>PI-4</b>	<b>Budget classification</b>	B	B	B	B	B	B	B
<b>PI-5</b>	<b>Budget documentation</b>	C	C	D	D	D	D	C
<b>PI-6</b>	<b>Regional government operations outside financial reports</b>	B	A	A	A	A	A	A
PI-6.1	Expenditure outside financial reports	B	A	A	A	A	A	A
PI-6.2	Revenue outside financial reports	C	A	A	A	A	A	A
PI-6.3	Financial reports of extra-budgetary units	B	NA	NA	NA	NA	NA	NA

<b>PI-7</b>	<b>Transfers to subnational governments</b>	<b>A</b>	<b>B+</b>	<b>B</b>	<b>C+</b>	<b>A</b>	<b>C+</b>	<b>A</b>
PI-7.1	System for allocating transfers	A	A	A	A	A	A	A
PI-7.2	Timeliness of information on transfers	A	B	C	D	A	D	A
<b>PI-8</b>	<b>Performance information for service delivery</b>	<b>B+</b>	<b>D</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>C</b>	<b>D+</b>
PI-8.1	Performance plans for service delivery	A	D	D	C	B	C	C
PI-8.2	Performance achieved for service delivery	D	D	D	D	B	D	C
PI-8.3	Resources received by service delivery units	A	D	B	A	B	B	D
PI-8.4	Resources evaluation for services delivery	A	C	C	C	D	C	D
<b>PI-9</b>	<b>Public access to fiscal information</b>	<b>D</b>						
<b>Pillar III - Management of public finances</b>								
<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>D</b>	<b>D</b>	<b>D+</b>	<b>D+</b>	<b>D</b>	<b>D+</b>	<b>D</b>
PI-10.1	Monitoring of public corporations	D	D	C	C	D	D	D
PI-10.2	Monitoring of subnational governments	D	D	D	D	D	C	D
PI-10.3	Contingent liabilities and other fiscal risks	D	D	D	D	D	D	D
<b>PI-11</b>	<b>Public investment management</b>	<b>D+</b>	<b>C</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>C</b>
PI-11.1	Economic analysis of investment proposals	D	C	C	C	C	C	C
PI-11.2	Investment project selection	C	C	C	C	C	C	C
PI-11.3	Investment project costing	D	C	D	D	D	D	C
PI-11.4	Investment project monitoring	C	C	C	C	D	C	C
<b>PI-12</b>	<b>Public asset management</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>C</b>	<b>C</b>
PI-12.1	Financial asset monitoring	C	C	C	C	C	C	C
PI-12.2	Nonfinancial asset monitoring	D	D	D	D	D	C	D
PI-12.3	Transparency of asset disposal	C	C	C	C	C	C	B
<b>PI-13</b>	<b>Debt management</b>	<b>A</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>
PI-13.1	Recording and reporting of debt and guarantees	B	D	D	D	D	D	NA

PI-13.2	Approval of debt and guarantees	A	D	D	D	D	D	D
PI-13.3	Debt management strategy	A	D	D	D	D	D	NA
<b>Pillar IV – Policy-Based fiscal strategy and budgeting</b>								
<b>PI-14</b>	<b>Macroeconomic and fiscal forecasting</b>	<b>B</b>	<b>C+</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>C+</b>	<b>A</b>
PI-14.1	Macroeconomic forecasts	B	C	B	B	B	B	A
PI-14.2	Fiscal forecasts	A	C	B	B	B	B	A
PI-14.3	Macro-fiscal sensitivity analysis	C	B	C	C	C	D	B
<b>PI-15</b>	<b>Fiscal strategy</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>D+</b>
PI-15.1	Fiscal impact of policy proposals	D	D	D	D	D	D	C
PI-15.2	Fiscal strategy adoption	D	D	D	D	D	D	D
PI-15.3	Reporting on fiscal outcomes	NA						
<b>PI-16</b>	<b>Medium-term perspective in expenditure budgeting</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>B</b>
PI-16.1	Medium-term expenditure estimates	D	D	D	D	D	D	C
PI-16.2	Medium-term expenditure ceilings	D	D	D	D	D	D	A
PI-16.3	Alignment of strategic plans and medium-term budgets	D*	D	C	C	C	C	B
PI-16.4	Consistency of budgets with previous year's estimates	B	A	NA	NA	NA	NA	C
<b>PI-17</b>	<b>Budget preparation process</b>	<b>B</b>	<b>C</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>D</b>	<b>A</b>
PI-17.1	Budget calendar	A	C	D	C	C	D	A
PI-17.2	Guidance on budget preparation	B	B	B	C	C	D	A
PI-17.3	Budget submission to the legislature	C	D	D	D	D	D	A
<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>	<b>B+</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>
PI-18.1	Scope of budget scrutiny	B	C	B	B	B	A	B
PI-18.2	Legislative procedures for budget scrutiny	A	D	C	C	C	C	C
PI-18.3	Timing of budget approval	A	B	C	C	A	C	A
PI-18.4	Rules for budget adjustments by the executive	B	B	C	B	B	B	B
<b>Pillar V – Predictability and Control in Budget Execution</b>								
<b>PI-19</b>	<b>Revenue administration</b>	<b>C+</b>	<b>B</b>	<b>C</b>	<b>A</b>	<b>A</b>	<b>C+</b>	<b>B</b>

PI-19.1	Rights and obligations for revenue measures	B	B	B	A	A	A	A
PI-19.2	Revenue risk management	C	C	C	A	A	C	C
PI-19.3	Revenue audit and investigation	A	B	C	A	A	D	D
PI-19.4	Revenue arrears monitoring	D*	A	D	A	B	C	A
<b>PI-20</b>	<b>Accounting for revenue</b>	<b>C+</b>	<b>C+</b>	<b>D+</b>	<b>A</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>
PI-20.1	Information on revenue collections	C	A	B	A	A	A	A
PI-20.2	Transfer of revenue collections	B	A	D	A	A	B	A
PI-20.3	Revenue accounts reconciliation	C	C	C	A	C	C	C
<b>PI-21</b>	<b>Predictability of in-year resource allocation</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>B</b>	<b>B+</b>	<b>B+</b>	<b>A</b>
PI-21.1	Consolidation of cash balances	C	C	C	C	C	C	A
PI-21.2	Cash forecasting and monitoring	B	B	B	D	B	B	A
PI-21.3	Information on commitment ceilings	B	B	C	A	A	A	A
PI-21.4	Significance of in-year budget adjustments	C	C	C	A	A	A	A
<b>PI-22</b>	<b>Expenditure arrears</b>	<b>C+</b>	<b>C</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>A</b>	<b>B+</b>
PI-22.1	Stock of expenditure arrears	A	C	D	A	A	A	A
PI-22.2	Expenditure arrears monitoring	C	C	A	C	C	A	B
<b>PI-23</b>	<b>Payroll controls</b>	<b>C+</b>	<b>D+</b>	<b>C+</b>	<b>B+</b>	<b>B+</b>	<b>C+</b>	<b>C+</b>
PI-23.1	Integration of payroll and personnel records	B	B	B	B	B	B	B
PI-23.2	Management of payroll changes	A	A	A	A	A	A	A
PI-23.3	Internal control of payroll	B	B	A	B	B	B	C
PI-23.4	Payroll audit	C	D	C	B	B	C	B
<b>PI-24</b>	<b>Procurement</b>	<b>D+</b>	<b>C</b>	<b>D</b>	<b>D</b>	<b>D</b>	<b>B</b>	<b>B</b>
PI-24.1	Procurement monitoring	D	B	D	D	D	B	A
PI-24.2	Procurement methods	A	B	D*	D	D	A	A
PI-24.3	Public access to procurement information	D	D	D	C	C	B	C
PI-24.4	Procurement complaints management	D	D	D	D	D	D	D
<b>PI-25</b>	<b>Internal controls on non-salary expenditure</b>	<b>B</b>	<b>A</b>	<b>B+</b>	<b>B</b>	<b>B</b>	<b>B</b>	<b>B</b>

PI-25.1	Segregation of duties	A	A	A	A	A	A	A
PI-25.2	Effectiveness of expenditure commitment controls	C	B	B	C	C	C	C
PI-25.3	Compliance with payment rules and procedures	B	A	B	B	B	B	B
<b>PI-26</b>	<b>Internal audit</b>	<b>D+</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>
PI-26.1	Coverage of internal audit	A	A	B	B	A	A	A
PI-26.2	Nature of audits and standards applied	C	C	C	C	C	C	C
PI-26.3	Implementation of internal audits and reporting	C	C	B	B	A	A	A
PI-26.4	Response to internal audits	D	D*	C	A	B	B	A
<b>PI-27</b>	<b>Financial data integrity</b>	<b>B</b>	<b>B</b>	<b>B+</b>	<b>B</b>	<b>C+</b>	<b>B</b>	<b>C+</b>
PI-27.1	Bank account reconciliation	B	B	B	C	A	B	B
PI-27.2	Suspense accounts	NA	NA	NA	NA	B	NA	C
PI-27.3	Advance accounts	C	C	A	A	C	A	C
PI-27.4	Financial data integrity processes	B	B	B	C	C	C	B
<b>PI-28</b>	<b>In-year budget reports</b>	<b>D</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>C+</b>	<b>B+</b>	<b>C+</b>
PI-28.1	Coverage and comparability of reports	D	B	A	A	A	A	A
PI-28.2	Timing of in-year budget reports	D	D	B	C	C	B	B
PI-28.3	Accuracy of in-year budget reports	NA	C	C	C	C	B	C
<b>PI-29</b>	<b>Annual financial reports</b>	<b>C+</b>						
PI-29.1	Completeness of annual financial reports	C	C	C	C	C	C	C
PI-29.2	Submission of reports for external audit	B	B	B	B	B	A	A
PI-29.3	Accounting standards	C	C	C	C	C	C	C
<b>Pillar VI – External Scrutiny and audit</b>								
<b>PI-30</b>	<b>External audit</b>	<b>C+</b>	<b>D+</b>	<b>D+</b>	<b>D+</b>	<b>C+</b>	<b>C+</b>	<b>B+</b>
PI-30.1	Audit coverage and standards	B	D	C	C	B	B	A
PI-30.2	Submission of audit reports to the legislature	B	C	C	D	C	B	A
PI-30.3	External audit follow-up	B	B	C	C	A	C	B
PI-30.4	Supreme Audit Institution independence	C	D	D	D	A	A	A

<b>PI-31</b>	<b>Legislative scrutiny of audit reports</b>	<b>B</b>	<b>C+</b>	<b>B</b>	<b>D+</b>	<b>A</b>	<b>B+</b>	<b>B</b>
PI-31.1	Timing of audit report scrutiny	A	A	A	A	A	A	A
PI-31.2	Hearings on audit findings	C	B	C	D	A	A	A
PI-31.3	Recommendations on audit by the legislature	B	C	A	D	A	A	C
PI-31.4	Transparency of legislative scrutiny of audit reports	B	D	D	D	A	D	D

**Annex 2: Federal subsidy EFY 2009-EFY 2012**

		2009			2010		
		Proclaimed	Actual transfer	%	Proclaimed	Actual transfer	%
Oromia	Blockgrant	28,387.10	34,127.2	120%	39,703	41,423.6	104%
	SDG	3,894	2,336.4	60%	2,412	1,929.7	80%
Amhara	Blockgrant	20,302.51	24,292.1	120%	24,847	25,918.1	104%
	SDG	2,788.80	1,673.3	60%	1,512	1,209.6	80%
SNNPR	Blockgrant	17,582.87	20,471.7	116%	23,165	24,105.9	104%
	SDG	2413.2	1,447.9	60%	1,408	1,126.2	80%
Somali	Blockgrant	7,107.62	8,209.2	115%	11,505	11,625.6	101%
	SDG	974.4	850.4	87%	699	698.6	100%
Tigray	Blockgrant	6,232.63	7,380.6	118%	6,929.81	7,035.1	102%
	SDG	858	514.8	60%	422.1	337.5	80%
Afar	Blockgrant	2,727.12	3,262.7	120%	3,467	3,466.6	100%
	SDG	374.4	328.4	88%	211	211.4	100%
Benshangul G	Blockgrant	1,875.64	2,250.1	120%	2,102	2,135.5	102%
	SDG	258	153.7	60%	128	121.2	95%
Gambella	Blockgrant	1,312.99	1,532.0	117%	1,512	1,526.7	101%
	SDG	180	108.0	60%	93	93.1	100%
Harari	Blockgrant	874.26	975.1	112%	861	877.2	102%
	SDG	120	72.0	60%	53	53.2	100%
Dire Dawa	Blockgrant	1017.34	1,165.7	115%	1,013	1,035.3	102%
	SDG	139.2	83.5	60%	62	61.6	100%
	Total Block gra	87,420.10	103,666.47	119%	115,104.12	119,149.56	104%
	Total SDG	12,000.00	7,568.35	63%	7,000.00	5,842.11	83%

		2011			2012		
		Proclaimed	Actual transfer	%	Proclaimed	Actual transfer	%
Oromia	Blockgrant	45,281.82	45,281.8	100%	47,497.02	50,265.8	106%
	SDG	2067.6	2,067.6	100%	2,067.60	2,067.6	100%
Amhara	Blockgrant	28,280.68	28,280.7	100%	29,771.77	31,482.4	106%
	SDG	1,296	1,296.0	100%	1296	1,296.0	100%
SNNPR	Blockgrant	26,414.80	26,414.8	100%	27,718.06	29,657.0	107%
	SDG	1206.6	1,206.6	100%	1206.6	1,206.9	100%
Somali	Blockgrant	13,115.54	13,115.5	100%	13,757.70	14,103.4	103%
	SDG	598.8	598.8	100%	598.8	598.8	100%
Tigray	Blockgrant	7,909.79	7,909.8	100%	8,311.30	8,766.3	105%
	SDG	361.8	361.8	100%	361.8	361.8	100%
Afar	Blockgrant	3,956.40	3,956.4	100%	4,142.43	4,358.3	105%
	SDG	181	181.2	100%	181.2	181.2	100%
Benshangul G	Blockgrant	2,385.78	2,385.8	100%	2,502.65	2,623.4	105%
	SDG	109.8	109.8	100%	109.8	109.3	100%
Gambella	Blockgrant	1,721.43	1,721.4	100%	1,813.37	2,328.8	128%
	SDG	79.8	79.8	100%	79.8	79.8	100%
Harari	Blockgrant	997.48	997.5	100%	1,049.78	1,076.4	103%
	SDG	45.6	45.6	100%	45.6	45.6	100%
Dire Dawa	Blockgrant	1,154.97	1,155.0	100%	1,215.55	1,266.9	104%
	SDG	52.8	52.8	100%	52.8	52.8	100%
	Total Block gra	131,218.70	131,218.70	100%	137,779.63	145,928.78	106%
	Total SDG	6,000.00	6,000.00	100%	6,000.00	5,999.85	100%

### Annex 3: Region subsidy

	2009			2010			2011			2012		
	Budget subsidy	Actual subsidy transfer	%	Budget subsidy	Actual subsidy transfer	%	Budget subsidy	Actual subsidy transfer	%	Budget subsidy	Actual subsidy transfer	%
Oromia	22,143.80	22,140.00	100%	24,332.68	24,332.68	100%	27,922.17	27,922.17	100%			
Amhara	-	-		22,433.55	22,433.55	100%	27,861.46	27,861.46	100%	29,129.58	29,129.58	100%
SNNPR	12,328.20	12,328.20	100%	16,336.48	16,336.48	100%	19,621.35	19,621.35	100%	-		
Somali	3,203.47	3,205.73	100%	4,480.18	4,440.37	99%	5,022.60	5,020.07	100%	-		
Afar	1,424.46	1,424.46	100%	1,772.70	1,772.70	100%	2,180.60	2,180.60	100%	-		
Benshangul G	1,031.94	1,033.94	100%	1,395.44	1,389.73	100%	1,448.82	1,394.39	96%	-		
Gambella	828.94	703.25	85%	984.21	657.65	67%	1,364.64	936.57	69%	-		

### Annex 4: IBEX rollout information

No	Region	PB/RSB/Branch office/College/faculty/court/TVT /Hospital/health center			Zone +zone pool/ sub city			Wereda			Summary			
		Total	IBEX on line	IBEX off line	Total	IBEX on line	IBEX off line	Total	IBEX on line	IBEX off line	Total on line	Total off line	Total IBEX sight	% From national Total
1	Federal	260	140	120	0						140	120	260	8.00
2	Addis Abeba	108	108		50	50	0	123	123	0	281	0	281	8.64
3	Dire Dawa	53	21	32	0			9		9	21	41	62	1.26
4	Afar	43	43	0	0			39	29	10	72	10	82	2.52
5	Harari	38		38	0			9		9	0	47	47	1.45
6	SNNPR	183	48	135	16	16		222	64	158	128	293	421	12.95
7	Gambella	52	32	20	3	1	2	14	3	11	36	33	69	2.12
8	Tigray	252	48	204	0			53	51	2	99	206	305	9.38
9	Benishangul	37	30	7	3	1	2	25	7	18	38	27	65	2.00
10	Amhara	171	47	124	13	12	1	182	73	109	132	234	366	11.26
11	Somali	84	63	21	11	9	2	99	25	74	97	97	194	5.97
12	Sidama	46	4	42	9			36		36	4	87	91	2.80
13	Oromia	651	51	600	21	21		336	36	300	108	900	1008	31.01
	Total	1978	635	1343	126	110	16	1147	411	736	1,156	2,095	3,251	99.35
										%	35.56	64.44		

### Annex 5: Staff data

#### a) ESPES Contract staff

Region	Number
Oromia	81
Amhara	64
SNNPR	110
Somali	39
Afar	20
Benshangul G	23
Gambella	12
DireDawa	14
Mof	103

b) Staff at basic sectors at regions

	Oromia			Amhara			SNNPR			Somali		
	Structure	actual	Vacant									
<b>BoF</b>												
Treasury and finance	45	41	1	19	18	1	18	12	6	41	41	0
Inspection and audit	28	16	12	10	8	2	42	12	30	22	14	8
<b>BoA</b>												
Budget	15	14	1	2	2	0	13	12	1	14	3	11
Finance	17	17	0	8	8	0	14	14	0	13	9	4
Internal audit	12	9	3	6	6	0	17	7	10	4	1	3
Property	88	65	23	6	6	0	20	17	3	7	4	3
<b>BOH</b>												
Budget	7	7	0	2	2	0	18	14	4	21	19	2
Finance	18	16	2	9	9	0	7	7	0	18	18	0
Internal audit	9	4	5	6	6	0	14	9	5	4	2	2
Property	27	8	19	7	7	0	10	9	1	12	11	1
<b>BoW</b>												
Budget	7	5	2	4	4	0	14	11	3	18	18	0
Finance	18	17	1	10	10	0	13	12	1	18	18	0
Internal audit	10	9	1	4	4	0	15	8	7	4	3	1
Property	129	100	29	7	7	0	20	14	6	10	10	0
<b>BoE</b>												
Budget	6	5	1	2	2	0	4	4	0	28	26	2
Finance	16	16	0	9	9	0	11	10	1	15	15	0
Internal audit	13	7	6	6	6	0	14	12	2	4	3	1
Property	40	38	2	5	5	0	13	12	1	9	8	1
<b>Road</b>												
Budget	3	3	0	1	1	0	6	6	0	12	6	6
Finance	19	19	0	9	9	0	21	21	0	22	22	0
Internal audit	12	8	4	4	4	0	12	7	5	4	3	1
Property	13	10	3	5	5	0	15	14	1	7	7	0
<b>ORAG</b>												
Audit staff	324	293	31	249	241	8	211	147	64	114	58	56
Support staff	101	89	12	96	94	2	75	65	10	46	24	22
	425	382	43	345	335	10	286	212	74	160	82	78

	Afar			Benshangul G			Gambella			DireDawa		
	Structure	actual	Vacant	Structure	actual	Vacant	Structure	actual	Vacant	Structure	actual	Vacant
<b>BoF</b>												
Treasury and finance	16	13	3	12	11	1	16	15	1	19	16	3
Inspection and audit	10	10	0	9	9	0	11	11	0	10	8	2
<b>BoA</b>												
Budget	8	8	0	12	10	2	3	3	0			
Finance	14	14	0	13	13	0	8	8	0			
Internal audit	5	5	0	5	5	0	1	1	0			
Property				13	13	0	2	2	0			
<b>BOH</b>												
Budget	15	15	0	27	16	11	12	12	0	9	6	3
Finance	14	14	0	13	13	0	13	13	0	9	8	1
Internal audit	4	4	0	6	6	0	3	3	0	1	1	0
Property				15	15	0	4	4	0	6	5	1
<b>BoW</b>												
Budget	11	10	1	6	5	1	3	3	0	3	3	0
Finance	16	14	2	12	12	0	8	8	0	17	15	2
Internal audit	5	5	0	6	5	1	1	1	0	3	3	0
Property				16	16	0	1	1	0	3	3	0
<b>BoE</b>												
Budget	7	7	0	6	6	0	5	5	0	3	2	1
Finance	12	12	0	16	16	0	8	8	0	7	4	3
Internal audit	5	4	1	5	5	0	1	1	0	1	1	0
Property				14	14	0	1	1	0	5	5	0
<b>Road</b>												
Budget	9	9	0	5	5	0	2	2	0	4	4	0
Finance	10	9	1	9	9	0	4	6	0	10	10	0
Internal audit	5	5	0	4	4	0	1	1	0	3	3	0
Property				9	9	0	2	2	0	7	7	0
<b>ORAG</b>												
Audit staff	65	46	19				36	36	0	48	33	15
Support staff	68	51	17				38	40	0	28	20	8
	133	97	36	142	106	36	74	76	0	76	53	23

c) Staff at woreda

	Budget section			Finance section			Internal audit section			Property section		
	Structure	Actual	Vacant	Structure	Actual	Vacant	Structure	Actual	Vacant	Structure	Actual	Vacant
Bure	5	4	1	23	22	1	9	8	1	6	6	-
Banja	5	4	1	22	21	1	9	9	0	23	20	3
Lume	9	9	0	18	16	2	11	10	1	12	10	2
Adaa	8	8	0	17	14	3	10	8	2	17	12	5
Awaa 7 killo	6	5	1	13	11	2	6	5	1	10	9	1
Assosa	11	10	1	19	19	0	5	5	0	21	20	1
Bambasi	9	6	3	16	13	3	5	3	2	13	12	1
Arbaminch Zuria	4	4	0	28	28	0	8	8	0	13	13	0

**Annex 6: External audit coverage**

**a) Financial audit- in terms of entity**

	EFY 2009			EFY 2010			EFY 2011		
	Total entities	Entities audited	Coverage	Total entities	Entities audited	Coverage	Total entities	Entities audited	Coverage
Oromia									
Amhara	442	281	64%	442	296	67%	442	324	73%
SNNPR	125	109	87%	110	87	79%	88	66	75%
Somali	155	137	88%	185	171	92%	198	179	90%
Afar	91	66	73%	91	59	65%	91	56	62%
Benshangul G			73%			58%			52%
DireDawa			96%			89%			85%

**b) Financial audit- in terms of budget**

	2009			2010			2011		
	Total budget	Budget audited	Coverage	Total budget	Budget audited	Coverage	Total budget	Budget audited	Coverage
Oromia			60%			62%			65%
SNNPR	29,312,511,421.38	17,228,106,887.00	59%	32,163,232,125.82	20,068,570,316.00	62%	35,689,400,777.62	22,854,778,469.00	64%
Somali			90%			90%			90%
Benshangul G			73%			75%			80%
Gambella	7,774,411.00	6,004,737.86	77%	13,010,868.00	4,842,837.00	75%	13,126,296.00	8,326,928.34	63%

c) Performance audit- plan vs actual

	2009			2010			2011		
	Planned	Acutal	Coverage	Planned	Acutal	Coverage	Planned	Acutal	Coverage
Oromia	12	15	125%	15	17	113%	17	18	106%
Amhara	12	11	92%	15	14	93%	10	7	70%
SNNPR	8	8	100%	9	9	100%	10	10	100%
Somali	1	1	100%	2	2	100%	4	4	100%
Afar	2	0	0%	2	0	0%	2	2	100%
Benshangul G	4	4	100%	6	2	33%	6	3	50%
Gambella	Not done								
DireDawa	6	6	100%	6	6	100%	6	6	100%

## **Annex 7: Memo on Expenditure framework sharing between the ESPES (P151432), CALM (P170384), GEQIP E (P163050), HCP (P172284) and other future P4R operations**

### **Background**

1. The ESPES program continues to finance Woreda-level recurrent spending, mainly salaries, to deliver basic services and the Woredas' recurrent cost constitutes the ESPES program Expenditure Framework for the P4R component. These expenditures are part of the General-Purpose Grant (GPG) allocation of the government to the regions. At design, the ESPES-AF share from total woreda recurrent spending was estimated at 4.8 percent. Currently, the woreda recurrent expenditure share of ESPES, as calculated from different Interim Financial Reports, stood at roughly 8 percent, on average. In terms of sectoral shares, the contribution of ESPES for education, health, agriculture, water and rural roads stood at 9.0 percent, 8.1 percent, 9.7 percent, 7.6 percent and 5.1 percent, respectively. During the CALM PforR preparation, the issues of sharing the expenditure framework (EF) among different World Bank operations that support basic service sectors at the woreda level was brought up as an issue for discussion between the ESPES, CALM, FM and OPCS teams, and finally with Channel One Programmes Coordination Directorate (CoPCD) at Ministry of finance (MoF). It was agreed that the EF of ESPES at woreda level can be reduced to allow for the CALM project and other IDA-financed projects. This action is not intended to have implication on the decentralized woreda level allocation and spending. Rather it is required for the accounting and reporting purposes to show the contribution of different programs to basic service delivery at the Woreda level.

### **Allocating expenditure among the programmes**

2. Based on the analysis done by the ESPES team in consultation with the sectors and as indicated in the Table below, the ESPES EF over the next three years is reduced by the expenditure share attributed to CALM and HCP in agriculture, GEQIP-E AF and HCP in education, One WaSH and HCP in water, Health PforR and HCP in health, and possible rural road program by the WB. The amount to be excluded from ESPES-AF EF for the new HCP, CALM, GEQIP-E, Health SDG-PF, One WaSH and possible rural road program<sup>3</sup> is estimated at USD 6.58 billion. Accordingly, the revised total cost estimate for the Program (**the revised ESPES EF**) will be USD 8 billion. Funding of the remaining ESPES EF from the Government, IDA and other development partners account for 88.2 percent, 8.8 percent and 3 percent, respectively. The detail EF of ESPES and the split made to other operation sis shown under Appendix I. the summary of the percentage of expenditure allocation is shown below.

<b>Woreda level recurrent cost</b>	<b>% of ESPES share</b>	<b>% of CALM share</b>	<b>% of GEQIP E share</b>	<b>% of HCP share</b>	<b>% of Other upcoming operations share</b>	<b>Total % of expenditure</b>
Education	80% of salary		100% of non-salary	20% of salary		100%
Health	50%			20%	30%	100%
Water	50%			20%	30%	100%
Agriculture	10%	70% <sup>4</sup>		20%		100%
Roads	80%				20%	100%

3. In addition to the allocation made above, the CALM, GEQIP-E and the potential HCP all have Specific Purpose Grants (SPGs) allocated for the programmes. With this complicated allocation of expenditure among programmes, it is essential to have a clear expenditure reporting and auditing

<sup>3</sup> This is calculated by multiplying the total ESPES-AF expenditure framework by sectoral shares from the total woreda recurrent spending on basic services, shares to be released for sectoral programs and the HCP. Currently, from total woreda recurrent spending on basic services, agriculture accounted for 17%, education 59%, health 20%, water 3% and rural roads 1%.

<sup>4</sup> The expenditure for Afar and Somali regions is taken out as the program doesn't operate in lowlands. Since the amounts are insignificant compared to the total expenditure hence the percentage is taken at total

arrangements which clearly show that there is no overlap of expenditure and facilitate for smooth reconciliation of expenditure for each of the programmes at end of the project cycle. Furthermore, it is important to ensure that the entire EF of the programmes is covered by external audits. The approach on expenditure allocation, reporting and auditing is described below.

### **Preparation of financial statement**

4. The government prepares one financial statement for expenditures of basic service sectors at woreda level. This report is prepared by CoPCD and is submitted quarterly to the Bank as part of the ESPES P4R. The current financial statement of the government captures all basic service sectors expenditure at the woreda level and hence will not be dismantled to match the expenditure frameworks of the various operations, as this will not be efficient. The government will continue to prepare the financial statement as is. The total expenditure reported by the ESPES IFR's Statement of Sources and uses of Fund includes total expenditures (which includes the ESPES, CALM, GEQIP, potential HCP expenditures and remaining expenditure for other operations).

5. To show the portion of expenditure allocated to ESPES and the other operations, a new reconciliation schedule is included in the IFR of ESPES showing the revised expenditure framework for ESPES. This schedule will show the expenditure that remains for ESPES and excluded expenditure, which is taken by GEQIP, CALM, HCP and others. This schedule, shown under Appendix 2, attached to the quarterly IFR of ESPES, will show the total expenditure reported, the amount that has been allocated to GEQIP, CALM, HCP and also the expenditure that remains for ESPES and other potential programmes. This schedule will be used to make the expenditure reconciliation at the end of the ESPES P4R when comparison is made for the amount disbursed by the Bank and the expenditure reported by the government for ESPES.

6. CALM and GEQIP E have semiannual financial reports that are submitted to the Bank. The pipeline HCP and any other future programmes will also have this reporting requirement. Each of these projects will show on their semiannual financial reporting, the amount of expenditure they took from ESPES as well as their own allocated expenditure through the SPG. Similar schedule noted above as attached on the ESPES reporting will be used for these P4Rs as well. These schedules will be used to show the total expenditure reported for the programmes and will be used for reconciliation of expenditure at the end of each of the programs. The template is attached to Appendix 3.

7. The budget codes for these expenditures to be shared among the programmes is shown under Appendix 4. As the list is big, it may not be necessary to reflect these in each IFR submission. The full detail is captured on this memo and will be used as reference point for anyone who wants to see the codes.

8. The current closing date for ESPES is May 2023. Once ESPES closes, the reporting of the entire expenditure framework will be overtaken by the HCP which will go up to FY 2026. The same procedures described above will continue under the HCP.

### **External audit report**

9. The audit report submitted under the ESPES captures the entire basic service deliver expenditure at woreda level. This audit report is submitted to the Bank every year within 6 months of the year end. As the coverage is significant, there is a continuous audit process throughout the year on quarterly basis. This one audit report will continue to be submitted under the ESPES program.

10. The expenditure framework for CALM, GEQIP and HCP is mixed with the basic service recurrent expenditure of the government at woreda level as described above and Specific purpose grants for the sectors which are for earmarked expenditure. As such, these programmes have two audit reports submitted to the Bank to cover the entire expenditure framework of the programmes. The general-purpose grant part of the expenditure framework will be covered by the audit done under ESPES and specific purpose grant is audited separately covering the remaining part of the expenditure framework.

11. The overall audit report review for ESPES will continue to cover all the findings noted on the report. The Bank will continue to review the SPG part of the audit under each program and will also reflect on the impact of the findings of the ESPES audit report for each of the sectors. For example, for GEQIP-E audit, it will take the findings from the ESPES audit on education sector and reflect on its impact on the GEQIP operation.

Appendix 1 – Expenditure framework split between ESPES and other programmes

ESPES-AF Expenditure Framework<sup>5</sup> to be shared to other sectoral programs

	% of total expenditure	Share of expenditure for other sectors	Amount to be excluded from ESPES EF (Mln US\$)
<i>Total expenditure framework for additional financing</i>			14,583.30
Agriculture	17%		2,178.75
CALM		70%	1,694.58
HCP		20%	484.17
Education	59%		2,685.37
GEQIP-E (100% of non-salary)		100%	1,299.37
HCP (20% of education salary)		20%	1,386.00
Health	20%		1,480.20
Health SDG-PF		30%	888.12
HCP		20%	592.08
Water	3%		218.75
One WaSH		30%	131.25
HCP		20%	87.5
Rural Roads	1%	20%	20.42
Total	100%		6,583.48

Revised ESPES-AF Expenditure Framework (USD, millions)

	Original Loan FY16–18	AF Loan FY19–21		Total	
		Before Restructuring	After Restructuring	Before Restructuring	After Restructuring
Total expenditure framework	6,818.00	14,583.30	14,583.30	21,401.30	21,401.30
Less: 90% agriculture exp for other operations including 20% for HCP			2,178.75	-	2,178.75
100% of non-salary recurrent cost for education plus 20% of salary for HCP			2,685.37	-	2,685.37
30% health exp for other operation plus 20% for HCP			1,480.20	-	1,480.20
30% water expenditure for other operation plus 20% for HCP			218.75	-	218.75
20% for road allocation			20.42		20.42
Revised ESPES EF	6,818.00	14,583.30	7,999.82	21,401.30	14,817.82
1. Borrower/recipient	5,898.00	13,643.30	7,059.82	19,541.30	12,957.82
Share	87%	94%	88.20%	91%	87%
2. IBRD/IDA	600	700	700	1,300.00	1,300.00
Share	9%	5%	8.80%	6%	9%
3. Other donors (Austria, EU, AfDB)	320	240	240	560	560
Share	5%	2%	3.00%	3%	4%

<sup>5</sup> This relates to recurrent spending.

Appendix 2 – New Reporting template introduced as part of ESPES IFR showing the expenditure allocation for ESPES and other programmes

Ministry of Finance  
Agriculture and education sector expenditure apportionment table for ESPES, GEQIP and CALM\*

Description	For the Quarter Ended		(in USD/ETB)		Cumulative for project life....	
	For the quarter ended....		For the year ended .....			
	Amount in ETB	Amount in USD	Amount in ETB	Amount in USD	Amount in ETB	Amount in USD
<b>Agriculture sector</b>						
Agriculture sector reported expenditure for the quarter as per the ESPES report						
Less: agriculture sector expenditure of Afar region						
: Agriculture sector Expenditure of Somali region						
Agriculture sector expenditure to be shared between ESPES and CALM						
70% portion of CALM (1)						
10% portion of ESPES						
20% HCP						
<b>Education sector</b>						
Education sector Non salary recurrent cost for the quarter as per the ESPES report to be shared between ESPES and GEQIP E						
100% non-salary cost of education for education in region and woredas (2)						

TOTAL SUMMARY OF EXPENDITURE ALLOCATED TO ESPES

Description	For the quarter ended....		For the year ended .....		Cumulative for project life....	
	Amount in ETB	Amount in USD	Amount in ETB	Amount in USD	Amount in ETB	Amount in USD
10% of agriculture expenditure						
80% of salary expenditure of Education expenditure						
50% of health sector expenditure						
50% of water expenditure						
80% of road sector expenditure						
Total expenditure allocated to ESPES						

Appendix 3: New Reporting template introduced as part of CALM and GEQIP E IFRs showing the expenditure allocation from ESPES and its own allocations

<b>Ministry of Finance</b>					
<b>CALM P4R operation</b>					
<b>Statement of Total Expenditure - General Purpose Grant and Special Purpose Grant</b>					
<b>For The Quarter Ended _____ (in USD/ETB)</b>					
			<b>For the quarter ended</b>	<b>For the fiscal year ended</b>	<b>Cumulative for project life</b>
<b>General Purpose Grant expenditure</b>					
1	Recurrent expenditure at MoA (NRMD and RLAUD budget lines				
	Budget line item - 211-02-01				
	Budget line item - 211-02-04				
	Budget line item - 211-03-01				
	Budget line item - 211-03-02				
2	Recurrent expenditure at regional and woreda levels*				
<b>Specific Purpose Grant expenditure</b>					
	Component 1				
	Component 2				
	Component 3				
<b>GRAND TOTAL</b>					

\* \* This figure is to be taken from the ESPES IFR for the quarter - 70% of the recurrent expenditure after excluding Afar and Somali region expenditure.  
Note - Indicate total recurrent expenditure as per the ESPES IFR for agriculture sector, reduce expenditure of Afar and Somali regions and multiply by 70%

Ministry of Finance						
Ethiopia Climate Action Through Landscape Management						
Agriculture sector expenditure apportionment table for ESPES and CALM*						
For The Quarter Ended _____ (in USD/ETB)						
Description	For the Quarter	For the quarter	Year to date	Year to date	Project Life	Project Life
	in ETB	in USD	In ETB	In USD	In ETB	In USD
Agriculture sector reported expenditure as per the ESPES report						
Less: agriculture sector expenditure of Afar region						
: Agriculture sector Expenditure of Somali region						
Agriculture sector expenditure to be shared between ESPES and CALM						
70% portion of CALM						
10% portion of ESPES and Afar and Somali						
20% (HCP)						

The ESPES PforR expenditure framework currently captures all regional and woreda level recurrent expenditures on Agriculture sector although the results related to the sector under ESPES do not require that level of expenditure. Noting the high importance of regional and woreda level recurrent expenditures on agriculture to the achievement of the CALM PforR objectives, 70 percent of these expenditures (excluding Afar and Somali) are allocated to results under the CALM PforR and will therefore be included in its expenditure framework; 20 percent of the same budget line are related to results under ESPES and therefore will be reported under the expenditure framework for ESPES; the remaining 10% is reserved for other upcoming Agriculture Projects, if any. This allocation of expenditures reflects the realistic distribution of resources needed to achieve the different results under each of the two operations and will avoid any overlap of expenditure between the various programs. The above schedule is intended to clearly show the expenditure apportioned to CALM. This schedule will also be reported under the ESPES IFR to clearly show the expenditure that remains within ESPES expenditure framework.

Ministry of Finance					
General Education Quality Improvement Program for Equity					
Statement of Total Expenditure - General Purpose Grant and Special Purpose Grant					
For The Quarter Ended _____ (in USD/ETB)					
			For the quarter ended	For the fiscal year ended	Cumulative for project life
General Purpose Grant expenditure					
Non salary recurrent expenditure at regional and woreda levels (taken from ESPES IFR)*					
Special Purpose Grant expenditure					
		School grant			
		Textbook procurement			
		Teachers development,			
		Other activities under SPG			
GRAND TOTAL					

\* This figure is to be taken from the ESPES IFR for the quarter – Non salary recurrent expenditure

The ESPES PforR expenditure framework currently captures all regional and woreda level recurrent expenditures on education sector although the results related to the sector under ESPES do not require that level of expenditure. Noting the high importance of regional and woreda level non salary recurrent expenditures on education to the achievement of the GEQIP E PforR objectives, these expenditures are allocated to results under the GEQIP E PforR and will therefore be included in its expenditure framework. This allocation of expenditures reflects the realistic distribution of resources needed to achieve the different results under each of the two operations and will avoid any overlap of expenditure between the various programs. The above schedule is intended to clearly show the expenditure apportioned to GEQIP E. This schedule will also be reported under the ESPES IFR to clearly show the expenditure that remains within ESPES expenditure framework.

Appendix 4 – budget codes for recurrent expenditure of the government which is shared among the various programmes

	Education		Heath		Agriculture		Water		Road	
	Salary	Operating cost	Salary	Operating cost	Salary	Operating cost	Salary	Operating cost	Salary	Operating cost
Oromia	434-00-01-				21					
Amhara										
Tigray										
SNNPR										
Sidaama										
Somali										
Afar										
Gambella										
B/Gumuz region										
Dire Dawa										
<u>Harreri</u>										

## Annex 8: Assessed implementing entities for FM

- a) Documents which are relevant for the assessment were obtained electronically from MoF, Oromia, Amhara, SNNPR, Somali, Afar, Benishangul-Gumuz, Gambella regions and Dire Dawa administration. Tigray region was not assessed due to the current situation. The recent readiness assessment report was referred for Sidama (new region). Harari region did not provide the requested documents and information for the assessment. Two woredas from each region were selected for the assessment. Lume and Ada'a woredas (Oromia), Bure and Banja woredas (Amhara), Assosa and Bambasi woredas (Benishangul-Gumuz) Arbaminch Zuria (SNNPR) have provided the requested documents and information. The documents and information obtained from Awash 7killo woreda (Afar), Gog woreda (Gambella), and Awbre woreda (Somali) were incomplete. The other, Asayta woreda (Afar), Gambella woreda (Gambella), Damot Gale woreda (SNNPR) Kebribeyah woreda (Somali) did not respond.
- b) List of people discussed

Name	Position
Gizachew Shite	ESPES, Internal Audit Coordinator, MoF
Tesfaye Gemechu	Channel one coordinator, Oromia region
Zayede	Finance coordinator, Lume woreda (Oromia region)
Abebayo	Finance coordinator, Ada'a woreda (Oromia region)
Getachew Chire	Channel one coordinator, Amhara region
Yechale Zeleke	Finance coordinator, Bure woreda (Amhara region)
Fentahun Teferi	Finance coordinator, Banja woreda (Amhara region)
Mahamud Yesuf	Channel one coordinator, Somali region
Yusuf Amhed	Finance coordinator Awbare (Somali region)
Abdirakib Yusuf	Finance coordinator Kebri-bayah (Somali region)
Tarekegn Nuramo	Channel one coordinator, SNNPR
Zaza Chebu	ESPES IPF accountant, SNNPR BoF
Amanuel Ugo	Finance coordinator Arebaminch zureya woreda (SNNPR)
Girmaye	Finance coordinator Damot Gale woreda (SNNPR)
Hussien Ahmed	Channel one coordinator, Afar region
Wondus Sisay	Finance coordinator, Asaita woreda (Afar region)
Dawit Tesfay	Finance coordinator, Awash 7 kilo woreda (Afar region)
Getachew Disassa	Channel one coordinator, Benishangul-Gumuz region
Meki Shumhon	Assosa woreda finance head (Benshangu G, region)
Zeleke Mekuryaw	Plan & Budget Team Leader, Bambasi woreda (Benshangu G region)
Obong Oboya	Channel one coordinator, Gambella region
Opiew Ojulu	Finance coordinator, Gog woreda (Gambella region)
0917834640	Finance coordinator, Gambella Woreda (Gambella region)
Nureidin Mohammed	Finance coordinator, Harari region
Asamnew Bezabh	Channel one coordinator, DireDawa Administration
Dawit Shimelis	Director EMCP, MoF
Degu Lakew	Director COPCD, MoF