



## Ethiopia PFM Project (P150922)

AFRICA | Ethiopia | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2016 | Seq No: 8 | ARCHIVED on 09-Oct-2019 | ISR38746 |

Implementing Agencies: MOF-ETHIOPIA, Ministry of Finance (MoF)

### Key Dates

#### Key Project Dates

Bank Approval Date: 26-Feb-2016

Effectiveness Date: 18-May-2016

Planned Mid Term Review Date: 27-Jul-2018

Actual Mid-Term Review Date: 13-Jun-2018

Original Closing Date: 07-Apr-2020

Revised Closing Date: 07-Apr-2020

### Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The PDO is to improve efficiency, transparency and accountability of public expenditure at the federal and regional levels.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

### Components

Name

Expenditure Management and Information Systems Support:(Cost \$22.45 M)

Strengthening Accountability Institutions:(Cost \$9.41 M)

Project Management, Monitoring and Evaluation:(Cost \$1.14 M)

### Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Moderately Unsatisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Unsatisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial

### Implementation Status and Key Decisions

**Overall Implementation Performance:** The Bank team notes the important progress made by the project authorities since last mission of May/June 2019 in terms of enhanced oversight, coordination, staffing capacity, and progress on a number of key procurement packages that were pending at the time of the May-June mission. The



project made important progress in following up, reporting on and achieving in particular, (i) the roll-out of the IFMIS (the building block around which the Bank technical assistance takes place); the implementation of number of important PFM reforms that underpin the IFMIS such as program budgeting, debt management, and treasury single account; (ii) an enhanced structure to support the accounting profession in the country; and (iii) progress in the development and initiation of the e-government procurement system. The project completed all the activities related to corruption awareness raising and ethics training for federal and local officials. Key activities that were pending and lagging at the last supervision mission are now well under way with the signing of the e-procurement contract with the development firm, as well as the Audit quality improvement TA contract. As a result of all the progress made to date, disbursement has resumed and is now at 82% up from 54% in June, 2019 and the project is overall on track to achieving its development objectives.

The lack of progress on procurement packages and lag in disbursement were the two key reasons for maintaining ISR rating at MU following the last Bank supervision mission. Given the important improvements in both procurement and disbursement, and the progress momentum in the pace of project implementation, the Bank team has upgraded the project rating to MS in this ISR. The Bank team will continue to monitor closely the implementation timetable, and provide intensive supervision through the bi-weekly participation in the project implementation task force meetings to support faster implementation of the remaining activities.

**Component 1-** several positive developments since June 2019 have taken place. The QA firm contract has been revised, IFMIS has been now rolled out to 123 sites with the commencement of cycle 6 roll out of close to 30 sites under way and expected to be completed by October, 2019 with hand over in November. The additional Project Management Office (PMO) staff are now on board and the planned Oracle technical training started, similarly, progress is noted on the two studies: IFMIS effectiveness and feasibility of PFM automation at sub-national level (inception reports have been delivered with work started on the IFMIS effectiveness review and to start soon for the sub-national PFM automation review). Similarly we note the progress on the procurement of hardware.

It is also encouraging to note that other activities under Component 1 in particular the institutional training activities at the federal and regional levels as well as the Debt management (DMFAS) sub component are progressing well. These and Internal audit reform activities require constant follow up, quick decision making and processing to progress before the end of the project.

Other areas will need greater oversight from management and faster implementation. These include ensuring that the Primary Data Center (PDC) is operational, ensuring quality of implementation, supporting MoF's IFMIS Operation & Maintenance capacity following roll out, and enhancing the internet connectivity including the WoredaNet. In addition, procurement of the IFMIS technical adviser, recruitment of the IFMIS strategic plan revision and change management consultant, as well as the finalization of the contracting of the IFMIS Audit Tool are encountering important delays and need to be followed closely by the MOF leadership.

**Component 2.1** – Under this component, the e-Government procurement developer contract has been signed and work has commenced. Inception reports produced and shared with the Bank. The procurement of hardware for the data-center is under evaluation. The Bank has given the no objection and is waiting to receive the signed contract. The government is expected to notify the Bank in writing of the planned activities as well as its commitment to avail budget and complete any remaining follow-up activities past April 2020 (the closing date).

**Component 2.2-** Progress is also made by the Office of the Federal Auditor General's (OFAG's) on the main activities for which it is under responsible, i.e., the appointment of the Audit Quality Technical Assistance firm to help OFAG develop/improve audit quality processes, procedures and provide hands-on audit quality assurance support. The firm has commenced work and inception reports are shared with the OFAG and the Bank. The Bank team will monitor progress to ensure that OFAG management speeds up the implementation of the TA firm as well as the rest of the planned activities.

**Component 2.3-** The Board of Accounting and Auditing Board of Ethiopia (AABE) has concurred with the establishment of the Professional Accountancy Organization (PAO). The Bank team will continue the follow up with the AABE authorities to ensure they fast track the remaining activities to achieve the planned results especially conducting relevant consultations on the draft PAO bylaws and the development of Certified Accounting Technician (CAT) and Certified Public Accountant (CPA) curricula.

**Monitoring and Evaluation-** The M&E function and the follow-up on the results framework have improved significantly. The Bank team will continue the dialogue on how to improve results reporting to EMCP by the rest of the project implementing directorates so that the reporting is institutionalized. The Federal Public Procurement and Property Administration Agency (FPPPA) continues to encounter challenges to consolidate information on the results indicators due to difficulty in getting information from line ministries on their respective procurement KPIs.

**Staffing:** The authorities addressed most of staffing challenges. However, the recruitment of the Procurement Consultant, cleared by the Bank, has encountered delays. The Bank team will continue to follow-up to and urges the authorities to fill any delayed recruitment.

**Fiduciary- Financial management (FM)-** The review of the financial management arrangements shows that the project continues to maintain the FM arrangements and meet the project regular financial reporting and audit. Project disbursement rate has improved since the last mission from 54.1% to 81%. The project authorities will need to follow up closely on project implementation and increase the utilization of the funds withdrawn from the Bank. by all implementing entities. **Procurement-** The updated procurement plan includes goods and consultancy selection activities for a total amount of \$13.4 million. Of the total planned amount, STEP data shows that 81% are initiated, 22% of which are at contract signing, while 19% of the planned amount are not yet initiated. The Bank team will follow up with the project authorities to ensure speedy completion of pending/lagging procurement activities in particular the (i) IFMIS Audit tool software, and (ii) OFAG's TA for Audit Quality Improvement.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐Moderate	☐Substantial	☐Substantial
Macroeconomic	☐Moderate	☐Substantial	☐Substantial
Sector Strategies and Policies	☐Moderate	☐Substantial	☐Substantial
Technical Design of Project or Program	☐Moderate	☐Moderate	☐Moderate
Institutional Capacity for Implementation and Sustainability	☐Substantial	☐Substantial	☐Substantial
Fiduciary	☐Moderate	☐Substantial	☐Substantial
Environment and Social	☐Moderate	☐Low	☐Low
Stakeholders	☐Moderate	☐Moderate	☐Moderate
Other	--	--	--
Overall	☐Moderate	☐Substantial	☐Substantial

## Results

### PDO Indicators by Objectives / Outcomes

Improve efficiency, transparency and accountability of public expenditure at fed and regional levels				
▫Reduced cash float for the Federal and Regional Governments (in percent of the annual federal budget) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	22.00	10.15	10.15	18.70
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>The data is collected from 2010 EFY Financial statements of the federal government.</p> <p>Data of the Federal cash amount on June 30, 2010 shows birr 36,561,338,397.57 and the total adjusted budget approved was birr 360,338,330,217.20. Therefore <math>36,561,338,397.57 / 360,338,330,217.20 \times 100 = 10.15\%</math> In addition to this, overall those public bodies which are not following the rules and procedures of PFM laws were accounted by the newly enacted penalty directive. According to this until this report is prepared 150 public bodies were penalized for not adhering to reporting related to budget performance reporting, account and internal audit report submission, audit finding rectification and others. These strengthened and have substantial effect on the PFM system as well.</p> <p>The 2011 EFY result expected to be reported at the end of the year</p>			
▫Timely disclosure of key fiscal/budget documents (Months, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	24.00	11.00	11.00	9.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>MOF provided the following explanations : Timely disclosure of key fiscal /budget documents: <b>PEFA PI-10</b> This indicator was calculated on the disclosure of key fiscal/budget specified on PEFA PI-10 only the audit financial statement disclosure. This has been prepared and posted on MoF's website <a href="http://www.mofed.gov.et">www.mofed.gov.et</a> and send also to publicize on the newspaper of Addis Zemen.</p>			
<p>□Target agencies progressively increase number of contracts awarded within agreed benchmark of 180 days for works contracts &gt; US\$5million &amp; Goods &gt;US\$500,000 (Percentage, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	74.50	74.50	50.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>MOF provided the following explanations: In 2009 EFY (FY17) out 39 ERA projects 29 of them are awarded with less than 180 days, Ministry of Agriculture awarded one of its projects with 132 days. PPDS awarded out of 19 projects 11 of them are awarded less than 100 days. In general, out of 51 projects 38 of them are awarded less than 180 days. Therefore, it was calculated as <math>38/51 * 100 = 74.5</math> The 2010 data will be consolidated at the end of the fiscal year. the data reported here is the most recent figure of 74.5 and will be updated in Nov 2019 when data is collected from agencies.</p>			
<p>□Increase in the percentage of audits conforming to International Standards of Supreme Audit Institutions (Text, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	NA	MOFEC /OFAG provided a progress update on the audits (details are in the attached AM results matrix- annex 1, attachment 1)	MOFEC /OFAG provided a progress update on the audits (details are in the attached AM results matrix- annex 1, attachment 1)	NA
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	31-Dec-2020
Comments:	<p>MOFEC /OFAG provided a progress update on the audits but no percentages of change in the use of international standards has been provided. AFROSAI-E carried out the audit quality reviews each year but did not present a percentage change in the application of standards to the number of audits produced. The OFAG selected some indicators and follow up on the progress. End targets have not been set either. this will also be considered as part of the M&amp;E monitoring to update all baselines, targets and actuals.</p>			
<p>□Direct Beneficiaries, who are recipients of the training provided by the project (disaggregated by Gender) (Number, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	47,000.00	66,797.00	66,797.00	84,000.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020

Comments:	<p>In 2009 EFY(2017) 5250 were trained with 39.35% female participation. In 2010 EFY (2018) overall 7465 trainees were trained at federal and regional level with 33.8% of female participation. Therefore, the cumulative rolling data shows 59,715 were trained.</p> <p>As per the information in up to July 7/2018. In 2011 (9 months) 7,082 trained with 59.4% female participation.so, the cumulative rolling data shows 66,797 were trained as per the information in up to April 8/2019 the following were areas training were delivered so far:</p> <ul style="list-style-type: none"> <li>• PFM Institutional Training at Federal and Regional,</li> <li>• Short term training on PFM at regional and Federal Level,</li> <li>• IFMIS and IBEX training,</li> <li>• Professional Training on procurement and Property administration</li> <li>• Woreda council members training</li> <li>• Woreda Ethics officers training</li> <li>• Fraud and corruption complaint handling and resolution, disclosure of asset</li> <li>• Accounting and auditing standards training</li> </ul>
-----------	---

### Intermediate Results Indicators by Components

Expenditure Management and Information Systems Support				
□Increase in budget execution rate in targeted sectors (Health, Education, Agriculture, and Water) - in percent of budgeted expenditure in sector at the Regional level (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	55.00	92.91	92.91	75.00
Date	30-Dec-2015	18-Dec-2018	18-Dec-2018	08-Apr-2020
Comments:	<p>MoF reports</p> <p>The targeted agencies budget execution rate for 2009 EFY was 90.45%. The 2009 EFY total adjusted budget the selected sectors was birr 100,497,810,000 and the actual expenditure was birr 90,899,900,000. Therefore the executing rate becomes <math>90,899.90 / 100,497.81 * 100 = 90.45\%</math></p> <p>And in 2010 EFY the performance shows 92.91 % which was calculated as actual expenditure over the sectors approved budget. i.e. <math>(75,153,829,000 * 100) / 80,887,905,000 = 92.91\%</math>.</p> <p>The 2011 EFY(6 months)performance shows 32.36% which is calculated as actual expenditure against approved budget <math>(39,214,030,000 / 121,186,320,000 * 100 = 32.36\%)</math>. However since this is not an annual data, the last data which has complete 12 month result is used, which is EFY 2010</p>			
□Rolling out of the new Chart of Accounts at the Federal Level to facilitate expenditure reporting by PBB (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Only approved budget disclosed on PBB basis	123 federal entities are on IFMIS.	123 federal entities are on IFMIS.	100 federal entities
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>MoF Reports:</p> <p>In 2009 EFY Agencies using new COA were 17. As of July/2018 59(fifty nine) Federal public bodies and 8 branch offices use the new chart of accounts for budget administration, cash management, and account reporting and property administration through the implementation of IFMIS system.</p>			



In 2011 EFY (9 months) including branches 123 sites are using the new COA.

### Strengthening Accountability Institutions

Percentage of contracts awarded using competitive procurement methods in targeted agencies. (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	50.00	94.91	94.91	70.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>MoF Reported: This data was reported by FPPA and PPDS has use 89%, ERA 98% and MoANR 98%. The average becomes 95% for EFY 2009 (FY17). The two missed agencies will be requested to submit their reports and the result may be updated for the ongoing FY. for FY 2010(2018), the results is going to be revised when the annual report for EFY2010/2018 is submitted by the agencies. In 2011 reported by 3 agencies only out of 7 and the average becomes 94.91 This result may be changed when the annual report for 2011 EFY is reported.</p>			

Percentage of e-GP developed and installed at FPPA and in all E-GP target agencies at Federal level (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	100.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>The e-GP manager and communication consultant are hired and started their preliminary duties. the software is selected, and additional; requirements identified. The developer to be recruited according to plan and detailed plan is drawn. The e-GP is expected to be piloted in 6 institutions (that is 100% if target) by the project closing. So currently there are no institutions using e-GP. the final target will be achieved by end of project no intermediate partial implementation.</p>			

Number of IT and Forensic audits completed by OFAG (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	5.00	5.00	15.00
Date	30-Dec-2015	29-Dec-2017	29-Dec-2017	08-Apr-2020
Comments:	<p>Last year 5 IT and Forensic audits were completed by OFAG last year. More IT and forensic audits have been completed in 2010 using own funds and not Bank funding. There is no information on this for this year but it is our understanding that the office conducted IT and forensic audits by OFAG which will be reported on next reporting time the figure shown here is the latest recorded.</p>			

Number of national professional accountancy qualification certificate at least at a Technician level (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	100.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>Not yet due. Progress include:</p> <ul style="list-style-type: none"> <li>In 2010 AABE received 171 Applicants who wanted to become authorized Accountant and Auditor. Out of which 167 Applied to become Authorized Accountant and the rest applied to become Authorized Auditor. The board has given firm licenses to 21 Authorized Accountants and 4 Authorized Auditors.</li> <li>In 2018 AABE has renewed the license of 839 Authorized Accountants and 241 Accounting firms. Meanwhile 136 Authorized Auditors and 15 Auditing firms renewed their license in the same year.</li> <li>In 2018 AABE renewed 1034 individual competency certificates and 113 firm level certificates of Authorized Accountants</li> <li>In 2018 AABE renewed 158 individual competencies Certificates and 6 firm level certificates of Authorized Auditors</li> <li>In 2019 Board establishment is endorsed by the AABE Board. The detail bylaws and constitution are under consultation. Once established the PAO is expected to issue certifications as agreed with the Bank. Thus there is no issuance of Ethiopian Certified Public Accountant or Technician</li> </ul>			
<p>▫Woredas whose Finance and Budget Standing Committee members are trained to undertake audit follow-up (Percentage, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	75.00	75.00	85.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>In 2009 EFY (FY17) 25% of the Woredas Budget and Finance Standing Committees (BFSCs) have been trained and in 2010 the execution is underway to reach 75 %.</p> <p>In May 2018 and 2019, 75 % of the Woredas BFSCs have been trained.</p>			
<p>▫Woredas posting simplified budget and execution reports to the citizens (Percentage, Custom)</p>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	90.00	93.65	93.65	95.00
Date	30-Dec-2015	28-Jun-2019	28-Jun-2019	08-Apr-2020
Comments:	<p>Out of 1023 Woredas, 983 of them posted the simplified budget and execution reports for citizens on bill boards according to the regional BoFEDs report. In 2011 EFY 93.65% woredas are posted simplified budget execution reports to the citizens.</p>			

## Data on Financial Performance

### Disbursements (by loan)

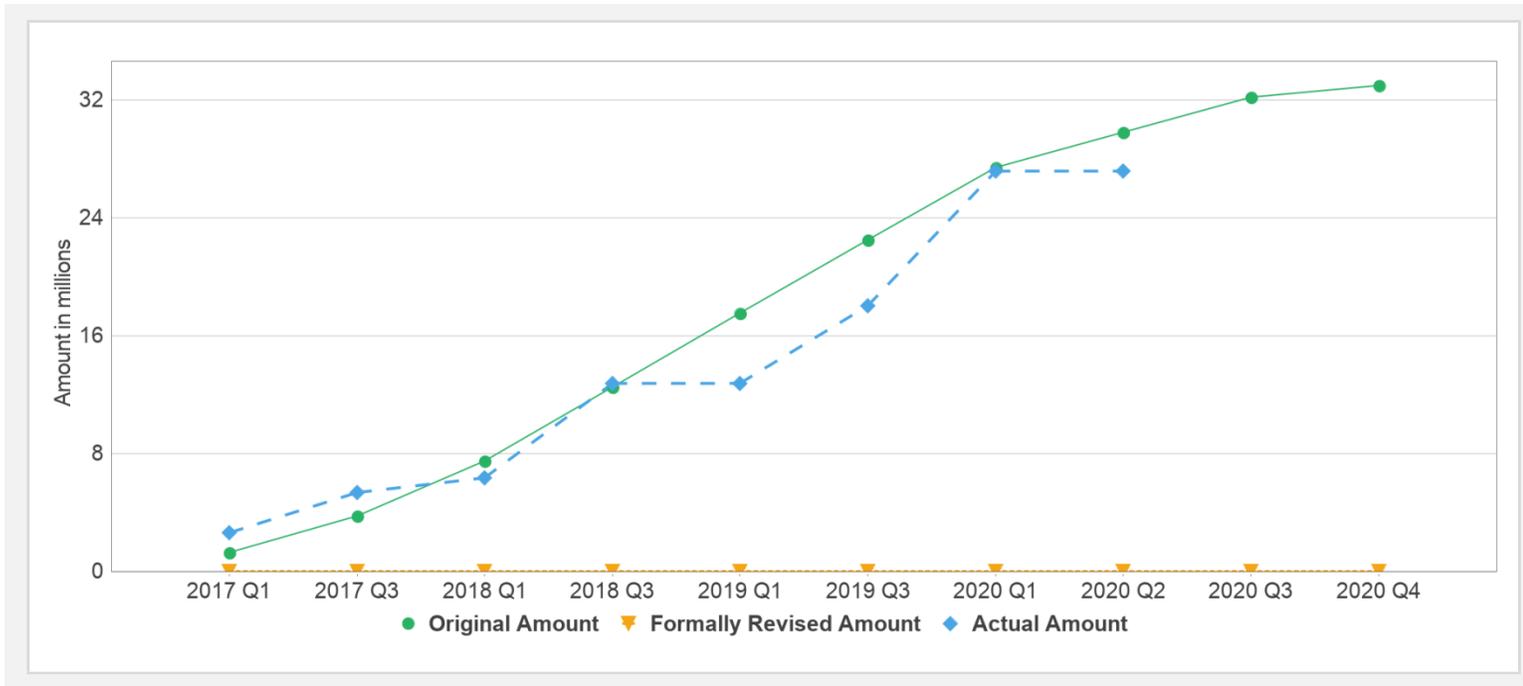


Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P150922	IDA-57660	Effective	USD	33.00	33.00	0.00	27.19	5.86	82%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P150922	IDA-57660	Effective	26-Feb-2016	17-Mar-2016	18-May-2016	07-Apr-2020	07-Apr-2020

**Cumulative Disbursements**



**Restructuring History**

There has been no restructuring to date.

**Related Project(s)**

There are no related projects.