

Federal Democratic Republic of Ethiopia



**MID-TERM EVALUATION REPORT
(Final Draft)**

for

**PUBLIC SECTOR CAPACITY BUILDING PROGRAMME
(PSCAP)**

18 NOVEMBER 2007

Contents

Executive summary	1
1. Background to evaluation	1
2. Methodology	3
3. Assessment of sub-programmes	5
3.1. Civil Service Reform Programme	5
3.2. Expenditure Management Control Programme	6
3.3. Tax Systems Reform Programme	7
3.4. Information and Communication Technologies	8
3.5. Justice System Reform Programme	9
3.6. Urban Management Capacity Building Programme	10
3.7. District Level Decentralisation Programme	11
4. Assessment of regions and chartered cities	12
4.1. Addis Ababa	13
4.2. Afar	14
4.3. Amhara	15
4.4. Benishangul Gumuz	16
4.5. Dire Dawa	17
4.6. Gambella	18
4.7. Harari	19
4.8. Oromia	19
4.9. Southern Nations, Nationalities and Peoples Regional State	20
4.10. Somali	21
4.11. Tigray	23
5. Programme management and support	23
5.1. Institutional arrangements	24
5.2. Coordination mechanisms	27
5.3. Funding commitments and donor coordination	28
5.4. Replenishment mechanism for pooled account	30
5.5. Budgeting	32
5.6. Planning cycle	33
5.7. Procurement	33
5.8. Expenditure	34
5.9. Audit and financial controls	35
5.10. Monitoring and evaluation	36
5.11. Information, education and communication	38
5.12. Sequencing and integration of reform initiatives	38
6. Cross-cutting issues	38
6.1. HIV/AIDS	38
6.2. Gender Issues	39
6.3. Environment	39
7. Assessment of programme outputs	40
7.1. Legal and policy framework across sectors	40
7.2. Restructuring and performance improvement	40
7.3. Expenditure management systems reform	41
7.4. Personnel management systems reform and roll-out	42
7.5. Intergovernmental fiscal and revenue mobilisation	43
7.6. Vertical accountability mechanisms	43
7.7. Horizontal accountability mechanisms and checks and balances	43
8. Assessment of programme outcomes	44

8.1.	Enhanced predictability of financial resource flows	44
8.2.	Greater inclusiveness and transparency of planning and prioritisation processes	46
8.3.	Improved quality and efficiency of government operations in priority sectors	47
8.4.	Improved incentive environment for public servants (gender disaggregated)	49
8.5.	Enhanced revenue performance and fiscal autonomy	49
8.6.	Improved transparency and accountability	51
9.	Key issues and challenges	52
9.1.	Locating PSCAP within the transition	52
9.2.	Sequencing and integration of reform initiatives	53
9.3.	Sustainability of reform process	54
9.4.	Leadership	54
9.5.	Staff capacity and turnover	55
9.6.	Incentive environment for public servants	56
9.7.	Building institutions and accountability	56
9.8.	Intergovernmental fiscal system	57
9.9.	Top down training approaches to Capacity Building and the need to stimulate local creativity	57
9.10.	PSCAP administration and design	60
10.	Lessons learnt and recommendations	61
10.1.	Decentralisation of PSCAP administration	61
10.2.	Creating certainty in resource allocations and budgets	62
10.3.	Planning system	64
10.4.	Procurement	64
10.5.	Expenditure management	65
10.6.	Monitoring and evaluation	66
10.7.	Information, education and communication	67
10.8.	Institutional arrangements for PSCAP	67
10.9.	Leadership	68
10.10.	Incentive environment for public servants	69
10.11.	Training	69
10.12.	Operationalising good governance package through local initiative	70
10.13.	Building institutions that protect democracy	70
10.14.	Aligning PSCAP with PBS and Local Investment Grant (LIG)	72
10.15.	Facilitating implementation with Technical Assistance	73
10.16.	Cross-cutting issues	74
10.17.	Amendments to PIP, DCA and MOU	75
10.18.	Conclusion	81
11.	References	82
12.	Annexes	84

Figures

Figure 1.	A diagrammatic representation of the PSCAP Mid-term evaluation process	3
Figure 2.	CSRP and Implementing Agencies	5
Figure 3.	Institutional arrangements for PSCAP	24
Figure 4.	PSCAP funding flows and reporting relationships	31
Figure 5.	Comparison of Own Revenue Funded Block Grant (Federal to Regions) with PBS Benchmark (Dollars)	45
Figure 6.	PSCAP and the process of state transformation	53
Figure 7.	Weakest step in the civil service pyramid	55

Tables

Table 1. Executing agencies and beneficiaries of federal sub-programmes.....	25
Table 2. Estimated Cost of Programme Components.....	28
Table 3. Programme Financing Plan (USDm).....	28
Table 4. Contributions to date towards PSCAP financing	29
Table 5. Donor and government commitments in millions of USD.....	29
Table 6. Outstanding reports from executing agencies, EFY 2000.....	37
Table 7. Federal government fiscal deficit EFY 1994 to EFY 1999.....	45
Table 8. Progress on selected Human Development Indicators and Spending on Poverty Sectors, 1995/96 – 2004/05.....	48
Table 9. Tax effort, EFY 1996 to EFY 1999.....	50
Table 10. Regional revenues as a % of regional expenditure.....	50
Table 11. Growth in federal to regional block grants as % of regional budgets	51

The PSCAP evaluation team

The PSCAP mid-term evaluation team consists of the following international consultants:

- Rob Mellors
- Pascal Moloji
- Crispian Olver (team leader)
- Steve Topham

The team was assisted by the following local consultants:

- Habtu Gebrehiwot
- Girma Shegute
- Berhanu Seboka
- Eskinder Tesfaye

Acknowledgements

The team would like to thank the Ethiopian government, the various PSCAP managers and coordinators, the staff of the World Bank and the donors for their generous assistance and commitment to the evaluation exercise.

The team would like to extend a special word of thanks to the local consultants, who were integral to the success of the evaluation process, and without whom the evaluation would not have been possible.

Abbreviations and Acronyms

ACSC	Amhara Civil Service Commission
ART	Anti-Retroviral Therapy
BCB	Regional Bureau of Capacity Building
BGRS	Benishangul Gumuz Regional State government
BOFED	Regional Bureau of Finance and Economic Development
CAS	Country Assistance Strategy
CBDSD	Capacity Building for Decentralised Service Delivery
CIDA	Canadian International Development Agency
CPR	Council of Peoples' Representatives
CSRП	Civil Service Reform Programme
DCI	Development Corporation of Ireland
DCA	Development Credit Agreement
DLDP	District Level Decentralization Programme
DfID	Department for International Development
EA	Executing Agency
EC	Ethiopian Calender
ECSC	Ethiopian Civil Service College
ECuA	Ethiopian Customs Authority
EFY	Ethiopian Financial Year
EICTDA	Ethiopian ICT Development Agency
EMCP	Expenditure Management and Control Programme
EMI	Ethiopian Management Institute
EOI	Expressions of Interest
EY	Ethiopian Calendar Year
FIRA	Federal Inland Revenue Authority
FMR	Financial Monitoring Report
FPA	Financial Performance Assessment
FTT	Federal Technical Team
GDP	Gross Domestic Product
GOE	Government of Ethiopia
GTZ	German Technical Cooperation
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
ICTDA	Information and Communication Technologies Development Authority
IDA	International Development Association
IEC	Information, Education and Communication
JSLRI	Justice System & Legal Research Institute
JSRP	Justice System Reform Programme
KPI	Key Performance Indicator
LIG	Proposed Local Investment Grant Programme
MABs	Ministries, Agencies, and Bureaux
MCB	Ministry of Capacity Building
MDG	Millennium Development Goals
MDTF	Multi-Donor Trust Funds
M&E	Monitoring and Evaluation
MFA	Ministry of Federal Affairs
MMA	Minimum Mandatory Activity
MOFED	Ministry of Finance and Economic Development
MOJ	Ministry of Justice

MOR	Ministry of Revenue
MOU	Memorandum of Understanding
MOW&UD	Ministry of Works and Urban Development
NBE	National Bank of Ethiopia
NCB	National Competitive Bidding
NCBP	National Capacity Building Programme
NGO	Non-Governmental Organization
PBS	Protecting Basic Services
PIP	Programme Implementation Plan
PLWHA	People Living with HIV and AIDS
PMTCT	Prevention of Mother-To-Child Transmission.
PPAs	Participation and Performance Agreements
PPD	Planning and Programming Directorate
PSCAP	Public Sector Capacity Building Programme
ROPE	Results-Oriented Performance Evaluation
RTT	Regional Technical Team
SA	Special Account
SDP	Sector Development Programme
SDPRP	Sustainable Development and Poverty Reduction Programme
SIDA	Swedish International Development Agency
SNNPRS	Southern Nations, Nationalities and Peoples Regional State
SOE	Statement of Expenditure
SWAP	Sector Wide Approach Programme
TA	Technical Assistance
TIN	Tax Payers Identification Number
TOR	Terms of Reference
TSRP	Tax Systems Reform Programme
UDCBO	Urban Development Capacity Building Office
UMCBP	Urban Management Capacity Building Programme
USAID	United States Agency for International Development
VCT	Voluntary Counsel & Testing

A note on references to dates and years:

Where dates are given without any prefix they generally refer to years in the Gregorian Calendar. References to Ethiopian calendar years are given as 2000 (EC) or EY 2000, and references to Ethiopian financial years are given as EFY 2000.

Executive summary

The Public Sector Capacity Building Programme (PSCAP) is a major initiative of the Government of Ethiopia (GOE) and its cooperating partners to consolidate and improve the performance of key sectors of the public service at federal and sub-national levels. The programme was launched in 2004 and is due to end in 2009.

The mid-term review of the programme, which is scheduled to take place at the end of 2007, serves as an opportunity to assess and provide feedback on PSCAP's performance. As part of this process, the Ministry of Capacity Building (MCB) and its cooperating parties commissioned an independent mid-term evaluation of the programme. The mid-term evaluation took place during October and November 2007, and an evaluation team comprising four international and four national consultants was appointed to carry out this assignment. This report sets out the findings of the independent mid-term evaluation team. The findings and recommendations of the mid-term evaluation will be taken on board as part of the mid-term review.

PSCAP is an ambitious programme supporting an ambitious transformation agenda. It is a large, national scale-programme that seeks to bring about institutional advances on all fronts in a fairly concentrated time-period. It aims to increase capacity, and provides resources to buy in extra technical assistance on a regular basis. PSCAP is necessarily organisationally complex, since it supports seven sub-programme streams that are implemented at federal, regional, city, municipal and woreda level. Although the programme has a clear organisational centre within the Ministry of Capacity Building, it also has a very wide operational reach.

PSCAP builds upon the previous work carried out in different sub-programmes by pre-existing bilateral and multi-lateral initiatives. In many instances it has not been possible to easily distinguish the PSCAP specific outputs and outcomes, because many of the outcome and output indicators are shared across these programmes. The value of PSCAP, however, has been to integrate and coordinate reforms across these different initiatives, and to provide a coherent overall approach to capacity building. PSCAP is essentially focusing energies in the public service towards building capacity for the civil service to cope with and implement the reform agenda.

The evaluation has identified some significant achievements across all the regions and sub-programmes as a result of the programme. This has been made possible by the clear political leadership that has been provided for the broader transformation process across most regions and levels of government. There is a well developed system of political and administrative coordination for transformation, which is driven from within the majority party, and rolled out to all levels of government.

Linked to this is a high level of commitment to the decentralisation process. Within a comparatively short space of time, the system of sub-regional government (woredas and kebeles in rural areas, city administrations, sub-cities, municipalities and kebeles in urban areas) has largely been established. A large effort has gone into building the basic policy and legal framework for transformation across the different sub-programmes of PSCAP, and this is now largely in place. This has been backed up by significant fiscal decentralisation, resulting in stable and predictable revenues for local government through the block grant system. Institutions that have embraced reform show an impressive commitment to bottom up participation, planning and service delivery. This is leading to increasing levels of community participation in local planning, budgeting and administration.

Capacity building has been implemented through a large scale roll out of prototypes, training and goods. Government has now introduced Good Governance packages for rural and urban areas, which have been taken to all levels of government. The programme has resulted in a large number of best practice examples emerging in all sectors and across all levels of government.

However there are also a number of serious challenges and constraints facing the programme. There is uneven progress between regions, cities and woredas, with some of the less developed regions and less capacitated woredas being left behind in the transformation process. The transformation agenda in these institutions exists at the level of planning and awareness, rather than implementation. There are critical capacity gaps in many institutions, which are compounded by a high staff turnover – this is a generic problem across the whole civil service, making the task of capacity building much harder. A major concern of this evaluation is that the reforms are not as yet backed up with performance incentives for civil servants. Without the incentive environment to back it up, the reform process stands in danger of resistance and collapse.

The evaluation has identified a major danger of reform fatigue, as a result of too many new centrally driven initiatives designed to accelerate the process. The reform policies of government are basically sound, and the focus should shift to consolidating and deepening the process, not introducing new initiatives.

There is also a persistently top down approach to delivery, both within PSCAP and more broadly across the transformation agenda, which stifles local initiative and creativity. The training approach to date seems more appropriate for a deconcentration programme, rather than a devolution exercise. It is insufficiently needs based and hands-on.

While a centrally driven agenda has resulted in significant achievements in the early stages of PSCAP, the programme now needs to shift to a more bottom up approach, facilitating local initiative and creativity.

The design of PSCAP as a programme is basically sound, but it has been premised on tight controls. For many of the implementing agencies, PSCAP has proved cumbersome to administer. The evaluation team has identified some elements that are over-designed and should be streamlined. There are massive delays in PSCAP procurement, which run the danger of disrupting the broader momentum of the transformation process. There is a centralisation of decision-making through MCB, the Regional Bureaus of Capacity Building (BCBs) and the World Bank, which is causing delays and bottlenecks. The evaluation also identified some key gaps in financial administration and planning, which have been confirmed in audit reports on the programme. These are compounded by a lack of coordination between MCB and the Ministry of Finance and Economic Development (MOFED), and also between some BCBs and the Regional Bureaus of Finance and Economic Development (BOFEDs) in the regions. There is no systematic or institutionalised evaluation system within the programme, and a limited sharing of best practices. These are critical gaps, as they are central to the whole capacity building exercise.

On the basis of the evaluation, the team has identified lessons that have been learnt through the programme, and this report makes a number of recommendations that the team believes should be addressed for the remainder of the programme.

The achievements during the first few years have laid the basis for a greater level of decentralisation of the administration of PSCAP. Responsibility for decision making, implementation and procurement should be shifted to sub-programme coordinators at federal and regional level, from MCB and World Bank at federal level down to regional level, and in some

instances even to woreda level. This must be accompanied by a concerted effort to ensure resource predictability, with medium term budget ceilings, based on a revised medium term plan. Donors, International Development Association (IDA), MCB and MOFED need to work together in order to ensure that executing agencies have clear multi-year budget ceilings within which they work. The planning system should be streamlined, and the steps required to approve Participation and Performance Agreements (PPAs) for each implementing agency reduced. Urgent attention should be given to expediting procurement, and this report proposes a number of practical measures to do this. The system of expenditure management also needs to be improved.

The systems of monitoring, evaluation, information sharing, education and communication are central to the capacity building process. They need to be institutionalised, and the Planning and Programming Directorates (PPDs) at federal and regional level should play a leadership role in this regard.

The report proposes a number of adjustments to the institutional arrangements for PSCAP, with greater decision-making and control given to executing agencies. PPDs at federal and regional level should focus more on a strategic overview of the capacity building activities, coordinating planning, evaluation and Information, Education and Communication (IEC) activities, and delegate administration and procurement out to executing agencies. The political leadership of the transformation process needs to be maintained, and PSCAP deployed as a more flexible resource to support the civil service in implementing the transformation process.

The report has identified a few policy aspects of the programme that should be addressed to sustain and deepen the transformation process. Urgent attention needs to be paid to the incentive environment for public servants. The report proposes that the approach to training shifts away from a mass based approach to a more needs based targeted set of interventions. The good governance package should be operationalised through integrating it with the other elements of the decentralisation programme. A more systematic approach is required to building institutions and systems, particularly the institutions that support and strengthen accountability of the public service.

There are parallel initiatives underway such as the Protecting Basic Services Programme (PBS) and Local Investment Grant (LIG) which will have enormous significance for local service delivery. It is proposed that the PSCAP mechanism is better aligned with these initiatives, and that a pilot integration exercise is undertaken in this regard. It is also proposed that certain pilot woredas are selected as executing agencies to receive a direct PSCAP grant. Over the medium term (i.e. post PSCAP) the PSCAP approach should be developed into a budget support mechanism for a capacity building grant to federal, regional and local institutions.

The evaluation has identified the need for technical assistance to oil the wheels of the programme, and address areas of critical need where international experience and best practice will be most valuable. The development of a trust fund and bilateral initiatives by donors in these areas can play an important role.

Lastly the evaluation makes some recommendations to deepen the impact of cross-cutting issues such as HIV/AIDS, gender and the environment.

Certain consequential amendments to the Programme Implementation Plan (PIP), Development Credit Agreement (DCA) and Memorandum of Understanding (MOU) are proposed as a result of these recommendations, including some suggested changes to the indicators for measuring programme outputs and outcomes.

1. Background to evaluation

The PSCAP is a sector-wide approach programme (SWAP), aimed at addressing institutional and capacity constraints within the Ethiopian civil service at federal and regional levels. It represents a substantial increase in scale from its predecessor, the Civil Service Reform Programme 1996-2000 (CSRP). It is firmly rooted in the Government of Ethiopia's (GOE) National Capacity Building Programme (NCBP), covering the following six sub-programmes of the 14 streams of activity within the NCBP:

- Civil Service Reform Programme (CSRP)
- Justice System Reform Programme (JSRP)
- Information & Communications Technologies (ICT)
- Tax System & Customs Reform Programme (TSRP)
- Urban Management Capacity Building Programme (UMCBP)
- District Level Decentralisation Programme (DLDP)

Several PSCAP activities started well before the 'programme effectiveness' in November 2004. There have also been significant variations in the degree of readiness of the various implementing agencies.

As PSCAP has progressed, a further stream of work, the Expenditure Management Control Programme (which was originally a component of the CSRP) has gained importance and is now considered to be the same status as the original six sub-programmes. Together, these seven sub-programmes were the focus for the mid-term evaluation.

The PSCAP Project Implementation Plan (PIP) of November 2004 sets out six areas of expected impacts of the programme:

Expected impact on 'institutional quality'	Contributing PSCAP Sub-programmes
<p>1. Increased predictability and adequacy of financial resources flows (in-year and across years)</p> <ul style="list-style-type: none"> • Reduced budget variance • Reduced federal-regional and regional-local fiscal gaps 	<p>Civil Service Reform Tax Systems Reform</p>
<p>2. Greater inclusiveness and transparency of planning and prioritisation processes</p> <ul style="list-style-type: none"> • Established practice of participatory budgeting and public reporting on budgets and performance at all levels • Regular involvement of civil society in planning and policymaking, budgeting, and review processes 	<p>Civil Service Reform District-Level Decentralisation Urban Management Capacity Building Tax Systems Reform</p>
<p>3. Enhanced revenue performance and fiscal autonomy</p> <ul style="list-style-type: none"> • Increased own revenues and unconditional transfers as a share of total expenditures at sub-national levels • Increased tax effort at all levels 	<p>District-Level Decentralisation Urban Management Capacity Building Tax Systems Reform ICT</p>
<p>4. Enhanced incentive environment for public servants (gender disaggregated)</p> <ul style="list-style-type: none"> • Increased average civil service salary as percentage of living wage • Private-public wage comparison • Wage decompression ratios 	<p>Civil Service Reform District-Level Decentralisation Urban Management Capacity Building</p>

Expected impact on ‘institutional quality’	Contributing PSCAP Sub-programmes
<p>5. Improved quality and efficiency of operations</p> <ul style="list-style-type: none"> • Improved service levels in terms of access, responsiveness and cost efficiency in priority sectors • Reduced unit costs and processing time for essential rural, urban, social, and legal services in priority sectors 	<p>All Sub-programmes</p>
<p>6. Improved transparency and accountability</p> <ul style="list-style-type: none"> • Reduced incidence of corruption and arbitrariness in rule enforcement (as judged by economic agents) • Increased access to justice, recourse and redress • Enhanced independence of the judiciary • Increased access to government information 	<p>All Sub-programmes</p>

These broad areas of expected impact have been overlaid on the sub-programmes to form the core of the mid-term evaluation investigation.

The evaluation looked at the achievement of the three main pillars envisioned by the Government of Ethiopia for PSCAP, namely (i) simultaneous, nation-wide implementation of the six sub-programmes, sequenced in line with regional and local priorities, (ii) alignment of programme support with Ethiopia’s public financial management and intergovernmental system, and (iii) harmonisation of the fiscal, fiduciary, and reporting requirements of various donors around a Sector-Wide Approach Programme (SWAP). An assessment was made of progress with respect to each sub-programme, and with respect to implementation of the different sub-programme in each of the 11 regions and cities.

For each sub-programme, the GOE has elaborated clear objectives, outputs and indicators, and these in turn have been translated into medium term actions plans, expenditure allocations and performance agreements with participating agencies. The evaluation of each sub-programme has been done against these stated objectives and outputs, and in particular the Project Implementation Plan for PSCAP, the sub-programme log frames and Action Plan: 2004/05 – 2008/09, and the relevant Participation and Performance Agreements.

The majority of PSCAP activities (involving 80% of total programme funding) take place at the regional level, and are intended to assist regions to adapt and implement capacity building initiatives from each of PSCAP’s six sub-programmes in order to build their overall capacity in a sustainable way. The assessment of implementation of PSCAP in each region has therefore been a crucial component of the overall assessment. The regional assessments addressed the level of implementation of each of the federal sub-programmes at the regional level. As a sub-set of this, the achievement of the ‘minimum mandatory’ set of capacity building activities drawn from each of the six sub-programmes was assessed.

The minimum mandatory activities (MMAs) are intended to be the first set of activities within an overall regional programme that will include more sophisticated elements over time. The assessment looked at the extent to which regions are able to move beyond the minimum mandatory requirements and tailor the capacity building programme to their needs.

The regional assessments therefore have looked at the capacity needs of each region in a holistic manner, and addressed the overall achievement of the PSCAP objectives and Key Performance Indicators (KPIs), as set out above, in relation to each region.

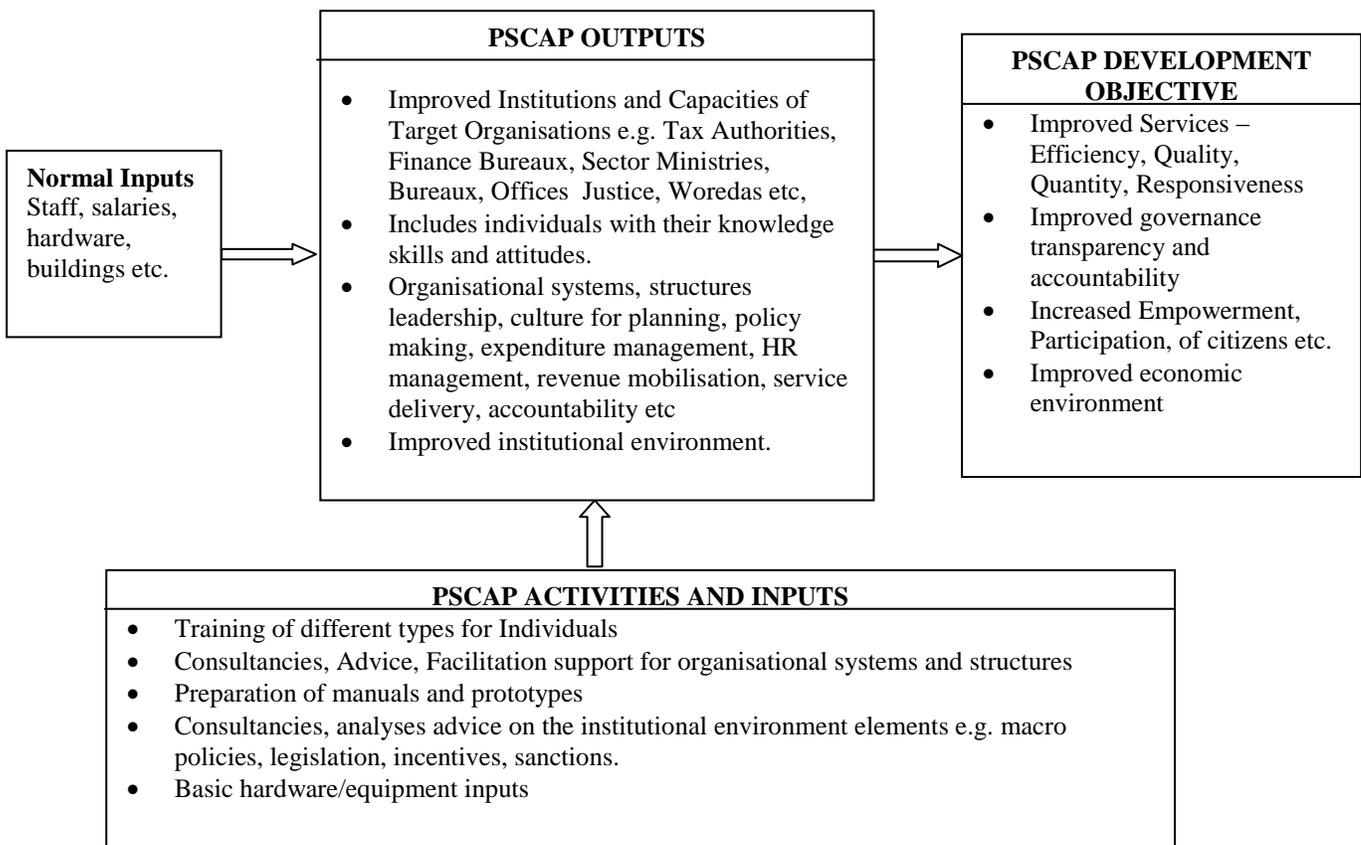
Although wide in scope, PSCAP has a fairly simple operational architecture. The Federal government provides financial support to regions by means of a special purpose grant for PSCAP activities. The regional allocations are determined by a ‘development index’ formula, based on inter alia rates of poverty and demographics. The regions then further allocate their grants to sub-programme activities. As well as a channel for flows of finance, this mechanism encourages decision-making at regional level in prioritising and planning sub-programme activities.

2. Methodology

The fundamental question that the mid-term evaluation has sought to answer is whether this national capacity building programme, in all its scale and complexity, is on line to achieve its overall objectives? The activities within the mid-term evaluation have therefore been:

- a) To assess the extent to which the activities, outputs and purposes of each of the PSCAP sub-programmes has been achieved and where possible, how these have contributed to the wider PSCAP overall objective.
- b) To analyse the effectiveness of the overall approach of PSCAP and the Programme Implementation Arrangements.
- c) To identify lessons learnt from the above and make recommendations for improvement.

Figure 1. A diagrammatic representation of the PSCAP Mid-term evaluation process



With regard to the assessment of activities, outputs and purposes of sub-programmes, the evaluation team has assessed programme activities, outputs and outcomes as three discrete tasks, i.e. we have assessed:

- i) The extent to which planned programme activities have been achieved, including the quality and relevance of the various types of training activities, advice, facilitation, support etc.
- ii) The impact of these activities on institutional, organisational and individual capacities.
- iii) The impact of increased capacity vis-à-vis actual improvements in service delivery, responsiveness, governance, accountability, transparency, empowerment of citizens etc.

These three components of the evaluation process can be viewed in terms of the simplified diagram elements above.

In addition, the consultants have explored the degree to which each sub-programme and region has designed and implemented interventions aimed at addressing the cross cutting issues of gender, HIV/AIDS and environment.

On the basis of the assessment of activities, outputs and outcomes, the evaluation team has analysed the effectiveness of the overall approach of PSCAP and the programme implementation arrangements as set out in the Programme Implementation Plan. This has included an investigation into the coherence and sequencing of activities both within sub-programmes and across PSCAP as a whole. The team has looked at the effectiveness of the relationship and coordination mechanisms between the Ministry of Capacity Building (MCB) and implementing ministries, agencies and bureaux at federal and regional level. It has also explored the effectiveness of the arrangements made for PSCAP implementation within individual government institutions, as well as the effectiveness of relationships and coordination between donors and the Ministry and implementing agencies. This has enabled us to look at the way in which leadership issues affect the delivery of the programme, including issues such as roles, style and quality.

The above has enabled the evaluation team to identify implementation bottlenecks around planning, procurement, financial management, and monitoring and evaluation.

We have looked at the effectiveness of the Monitoring and Evaluation (M&E) and IEC strategies and practice, and suggest ways to improve communication activities so that experiences, lessons and good practices can be shared widely.

Lastly the evaluation team has identified lessons learnt from the above and made recommendations for improvement to the design of PSCAP, its operational systems, and the substantive policy areas covered by the programme. The report concludes by looking at possible amendments to the PIP, MOU and DCA.

In conducting the assessment, the team has aimed to evaluate progress from a number of perspectives. These are:

- GOE and sponsors perspective – whether PSCAP is achieving the original goals intended by the parties;
- Internal effectiveness – whether PSCAP is meeting the objectives, outputs and targets set in for each sub-programme and region;
- Bottom up view of service delivery – whether local level institutions and beneficiaries are experiencing tangible improvements as a result of the programme;
- Non-governmental perspective – where possible the assessment has attempted to incorporate the views of service providers, private bodies and the public as to programme effectiveness;

- Value for money – whether the programme is using resources efficiently and effectively.

The sources of information used for the assessment consist of current PSCAP plans and reports, key informant interviews, specific data gathered or requested during the assessment, and visits to institutions and projects. Special attention has been given to obtaining the views of the beneficiaries of each sub-programme, e.g. those of woredas, municipalities, Chambers of Commerce, Lawyers and Advocates associations, schools etc. Overall the assessment has been conducted in a participatory and inclusive manner, and in close collaboration with local counterparts. As far as possible the conclusions reached reflect consensus views reached in discussion with local counterparts.

3. Assessment of sub-programmes

The following section contains summaries of the assessments of the different sub-programmes at a federal level. More detailed assessments of each sub-programme are contained in annexes 1 to 7 at the end of the report. Where relevant, information regarding sub-programme implementation in regions, cities, woredas and municipalities has been included in these reports. More information about the implementation of each sub-programme at a regional level and sub-regional level is also contained in the regional evaluations in annexes 8 to 18.

3.1. Civil Service Reform Programme

The Civil Service Reform Programme (CSRP) is one of the largest PSCAP sub-programmes, and has seven components:

- Strengthening CSRP Coordinating Structures
- Improving Governance of Human Resource Management and Control
- Improving Performance and Service Delivery in entire Civil Service
- Improving Transparency and Accountability in Federal Civil Service
- Strengthening Top Management System of Federal Civil Service
- Building Policy and Institutional Governance Capacity in the Four Less Developed Regions (Afar, Benishangul-Gumuz, Gambella and Somali).

Figure 2. CSRP and Implementing Agencies.



The final component, Improving Governance of Financial Resource Management and Control in Institutions, aims to strengthen civil service institutions for better expenditure management and control. This has now been spun off as the Expenditure Management Control Programme (EMCP) under the leadership of MOFED. The CSRP, which is led from the MCB, has five implementing agencies, shown in figure 2.

The CSRP is the PSCAP flagship, and is central to its success. It is complex, and has a high degree of overlap with other programmes, which requires careful planning and integration. The federal and regional programmes are also feeling the absence of a national Human Resource Development (HRD) strategy. The CSRP is the lead agency on the introduction of Business Process Reengineering (BPR) and Results-Oriented Performance Evaluation (ROPE), and has also scored important successes with the introduction of service delivery frameworks, promotion of strategic planning, improved systems for Human Resource Management (HRM) and disseminating training on anti-corruption.

The CSRP is hampered by a shortage of skilled staff and workload pressure. Much time has been occupied by the close-out of its predecessor programme, Capacity Building for Decentralised Service Delivery (CBDS). This has also meant that little attention has been paid to systematic collection and interpretation of programme performance data. Ironically, for a programme that promotes strategic planning, the CSRP still lacks its own five-year plan. At present, the MCB's discussion paper on civil service reform is serving as an interim plan (MCB, 2007). In addition, there are shortages of capacity in CSRP implementing agencies, notably the Ethiopian Civil Service College (ECSC) and Ethiopian Management Institute (EMI).

3.2. Expenditure Management Control Programme

The Expenditure Management Control Programme (EMCP) aims to improve expenditure management, and institutionalise medium term expenditure planning, across the civil service. The EMCP has been given a high priority by government, and has made good progress in achieving this objective. Until recently it was managed as a sub-component of the CSRP sub-programme, and from this year it has been established as a separate sub-programme, under the coordination of MOFED. MOFED takes overall responsibility for coordinating EMCP across the country, and the beneficiaries of the programme include all public institutions, including regional governments, and the Auditor General's Office for external audit reform.

It is important to note that much of the ground work for the EMCP sub-programme has been laid by the Decentralisation Support Activity (DSA) project, funded by USAID, Irish Aid, the Netherlands and MOFED. PSCAP funds were not used on the EMCP sub-programme until EFY 1999.

The legal framework for expenditure management and oversight at the federal and regional level has been established, although Somali has not yet implemented the accounts reforms. A procurement proclamation has been issued in 9 regions and cities, with two remaining.

The capacity for expenditure management and control has been built in all beneficiary institutions through a focus on budget reform, accounts reform, procurement reform, cash and disbursements management reform, and internal audit reform. Awareness creation workshops have been held for less developed regions, and a large amount of training has taken place at regional and federal level, and manuals and training modules have been prepared.

The backlog of accounts has been cleared at federal and regional level, and partly at woreda level. Double entry accounting is now in place at federal level and in all regions except Somali.

The BDA and BIS computer systems previously used by Treasury have been upgraded to the web-based Integrated Budget and Expenditure (IBEX) system, which has been installed in all regions except Somali, all national Ministries, most zones in regions, as well as in pilot woredas in each region. MOFED now plans to move to the integrated financial management and information system (IFMIS).

There has also been substantial support to the Auditor General's Office (AGO) on external audit, which the AGO views as a success. Work has been done on preparing audit standards and audit manuals jointly with the regional AGOs. As a result, the capacity of the AGO at federal and regional level has increased. They are now preparing for BPR, with PSCAP support.

The outputs of the programme are evident - there has been a substantial improvement across all institutions with respect to financial management, and there has been a major effort made to build capacity at woreda level. The AGO has confirmed the above mentioned changes in the public financial management system, including the implementation of double entry accounting at a federal level and in the larger regions.

The programme has been exemplary in taking responsibility for supporting reform initiatives at regional and woreda level, and in providing hands-on assistance to these institutions.

One of the key issues arising out of the evaluation is the low level of capacity and high turnover of skilled professionals in the finance offices at woreda, regional and federal level. This requires a high level of repeat training. The incentive framework for civil servants needs to be addressed, and the higher education system must focus on producing more qualified personnel in public financial management.

3.3. Tax Systems Reform Programme

The Tax Systems Reform Programme (TSRP) sub-programme aims to develop a modern tax administration through an overhaul of tax legislation, tax policy and administration, thereby improving revenue collection. At the same time, TSRP aims to ensure equity and fairness in the tax system, and to encourage private sector investment and development. The programme originally was developed with six components for tax policy and administration, and later a customs reform component was added with three additional components.

PSCAP support to the TSRP only started in EFY 1997, and represented a scale up in the TSRP.

The TSRP sub-programme is coordinated by the Ministry of Revenue, and is implemented through two main beneficiary organisations, the Federal Inland Revenue Authority (FIRA) and the Ethiopian Customs Authority.

PSCAP has been instrumental in achieving the reforms within the tax system. The legislative framework for tax collection has been updated and is largely in place. Legislation has been finalised in 8 regions, and the Somali region is in the process of finalising its Tax Law (89% complete). The Tax Payers Identification Number (TIN) system has been applied across all tax authorities, and 327,585 tax payers have been registered, i.e. 90% of the total 365,000 tax payers. The system has been installed in 77 sites. Presumptive taxation for regions has been assisted with the issue of the national profitability rate. Approximately 275,000 tax payers have been registered as presumptive tax payers. VAT tax payers have also increased - 28,412 tax payers have been registered, compared with an original 3,500. The revenue from VAT has increase steadily to an amount of Birr 5,93 billion. However, a national survey of revenue potential from VAT has not been done.

The tax office organisation is now fully restructured in all the advanced regions and contains nationally uniform tax administration functions. Four operational manuals have been developed, and a prototype issued to regions and the customs authority. A large automation exercise has been undertaken, using the Standard Integrated Tax Administration (SIGTAS) system, (and Asycuda for

the customs authorities) linking all the main tax systems and automating most tax offices. Tax integration is complete for the federal tax offices, and underway in the regions and customs authority.

The education of taxpayers has been done through a joint initiative of FIRA, the Customs Authority and the Ministry. Information is widely distributed to the public and taxpayers through the website, leaflets, brochures, and TV and radio advertisements.

The TSRP sub-programme has overhauled the customs systems and offices, developed an anti-smuggling strategy, and increased public awareness and staff capacity in order to reduce illegal trade. There have been some noticeable improvements in the custom processing time as a result of these changes. The processing of transit permits has been reduced from 2 days to 1 hour. Clearance time has been reduced from 59 days to less than 2 days.

The overall progress with implementing TSRP has been impressive, and the planned activities have largely been undertaken effectively. There has been a total turnaround in the administration of taxation, and the system has been substantially modernised.

The results of these reforms are reflected in the revenue collection figures. The most significant increase in tax revenues came in EFY 1996, with a growth in federal tax revenues of 12,2% above GDP growth, and a growth in total tax revenues of 13,6% above GDP growth. In EFY 1997 and EFY 1998, the growth in tax revenues was below the GDP growth figures, suggesting a falloff in tax effort, although this was partly affected by a revision of tax assessment rates for regions in EFY 1998. There has been a recovery in EFY 1999, with a growth in federal tax revenues of 7,2% above GDP growth, and a growth in total tax revenues of 5,8% above GDP growth.

The assessment has identified a number of issues that are seriously affecting the performance of this sub-programme, and which are risks that need to be addressed. The most important of these relate to staff issues and include low staff morale, a shortage of manpower in key areas, a high turnover of staff due to comparatively poor pay and inadequate performance incentives, and a hostile customs working environment.

3.4. Information and Communication Technologies

The Information and Communication Technologies (ICT) programme is led at the federal level by the Ethiopian ICT Development Agency (EICTDA), and has four main components:

- ICT for Human Resource Development
- ICT for Public Service Delivery and Good Governance
- ICT Applications for Sector Development
- ICT for Community-based information systems and development

The programme provides for the supply of services (e.g. capacity training), goods (computer software and hardware) and facilities (regional information centres). It is important strategically – improvement in other PSCAP sub-programmes is linked to better applications of ICT. The EICTDA has a dedicated PSCAP Coordination Unit, staffed by three officials covering respectively coordination, finance and procurement. The unit has been in place for 15 months, has delegated authority, and reports directly to the EICTDA Director.

Progress across the programme components has been uneven, with most activities taking place in Human Resource Development and Public Service Delivery and Good Governance. Regional ICT training centres have been set up in Southern Nations, Nationalities and Peoples Regional State

(SNNPR) (two), Amhara (one), Benishangul Gumuz (one) and Tigray (one), while Oromia is at present establishing three centres. Four multi-purpose Regional Information Centres are to be set up under PSCAP this year, while proposals and equipment specifications for two community radio stations are currently in development. Currently, the programme is developing integrated information systems for the Ministry of Agriculture and MOFED. These are major projects, and, if successful, will be rolled out further; technical and financial proposals are due from service providers in November 2007 (EY 2000).

There are also significant improvements in the application of ICTs at local level. Increasing numbers of woredas and urban municipalities are becoming e-ready, with growing use of e-mail for reporting and communications. The Woreda-Net system is providing the core infrastructure to which other ICT applications can be fastened, although some woredas experience maintenance and operational problems. . The programme has a target of training two ICT technicians for each woreda, which is generally working although not all posts are filled.

Progress across the overall programme is hindered by delays in planning, procurement and shortages of skilled technical staff in areas outside Addis Ababa.

The EICTDA has initiated a process of evaluating outcomes as well as activities. This year a sample survey was carried out among regions and woredas to gauge the results of training activities (for example, number of regional web pages developed following training, and the degree to which woredas are attempting to carry out their own ICT maintenance, upgrades and repairs).

3.5. Justice System Reform Programme

The Justice System Reform Programme (JSRP) aims to strengthen the functions of the justice system, increasing its efficiency and effectiveness to deepen democracy and the rule of law. Institutional arrangements are complex - the JSRP office seeks to coordinate two implementing agents, the Supreme Court and the Justice System & Legal Research Institute (JSLRI). The programme also has a national steering committee, which includes the implementing agents, Ministry of Justice and the MCB. This JSRP has the following four components:

- Strengthening coordinating and implementation capacity for the JSRP, including programme management, training events, M&E systems, and knowledge and information dissemination.
- Law reform and revision of legislation.
- Strengthening the judiciary, through improved professional development of judges and clerks of the court, improving the quality of legal training and academic courses.
- Strengthening law-making processes through capacity building for political office bearers in federal, regional legislatures, and city councils.

The JSRP has made impressive progress over the past three years, benefiting from the systems and foundation laid under its predecessor, the CIDA-supported Court Reform Programme. The criminal law has been revised and a new Family Law introduced. Increased numbers of judges, prosecutors and legislators have undergone training in the new laws, service delivery issues, ethics and accountability. Administration systems have been improved substantially, including the introduction of colour coded records, and measurement of performance at court level. Case backlogs have been reduced, and there has been a reduction in the average time for cases to be heard and judged. The concept of community policing has been disseminated from federal to regional level, and is being gradually instituted in woredas and urban municipalities.

Information on the scale and type of activities is available, but more attention needs to be paid to achieving consistent monitoring, evaluation and analysis of impact and outcomes. There is a lack of consistent information provided via the Supreme Court, while the transfer of programme activities to the JSRLI disrupted data collection. The JSRP office is planning to establish a data centre in November 2007 (EY 2000) to address this problem by consolidating data in one agency, and driving a process of regular and efficient monitoring.

3.6. Urban Management Capacity Building Programme

The Urban Management Capacity Building Programme (UMCBP) aims to enhance the capacity of municipalities in the delivery of services, and to enable urban centres to play a more effective role in social and economic development. The UMCBP is co-ordinated by the Ministry of Works and Urban Development, through the Urban Development Capacity Building Office. The programme has provided technical assistance for the development of federal and regional policies related to urban development, housing, urban land, municipal structures and the formation of municipal associations. It has assisted the deepening of municipal decentralization through the preparation of manuals governing resource management, reviews and the organization of training and human resource needs, the establishment of regional planning units and the development of fiscal transfers and revenue mobilization mechanisms. The sub-programme supports local government restructuring and capacity building efforts, including restructuring of water and sanitation, urban land and other services, the development and roll-out of financial, human resources and land systems and related organization review.

The UMCBP only started off 18 months ago - the initial activities linked to urban good governance and the Ministry's mandate have been funded out of the Capacity Building for Decentralized Service Delivery programme (CBDS), supported by the World Bank.

The Urban Good Governance Package was developed as a direct response to government's consultation process after the last elections. It has given a renewed focus and drive to the UMCBP, and consists of a package of seven programmes aimed at accelerating reform and decentralization, namely:

- Land reform
- Justice reform
- Urban Planning
- Organisation and Good Governance
- Finance Reform
- Infrastructure Governance reform; and
- Participation reform.

The urban decentralization effort is commendable, in particular the number of policies and proclamations and regulations passed to foster the creation of responsible sub-regional structures. Three issues however remain to be addressed. The first is the capacity to exercise responsibilities at sub-regional level. All the urban institutions and structures that have been created should be critically evaluated to determine whether they have acquired the necessary capacity to manage their new assignments. The second is to guard against over-decentralization - Harar city is the case in question. The third is to build capacity to monitor and evaluate impact.

The management of the programme at Federal level should be maintained. The key challenge remains coordination. The UMCBP would benefit from a more coordinated programmatic approach between the regions, the cities and the Bureau. The evaluation team believes there is sufficient

capacity at both federal and regional or city administration level to manage the sub-programme directly. The Ministry has already made representation to MCB regarding decentralisation of the procurement process, and has requested that International Competitive Bidding (ICB) decision making is decentralised to the Urban Development Capacity Building Office (UDCBO). A further decentralization to advanced regions and cities such as Addis Ababa, Dire Dawa, Harar and the 16 towns where capacity is displayed should be considered.

There is now an opportunity for the urban sector in the country to create and strengthen local government and municipal management institutions. Some of the key questions and key institutions to consider include:

- a) The feasibility of establishing distinct Local Government Ministries or Bureaux at regional level should be investigated. There could be strong advantages to placing responsibilities relating to local/municipal government in a new local government Bureau at regional level.
- b) A much stronger push is required in building an association of Local Government. This is a statutory organized local government body that can be useful to support, advise, and provide advocacy and peer review platforms for cities, municipalities and woredas. There is an immediate opportunity and need in regions where there are a number of municipal structures already established. The case may not be that strong in some of the regions where there are either very few municipalities or just a single city (Addis Ababa, Dire Dawa and Harar). In this instance, it may be useful to consider a cities network to achieve similar ends. Affiliation to African or international bodies is important to bring international experience into the local government system.
- c) The Associations can also be used as cross municipal or joined up associations that use economies of scale from their members for procurement of skills, goods and infrastructure to deliver services.
- d) There are many strong and emerging urban management professional institutes and bodies. It may be worth supporting the establishment of a distinct municipal managers' institute. This could be a member based body that brings together all senior/top management in municipalities as its members.
- e) The idea of beefing up the Ethiopian Civil Service College with the creation of an Urban Management Centre should be pursued.

3.7. District Level Decentralisation Programme

The objective of the District Level Decentralisation Programme (DLDP) is to deepen the devolution of power to lower tiers of regional government, to institutionalise decision making processes at the grassroots level with a view to enhance local participation, promote good governance and improve decentralised service delivery. DLDP has 7 components covering decentralisation policy, woreda planning and finance, organisational arrangements, staffing, participation and service standards. It is located in MCB at federal level and the BCB in the regions.

After a slow start, DLDP has made good progress in fulfilling its higher level objectives across most regions. Legal frameworks, so far only proclaimed in one region but being produced in others, will soon lay the basis for decentralised decision-making and define functions between the tiers of government. Major progress has been made in decentralising budgets, transferring block grants and in establishing the physical and human resource base of woredas. Large amounts of training have been conducted for regional staff, woreda officials and councillors, kebele cabinets, teachers, agricultural agencies and peoples' representatives. A good number of woredas have become

credible organisations which are increasingly providing improved services to their constituents. Similarly, service delivery systems, attitude and behaviour have become more transparent, participative, accountable and in line with the principles of good governance. The scope of DLDP has been increased by the introduction of MCB's Woreda and Kebele Good Governance Package which is now receiving high priority.

Much remains to be done however. Having established this sound base in a significant proportion of woredas, a major challenge for federal and regional governments is how to extend and sustain the capacity already developed and to allow woredas and kebeles to exercise real decision making and choices. Devolution involves woredas having scope to set their own priorities, to make choices over allocating their resources between sectors, between salary, operational and maintenance costs and between different kebeles. Presently the scope for such choices is very limited. Woreda structures are set by the regions, most of their budgets are consumed by salary costs, lack of capital for new investment undermines their planning and priority setting processes and inadequate resources for maintenance means that their precious equipment and transport fall into disrepair.

Possible solutions are beginning to emerge: BPR exercises may facilitate improved utilisation of manpower and reduce the ever growing salary bill. Increased levels of local revenue combined with newly proposed PBS and LIGs will provide resources for improved service delivery and capital investment. Enhanced capacity and participation at kebele levels will increase the efficiency of utilisation of capital and service funding.

At the Federal level, the DLDP is small and has received less than 2% of the federal PSCAP budget. It has improved its staff position and accelerated its production of studies and manuals. These are appreciated by the regions although there is a risk of information overload and in some cases contradiction. But Federal DLDP needs to be more proactive or risk being seen as irrelevant. It now needs to give increasing attention to:

- a) Promoting a clear overall decentralisation policy and vision from the perspective of the federal government incorporating the Good Governance Package,
- b) Supporting implementation of DLDP in the regions through advice on capacity building methodologies, facilitation of best practice sharing, technical innovation, provision of specific support to the emerging regions in conjunction with Ministry of Federal Affairs;
- c) Developing guidelines for woreda capacity building grants;
- d) Advising government, donor and NGO initiatives which aim to support the implementation of the decentralisation policy e.g., PBS and LIG;
- e) M&E of DLDP PSCAP activities and facilitation of an institutionalised local government performance monitoring system in the regions which generates standard data for measuring decentralisation progress and impact;
- f) Publicising DLDP and decentralisation through a clear IEC strategy.

4. Assessment of regions and chartered cities

The following section contains summaries of the evaluations of the different regions and chartered cities. More detailed assessments of each region and chartered city are contained in annexes 8 to 18 at the end of the report. As far as possible, information regarding sub-programme implementation in woredas and municipalities has been included in these reports. More information about the implementation of each sub-programme at a federal - regional level is also contained in the sub-programme evaluations in annexes 1 to 7.

4.1. Addis Ababa

The key lesson to be learnt from the Addis Ababa experience is the importance of a stable political environment to a successful and sustained transformation and reform effort. Addis had committed a lot of resources and energy to the transformation programme before the elections. The disruptions after the elections usurped some of the energy and caused many delays in the roll out of the programme. The current caretaker administration is putting a lot of effort into rebuilding momentum and energy, but is concerned that the previous levels of activity, particularly among staff, may not be achieved.

Addis as a City Region is well positioned to run a decentralised civil service reform programme. With the appropriate resources, the city is well equipped to manage PSCAP. There appears to be massive growth and development happening in the city at the moment. As the capital of the country Addis cannot afford to have a civil service that is unable to cope with the increasing demands on its services and infrastructure. The special role and place the city holds in African politics today, by virtue of being the seat of the African Union, was not obvious in the deliberations with the city. The relations with the AU, although federal in nature, need to translate to city level transactions relating to land management, the provision of services and the maintenance of a healthy and clean environment around the many sites and embassies that are now major attractions.

The Addis BCB's capacity to monitor and evaluate impact should be beefed up. It is commendable that the city already has a Monitoring and Evaluation Office in the Bureau. The office has to gear up its ability to monitor impact and to find gaps that should be addressed in the future. Most of the municipal reform and transformation efforts hinge on the UMCBP. The fact that there is no single bureau taking responsibility for PSCAP is a concern. While it is appreciated that the responsibility is now narrowed from eight to four agencies, the evaluation team recommends that the office of the City Manager should be the Executing Authority for the programme.

Where feasible and where there is capacity, as demonstrated in the Revenue Agency, the city should consider devolving further responsibilities for civil service reform. This should be the case for Health, Education, Trade and Industry, Education, Water and Sewer and other key sectors. The Bole Nifas Silk Lafto and sub-cities displayed greater potential to run mandates assigned to them. This probably makes a case for further devolution of PSCAP responsibilities to this level. However the Gulele sub-city did not display the same level of capacity as the other two and may need to be assisted centrally. The devolution of PSCAP responsibilities should therefore not be applied across the board without a proper assessment of capacity.

The evaluation team is aware of the effort to revise aspects of the 5-year Plan adopted in EY 1996 and the risks associated with the massive investment in the exercise ahead of the next election. It may however be possible to review and suggest aspects such as the spatial plans, the transportation aspects, the land and housing sector plans. The review could take the form of developing baseline data that could be used by the future leadership as the basis for setting targets.

The normalisation of the human resource environment is critical. The management of remuneration and payroll automation, increased communication with staff and the efforts towards wellness and occupational safety will go a long way in building staff confidence. A lot of caution should be taken in sequencing ROPE, the establishment of new structures and the BPR exercises and aligning these to strategic planning. The City should establish more direct relations with the relevant Federal Bureaux and sectors for PSCAP in particular and for good governance in general. The city should open and establish more direct relations with civil society organisations and include them more in its activities.

4.2. Afar

Regional government in Afar has only been operating for a decade and a half, so the structures of government are in some cases still embryonic. The civil service remains severely constrained by the lack of basic infrastructure and facilities, and the generally poor level of skills available in the region. The implementation of PSCAP in the region has been understandably slow. The region has completed approximately two thirds of the Minimum Mandatory Activities, and hopes to complete the remainder of them this financial year. The region is struggling with the complexity of planning, budgeting and procurement processes for PSCAP. There have been serious delays in the procurement process, and consequently only the training component of PSCAP has been utilised to date. Almost no expenditure on goods or consultants has taken place.

There have nevertheless been some significant achievements, considering the environment in which the region has to operate. PSCAP coordinating bodies are now in place for each sub-programme, and for the region as a whole. The region has, on the whole, embraced the programme and attempted to set up the structures and systems to deliver on its objectives. The overall coordination of the programme in the region is managed by BCB. The BCB appears to be seriously under-capacitated in relation to its coordination function. The majority of the Bureaux has not yet taken full ownership of the sub-programmes.

There is a widespread level of awareness amongst beneficiaries of the focus on service delivery, about the main components of the training programme, and about the good governance package for woredas and municipalities. Strategic planning has been institutionalised across regional and woreda institutions. A large amount of training activities have taken place, and some programmes have developed very useful models of facilitating capacity development. The PPD has established a project tracking and monitoring system that lays a solid basis for future regional coordination. Gender and HIV/AIDS issues have been taken up very widely in training programmes, facilitated by dedicated offices for both these issues at woreda and regional level.

Impact of the above sub-programmes on PSCAP outcomes is difficult to assess due to the lack of statistics and data collected regarding the high level indicators. According to BOFED, predictability of regional and woreda revenues has significantly improved. Rolling three year estimates of block grant allocations are received from federal government, and once received the block grant is passed on to woredas. BOFED also indicates that there has been a significant improvement in budget variance for Bureaux.

A bottom up process of planning and budgeting has been established for the region, and seems to be in practice in the more capacitated woredas. The structures for public participation have been created in woredas, but key facilities such as complaints offices and information centres have not yet been established. There are some examples of improvements in services, such as speedier processing of court cases. There has been a behavioural change in the top management of the civil service, with a growing trend towards modern management practices.

Transparency and accountability have been boosted through the participatory planning and budgeting processes for the region and woredas. The devolution of power to woredas and kebeles has assisted in building a bottom up system of accountability. However these structures are still at an early stage of establishment, and are severely limited in effectiveness through infrastructure, technology and skills gaps.

The region suffers from a serious shortage in skilled manpower. It has difficulty in recruiting skilled personnel to work, particularly at woreda level. There is a high staff turnover. Recently the regional government has endorsed an incentive package to retain civil servants, including increasing salary grades, paying a hardship allowance and building houses for civil servants. This has not yet been implemented. The civil service remains severely constrained in terms of infrastructure, including offices, computers, communication facilities, and transport.

4.3. Amhara

Amhara is considered to be one of the more advanced regions of the country, although it still has many development obstacles to overcome, including worrying levels of HIV/AIDS and a low literacy rate of 23%. The population is around 18.6 million people, and the state capital is the city of Bahir Dar. Amhara has 10 zones, 140 woredas and 3,082 kebeles, and, in the current year, an estimated 120,000 civil servants.

PSCAP is led by the BCB, which has around 40 staff. There is a Regional Technical Team (RTT) with membership drawn from the BCB, the Women's Affairs Bureau, and PSCAP implementing organisations - Bureau of Justice, Bureau of Works & Urban Development, and Amhara Revenue Authority.

The CSRPs have made some important progress in the region – BPR exercises have been initiated in 16 government offices, while improved HRM procedures have been introduced into all zones and woredas. Local capacity building offices are responsible for monitoring the level and impact of these activities, and provide this data on a quarterly basis for consideration by the Amhara Civil Service Commission (ACSC).

The DLDP is also making progress in improving monitoring and evaluation. November 2007 (EY 2000) sees the DLDP unit making an intensive set of field visits to 38 selected woredas to conduct impact assessments of its activities.

The ICT programme has achieved notable progress in rolling out ICT to woredas – 114 have video-conferencing, all are connected to the Internet and currently 743 woreda offices and desks have e-mail addresses.

The JSRP continues to perform well, with advances in court administration and caseload management at all levels, as well as on-going professional development training for judges, prosecutors, legislators, prisons and police staff. Backlogs have largely diminished, and the time taken for cases to be presented and heard has been reduced.

Regional performance in PSCAP expenditure against allocated budget is improving – increasing from 75% in 2005/06 to 90% in 2006/07. However, expenditure categories are dominated by training, which consumes an estimated 93% of the total PSCAP budget compared to around 3% on procurement of goods and 0.1% on consultancy. While training is a priority activity within PSCAP, this expenditure pattern appears unbalanced. It is partly due to delays in procurement of goods and services, and difficulties in securing services of skilled consultants; but it also seems that training activities have become the 'default' setting for the programme, as they require no external approval and are under the region's direct control. The EY 2000 (2007/08) Participation & Performance Agreement puts forward a more equitable programme (training 60%; goods 24%; and consultancy 16%), although only the final out-turn figures against approved budget will demonstrate whether a real shift has occurred.

Despite some activities to publicise the reform programme (including a weekly programme on regional radio), Amhara still lacks a coherent IEC strategy.

The Amhara RTT sees its role as a quality assurance and coordination body, focusing on the production of annual plans and receiving quarterly progress reports from sub-programmes. Apparently it meets on an intermittent rather than a regular monthly basis. This situation should be addressed – consistent, regular meetings build institutional knowledge, improve programme coordination and provide for consistent monitoring of RTT decisions and initiatives.

4.4. Benishangul Gumuz

Benishangul Gumuz faces great development challenges – the region is remote, and considered to be one of the country's less developed areas. The road network is poorly developed, and while telecommunications and electrification are improving, coverage and capacity is still very patchy. The regional population is around 700,000, and the state capital is the town of Assosa. There are 3 zonal and 20 woreda administrations.

PSCAP progress in the Benishangul Gumuz Regional State government (BGRS) has improved over the last year, although some Minimum Mandatory Activities (MMAs) have still to be completed. Financial management and budget reform, and the Justice Sector Reform Programme (JSRP) continue to make good progress, building on the foundations laid by previous projects and flows of assistance. Sector specific programmes are doing well in harnessing flows of funds from other agencies, as well as government resources, in delivering integrated programmes of capacity building at local level. Although the DLDP is still lagging behind the performance of other programmes, woredas report significant positive impacts in service delivery improvements, increased participation and citizen responses to reforms.

The regional government has taken seriously the challenge of improving coordination, and through the BCB, has instituted a Regional Technical Team (RTT) and Steering Committee (SC). These are performing well and providing strong leadership to the reform process. More staff has been dedicated to PSCAP, although these levels are still inadequate for projected levels of increased activity. There is a growing momentum of training and capacity building processes, which have led to real changes in service delivery. This, in turn, has increased confidence in the programme, and increased demands for more generic and specialised training.

The impact of this progress will place more pressure on record-keeping, data collection and analysis. The BCB should be now looking to strengthen its monitoring and evaluation capacity, and improving the consistency of its assessment of activities and their impact. In turn, this information will improve the quality of decision-making and forward planning to support the continued development of PSCAP and targeted application of its funds.

Furthermore, PSCAP would have made more progress if the BGRS was not continually impeded by pervasive shortages of skilled and experienced staff, and problems with staff retention. This is compounded by a shortage of external technical capacity, consultancy expertise and experienced training service providers in the region.

In addition, programme bureaucracy holds up implementation – in particular, problems due to the planning process and budget allocations, and delays in procurement.

4.5. Dire Dawa

In general, the programmes in Dire Dawa seem to be making good progress. PSCAP is seen as part of ongoing capacity building efforts aimed at a broader state transformation objective. The Region is 75% urbanised, is a chartered city with a city administration and 7 kebeles. Five of the six federal programmes are run in the city region. The achievement of all Minimum Mandatory Activities as found by the April Joint Supervision Mission seemed to be accurate.

The Urban Management Capacity Programme has done well in building decentralised institutions. The capacity at kebele level to exercise the mandates and responsibilities assigned is very varied (the City is divided into very large kebeles). A major effort needs to be invested in building the capacity of the kebeles to carry out land management, housing and planning functions.

The Civil Service Reform Programme has built significant capacity, but Dire Dawa needs to sustain capacity where it has been developed. Procurement of further training and material is critical. The BPR exercises require qualified facilitators, and when rolled out, some key turn-around targets will require a bigger roll out of computers and equipment. The high staff turn over also has to be addressed.

Planning and programming issues seemed to dominate the discussions in the city administration as obstacles to implementation of PSCAP. These need to be addressed as a matter of urgency. A lot of energy and effort is expended by key programme operatives on quibbling for resources at the expense of focusing on the key KPIs and objectives. The main culprits are procurement, the lack of transparency and the absence of a comprehensive measurement, monitoring and evaluation system.

The issues raised concerning procurement include a failure to respond to TORs presented for procurement, under allocation of budgets against budget requests, the onerous process of reformulation and resubmission of requests, the absence of a data base of preferred service providers, the ring-fencing of functions to be performed by consultants even when there is internal capacity to perform such tasks, over-centralisation of decision-making, and the separation between regular procurement and PSCAP procurement processes.

Monitoring and evaluation systems are poor, and need to be prioritised. The attempts by the ICT office should be encouraged as ICT could play a key role in developing the M&E systems. However, the evaluation and monitoring function should not be developed merely as an ICT programme. Rather a proper M&E office should be set up, supported by ICT.

Coordination with MCB and the federal sub-programmes needs to be improved. The City Administration has expressed a desire for more interaction with their federal counterparts. The central coordination of PSCAP through BCB and MCB was found to limit proper guidelines, advice and support to the regional effort. More capacity to coordinate PSCAP programmes has to be built at kebele levels. The RTT is functioning but its coordination appears to be very loose. There needs to be a proper record of meetings and decisions taken at RTT meetings. The RTT role as a strategic planning and coordinating centre has to be improved. The Bureau Heads steering committee should be retained and supported. The communication problems that seem to exist between kebeles and the Bureaux regarding PSCAP approval processes need to be addressed.

The blurred allocation and accounting between the PSCAP budget and the regular budget needs to be ironed out, otherwise negative reports from the Auditor General about the state of the City's PSCAP accounts will persist. This matter needs serious attention. Some programmes are not able to

account for PSCAP spending against objectives, nor separate PSCAP resources from other sources such as donors and regular budgets. The absence of a PSCAP audit remains a problem.

PSCAP has to be embedded into regular government as soon as feasible. The approach should be to decentralise and deconcentrate responsibilities to levels where there is obvious capacity to coordinate. There is also a prospect to extend PSCAP to a broader society capacity building programme that could benefit key stakeholders critical for the social and economic upliftment of the Dire Dawa region.

4.6. Gambella

Gambella is one of the less developed regions situated in the hot swampy lowlands close to South Sudan. It has 3 zones and only 12 woredas, one of which is Gambella town. The region has made steady development progress since the first round of decentralisation. It has come from a low base in capacity terms and has experienced intermittent periods of insecurity when development programmes have been interrupted. It remains challenged in implementing PSCAP and in achieving demonstrable impact. Implementation really only started over the last 18 months. Difficulties arise from a combination of serious skilled manpower shortages, frequent turnover of staff (both experts and appointees), underlying nationality tensions, the capacity demands of PSCAP administration and management, and procurement delays. The Regional President understands PSCAP and sees it as important for the region if only its “overburdening bureaucracy can be overcome”. Other key bureaux also appreciate the programme but some of the key stakeholders such as the Regional Legislature have only recently become aware of it.

PSCAP is managed by BCB with its PPD. There is a Regional Steering Committee and an RTT – the latter however meets on an ad hoc basis. Performance of all sub programmes is only now starting to pick up, but most of the MMAs are on average only 10 to 20% achieved. Of its Birr 17m budget, Gambella has spent 45%. Late release of funds to the region this financial year is eroding momentum. As in other regions there are numerous complaints by sub programmes and some beneficiaries about the special procedures set up to access PSCAP funds. These focus mainly on procurement systems, shortage of funds and delays in release.

It is too early to assess impact against the higher level ‘service delivery and good governance indicators’. The general consensus is that small gains are being achieved here and there. Woredas note greater cohesion between their administration and the people and also highlight service delivery improvements in education, water and security. Half the woredas now have electricity and telephones.

This region has not had adequate attention from previous PSCAP reviews. Similarly more attention and support could be provided to the region by the federal sub-programmes. Key issues and recommendations include needs for:

- More awareness of the PSCAP at all levels;
- Regular meetings of the RTT and Steering Committee;
- Training facilities and high calibre trainers in the region;
- Monitoring of all aspects - activities, outputs and outcomes;
- Further strengthening of BCB & BOFED re programme management; expedition of procurement and procurement capacity.

Gambella requires additional support both in terms of PSCAP management and in accelerating the sub-programmes. This could take the form of a temporary facilitation unit staffed with experienced officials perhaps drawn from other regions or from the MFA. The facilitators should aim to build

the capacity of the Gambellan officials in post by provoking improved programme content and speedier implementation and by providing training. Study tours could be used more frequently to other regions to gain exposure and develop linkages to help energise the sub programmes.

4.7. Harari

Harari is the smallest region in Ethiopia. It covers an area not more than 40 square kilometres and is almost completely surrounded by Oromia. It recently celebrated 1,000 years of existence. It boasts one of the world's oldest gated settlements, Jugol, which is now a world heritage site. Jugol has been branded as a "Living Museum". The region has a population of 200,000, a parliament of 30 members and a Cabinet of 9. The new constitution recognises Harar as a city, and has afforded the President of the region the status of Mayor of Harar. Nine bureaux support the cabinet, while a City Manager is appointed to carry out the municipal functions. The region is divided into 7 large kebeles and 36 sub kebeles, 17 of which are rural and 19 urban. A number of authorities such as the Water and Sewage and Housing Agency complete the government's institutional arrangements.

Considering its size and capacity, Harari's overall approach and performance is impressive. The evaluation team believes that its small size has been a great asset in building a strong collective that can drive the transformation agenda. The key issue remains the rate of in-migration into the region and the ability of the region and the city to respond to the growing pressure to meet the ever-growing demands for services.

Related to this are the region and city's abilities to establish an environment in which all forms of trade and commercial activities can thrive. There has been criticism that the current tax and economic regulations are not geared to build on the traditional forms of trade that have been at the core of the region's economy for centuries. The evaluation team is not convinced that the TIN and VAT registration captures the full potential of the size of the economy and the form and amount of trade. It would be interesting to analyse the relationship between revenue collection and GDP growth in the region. The role of the banks is growing, and the fact that the region has given them rights to deal with collateral is positive. It is, however, a challenge whether the banks will exercise these rights responsibly and in a way that does not undermine economic activity and growth, especially in the property sector. The region is a melting pot of trade and commercial activities that extend beyond its political borders. The way the civil service is organised and managed should take this into account.

The evaluation team suggests that the region consider a consolidation of structures rather than further decentralisation. The extent of devolution to the municipality is appreciated, and the creation of an independent revenue stream from the region state is understood. This will, however, require an extra bureaucracy to collect from an economy and base that is concentrated. The region might well be advised to take a long-term view towards building a City State Region and direct current civil service reform objectives in that direction

4.8. Oromia

Oromia is a vast region with 257 woredas and 337 municipalities. It relies on zones as outposts of the regional government to support and monitor all the woredas. The regional capital is Adama although most administrative offices are in Addis. The region has some highly competent civil servants in the higher levels of government but the more remote or newly formed woredas suffer both low staffing levels and high staff turnover.

Oromia has made remarkable progress in implementing PSCAP reform programmes over the past three years. There is a strong sense of commitment and team-work amongst all the main implementing agencies. Most beneficiary agencies are well informed about the programme and the various planning, budgeting and implementation arrangements are now well managed by BCB, PPD and BOFED. The Region regards PSCAP as a very important programme for improving service delivery. It believes PSCAP has helped to introduce new systems and empower people at all levels especially at the grassroots but there is need now to update the original plans and to look at redesigning some of the elements. Oromia receives 34% of the PSCAP budget allocated for regions (Birr 345m), but has only utilised 32% of the allocation.

The region has completed the Minimum Mandatory Activities (MMAs) in all sub programmes except DLDP where there have been problems hiring consultants. A new task team approach has been adopted and a vast number of capacity building activities (mainly training) have been undertaken across all sub programmes as the region is now trying to restructure its activities around the Woreda and Urban Good Governance Packages. There have been serious delays in the procurement, however the Planning and Programming Directorate has gone to great lengths to improve its capacity and is currently processing 12 different procurement packages. Most M&E to date has centred on activity monitoring but an impact assessment is soon to be published.

There have been marked improvements in almost all areas covered by PSCAP activities from tax and justice systems reforms through to municipal and woreda service delivery and PFM capacities. Sustaining these improvements is now a big challenge given high staff turnover.

Oromia has now reached a point where it can run with the PSCAP sub programmes and become more creative and nuanced in its approach. Key issues and recommendations raised by the region and the evaluation team include:

- PSCAP systems should be based on principles of trust and decentralisation to facilitate operations and build capacity through learning by doing.
- PSCAP budgets should be decentralised both to implementing agents at regional level and eventually to the woreda level.
- The procurement process is extremely cumbersome. Thresholds are too low, bulking up is unhelpful and the number of World Bank ‘no objection’ requirements is too high. The quality of goods received under International Competitive Bidding (ICB) has been poor and often over sophisticated with poor back up. The region can now handle ICB processes. A level of flexibility regarding procurement of vehicles should be introduced especially for key departments and M&E.
- There is a lack of qualified consulting firms and consultants to handle the more complex assignments. PSCAP needs to be more responsive and needs based. There is need for long term training especially in key professional areas.
- Generally there is now a need for more of a facilitation approach in various areas of the programme to complement the mass training that is being provided. E.g. the Woreda Support Units for PFM.

4.9. Southern Nations, Nationalities and Peoples Regional State

The Southern Nations, Nationalities and Peoples Regional State (SNNPRS) is the most ethnically diverse region in Ethiopia. Its 15m population comprises 56 ethnic groups and it has organised its sub-regional government structures along the lines of 13 nationality zones, and 8 nationality woredas. In total, there are 134 woredas and 22 municipalities.

The overall implementation performance of the PSCAP reforms in SNNPRS is impressive with the exception of procurement of goods and consultants. Reform programmes especially relating to the Civil Service Reform Programme (CSR) and the Expenditure Management and Control Activities (EMCA) were well advanced before PSCAP. The MMAs are complete for all sub-programmes except DLDP and programme management. The region has been one of the most innovative in developing programme content in different sub-programmes although it significantly under spent its budgets (58% expenditure rate) due to difficulties over procurement of goods and consultants.

PSCAP is much appreciated by the regional government who feel it is making a significant contribution to transformation. The BCB lead the programme with dynamism and commitment. They feel, however, that many people still do not appreciate its integrated nature - rather they see it as simply budget support.

Generally, service users in SNNPRS acknowledge considerable improvement in service delivery over the past 4 years which is attributed to decentralisation and public sector reforms. In particular, improvements are highlighted in the fairness and efficiency of the tax and licensing system, in the performance of the courts and aspects of the judicial system and overall, at regional level in terms of openness, transparency, attitudinal change and participation. There are also considered to be significant improvements in education, health, agricultural, water and urban road services. Constituents of the main cities, however, express disquiet over responsiveness and transparency.

Key issues and recommendations arising from the region include:

- The high demands and delays of the procurement system;
- Over complex planning systems; the need to decentralise PSCAP budgets to executing agencies at regional level;
- A lack of staff incentives and high turnover;
- Negative lists precluding purchase of vehicles and IT buildings;
- Inadequate IT equipment maintenance especially due to poor quality, over complexity, lack of local support and/or capacity and low maintenance budgets;
- The need for more involvement of the police prisons and prosecutors in the JSRP; and
- Weak monitoring of higher level indicators and local governments in general and the need to introduce capital grants for the more capable woredas.

If procurement and budget management are decentralised, BCB should focus on planning, facilitation of the Executing Agencies (EAs) and M&E. It should do more to promote increased co-operation, co-ordination and teamwork amongst PSCAP sub programmes and implementers through regularising meetings of the RTT to ensure plan integration and budget transparency.

In-house supply driven training has been extensively used as the prime capacity building tool. This has been appropriate but needs now to be complemented by more demand driven and responsive capacity building approaches perhaps used alongside pilot woreda capacity building grants.

4.10. Somali

Somali has a regional Parliament of about 118 members. There is a Cabinet and a number of Bureaux headed by Cabinet members. The Deputy President of the region heads PSCAP. There are 52 woredas in the region, with Jigjiga and 6 others being urban municipalities. The rest of the region is rural and pastoral. It is the second largest region after Oromia but has a sparse population of 4 million.

It became very obvious from the beginning of the evaluation that the level of organisation in the region is substantially different from other regions. It was extremely difficult to organise a proper itinerary, and meetings were not properly arranged.

Somali had a relatively slow start with PSCAP, and was unable to get it off the ground during the first year of inception. Most of the programmes failed to meet the Minimum Mandatory Activities. The region also failed to match its PPAs with the Minimum Mandatory Activities in the first year, causing a delay in further allocations to the region.

The high achievement recorded in the last mission is attributed mainly to training and launching of a number of CSRP processes. There was a lot of progress made with ICT, achieving 100% of its MMAs. Good progress has been made with clearing the accounts backlogs since the function was transferred to BOFED. Except for some evidence received from the Jigjiga region, the team was unable to formulate an opinion on the inclusiveness of the planning process from the woredas and the municipalities. There was also no evidence of the involvement of civil society. The revenue bureau has made a lot of progress in improving collection capacity. The capacity can be increased further with the building of woreda and municipality collection capabilities.

While there was no evidence of corruption and lack of accountability, the evaluation team was constrained by time, the absence of organised formations and the unavailability of people to formulate an opinion. Except for a mention on the production of brochures, the publication and posting of Woreda budgets on boards at their offices entrances, there does not appear to be much government communication. Except for the training on ROPE as reported to the supervision mission, there is no evidence of further work done to incentivise management.

The programme has made significant progress compared to a year ago. The region is investing in deploying full time personnel to manage the programme. However, attention needs to be paid to the capacity of management to drive the reform programme in the region. Greater attention must also be paid to changing the work ethic. The erratic working hours and the long breaks make it difficult for the civil service to function, and hamper PSCAP in keeping up with the other regions.

The pace of decentralisation is questionable. While the evaluation from the Jigjiga District Municipality was encouraging, the responses from the Jigjiga Municipality and the Kerbebribeyah Kebele indicate the need to match decentralised functions with capacity. It is important to move beyond assessments and studies to programmes that build tangible institutions and structures.

The high turn over of PPD Heads is a concern, although the current head seems equipped to handle the task. The PPD should consolidate coordination and management structures as speedily as possible to ensure the maximum support to programmes. The EFY 2000 budget for PSCAP has not been released, which creates uncertainty.

The Urban Management Programme needs to be singled out as an area needing attention. The work ethic and culture in the Bureau are particularly poor. The region is largely rural and pastoral, and the urban management programme can afford to be more focused on the few urban centres. The Urban Good Governance Package and PSCAP programme overlaps are not being creatively managed.

All sub-programmes complained about procurement delays. It does appear, however, that the PIP guidelines and procedures are well understood. The complaints are more about the amount of time spent on the administration of the programme. The PPD has to give greater attention to ensuring

that the newly revamped procurement committee is capacitated as speedily as possible. The region makes a strong case for the review of the Procurement ceilings for ICB.

4.11. Tigray

The reform programme in Tigray is well established, and has been ongoing for the last 6 years – well before PSCAP. The programme consists of a thorough decentralisation process designed to devolve decision making and service delivery to woreda and kebele level. At the same time there is a total overhaul of the civil service structures at all levels, with a focus on service delivery, accountability and participation. The scale of the reform programme is impressive, and it has been backed up by a clear political commitment and leadership, as well as by the decentralisation of finances. Approximately 70% of the region's budget is transferred to woreda level through a system of block grants.

The PSCAP programme has been laid on top of this reform programme, and has functioned to provide much needed support to back up or deepen the reforms. PSCAP has therefore played a critical role in entrenching an existing reform agenda, and making it credible. However it is difficult to establish PSCAP as a separate programme, particularly for the purpose of evaluating outcomes.

The management of PSCAP in Tigray is centralised within BCB. In general, the sub-programmes are not managed as distinct entities, and do not have dedicated full-time coordinators responsible for sub-programme coordination. However, there is a high level and well organised system for coordinating the overall reform programme at a political level in the region. The regional President chairs four committees which impact on this area, namely the committees for rural good governance, urban good governance, business process reengineering, and “joined up justice”. The steering committees are duplicated at zonal and woreda level.

The programme has increasingly been deployed as a budget support mechanism for the overall reform agenda. This has allowed the region to attain some impressive results in the reform process, both in terms of the scale of the reform process, and in terms of the quality and depth of best practice cases.

In terms of progress with PSCAP implementation, Tigray has done well. Most minimum mandatory activities in Tigray region were completed by the time of the JSM in April 2006, and all were confirmed completed by the JSM in April 2007. There is significant progress with each of the sub-programmes. The Tigray region has made impressive gains in the reform and decentralisation process, with a strong political commitment to drive the change process, backed up by the financial resources and dedicated work within the public service. This has paid off, in that there are now tangible outcomes at the community level. There are a number of best practice examples of reform and service delivery improvement, and the change process has been initiated across a very broad front of institutions. However, it is clearly uneven in its application, and there are a number of woredas and other institutions where the change remains at a superficial level. While the reform process still has a long way to go, especially in ensuring their application across all woredas, a firm basis has been laid.

5. Programme management and support

The following section describes generic issues arising with respect to programme management and programme support functions across the whole of PSCAP. It is based on the programme

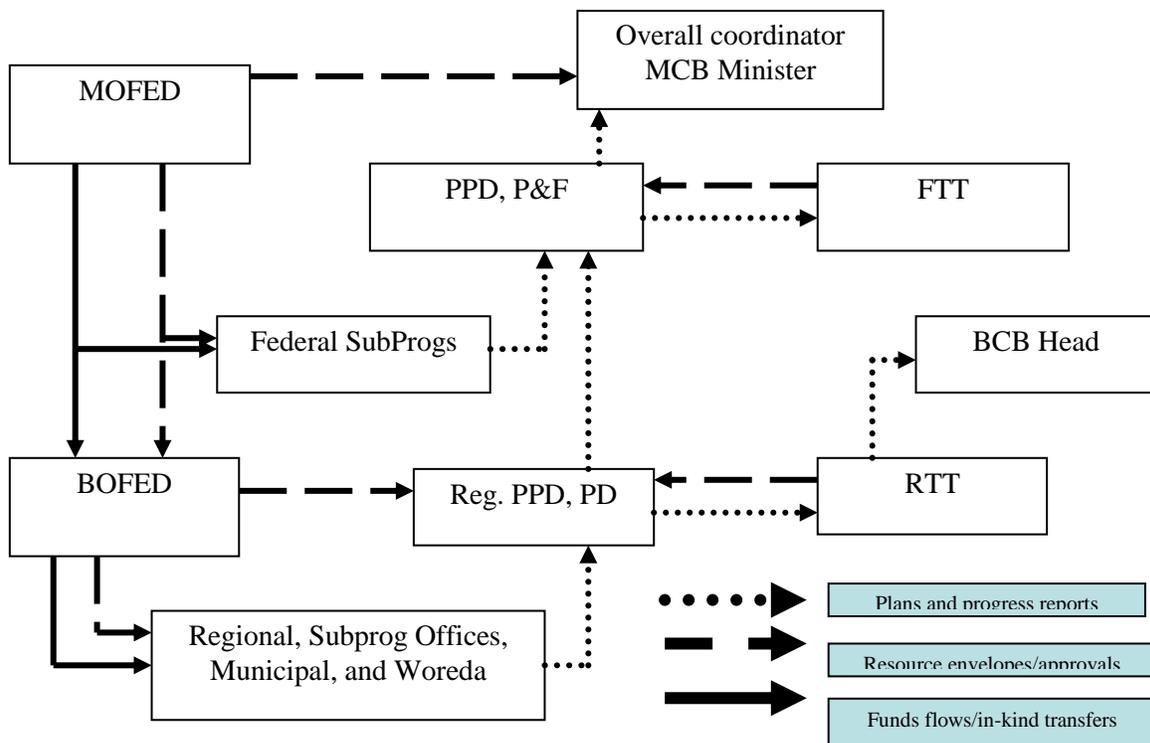
management issues identified in the evaluations of sub-programmes and regions, specific engagements with MCB, MOFED and regional BCBs and BOFEDs, as well as with the World Bank and donors. Each of the elements of programme management and support are analysed in turn.

5.1. Institutional arrangements

PSCAP is coordinated by MCB, led by the Minister, who plays a hands-on role in the oversight and management of the programme. Until last year, the Minister was assisted in this task by a State Minister, who took charge of much of the day-to-day executive work on PSCAP, and acted as a regular interface with donors and other stakeholders. Until now, this post has remained unfilled, and, despite the approachability of the Minister, donors noted the lack of a State Minister as a major gap in the relations with the government and in the provision of day-to-day leadership.

The institutional arrangements for PSCAP, as envisaged in the PIP, and confirmed by the PPD in MCB, are set out in the following diagram.

Figure 3. Institutional arrangements for PSCAP



Source: MCB

The PPD in MCB is the operational core of PSCAP. It is led by a Director, and consists of a total of 5 staff assisted by 2 new recruits. The PPD has suffered from high staff turnover, with 4 staff recently leaving. Previously, the PPD was organised around 4 task teams, namely:

- Planning and budgeting;
- Monitoring and evaluation;
- Programme Coordination; and
- Policy study and programme design (which was not functional).

The PPD assumes a number of other responsibilities, including BPR implementation in departments, managing Capacity Building for Decentralised Service Delivery (CBSDS), and planning for other MCB activities.

Following a BPR exercise last year, all the task teams have been merged into a single team. The PPD indicated that it faces a number of issues, including leadership and management of the team and the quality and quantity of staffing. It is apparent that the PPD is seriously under-capacitated, and not able to play the strategic coordination function envisaged for it.

The Minister for Capacity Building has a clear view of the role his Ministry should play. The MCB should, in his opinion, not have a large administrative bureaucracy, and it should be focused on bringing new ideas to government, disseminating them and assessing their impact. The MCB staff should be professionals who have been selected on the basis of their experience, and who can facilitate teams of civil servants across government – in essence acting as change agents. These views are critical for the later recommendations made regarding the role of MCB.

The sub-programmes are coordinated by different line departments and Ministries at the federal level, and this is replicated at a regional level. A summary of the management agencies for each sub-programme at federal and regional level, together with the designated beneficiaries for each sub-programme, is set out in the table below. In addition, a summary assessment is made regarding the overall quality of the management and leadership of the sub-programme at federal level (scored 1 to 5, with 1 = lowest and 5 = highest).

Table 1. Executing agencies and beneficiaries of federal sub-programmes

Sub-progr.	Responsible management agencies	Beneficiaries	Management of sub-prog. (1 – 5)
JSRP	Federal: Justice Ministry Regional: Bureau of Justice / BCB	Supreme court, regional and woreda courts, House of Federation, House of Representatives, regional Councils, Prosecutors, Prison administration, Police Commissions,	3
UMCBP	Federal: Ministry of Works and Urban Development Regional: Bureau of Works and Urban Development	Chartered Cities of Dire Dawe and Addis Ababa, municipalities within regions, National Urban Planning Institute, regional planning institutes, Land Administration Authorities	2
DLDP	Federal: MCB Regional: BCB	Woredas, Regional Management Institutes	1.5
TSRP	Federal: Ministry of Revenue Regional: BOFED	Ethiopian Customs Authority, Federal Inland Revenue Agency, regional BOFEDs, and local WOFEDs	4

Sub-progr.	Responsible management agencies	Beneficiaries	Management of sub-prog. (1 – 5)
CSRP	Federal: MCB Regional: BCB	Federal and regional Ethics and Anti-corruption Commissions, Civil Service Commission, Civil Service College, Ethiopian Management Institute, Ombudsman, Auditor General, Federal Sector Ministries	4
EMCP	Federal: Ministry of Revenue Regional: BOFED	Auditors General at federal and regional level, treasuries in all public institutions, BOFEDS and WOFEDS	5
ICT	Federal: ICTDA Regional: BCB	Regions, woredas, Ministry of Education and regional education bureaux, telecommunications agency	5

The federal sub-programme offices are expected to coordinate with their regional counterparts, and to assist them to implement the sub-programme. This is, however, very uneven, with many regions complaining that they get little support from the federal level at all. Better performers in terms of management of the sub-programmes tend to coordinate better as well.

Within the regions, BCB plays the overall coordinating role, which varies among regions. In some regions, the management of PSCAP is highly centralised within BCB, and the sub-programmes are not managed as distinct entities. Rather BCB is positioned at the centre of the reform process, and has a large responsibility for its overall coordination. In other regions, the management of sub-programmes is more decentralised to sub-programme coordinators, who manage the sub-programmes with support from BCB.

There is uneven capacity in the regions for managing PSCAP, and the less developed regions have faced particular challenges. However, even amongst the less developed regions, there are noticeable differences. In Benishangul Gumuz, the political leadership has been stable for the last 15 years, and this is assisting the institutional structures that manage the programme. Afar is also comparatively stable. In Somali and Gambella, on the other hand, there has been a large turnover in leadership, and some political in-fighting. This partially accounts for the slower pace of implementation of PSCAP in these areas.

The regional PPDs consist of one full-time coordinator, who is key to driving and coordinating PSCAP in the region. For some time, this has been the sole human resource for the PPD in the regions. More recently, other staff such as M&E experts, planning experts, and procurement officers has been added.

Within the regions, the responsibilities for financial administration of PSCAP are assigned to BOFED, which has raised some problems regarding coordination and the division of responsibilities. Currently all the planning, programming and procurement functions sit with the PPD in BCB. The BOFED makes an annual budget allocation to BCB, which submits the procurement documentation to BOFED for payment once the procurement process has been completed. This split in responsibilities has led to serious delays in the processing of payments, as BOFEDs adhere to GOE procurement guidelines, and do not always understand the PSCAP procurement procedures.

5.2. Coordination mechanisms

The Federal Technical Team (FTT) brings together the various federal sub-programme coordinators, and has been meeting on a monthly basis for the last year and a half. The FTT is meant to play a strategic role with respect to the overall coordination of PSCAP, including approval of annual action plans, supporting the development of programme content and evaluating sub-programme performance. However, many sub-programme coordinators were of the opinion that the FTT is an ineffective body, and does not have the capacity to play a leadership or coordinating role. It appears that action plans are not discussed at FTT meetings.

However, there is a high level well organised system for coordinating the overall transformation programme at a federal level and in most regions. This system has been developed around the mainstream government agenda, and is focused on the strategic areas of rural good governance, urban good governance, business process reengineering, and “joined up justice”. At a federal level, Ministers are organised in three steering committees, chaired by MCB, to coordinate reform. The steering committees meet monthly, and the Ministers take turns to present reports on transformation within their Ministries. Only Ministers are allowed to report at these meetings, and the reports are treated as case studies, with in depth discussion. In addition, the JSRP is coordinated through a system of high level Steering Committees at federal, regional and zonal levels, which bring together the respective heads of Justice, the courts, the legislature, the police and prison administration.

In the regions, the system of coordination seems to vary substantially. In some of the more developed regions, the regional President chairs steering committees which impact on this area, e.g. committees for rural good governance, urban good governance, business process reengineering, and “joined up justice”. The committees function like Cabinet committees, and bring together the relevant Bureau heads to coordinate the reform agenda, review progress and decide on actions in the focus area. BCB functions as the secretariat to each of these structures. The steering committees are duplicated at zonal and woreda level. This political system of coordination has been highly effective in giving leadership to the transformation process, and in driving different political measures originating from party policy through the civil service. The challenge facing PSCAP is that its administrative systems have struggled to keep pace with the political leadership, and that its parallel coordination structures have frequently become irrelevant.

The level of coordination between the regions and federal sub-programmes closely follows the assessment of the management capacity of the different sub-programmes in table 1 above. Most regions felt that the level of support from federal to regional level was inadequate, and that insufficient coordination took place. The MCB PPD indicated that coordination needs to be specific, i.e. focused on particular priorities or challenges, in order to be effective. There are some areas in which the level of coordination has been excellent – regional ICT coordinators have a good relationship with the EICTDA, with whom they cooperate closely around the ICT roll-out; within JSRP the federal supreme court plays a strong supportive role in the court reform process; the EMCP sub-programme has been well coordinated by MOFED, and in turn by regional BOFEDs working with woredas.

Within the regions there seem to be similar problems with Regional Technical Team (RTT) meetings. Within the majority of regions, the coordination between different sub-programmes is not particularly strong, particularly when it comes to integrating or aligning different activities. Most coordination seems to happen through the BCB and the PPD. Some RTTs do not meet on a regular basis, coming together only to deal with annual planning or mission visits. This reduces their effectiveness as coordinating bodies, and weakens the consistency and regular commitment necessary for efficient programme management.

Some regions did not see much value in the role played by MCB PPD, and saw them more as a rubber stamp function and a brake on the process. These regions would prefer to engage with the World Bank and other donors directly. Unfortunately, it seems that there is little value placed on lesson sharing with the federal level and other regions.

The more developed regions have an extensive system of coordination with woredas, which is highly developed. As indicated above, the main committees for coordinating the reform agenda at federal level are duplicated at zonal and sometimes woreda level. The zones play an important role in coordinating activities amongst the woredas. The regions frequently bring together zonal coordinators for two way communication with woredas and kebeles.

5.3. Funding commitments and donor coordination

The original cost of the PSCAP programme was estimated to be USD 397.8 million over the course of five years. The PIP indicated that the required financing will be leveraged from domestic and external sources, and that these will be adjusted annually with projected improvements in bilateral donor support as well as mobilization of domestic resources. The summary of the anticipated budget, split between federal and regional levels, and the anticipated World Bank, donor and government contributions, is set out in the table below.

Table 2. Estimated Cost of Programme Components

Component	Sector	Indicative Costs (USDm)	% of Total	Bank-financing (USDm)	% of Bank-financing
1. Federal PSCAP	Multi-sectoral	80.0	20%	20.0	25%
2. Regional PSCAP	Multi-sectoral	317.8	80%	80.0	25%
Total Programme Cost		397.8	100%	100.0	25%

Table 3. Programme Financing Plan (USDm)

Source	Local	Foreign	Total
Government	137.5	-	137.5
IDA	65.4	34.6	100.0
CIDA	25.3	13.4	38.8
SIDA	5.6	3.0	8.6
Other Donors	73.2	39.8	113.0
Total:	307.0	90.8	397.8

Source: Programme Implementation Plan, 2004

The actual financing of the programme has differed from the plan. SIDA has not, to date, participated in the programme. CIDA has made a multi-year commitment to PSCAP of USD 17,5m, although no CIDA funds flowed to the programme until May 2007. DFID and Irish Aid have participated in the programme, with DFID making a multi-year commitment of £25m. The actual contributions made by the World Bank, donors and government to date is set out in the following table:

Table 4. Contributions to date towards PSCAP financing

Source of finance	Curren cy	1997		1998		1999		TOTAL FINANCING	
			BIRR		BIRR		BIRR		BIRR
Credit from IDA	USD	8,000,000	69,213,600	8,485,664	73,664,633	25,082,791	220,750,448	41,568,454	363,628,681
Grant from DIFID	GBP	5,000,000	79,563,500	5,000,000	80,165,500	878,201	15,160,115	10,878,201	174,889,115
Grant from IRISH Gov't	EURO	1,401,189	16,273,967	0	0	1,798,948	20,631,960	3,200,137	36,905,927
EFGov't contribution	BIRR		9,000,000		66,917,474	0	76,187,890	0	152,105,364
Total			174,051,067		220,747,607		332,730,414	0	727,529,088

Source: World Bank and MCB, 2007

While the World Bank contribution has been 41,5% of its original anticipated contribution, the total contribution from donors to date has been 14,5% of the envisaged contribution, and the contribution from government has been 12,2%. Only 20% of the total anticipated budget for PSCAP has therefore been contributed so far, which falls far short of expectation, and raises uncertainty regarding whether the amounts that were originally planned for will be realised.

A joint government donor working group has been set up to coordinate matters regarding the funding and management of PSCAP, and it is convened jointly by the international Development Association (IDA) and the government. Previously, the State Minister for Capacity Building played the main role in representing government on this committee, and his absence has left a serious gap. On an annual basis the government and donors review commitments made to PSCAP, and formulate a side agreement which sets out the mutual understandings, undertakings and commitments by Government of Ethiopia and Pooling Partners. The table below shows commitments for disbursement into the pooled fund for EFY 1999, plus indicative figures for planning purposes only in EFY 2000 and EFY 2001 to the extent available, these commitments being contingent upon the mutual undertakings made in the side agreement.

Table 5. Donor and government commitments in millions of USD

Cooperating Partner	Total allocation*	Disburse-ment made so far	Remaining balance	Commitment	Indicative	
				FY06/07	FY07/08	FY08/09
IDA	100	16.5	83.5	38	24.5	21
DfID	43.6	18.15	25.45	8.0	8.0	9.45
CIDA	17	-	17	5	6	6
Irish Aid	12.5	1.68	10.82	2.0	4.4	4.4
SIDA	15	-	15			
Italy	-	-				
EC	12	-	-	-	9.5	2.5
Others	43	-	43			
Government	137	8.7	128.3			
TOTAL for POOL	400	45.03	354.97			

Source: Side Agreement between Government of Ethiopia and Pooling Partners, EFT 1999.

In terms of the above commitments, it appears that the full PSCAP budget allocation will be realised, although the amount of \$43m earmarked for “other donors” remains unfilled, and the government contribution falls short of the original commitment.

In practice, government has been making significant financial contributions to the transformation agenda, but not through the pooled PSCAP accounts, as these are seen as too cumbersome for expediting critically needed support to various initiatives. The Minister of Capacity Building has expressed his frustration with the restrictions on PSCAP funds, which cut flexibility and prevent MCB from responding proactively to priorities. The Minister indicated that unless PSCAP is able to significantly improve its efficiency, the government will not be willing to extend the programme for another phase.

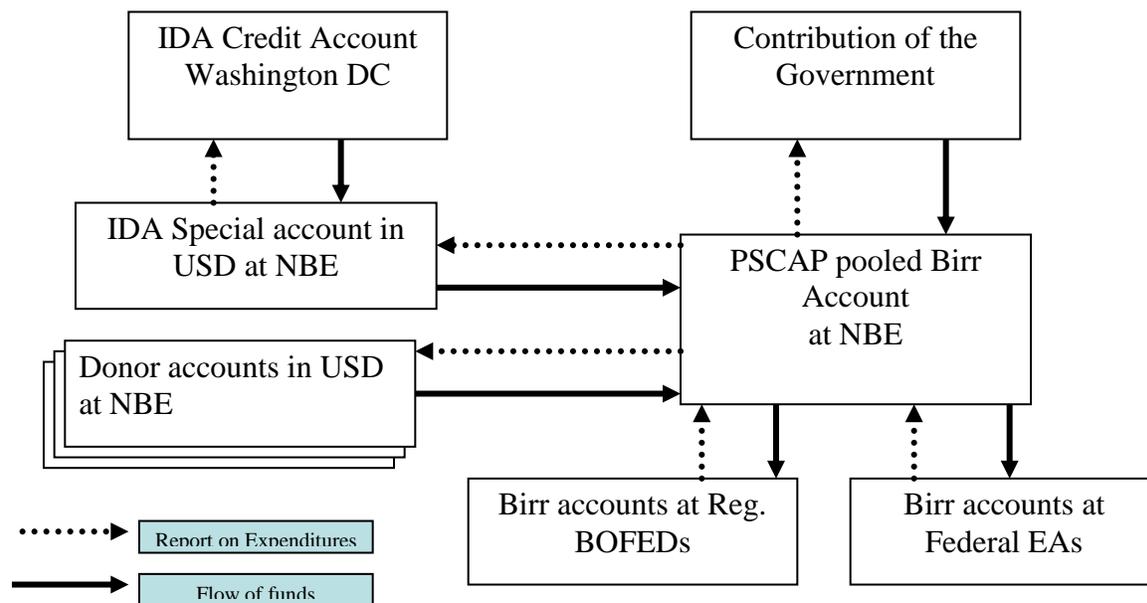
Amongst the donors, there are some concerns about the manner in which the PSCAP programme is coordinated. There is no resident Task Team Leader for PSCAP, and the World Bank manages the programme with existing staff located in Addis Ababa, overseen by a manager based in South Africa. The donors have indicated that in their view the programme is over-centralised within the World Bank, and that it is not functioning as a genuine multi-donor initiative. The donors are also concerned about the missing MCB Minister of State i.e. a day-to-day political leader for the programme with adequate time and accessibility for hands-on follow up of issues.

The main challenge is how to make the Joint Working Group (JWG) more effective and result - oriented. The group should evolve from passive conveyors of messages (i.e. an information sharing group) into a "problem solving" group. The quarterly meetings of the JWG can continue to be the forum to identify implementing issues that need the group's attention. But a few members of the group should be selected who will look into the identified issues in depth by working very closely with the relevant offices to address them. If one of the programmes is not performing well or there are emerging implementation challenges, the JWG should not wait until the next supervision mission to address the issues. The JWG can select a few members who can work with that weak programme or brainstorm on the implementation challenge to recommend the way forward. The JWG can make this exercise result-oriented, and avoid the pattern of issues being identified but never addressed. This will provide the JWG with the opportunity to provide the necessary implementation support to weak programmes/regions and follow the implementation very closely.

5.4. Replenishment mechanism for pooled account

Funds from government, donors and IDA are transferred into a single account, whence they are allocated to MCB, federal sub-programmes and regional BOFEDs. The funding flows and reporting relationships were set out in the PIP, and have been confirmed by the MCB PPD to be as set out in the following diagram (and as originally envisaged in the PIP).

Figure 4. PSCAP funding flows and reporting relationships



Source: PSCAP PIP, 2004

The funds are transferred from donors and IDA on the basis of Statements of Expenditure (SOEs). MOFED makes the first annual payment for PSCAP to executing agencies from Treasury funds. For replenishment purposes, regions and federal agencies submit SOEs to MOFED. MOFED prepares consolidated SOEs and submits these to cooperating partners. Each cooperating partner, based on consolidated SOEs, transfers its share based on the percentage of financing indicated in the annual Side Agreement.

MOFED has indicated that the SOE reporting and replenishment mechanism has its own delays. The first transfer of funds to executing agencies is made using government (treasury) funds, which allows initial spending to take place. Some executing agencies and BOFEDs complain that this initial allocation is too small, and that it requires an unnecessarily frequent submission of SOEs. This amount is then replenished on the basis of SOEs submitted by executing agencies to MOFED. MOFED usually waits until it has a number of SOEs which it consolidates and forwards to the relevant donors. Some regions and sub-programmes delay the submission of SOEs, and reports are therefore not submitted timeously to donors. Generally the donors are prompt in making the replenishments after receipt of SOEs – this usually takes place within 4 weeks. The end result is that spending by executing agencies is often held up pending replenishment of regional or federal treasuries.

MOFED indicated that there was approximately Birr192,2m outstanding in terms of expenditure reports at the end of the last financial year. This is 70,5% of the funds actually transferred to executing agencies accounts. In some cases this was quite extreme. The percentage of reported expenditure compared to the cash transferred was 28% for the Ministry of Revenue, 30,8% for Addis Ababa, 47,3% for Ministry of Works and Urban Development, and 50,3% for Benishangul Gumuz. This seems to indicate that transfers are in fact being made well in advance of actual spending, although it could also reflect serious delays in compiling SOE reports.

In MOFED's view the payment and replenishment mechanism is too restrictive, and is not compatible with a predictable medium term planning and budgeting system. MOFED has suggested relaxing the flow of funds, and basing this instead on a modified Financial Management Reporting (FMR) system. This would entail the submission of physical, procurement and expenditure reports, which were initially rejected by MOFED as being too complex. The last government donor working group agreed that prospects for moving to FMR based disbursements should be reviewed over the course of this year.

5.5. Budgeting

The process of preparing and allocating PSCAP budgets is aligned with the Ethiopian financial calendar. In January of each year the PPD issues a call for preparation of action plans to Executing Agencies. MOFED then issues a request for budget submissions to all federal agencies, along with an indicative budget allocation or ceiling. For PSCAP MOFED works within an overall ceiling that is based on the available resources from IDA, donors and government in any one year.

Action plans and budget requests should be submitted by Executing Agencies to MCB, which consolidates and forwards them to MOFED. There is a large variation between regions in terms of readiness. Due to delays in the receipt of these plans and budget requests, MCB submits the consolidated budget proposal late to MOFED. MCB indicated that often many of the budget requests and plans are still outstanding in May of each year, and that they therefore base their submission on the medium term plan and the PSCAP funding envelope.

MOFED indicated that the MCB proposals are received after their deadline, and that MCB does not defend or motivate their request for the PSCAP budget within the timeframes that they set. They therefore prepare the budget proposal on the basis of the previous year's allocations, adjusted for the available resources and for macro-economic balance.

Final budget allocations are issued by MOFED in June of each year, with allocations placed on the budgets of federal executing agencies and MCB. BOFEDs are, at the same time, notified of their budget allocations, which are a federal special purpose grant, and therefore reflected on the budget of MCB as the designated responsible agency.

However, authority to spend these allocations is contingent upon the approval of the relevant executing agency's action plan, PPA and procurement plan, and the availability of funds from Treasury according to the mechanism of replenishment.

One issue relating to budgeting is the funding of the 3Ps (Prison, Prosecution, and Police under JSRP), which IDA is precluded from funding. While other donors have identified the 3Ps as important within the overall JSRP programme, they provide their support to PSCAP through Multi-Donor Trust Funds (MDTFs). Funds from these donors cannot be used to support the 3Ps, though partners using MDTFs are keen to ensure that the 3Ps receive adequate support. In order to overcome this problem, it has been agreed that the GoE will allocate sufficient resources from its own treasury as required by the 3Ps in order to compensate for the loss of donor support to these important areas. This is made subject to the availability of sufficient overall resources, and in reality these components of PSCAP are under-funded.

There are reallocations made between sub-programmes on an annual basis, largely based on spending performance, but no 6 monthly mid-year reallocations are made.

5.6. Planning cycle

The PIP and PAD form the basis for the planning system. A five year plan has been prepared by each region and sub-programme. These have then been consolidated for PSCAP as a whole, with the first year reflecting the actual plans and the remainder being indicative, subject to any replanning that may be required, and actual budget allocations.

Annual plans are then prepared on the basis of the five year plan. The overall annual action plan is compiled by the PPD from inputs received from each of the sub-programmes and regions. This is then sent by the PPD to the World Bank for approval.

There is a widespread disaffection with PSCAP planning, as it is considered tedious and over-designed. As a consequence, sub-programmes and regions tend to submit their inputs late. This in turn delays the submission of the overall plan to the World Bank, and the plan is not approved until well into the first quarter of the year. One of the concerns of the World Bank is that the plans they receive are often not based on the actual budgets allocated by MOFED.

The final budget allocations by MOFED differ substantially from indicative allocations, and are between 30% and 50% of the original amounts, necessitating revision of all the action plans.. The revised plans are then submitted to the regional and federal Cabinets for approval. There are a number of instances in regions where the regional Cabinets overturn plans and give revised instructions about what priorities need to be addressed. As a consequence action plans need to be revised for the third time. In some cases BCBs adjust plans without adequate discussion with sub-programmes.

Once the action plans have been finalised for each sub-programme and region, these are translated into Participatory Performance Agreements for each executing agency, which set out the activities, outputs and budget for the year, and which are signed between the executing agency and MCB.

5.7. Procurement

The procurement of goods and services is managed by federal executing agencies and the PPDs in the regions, except for ICB, which is managed by MCB PPD. Across every sub-programme, and every region, procurement is the single greatest problem. There are massive delays in the procurement of goods, training (other than in-house training), and consultants. The average time taken for procurement is between 9 months to a year, and in the instance of ICB procurement, between 1 and 3 years.

All executing agencies are required to prepare a procurement plan, which is submitted to the MCB, and then submitted by MCB to the World Bank for approval. In terms of a bulking up arrangement, the PPD in MCB then combines procurement contracts for similar goods and services, and manages the procurement process itself. The bulking up process inevitably results in procurement being over the threshold for ICB, and therefore most bulked up arrangements are submitted to ICB. In addition to bulked up contracts, MCB handles all procurement that is over the ICB threshold. The regions and executing agencies complain that goods procured through the ICB process take up to two years to arrive, and the quality of the goods is inferior, while the prices are higher than the regions would have been able to obtain locally. In addition, the selected manufacturers often do not have after sales service facilities in the regions, let alone the woredas, where the goods are distributed.

Procurement in the regions other than ICB is handled by the PPDs under BCB, and most regional sub-programmes complain that this too is delayed. The regional PPDs indicated that the

procurement which falls under their responsibility is delayed because of the large number of steps in the process, namely:

- Budget approvals are given late by MOFED (this does not appear to be the case, as MOFED issues the budgets at the same time as the overall government budget);
- There is a delay in approval of action plans from PPD, and in obtaining approval of action plans from the World Bank (the World Bank has indicated that they turn these around in 14 days, but it appears that MCB delays the submission to the World Bank while they wait for late regions to submit);
- There is a further delay in the actual transfer of funds from MOFEDs to BOFEDs, as a consequence procurement usually does not start until the second or third quarter;
- There is a further delay in getting “no objection” letters from the World Bank on the procurement plan (again, the World Bank indicates that they process this in 14 days, unless there are deficiencies in the plan, which require some to and fro before plans can be finalised);
- Draft tender documents also have to be submitted to the World Bank for a further “no objection”;
- Once procurement has been done, all the tender documents need to be resubmitted to PPD and World Bank for a further letter of “no objection”;
- Thereafter the documentation is submitted to BOFEDs for payment, which sometimes dispute the procedures because they do not match the region’s own procurement procedures.

In all there are four or five approval steps required that involve the MCB PPD and the World Bank in the procurement of any item. This is in addition to the tasks of adhering to the procurement guidelines themselves, which are rigorous. However the main problem with procurement is not the World Bank / IDA procurement guidelines themselves, which in fact do not differ substantially from the procurement regulations that have now been promulgated by government. The problem is rather the centralised and bureaucratic process, with five different approval steps involving the flow of decision making between regions / executing agencies, MCB and the World Bank. The system is cumbersome and inefficient, and ties up PSCAP managers in bureaucracy rather than substantive policy issues. Such a level of centralisation seems inappropriate for the management of a complex sector wide and multi-sectoral capacity building programme.

It is also the case that procurement capacity in some regions is weak. Procurement desks have not had sufficient staff, and those in post were unfamiliar with the procedures agreed under PSCAP. The evaluation team noted that in many cases steps had been taken to address this aspect, with appointments and training.

A further problem raised by the regions relates to the negative list, which excludes vehicles and other capital goods from PSCAP expenditure. The original agreement allowed for the PPDs to have two vehicles with drivers included in the budget, but the MCB PPD subsequently decided that the regions must supply this themselves. As a consequence, the PPDs have to make ad hoc arrangements to travel to woredas.

5.8. Expenditure

The pattern of expenditure by each of the regions, sub-programmes and for the programme as a whole is summarised in annex 19. The table confirms a general pattern of under-expenditure, starting from a very low 5% in EFY 1997, rising to 38,7% in EFY 1998, and 49,1% in EFY 1999. The overall expenditure last year of 49,1% is indicative of persistent problems with procurement. This is ably demonstrated by the ICTDA allocations, in which the under-spending has been the

worst, from 0% in EFY 1997 to 8,2% in EFY 1999. The bulk of these funds are tied up in large ICT procurement processes, mostly for ICB.

In the last year, many regions have shown a much better ability to spend their allocations, with five of them spending over 80% of their budgets. In general the regions have shown a better ability to spend their budgets than the federal sub-programmes, including MCB, which only spent 53,8% of its budget last year.

The original budget for PSCAP allocated 40% for training activities, 37% for consultants, and 18% for goods and services. The executing agencies have mainly used PSCAP funds for training purposes. This is partly because of the emphasis they have placed on the large scale roll out of training, and partly because of the crippling delays in the procurement processes for consultants and goods. As a consequence, some executing agencies have already reached the 40% limit for spending on training, and are concerned that they will not be able to finance further training activities from PSCAP resources.

The use of consultants is generally low. This is due to a combination of reasons:

- Increased capacity in the executing agencies
- Difficulties in procuring consultants who meet specifications, and are available at the right time and cost
- An overall lack of experienced consultants and consultancy companies, particularly in the regions
- An unwillingness to use civil society organisations, despite the fact that some have appropriate research skills and experience, and could certainly take on certain tasks (for example, external analysis of programme impacts).

This is leading to a situation in which international and local best practice and perspectives are not being adequately tapped for the transformation process.

Due to the delays in the transfer of funds into the regions' PSCAP accounts, the BCBs sometimes take advances out of the regional treasury to pay for PSCAP expenditure.

5.9. Audit and financial controls

An independent audit of PSCAP funds and of each of the donor accounts in MOFED is organised on an annual basis by MOFED. MOFED has contracted Audit Services Corporation for this purpose. To date audits have been completed for EFY 1997 and EFY 1998. The audit reports are completed approximately 9 months after the end of the financial year. The audit for EFY 1999 is underway.

The main findings of the EFY 1998 audit report are that proper records and accounts were not maintained in a manner that adequately reflected the operations, resources and expenditures of the project. In particular the auditors pointed out that:

- No combined financial statements were presented to them to audit, nor was a combined accounting trial balance or other combined record made available to them.
- The system of double entry accounting was not enforced, which is a prerequisite to fulfilling the terms of the credit agreement with the World Bank.
- In most cases in the regions, there was no formal accounting system, and minor differences could not be explained.
- Some payments after the balance sheet date were considered as being transactions of the period under review.

The previous audit report for EFY 1997 had raised exactly the same issues, and it appears that these have not been acted upon.

There were no significant findings regarding the PSCAP accounts of a number of executing agencies, including Addis Ababa Administrative Council, Harari, Federal Supreme Court, ICTDA and Ministry of Revenue.

The main findings regarding the remaining executing agencies are summarised below:

- There was no cash count certificate to verify the cash on hand at the end of the financial year in three regions, and in two other regions there were discrepancies.
- There was lack of supporting documentation, or inadequate explanations, in respect of various payments and debtors.
- In some cases payment vouchers and per diem payments were not correctly authorised.
- No monthly bank reconciliations were made available for some regions.
- Advances to implementing offices were not cleared promptly.

It is strongly recommended that at least the consolidation of the financial reports from the main financial areas be done on the basis of double entry accounting. This need not be an elaborate system. A spreadsheet application using a personal computer may be found to be quite adequate.

The practice of treating payments for one month after the end of a budget year as being of that budget year is allowed in terms of the financial regulations. However this system is not recommended for projects where financial statements are required for donors or lenders.

A major point of concern is that the recommendations of the previous year's audit were not acted upon, and that the problems identified were left uncorrected.

5.10. Monitoring and evaluation

The federal and regional PPDs have built up a generally sound system for monitoring activities, but have largely not been able to evaluate outputs and outcomes. A manual on M&E has been produced and training conducted for all regions and sub-programme coordinators. M&E experts have been appointed in each of the PPDs, and they physically inspect all training activities, and produce an annual detailed monitoring report on all programme activities and targets. However, more effort is needed in pulling together accurate and coherent monitoring reports. There needs to be more consistency across the board from PPDs, bureaux and other implementation agencies. Creating a solid base of activity data will produce a foundation for better analysis, and assist in assessing the impact of sub-programmes.

Annual reports on progress with the programme are compiled and submitted to the donors and the World Bank. The process of putting together the overall national PSCAP report is managed by MCB. Regions and federal sub-programmes are requested to submit their respective annual report not later than July 22. PPD staff followed up executing agencies through telephone and e-mail, but despite their efforts, no region or federal sub programme made the deadline. Only the Supreme Court, TSRP & EMCP and from the regions Somali managed to send their reports in July. Four regions and two sub programmes sent their reports after a month from the deadline. Despite frequent follow up calls, Tigray has not sent its report at all. These delays are set out in the following table, by way of example of the delays the MCB had to deal with in managing the programme.

Table 6. Outstanding reports from executing agencies, EFY 2000

Regions/ Federal sub programmes	The report was sent on	Time elapsed after the deadline
Court, TSRP,EMCP	July 25-26/2007	3-4 days
Somali	July 25, 2007	3 days
Addis Ababa, Oromia, Gambella, UMCBP & CSRP	August 1-2/2007	10-11 days
SNNP, B. Gumuz & ICT	August 7-8, 2007	16-17 days
JSRP	August 21, 2007	30 days
Amhara	August 30, 2007	39 days
Afar, Dire Dawa & DLDP	September 5-7, 2007	44-46 days
Harari	September 23, 2007	About two months

Source: MCB

Nevertheless the PPD has noted that most regions and federal sub-programmes produced better reports this year than in previous years. Specifically, improvements have been observed in:

- articulating planned activities
- specifying the right performance indicator/unit of measurement
- presenting financial performance vis-à-vis physical accomplishments
- narrating each sub-programme's objective, success, challenges, problems and the way forward
- linking activities to output and outcome.

The above improvements were mainly attributed to the training given on planning, monitoring and evaluation in April and May, 2007 for 10 days. The training was organized by MCB in collaboration with CIDA.

Across most regions and sub-programme there is no systematic evaluation of sub-programme outputs or programme outcomes. There are nevertheless a large number of instances in which woredas or other beneficiary organisations are demonstrating initiative and have set up annual evaluation exercises, which are client based.

The Joint Supervision Missions are conducted regularly in April of each year, and produce thorough reports on progress, with some evaluation of outputs and outcomes. These are seen as a useful means of evaluating progress by the PPD. The PPD has undertaken a review of regional progress last year, with visits to each region. This enabled them to gather a large amount of information regarding performance. There is also an annual training workshop for all sub-programme and regional coordinators that evaluates overall progress with PSCAP. The PPD indicated that it needed to boost its capacity in order to be able to undertake evaluations.

Many PSCAP activities in the regions are geared towards improving woreda and municipal capacities for service delivery. If real impact evaluation is to be achieved there is need to established institutionalised local government performance monitoring systems in each region. These should be managed by either BOFED or another regional bureau specifically charged with local government oversight. In the absence of an institutionalised system, the JWG has set up an annual Woreda City Benchmarking Survey that produces valuable information but has no institutional home. The JWG should consider supporting the regions to take on this function.

5.11. Information, education and communication

There has been little progress with IEC. An IEC strategy was drafted by the PPD in MCB, and it lays out a generally sound approach to implementing this aspect of the programme. The IEC activities that have taken place are restricted to some sub-programmes or regions. For example, the TSRP sub-programme make a large effort regarding taxpayers' education activities, and reaches taxpayers through a media campaign, workshops with sectors of the business community, and engagement with representative organisations such as the Chambers of Commerce.

In some regions the PPDs have made some effort to communicate the successes of PSCAP more broadly. In Tigray a fortnightly column in a local newspaper has been started by the PPD, highlighting progress with PSCAP. The paper goes to every farmer and 200 copies are distributed to each tabia. The articles highlight good governance best practice. The second issue has recently been produced. Amhara pays for a weekly programme slot on regional radio, which covers the civil service reform programme and explains new developments to the general public.

5.12. Sequencing and integration of reform initiatives

In general, the evaluation team did not encounter any major problems regarding sequencing of reforms, although there are widespread problems regarding lack of integration. Medium term strategic planning has been introduced first, in order to lay the basis for medium term budgets. These have been translated into annual action plans, which in turn have been translated into plans and targets for each office, before individual performance targets were set for employees. This has now laid the basis for the results orientated performance evaluation system. Most woredas appear to be following the reforms in this sequence. This logical sequence has been learnt after some initial examples of poor sequencing, in which performance assessments of staff failed because of the lack of proper plans against which to set performance standards.

However, the sub-programmes have introduced many reforms at the same time, for example, in addition to the above, budget and account reforms, IT systems reforms, service delivery focus, and good governance have been introduced simultaneously in many woredas. The executing agencies and regions have an understandable haste to implement the reform agenda, especially after the last election. Yet there is a danger that less capacitated institutions will become overwhelmed and confused, and ultimately disheartened and demoralised.

6. Cross-cutting issues

6.1. HIV/AIDS

PSCAP has advanced the process of mainstreaming HIV/AIDS issues in the civil service. The evaluation team found that HIV/AIDS awareness was an integral part in the majority of training efforts. HIV/AIDS activities include specific courses on raising HIV/AIDS issues in the workplace, particular modules on HIV/AIDS relating to the main focus of training, and general 'open discussion' sessions among course participants. HIV/AIDS features in all planning exercises – from the development of strategic and annual plans for operation and development of bureaux, cities and woredas to the production of particular training programmes. It is also a component in the development and adoption of the new Human Resource Management manuals and systems across the civil service. PSCAP resources are used to complement resources allocated from the GOE's programme, and other donors.

The inclusion of HIV/AIDS in the PSCAP agenda is reinforcing government programmes and campaigns. These range from the proportion of Voluntary Counsel & Testing (VCT) - the subject of mass mobilisation from 2005 leading to impressive results in the numbers of people knowing their HIV status – to roll-out of Anti-Retroviral Therapy (ART) and Prevention of Mother-To-Child Transmission (PMTCT). These efforts are being stepped up under the GOE's HIV/AIDS Millennium Campaigns, which involve greatly increased targets and continued mass mobilisation down to kebele level.

6.2. Gender Issues

PSCAP programmes and attention to gender as a cross-cutting issue is helping reinforce the work of Women's Affairs Bureaux (WABs) and their sector and desk equivalents across the civil service. The evaluation team noted that gender issues generally featured in all PSCAP supported sub-programmes, and that PSCAP also provided support to WABs' own programmes (for example, raising gender awareness among zonal and woreda heads). PSCAP support to court reform has assisted in raising the profile of gender specific aspects, including training on the new Family Law, dealing with violence against women and tackling harmful traditional practices (HTPs). The evaluation team was pleased to note instances of women-only training sessions (for example, for female prosecutors, or women members of Regional Councils). Affirmative action is being included in the HRM points system for selection, recruitment and promotion.

However, there are particular areas of weakness that need to be addressed as follows:

- While gender issues are an almost ubiquitous feature in planning, there seems to be less impact in implementation. The WABs apart, there are very few women managers, professionals and senior figures in the civil service. This may not be surprising given the hierarchical and patriarchal nature of this sector, and the low base it is starting from. Male mindsets and female subservience are an iniquitous combination, which requires no relaxation of the effort to raise awareness of gender issues. In addition, it calls for more attention to be paid to fast-tracking a new generation of women leaders and experts into senior positions.
- The impact of reform on the lives, experiences and conditions of women inside and outside the civil service is not yet adequately assessed or documented. While gender-disaggregated data exists on participants in training exercises (an 'activity' indicator), little evidence and statistical data has been collected to measure outcomes. This would include whether women are experiencing an improvement in their overall access to justice.

6.3. Environment

Environmental issues featured the least in PSCAP programmes, except at local level where questions of water, sustainable use of natural resources, waste management and sanitation directly impact on woreda and city administrations. This raises the question of the validity of its inclusion in the programme without specific directions as to implementation, and seems to be a structural problem in the PSCAP design; the PIP makes no reference to mainstreaming environmental issues (and only a passing identification of the Environmental Protection Agency as an eligible beneficiary institution). The PSCAP Final Five Year Action Plan contains more detail on how cross-cutting issues could be mainstreamed, including references to environmental issues.

However, there are inconsistencies in how proposals are then to be translated into action. To illustrate, the ICT programme section contains a single reference to establishing an environmental information system. While this is obviously useful and has clear links with rural development as well as ICT usage, there is no further detail or justification on how this should be implemented, nor does it feature in the output indicators in the relevant sections in the PIP or Five Year Action Plan.

7. Assessment of programme outputs

The PSCAP PIP identifies seven generic programme level outputs in addition to outputs for each sub-programme. The generic outputs are:

- Legal and policy framework across sectors
- Restructuring and performance improvement
- Expenditure management systems reform
- Personnel management systems reform and roll-out
- Intergovernmental fiscal and revenue mobilisation
- Vertical accountability mechanisms
- Horizontal accountability mechanisms and checks and balances.

These outputs, in turn, lay the basis for the programme outcomes, which were summarised in the introduction. The PSCAP evaluation has therefore examined progress against each of these output indicators. The evaluation against the outcome indicators will be presented in the following section.

7.1. Legal and policy framework across sectors

The evaluation team has been impressed by the amount of work done in putting in place the basic policies and legislation required to establish and run key structures of government and the public service across the regions. The legal and policy frameworks for most sub-programmes are in place. In all, 16 municipalities across the four advanced regions have been proclaimed. The cities of Addis Ababa and Dire Dawa are proclaimed Charter Cities. Harari has passed policies and legislation recognising Harar as a city. The rest of the regions have draft policies and legislation going at various stages of approval and enactment. A legal framework for rural woredas has only so far been proclaimed in Tigray although most regions are in the process of developing one. Few regions have a local government or decentralisation policy document – SNNPR is one that has. There is also need for a clear federal policy document on local government.

The evaluation team has come across instances where capacity to implement new policies and the exercise of legal assignment is doubtful. No assignment should be made without an initial assessment of the capacity to implement is concluded.

7.2. Restructuring and performance improvement

The evaluation team observed a wide range of organisation restructuring activities across the Ministries, Agencies and Bureaux (MABs) at federal and regional level, some of which were linked to the application of Business Process Re-engineering (BPR) methodology. Within PSCAP, these included the establishment of viable technical teams and steering committees in BCBs. The best of these are those that meet on a regular basis, taking seriously the need for coherent and consistent coordination and adopting a programmatic approach to transformation. This approach improves communication flows and builds institutional knowledge. In other regions, technical teams meet on an ad hoc basis, and are called only for planning sessions or to prepare for or react to Joint Supervision Missions.

BPR has had a mixed impact. In some cases, it has brought about a marked improvement in efficiency – for example, where the number of steps in grievance or disciplinary procedures has been reduced, or a reduction in time required for issuing business licences. In other instances, the evaluation team heard reports of confusion over the process and methodology, and a lack of

confidence in the experts leading the process but not altogether demonstrating in-depth skills and experience in its application.

There is no consistent statistical information on the number of woredas and urban municipalities that are undergoing restructuring, but the evaluation team assessed that the majority of these sub-regional governments were achieving positive progress. For example, decentralisation strategies are being developed, and training and capacity building has taken place to support administrative and financial decentralisation. Most woredas are receiving revised staffing structures from the regions on a six monthly or annual basis.

There have been impressive performance improvements in court processes, where PSCAP has been able to continue and scale-up the advances made in the earlier CIDA-supported Court Reform Programme. Backlogs have been almost eliminated, and the times for cases to be brought forward and dealt with are drastically reduced. Administrative and recording systems have been greatly improved. Overall, performance improvements are visible in all higher courts, and the larger proportion of courts at woredas level. Public satisfaction with the improved efficiency of the service is high.

Sector specific automated IT solutions have been introduced across all regions, with particular improvements in financial administration, tax collection and recording, and communications.

7.3. Expenditure management systems reform

There has been a substantial improvement across all institutions with respect to financial management, and a major effort made to build capacity at regional and woreda level. A recently completed independent evaluation of Public Finance Management performance was undertaken in preparation for PBS (financed by CIDA and EU, released 23rd October 2007). The reports on federal and regional Public Financial Management performance in general provide a very favourable assessment, and acknowledge the impact of the EMCP programme on the overall system.

There is improved credibility of the budget process, with excellent overall execution of expenditures at federal and regional level, although there are changes in the composition of primary expenditures. The system of fiscal federalism has been uniformly applied across the regions, but regional and woreda revenue forecasts are not fully realised. Comprehensiveness and transparency of the budgets has improved. The information included in the budget is of a good quality. However extra-budgetary expenditures exceed 10% of total expenditures, which weakens comprehensiveness and transparency.

There are transparent fiscal relations between the three levels of government. The comprehensiveness and transparency of the regional and woreda budgets has improved in recent years, but in some regions the year-end financial statements are delayed. There is a well ordered budget calendar, with a rolling three year Macroeconomic and Fiscal Framework, and a Public Investment Programme. Although there have been efforts to link the investment budget and forward recurrent estimates, in practice these remain separate processes. However, woreda budgets are almost entirely taken up with fixed recurrent expenditures, and there is therefore very little room for local initiatives and priorities to influence budgets.

Cash flow management is being implemented across all institutions, but is not yet fully established in some. Federal and regional institutions provide reliable monthly cash flow figures. Payroll controls are robust. Procurement reforms are being rolled out nationwide, although there is some concern that the thresholds are too restrictive. There is prompt reconciliation of bank accounts

across all regions, but clearance of suspense accounts is not as timely. Internal audit has improved significantly over recent years, although its information is not shared with the AGOs at federal and regional level.

Reconciliation of all Treasury controlled accounts is carried out timeously, and the quality of in-year budget reports and annual financial statements is satisfactory. Delays in submitting annual financial statements to the AGO have been dramatically reduced. The EFY 1998 financial statements have been closed.

The audits of the AGO generally adhere to INTOSAI auditing standards and focus on significant issues. There is less than one year lag in auditing federal accounts. The Budget and Finance Standing Committee carries out a review of the recommended budget, and scrutinises the audit reports.

The federal and regional AGOs have confirmed the above mentioned changes in the public financial management system. The AGOs in the larger regions have confirmed that financial management is showing significant improvements in woredas.

7.4. Personnel management systems reform and roll-out

This PSCAP development objective draws heavily on indicators from the Civil Service Reform Programme (CSRP). The evaluation team were unable to ascertain whether a medium-term remuneration policy had been developed for the civil service, nor if so, what it was based on or whether it had been introduced at any level. Despite recent adjustments in civil service pay, the general picture emerging from regional and federal assessments was that public salaries and conditions were increasingly uncompetitive compared to that of the private sector. There was no verification of any medium term predictability on public sector remuneration.

There was evidence that Results-Oriented Performance Evaluation (ROPE) had been introduced, at least as a concept for future implementation, among bureaux and in certain woredas. However, the evaluation team was unable to find examples where it was actually being implemented. This is one of the major challenges to achieving PSCAP objectives; the civil service has lacked a productivity orientation for many years, and despite some honourable exceptions, securing eight hours productivity across a normal working day would be a significant step forward in some bureaux and regions.

In addition, ROPE is intended to create a foundation for the adoption of the Balanced Scorecard (BSC) approach to measuring service delivery against objectives. BSC is a highly effective management tool and could have significant positive impacts. Unfortunately, the evaluation team noted that there was confusion about the relationship between ROPE and BSC, and that BPR was tending to suck in organisational energy and focus. BPR training has been provided by BCBs and the Regional Management Institutes. There is some frustration among managers and staff who still lack the skills or confidence to implement these new processes and approaches, and regrettably there is a shortage of consistent expert advice and guidance to support them.

The picture on HRM guidelines and practices is more positive, where the CSRP and federal and regional Civil Service Commissions (CSCs) are playing a valuable role in developing and distributing manuals, frameworks and advice to woredas and municipalities. The evaluation team's observation is that a great deal of progress is being made in this regard, leading to better human resource planning at these levels. This is evident through the establishment of selection committees and putting HR policies in place across sectors. At woreda level, these activities are usually being

supported from the Capacity Building offices. However, there is a critical gap through the lack of an effective HR development strategy at federal and regional levels. So far, there is only limited roll out of IT-based HRM systems by budgetary institutions. There has been some development of personnel rolls, and preparation for automated payroll printers.

7.5. Intergovernmental fiscal and revenue mobilisation

The intergovernmental fiscal system has evolved rapidly, with all regions adopting a fiscal decentralisation strategy, and transferring substantial tax powers and block grants down to woreda level. In all the regions there is a formula based, predictable block grant system. The DLDP programme during 2007 has produced an in depth study of region to woreda fiscal transfer formulae in use in the regions and has produced a comprehensive manual (DLDP, 2007).

Revenue collection systems are in place in all regions, although there is some unevenness between regions. Somali has made the least progress in collecting own revenue in terms of its assigned tax powers.

The main tax payers database system, TIN, has been established in all regions. To date 327,585 tax payers have been registered, i.e. 90% of the total 365,000 tax payers. The system has been installed in 77 sites.

Presumptive taxation procedures have been set up in all regions. The national profitability rate has been issued for use by regions and the customs authority. Approximately 275,000 tax payers have been registered as presumptive tax payers.

There have major improvements in the capacity of the Federal Inland Revenue Authority (FIRA) and the Ethiopian Customs Authority, leading to noticeable improvements in the custom processing time as a result of these changes. The processing of transit permits has been reduced from 2 days to 1 hour. Clearance time has been reduced from 59 days to less than 2 days. This has been partly achieved by cutting the requirements for transit permits and clearance from 40 to 15. At the same time the different steps and sub-steps for transit and clearance were reduced from 72 to 9.

7.6. Vertical accountability mechanisms

There is strong reliance on the existing political governance structures and systems to manage vertical accountability. Vertical accountability has been enshrined in legislation, for example the municipal and woreda local government proclamations. Other vertical accountability instruments include policies which are set at federal level, and the planning system, with lower level plans informed by higher level plans. The reporting system mainly involves reporting up to higher levels within the system, although there are increasing examples of reporting down to constituents. This has been strengthened through the introduction of minimum service standards as the basis for reporting. There are services standards established for some functions in some institutions, which enhance the ability to account. There are a number of examples of service charters as a basis for downward accountability to citizens. At a local level, in general, vertical accountability through sectors appears to be much stronger than horizontal accountability across local government components e.g. sector office to council committees to executive to administrator.

7.7. Horizontal accountability mechanisms and checks and balances

With respect to horizontal accounting, guidelines for citizen participation have been drawn up and implemented in most regions. The woreda good governance package has been used to encourage

civil society involvement in kebele matters. A number of regions have established oversight bodies. There seems to have been a considerable improvement in the judicial efficiency, professional quality and self-evaluation. There is, however, still limited capacity at the woreda levels to oversee administrative performance.

Council standing committees are increasingly horizontally accountability within woredas. Horizontal accountability is stronger at regional level than at woreda level. Regional sector bureaux still dominate their woreda office counterparts and this is reinforced by vertical BPR.

8. Assessment of programme outcomes

The PSCAP PIP identifies six high level outcomes that are a result of the programme level outputs assessed above. The outcomes are:

- Enhanced predictability of financial resource flows in-year and across years;
- Greater inclusiveness and transparency of planning and prioritisation processes;
- Improved quality and efficiency of government operations in priority sectors;
- Improved incentive environment for public servants (gender disaggregated);
- Enhanced revenue performance and fiscal autonomy; and
- Improved transparency and accountability.

The PSCAP evaluation has therefore examined progress against each of the outcome indicators as set out in the PIP.

8.1. Enhanced predictability of financial resource flows

There is clear evidence of enhanced predictability of financial resource flows at all levels of government. The Federal PFM Performance Report, 2007 noted that the budget variance, as measured by the aggregate federal expenditure out-turn compared to original approved budget, is generally low, and improving. Deviation of total primary expenditure, for the last three fiscal years under review, is reportedly excellent, and in none of the three years has actual expenditure deviated from budgeted expenditure by more than 5%.

Budget credibility can also be measured by the extent to which entities receive and spend the resources originally planned. The variance in the composition of primary expenditure of budget entities was very high during the three year period under review, clearly above 10% for each year examined. The Federal Public Financial Management Performance Report, 2007 concluded that there were significant changes in the original composition of primary expenditures of budget entities at the federal level, probably as a consequence of limited capacity for budget preparation and forecasting.

The fiscal deficit as a percentage of GDP has been analysed below, showing overall balance including and excluding grants. There is a downward trend in the fiscal deficit to more sustainable levels.

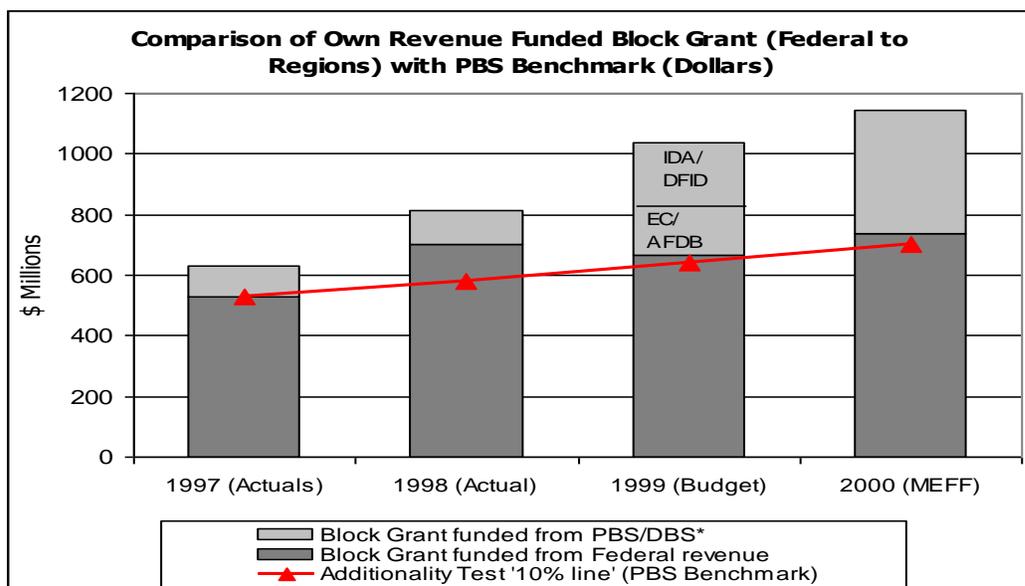
Table 7. Federal government fiscal deficit EFY 1994 to EFY 1999

In Birr million	EFY 1994	EFY 1995	EFY 1996	EFY 1997	EFY 1998	EFY 1999
Overall balance including grants	-4,823	-4,802	-2,590	-4,648	-6,064	-6,679
% of GDP	-7.6%	-7.0%	-3.2%	-4.7%	-5.2%	-5.1%
Overall balance excluding grants	-7,247	-9,355	-6,592	-9,213	-9,795	-14,262
% of GDP	-11.4%	-13.6%	-8.1%	-9.4%	-8.5%	-10.9%
GDP (actual)	63,462	68,898	81,755	98,398	115,589	131,080

Source: MOFED, General Government EFY 1999 performance

It is important to note that regional governments may not budget for a deficit, and that their budgets are balanced using the block grant system. The formula driven block grant system has significantly boosted sub-national financial capacity. Over the last seven years the block grants to regions have grown on average 23,4% per annum, and in the last three years this rate of growth has increased to an average of 35,2% per annum. This later high growth might be because of the additional grants for salaries that were included in the block grant figures in the last two years and the additional PBS budget support.

Figure 5. Comparison of Own Revenue Funded Block Grant (Federal to Regions) with PBS Benchmark (Dollars)



Source: Ethiopia Protection of Basic Services (PBS) Programme Joint Review and Implementation Support Mission, 20-27 October 2006 Aide Memoir

The biggest beneficiary of this growth has been Dire Dawa (59% growth p.a.), followed by SNNPRS, Oromia and Amhara (all around 30% growth p.a.). The budget variance in the regional block grants is mostly less than 5%, except for three regions for EFY 1997, one region for EFY 1998 and two regions for EFY 1999, where the budget variance was between 5% and 10%. Generally this presents a very healthy picture for regional grants, and a very significant commitment to decentralisation.

In general better budget planning has improved predictability. The introduction of medium term strategic plans in all federal agencies, regional bureaux, municipalities and woredas has significantly improved the predictability of financial resources. However medium term budgeting not yet institutionalised, and this is the next critical step that needs to be taken.

8.2. Greater inclusiveness and transparency of planning and prioritisation processes

Based on information from visits to between 30 and 40 woredas during the evaluation and on secondary information sources, the level of inclusiveness and transparency in planning is quite variable. There are numerous positive developments and examples but in some woredas the lack of capital budgets and the predominance of sectoral planning is inhibiting participative planning processes. It is difficult to gauge the extent of overall improvement during PSCAP.

Prior to PSACP (World Bank, 2001), there was considerable community involvement in planning and prioritisation at woreda and kebele levels although this again varied between regions e.g. in Amhara, drafting committees from sub-kebele levels identified needs and presented these to kebele meetings. These were further consolidated at the woreda level. In SNNPR, the woreda development workers identified service needs in kebeles in discussion with kebele executive members before consolidation at the woreda level. Generally there was little involvement of Woreda Council members other than ratification of the final plan. Plans would then move up the system, being consolidated at each level before finally reaching the Regional Council. Planning in the pastoral regions like Afar was generally focused at regional level with regional task forces simply consulting zones and woredas.

Decentralisation to woredas in 2002 generally improved the level of transparency since plans were retained intact and financed at the woreda level through the new block grant. Unfortunately however, salaries and operational costs consumed around 85 – 95 % of the block grant, leaving little for capital development and thereby rendering the planning process somewhat irrelevant. This is still the case for the majority of rural woredas but planning processes are still being improved.

From 2003, in response to a drive by the CSRP, all woredas have produced strategic development plans, which are available to the public. These plans are largely sectoral, however, each office within the woreda producing its own plan. In most cases the sectoral plans are not integrated at the woreda level and the woreda strategic plan is a compendium of sectoral plans. The sectoral strategies reflect the vision and priorities of regional sector strategic plans rather than the priorities of the woreda constituents.

Numerous participatory planning interventions have been developed through donor, government and NGO funded projects e.g. the Local Level Participatory Planning Approach of the World Food programme, the Amhara SIDA Rural Development Programme, the consultant driven Woreda Integrated Development Programme formulated for 126 woredas under Ethiopia's Road Sector Development Programme and various land use planning based approaches.

Positive observations during the evaluation included evidence of:

- participative planning procedures included in local government legal frameworks
- 5 year strategic plans;
- public consultations – 2 or 3 times per year - on woreda annual plans and budgets with some opportunity for kebeles to change plans,
- annual reviews of woreda plans and budgets,
- woreda budgets made available to the public for inspection,
- establishment of standing committees of woreda councillors with a responsibility to consult kebeles over plans and budgets,

At kebele level it seems there is considerable involvement of the community in prioritising projects although this may be from a pre defined list rather than on the basis of community identified needs.

The Woreda and Kebele Good Governance Package (MCB, 2006) puts great emphasis on increased participation in planning and monitoring by at kebele level including the involvement of membership based CSOs. Its 2006 analysis after the extensive meetings and surveys conducted after the elections suggests considerable dissatisfaction with the planning systems at woreda level and the need for significant improvement. *“Procedures are generally dormant and conservative such that plan preparation is not coordinated with execution methods. Woreda sector plans are not integrated but are passed on to quebelles separately...A well established planning and monitoring team is required. A supervision team that would not only supervise but also provide TA to quebelles must be established.”*

It proposes specialised planning and inspection teams who are expected to form a woreda planning committee to draw up participatory prioritised plans. *“Regional plans should be thoroughly discussed at woreda level and with kebeles to establish common understanding. Plans should not be imposed. Sector plans should be integrated to produce an overall woreda plan which is conveyed to kebeles. At the same time kebeles should also prepare plans on the basis of the woreda plan.”*

In general, increased public and official awareness through PSCAP training, increasing Woreda Block Grants, the moves towards the Local Investment Grant and the good governance packages are stimulating further inclusive and transparent planning. A more precise evaluation however would require a detailed study.

8.3. Improved quality and efficiency of government operations in priority sectors

The evaluation team noted considerable evidence of improved efficiency of government operations at all levels. To illustrate from the Justice Sector programme, the case backlogs in courts have been almost completely dealt with, monthly targets of cases to be heard are set for each judge, and clearance and conviction rates are increasing. Community policing is being rolled out to more kebeles (although is hampered by a shortage of manpower and equipment).

In addition, more Tax Identification Numbers are being issued, tax administration is becoming more efficient and generally revenue collection is increasing. With regards to expenditure management, bureaux and woreda accounts are now generally up-to-date, and in most cases have been closed for the latest financial year.

Infrastructure improvements, supported by specialised technical capacity, are also leading to increased performance. The Integrated Budget & Expenditure Management System (IBEX) has been developed at federal level, and is being extended to the regions. The system, which leads to

significant efficiencies in financial reporting and real-time information provision, is also being piloted at woreda level prior to a wider roll-out.

Woreda-Net is also making a significant contribution to advancing the efficiency of government communications, although its roll-out and consistency of operation needs to be expanded. It is providing a core ICT infrastructure to which other applications are being added. In addition, e-mail, fax and telephone access are all improving at all levels of government.

Strenuous efforts have been made to improve access for the general public and its contact to services. The impact can be seen in nearly all federal offices, city and regional bureaux, and woredas: civil servants wear identification badges, signposting has been put in place, visitors books and suggestion boxes are prominently located, information desks have been established and nominated officials have been made responsible for handling queries and complaints, and reporting back on them. In many cases, complaints and responses are logged, and examined at monthly management meetings for trends and implications for service improvement. Organisation vision and mission statements are sited in public entrances to offices.

PSCAP has been operating against a background of significantly improving delivery service indicators and is undoubtedly contributing to further gains.

Table 8. Progress on selected Human Development Indicators and Spending on Poverty Sectors, 1995/96 – 2004/05

Sector	Indicator	Years				%Change	%Change
		1995/96	1997/98	1999/00	2004/05	2004/1996	2004/2000
Education	Primary (1-8) Gross Enrolment Rate (%)	37.4	52.3	61.1	74.2	98.4	21.4
	Literacy Rate (%)	25.8	26.6	29.2	37.9	46.9	29.8
Health	U5 Child Immunization Measles (%)	39.1	46.9	48.1	56.8	45.3	18.1
	BCG (%)	40.1	50.9	49.1	54.9	49.6	14.4
Water	Access to Safe Drinking Water (%)	19.1	23.7	27.9	35.9	88.0	28.7
Poverty Sectors¹	Spending on Poverty Sectors as % of Total Expenditure	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
		27.9% ²	35.9%	44.8%	43.3%	50.3%	57.1%

Notes: ¹ these are the education, health, agriculture and natural resources, and rural road sectors, as defined by the government.

² This was a year of war between Ethiopia and Eritrea.

Source: SDPRP APR 2, July 2005, MOFED; and World Bank staff estimates

In addition to complaints monitoring, there are also certain instances where the quality of service provision is assessed. Court reform is a good example, where the number of cases going forward on appeal to higher courts is monitored, and correlated against the quality of decision handed down by each judge. This is considered annually by a judicial committee, which has powers of sanction and disciplinary action in instances of poor quality performance.

Efforts have been made to assess the impact of civil service reforms on the demand-side of the transformation equation. These include customer satisfaction surveys to record citizen opinions of

services provided, and the evaluation team came across a number of woredas where these exercises were undertaken on a regular basis.

The evaluation team found relatively little available information on cost efficiency, although the Amhara Supreme Court reported that the average cost of processing and disposal was Birr 111 per case. This will serve as a useful baseline figure for future annual performance appraisals in this programme.

8.4. Improved incentive environment for public servants (gender disaggregated)

The evaluation team observed that problems of high staff turnover and difficulties in recruiting and retaining skilled and experienced individuals were a feature in practically every single interview held with programme leaders and civil service managers at all levels. The team takes the position that this is a manifestation of a general problem, and the incentive environment for civil service staff is increasingly uncompetitive against what can be obtained from employers in the private and NGO sectors.

The evaluation team was unable to obtain any comprehensive figures on staff turnover, or whether PSCAP had any effect on the incentive environment. It appears that the evaluation team is not alone in this position. A recent report documenting good practices and success stories of PSCAP-supported reforms and capacity building did not list a single improvement against the incentive environment indicator (Melekot and Amare, 2007).

There appears to have been some movement at local level, where woredas are allowed to reclassify jobs within particular grades, and so improve remuneration.

The GOE's position on improving the incentive environment for public servants is that increased reward must be linked to performance. The federal civil service delivery policy (FDRE, 2001) makes no explicit references to remuneration or the incentive environment, and only comments on conditions of work in passing, but it does state that exemplary performers should be rewarded. This position is being institutionalised through the introduction of ROPE and the BSC system.

The PSCAP outcome indicators on the incentive environment are unusual in that they measure aspects of the broader labour market, as well as within the civil service. They seek to measure average civil service salaries as a percentage of living wage; public- private wage ratios at each level and wage decompression (the differential between the highest and lowest paid staff in the civil service). Unfortunately, the evaluation team was unable to secure any statistics against these measures.

8.5. Enhanced revenue performance and fiscal autonomy

The improvements in the revenue collection system have been well documented in the analysis of the TSRP sub-programme, but the extent to which these have translated into real improvements in tax effort are disappointing. Despite significant growth in the revenues from different tax instruments, these have to be off-set by the actual GDP growth figures. The GDP growth rate is, at least in theory, carried through to the revenue growth rate, with no changes in tax effort. The change in tax effort has therefore been calculated by subtracting the actual GDP growth (unadjusted for inflation) from the revenue growth figures. There are reflected in the figures below.

Table 9. Tax effort, EFY 1996 to EFY 1999

Tax effort: revenue growth minus actual GDP growth	EFY 1996	EFY 1997	EFY 1998	EFY 1999
Federal tax effort	12.2%	-9.3%	-1.1%	7.2%
Income and profits tax	-21.6%	-10.6%	4.3%	14.2%
Domestic indirect taxes	9.4%	-1.8%	-0.9%	11.1%
Import duties & taxes	29.4%	-11.4%	-2.8%	3.4%
Regional tax effort	19.6%	3.7%	-11.2%	-0.1%
Total tax effort	13.6%	-6.7%	-3.3%	5.8%
Revenue variance (fed.)	97.8%	95,0%	?	93,1%
GDP (actual growth)	18.7%	20,4%	17,5%	13.,%
Tax revenue / GDP	13.3%	12.6%	12.2%	12.9%

Source: MOFED, General Government EFY 1999 performance

There has been a fluctuation in tax effort over the last four years. Interestingly these figures in fact suggest that there has been a decline in tax effort in EFY 1997 and 1998, and a recovery of tax effort in 1999. This may reflect the effect of the lag in PSCAP support, with the sub-programme having some difficulty in mobilising resources and getting the procurement processes sorted out. The dramatic fall in regional tax effort in EFY 1998 is partly explained by the recalculation in regional tax rates that year.

Regional revenues as a percentage of regional budgets have been steadily improving, rising from a low 14% to above 22% in EFY 1996 and then staying fairly constant. This is clearly the result of earlier tax reform measures, which have resulted in greater fiscal autonomy for regional governments.

Table 10. Regional revenues as a % of regional expenditure

In Birr million	EFY 1994	EFY 1995	EFY 1996	EFY 1997 pre-actual	EFY 1998 pre-actual	EFY 1999 pre-actual
Recurrent expenditure	10,555.5	13,535.8	11,965.4	13,228.4	15,234.0	17,125.0
Capital expenditure	1,532.0	1,470.4	1,918.2	2,501.3	2,997.0	3,668.1
Total regional expenditure	12,087.5	15,006.2	13,883.7	15,729.6	18,231.0	20,793.1
Own revenues	1963.7	2104.9	3088.3	3570.9	4397.2	4384.7
Own revenues as % of reg. budget	16.2%	14.0%	22.2%	22.7%	24.1%	21.1%

Source: MOFED, General Government EFY 1999 performance

This growth in tax revenues has been complemented by the growth in federal to regional block grants, which have grown on average 23,4% p.a. over the last 6 years (see annex 20 for detailed analysis). Block grants now make up 45% of the regional budget, and the formula driven approach to determining annual allocations has provided a much greater degree of certainty and predictability in regional finances.

Table 11. Growth in federal to regional block grants as % of regional budgets

In Birr million	EFY 1997	EFY 1998	EFY 1999
	Pre-actual	Pre-actual	Pre-actual
Total regional expenditure	15,729.6	18,231.0	20,793.1
Block grants from federal	5,497.5	7,071.5	9,365.1
Block grants as % of regional budget	34.9%	38.8%	45.0%

Source: MOFED data

At a woreda level there have been similar positive developments. Budget and actual transfers to woredas were available for the four larger regions for EFY 1998 and EFY 1999, and actual expenditure for all regions for EFY 1999 and budget data for all regions for EFY 2000. A more detailed analysis of the available woreda data is done in annex 21. The transfers to woredas in the four larger regions grew by approximately 45% between EFT 1998 and 1999. The budget figures for EFY 2000 show a further dramatic growth of 41,8% in transfers to all woredas. Woredas are still largely dependent on block grants for financing purposes, and there is limited own revenue collection in woredas and smaller municipalities. Salaries make up 73% of woreda budgets, indicating a high proportion of fixed costs, and limited local flexibility in prioritising expenditure.

8.6. Improved transparency and accountability

There is evidence that the improvements in the judiciary have contributed to enhancing its independence. Mass based training conducted on the codes of ethics and in some regions the establishment of commissions has contributed in raising the level of public awareness. Most woreda and city plans and budgets are now published. This has helped raise the awareness and public appreciation of the roles and functions of these structures.

There are however fewer instances of public disclosures on performance, a limited publication of charters and the use of comprehensive monitoring and evaluation techniques to measure impact on development and growth.

Accountability has been strengthened through the system of auditing under the AGO. Audit reports are tabled to parliament, and the audit and budget committee visit each bureau and woreda and hold discussions on the audit findings.

Interviews with national and regional Chambers of Commerce indicated that government has significantly improved the transparency of the taxation system, and that there are clearer rules governing the imposition of taxes. The national and regional Chambers now participates on the tax committees. However traders in some regions complain that the presumptive tax remains arbitrary, with similar traders receiving inequitable treatment.

It is important that the Revenue Authorities continue to build the relationship with the national, regional and local Chambers of Commerce. They have ready-made networks for the circulation of information via their membership databases, and can act as a valuable channel for tax-payer education.

9. Key issues and challenges

9.1. Locating PSCAP within the transition

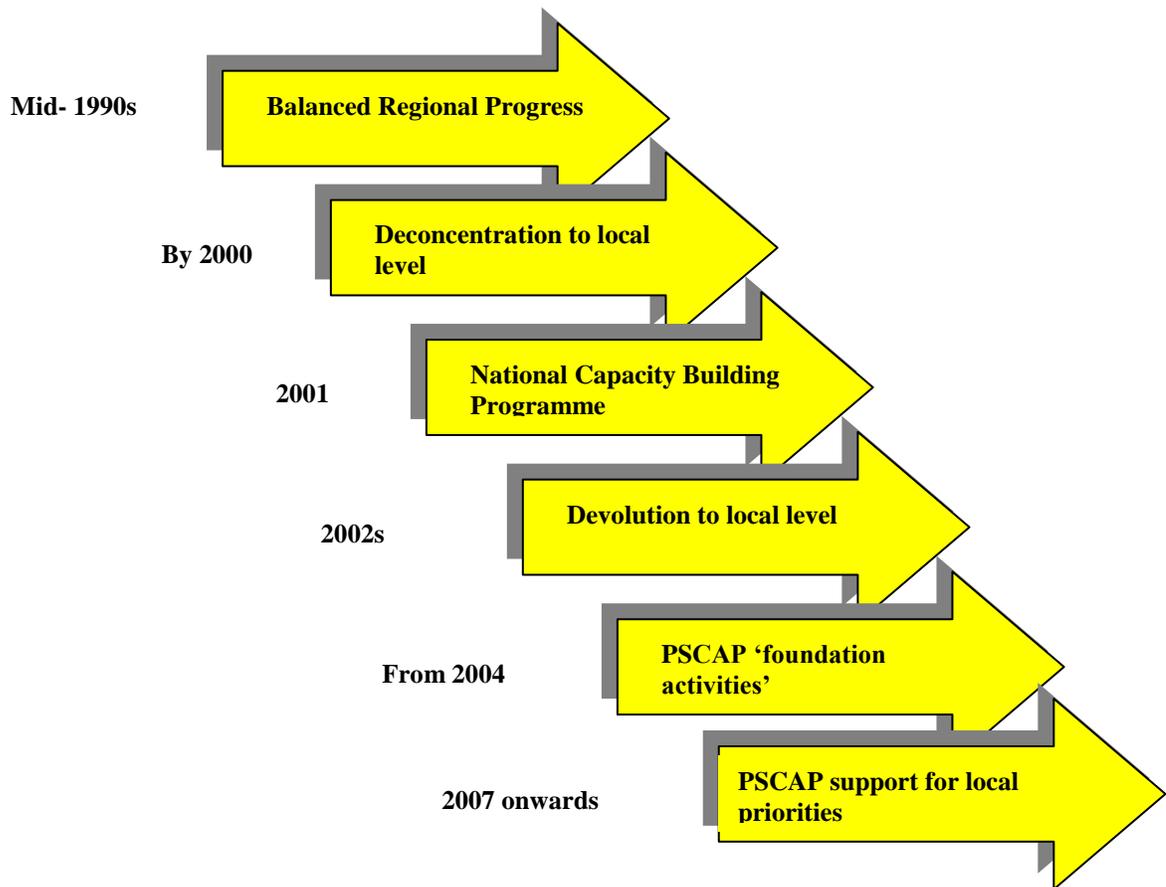
PSCAP is a response to, and an influence in, the GOE long-term strategy of state transformation. The strategy involves modernisation of legislative and executive structures of government at all federal, regional and local levels. The scale of this roll-out is massive, constantly evolving and can be described as having the following phases:

- Mid-1990s to 2000, which involved the creation of the federal and regional states and a system of intergovernmental fiscal transfers to support ‘balanced regional progress’. By the end of this period, woredas were still deconcentrated arms of the regional states, rather than independently elected councils and executives.
- New impetus was given to the faltering state transformation effort through the establishment of the National Capacity Building Programme (NCBP), and the creation of the Ministry of Capacity Building as its lead agency in 2001.
- Through the early 2000s progress was made in the implementation of the NCBP’s sub-programmes, six of which were to comprise the core elements of PSCAP. Donor support for these sub-programmes was, however, still, fragmented and generally ‘stove-piped’. Decentralisation efforts increased during this period, with financial decentralisation and increased administrative independence transferred to woredas in 2002.
- PSCAP was launched in late 2004, and represents both a consolidation and a scaling-up of the six sub-programmes over a five-year period. PSCAP has benefited from the activities, experience and contributions of the previous bi-lateral programmes (e.g. the CIDA-supported Court Reform Programme, and the USAID’s Decentralisation Support Activity).

PSCAP has been instrumental in helping to build a large-scale foundation of capacity, systems and service delivery improvements at all levels of the state. Clearly, progress has not been uniform, and a key challenge remains in continuing support to and consolidation of reforms in those areas that are lagging behind. More consistent monitoring and evaluation is needed to map out these areas so that focused attention can be given to them.

An additional challenge concerns those programmes and state structures that have been making the most progress. In these cases, the ‘supply-led’ and standardised provision of training programmes, manuals and frameworks needs to be supplemented with a more nuanced and flexible provision of support. The civil service needs to be developing its own forms of best practice, created locally and responsive to local circumstances, as well as adopting international examples. PSCAP now needs to encourage this kind of ‘demand-generated’ creativity through more flexibility in its approach. This includes increased delegation of budgets to capacitated sub-programmes, regional bureaux and woredas, as well as targeted technical assistance to support innovation.

Figure 6. PSCAP and the process of state transformation



9.2. Sequencing and integration of reform initiatives

The evaluation team was pleased to note that much institutional energy is going into rational sequencing of programme and project activities. All MABs and woredas visited had five-year strategic plans which were linked to annual plans and budgets. In turn these set out a logical programme of events and activities for the year. Most PSCAP sub-programmes have viable five-year strategy documents (the CSRP is an exception, having at this stage only a discussion document setting out the basis for a future five-year programme). However, much of this effort is undermined by a combination of extraneous factors, including:

- Delays in procurement of goods and services, which disrupts progress,
- Variations in efficiency and speed of progress at different levels, where more effective regions, bureaux, cities and woredas have to wait for approvals of plans at the pace of the slowest,
- Problems with absorption capacity of management and staff.

The last instance is relevant to a range of activities under the CSRP. The evaluation team noted difficulties in understanding the relationship between and sequencing of performance-related improvements such as Management By Objectives (MBO), Business Process Re-engineering (BPR), Results Oriented Performance Evaluation (ROPE) and the Balanced Scorecard System (BSC). Some staff and managers felt confused by the introduction of these new paradigms and activities, and had barely assimilated one innovation in advance of being introduced the next.

A consequence of less than ideal sequencing is a tendency for programme coordinators and line managers to default to the easiest activities to implement. Primarily, these are in-house training activities, and account for some of the largest budget distortions across PSCAP. This is not to deny the importance of training, but rather to point out miniscule amounts spent on technical assistance and consultancies are unlikely to have a significant effect given the scale of need across PSCAP. More effort to secure a rational balance across the training, goods and consultancy categories is needed.

In general it is fair to say that coordination across the programmes is improving, but the evaluation team noted a range of concerns raised over the lack of capacity in this regard at the MCB. In addition, there are examples where integration of PSCAP activities is weak – for example, in the JSRP where there seems to be more emphasis on training judges and legal professionals, with much administrative support left to the CSRP to coordinate the best it can. Similarly, the Police and Prison services are much less integrated into the JSRP, and are marginalised through inadequate financial allocations, despite being critical elements in the overall programme to improve access to justice.

9.3. Sustainability of reform process

There have been massive changes in the public service structure, systems, staffing and objectives as a result of the transformation process. Given the success of government, assisted by PSCAP resources, to get the basic elements of the programme in place, the focus now needs to shift to address the sustainability of the reform process. In the opinion of the evaluation team the transformation process will not be sustainable in its current form without addressing these sustainability issues. There is a danger of reform fatigue setting in.

Firstly it is important to avoid a plethora of new ideas. Many innovations in public service reform have been introduced, but institutions on the ground see the latest ideas and programmes coming from the top as replacing the previous systems they were learning, rather than building on them. By and large the policies that are being pursued are sound, and in keeping with global best practice. The focus for the next phase of PSCAP must be on consolidating and deepening the reforms that have been introduced, not introducing new initiatives.

As noted earlier the level of development and capacity between different local and regional institutions is very uneven. As part of the focus on sustaining the transformation process, the programme now needs to emphasize the tasks of spreading the established areas of good practice to less capacitated institutions.

The reforms have demanded many changes from civil servants, and there are many examples of individuals making enormous efforts to give effect to the new service delivery focus. This is not sustainable without a system of recognition and reward. Sustainability will depend on creating incentives for high performers in the system.

Lastly the level of political leadership of transformation needs to be maintained, and extended to the leadership of PSCAP itself. The best results for the programme will be achieved when leaders take direct responsibility for making sure that the resources available are properly deployed.

9.4. Leadership

The overall leadership provided to the political transformation and change agenda is impressive. Particularly in the regions, transformation enjoys high level attention from at a political and

management level. Some of the Capacity Building Bureaux are led by the Regional Deputy Presidents, and there are political steering committees that provide coordination over and above the regional technical task teams. The Woreda and Urban Good Governance Packages are the latest manifestation of this political attention, and are key to the transformation of local governments and their relationships with communities.

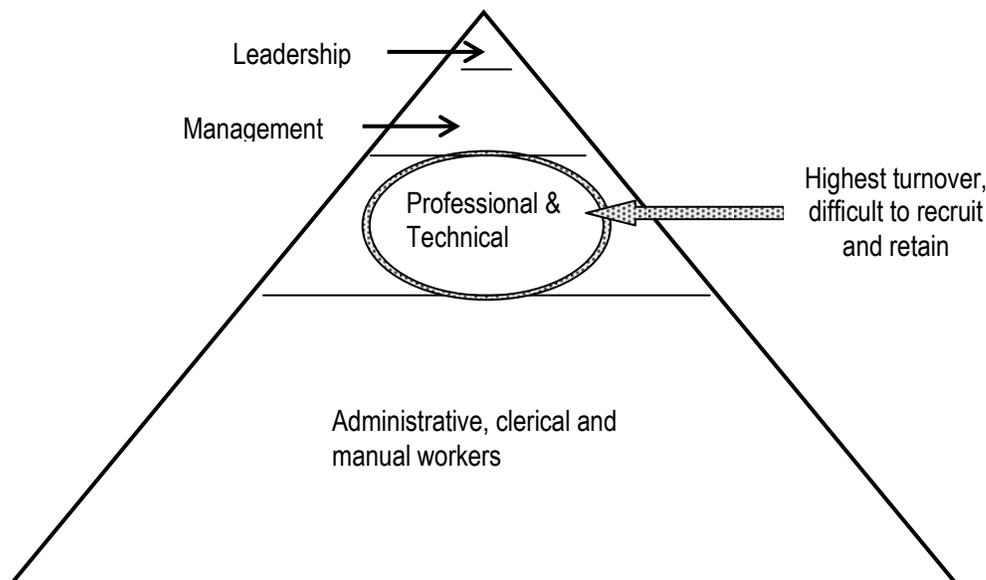
The evaluation team is however concerned about the lack of horizontal and integrated team effort displayed at various levels and sectors in the civil service. Most RTTs are merely planning and processing structures and do not reflect collectives with a common mission around the reform agenda. There continue to be issues regarding accountability and reporting. The staff turnover rate has created teams with mixed tenures. There is evidence that teams that have been together for longer time periods drive the programme to a greater degree of success than teams made up of relatively newer persons. There is also the risk of older team players resisting change and stalling transformation. There continue to be different views about the sources of problems. A common set of measurements for success is missing.

The above issues manifest themselves in teams failing to meet and hit targets, low energy and reform fatigue, operating cumbersome and ineffective procedures and administration systems at the expense of integration and strategic approaches, taking on new and additional mandates without incentives and resources to perform.

9.5. Staff capacity and turnover

As previously noted elsewhere in this report, the civil service in general (with perhaps a few exceptions in certain implementing agencies) faces considerable challenges in securing and retaining the services of staff in key technical functions.

Figure 7. Weakest step in the civil service pyramid



High turnover in the professional and technical cadres considerably weakens the lines of direction and accountability in the civil service ‘pyramid’, and is undermining the overall reform effort. It is

powered by a combination of ‘pull-factors’, the opportunities in the labour market elsewhere, and the growing demand from the private and NGO sectors for technical and professional skills; and ‘push-factors’, including the lower remuneration, terms and conditions of employment in the civil service. Previous review and supervision missions of PSCAP have made similar observations, and regrettably, the evaluation team has no evidence that the situation is improving.

Without doubt there are excellent, highly skilled managers and staff involved in PSCAP. Indeed, the evaluation team was impressed by the quality and commitment of personnel that it met. Unfortunately, it is the case that this layer of capacity is thin indeed, and is under a great deal of strain.

Much the same story can be told at city and woreda levels, which also experience shortages in critical functions. However, it was reported to the evaluation team that turnover of skilled staff in more remote regions and woredas was less than might be expected. This information is derived from the evaluation of woredas in Oromia done by DSA, and should be investigated further. Possible reasons for this may include lack of access to information about other employment opportunities, or personnel reasons such as closeness to family.

9.6. Incentive environment for public servants

While the GOE has increased civil service pay in recent years, the overall incentive environment for skilled workers is proving less and less attractive in comparison with other options. In many cases, the commitment to serve the nation still runs strong, and is an attitude that could be built on and fostered. Regrettably, individual personal excellence is often not enough to overcome the prevailing environment.

This poses serious challenges for leaders and managers in the civil service. It needs enlightened management to create a motivated, inclusive and progressive work environment in the absence of competitive remuneration. Building a strong work ethic and satisfaction from a commitment to make a difference in the development of the country requires exemplary leadership and performance.

9.7. Building institutions and accountability

Several commentators and independent interviewees raised the importance of building institutionalised systems and structures that are sustainable and support the interests of civil society in general. There are a number of key institutions that defend democracies and ensure that the systems of good governance and the organs of the state survive, remain objective and independent. These institutions collectively ensure sustainability by guarding against the abuse of power, building accountability to government and the people more broadly, and ensuring continuity in the state when there is a change in political power. Over the last 17 years the GoE has supported the establishment of a number of these institutions. The evaluation team has been able to engage with many of these institutions, including Legislatures (and other law making organs), the Judiciary, the Prosecutors, the oversight institutions such as the Auditor General, Ethics and Anti-corruption Commissions, the Electoral Commission, institutions of higher learning, the media (electronic and print), organised civil society, professional associations and institutes. Organised municipal associations do not yet exist. In the discussions with the Ministry of Works and Urban Development, they indicated their intention to create Municipal or Local Government Associations as cross municipal structures providing shared services. Such associations should be independent of central government if they are to be effective lobby groups for municipal interests.

The next phase of PSCAP needs to build on the solid base of institutions that now exist, and to place special emphasis on the capacity of the institutions that ensure accountability and prevent abuse of power. These institutions will be critical for defending the gains that have been made by Ethiopia in building a modern democratic state.

9.8. Intergovernmental fiscal system

The intergovernmental fiscal system was established in 1995 in order to give effect to the federal structure envisaged in the Constitution. Subsequently there has been a significant further decentralisation of fiscal resources down to woreda level, with approximately 50% to 70% of regional budgets allocated via block grants to woredas. The basic structure of block grants to regions and woredas is sound, and is governed by a formula driven allocation system.

However the woreda block grants mostly cover fixed operating costs in woredas, especially salaries. There is little disposable income to cover new priorities or to enable shifts in the operating budget, and capital expenditures have been crowded out. The focus of PSCAP to date has been on the overall integrity of the intergovernmental system. In moving forward it is proposed that attention now shifts to three areas.

Firstly there needs to be a much greater focus on building the revenue base of woredas and municipalities, so that they are less reliant on block grants, and more able to generate a substantial portion of their own income. This is important for a number of reasons, including building the fiscal autonomy of the local government level, creating more room to address local priorities, and also in building local accountability to citizens for the quality of services rendered to citizens.

Secondly the newly created medium term planning system at local level needs to be given meaning by giving local residents an earmarked capital allocation that they are able to prioritise and spend each year. The currently fixed recurrent cost nature of the budget means that local level plans have little importance or relevance. It is therefore proposed to boost local planning and decision making with an earmarked capital grant to woredas. The pilot local investment grant that is under development is intended to do this, and it is important to look at synergies that can be created between PSCAP and other funding initiatives.

Thirdly, over the medium term, the way that capacity building is addressed within the intergovernmental fiscal system needs more investigation. This will have particular relevance in considering a second phase to the PSCAP programme. This evaluation has highlighted the importance of aligning funding for capacity building more closely with the mainstream GOE budget and accountability framework, and with the system of intergovernmental finances. It is suggested that a capacity building grant to federal institutions, regions, municipalities and woredas could be an effective way of institutionalising the PSCAP programme, and that further work is done to develop proposals in this regard.

9.9. Top down training approaches to Capacity Building and the need to stimulate local creativity

PSACP envisages capacity as consisting of the following elements:

- Individual Capacity – Knowledge, skills and attitudes,
- Organisational Capacity – Structures and systems,
- Institutional Capacity – Rules of the Game, legal frameworks etc.
- Basic facilities, vehicles and equipment,

The approach used to building capacity is predominantly one based on centrally developed ‘prototypes’ or models which are then either trained or passed down to regions for further translation into regional training programmes.

Whilst some PSCAP resources have been expended on the development of legislation, study tours, studies and manuals, the vast majority of funding – around 90% - has been directed to various forms of short term supply driven training accompanied by limited provision of IT equipment and stationery. The training has included:

- Mass awareness type training for leaders, officials, key woreda development workers, members of the community. This is usually short term and is concerned with educating large numbers of local leaders and key people on government policies, good governance, change management, roles and responsibilities.
- Semi technical/generic training e.g. in strategic planning, BPR, ROPE under CSRP; UMCBP training on urban management, housing etc. ICT training on utilisation and maintenance of computers and other IT equipment.
- Semi professional, in service, short term training e.g. training courses for judges, prosecutors, police; Budget, accounts and cash management training for finance staff under EMCP.

Much of the training thus far has not been based on detailed training needs assessments, rather it is based on the centre’s view of the ‘obvious’ capacity needs. DLDP (MCB, DLDP 2007) however, has recently published studies of human resource and training needs assessments for the woredas.

Generally training has been conducted by ‘in-house’ personnel, the management institutes or the civil service college. Virtually no use has been made of private sector trainers or NGOs. A very small amount of niche training has been run through bilateral donor funded agents e.g. GTZ support to UMCBP, DFID support to DLDP.

The predominance of training has been partly due to the enormous training need but also because ‘in house’ training has been by far the easiest activity to fund given the PSCAP administration and procurement processes.

There has been little formal evaluation of training impact other than ‘end of workshop’ participant reviews. As an exception, SNNPRS (SNNPRS, 2007) has conducted an assessment of longer term CSRP training impact. Most trainee participants felt that the EMCP training on budgeting and accounts reforms has had major impact. Regional and zonal officials also saw significant change as a result of BPR and strategic planning whereas woredas were most positive about attitude and environment changes for service delivery. Least impact was observed on transparency and accountability. Main criticisms related to lack of training continuity/follow up, poor methodology and technique and inadequate time. There are serious concerns that poor leadership limits training impact, and the ability to implement reforms.

Other concerns expressed by different trainees included:

- No co-ordination re the woreda level. Courses are just cascaded onto people as and when the trainers are ready to provide them. There is little woreda input into need or design;
- Training of Trainers and courses themselves are untargeted with inadequate selection of trainees;
- Training courses are often too short with too many subjects and no follow up;
- Training quality is often inadequate;
- Training fatigue.

Although there has been little specific evaluation, the evaluation team believe that these methodologies have undoubtedly had significant impact. They have helped to establish basic systems and have made all levels of government and to some extent the population at large aware of the transformational reforms and principles espoused by the government. Given the enormity of the training challenge, it is in many ways remarkable and commendable how much training has been carried out and how much energy and commitment has been expended. Lack of incentives for in-house trainers is now causing resentment however and it may not be possible to sustain commitment for such work if no incentives are provided.

During the planning of PSCAP, a special ‘Demand and Supply Side Study’ was financed by CIDA (MCB, PSCAP, 2004) whose recommendations included:

- Bringing together the expertise and resources of both public and private suppliers of training,
- National co-ordination of the supply side, including a national conference on training;
- Pre-qualification of training suppliers and a quality assurance advisory group;
- The need for incentives,
- Special support for emerging regions.

These recommendations have not been implemented.

The top down methodologies employed to date have been an appropriate approach to the first stage of PSCAP and they will need to be continued due to the high levels of staff turnover. The type of capacity developed by these top down methods, however, is best suited to the operation of deconcentrated forms of government rather than those of devolution. They teach people to be better at ‘following the rules’ rather than being self analytical, proactive, creative, having identity, being adaptable, being able to self renew and restructure themselves, developing practical skills, internalising new attitudes – the qualities needed for a democratic, responsive and participative local government. The evaluation team believes the time has now come to give greater emphasis to other capacity building approaches which better develop these characteristics – see Box on Kaplan’s description of a capacitated organisation. Such approaches focus on action learning, facilitation of analysis, solution finding etc. and forms of training which are more responsive, demand driven and immediately applied in action. There is also a need for support of certain types of longer term professional training.

The Woreda & Kebele Good Governance Package, although a top down initiative,

A Capacitated Organisation – Kaplan

The organisation is directed and focused; that is, it has a clear sense of its own identity in terms of its own strengths, as well as in terms of its intended impact in its relationships with others, and with its context. It focuses on its sources of inspiration. It is able to strategise and prioritise, and it is able to adapt its strategies with flexibility and foresight. It does not complain about the many unfavourable external conditions which impact on it, but rather takes full responsibility for its own circumstances and believes that it can impact and affect those circumstances. It is self critical and self reflective, attributing any problems it may have to its own lack of strategic coherence, or management competence, or focused vision, or evaluative stance, rather than on outside factors beyond its control. It concentrates on what it can do, rather than lamenting what it cannot do.

It takes time to learn from its successes and failures. It takes time to understand itself, to evaluate honestly, to become aware of its strengths and weaknesses, to hone its methodology and sharpen its strategic edge, rather than spending all its time on constant activity in the field. It takes the time to develop its staff; not simply to ensure that they are trained, but to encourage them to develop inner resourcefulness, creativity and self critique. It concentrates, then, on developing a kind of robust capability, rather than relying on the setting up of organisational structures and procedures, the securing of material resources, or the specific skills of staff. Of course these latter elements are of vital importance, and organisations which are badly structured or which are unstructured, which lack adequate and appropriate organisational procedures, which lack material resources and skilled staff, can hardly be said to be capacitated.

recognises the need for developing much greater local participation, local creativity and initiative. Applied appropriately it could also contribute to more self aware and self driven local institutions. Additional stimuli will be provided through the proposed Local Investment Grants.

9.10. PSCAP administration and design

The design framework of PSCAP, and the manner in which it is has been implemented and administered, have been highlighted in this evaluation as areas requiring attention. Across all the regions and sub-programmes serious delays have occurred in the processes of planning, procurement, and expenditure. These have been largely as a result of poor capacity in executing agencies and in BCBs and MCB. Weaker institutions at all levels have been overwhelmed by PSCAP systems and procedures. This is compounded by a high degree of confusion, with differing interpretations and explanations on procedures being given, and new or additional procedures being added by agents in controlling positions, such as MCB, MOFED, BCBs and BOFEDs. The end result is that too much effort is spent on administration and bureaucracy by the main actors in the programme, and not enough on policy, strategy or critical evaluation of what has taken place.

The way that PSCAP is designed and managed needs to take account of the capacity challenges across government. There are a number of areas in which the current PSCAP administrative system is not well matched to available capacity in the Ethiopian civil service. The PSCAP planning, budgeting and procurement system is also overly complex. In the annual cycle, leading to the actual procurement of any goods or services, the evaluation team has identified at least five separate steps that require decision making to flow from implementing agencies through BCBs and MCB to the World Bank, and back down again, before moving on to the next step. Each step takes on average 2 months to complete, making it virtually impossible to complete all the steps within a budget year. It is little wonder that implementation delays and under-expenditure are so pervasive. The system is also highly centralised, with a large amount of decision making and control placed in the hands of the World Bank, MCB and BCBs. This has created bottlenecks in the system. Ironically, many implementing agencies are better capacitated to be dealing with the planning and procurement tasks that have been centralised under PSCAP, and highly frustrated by the inability of the MCB and BCBs to deliver resources to sub-programmes timeously.

The other effect of the centralisation of decision making has been to remove the management of the procurement process from the institutions that will benefit from the services required. This automatically weakens the level of accountability within the system. BCBs and MCB, in managing procurement on behalf of others, do not face the same pressure as the executing agencies in completing the procurement on time. In turn, the vital input that is required from implementing agencies in designing procurement documents, and evaluating tenders and proposals, is weakened. The problems with procurement have been further compounded by the bulking up arrangements, with comparatively easy procurement tasks made far more complex and time consuming. The evaluation has revealed that the bulking up arrangements have created more problems than they have solved.

The conclusion of the evaluation team is that the programme decision making processes and controls are over-designed and over-centralised. This over-centralisation has also distracted MCB and the BCBs from their primary task, which is to be playing a strategic leadership and coordination role with respect to the transformation process. The MCB and BCBs need to move from gate-keeping, to enabling and facilitating support to executing agencies.

A further problem with PSCAP relates to medium term planning and budgeting processes, which have been realised. There is a five year plan for PSCAP, but it has not been translated into a

predictable and reliable medium term financial plan. The result is that annual plans from implementing agencies are not drawn up within a budget ceiling, and there is no relationship between the annual plans and final budget allocations. As a result, annual plans need to be reformulated. In discussing with MOFED and MCB why the medium term budget arrangements that were originally included in the PIP were not implemented, different reasons for the failure were given. Both MOFED and MCB indicated that the lack of predictability of donor and government commitments on an annual basis was part of the problem. MOFED also indicated that MCB's failure to defend the annual PSCAP budget, and the lack of any request from MCB for indicative budget ceilings, were the reason for MOFED allocating budgets based on the previous year's expenditure. Whatever the ultimate reason behind this failure, it is clear that funding commitments, the replenishment mechanism and medium term budget ceilings for PSCAP need to be aligned.

10. Lessons learnt and recommendations

The following section identifies the lessons learnt during the programme, and distils these into a set of recommendations regarding the implementation of the programme during its remaining two and a half years. The recommendations are in two parts. Firstly there are a number of recommendations that relate to the design and implementation of PSCAP. These deal with matters such as:

- Proposals to decentralise PSCAP administration
- Resource predictability
- The planning system
- Expediting procurement
- Expenditure management
- M&E, IEC
- Institutional arrangements for PSCAP
- Leadership.

Secondly there are recommendations relating to some key policy issues that in the view of the evaluation team need to be addressed. These recommendations deal with issues such as

- The incentive environment for public servants
- Approaches to training and capacity building
- Operationalising the good governance package
- Building institutions and accountability
- Aligning PSCAP with PBS and the local investment grant
- The provision of technical assistance
- Cross-cutting issues such as gender, HIV/AIDS and the environment.

10.1. Decentralisation of PSCAP administration

The evaluation exercise has indicated that the next phase of PSCAP would benefit from some changes to the implementation approach within the existing PSCAP design, and some changes to the design of PSCAP itself. These changes are proposed within the existing framework of PSCAP as a special purpose grant, appropriated at federal level.

Unlike the decentralised system the capacity of which it is supporting, PSCAP as a programme is much more centralised and bureaucratised, with multiple levels of control that delay decision making and the flow of resources. This inevitably sends signals that are contradictory to the actual intent of PSCAP as a programme. There are a large number of executing agencies that are well capacitated and able to manage the procurement and reporting procedures of PSCAP, and in a few

instances better capacitated than the BCBs and MCB to which they report. These agencies need to be enabled to pursue the programme within a decentralised framework. There are also a number of agencies in which the capacity to manage the planning and implementation processes is not well developed, where a more centralised approach to PSCAP delivery should be retained until such capacity is built

It is therefore recommended that there should be a decentralisation of decision making within the programme at four levels:

- At the federal level, decentralisation from MCB to sub-programme executing agencies, with the agencies taking full responsibility for all planning, implementation and procurement procedures, including ICB, within the framework of the medium term plan and the PPA signed annually with MCB. In the opinion of the evaluation team all federal agencies have the requisite capacity to assume this responsibility.
- From federal to regional level, with the region handling all of its own planning and procurement procedures, within the framework of an agreed medium term plan, the MOFED budget allocations and the annual PPA signed between BCB and MCB.
- At the regional level, from BCB to sub-programme executing agencies, with PSCAP budget allocations being made by BOFEDs to the agencies, and the agencies taking full responsibility for all planning, implementation and procurement procedures, including ICB, within the framework of the regional PPA signed annually between BCB and MCB.
- From regional to woreda level, with pilot woredas being allowed to have dedicated PSCAP allocations that are placed on their budgets.

The notion of capacity building grants to woredas was raised in the original PSCAP PIP, but rejected as being premature. The evaluation has identified a number of woredas in which the capacity now exists to establish such a grant on a pilot basis. This will create a very important base for any future consideration of capacity building grant mechanisms.

The move towards a more decentralised delivery system should be accompanied by a move towards better integration with the governments' overall planning, budgeting and procurement systems. The PSCAP PIP in fact includes this as a main premise of the design, but in actual effect PSCAP is still managed as a separate programme, outside of the normal planning and budget cycle. In the immediate term there should be a single planning and budgeting cycle, and a move away from bulking up procurement contracts or the management of ICB procurement at federal level. The medium term objective (i.e. after the end of PSCAP, and of relevance for whatever programmes might follow PSCAP) should be to move towards a budget support programme, with full integration with GOE planning, budgeting, procurement and oversight systems.

10.2. Creating certainty in resource allocations and budgets

The original intention behind the PSCAP design framework was for a medium term planning and budgeting system, which would create certainty in terms of resource allocations, and allow implementing agencies to easily pull down annual action plans, with some degree of certainty that the commensurate resources would be made available through the annual budget. The medium term planning and budgeting system has never been realised, for a variety of reasons (which differ depending on who one speaks to).

It is important to establish medium term planning and budgeting within PSCAP for a variety of reasons. Most importantly it will serve to speed up the annual planning cycle by cutting down on repeat planning exercises due to budget allocations not matching plans. It will also serve as a model for the broader institutionalisation of medium term planning and budgeting across government as a

whole. In order to ensure its effectiveness a number of actors need to ensure that their part in the programme is aligned with the overall process.

Firstly donors, IDA and MOFED need to ensure that predictable commitments are made to PSCAP for the duration of programme. These commitments should be reviewed and confirmed on an annual basis. Such confirmation should be finalised before December of the previous financial year, so that MCB and MOFED can prepare and issue medium term budget guidelines or ceilings in January of the following year.

The replenishment mechanism for the pooled PSCAP account also needs to be aligned with medium term planning, and optimised to ensure the smooth flow of funds to executing agencies during the year in a manner that supports their implementation tasks. Various discussions have already taken place between MOFED, MCB, IDA and donors in regard to moving from SOE to FMR in order to improve funding flow. It is recommended that MOFED considers whether it is ready to adjust to the additional reporting requirements of FMR, and that this is then considered at the next donor / government working group.

The PSCAP 5 year plan should form the basis for the medium term planning framework, as it serves as the basis for annual action plans in executing agencies, the medium term budget ceilings issued by MOFED, and the annual budget submission made by MCB to MOFED. It is therefore important that the five year plan is updated by MCB, on the basis of inputs from all executing agencies. In parallel to the preparation of the medium term plan, MCB needs to consult with both donors and MOFED in order to prepare an indicative medium term budget for PSCAP. The five year plan should therefore be drawn up within the overall budget ceiling for PSCAP, and form basis for the remainder of programme.

In January of each year MOFED should release multi-year indicative PSCAP budget allocations for each sub-programme and region, and within regions, broken down by sub-programme. In line with the annual budget calendar, MCB then needs to submit budget proposals to MOFED for the coming financial year. These proposals must be submitted on time. In order to fast track the process, and avoid the inevitable delays in waiting for regional and sub-programme inputs, MCB should base the budget submission on the medium term plan. They also need to proactively to motivate for the PSCAP budget, along with all other budgetary authorities.

The original PSCAP design provided for in-year and annual reallocations between sub-programmes and regions based on performance. In practice there have been no in-year reallocations, and the annual reallocations appear to be made for cash management purposes. The evaluation team recommends that the system of reallocations be reconsidered. The envisaged system of reallocations creates uncertainty regarding the medium term funding envelope for any particular sub-programme or region, and therefore cuts across the effort to establish a level of certainty and predictability in PSCAP finances. Performance based reallocations will penalise underperformers, who are also the institutions with the least capacity. Yet it is precisely those institutions that PSCAP is designed to assist. Further, in a programme that is already proving difficult to administer, this is an additional and unnecessary complexity.

However certain reallocations are necessary in year and between years for cash management purposes. In this instance it is recommended that the overall medium term budget envelope for regions and sub-programmes be retained.

10.3. Planning system

In reviewing the planning system, the evaluation team recommends that steps are taken to prevent repeat planning processes and multiple decision making steps. The updated 5 year plan, linked to MOFED's indicative budget allocations, should be the basis for MCB's annual budget submission to MOFED, and for the annual action plans drawn up by executing agencies. The annual action plans must of course be realistic, and within the budget ceiling set by MOFED.

The contents of the annual plans, the consequent procurement plan and the PPA signed between MCB and executing agencies do not differ substantially. The procurement plans contain more detail about the methods of procurement to be followed in sourcing the different components of the action plan. It is recommended that executing agencies integrate the elements of the procurement plan into the action plan, and that the action plan, procurement plan and PPA are combined into a single approval step. Effectively this will revolve around the PPA, which should be submitted in draft form by executing agencies based on their own planning for the action plan. The interaction between executing agencies, MCB and the World Bank which has to date been done in three separate steps can therefore be combined into one step, cutting down on administrative delays. On the basis of the final agreement regarding the PPA, these can be signed by MCB and executing agencies prior to the commencement of the financial year, allowing implementation to proceed at once.

10.4. Procurement

The above modifications to the planning process also lay the basis for speeding up the procurement process. The delays in getting procurement plans approved will be obviated with their inclusion into action plans and PPAs. In addition, it is recommended that the system of bulking up of contracts is reviewed – it appears that it has created more problems than solutions. The removal of authority over procurement processes by executing agencies has created a situation of powerlessness and lack of control over the implementation process. It has also centralised decision making over procurement in the hands of BCBs and MCB, which do not have the requisite capacity to ensure that the complex procurement procedures are completed timeously. It is of course still possible that in certain cases where obvious advantages can be obtained through bulking up that executing agencies and BCBs and / or MCB can agree to collaborate, but it is recommended that the principle of subsidiarity should obtain, with ultimate decision making resting with executing agencies.

The consequence of these proposals is that executing agencies should manage all procurement directly, including ICB procurement, and that they should hire the necessary capacity to manage this. PSCAP specifically makes provision for this in its procedures. The role of MCB and BCBs should consequently shift towards providing a procurement support function to executing agencies, and only in instances where executing agencies do not have the requisite capacity, should BCBs and MCB manage procurement directly.

The PSCAP procurement procedures require that specifications and tender documents for ICB procurement, and for the first tender done under NCB procurement, are approved by the World Bank. This means that there are at least two decision making steps that require the flow of communication between executing agencies, BCBs, MCB and the World Bank. Most executing agencies were of the opinion that there is little value added by the intermediate bodies in the decision making process. It is recommended that in reaching agreement on the final documentation, and in obtaining no objection letters on procurement, direct communication between executing agencies and the World Bank should be allowed.

The scrapping of the bulking up process will significantly reduce the value and scale of many of the tenders. There has also been a significant improvement in the system of financial controls in executing agencies since the inception of PSCAP (see section under expenditure management). In order to further expedite the procurement system, it is recommended that the cut-offs for procurement are reconsidered, along the following lines:

- Up to \$150 000 for national shopping
- \$150 000 - \$500 000 for NCB
- Above \$500 000 for ICB.

A further measure to expedite procurement is the development of a pre-approved list of consultants and service providers. This has apparently been previously discussed and agreed within PSCAP, but not implemented. Many of the consultant and service provider services in PSCAP are of a similar nature, will skill sets required in a number of discrete areas. It is recommended that MCB and the World Bank collaborate around the development of a general tender, which aims to generate a list of consultants and service providers in commonly used areas. This list should then be made available to all executing agencies, and they should be given the option of drawing from this list as an alternative to initiating their own procurement processes.

10.5. Expenditure management

The level of under-expenditure in PSCAP is a serious problem, and a concerted effort is required from all institutions in order to address delays. However it is also anticipated that under-expenditure will continue to be a problem for the least capacitated executing agencies for the next few years. This does pose a challenge to MOFED and BOFEDs in managing the overall expenditure of the programme, and as recommended earlier, reallocation between agencies and regions for cash management purposes will be required. It is recommended that MOFED and BOFEDs also allow annual roll-overs on a temporary basis for procurement that has already been initiated but not yet contractually finalised.

The accounting issues identified in previous audit reports need to be urgently acted upon by all executing agencies, MCB, BCBs, MOFED and BOFEDs. The consolidation of the financial reports from the main financial areas must be done on the basis of double entry accounting. While the practice of treating payments for one month after the end of a budget year as being of that budget year is allowed in terms of the financial regulations, this system is not recommended for projects where financial statements are required for donors or lenders.

In regions it is important that BOFEDs ensure familiarity with PSCAP procedures – this appeared to be a problem delaying payments in some regions.

Due to the IDA restriction on funding the 3Ps (police, prosecutors and prisons), there have been a number of instances in which these functions did not receive adequate PSCAP support. This has resulted in unevenness of capacity building activities between the different components of the criminal justice system. It is important that the criminal justice system is viewed as an integrated system, and that each of its components should have the necessary capacity to perform its functions. The agreements reached between government and donors regarding the funding of the 3Ps (police, prosecutors and prisons) are a sound basis for ensuring that they are adequately funded. It is therefore recommended that these agreements are implemented.

There have also been a number of instances in which executing agencies have indicated that their training budgets have been exhausted, and that they have been unable to shift funds from areas such as consultants and goods, where spending has been low. It appears that there is no formal decision

within PSCAP that imposes such a restriction, and that executing agencies are free to shift funds between these categories. It is therefore recommended that all executing agencies are informed that they are allowed flexibility in the allocations between training, consultants and goods.

Lastly it is recommended that the “negative list” is reviewed in certain critical areas. One example has been the lack of transport for BCBs in less developed regions, which has severely restricted their ability to interact with woredas across the region. The restriction on motor vehicles is apparently a decision of the federal government, and not of the World Bank. While the original motivation for the restriction is valid in most instances, it is recommended that it is relaxed in relation to BCBs and executing agencies where travel to remote areas is essential.

10.6. Monitoring and evaluation

Monitoring and evaluation is the weakest aspect of the overall PSCAP programme, but it is nevertheless central to the capacity building process. Only by generating information about the activities, outputs and outcomes of PSCAP and systematically evaluating it will it be possible to learn about successes and mistakes, correctly target interventions, and sustain the momentum of the programme.

There is a systematic process of activity monitoring taking place, within regional and federal PPDs. Coordinators have been appointed for this purpose at each level. However the Minister of Capacity Building indicated that in his opinion inadequate information was provided to decision makers to enable effective leadership of the transformation process.

The evaluation team are sympathetic to the difficulties of providing fairly technical information in a second language, and appreciate that submission of programme reports in English is not straightforward. However, it believes that activity and progress reports can be made more legible and consistent, and that more effort should be put into this. A strong foundation of easy-to-understand information, arranged logically against MMAs and programme targets, will not only improve decision-making on PSCAP, but also create the base for better outcome evaluations.

A large amount of discussion has already taken place on this aspect within PSCAP, training of PSCAP coordinators and PPD has taken place and a manual has been produced. The key issue that emerges is the need to institutionalise M&E as a core government function, and to professionalise it. The M&E experts that have been appointed need to expand their monitoring activities from activities to outputs (initially) and then to outcomes. It appears that the complexity of the overall M&E system has also overwhelmed the appointed staff. In order to demystify this it can initially be focused on simple outcome indicators e.g. processing time for certain government decision making functions, and over time expanded to more complex indicators such as measuring community participation.

In addition to the institutionalised M&E activities, it is recommended that on an annual basis the programme should commission studies into key areas of concern in order to deepen the evaluation exercise. It is also suggest that the MCB convenes an annual evaluation workshop with all sub-programmes and regions, and evaluates progress based on outcome indicators.

The woreda city benchmarking exercise has been a useful exercise to generate initial information on local government performance however it is driven and funded by the JWG and not owned by GoE. Local Government performance monitoring is an essential function of the regions – either their BOFEDS or an agency/bureau responsible for local government. It is therefore recommended that the woreda city benchmarking exercise be institutionalised at regional level and that the JWG

support this process. Whilst selective surveys have a place in evaluation it is recommended that a core set of performance data set against minimum standards is derived from institutionalised woreda annual performance review meetings.

In line with the refocusing of the functions of MCB and BCBs, it is important that they lead government in the areas of M&E, and use this as the main mechanism through which they add value to the work of sub-programmes and regions.

10.7. Information, education and communication

There is no systematic IEC strategy being implemented by any of the sub-programmes or regions, let alone for the programme as a whole. Communication and media strategies are key to empowering communities about the reform process, and disseminating lessons and best practices that are emerging from PSCAP. It is a second critical gap in the work of MCB and BCBs in the programme.

As with M&E, this area has been commented on extensively, and a manual has been produced. It is important to institutionalise IEC as a core government function, and to professionalise it. The MCB and BCBs need to appoint IEC experts who work systematically on this area.

In line with the refocusing of the functions of MCB and BCBs, it is important that they lead government in the area of IEC, and add value to the work of sub-programmes and regions through this area.

10.8. Institutional arrangements for PSCAP

The above proposals have certain implications for the institutional arrangements of PSCAP. Firstly, it is essential that government maintains the high level leadership of transformation agenda, which has been so crucial for the successes to date. This leadership role needs to be also addressed at the management level, and more attention is given to this in the following section.

The role of executing agencies at federal and regional level needs to change, with each executing agency taking responsibility for implementing their components of the programme. This delegation or decentralisation of authority should be seen as part of the capacity building process, with executing agencies learning through managing the core elements of programme management. This means that each executing agency will take charge of

- preparing their annual plan on the basis of the medium term plan and budget guidelines;
- making sure that the elements of the procurement plan are integrated into the annual plan;
- preparing a draft PPA and submitting it to MCB timeously, and in regions, making inputs into the draft PPA to be signed between BCB and MCB for the region;
- initiating procurement procedures promptly, by preparing specifications and forwarding these to MCB and the World Bank for approval;
- conducting the tender process and forwarding the final documents to MCB and World Bank for approval prior to finalising the contract;
- reporting on programme activities and outputs to BCB and MCB on a regular basis.

Each sub-programme at federal and regional level should be managed by a clearly designated full time coordinator who is able to devote the majority of their time to management of the sub-programme. Within sub-programmes it may be possible to identify beneficiary organisations which also have the capacity to become executing agencies for the programme, for example the legislatures, the police commission or the Auditor General's Office. This means that there could be

a multiplicity of executing agencies, under the coordination of the various sub-programme coordinators.

The role of PPDs at federal and regional level also needs to change, moving towards a support function for executing agencies in exercising their own responsibilities. In addition they need to focus on their core functions of planning, facilitation, M&E, and lesson sharing (IEC). This means that they need to play more of a strategic and facilitation role, and less of a direct implementation role. In performing these functions, MCB and BCBs sit at the centre of the PSCAP programme. Their capacity is critical to provide strategic leadership and change management, and these institutions need to be the most capacitated. The level of staffing in PPDs in these institutions needs urgent attention.

It is vital that MCB and BCBs establish better coordination with MOFED and BOFEDs, who are central partners in managing the overall programme. MOFED and BOFEDs should take full responsibility for managing the financial aspects of the programme. This includes:

- in consultation with donors and IDA, MOFED should determine the annual financial contributions by the parties for each year of PSCAP – this determination needs to be reviewed annually, by December of the year before the next financial year;
- MOFED should set indicative multi-year budget ceilings for the programme in January of each year, in consultation with MCB, and circulate these to all executing agencies – these indicative allocations should include a breakdown of the regional allocations per sub-programme;
- MOFED and BOFED must run the PSCAP budget process in line with the overall government budget process, and before the start of the financial year, make final budget allocations, and notify all executing agencies of this;
- MOFED and BOFEDs must have the mandate to manage the overall cash flow of the programme by reallocating funds between sub-programmes and regions, while retaining the overall medium term expenditure envelope.
- The process of transferring and replenishing funds needs to be managed by MOFED and BOFEDs in the most expeditious manner, either through SOEs or the FMR system.

The role of the FTT and RTTs remains important for the overall coordination of the programme. These structures do not substitute for the higher level political coordination structures that have been established, but serve to complement them by attending to the management of the PSCAP programme. The role of the FTT and RTTs is to coordinate and integrate PSCAP planning, budgeting, activities, M&E and IEC. In order to make these structures effective, it is proposed that the coordination of PSCAP at a federal level and in the region needs to be undertaken at a senior level, i.e. that it is led by a State Minister at federal level, and by the BCB Bureau head at regional level. The FTT and RTTs should be comprised of State Ministers or Bureau heads responsible for sub-programmes. The FTT and RTTs need to meet on a regular basis to coordinate the PSCAP planning and budgeting process, to integrate and sequence reform initiatives, to share lessons, and plan monitoring and evaluation.

10.9. Leadership

The evaluation team suggest that an investment be made in developing effective and aligned teams at all levels. These teams should break silos and manage beyond just the meeting of administrative requirements. They should be dedicated and committed cadres of the reform programme; skilled, equipped, resourced and even incentivised to make sure that the reform programme succeeds. Exercises should be commissioned to ensure that these teams are aligned and drive to a common vision. The sessions should include dealing with intra and interpersonal skills and understanding

among the team members. Once this is done teams can be encouraged to agree on a set of leadership behaviours and use these to hold each other accountable. Finally through encouraging openness and frank debates on burning issues these teams can be advised to agree on a behaviours charter, which could be used as part of performance rating in a performance management system linked to rewards and incentives.

The leadership of PSCAP within government needs to be enhanced through building the capacity of MCB to perform its functions. As indicated earlier, there is a need for a Minister of State in MCB to handle the day to day political and technical leadership of the programme.

10.10. Incentive environment for public servants

The issue of civil service remuneration and improvements in terms and conditions largely falls outside the reach of PSCAP, although it is a critical external factor influencing its performance and impact.

Within the programme's scope, the following actions should be considered to improve the incentive environment for public servants, improve recruitment and retention of key skilled staff:

- Accelerate the initiation of performance evaluation, and the balanced score card system, with a clear link to reward. ROPE and BSC must be introduced carefully, based on a sound institutional framework and clear understanding among those managers and staff affected by the new systems. Particular attention must be paid to ensuring that any system of performance-related reward must be operated, not just designed, in a manner that is equitable, transparent and objective.
- Encourage local schemes to reward exemplary performance. Local sub-regional governments could consider introducing schemes with awards for best practice and good service, at individual and team levels. Such schemes should be instituted on a regular basis (say, annually) and must be applied consistently. Awards could take the form of monetary or other material forms, and should be accompanied by public ceremonies to maximise publicity, role model impact and help generate a healthy spirit of competition.

10.11. Training

As highlighted in section 10.9 the first half of PSCAP inevitably required a focus on centrally driven mass training to build awareness and get basic systems in place. A good deal of this will need to continue, however, during the remainder of PSCAP. It is recommended that the view of capacity be enlarged, putting greater emphasis on empowerment of organisations to respond more independently to development challenges, to self reflect, to become self learning and to relate to others as coherent legitimate entities (Morgan, 2006). To develop such capacity much greater attention should be given to needs based, demand driven responsive type approaches based more on learning by doing. These could include:

- Establishment of Woreda or local government Support Units (WSUs) to provide 'on-the-job' support for planning, public financial management etc., along the lines of the WSUs recently found to have been successful in Oromia (DSA, 2007);
- Facilitation of analysis of capacity building need in local organisations themselves followed by the development of their own capacity building plans;
- Action learning facilitated through provision of capital grants and greater devolved responsibility for utilisation of the block grant for service delivery;
- The creation of capacity building grants managed by woredas and local governments themselves.

Training should become more focused, responsive, experiential and immediately applicable in action. It will require the design of tailor made courses. There should also be much greater training follow up to ensure the full utilisation.

Much more attention also needs to be given to evaluation of training and capacity building methodologies as a motor of learning. For new training courses, evaluation indicators should clearly be identified at the design stage.

In addition to routine evaluations, it is suggested that an in depth analysis of training impact be undertaken during the remaining two years of PSCAP to provide lessons for any extension of the programme.

10.12. Operationalising good governance package through local initiative

The Good Governance Packages (MCB, 2006) describe the transformational governance agenda of the government. They are a comprehensive and strategic response to the issues and complaints raised by the people after the last national elections. The packages enunciate 8 key principles of good governance (participation, consensus, responsiveness, transparency, accountability, fairness, rule of law, efficiency and effectiveness), analyse past failures and propose detailed solutions. Some of these solutions have legislative implications while others focus on initiating new programmes of action.

In addition to massive awareness training or education, the core approach for implementing solutions is based on the concepts of:

- Demonstration using model individuals, farmers, villages etc.
- Constant participation i.e. action learning especially at the village and kebele levels.

The Good Governance Packages have significant implications for PSCAP, especially the DLDP and UMCCBP sub programmes, as they provide the EPRDF vision on core values and solutions to governance challenges. We recommend therefore that the packages are not treated in isolation or simply tagged on to existing programmes, but rather integrated with the sub programmes. This is largely already the case with the National Urban Development Good Governance Package, but not so in relation to the Woreda/Kebele Good Governance package, which has simply become a priority component within DLDP.

DLDP at both federal and regional level needs to undertake a careful analysis of the Woreda Good Governance Package to identify core elements which specifically relate to local government policy, vision, structure, composition, planning, monitoring, proceedings, finance, human resources, regulation, support and participation. Where there are areas of inconsistency with current (or developing) local government legislation and operational structures or systems, there needs to be discussion and resolution. The aim should be coherent decentralisation and local government policy, clear legislation and effective operational systems.

10.13. Building institutions that protect democracy

The GOE has established a number of institutions that are important for building accountability, preventing corruption and protecting democracy. The efforts of PSCAP to build the capacity of these institutions over the next period need to be intensified. The following is recommended as a means of enhancing existing relations between the state and these institutions.

The Law-making Organs (Legislatures) are all bodies of the state assigned the responsibility to make laws and policies. Through the CSRP PSCAP has undertaken training and capacity building exercises targeting legislatures. The legislatures should be empowered to keep the executives and the administrations accountable. PSCAP support should be extended to their caucuses, which need to be empowered to effectively deal with debates in various chambers.

The independence of the Judiciary, the Police the Prisons and Prosecutions should be strengthened. The notion that no one is above the law should be upheld. These bodies have to ensure the rule of law and justice, and build the courts as the first point of recourse for the management of disputes and conflict.

Oversight and regulatory Institutions are critical in keeping government and legislatures under scrutiny. They are created by the state as specialised entities with expertise and information that allows them to protect ideals enshrined in the constitution of the country. The more the civil service is formed, entrenched and decentralised, the greater will be the demands placed on such structures. They also promote conflict management and dispute resolution, and can play a regulatory function. Functional areas in which the state is a monopoly require independent regulation to ensure quality and value for money for users and customers.

Most commentators have raised concerns that the Ethiopian Universities and Institutions of higher learning may not be geared to meet the new challenges of transformation. The Ethiopian Civil Service College and Ethiopian Management Institute are strengthening their capacity, adjusting their current courses and services to meet the needs of civil service reform, and exploring the design and provision of new modules; they need to be assisted in providing more. The curricula and teaching methods need to be reviewed. New faculties and disciplines may need to be introduced to create a sufficient supply of skills appropriate to the transformation challenges.

The media should be encouraged to be independent, balanced in its reporting and objective. The different platforms of media practitioners need to be established and supported, including the editors' forums and press clubs. Government regulation of the media should be independent, and an independent regulator is proposed that will oversee the issuing of operating licenses and the exercise of "media freedoms". Broadcasting complaints commissions and similar structures should also be considered.

Within organised civil society, community based organisations should be encouraged to as an essential part of building local democracy and participation. There are various sector formations concentrating on women and youth and children issues, business and trade, etc. Capacity should be built around basic issues such as the development of constitutions and membership based systems. Organisation of particular relevance include cooperative's, social housing associations or property owners' associations, driven by motives such as economies of scale and lobbying power to gain maximum returns for communities and their members.

Professional associations and institutes are mostly membership bodies representing the interests of professionals in various industries and sections of the economy. Civil society should encourage the establishment of such bodies, as they can be depositories of good practice, knowledge and information. Such institutions can influence the development of training curriculum, materials and the setting of operational norms and standards.

The municipal associations can also double up as representative and lobby groups representing the interests of member councils on a variety of policy issues at both regional and federal levels. They could provide knowledge sharing and peer review opportunities for member councils. Addis

Ababa, Dire Dawa and Harari as well as the capitals of the regions and major towns may want to consider a special chamber or chapter within the broader bodies. The municipal associations should seek affiliation with continental and international bodies such as the United Local Governments Association of Africa (ULGA).

10.14. Aligning PSCAP with PBS and Local Investment Grant (LIG)

PBS and LIG are large important initiatives which have great potential to act synergistically with PSCAP by stimulating capacity development through action learning. The success of PBS and LIG is dependent on adequate capacity for planning, service delivery, expenditure management, and accountability, whilst PSCAP is now in need of action learning opportunities to enhance the capacity building process.

PBS provides funding for basic services at sub-national levels by augmenting the existing block grant transfers from regions to local governments. PBS resources enable improvements in service coverage and quality for education, health, agriculture and water and sanitation. PBS also involves timely and detailed reporting on the use of resources, explicit monitoring and oversight of the fairness of the transfers, monitoring of service delivery results at sub-national level and the introduction of measures to reinforce and enhance local accountability.

PBS is therefore a key catalyst for empowerment and ensuring that resources are allocated according to the plans and priorities of the people. It also promotes fair and accountable delivery of resources, promotion of budget transparency at local levels, enhanced civic engagement in local budgeting and service delivery decisions and a common approach to monitoring and evaluation of service provision. The PBS is designed as a multi-sector SWAP co-financed by numerous development partners. It is completing its first 2 year phase at the end of EY 2000 but is expected to be extended for a further period.

The LIG objective is to introduce a performance-based grant for capital expenditure at the local level. LIG will pilot this objective through a start-up phase including training and completion of annual planning activities at the woreda level. Disbursements to woredas will commence following this in the next fiscal year starting July 8, 2008. The pilot will cover two years of capital investment (EFY 2001 and EFY 2002). A national LIG programme should follow a successful implementation of the Pilot LIG.

Regions eligible to participate in the pilot programme will be those that have adequately implemented the reforms under the EMCP i.e. Amhara, Benishangul-Gumuz, Oromia, SNNPR, and Tigray. Approximately 50 woredas will be selected on a random basis in order to maximize the learning opportunities. They will share US\$ 20 million for the first year of the pilot. Allocations will be based on the block grant formula as of EFY 2000.

MCB will be responsible for the development and provision of appropriate training, manuals, and guidelines. Prior to disbursement, a training programme will be delivered to all pilot woredas including (i) LIG design and financial management, (ii) planning and budgeting (based on improved DLDP Manual), (iii) procurement (based on EMCP procurement manual), and (iv) environmental screening and resettlement.

LIG will be treated as a Special Purpose Grant, and proclaimed at the Federal level under “subsidy to regions”. No separate bank accounts will be created at federal, regional or woreda level for LIG funds. Consolidated Treasury accounts at these levels will be used for this purpose. Reporting requirements will build on the existing obligations under PBS. BOFEDs will have the responsibility

to report to MOFED on disbursement data, from BOFED to WOFED on expenditure data, by pilot woreda and eligible sector (health, education, water, agriculture, and roads) for all woreda capital expenditure. MOFED will develop financial management guidelines to provide detailed guidance to implementers.

The evaluation team recommends that consideration be given to aligning or integrating PBS/LIG with PSCAP in support of decentralised service delivery and good governance utilising both unconditional and special purpose grant mechanisms. PBS and LIG already have overlaps with PSCAP e.g. in terms of planning, budgeting and financial management procedures being promoted by the EMCP, DLDP and UMCBP sub-programmes. This would mean that selected local governments would have:

- An unconditional block grant for recurrent expenditure and operational service delivery (through PBS) and any other purpose (including capital expenditure)
- A capital development specific purpose grant (LIG)
- A capacity building specific purpose grant (PSCAP).

All capacity building activities identified and managed by local governments would be financed from their capacity building grant. The regional level elements of PSCAP sub-programmes – facilitation, frameworks, manuals and supply driven training elements of CRSP, TSRP, JSRP, EMCP, DLDP, ICT and UMCBP should be financed directly from the regional budget with co-ordination by BCB. Specifically:

- By July next year PSCAP should be ready to support the LIG pilot;
- Over the medium term PSCAP should be transformed into a specific purpose CB grant operating through a budget support mechanism to the federal level, regions and local governments;
- On basis of pilot outcomes, PSCAP and PBS should participate in a planning process towards full integration.

10.15. Facilitating implementation with Technical Assistance

At the time of PSCAP preparation, several bilateral agencies were already providing capacity building support to the Government's PSCAP Reform agenda. It was agreed (World Bank, 2004) that these initiatives either be phased down in favour of pooling of resources and government procurement of technical assistance, or they should be as closely integrated with PSCAP plans as possible. It was also envisaged that PSCAP should be viewed as a "learning by doing" process in itself, with lessons from evaluation and review fed back into the design of regional and federal capacity building plans. Most bilateral technical assistance initiatives have since closed down and the lack of M&E on programme content has limited the extent of best practice learning.

The difficulties associated with procurement and quality of consultants have also meant that there are few opportunities for executing agencies to gain exposure to the latest international best practice or advice to enrich their legislation, manuals and training materials. In several regions the evaluation team found sub-programmes and executing agencies which were desperate for support and advice, but felt almost helpless about how to obtain it. The PPDs who are supposed to have a strategic outlook and advise the programme are almost entirely bogged down in administration, planning and procurement.

The Joint Government-Donor PSACP Working Group has sought to respond to this situation by proposing a special donor trust fund facility to provide additional technical assistance resources for specific training, technical assistance, analytical work and special events e.g. knowledge sharing (JWG 2007). There is concern that this could become a parallel project support unit to the PPD and

so it is presently used in an ad hoc manner to address specific issues raised during Joint Supervision Missions.

The evaluation team recommends that:

- There is need to bring more best practice experience into the content of PSCAP;
- Agencies providing relevant bilateral support be co-ordinated and encouraged to work closely with PSCAP sub-programmes without undermining them;
- The proposed multi-donor facility provide for ad hoc responsive technical assistance that cannot readily be institutionalised within the regional or federal government systems and that does not undermine the role of the PPDs;
- The Woreda City Benchmarking Survey should be institutionalised through appropriate regional level bureaux rather than be directly run by the JWG;
- The PPDs themselves be freed up to promote the technical content of sub programmes rather than be dominated by administration and procurement.

10.16. Cross-cutting issues

PSCAP must continue its current commitment on inclusion of HIV/AIDS as a focus for mainstreaming within programme activities, and should also consider additional refinement and targeting of its interventions. Such additions could include:

- Directing extra resources to woredas and urban administrations in HIV/AIDS ‘hotspots’, such as areas of high mobility and transit routes, cross-border districts, cash crop and seasonal worker areas, and resettlement areas
- Closer engagement with civil society structures and networks (including HIV/AIDS clubs, PLWHA groups and NGOs) to ensure coordination of effort and avoidance of duplication
- An additional focus on HIV/AIDS vulnerable groups within the civil service (for example, teachers, who carry a disproportionately high level of HIV/AIDS-associated deaths)

PSCAP should maintain its focus on gender mainstreaming within programme activities, but increase attention to measuring the impact on the delivery of services to women, and the professional lives of women within the civil service. More emphasis needs to be placed on the collection of longitudinal data on programme activities in this respect, and to its corresponding analysis. An objective of the programme should be to support an increase of women in senior representative managerial and professional echelons within the civil service and legislative structures. Suggested activities for consideration include the following:

- Development of ‘fast-track’ career paths and professional training for current women managers and experts, and women with potential to take on these roles
- Additional support given for longer-term, in-service professional development for women
- Expanding the provision of women-only training courses in targeted areas
- Evaluate the current participation ‘quotas’ for women in PSCAP training activities to check validity and impact
- Commission specialist impact evaluations of PSCAP-supported activities for their specific effects on the lives and experiences of women. Independent agencies or specialists, including those drawn from civil society organisations, are an ideal source of expertise for this purpose.

In relation to the environment, the majority of sub-programmes are not able to easily identify ways to address environmental issues. This means that the areas in which a targeted intervention could have a significant impact are overlooked. It is therefore recommended that a country wide environmental assessment is done, possibly linked the development of GIS databases for regional planning purposes. The purpose of the assessment is to identify key environmental issues that are of

relevance for each woreda, and to feed these issues in to the woreda strategic plans. The main area of intervention should then be to integrate issues relating to the environment and natural resources into woreda planning. At the same time it is suggested that PSCAP specifically targets support for capacity building to the Environment Protection Agency, so that it is better able to continue to support regional and woreda level initiatives to protect the environment.

10.17. Amendments to PIP, DCA and MOU

The above recommendations, if accepted, will require certain amendments to be made to the Programme Implementation Plan (PIP), as well as the DCA and the MOU. The mid-term review of the programme, which is scheduled to take place at the end of 2007, will consider the recommendations of the mid-term evaluation, and decide which recommendations of the mid-term evaluation will be taken on board as part of the mid-term review.

The following section indicates the changes that will be required to the PIP if all the recommendations made above are accepted.

In Section 1: Programme Overview it is recommended that the high level KPIs are adjusted to make them more specific and measurable. The suggested changes are highlighted below.

Expected impact on ‘institutional quality’	Contributing PSCAP Sub-programmes
<p>1. Increased predictability and adequacy of financial resources flows (in-year and across years)</p> <ul style="list-style-type: none"> Reduced budget variance at federal, regional and woreda level Establishment of medium term strategic and budget planning at federal, regional and woreda level 	<p>Civil Service Reform Expenditure Management Reform Tax Systems Reform</p>
<p>2. Greater inclusiveness and transparency of planning and prioritisation processes</p> <ul style="list-style-type: none"> Established practice of participatory budgeting and public reporting on budgets and performance at all levels Regular involvement of civil society in planning and policymaking, budgeting, and review processes 	<p>Civil Service Reform Expenditure Management Reform District-Level Decentralisation Urban Management Capacity Building Tax Systems Reform</p>
<p>3. Enhanced revenue performance and fiscal autonomy</p> <ul style="list-style-type: none"> Increased own revenues, unconditional transfers and capital budget as a share of total expenditures at sub-national levels Increased tax effort (revenue growth minus actual GDP growth) for main tax categories at federal, regional and woreda level Reduced variance in revenue budget at federal, regional and woreda level 	<p>District-Level Decentralisation Expenditure Management Reform Urban Management Capacity Building Tax Systems Reform ICT</p>
<p>4. Enhanced incentive environment for public servants (gender disaggregated)</p> <ul style="list-style-type: none"> The extent to which performance evaluation and reward has been introduced across the civil service A comparison between consolidated civil service 	<p>Civil Service Reform District-Level Decentralisation Urban Management Capacity Building</p>

Expected impact on ‘institutional quality’	Contributing PSCAP Sub-programmes
<p>employment packages (pay, terms and conditions, leave entitlement, allowances etc) and those in other sectors</p> <ul style="list-style-type: none"> Recruitment and retention of categories of staff with specific skills and experience 	
<p>5. Improved quality and efficiency of operations</p> <ul style="list-style-type: none"> Improved service levels in terms of access, responsiveness and cost efficiency in priority sectors Reduced unit costs and processing time for essential rural, urban, social, and legal services in priority sectors 	All Sub-programmes
<p>6. Improved transparency and accountability</p> <ul style="list-style-type: none"> % Increase in the number of successful prosecutions against corrupted officials, broken down as Top Management, Middle and Other Within the Judiciary, % Decrease in case management backlogs, and % Decrease in appeals On Information, Number of Hits on government websites, and Number of calls made to call centres Number of enquiries recorded at information desks 	All Sub-programmes

The indicators for “Enhanced incentive environment for public servants (gender disaggregated)” previously included:

- Increased average civil service salary as percentage of living wage
- Private-public wage comparison
- Wage decompression ratios

The relationship between this Outcome indicator and the PSCAP programme is weak, in comparison to the other measures of impacts on institutional quality. Section 7.4.1 in the PIP (Outcome Indicators, p 56) alludes to this, by referring to outcomes that depend on factors *outside the control of the programme*, such as policy changes or government action. The improvement in the incentive environment for public servants largely falls into this category.

The reference in the PIP Section One (Table on Key Performance Indicators, p5) that there are three contributing PSCAP sub-programmes that would assist in achieving the objective of an improved incentive environment therefore appears to be illogical. Average public sector pay and conditions of service seem unlikely at this stage to be greatly affected by activities within the sub-programmes identified – the CSRP, DLDP and UMCBP.

There may be some value in conducting a separate assessment on an annual basis using the three current measures. It should provide useful background information to inform the context of PSCAP, and provide a statistical insight into the labour market.

Assuming that the incentive environment for public servants is still considered important as an impact indicator, then consideration should be given to developing a more specific set of measures that bear a more direct relationship to PSCAP sub-programmes. For example, these could draw on the following areas:

- The extent to which performance evaluation and reward has been introduced across the civil service
- A comparison between consolidated civil service employment packages (pay, terms and conditions, leave entitlement, allowances etc) and those in other sectors
- Recruitment and retention of categories of staff with specific skills and experience

In Section 2: Programme Description, the Expenditure Management Capacity Programme should be added as a seventh sub-programme separate from CSRP. Table 2.2 which estimates the cost of the programme, and the commitments from IDA, government and donors, should be updated in line with the latest discussions on the financing of the programme.

In Section 3: Institutional Arrangements the following changes are suggested:

- Under 3.1.1 Ministry of Capacity Building, it is recommended that a State Minister chairs the FTT. The role of the FTT should be focused on updating the five year plan for PSCAP, rather than reviewing annual plans of implementing agencies. It is also proposed that the role of FTT in recommending reallocations is abolished, along with the roles of “providing quality control and reviewing outputs produced by consultants prior to approving payment” and “defining equipment specification and undertaking acceptance tests of equipment procured”. These latter roles are the responsibilities of executing agencies.
- Also under 3.1.1 Ministry of Capacity Building, it is recommended that the institutional structure for the PPD should be amended to reflect the outcomes of their BPR process. The roles specified for the Budget and Finance Directorate in respect of procurement should be amended to reflect their new role as a support unit to executing agencies, who will in future manage all procurement processes themselves.
- Under 3.1.2 MOFED the role of recommending mid-year and annual reallocations of five-year drawing rights should be amended to read “recommending mid-year and annual reallocations for cash management purposes, while retaining the overall multi-year budget envelope”.
- Under 3.1.3 Federal Sub-programme Offices and Executing Agencies, the roles of each executing agency should be amended to explicitly include international procurement of goods.
- Under 3.1.4 Other Eligible Beneficiary Institutions at the Federal Level, the option should be created for some additional agencies to be designated as executing agencies, and given procurement responsibilities.
- Under 3.2.1 the Bureaux of Capacity Building should have the function of procurement support, while the actual procurement should be performed by executing agencies at regional level. The Procurement Desks in PPDs should be renamed Procurement Support Units. The BCB’s planning role should shift to coordinating the annual plans of regional executing agencies in line the updated 5 year medium term plan.
- A new section 3.2.3 should be inserted entitled Regional Sub-programme Offices and Executing Agencies, with full responsibility for programme implementation relating to the sub-programme in the region, including international procurement of goods.
- Under the current 3.2.3 Other Eligible Beneficiary Institutions at Regional and Local Level, it is recommended that at least three woredas in each region are designated as executing agencies on a pilot basis.
- Under 3.3 Joint Government-donor Coordination and Review Mechanism the review of plans should be restricted to the updated five year plan, and not annual plans of executing agencies. Specific reference should be made to the task of finalising medium term funding commitments by December of the year preceding the next financial year.

In Section 4: Resource Allocation and Management the following changes are proposed:

- Under 4.1 Specific Purpose Federal Programme the reference to reallocation from high performers to low performers should be deleted. The establishment of a medium term “resource

ceiling” for PSCAP should take place despite the lack of such a system more broadly for the budget process.

- Under 4.3 Rules of Access the reference to procurement plans should be amended to reflect that these are elements of the annual action plan and PPA.
- Under 4.5 Fiscal Framework: Projecting and Dividing PSCAP Resources Over the Medium Term the medium term indicative planning figures should include a division between regional sub-programmes. Under 4.5.2 the horizontal split of the regional PSCAP component into five year drawing rights should be explicitly based on the updated five year plan.
- Under 4.7 Budgeting Process it should be clear that MCB makes its annual budget proposal based on the updated five year plan. Section 4.7.2 needs to be completely rewritten to reflect that executing agencies will draw up their annual plans based on the updated five year plan, that these plans will be tabled for discussion but not approval at the relevant FTT or RTT, and that the only step requiring approval from MCB and the World Bank is the submission of the PPA, which must be signed before the start of the financial year. Section 4.7.3 should be rewritten to indicate that the updated five year plans will be submitted to Cabinets at federal and regional level, but that Cabinet approval for annual plans is not required. Budgets will be approved according to the existing procedures for the overall budget process.
- Under 4.8 the decision on moving across to FMR should be reflected.
- Section 4.9 Reallocation and Section 4.10 Supplemental Budget and High Performers should be deleted in their entirety.

In Section 5: Financial Management the changes that are required are to:

- Section 5.3.4, which should reflect the shift to the FMR reporting system, and which should be amended to indicate that funds can flow once the PPA is signed, not once the annual plan is approved.
- Section 5.5 on Auditing, which should explicitly indicate that audit reports will be circulated to all executing agencies for their attention and response. Audit reports should also be reviewed by the relevant Standing Committees of Parliament, and the various agencies implicated in the report called to account for deficiencies in financial management and control.

In Section 6: Procurement Management the following changes are recommended:

- Under 6.1 Procurement Management and Operations the document should be amended to reflect the delegation of responsibility for all procurement to executing agencies, and the move of MCB and BCBs towards a procurement support function.
- Section 6.2 should be updated to reflect the new GOE procurement policies.
- Section 6.3.1 Procurement Planning should be amended to indicate that the action plans and PPAs will indicate how procurement of the different items will be done.
- Section 6.3.3 Organisation of the Supply Side of Training under PSCAP should be amended to lift the cut-off for IDA no objection letters to \$200 000. The reference to bulking up generic training contracts should be deleted. The section should also indicate that a pre-approved list of training providers will be prepared by IDA in consultation with MCB, and made available to all executing agencies.
- Section 6.3.5 Procedures and Methods should be amended to increase the cut-off for local shopping as US\$150,000, the cut-off for NCB as US\$500,000, and ICB for all procurement above US\$500,000.
- Section 6.3.7 Procedures for Selection of Consultants should indicate that a pre-approved list of consultants will be prepared by IDA in consultation with MCB, and made available to all executing agencies.
- Section 6.3.8 should be amended in line with the changes in 6.3.3 above.

Section 7: Monitoring and Evaluation should be amended to reflect that each executing agency will take responsibility for monitoring and evaluation of its activities and outputs, with PPDs playing an overall coordination and support function. It should also reflect the need for institutionalised performance monitoring of local governments by regions.

Section 8: Information, Education and Communication should be simplified. The IEC cycle is over complex and too theoretical for the people who have to implement it., and should be inserted as a recommendation only. The main task is for executing agencies to disseminate and share best practice emerging from the reforms, and to talk about the reform process and progress, as well as issues and problems with the public and interest groups. There should be a specific activity on IEC, with technical support, to the regions.

The programme outcome indicators in annex 1 should be amended in line with the proposals at the beginning of this section. The suggested changes to the output indicators in annex 1 are highlighted below:

Output from each Component:	Output Indicators:	Project reports:
1. Legal and policy framework across sectors strengthened	1.1 Law reform and revision undertaken and adopted at federal level 1.2 audit of municipalities exercising X % of proclaimed policies and assignments 1.3 No of registered tax payers as a percentage of the total tax base 1.4 No of regions with Woreda decentralisation policy and legal framework in place and being operated.	1.1 Negarit Gazettea and other relevant Government circulars and legislation 1.2 Financial Management Reports 1.3 IFAs 1.4 IGR 1.5 Annual review mission reports
2. Restructuring and performance improvement	2.1 Percentage of MABs (at federal and in each region) initiating restructuring and performance improvement 2.2 Percentage of woredas and municipalities undergoing restructuring based on their own analyses and BPRs 2.3 Percentage of courts at each level initiating performance improvement 2.4 No. of regions adopting sector-specific automated IT solutions	2.1 Quarterly progress reports 2.2 Financial Management Reports (or FMRs) 2.3 IFAs 2.4 IGR 2.5 Annual review mission reports

Output from each Component:	Output Indicators:	Project reports:
3. Expenditure management systems reform	<p>3.1 Variance in composition of primary expenditures at regional and federal level</p> <p>3.2 Extra-budgetary expenditure as % of total expenditure at federal and regional level</p> <p>3.3 No. of regions adopting double entry, modified cash systems at all levels</p> <p>3.4 Percentage of budgetary institutions each level adopting cash management directives</p> <p>3.5 Percentage of budgetary institutions at each level rolling out automated financial systems</p> <p>3.6 Procurement legislation adopted and directives issued</p> <p>3.7 Time taken to submit annual financial statements to AGO for federal and regional agencies</p> <p>3.8 Percentage of budgetary institutions preparing standardized internal audit reports</p>	<p>3.1 Quarterly progress reports</p> <p>3.2 Financial Management Reports (or FMRs)</p> <p>3.3 IFAs</p> <p>3.4 IGR</p> <p>3.5 Annual review mission reports</p>
4. Personnel management systems reform and roll-out	<p>4.1 Medium-term remuneration policy developed, adopted at all levels</p> <p>4.2 Results-Oriented Performance Evaluation rolled out at all levels</p> <p>HR guidelines in woredas and municipalities developed, adopted</p> <p>4.3 Percentage of budgetary institutions at each level implementing IT based HRM systems</p>	<p>4.1 Quarterly progress reports</p> <p>4.2 Financial Management Reports</p> <p>4.3 IFAs</p> <p>4.4 IGR</p> <p>4.5 Annual review mission reports</p>
5. Intergovernmental fiscal and revenue mobilization mechanisms	<p>5.1 Capital budget as % of total budget at regional and woreda level</p> <p>5.2 Own revenue as % of total expenditure at regional and woreda level</p> <p>5.3 Guidelines developed and implemented for implementing withholding taxes, assessing presumptive tax bases</p> <p>5.4 Customs clearance time and processing time for transit permits</p>	<p>2.1 Quarterly progress reports</p> <p>2.2 Financial Management Reports</p> <p>2.3 IFAs</p> <p>2.4 IGR</p> <p>2.5 Annual review mission reports</p>
6. Vertical accountability mechanisms established	<p>6.1 Number of positive reports on the maintenance of Service standards for urban and other essential services at all levels</p> <p>6.2. Number of resolutions passed at regional level relating to submissions from woredas</p> <p>6.3 Number of Cabinet resolutions taken on submission made by regions</p>	<p>2.1 Quarterly progress reports</p> <p>2.2 Financial Management Reports</p> <p>2.3 IFAs</p> <p>2.4 IGR</p> <p>2.5 Annual review mission reports</p>

Output from each Component:	Output Indicators:	Project reports:
7. Horizontal accountability mechanisms or checks and balances established	7.1 No. of regions implementing guidelines for citizen participation at the woreda and municipal levels 7.2 Percentage of courts at each level undergoing performance improvement 7.3 Reports on the court and case management 7.4 Cumulative Number of Judges and lawyers trained	2.1 Quarterly progress reports 2.2 Financial Management Reports 2.3 IFAs 2.4 IGR 2.5 Legal and judicial assessment 2.6 Annual review mission reports

There are consequential changes to the DCA and MOU, which should be made once a decision has been taken on the above set of amendments.

10.18. Conclusion

The work of the independent evaluation team has been done over a very short period, with only a month of in-country activity. This would not have been possible without the large amount of support and participation of the various government, IDA and donor people involved in the programme. The counterpart Ethiopian facilitation team which supported the international consultants has provided critical support to the process, and a particular word of thanks is due to them.

The PSCAP evaluation team would like to thank the Minister of Capacity Building, the PPD, all federal and regional agencies, municipalities and woredas, as well as the World Bank office and donor staff for the willingness to participate in and assist with the evaluation exercise.

In compiling this report the evaluation team has kept a record of the various people that were met during the evaluation (see annex 22 for a full list of contacts). It will be important for these participants to be reassured that their views have been taken into account, and that recommendations have been formulated that address their various areas of concerns. Therefore the team would like to strongly recommend that the final report is circulated to all the participants in the evaluation process.

11. References

Amha, Diana, 2007. Assessment of Planning and Budgeting System at Woreda and Kebele Level. DLDP, MCB July 2007.

Assefa, Workie, 2001. An Assessment of Participatory Planning Process – A Case of the ANRS-SIDA Cooperation in Rural Development. Debre Markos 2001.

Audit Service Corporation, 2006. Public Sector Capacity Building Program Support Project, IDA Loan No. 3899 ET, Audit Findings and Recommendations on the Financial Statements for the Period ended 7 July 2005.

Audit Service Corporation, 2007. Public Sector Capacity Building Program Support Project, Audit Findings and Recommendations on the Accounts for the Year ended 7 July 2006.

Caprio, G., DFC Group, 2007. The Federal PFM Performance Report, October 2007.

DLDP 2004. Rural Woreda Capacity Building Programme (DLDP), PSCAP Action Plan 2004 – 2008.

DLDP, 2007. Model Regional Transfer Formula Development. Manual 1 Reforming Regions. Manual 2 Less Developed Regions. Ludovick Leon Shirima 2007.

Drake, M. 2004. DLDP Discussion Document: Towards an Action Plan. DLDP Adviser MCB.

DSA, 2007. CSRP, Zone and Wereda Assessment of Oromia Region to sustain Financial Reform. Project Report: M-102, Sept 2007.

FDRE, April 2001, Service Delivery Policy in the Civil Service.

Federal Democratic Republic of Ethiopia, 2004. Program Implementation Plan for Public Sector Capacity Building Programme (PSCAP), November 2004.

Joint Government-Donor PSACP Working Group, 2007. Draft Terms of Reference for a PSCAP Support Facility.

Joint Government Donor Working Group, 2007. Draft Terms of Reference Joint Framework for Harmonisation and Synergy between PBS, PSCAP and PSNP.

Kaplan, A. 1998. The Development of Capacity. Quoted in Focus Forum by D.A. Kotze, Vol 6, No. 3 Dec 1998. Human Sciences Research Council, South Africa.

MCB PSCAP, 2004. Ethiopia National Training Capacity Supply and Demand Study. MCB CIDA, 2004.

MCB, 2005. Mid Term Implementation Directions for District Level Decentralisation and Capacity Building/DLDP. Addis Ababa 2005.

MCB, 2006. The Issues of Good Governance in Rural Quebelles and Woredas. Ministry of Capacity Building, January 2006 Addis Ababa.

MCB, DLDP, 2007. Human Resource Planning Survey in Selected Rural Woredas of Afar, Somali, Gambella and Benishangul Gumuz Regions. Final Report MCB.

MCB, DLDP, 2007. Training Needs Assessment in Emerging Regions. Draft Report, MCB May 2007.

Melekot H and G Amare, October 2007. Success Stories - Public Sector Capacity Building in Ethiopia, Draft Report for PSCAP Programme.

Ministry of Capacity Building, May 2007. Ethiopian Civil Service Reform Discussion Paper: Suggestions on revised CSR Programme Components, Projects, Sequence and Expected Outcomes.

Morgan, P. 2006. The Concept of Capacity. European Centre for Development Policy Management, Maastricht Study on Capacity Change and Performance.

SNNPRS, 2007. CSRP Training Impact Assessment. SNNPRS January 2007.

World Bank, 2001. The Woreda Studies

World Bank, 2004. Project Appraisal Document for PSACP.

World Bank, 2007. Ethiopia, Additional Financing for Protection of Basic Services (PBS) Program, Pre Appraisal Mission, July 16 – Aug 3, 2007, Aide Memoir.

World Bank 2006. Ethiopia Protection of Basic Services (PBS) Programme, Joint Review and Implementation Support Mission, 20 – 27 October 2006, Aide Memoir.

12. Annexes

- Annex 1: Civil Service Reform sub-programme report
- Annex 2: Expenditure Management Capacity sub-programme report
- Annex 3: Tax System Reform sub-programme report
- Annex 4: ICT sub-programme report
- Annex 5: Justice Systems Reform sub-programme report
- Annex 6: Urban Management Capacity Building sub-programme report
- Annex 7: District Level Decentralisation sub-programme report
- Annex 8: Addis Ababa report
- Annex 9: Afar report
- Annex 10: Amhara report
- Annex 11: Benishangul Gumuz report
- Annex 12: Dire Dawe report
- Annex 13: Gambella report
- Annex 14: Harari report
- Annex 15: Oromiya report
- Annex 16: SNNPRS report
- Annex 17: Somali report
- Annex 18: Tigray report
- Annex 19: PSCAP budget and expenditure data
- Annex 20: Block grants to regions 1993 - 1999
- Annex 21: Block grants to woredas 1998 - 2000
- Annex 22: List of contact persons met during evaluation
- Annex 23: List of documents reviewed during evaluation