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Financial Reform in a Devolved African Country: Lessons from Ethiopia

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Abstract

This paper provides three frameworks for understanding the process of implementing a financial reform in an African country that has adopted a policy of devolution. The paper is based on four years of experience in implementing a financial reform under Ethiopia's Civil Service Reform. The first framework, which we have termed the *Framework for Financial Reform*, provides an overall conception of financial reform. It has two dimensions: the stages of development of financial systems (external control, internal control, management, planning) and the steps to changing financial systems (comprehension, improvement, expansion). The second framework, the *Four Tasks of Managing a Financial Reform*, elaborates the steps in changing financial systems. These tasks include: reforming the approach to financial reform, improving the design of the reform, managing the implementation of the reform, and protecting the reform. The third framework focuses on the task of managing the implementation of financial reform and details the phases, variables and dilemmas of implementation. The phases of implementation are design, pilot, and operation. Associated with these phases are variables that affect the implementation (resources, interdependence, sequence and timing) and dilemmas (comprehensiveness and monitoring). These frameworks support the paper's two theses: 1) that reform of financial systems in Africa must be evolutionary not revolutionary and 2) that evolutionary reform of financial systems is especially needed in devolved African countries. Evolutionary reform is needed because financial systems in the public sector are fragile traditions that need to first be comprehended. Before more complicated financial "management" reforms can be introduced that focus on outputs and outcomes, the existing "administrative" financial systems which control inputs have to be understood, implemented, and improved. "Best Practice" is often the enemy of "feasible" practice in developing countries.

Keywords: Ethiopia, financial reform, financial systems

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INTRODUCTION

“Financial systems in the public sector in Africa are fragile traditions.” This observation by one of the most respected permanent secretaries of finance in Africa forms the basis of this paper’s theses.¹ The first thesis is that the reform of financial systems in the public sector in Africa must be evolutionary not revolutionary. Before these systems can adopt “management” techniques--which focus on outputs and outcomes-- they first must have appropriate “administrative” techniques of control. The second thesis is that evolutionary financial reform is needed especially in African countries that are devolved. Devolution disperses what little capacity exists for financial management and dramatically increases the number of institutions and individuals involved in financial systems.

Revolutionary financial reform means the introduction of systems that depart significantly from existing systems. The public finance field is fascinated with “new public management” innovations from select developed countries (especially New Zealand) and impatient to introduce these into developing countries including those in Africa.² These “*avant garde* management practices” move the public sector from an emphasis on “administration and the control of inputs” to the “management of outputs and the delivery of outcomes.” Some individuals and development assistance agencies believe that these “very best practices” can accelerate the public sector reform in developing countries and help them leapfrog from poorly performing administrative systems to effective management systems. Ethiopia’s Civil Service Reform, which was designed between 1995 and 1996, was not immune to these influences. The thrust of this ambitious reform is to move from administration to management.³ While attractive in theory, practice over the past several years provides a compelling case for an evolutionary rather than revolutionary approach.

¹Harris Mule is the former Permanent Secretary, Ministry of Finance of the Republic of Kenya. He made this observation at the first HIID workshop on budgeting in the public sector, Egerton College, Kenya, 1987. His considerable achievements are presented in Leonard (1991).

²For a review of New Zealand’s new public management reforms see Evans, Grimes, Wilkinson, Teece (1996) and Premchand (1999).

³ In designing the Civil Service Reform in Ethiopia, projects of the reform were to specify “management” endstates for their deliverables. In the very early stages of the reform, those responsible for the reform requested copies of the New Zealand financial law and regulations.

THE EVOLUTION OF FINANCIAL SYSTEMS

In his classic work on the stages of budget reform, Alan Schick presented three roles of budgets: control, management and planning (1966).⁴ He argued that these roles were sequential and that control had to be established before management and management had to be established before planning. According to Schick, as budgeting systems evolve, "...the ethos of budgeting will shift from justification to analysis" (1966, p. 257). Restated, budgeting evolves from the control of inputs and their justification to the management and planning of outputs and their analysis.

Control is a core concept in financial systems, and there are two types: external and internal. A financial system must first have effective and appropriate external control.

Operating in an externally controlled environment is an essential phase in the development process for it (a) gives managers the skills to operate—that is, to manage on their own, (b) builds trust between central controllers and line managers and confidence between citizens and government, and (c) encourages managers to internalize a public ethic of proper behavior. As these basic conditions of formal management take root, it should be possible for central controllers to ease the regulations by giving line managers broader discretion in operating their programs (Schick, 1998, p. 8).

Efficient and effective external control must be established before the public sector can evolve to internal control, which is the basis of management.

Internal control is much more than a procedural matter. It represents a fundamental shift in attitude about government. ... [I]nternal control signifies that public agencies can police themselves, that it is much more important to get on with the job than to worry about preventing the misuse of funds (Schick, 1988, p. 209).

External control limits discretion while internal control promotes it. Management is fundamentally about discretion, about making choices with regard to objectives and deploying resources to achieve those objectives. To be effective and efficient, it is not possible for public sector financial systems in either developed or developing countries to leapfrog these two stages of control. External control is a precondition for internalizing control. This in turn is the basis for developing discretion, which is a critical building block for the manage-

⁴ These three budget roles Schick acknowledges comes from Robert Anthony's typology of administrative processes: strategic planning, management control, and operational control (1965, pp. 16-18). On the distinction between organizational control versus management see Landau and Stout (1979).

ment and planning stages of financial systems. Promoting control is not only essential for developing financial management between and within public bodies of the same government, it is especially important when devolving financial responsibilities to other levels of government. Ensuring that subsidies from the federal to regional governments and from regional to sub-regional governments are effectively used and properly accounted for is central financial issue for Ethiopia.⁵

They must be able to control inputs before they are called upon (as in the New Zealand model) to control outputs; they must be able to account for cash before they are asked to account for cost; they must abide by uniform rules before they are authorized to make their own rules; they must operate in integrated, centralized departments before being authorized to go it alone in autonomous agencies. These are some of the basics they must satisfy in order for the public sector to develop (Schick, 1998, p. 9).⁶

The problem of applying many of the “new public management” techniques to developing countries is that the preconditions of financial control are absent because the financial systems are informal (Schick, 1998, p. 2). A core feature of the new public management is “government by contract” yet the weakness if not the absence of contract is a fundamental factor retarding development in Africa (Freeman and Lindauer, 1998).

While one can debate what constitutes a “revolutionary” versus an “evolutionary” financial reform, the starting point for any reform is financial tradition. The informal “traditions” of African financial systems do not provide the preconditions for building advanced financial management systems. Alan Schick’s critique of the application of “*avant garde* management” practices to developing countries is instructive:

The basic question here is: can a country which gets things done by relying on informal practices that violate prescribed management rules sensibly broaden the discretion of managers while resorting to a contractual formalities to safeguard public values and interests (Schick, 1998, p. 2)?

⁵ Since the 1991 overthrow of the Derg government, Ethiopia has implemented one of the most ambitious decentralization programs in Africa. Ethiopia has adopted a devolutionary form of decentralization where political and administrative authority is transferred to thirteen regional states and administrative territories which in turn are devolving authority to two sub-regional levels (zones and woredas). See Cohen and Peterson (1999, pp. 130-138).

⁶ Lacey’s argument has long been ignored: “It is only when a reasonably well functioning system of central control has been established that it becomes meaningful to consider wider planning and budgeting principles such as objective-oriented spending or greater autonomy and accountability of line agencies” (1989, p. 32).

Because financial systems in Africa are informal, they are not completely understood by most staff. They often are not documented nor are staff systematically trained in their use. Rather, financial procedures are comprised of personal knowledge handed down to succeeding generations of staff.⁷ These systems work in a fashion because staff comprehend the tradition but, as a tradition, the procedures are interpreted and often not completely understood or systematically applied.

The weakness of procedures in the public sector in Africa and its remedy has been a long-standing debate in the field of development administration.⁸ Unfortunately the recent experience of Ethiopia in implementing a financial reform offers no simple solution to the problem because there is none. Informal financial systems retard development. To reach the stage of “managing outputs”, financial systems must be formalized, first, through the imposition of effective and efficient external control and, second, through the evolution of internal control. There are no shortcuts to improving financial management in a developed or developing country.

A FRAMEWORK OF FINANCIAL REFORM

Ethiopia’s financial reform is at an early stage.⁹ While it is premature to draw conclusions on the depth and breadth of the reform, experience to date provides insight into the strategies for designing and implementing a financial reform in a very poor African country. Ethiopia is an important case study because it is arguably the most devolved country in Africa and provides a counterfactual to the view that decentralization requires complementary capacity at the center and the local level.¹⁰ There is complementary but limited capacity at both levels.

Table 1 presents a *Framework of Financial Reform* that links the stages in the evolution of financial systems (from external control to internal control to management to planning) with steps to improve the efficiency and effectiveness of financial systems. The

⁷African bureaucracies are often “just-in-reach” organizations run by fiat not procedure. Peterson (1997, p. 160).

⁸ See Price (1975, p. 209), Leonard (1977, p. 219), Hyden (1983, pp. 144-147), and Leonard (1987, p. 908).

⁹ The task force that prepared the initial reform design for the Civil Service Reform in Ethiopia was convened in 1994 and implementation of the reform began in 1996.

framework is based on the experience to date in designing and implementing system changes under the accounts, budget and expenditure planning projects of the Civil Service Reform.¹¹ These projects are being implemented by the Decentralization Support Activity (DSA) project that is funded by USAID.¹²

Table 1 about here

There are three steps in changing financial systems in Ethiopia. The first step is to promote widespread *comprehension* of existing systems. The second step is to *improve* existing systems to make them more efficient. The third step is to *expand* existing systems by introducing new features that can them more effective.¹³ One must start the reform with the existing systems because the federal and regional governments need immediate operational efficiencies. They can not wait for new systems to be implemented much less manage the disruption of their introduction. While glaring deficiencies should be corrected quickly, the first step is to understand and formalize the existing system. The principal problem is not that the procedures are flawed, but that the procedures are not widely known or systematically followed.

The use of this framework is illustrated by a discussion of the accounts and budget projects of the Civil Service Reform. Annexes 1 and 2 present the detailed objectives and

¹⁰ Leonard (1982, p. 193), Cohen and Peterson (1999, pp. 69-70).

¹¹ Ethiopia's Civil Service Reform is an ambitious approach to improving the public sector through five sub-programs: expenditure management and control; service delivery; top management systems: human resource management; and ethics. The financial reform is being implemented under the expenditure management and control sub-program which has nine projects: legal structure, accounts, budget, cash management, expenditure planning, internal audit, external audit, financial information systems and the development of the accounting and audit profession. The initial design of Ethiopia's Civil Service Reform is presented in five volumes. See Office of the Prime Minister of Ethiopia: Task Force for Civil Service Reform (1996). For a recent statement of the status of the Civil Service Reform see Ministry of Finance (1999).

¹² The DSA project is implemented by the Harvard Institute for International Development, Harvard University. Initial project design began in 1995.

¹³ It is the third step of expanding the system where there can be significant departures from the existing system. The potential differences of this third step can be illustrated by the accounts reform of the Civil Service Reform. A third step of expansion in the accounts reform could be done by a close link with the existing system (e.g. introduce modified cash to the existing single entry system) or by a break with the existing system (replace single entry with double entry accounting). The design of the third step of the accounts reform in Ethiopia maintains the single entry and introduces innovations (e.g. procedures for advances, loans, stocks, commitments, donor funds, aid in kind and fixed assets).

activities of the accounts and budget projects in terms of the Financial Reform Framework.¹⁴ The annexes are from the original technical proposal of the DSA project.

The accounts project

The first objective of the accounts project was to reduce and then clear the four-year backlog in closing accounts. This serious backlog meant it was not possible to revise the existing accounts system much less introduce innovations because staff were mired in four years of overdue work. Operational demands also required that the system be first brought up to date. It was important to clear the backlog and not simply write it off because this sent a strong signal especially to regions, that the central government was monitoring expenditure.¹⁵ External control and comprehension were reaffirmed by the priority attached to reducing the backlog.¹⁶

Clearing the backlog also presented an opportunity to better understand the constraints facing the existing system (particularly the demands created by devolution) that were delaying external reporting. This very nitty gritty work highlighted changes that would make the system more efficient. Clearing the backlog required an intensive process of visiting regions (especially smaller regions with less capacity) and providing basic training in the preparation and reporting of the accounts. This intensive involvement made the system more widely and systematically understood.

A second objective of the accounts project that also promoted comprehension under the external control stage was to introduce “efficient reporting”. This involved three activities: review and documentation of the existing system, development of sanctions for late reporting, and development of a training program for experienced or specialist staff.

¹⁴ The annexes are directly from the annexes of the DSA project technical proposal, see President and Fellows of Harvard College (1996). In the annexes, objectives are italicized while the activities that support them are listed below the italics. For example, under the External Control Stage of financial reform and the Comprehension Process of Changing Financial Systems, there is the “objective” of *Removal of the backlog* which has two activities: assistance to reporting units and on-the-job training.

¹⁵ There was considerable debate on whether to clear the backlog or ignore it and start anew since government needed up-to-date financial reporting.

¹⁶ By 1999 the backlog was reduced from four years to one.

Documentation of the existing system was an essential step in promoting comprehension.¹⁷ Prior to the reform, the accounting system had not been documented and the system was implemented in an ad hoc fashion. Many of the accounts staff were unaware of some of the basic documents used in the accounts system.

Sanctions were considered (e.g. rationing of disbursements) for those accounting entities that did not demonstrate good progress in closing and reporting their accounts. The prompt reduction of the backlog from four to one years meant that the sanctions did not have to be implemented.

The in-service specialist training program in accounts is critical to promoting comprehension of the accounting system. The documented system is incorporated into the in-service training manuals that all trainees receive and take back with them. The trainees return to their offices with a document that for the first time explains to their superiors and co-workers what the existing system should be. This training is creating a reform from below by building a broad-based understanding of the existing system. The training program weaves three elements together: procedures, accounting principles, and the legal framework. By introducing the accounting and legal principles behind the procedures, the training program is promoting a first and important step in building the capacity of grass roots financial administrators to effectively report to their political councils.¹⁸ This is another key step in ensuring effective external control.¹⁹ By introducing the accounting and legal principles behind the procedures and building the professionalism of accounts staff, the in-service training program is also building the capacity to move to internal control.

¹⁷ The accounts training manual which was developed from the procedural manual is the first ever public accounting text in the Amharic, Oromifa or Tigrigna languages. It was especially important that the documentation of the system be presented in the local languages. It took nearly two years to get the Oromifa translation completed because this language has three forms. Translation was also difficult because there are technical accounting concepts that have no equivalent in these languages. For example, the Amharic language does not have a separate word for approval and appropriation.

¹⁸ To date, regions have (correctly in my opinion) given priority to training *woreda* level staff first in the accounts training program. Regions have the following levels of political and administrative organization: region, zone, *woreda*, *kabelle* and *tabia*. The *woreda*, however, is the lowest level at which subsidies are transferred from the region.

¹⁹ The design of the in-service training program in accounts was based on an assessment that accounts staff in the regions knew “what” to do but not “why” they were doing it (Yardley, 1997). Accounts staff must first understand “why” accounts are prepared in such a format before they can effectively present financial statements to external bodies.

The in-service training program in accounts illustrates that there are two steps to formalizing procedures. First, the procedures have to be clearly understood and systematically applied. Second, the principles behind the procedures must be understood. Building comprehension of the existing accounting system through documentation and in-service training is the first step in changing financial systems. While not a revolution, the comprehension process has certainly been a revelation for Ethiopia's accounts staff.

As Annex 1 illustrates, there are additional objectives of the accounts project that promote the improvement and expansion steps in changing the financial system. Introducing efficient bookkeeping through better organization and staffing, simplifying forms and rationalizing the shelf life of documents improves the existing system and strengthens external control. Expanded bookkeeping (introducing controls in advances, loans, stocks, commitments, aid in kind, donor funds) and expanded reporting also strengthens external control. The expansion process permits the accounting system to evolve from external to internal control through the introduction of self-accounting. The end-state of the accounts reform under the Civil Service Reform is self-accounting where accounting entities close their accounts against their budgets and report their accounts to political bodies. Self-accounting is a critical objective because, for devolution to work in Ethiopia, low level administrative entities (*woredas*) have to report to their political supervisors (*woreda* councils).

The accounts project is still at the stage of strengthening external control by promoting comprehension of the existing accounting system. This step takes time because the capacity (the training infrastructure) to build the capacity (train the staff) had to be developed from scratch. With devolution, the training task is enormous. It is estimated in the accounts area alone approximately 5,000 staff need to be trained and the high turnover will require additional staff to be trained.²⁰

The budget project

The design of the budget reform is linked firmly to the existing annual and line item budget. The design strengthens control by introducing a single series of line items which are more

²⁰ As of January 2000, over 1700 staff had been trained in the government accounting system by the accounts project.

transparent than the current three series of line items. The budget reform is improving the mapping of the budget which will lead to the development of cost centers that promote management by aggregating costs of activities. Cost centers are the building blocks of the budget and are supported by work plans that are based on unit costs. The work plans will relate inputs to outputs and form the justification of the cost build-up for cost centers.

The design of the budget reform rejected introducing a multi-year forward budget because it weakens the discipline of the annual budget and the link of the budget to the annual appropriation.²¹ Instead, a multi-year expenditure planning process is being implemented first for the capital budget (the Public Investment Program) and then for both capital and recurrent budgets (the Public Expenditure Program). Multi-year planning of the capital budget through the complementary expenditure planning project was introduced since this fit with existing practices of the planning institutions.

Annex 2 presents the objectives and activities of the budget project in terms of the Framework for Financial Reform. The first objective of the budget reform is to strengthen the line item budget. Inputs must be well organized to promote effective external control. This, in turn, makes it possible to introduce techniques such as cost centers that promote effective internal control.

The first activity in strengthening the line item budget was to improve the comprehension of the existing budget processes at the federal, regional and sub-regional level (Ministry of Finance, 1998). This review of the budget system was circulated and reviewed by staff from all levels of government with the objective of understanding the existing procedures and identifying possible improvements.

Improving the existing budget process is done through a number of activities: simplifying expenditure codes, improving the chart of accounts and introducing a financial calendar. Simplifying the expenditure codes involves rationalizing the current system of three series of line item codes to a single series to promote simplicity and transparency in expenditure reporting. Improving the chart of accounts by clearly defining budget categories promotes consistent mapping of the budget and establishes accountability (external and internal) for resources. Introducing a financial calendar defines the schedule and institutional

²¹ For a critique of Kenya's multi-year forward budgeting system see Lehmann (1986, p. 6), Lacey (1989, p. 58), and Peterson (1994, p. 59-60).

responsibilities for the annual sequence of finance tasks (e.g., preparation of the budget call and budget submissions by line ministries). These activities promote the accountability of both the spending institutions and the financial coordinating institutions (e.g., Ministry of Finance, Ministry of Economic Development and Cooperation) and strengthens external control.²²

External loan and assistance make up a large part of the total government budget.²³ The second objective of the budget reform is aid management. Improving the process of aid management in the budget involves presentation of the external sources of funding for expenditure. The design of the budget formats identify for the first time the specific external source of funding and the amount of that funding by line item of expenditure.

The third objective of budget reform is to improve expenditure composition through the following activities: introduction of cost centers, work plans, and use of unit costs. Cost centers will assign responsibility for resources to organizational units (and implicitly and eventually explicitly to the individuals responsible). Cost centers will be required to prepare work plans that relate inputs to outputs that will further assign responsibility for resources and outputs. Work plans will use unit costs, which will demonstrate the cost ratios to service and will provide a means of monitoring the efficiency of resource use. Finally, it is proposed that the existing budget system be expanded by consolidating the capital and recurrent budgets into a unified budget. This would programmatically, temporally and institutionally link total cost and map responsibility for the budget to cost centers.

Ethiopia is rare among developing (and developed) countries for it has a hard budget constraint. Ethiopia, however, lacks appropriate hard budget controls. Limited capacity to spend coupled with a policy to over-budget capital expenditure and limit non-wage recurrent expenditure have kept expenditures in check with ceilings.²⁴ The budget is not appropriated on an agency or program basis but simply in terms of a total capital and recurrent budget.

²² One activity that promotes the objective of *strengthening the line item budget* which was elaborated after the design was completed during the follow-on detailed system review was the treatment of retained revenue (the fees and charges public bodies collect). Retained revenue is not budgeted and is not properly accounted for. This despite the fact that the financial law clearly requires all public bodies to remit their retained revenue to the consolidated fund see Negarit Gazeta (1996). The inadequate control of retained revenue illustrates the lack of external control in Ethiopia's financial system. The new formats of the budget prepared by the budget project provide for the first time a column under the "source of funds" section for "retained revenue." See Ministry of Finance (2000).

²³ In some years external loan and assistance make up over sixty-five percent of capital spending.

The “allotted” budget of public bodies is not adjusted throughout the financial year for *virement* and transfers and is adjusted post hoc in the agency period. There are no formal procedures for recording commitments to ensure disbursements stay within a public body’s allotment. Closing of accounts to the adjusted budget is delayed. Are these effective controls?

The budget reform currently is promoting the improvement of the existing budget system. Budgeting in Ethiopia is still in the early stages of establishing external control of budgets. Once external control is well established through the two objectives of strengthening the line item budget and aid management, the budget system will be able to evolve to internal control. Despite the significant change the budget reform is introducing, there are still observers and assistance agencies that are urging the government to proceed faster. The government has been lobbied to rapidly implement output and especially outcome budgeting.²⁵

The exhortation for output/outcome based budgeting by multi-lateral development agencies underscores their lack of understanding of what a budget reform should look like in weak administrative systems in general and their failure to understand the Ethiopian budget reform in its specifics. It is important to distinguish between the *structure* and *forms* of the proposed budget reform. The proposed structure of the budget under Civil Service Reform is line item with cost centers. The reform introduces four forms which relate inputs to outputs based on unit costs, program review, and workplans.²⁶

The budget structure must reflect the stage of evolution of the financial system. Control through a line item structure is stressed because the process of devolution is moving budgeting to new administrative levels that have had little or no experience in budgeting.²⁷ Further, because the accounting system does not provide prompt reporting, the budget performs a critical role in financial control through the system of monthly request/disbursement

²⁴ See Peterson (1996) and Peterson (1996a).

²⁵ The latest World Bank led Public Expenditure Review of Ethiopia urges the government to adopt output/outcome based budgeting see World Bank (2000).

²⁶ The four forms are the same for both the recurrent and capital budget and are as follows: RBD (Recurrent Budget Documentation)-1 “Unit Costs,” RBD-2 “Program Review,” RBD-3 “Work Plan for Sub-Agency,” and RBD-4 “Profile of Sub-Agency.” The same sequence of forms exist for the capital budget submission except they are based on the project rather than the sub-agency as the cost center. See Ministry of Finance (2000, p. 131).

²⁷ At the lowest (woreda) sub-regional level which receives funds from the higher level zone and region, most woreda’s do not have responsibility for their capital budget. Since the recurrent budget is principally salary, the woredas have little responsibility in managing discretionary expenditure.

based on the budget allocation and chart of accounts. The line item structure needs to be retained in the medium term to promote budgetary and accounting control. In summary, the *structure* of the proposed budget retains line item control but is supported by budget *forms* which promote analysis based on unit costs, work plans and program reviews that will take into consideration the efficiency and effectiveness of inputs to outputs.

The recommendations by international assistance agencies that Ethiopia should adopt output/outcome based budgets does not take into consideration the risk these more complicated performance (output) and program (outcome) based budgets pose. Experience from local governments in the United States indicates that the performance –based budgeting (PBB) which is less complicated than a program budget has numerous risks:

PBB is more vulnerable to threats from fraud, falsification, and misrepresentation than were previous budgeting systems. Vulnerability grows from complexity, dependence on performance data, year-to-year changes in strategic focus, and the great expansion in the numbers of kinds of specialists involved in the process (Smith, 1999, p. 3).

In developing a budget system in Ethiopia that is to be used by sub-regional administrative units with extremely limited capacity is it appropriate to introduce a performance based budgeting system that

[I]nvolve daunting levels of complexity. Each little niche of complexity can become an opportunity for error, fraud, falsification, or misrepresentation (Smith, 1999, p. 6).²⁸

Until the inputs are appropriately organized and controlled, it is not feasible for Ethiopia to leap to budgets focused on outputs/outcomes.

THE FOUR TASKS OF MANAGING A FINANCIAL REFORM

The experience of Ethiopia’s Civil Service Reform indicates that there are four tasks in carrying out the financial reform: reforming the approach, improving the design, managing implementation, and protecting the reform. These are necessary tasks for moving through the steps (comprehension, improvement, expansion) in changing a financial system.

²⁸ McCaffery (1999) notes that the most recent effort by the United States government to introduce performance budgeting began in 1993 and while it “may lead to performance budgeting” he cautions the “one ought not to be too optimistic about the reform (pp. 27-28).”

Reform Task #1: Reforming the approach to financial reform

The overarching objective of Ethiopia's Civil Service Reform is to move the public sector from a focus on administration and control of inputs to a focus on management and the achievement of outputs and outcomes. Some observers have critiqued the reform as being both too ambitious and also transplanting inappropriate management innovations (Chanie, 1999, p. 19).²⁹ Ethiopia's Civil Service Reform is an ambitious program that would tax the capabilities of any developed or developing government. The strategy document of the reform is impressive and presents a blueprint for broad transformation. Assessing whether the reform is too ambitious depends on how implementation is sequenced. Clearly Ethiopia needs improvement in all five sub-program areas.

From the beginning the DSA project sought to change the approach of the reform's financial projects from one of moving to management to first strengthening financial administration (external and internal control).

In designing the accounts and budget reforms it is clear that a transition end-state is needed. The weak administrative systems have to be strengthened before they can be reformed into management systems. The Civil Service Reform strategy needs to move weak administrative systems to strong administrative systems and then to management systems. Ethiopia like many African and other developing countries is under-bureaucratized. Roles are not clear, systems are weak, and information is poor or lacking (Decentralization Support Activity Project, 1996).³⁰

All projects (e.g. the accounts) of the Civil Service Reform were first required to have a design document (called a terms of reference), which indicated the "end-state" of each project. Final end-states were to be "management" end-states. The DSA project designed the Civil Service Reform projects it was responsible for with an interim strategy of strengthening financial administration that would provide the basis for introducing changes in financial management later.³¹ The leadership and staff of the Ministry of Finance endorsed this

²⁹ The inappropriate techniques that Chanie refers to are concerned with performance measurement in the service delivery program. He does not address the appropriateness or inappropriateness of the changes under the expenditure management and control program of the Civil Service Reform. See Ayenew (1998).

³⁰ See Peterson (1996), (1996a).

³¹ The DSA project is implementing four projects under the Expenditure Management and Control Sub-Program of the Civil Service Reform.

interim strategy because they fully recognized that jumping straight into the management stage was untenable.

The DSA project's strategy of strengthening "administrative" systems first is illustrated by the design of the DSA's projects. In the accounts project, continuity with the existing system was firmly established by a commitment to retaining the single entry accounting system and rejecting the introduction of double entry accounting. The single entry approach was retained because it was reasonably understood by the numerous levels of government. Ensuring that the lower levels of administration (*woredas*) were "brought along" with the reform meant that change had to start with these weakest links in the administrative system. Continuity with the existing budget system was promoted by retaining an annual and line item budget. Finally, continuity with existing planning systems was promoted by introducing expenditure planning for capital expenditure first.

Reform Task #2: Improving the design of the reform

The second task of financial reform is to improve its design . This task principally involves introducing elements that are neglected or incomplete and removing elements that are unessential. The DSA project recommended two new elements neglected by the initial design: macroeconomic management and expenditure planning. The project also defined one element that was incomplete—the in-service financial management training. The DSA project strategy of financial reform was one of "looking up", not down. Looking up meant the introduction of a macroeconomic policy component linked to a three-year expenditure planning/programming component linked to the annual budget. The initial design had neglected these activities and their linkages.³² The expenditure planning/programming (PIP/PEP) project has already been briefly described. The macroeconomic policy component provides assistance in three areas: development of macro economic model for policy makers, policy papers on key issues, and short-term training. Introducing a macroeconomic policy component and expenditure planning properly frames the annual budget.

³² The DSA project is providing technical assistance in macroeconomic policy. While this activity complements the efforts of the Expenditure Management and Control Sub-Program, it is not part of the Civil Service Reform.

The DSA project also assisted the Civil Service Reform in designing the in-service financial training program. At the beginning, it was not clear how the financial training task was to be done. The scale and thus logistics of the task were daunting. In the accounts area alone it is estimated that approximately five thousand staff have to be trained in basic accounting. Devolution meant that a centralized solution was neither feasible nor desirable. The government received several training proposals including distance education and importing training programs and personnel from external training institutions. The DSA project proposed and the government accepted a strategy based on building a partnership between the emerging Regional Management Institutes and the Ethiopian Civil Service College at the center (Decentralization Support Activity Project, 1997).³³ In brief, the partnership involves technical assistance to the training program in developing “software” (the curriculum), and “peopleware” (training staff from the Institutes and Colleges in the curriculum and involving them in the development of the curriculum). The College and the Institutes provide the “hardware” (training facilities) and the “peopleware” (the trainers). This approach to training was approved at the highest levels of government and has been accepted as the strategy for delivering all components of the Civil Service Reform. The first course that was developed and delivered was on the existing accounting system.³⁴

The in-service financial management training program has been a collaborative effort between central and regional institutions and is rapidly expanding. The program started in 1997 with three Regional Management Institutes and the Civil Service College, and by early 2000 has expanded to eight regions and the Civil Service College. Over seventeen hundred staff principally from *woredas* have been trained in the accounts course. A budget course is being developed and two more advanced courses in accounts are planned. In short, the partnership of training institutions is the vehicle for delivering the devolved financial reforms.

The in-service training strategy is integral to the first step of the financial reform (promoting widespread comprehension of existing systems). However, it has significance far beyond the delivery of the training. The process of building the institutional partnership

³³ Regional Management Institutes were established by the regions to train administrative as well local political council staff. These Institutes were first established in 1995.

³⁴ The first course was Module 1 of *The Federal Government of Ethiopia Accounting System*, Ministry of Finance (2000b).

involves developing consultation between the center and the regions on fundamental issues of capacity building and procedural reform. Consultation is both informal and formalized through semi-annual meetings that are rotated around the regions. Since the financial management training involves the regional finance and planning institutions, these bodies are included in the consultation. Through this consultation process, both the center and the regions are learning together how to collectively solve problems and implement Civil Service Reform. Consultation is difficult in such a large country as Ethiopia but it is critical for devolution to succeed.

There is no blueprint for the implementation of a financial reform in a devolved country with limited capacity like Ethiopia. The reform is complex and involves a mix of procedural reforms, capacity building, and most important, consultative problem solving. Consultative problem solving is critical for the ‘improvement’ task, and begins with addressing step-by-step critical and detailed issues regarding capacity building that is integral to the procedural reform. The institutional partnership of the in-service financial training program is building this consultative problem solving.

There are still some design elements of the financial reform that have been neglected. A revenue reform is needed to complement the expenditure reform.³⁵ The terms of service of civil servants is not part of the reform but critically affects the performance of the public sector.

Reform Task #3: Managing the implementation of the reform

The “devil is in the doing” and implementing financial reform in a devolved developing country with limited capacity is a devilish task. As discussed above, the most important part of the process is consultative problem-solving between the center and local government. However, it is not clear how to implement financial reform under such difficult conditions. It also is too early to affirm how deep the process of consultation on devolution has gone.

Implementing a financial reform involves three phases: design, pilot, and operation. In the case of Ethiopia, the design step involved an assessment of the existing system and the context of the system. Assessment was followed by a detailed procedural design and consultation with federal and regional partners. The second phase of implementing a financial

reform involves testing the design through a pilot. Once a pilot is tested, implementation (which is just getting underway in Ethiopia) is expanded to full-scale operation. With the completion of this third phase, the reform is fully implemented into practice. There are a number of variables that affect the implementation of the reform but three are especially important: the resources available, the degree and nature of interdependence of the components of the reform, and the timing and sequence of implementation. Finally, experience in implementing a financial reform in a devolved system such as Ethiopia illustrates a number of implementation dilemmas: comprehensiveness and monitoring. Table 2 presents the phases in implementing a financial reform and the variables and dilemmas that impact each phase.

Table 2 about here

The design phase

In the design phase the critical variables are resources and the sequence and timing of the work. The comprehensiveness of the design is the central dilemma of the design phase. The design phase is an intensive process that requires the concentration of a reform team. Because the design should evolve from the existing system, the design team should be principally comprised of government staff who have extensive experience with their system. In the accounts, budget and expenditure planning projects design teams from the central ministries of finance and planning have been established and usually are chaired by heads of the respective departments responsible for the reform (e.g. the head of the accounts department chairs the accounts reform design team). These design teams are assisted by expatriate resident advisors or consultants. The design process takes time for the government staff have to thoroughly understand their system and then become fully conversant with the principles of good accounting, budgeting and expenditure planning which the reform intends to deliver. These processes all take time, which is the scarcest resource in the design phase. The ability of the government staff to concentrate on the design is limited by their operational duties that at times, such as in the budget season, preclude work on the reform for several months. The time and concentration of the design staff is also diverted by other reform initiatives.

³⁵ The policy component of the DSA project is developing an initial design for a revenue reform.

Another resource that also is not always available or appropriate is external technical assistance.

The central dilemma of the design phase in devolved systems is the comprehensiveness of the design, specifically the appropriateness of a “center first” approach to design. There is a strong tendency for the design to be based on the needs of the central rather than regional governments. A center first approach to design is often adopted because regional consultation and participation is costly and takes time. Implicit in a center first approach is the assumption that the requirements of the federal and regional and sub-regional financial systems are basically the same and modifications for regions and sub-regional levels will be marginal. A center first approach creates a real dilemma because while it does provide a working design for regions and sub-regional administrative agencies to respond to, it undercuts the process of consultative problem solving. How you reform is as important as what you reform especially in a devolved system. The design stage, as the first stage in implementing a reform, sends an important signal to the partners in the reform about the nature of the partnership. Some regions have expressed concern about the less than desired degree of substantive consultation in the financial reform. While they appreciate what has been done, some regions would prefer greater involvement in the process. Managing the implementation of a financial reform in a devolved system involves delicate balancing of the needs for substantive involvement and consultation of the local authorities with the practical realities of assembling a design proposal.

A further dilemma of the design phase is monitoring. Design takes time and the outputs are hard to measure since they principally involve a learning process. This includes a learning process by government staff about their financial system and the principles of financial management and by external technical assistance personnel about the context. Much of this learning process is intangible and difficult to quantify into indicators for monitoring. Monitoring the DSA’s three projects of financial reform has been complicated because the government and the funding agency (USAID) use different monitoring systems which are not formally reconciled though there is broad agreement about direction. Monitoring is important to keep a reform on track but also, to ensure that resources especially external resources, continue to flow and support the reform.

The pilot phase

The second phase in implementing a financial reform is to test the design with a pilot. A pilot is affected by all three variables: resources, interdependence and the sequence and timing. The central dilemma of a pilot is how comprehensive it should be in terms of breadth and depth. The pilot for capital budget expenditure planning was implemented by all federal public bodies but did not have indicative planning figures (planning envelopes) for the first year that should have framed the capital budget priorities and ceilings. Although the pilot was comprehensive at the federal level in terms of breadth, the absence of these planning envelopes meant that it lacked depth. The upcoming pilot of the budget system will be implemented by only four public bodies but will have depth for it also will pilot changes in the accounts and disbursement systems which disburse and control the budget. In contrast to the expenditure planning pilot, the budget pilot has limited breadth but significant depth.

The degree and type of interdependence between financial systems (e.g. plans, budgets, accounts, and disbursements) significantly affects the complexity of the pilot and operational phases. For example, in considering the relationship between planning and budgeting, planning reforms introduce expenditure priorities and resource envelopes into financial management. For plans to be effective, they must shape the annual budget.³⁶ The relationship between planning and budgeting is one of *pooled interdependence* where:

[U]nless [each part] performs adequately, the total...is jeopardized; failure or any one [part] can threaten the whole and thus the other parts....[E]ach part renders a discrete contribution to the whole and each is supported by whole (Thompson, 1967, p. 55).³⁷

More accurately, the relationship between plans and budgets is one of *loosely coupled pooled interdependence*, because budgets can be prepared without a plan. This is often the case in developing countries. Priorities and their resource ceilings can be prepared on annual basis in the budget itself without a multi-year plan. A budget is a one year plan and if one can not

³⁶ Kenya's forward budget exercise and the Public Investment Program (PIP) were not effective because they did and do not shape the annual budget see Peterson (1992), (1996b).

³⁷ Thompson presents three types of interdependence in ascending level of the intensity of connectedness: pooled, sequential, and reciprocal (1967, pp. 55-56). Our paper has presented the definition of pooled and reciprocal. Sequential interdependence is where "[x] must act properly before [y] can act; and unless [y] acts [x] cannot solve its output problem" (Thompson, 1967, p. 56).

prepare a one year plan well then one can not prepare a three or five year plan well.³⁸ Annual budgets are more effective if they are framed by a multi-year plan because annual expenditures have multi-year consequences. Plans also are more effective if they are implemented in annual budgets because the exercise of establishing priorities and defining their resource envelopes is taken seriously.

If we compare the degree and type of interdependence of the plan with the budget to the interdependence of the budget, accounts and disbursement systems, the later interdependence is tighter and more intense. Budgets are appropriated and provide the legal basis for expenditure as well as the details of expenditure. The accounts, budget, and disbursement systems must share the same chart of accounts if budgetary control is to be exercised. Control of disbursement and the accounting for the disbursements is based on the budget. One cannot change the budget system without changing the accounts and disbursement systems. This form of interdependence is *reciprocal* where “the outputs of each become the inputs for the others...with each unit posing contingency for the other”(Thompson, 1967, p. 56). Because of the tight links between the budget, accounts and disbursement systems, these systems are a *tightly coupled* form of *reciprocal interdependence*. The more tightly coupled and serial and reciprocal the interdependence, the more complex and management intensive are the pilot and operation stages of implementation. The interdependence of financial systems is another reason why financial reforms need to be evolutionary not revolutionary. Financial systems are long-linked systems that must have numerous adjustments made in response to any changes made in the system.

Finally, the sequence and timing of the pilot are critical variables affecting implementation. Pilots have to be implemented in the proper time of the financial calendar when the work of the pilot is meaningful to government staff. There are a limited number of “windows” in the financial calendar when a pilot can be done.

The key dilemma for pilots is their comprehensiveness in terms of breadth and depth. The issue of breadth comes up in deciding which institutions to include and thus exclude. The expenditure planning pilot included the entire central government while the upcoming pilot for the budget will include only four public bodies of the central government.³⁹

³⁸ See Caiden and Wildavsky (1980) and Caiden (1996).

³⁹ The budget pilot is scheduled for August to November 2000.

Expanding the pilot to regions also is a sensitive policy issue for it involves selecting and excluding regions. Regional pilots involve decisions as to whether a pilot should be done with those regions that are “more capable” or in regions that are “representative of capacity” or in regions selected for explicit political reasons.

The depth of a pilot is a critical decision. The more sequential and reciprocal the financial systems, the more depth the pilot has to have if it is to approximate full operational conditions. While it is possible to truncate the pilot of reciprocal systems by simply introducing it with one or two systems (e.g. have a public body practice on using the new formats of the budget system but not link these to new formats in accounts), the exercise becomes less of a pilot and more of a review of the design in concept not practice.

The operational phase (to be continued)

The reform sub-programs in accounts, budget, and expenditure planning have yet to reach the third phase of implementation where they are fully operational. At this point in the reform, it is not possible to reflect on the variables and dilemmas of the operational phase.

Reform Task #4: Protecting the reform

Financial systems in Africa have limited capacity in terms of management, staff and resources. It is a challenge for these systems simply to maintain adequate operational efficiencies much less to add the challenge of implementing a reform. Introducing multiple reforms, no matter how compelling each reform is, stretches already strained capacity and threatens operational efficiencies. Devolution compounds the problem of inadequate capacity to manage ongoing operational demands while juggling multiple reforms.

Ethiopia is simultaneously implementing three financial reforms: devolution, civil service reforms and sector development programs (Decentralization Support Activity Project, 1998). Each reform on its own is a challenge. While ultimately complementary, the reforms have different objectives and different time frames. Devolution is the broadest and most comprehensive reform for it involves the transfer of political and administrative authority to regional and sub-regional governments. The civil service reform is introducing fundamental administrative and management change to make governments at all levels more efficient and effective. The sectoral development programs are introducing sector wide-planning and

funding programs. Devolution has the longest timeframe, civil service reform the second longest and the sector development programs have the shortest.

Synchronizing and adequately supporting the simultaneous implementation of three reforms exceeds Ethiopia's limited capacity. Bottlenecks in the three sub-programs have already emerged as government staff shuttle between operational duties and multiple reform exercises. The different time frames have meant the introduction of interim and duplicate financial systems whose management impose an added burden on already over-burdened staff. Multiple reforms are distracting and create confusion over the direction of change (e.g. the recommendation that output/outcome budgets should be introduced even though proper budgetary control has yet to be established).

Protecting a financial reform involves maintaining its direction and supporting it with adequate resources.⁴⁰ Ethiopia's Civil Service Reform has suffered from a lack of acknowledgement and respect from many international development agencies which have not taken the time to understand this homegrown reform much less support it. Instead, some development agencies have proceeded with their own agendas even though the success of their agendas often depends on critical inputs from the Civil Service Reform. While external donors and creditors want to "build government capacity" so that assistance and loans can increasingly be provided through non-project support, after four years no international agency has stepped forward to assist the government in developing the internal or external audit projects of the Civil Service Reform. Audit capacity is essential to ensure that non-project assistance is accounted for. Audit capacity is also essential for building external and internal controls, which are the preconditions for the management reforms (e.g. output/outcome budgeting) development agencies are pressing for. Building capacity begins by recognizing existing capacity, a commitment to avoid duplication, and an appreciation of the importance of ownership by government in the capacity building process.

Protecting the reform further involves defending the design of the projects. The design of the accounts, budget and expenditure planning projects all have their critics. The accounts design, which retains single entry accounting, has been criticized for not adopting double entry accounting. The budget design, which retains the line item format, has been

criticized for focusing on control and not adopting output/outcome budgeting.⁴¹ The expenditure planning design has been criticized for first adopting capital planning instead of an integrated capital and recurrent planning process.⁴² These project designs were developed through intensive consultation between the Government and the DSA project. The designs are based on an appreciation of the current stage of development of Ethiopia's financial systems and provide a systematic approach to building financial control and then management.

Protecting the reform also requires careful use of government staff. The scarcest resource in the public sector in Ethiopia is the availability of capable government staff. No amount of external consultants, commodities or funding can substitute for this resource. The availability and quality of government staff made available determines the timing and sequence of the reform, which reforms will be done and when, and the level of operational efficiency to be maintained while reforms are underway. An important but overlooked issue is the incentive system for government staff to manage both operational and reform responsibilities. The Civil Service Reform has not addressed the terms of service of staff and this is a serious oversight. The effective implementation of the reforms and their operation critically depend on the quality and motivation of government staff.

The scarcity of capable staff also is one reason why financial reform must be evolutionary not revolutionary. There simply is not enough government staff to implement widespread and rapid reform much less reforms that significantly depart from existing practices. Devolution spreads capacity and makes evolutionary financial reform even more an imperative.

It is important for government and international development agencies to consider the uses and limits of technical assistance, especially in a devolved country with limited capacity. External technical assistance staff are a complement not a substitute for government staff. To be effective, external advisors and consultants need counterparts who have the

⁴⁰ Moris found that a key weakness of African bureaucracies is that they do not tie resources to objectives (1977). Reforms need strong advocates (Saints) who can mobilize the resources, protect those resources and manage the detractors (Demons) of the reform see Peterson (1998).

⁴¹ On the difficulty of introducing program budgeting in more developed countries see Wildavsky (1984, pp. 135-138).

⁴² International development agencies are pressing for rapid implementation of an integrated planning system (Medium Term Expenditure Framework—MTEF) which the PEP will provide.

time, interest, and incentive to work with these external resources. Building an effective working relationship between external technical assistance staff and government staff is an iterative and performance relatively long-term process that involves establishing mutual understanding and trust. The external assistance staff must learn the existing system and the government staff need to comprehend their own system as well as the principles of financial management that the reform will lead to.

It has been difficult to attract qualified, experienced, and effective international technical assistance staff to work for lengthy periods in Ethiopia. The pool of external “experts” who have designed, implemented and lived with the consequences of a public sector financial reform they have assisted in developing (not simply written about) is very small indeed. By contrast, there appears to be no shortage of external experts who provide recitations of “very best practices” and recommend (and sometimes insist) that they be implemented. Another weakness of external technical assistance staff is that while some may have expertise in a particular component of the financial system (e.g. budget or accounts), very few have an understanding much less appreciation of the interdependencies of financial components (e.g. how budgets impact accounts and disbursements or how budgeting and planning are related). Their advice tends to be compartmentalized. A further weakness of technical assistance staff is their tendency to apply procedures on a turnkey basis from other countries which are inappropriate to the scope of the task or the context. Because there are so few cases of devolution like Ethiopia’s, there are very few “experts” who understand this context. David Leonard argued that the principal problem with technical assistance staff is not their insulation from society, but their lack of longevity in the assignment so that they understand the context (1987). To lack of longevity we would add the lack of “depth” of experience in participating in all steps of a financial reform, the lack of understanding of “appropriate” versus “very best” practices, and breadth in understanding the interdependencies of financial systems.

Ethiopia’s limited capacity yet devolved financial systems poses an extraordinarily difficult challenge to technical assistance staff. They must comprehend the dynamics of devolution in extremely weak administrative systems and assist government staff in designing and implementing interventions that start with this fragile base and provide it with

a more substantial base. The interventions must be supportive not disruptive and they must be appropriate to the context.

CONCLUSION

Financial reform is not simply a slogan or a concept. It is a difficult process of linking complicated sub-systems together into a well-functioning whole. Reform by definition is a multidimensional process that cannot be solved by introducing a single solution, be it double entry accounting, output/outcome budgeting, or Medium Term Expenditure Frameworks. There are no magic recipes or silver bullets.

Financial reform is a difficult challenge for any government. It takes political commitment, administrative capacity and significant financial and human resources. It also takes a long time. It is extremely difficult to stay the course of a reform's design and mobilize and manage the resources needed for the reform in the midst of pressing and short-term domestic and international demands. It is also difficult for governments to maintain the coherence of the reform when pressed with never ending and changing recommendations. The objective of Ethiopia's financial reform should not be to win the "international reform sweepstakes"⁴³ but to build sound financial systems through a coherent, appropriate and feasible reform. African countries, especially those also implementing demanding devolution need to focus on the fundamentals. Inappropriate features of advanced financial reforms in faraway lands for now should be left for others to experiment with.

Ethiopia is arguably one of the poorest countries on Earth. The needs are many and great and the urgent desire to improve the situation is understandable. It takes capacity to build the capacity to develop. This takes time. Financial reform in Ethiopia reinforces what Goran Hyden penned many years ago, that there are no shortcuts to progress in Africa (1983).

⁴³ Schick (1998, p. 9).

Annex 1

The Ethiopian Civil Service Reform Accounts Project and the Framework for Financial Reform

Steps to Change Financial Systems	Stages of Evolution in Financial Systems		
	<i>External Control</i>	<i>Internal Control</i>	<i>Management</i>
<i>Comprehension</i>	<p><i>Removal of the backlog</i> Assistance to reporting units On-the job training</p> <p><i>Efficient reporting</i> Review and documentation of the system Sanctions for late reporting Specialist training in the existing system</p>	<i>Report to Councils</i>	
<i>Improvement</i>	<p><i>Efficient bookkeeping</i> Organization, staffing, and management Simplification of forms Shelf life of documents</p>		
<i>Expansion</i>	<p><i>Expanded bookkeeping</i> Advances Loans Stocks Commitments Aid in kind Donor funds</p> <p><i>Expanded reporting</i> Comprehensive reporting model</p>	<i>Self Accounting</i>	

Annex 2

The Ethiopian Civil Service Reform Budget Project and the Framework for Financial Reform

Steps to Change Financial Systems	Stages of Evolution in Financial Systems		
	<i>External Control</i>	<i>Internal Control</i>	<i>Management</i>
<i>Comprehension</i>	<p><i>Strengthen the line item budget</i> Document existing budget processes Workshops on the existing budget processes</p>		
<i>Improvement</i>	<p><i>Strengthen the line item budget</i> Simplify the expenditure codes Simplify the chart of accounts Map the budget Formalize the financial calendar Specialist budget training</p> <p><i>Aid management</i> Presentation of the external sources of financing Incorporation of off-budget external loans and assistance</p>	<p><i>Improved expenditure composition</i> Cost centers Work plans Unit costs</p>	
<i>Expansion</i>		<p><i>Improved expenditure composition</i> Consolidate capital and recurrent budgets</p>	

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Table 1
Framework for Financial Reform

Steps to Change Financial Systems	Stages of Evolution in Financial Systems			
	<i>External Control</i> <u>Inputs</u> (No Discretion)	<i>Internal Control</i> <u>Inputs</u> (Limited Discretion)	<i>Management</i> <u>Outputs</u> (Discretion)	<i>Planning</i> <u>Outcomes</u> (Significant Discretion)
<i>Comprehension</i>	Ethiopia			
<i>Improvement</i>				
<i>Expansion</i>				New Zealand

Table 2

Phases, Variables and Dilemmas of Implementing Financial Reform

Variables and Dilemmas in Implementing a Financial Reform	Phases of Implementing a Financial Reform		
	<i>Design</i>	<i>Pilot</i>	<i>Operation</i>
<i>Variables</i>			
Resources			
Interdependence			
Sequence and timing			
<i>Dilemmas</i>			
Comprehensiveness			
Monitoring			