

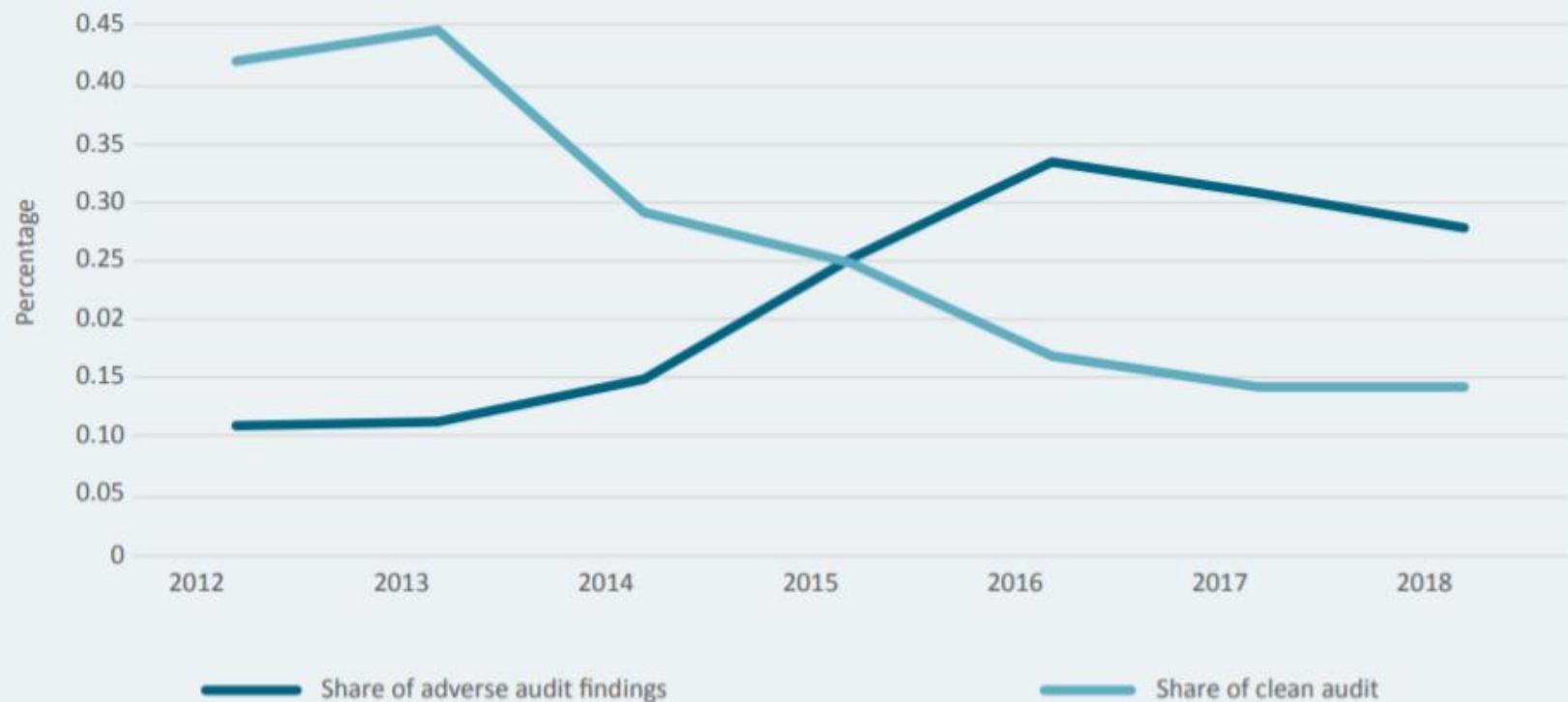
Institutional and personnel capabilities for programme budgeting and monitoring in Ethiopia

**Collaborative Africa Budget Reform
Initiative**

Background

- 10 years into the implementation of Programme-Based Budgeting at the federal level.
- Preparations are underway for the roll out of PBB in regions.
- Despite the increasing importance of the programme planning and monitoring functions within spending entities, there is little systematic review of the capabilities.
- Increasing public concerns regarding worsening audit outcomes across federal institutions.

Figure 1: The evolution of audit findings over the period of PBB implementation



Source: Compiled by author based on OFAG annual reports

Objectives

- This report aims to examine the state of institutional and human-resource capabilities for programme planning and monitoring in Ethiopia.
- It aims to assist policymakers understand the underlying capabilities the absence of which may have impacted the effective implementation of PBB and contributed to deteriorating audit outcomes.
- The report does not attempt to directly assess the level and rigour of the actual implementation of PBB at the federal level.

Scope and methodology

- Covers mainly federal entities, but also a few subnational entities (Addis Ababa and Oromia) in light of second phase of PBB roll out.
- Qualitative interviews: 24 key informants from 10 federal and subnational entities responsible for planning, budgeting, monitoring and evaluation (M&E) and oversight functions.
- Personnel survey: 200 planning, budgeting and M&E officials from 18 federal and subnational entities covering the subjects of personnel capabilities and reform experiences.
- Four case studies:
 - Federal Ministry of Health
 - Ethiopia Roads Authority
 - Addis Ababa University
 - Authority for Research and Conservation of Cultural Heritage

Planning capabilities

- Lack of rigorous models and scenario-planning exercises at the level of macro institutions.
- Gaps in the quality of information macro-level institutions receive from MDAs as part of the programme planning and budget formulation processes.
 - Inadequate training for MDAs might be among the reasons
- The case of Ministry of Health:
 - Capability gains from iterative process to coordinate health sector planning despite federal arrangement
 - Regardless of planning capabilities, budget execution could suffer from inadequate allocation for personnel expenses

Planning capabilities

- Ethiopian Roads Authority: it can be tricky to balance feasibility criteria with socio-political considerations in planning high-stake projects.
- Addis Ababa University: chronic delays in project completion and unplanned spending due to emergency expenditures keep more projects in the pipeline than the MoF can budget for.
- ARCCH: negative impact of capital project delays on subsequent planning in a high-inflation environment and especially for organisations with limited bargaining power.

Monitoring capabilities

- Key performance indicator (KPI) data provided by MDAs as part of the budget formulation and reporting processes remain scanty.
- Ministry of Health: coordinative capabilities and established technology improve monitoring.
- ERA: aggregating and consolidating project-level data is key to producing program-level KPIs.
- Lack of decisive and timely action by management in response to monitoring information could ultimately reduce the incentive to improve M&E capabilities.
- Parallel systems for government funded vs donor funded activities undermine monitoring capabilities.

Oversight capabilities

- OFAG has made significant progress improving capabilities despite significant personnel constraints.
- Oromia Regional State: carving out role for legislature is enhancing monitoring and oversight.
- Regional legislators have particular need for tailor-made training.

Personnel capabilities: motivation

Figure 3: Personnel motivation and associated indicators



Reported levels of motivation are high in sample institutions, but public sector is not competitive enough to attract employees as a preferred option and retain those with outside alternatives for a long time.

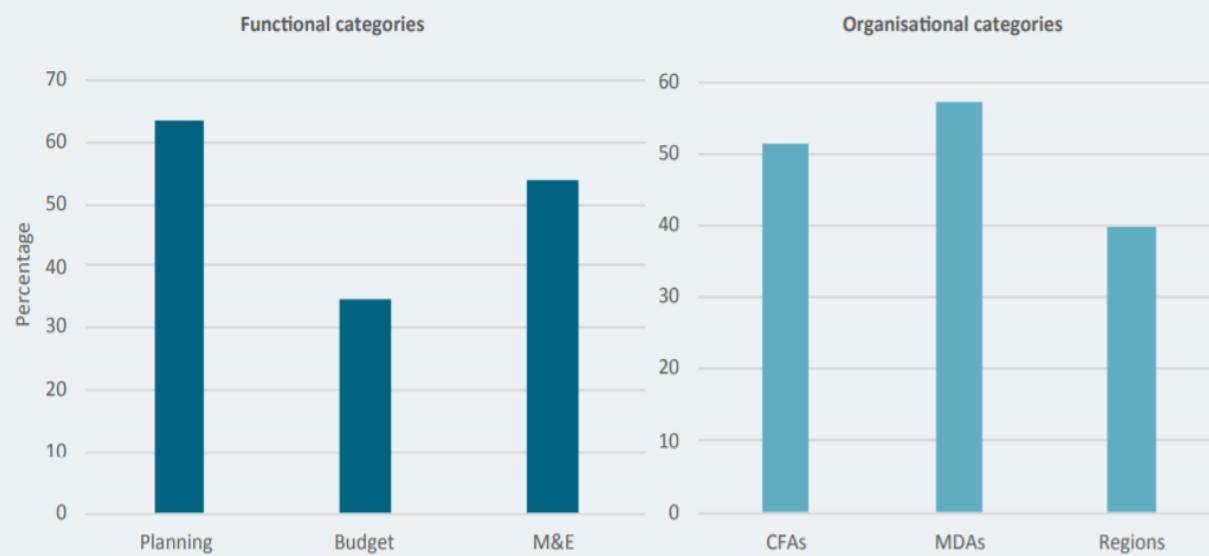
Personnel capabilities: turnover

- **Predictors of turnover**

- Officials who consider public sector salary unfair are 51% less likely to stay in their current job.
- Officials who believe their job offers low professional growth opportunity are 74% less likely to stay in their current job.
- Officials who aspire to join NGOs or IOs once they leave public sector are 58% less likely to stay in their current job.
- A year of experience reduces the likelihood of staying by 4%.
- A year of age increases the likelihood of staying by 4%.

Personnel capabilities: skills mismatch

Figure 5: Share of officials believing that skills mismatch has affected their unit's performance



- A sizeable portion of the units in areas such as planning that require specialised technical expertise suffer from significant skills mismatch.

Reform ecosystem

- Superior government agencies are the primary source of reform ideas.
 - Relative autonomy of PFM institutions in setting reform agenda.
- Structured internal reviews are the most commonly used process to drive reform.
- Absence of strong silo mentality: close to 50% reported significant proportion of work is done in cross-department teams.
- Most common drivers of improved performance:
 - ✓ Mutual exchange and learning between teams
 - ✓ Successful application of best practices

Summary: salient points

- At macro level, analytical capabilities are key.
- FMoH's experience shows how to leverage external support and international best practices.
- Capital project planning in MDAs is largely subject to the macroeconomic environment (inflation and foreign currency supply).
- Inability of MDAs to develop a coherent and reliable performance measurement framework is a major challenge.
- High turnover and skills mismatch undermine personnel capabilities for skill-intensive functions.

Thank you for your attention.