



DREAM Learning Events

Financial Management Capacity at Woreda Level

DREAM II – Learning Event IV

29-July-2021

Proceedings



Abstract

The aim of the DREAM Conferences and Pre-Conferences & Learning Events is to facilitate the cooperation and coordination in lowland development and to support the development of the lowlands. The theme of the 4th DREAM Learning Event on July 29th is Financial Management Capacity at Woreda Level. This Pre-Event builds on the previous events, especially on the pre-event of 16 June. It will zoom in on the capacity at Woreda level to manage and handle development finance, looking at capacity to plan and disburse, follow own plans, the relation with kebele and other levels (zone, region), procedures and process of budget allocation and dealing with off-budget activities. Around 40 participants gathered online, and from a physical venue in Jijiga (in Ethiopia's Somali region).

Introduction – Dr. Frank van Steenbergen (MetaMeta)

Frank van Steenbergen welcomes all participants to the 4th Learning Event which is a Pre-Event of the DREAM II Conference and mentions the objective of these events; **to increase the coordination, cooperation, and capacitation in lowland development**. In all the Pre-Events, topics of high importance in that regard are being discussed. Today's topic is the Financial Management Capacity at Woreda Level, which is very much a follow-up to the previous Pre-Event, which **discussed Strengthening Woreda level Planning and Coordination**. Today, we will zoom in on one very important aspect, which is the **whole process of the development finance that is coming to the Woreda and its capacity to manage it but also the capacity at Woreda level to use all development opportunities to optimize development within their own area**. In the previous Pre-Event, a large number was mentioned on funding available, which really translates to a huge challenge and opportunity at Woreda level. Today's event is hybrid, like the previous Pre-Events, there is a physical event in Jijiga and due to reasons we all understand, it was difficult to organize this in Semera. Frank van Steenbergen then introduces the whole program before Dr. Elisabeth van den Akker provides a keynote.

Later in the Learning Event, the DREAM II Conference taking place in Jijiga from 20-24 September 2021 is introduced. The objective of the next DREAM II is the coordination of all players around lowland development and the development of joint programs.

Keynote – Dr. Elisabeth van den Akker (GIZ-SDR)

Dr. Elisabeth van den Akker first mentions that she is very happy to have this session about the financial management capacity and flows at Woreda level, especially considering the presenters who are willing to share their knowledge with us.

She starts by showing a 1 Bir coin, which has on one side a scale and on the other side the head of a lion, the lion of Ethiopia. *“So, what does that mean? Both pictures, both symbols, are one on one coin. The coin would not have any value without the lion or the scale. It would lose its value when it loses one of the two pictures. The same is true for development cooperation. We are focusing very **much on getting the right approaches, getting the right techniques, getting the right structure**. The other side of the coin is having **the administrative procedures correct, understanding financial procedures, understanding which finances are there**. If we do not know these both things, also all the technical development activities and efforts will be invaded. Because if the financial flow is not correct, they have to stop, there are delays, the same is true for the administrative side.*



*I think that most of our experts, **who are very good into technical issues, are not fully aware of how the financial flows are in the background, how financial procedures look like and what needs to be respected to remain in an eligible corridor and to remain in the systems in regulation to what the finance administration of Ethiopia has said.** These are points we want to work on we are very happy to get more insights. Insight into the federal, regional, and then local system, how is that linked with each other? Me, as a development expert, I know that the **financial year of Ethiopia goes from July till June in the following year and that in the 4th quarter of the financial year the budget has to be discussed and in the 1st quarter of the new financial year budget will be released.** And then, what is then happening? How is that trickling down to for example the different offices at the Woreda level being technically interested, not so much the BoFED for example but for example all the offices belonging to the bureau of agriculture? So, how do they get their money? How is that functioning? For what is the governmental budget really used? How is the budget being administered when it comes to the Woreda level? We have Woredas where 2, 3, 4 different projects / NGOs are implementing at the same time, what does that mean? How many accountants are there? How is the whole hardware infrastructure, how does that look like? And then, for me the most important question, **what is needed that the system is efficient, taking up the money that is available, while being functional?** So that we can not only cooperate on the technical side but also on the financial side. So that the financial flows are correct and all interventions for our communities that we want to implement as much as possible for the local communities. What is there? How does it look like? And where could it be improved? Also, which type of support is eventually needed?*

This is discussed today, allowing to prepare us for the DREAM II conference where we will again bring up the topic. Having said that, I would like to thank the presenters willing to share their knowledge with us again. I am really curious and looking forward to this meeting.”

Financial planning capacity at woreda level – Abdurahaman Abdulahi, Representative of Ms. Zahra Sheik Ahmed (Woreda Finance Office Head)

In this presentation, several points were raised. The first one was on the **budget lines, both current budget lines from the government as well as the additional budget lines from LLRP, GIZ, NGOs and other special programs.** Second point was the process, the input to the planning process on the base of a joint assessment by Kebele administration and Woreda technical staff. And the last point raised was on the planning capacity. Some constraints were identified in terms of logics, communication, staff turnover. On the other hand, trainings are being organized to bring people up to the right level.

After summarizing the presentation, Frank van Steenbergen opens the floor for questions. The question from Gezahegn Lemecha Boru is related to the proportion of the fund allocated to development projects. **In most parts of Ethiopia, the funds to Woredas are mostly allocated to salaries, in his experience.** He asks the presenter to his experience in this regard and asks about possible NGOs operating in the area and whether their development plans are integrated with development plans at Woreda level. Thirdly, he raises the topic of water supply, and mentions that there are tariffs collected from community but there are also



expenditures. He asks the presenter to discuss whether this is included in Woreda level planning budget, for example for the WASH budget.

Regarding the 1st question. The budgets are allocated along skeleton budgets and this year about 30 million was allocated from the Woreda, of this 9 million was already needed for the operating system of the Woreda, from a fixed budget.

Regarding the 2nd question, it was answered that these are separate plans and not integrated. Woreda budgets come from the governments and NGO budgets are not integrated in these. Lastly, for the 3rd question, the funds raised from the communities are planned for separately.

Girma Senbeta then asks about **how budget for emergencies, such as and locusts**, is being managed and how that differs from regular recurrent budget management. This topic will be discussed during the break-out groups and thus addressed later.

The challenges in the development process at woreda level: challenges in planning, allocation, implementation, and control - Assefa Kumssa (former State Minister of Mines)

Assefa Kumssa has had several positions at the government of Ethiopia in the past, including State Minister of Mines. His presentation is based on his practical experience and a quick assessment he made on the management of development finance at Woreda level in Somali region.

First, he mentions the **different types of budgets. Ethiopia has namely a dual budget system with capital and recurrent budgets at all government levels. Capital budgets are prepared by planning institutions and decided upon at federal and regional level, while recurrent budgets are prepared by finance institution. However, the exact setup differs per region. The recurrent budgets consist mostly of salary budget.**

The sources of the budget are on the one hand government subsidy budgets, allocated by the federal government to regions and regional states to Woredas. The allocation is based upon their infrastructure need and internal revenue. On the other hand, budget comes from internal revenue generated by Woredas themselves. This internal revenue is often less than **20% of the total budget. Another source of funding comes from development partners**, such as One Wash, Productive Safety Net Program (PSNP), General Education Quality Improvement Program (GEQIP), Lowland Livelihood Resilience Project (LLRP) and Strengthening Drought Resilience Project (SDR) run by GIZ. **Off-budget development programs are few** and mostly implemented or administered by the financiers.

He then goes through the procedures and process of budget allocation, execution, and reporting, which are applicable for federal, regional and Woreda level. These budget process stages are **1) budget preparation and submission, 2) budget approval, 3) budget implementation and 4) budget control.** The 4th is also referred to as monitoring and evaluation stage. The 1st phase of this whole process is schematically shown in figure 1. Pre-ceiling means that the grants are not allocated yet, but that the Woredas request what they think is needed. Between March and May, the region is notified of the federal grant, during the 4th quarter.

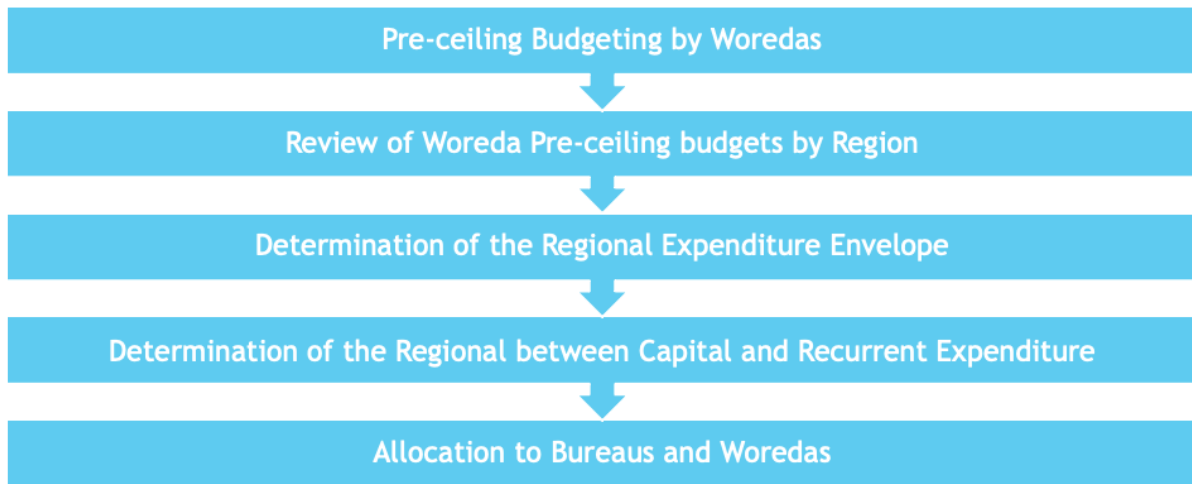


Figure 1 Woreda budget preparation and submission process

As mentioned, the 2nd phase is budget approval. In this phase, the regional BoFED evaluates the request and allocates/approves budgets for the execution of activities based on request from Woredas, internal revenue generated, population, existing projects and new developments needs and lastly other non-budgetary interventions to limit the gap between Woredas.

The 3rd phase is execution and reporting. Once the budget has been allocated to and released for Woredas, the Woreda finance office releases and disburses for sectors and projects based on their activity plans. Recurrent budget is requested and released every month while capital budget is requested and released every quarter. Similarly, monthly reporting is made for recurrent budget while quarterly reporting is made for capital budgets

The budget process for government subsidies and other programs (PSNP, One WaSH, etc...) follow existing government regulation. For two of these programs, the budget flows are visualized in figure 2. It shows that reports are needed to get next disbursements.

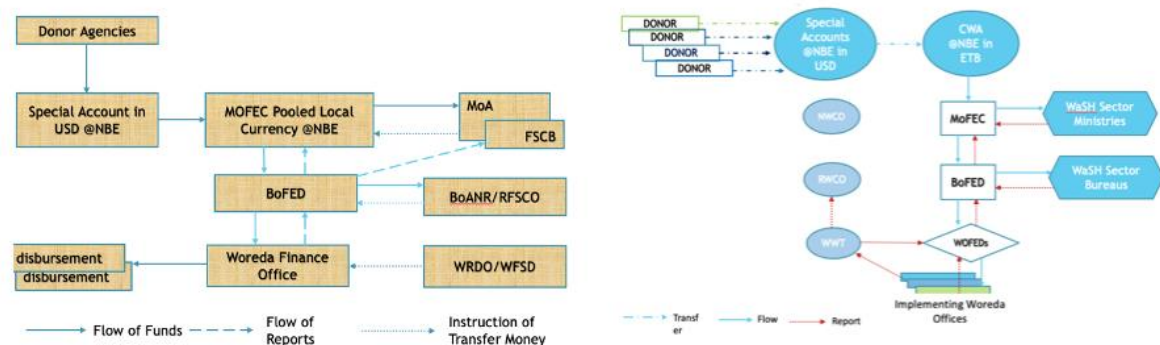


Figure 2 Budget flow of FSNP (left) and One WaSH (right)

Then, he addresses some of the challenges regarding financial management at Woreda Level, which he sees as the key level of government that determines needs, undertakes planning and implementation. **The Woreda cabinet and the council are responsible for guiding and overseeing the integration of the planning and implementation. The Woreda must ensure**



that proper accounting systems and competent accounting staff are established and maintained, which is challenging.

One of the challenges at preparation and submission level phase is its timing, the end of quarter 3 and beginning of quarter 4 are a busy time for current year budget implementation. Furthermore, there is short timeline for the budget formulation process, which too often results in non-exhaustive and weak planning, which might also result in weak integration of plans.

Regarding approval and disbursement, one of the challenges is a delay in disbursement. Most capital budgets are release towards the end of quarter 1. This late disbursement results in delays of execution.

Regarding execution and reporting, there is too often a delaying or failing tendering and procurement process, as the strict processes must be followed. Sometimes this leads to not being able to use the allocated budget. Furthermore, the capacity of contractors to deliver on time is limited. Another challenge is the timely reporting of the previous quarter implementation to timely secure the next quarter budget. Lastly, diverting approved budget is very challenging and time consuming, as the approved budget is a law and therefore reapproval is needed for diverting. **Effective budget utilization is thus suboptimal**, due to challenges and problems mentioned above.

In the timeline in table 1, all main steps in budget processes are summarized. Overall challenges for this whole process are staff capacity (lack of adequate and experienced manpower, e.g. budget experts / contract administrators) and a lack of coordination and integration between other budget holders with finance sections.

Table 1 Timeline and steps in budget processes

Budget Process	Time (qr/mon)	Remarks
Preparation and Submission	Q4/April and May	Peak time for current year budget implementation
Approval	Q1/July	Most regional states conduct council meetings during the beginning of quarter 1, in July
Disburement	End of Q1/Sep to Beginning of Q2/Oct	Federal to Region to Woreda to beneficiaries
Execution	Mostly from quarter 3 onwards	Tendering and procuremnt procees
Reporting	Delay	Causes delay on the next quarter disbursement, then problem becomes cyclic

After this presentation, the floor is open for questions and discussion. Gezahegn Lemecha Boru starts and mentions that Woredas have their own priorities which they can priorities themselves. They can allocate the grants they receive to projects themselves, based on their prioritization strategy. He also reflects on some of the challenges mentioned by the presenter, and mention that they might not all always apply at Woreda level, for example for small



projects where contracting is not problematic. In a reflection, Assefa Kumssa stresses that **even though budget and activity are relatively small, the procedures are extensive**. He also mentions that **indeed Woredas can prioritize themselves, but that their plans do need to be approved in order to receive budget**.

Then Paul Roden is asking whether Woredas have long-term strategic plans in which estimates of the budget requirements for the longer term are made. Assefa Kumssa answers that this is a gap that currently exists. However, at regional level long-term strategic plans are made which also cascade to Woreda level.

Regarding long-term planning, Gezahegn Lemecha Boru mentions that all Woredas have a 10-year prosperity plan. However, **not all plans are very detailed** and focused on the role of Woredas in the implementation. It does not address all development needs of the Woredas. He mentions that with support from a program, 10 Woredas have made much more specific long-term plans. As an example, these will be made available on the resource library on the DREAM website (<https://sdr-africa.com/documents-and-videos>).

Dubale Admasu then mentions that in the 1st quarter, a start with the tendering process could already be made, before the Woreda has received the budgets. This would make the process following the imbursement much faster and limiting time constraints. This will also be discussed in the group discussion. In the group discussion, another point raised in the chat will also be discussed, which is on the compatibility between the budget requested and the budget allocated. The responsiveness of the budgeting process to the actual needs in lowland development is also brought to the table by a participant, specifically to what extent budget can be reallocated when there is an emergency, also in the light of climate change. This topic will also be addressed during the group discussions.

Group discussion

Frank van Steenberghe introduces the question for the group discussions (online and physical in Jijiga), including the points raised by participants in the event.

1. What would be the steps required for Woredas to have a larger control over their development planning?
 - a. In terms of having a comprehensive plan for their area?
 - b. In terms of developing and proposing projects in line with community needs?
 - c. In the adequate implementation of the different projects?
2. How to strengthen the financial procedures to support Woreda level development?
 - a. So that activities from different sources are integrated?
 - b. So that allocated funds are implemented?
3. What are the bottlenecks to be removed (administrative system, logistics, human capacity, budget processes)?
4. Abilities to respond to emergencies (such as droughts and floods)

The answers to these questions as discussed by the group in Jijiga and the online group, are placed directly under the question, per question.



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The following **points are raised as important to increase control for Woredas regarding development planning:**

- **Concrete and continues coordination centre among all stakeholders.**
- **Bottom-up approach to address community needs.**
- **Develop need-based planning at root level which has a wider community participation system. Community involvement and contributions should be included at the planning stage to create a sense of ownership and sustainability.**
- **The planning team should be established at Kebele level and at Woreda level instead of regional.**

Also, some **experiences were discussed on how to integrate plans while reflecting priorities of the Woredas. The first experience comes from a WaSH project where spreadsheets including future projections and several other factors have been used to improve Woreda level planning. A training in planning process facilitated implementation of this planning method.**

Another experience from Ethiopia, supported by GOPA, was on agricultural development plans. Two very important lessons from that experience were to really engage with people at the Kebele level is that is where the interface with the community is and to look at some of the procedures that sometimes cause delays. Especially the national financial reporting system is important to address in that respect.

Another experience comes from Kenya, where several attempts have been made in the WaSH and agricultural sector to improve the county level financial management and planning. A more systematic regular system is currently already in place there, called the County Integrated Development Plan, which is a requirement for budgets to be released. It is done every 5 years and includes the counties' priorities and how resources are to be allocated to different sectors and priorities. It also has a provision to integrate own revenue from counties.

It was furthermore concluded in the discussion that **a strategic plan at Woreda level would be very useful to take a longer-term perspective. The annual plans can then be informed by that systematically, based on the long-term prioritization strategy.** Based on the strategic plan, then also a joint vision can be created in which development partners can be included. Other points raised are the importance of sectors to meet before finalizing plans and better harmonizing of regional Woreda plans.

Several points related to streamlining procedures were discussed. Paying more attention to proper reporting and simplifying / clarifying for instance formats and necessary evidence will smoothen procedures. Also having updated standard costs to avoid inflated prices in the budget requests is of importance. Next to that, building in facility to deal with emergencies,



will lessen the procedure burden. It was mentioned that currently Woreda requests directly to regional and international NGOs in case of emergencies.

2. How to strengthen the financial procedures to support Woreda level development?
 - a. So that activities from different sources are integrated?
 - b. So that allocated funds are implemented?

To strengthen the financial procedure to support Woreda development, the following points are raised.

- Capacity building initiatives for Woreda level experts should be in place.
- Budget monitoring and balancing should be in place since there are high over- and underspending at Woreda level.
- Strong relationship among regional planning team and Woreda planning team should be built to reduce the information and skill gaps.
- Strong M&E and supervision system should take place at Woreda level
- The standard operating system SOP approach should follow all stakeholder at Woreda level and there should be more SOPs.

A long-term strategic plan might also help to avoid underspending, as it will also help executive officers to submit their requests on time. Pre-tender before allocation, improved long terms procurement management and keeping a certain flexibility in plans will also help to prevent underspending. Lastly, in this regard, also building capacity of (private sector) implementers is of importance.

3. What are the bottlenecks to be removed (administrative system, logistics, human capacity, budget processes)?

Mentioned bottlenecks and ways to remove them are:

- Increase the deployment of skilled human power at Woreda level
- Build infrastructures of the community like, roads, logistics, communication network and other essential basic services at Woreda level.
- Delay of budget release time specially at the last quarters of the year
- The demand and supply are not equal at Woreda level. Need for budget is high while total budget is much lower. Increasing budget allocation would be ideal solution of the problem at Woreda level.
- Low income and revenue at Woreda level.

Poor tendering is also a problem, due to the following reasons. Due to the following reasons, there is poor tendering at Woreda level.

- Lack of capacity of Woreda level contractors.
- Lack of skilled and equipped contractor at woreda level.
- Lack of committed contractor at Woreda level.
- High fluctuating of inflation materials at Woreda level, e.g. submission of material price at the begging shouldn't be equal at the implementation time.



Panel responses

Following the (outcome of the) group discussions, responses from the participants and additional points were raised. Also, some previously raised points were highlighted once more.

For natural resource management, long-term planning is essential. Paul Roden is wondering how Woreda level would integrate NRM aspects in their planning, also in the longer term. As discussed today, there is a gap there. Gezahegn Lemacha Boru brings reporting to the table. Reporting should not only be a requirement that goes to a higher level, but at the Woreda level it should also take place, as there the Woreda must be accountable of its own plans. Maurice Opondo mentions that the system in Kenya is elaborate. There is an autonomous national office that tracks the budget execution and shows that before budget is released, there is compliance and that the reports of sufficient quality are submitted. This office thus ensures and controls budget implementation.

Closure

Frank van Steenberg wraps up and closes the Learning Event. Mentioned is that it was a very useful and unique meeting. A lot of very practical recommendations have come up, of which some are ready to be implemented quickly.

He mentions the frequently said words that if one does not have a plan, one cannot achieve a plan. This is really something important to keep in mind. We should thus not look at the planning process as an administrative matter but also an expression of where we want to go to. The topic of today's meeting is one of the important topics for the DREAM II conference, where the main outcomes of today's meeting will also be presented and discussed. He thanks everyone for attending and facilitating this very useful meeting.

The presentations are available on the DREAM website (<https://sdr-africa.com/>).

