



USAID
FROM THE AMERICAN PEOPLE

COMPARATIVE ASSESSMENT OF DECENTRALIZATION IN AFRICA: ETHIOPIA DESK STUDY

JULY 2010

This publication was produced for review by the United States Agency for International Development. It was prepared by ARD, Inc.

Authored by: J. Tyler Dickovick
Department of Politics
Washington and Lee University
Lexington, Virginia, US

And

Tegege Gebre-Egziabher
University Lecturer and Professor
Addis Ababa University
Addis Ababa, Ethiopia

Report prepared for the United States Agency for International Development. Contract: DFD-I-00-04-00227-00, Task Order 15

Implemented by:

ARD, Inc.
PO Box 1397
Burlington, Vermont 05401
Telephone: 802-658-3890
Fax: 802-658-4247
Email: ardinc@ardinc.com

ACKNOWLEDGEMENTS

This report is one of 16 reports on decentralization in 10 African countries undertaken on behalf of the Conflict, Peacebuilding, and Governance Division of USAID's Bureau for Africa and the Office of Democracy and Governance of USAID's Bureau for Democracy, Conflict and Humanitarian Assistance. The reports include a desk study for each of the 10 selected countries, an in-country study for 5 of the 10 selected countries, and a single comparative report of the findings from all 10 countries. All reports were completed between May 1 and September 27, 2010.

The following titles and authors are included in the USAID series:

Comparative Assessment of Decentralization in Africa: Botswana Desk Study by Amy R. Poteete and Bashi Mothusi

Comparative Assessment of Decentralization in Africa: Burkina Faso Desk Study by Pierre Englebert and Nestorine Sangare

Comparative Assessment of Decentralization in Africa: Ethiopia Desk Study by J. Tyler Dickovick and Tegegne Gebre-Egziabher

Comparative Assessment of Decentralization in Africa: Ghana Desk Study by J. Tyler Dickovick and Joseph Ayee

Comparative Assessment of Decentralization in Africa: Mali Desk Study by Susanna Wing and Brehima Kassibo

Comparative Assessment of Decentralization in Africa: Mozambique Desk Study by Beatrice Reaud and Bernhard Weimer

Comparative Assessment of Decentralization in Africa: Nigeria Desk Study by James Wunsch and Bamidele Olowu

Comparative Assessment of Decentralization in Africa: South Africa Desk Study by Louis Picard and Thomas Mogale

Comparative Assessment of Decentralization in Africa: Tanzania Desk Study by Per Tidemand and Nazar Sola

Comparative Assessment of Decentralization in Africa: Uganda Desk Study by Paul Smoke, William Muhumuza and Emmanuel Mugalaasi Ssewankambo

Comparative Assessment of Decentralization in Africa: Botswana In-Country Assessment Report
by Amy R. Poteete, Bashi Mothusi and Daniel Molaodi

Comparative Assessment of Decentralization in Africa: Mali In-Country Assessment Report by
Chéibane Coulibaly, J. Tyler Dickovick and James T. Thomson

*Comparative Assessment of Decentralization in Africa: Mozambique In-Country Assessment
Report* by Barry Ames, Domingos do Rosario, Edwin Connerley, Eduardo Nguenha and
Laudemiro Francisco

Comparative Assessment of Decentralization in Africa: Nigeria In-Country Assessment Report
by Bamidele Olowu, John Erero, Rosemary Soetan and Rotimi Suberu

Comparative Assessment of Decentralization in Africa: Tanzania In-Country Assessment Report
by Amon Chaligha, Nazar Sola, Per Tidemand, Peter Bofin

Comparative Assessment of Decentralization in Africa: Final Report and Summary of Findings
by J. Tyler Dickovick and Rachel Beatty Riedl

COMPARATIVE ASSESSMENT OF DECENTRALIZATION IN AFRICA: ETHIOPIA DESK STUDY

JULY 2010

DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONTENTS

- ACRONYMS iii**
- EXECUTIVE SUMMARY v**
- 1.0 THE COUNTRY CONTEXT 1**
 - 1.1 POLITICAL BACKGROUND AND STRUCTURE 1
 - 1.2 HISTORICAL LEGACY 2
 - 1.3 POLITICAL SYSTEM..... 3
 - 1.4 HISTORY OF DECENTRALIZATION..... 4
- 2.0 INTERMEDIATE OBJECTIVES..... 7**
 - 2.1 AUTHORITY 7
 - 2.1.1 Levels of Government 7
 - 2.1.2 Devolution, Deconcentration, and Delegation 10
 - 2.2 AUTONOMY 11
 - 2.3 ACCOUNTABILITY..... 14
 - 2.4 CAPACITY 16
- 3.0 POLITICAL ECONOMY OF DECENTRALIZATION 19**
 - 3.1 POLITICAL INCENTIVES AND CONSTRAINTS: PROPONENTS AND OPPONENTS 19
 - 3.2 THE DECENTRALIZATION SEQUENCE 20
 - 3.3 INSTITUTIONAL ARENAS 21
 - 3.3.1 The National Arena..... 21
 - 3.3.2 The Subnational Arena 21
 - 3.3.3 The Civil Society Arena 23
 - 3.3.4. The Donor Arena 25
- 4.0 CONCLUSIONS 27**
 - 4.1 VARIATIONS 27
 - 4.2 COUNTRY LESSONS..... 29
 - 4.3 FINAL QUESTIONS 31
- APPENDIX 1: BIBLIOGRAPHY..... 35**
- APPENDIX 2: TIMELINE OF DECENTRALIZATION IN ETHIOPIA..... 39**
- APPENDIX 3: REVENUE AUTHORITY OF FEDERAL AND REGIONAL GOVERNMENTS 41**
- APPENDIX 4: REGIONAL AND DISTRICT EXPERIENCES 45**

ACRONYMS

ANDM	Amhara National Democratic Movement
ANRS	Amhara National Regional State
CBDS	Capacity Building for Decentralized Service Delivery project
CIDA	Canadian International Development Agency
CSO	Civil Society Organization
CUD	Coalition for Unity and Democracy
DLDP	District Level Decentralization Program
EPLF	Eritrean People’s Liberation Front
EPRDF	Ethiopian People’s Revolutionary Democratic Front
ETB	Ethiopian birr (currency)
FDRE	Federal Democratic Republic of Ethiopia
HF	House of Federation
IREX	International Research and Exchanges Board
KETB	Kebele Education and Training Boards
MOFED	Ministry of Finance and Economic Development
MSI	Media Sustainability Index
NCBP	National Capacity-Building Program
NGO	Nongovernmental Organization
OLF	Oromo Liberation Front
OPDO	Oromo People’s Democratic Organization
PTA	Parent-Teacher Association
RELG	Restructuring and Empowering Local Government
SEPDF	Southern Ethiopian Peoples’ Democratic Front
SNG	Subnational Government
SNNPR	Southern Nations, Nationalities, and People’s Region
TPLF	Tigray People’s Liberation Front

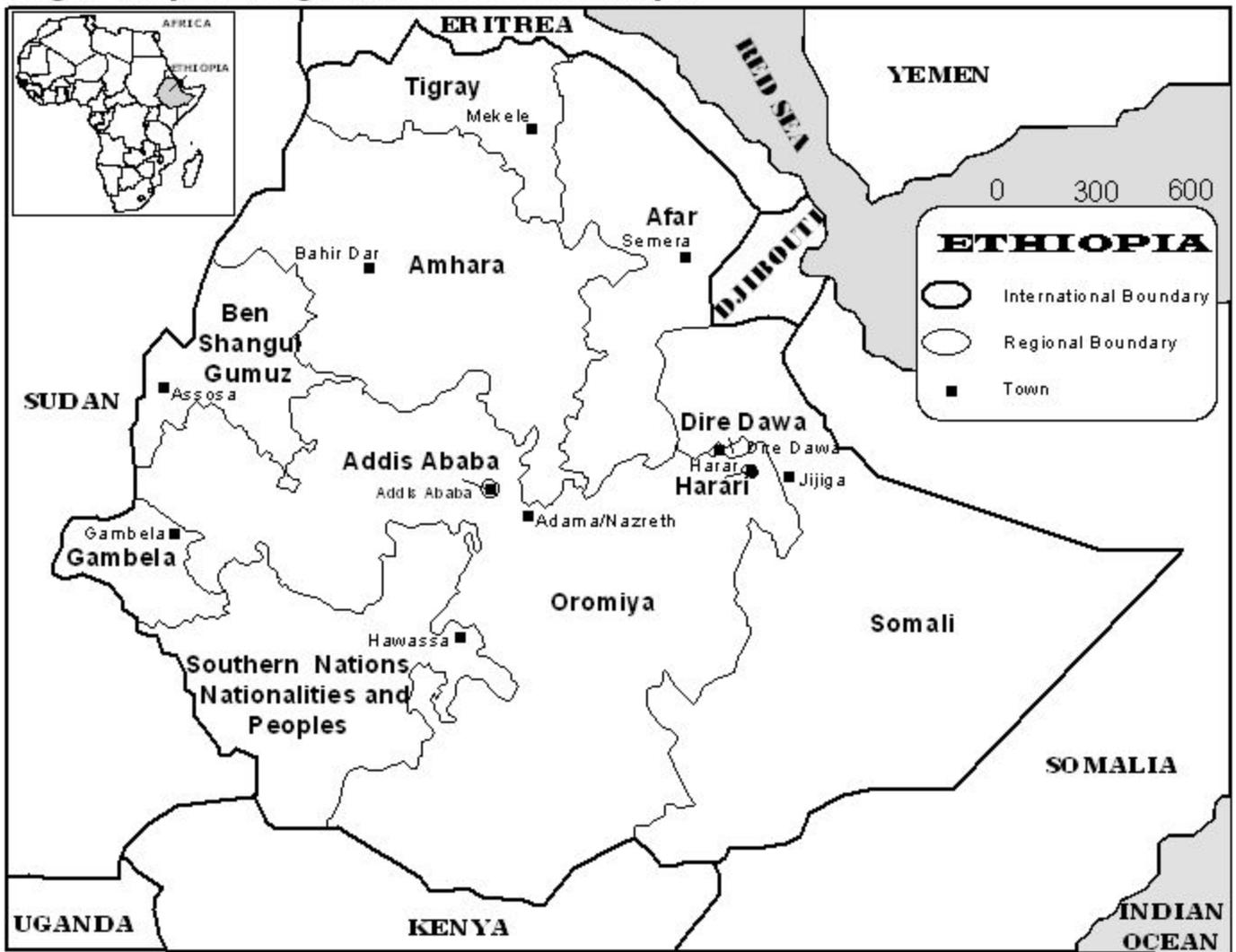
UN	United Nations Economic Commission for Africa
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Decentralization in Ethiopia since 1991 has been dramatic. Despite several imperfections that will be examined in this report, the country serves as a crucial case study that pushes the envelope of decentralization in Africa. Most notably, the country is a striking case of “ethnic federalism,” in which the major ethnicities (or “nations, nationalities, and peoples” in the Ethiopian context) have been allotted their own regional states, as seen in Figure 1 below. Emerging from out of civil conflict in the 1990s that toppled a Marxist-Leninist dictatorship, this ethnic federalism is a unique and striking experiment on the African continent. Regional decentralization was political, fiscal, and administrative—a “big push” that devolved power and authority to elected subnational officials.

Yet decentralization in Ethiopia did not stop with the 1990s process of devolution to the regions. In the early 2000s, a second big phase of decentralization was undertaken with the transfer of power and resources to the *woredas* (districts) in the so-called District Level Decentralization Program. The result was a further devolution of authority, substantial fiscal transfers, and a furthering of electoral accountability to local populations. Despite these achievements, some constraints remain, most notably in three areas: limited own-source revenues and tax bases for subnational governments (SNGs); a degree of top-down partisan control by the dominant EPRDF party; and low capacity at subnational levels. Together, these convey an image of a decentralization that is quite robust *de jure* and (while considerable in African comparative perspective) somewhat more limited *de facto*.

FIGURE 1. MAP OF REGIONAL STATE OF ETHIOPIA



Source:-CSA,2007

The Delineation of the International and other Boundaries Shown on this Map must not be considered Authoritative

1.0 THE COUNTRY CONTEXT

1.1 POLITICAL BACKGROUND AND STRUCTURE

Decentralization as currently practiced in Ethiopia began with the establishment of an ethno-federal state first created in the early 1990s and codified in the Constitution of 1995. In the early to mid-1990s, central government power in Ethiopia consolidated around the Ethiopian People’s Revolutionary Democratic Front (EPRDF), a coalition of parties that emerged out of armed opposition to the previous Marxist-Leninist regime known as the Derg (1974–1991). The EPRDF coalition began as an agglomeration of armed resistance movements opposed to the Derg—most notably the Tigray People’s Liberation Front (TPLF) and the Eritrean People’s Liberation Front (EPLF). Upon toppling the Derg, the new EPRDF regime took power, with the TPLF becoming its dominant member, particularly after Eritrea asserted its independence in 1993. While the TPLF had the lead role in the coalition, the establishment of the new regime in Ethiopia began with the premise that the country has a multi-ethnic (or multi-national) structure, which translated into strong constitutional guarantees for the ethnicities (or nations) that comprise modern-day Ethiopia.

Demography—particularly ethnic demography—is crucial in shaping contemporary Ethiopian politics; it is the foundation for the “ethnic federal” regime that underpins the devolution of power. Ethiopia is comprised of a multitude of nations. (We will use the term nationalities, and not ethnic groups, given the long historical construction of local states and the degree of linguistic diversity.) With the establishment of the federal regime in the 1990s, the country’s five largest nationalities each were allotted their own regional state, with the largest state being Oromia (the state of the Oromo people) with over 27 million people and 37 percent of the population (Garcia and Rajkumar, 2008, pp. 20–22). The other largest regional state is Amhara, with about 23.3 percent of the population. The populations of the regional states are imperfect proxies for the sizes of the nationalities, especially given the size of the capital city of Addis Ababa, but it is clear that the Oromo and Amhara are the two largest nationalities in the country, with the Oromo somewhat more numerous.)

TABLE 1. DISTRIBUTION OF POPULATION BY REGION IN 2007

Region	Population	% of Population
Tigray	4,314,456	5.8
Afar	1,411,092	1.9
Amhara	1,7214,058	23.3
Oromiya	27,158,471	36.7
Somali	4,439,147	6.0
Benishangul Gumuz	670,847	0.9
SNNP	15,042,531	20.4
Gambella	306,916	0.4
Harari	183,344	0.2
Addis Ababa	2,738,248	3.7
Dire Dawa	342,827	0.5
Special enumeration	96,570	0.1
Total	73,918,505	100.0

Source: Central Statistical Agency, 2007.

The next largest regional states are Tigray and Somali with approximately six percent of the population each, and Afar with about two percent. Apart from the states named after the five nationalities above, there are four remaining states of Ethiopia that are multi-ethnic in character: the small states of Gambella, Harari, and Benishangul-Gumuz (each of which represents less than one percent of the population), and the large state known as the Southern Nations, Nationalities, and People's Region (SNNPR), which comprises about one-fifth of the population (see Table 1 for population figures).

There is considerable tension between the country's nationalities; indeed, it was this tension that Ethiopia's dramatic experiment in ethnic federalism was intended to address. Political divides were historically most acute between Amhara peoples (centered in the region of Amhara, and originators of the Amharic language that has long been the national language) and several other large nationalities, most notably the Oromo and the Tigray. While a full exploration of this divide is beyond the scope of this study, the tension dates to the early periods of state formation in the historical kingdoms of Shewa and Abyssinia in present-day Ethiopia. This persisted through the regime of Emperor Haile Selassie I (1930–1974), who was seen by many non-Amharic elites as favoring the Amhara, though the Emperor was himself of mixed descent, with Amhara and Oromo parentage. This tension between nations has literally “mapped onto” a related divide that has been between the capital city of Addis Ababa (viewed by some Ethiopians as the locus of the “political class”) and the countryside. This urban-rural divide has shifted in recent years away from a simple perception of Amhara dominance with the emergence of the Tigrayan People's Liberation Front as the leading force in the governing EPRDF coalition.

Of additional demographic significance for federalism and decentralization is the country's sheer population size. With approximately 74 million people in 2007, Ethiopia is now almost certainly the second most populous country in sub-Saharan Africa. Moreover, Ethiopia is growing fast. The 2007 population and housing census results showed that the population of Ethiopia grew at an average annual rate of 2.6 percent between the two census periods of 1994 and 2007. As with other large federal countries, Ethiopia's population size gives additional cause for several layers of SNG, both deconcentrated units and politically autonomous/devolved units.

1.2 HISTORICAL LEGACY

Historical legacies—especially from the Haile Selassie and Derg regimes of the 20th Century—undoubtedly informed the debate about federalism and decentralization in Ethiopia in the 1990s. First, it should be noted that Ethiopia is the single prominent example of an African country that was not successfully colonized by a European power; even the brief and brutal Italian occupation of 1936–1941 never resulted in the construction of a meaningful colonial state. Rather, Ethiopia in the 19th and 20th centuries was governed by indigenous state-builders (most notably Tewodoros II in the 1850s, Menelik II at the turn of the century, and Haile Selassie) who crafted political structures that brought the country increasingly under centralized control, ending a long period of warlordism by local princes and elites.

Up through the Haile Selassie era, top-down centralized government coexisted with strong regional elites, in a system often considered akin to feudalism; this perception resonated with Haile Selassie's (and his predecessors') self-identification as Emperor. The various decentralization efforts during the Haile Selassie period though not genuine, however, need to be noted. These include the administrative decentralization enacted in 1942, which created three

sub-central levels of government—known as *taklay gizat*, *awraja*, and *woreda*—mainly to facilitate central administration in performing the functions of local government at lower levels (Tegegne and Kassahun, 2004; Meheret, 2007, p. 73). Following this was *Awraja* decentralization under Order 43 of 1966, which envisaged a deconcentrated local government to be given to *Awrajas* in order to promote rural development (Tegegne, 1985). The Order, however, was not approved by the Parliament since decentralization was considered as a threat to the central administration (Tegegne, 1985). Thus, decentralization with the objective of empowering citizens and devolving power was not exercised during the Haile Selassie regime (Tegegne and Kassahun, 2004)

The Derg continued the trend of top-down governance, albeit with a radically different structure: Haile Selassie’s version of indirect rule was replaced with a militarized Marxist-Leninist vanguard party. The Derg developed a far more penetrating state than Haile Selassie through militarization, establishing rural peasant associations and urban dwellers associations (or *kebeles*), grassroots extensions of the formal government structure in rural and urban areas. The Derg also created village development committees, nationalized industry, collectivized agriculture, and forced “villagization.” This period represented a significant break with the past, and had destructive consequences, as epitomized by the 1980s famines and the eventual collapse of the Derg’s efforts at centralized rule. As it came under pressure from insurgencies representing several nationalities in the late 1980s, the Derg attempted a hasty and haphazard decentralization to the embattled regions of Eritrea, Tigray, and the Ogaden, but these were rejected summarily by the newly emboldened rebel groups (Meheret, 2007, p. 75).

Contemporary Ethiopia is thus building decentralization on top of a unique set of pre-existing conditions, relative to the rest of Africa: a “feudal” legacy, the lack of an externally imposed colonial state, and decaying Marxist-Leninist party structures and village collectives. As noted by Assefa (2006, p. 132), the decentralization of power was in part a “response to the hitherto high concentration of power at the center,” and “a federation established in a former unitary state.”

The 1995 Constitution passed by the leadership of the EPRDF sought a complete break with the legacy of the Derg regime, most notably with the rejection of centralized power in favor of more decentralized governance under ethnic federalism. (These changes came alongside the elimination of many other features of the Marxist-Leninist single-party state, of course, but it is the question of the relative extent of centralization that we address here.) The creation of regional states, along with the Constitution’s remarkable right to secession (elaborated upon below), was an explicit attempt to manage the fractious nature of national politics by accommodating the different nationalities through decentralized power. Notwithstanding the obvious changes in ideology and in the creation of federalism, however, it may be said that the EPRDF after 1995 replicated certain of the top-down characteristics of the Derg. As will be discussed below, the power has not been dispersed as much as the Ethiopian constitution might imply, largely because of continued *de facto* centralized power in the hands of the dominant party.

1.3 POLITICAL SYSTEM

For the purposes of this study of decentralization, the most significant levels of SNG are Ethiopia’s 11 governments at the regional level (nine states plus two metropolitan areas) and its *woredas* (or districts, also spelled *weredas*). The *woredas* number about 550 at present, and this

figure continues to increase. Intended to range in population size from 100,000 to 120,000, it is clear that woredas fall outside this range (see Tegegne, 2007).

Regional states in Ethiopia have considerable constitutional protections. The most unique of these is the aforementioned provision (of Article 39), which guarantees Ethiopia's regions a right to secede, albeit upon completion of a substantial political process that includes supermajorities in regional legislative action and a subsequent referendum, followed by approval from the upper chamber of the national legislature known as the House of Federation (HF). The Constitution created the HF to represent the regional states. It has limited power in many areas of lawmaking, relative to the lower House of Parliament, but substantial power in shaping revenue distributions for decentralized governance. Finally, the Constitution also instituted a reserve power clause that ensured residual powers for the regional states. There is thus a significant vertical division of authority between the center and the regions, as will be further elaborated in our discussion of "Authority" and "Autonomy" below.

Woredas (or districts) are also well ensconced in ordinary law and are on solid institutional footing, though they were not established by the federal Constitution itself. Rather, each regional state has passed its own constitution with provisions for the woredas, which were given substantial powers nationwide with the District Level Decentralization Program (DLDP) beginning in 2001.

We may thus say that the decentralization of formal political *authority* in Ethiopia is considerable. However, to preview the argument on intermediate objectives, we may also say there are significant limitations in the degree of *autonomy*, *accountability*, and *capacity* that may be found at subnational levels. It is precisely in the formal balance of power between levels of government that Ethiopia has advanced farthest; we will have cause to elaborate on the significant limitations to decentralization in greater detail in Section 2.

1.4 HISTORY OF DECENTRALIZATION

The stated rationale for regional decentralization in Ethiopia—a rationale that will be problematized in Section 3 ("Political Economy")—was to split with the centralized governance of the Derg regime, and to accommodate Ethiopia's nationalities. Decentralization began in Ethiopia in the years after 1991, as the Derg collapsed in the face of armed challenges from the combined forces of the EPRDF, led by two opposition movements that first took root in the northeastern part of the country among Eritrean and Tigrayan peoples: the EPLF and TPLF. With Prime Minister Meles Zenawi (1995–present) at its head, the TPLF became the leading organization in regime transition, in the drafting of the new Constitution, and in the EPRDF coalition government that followed. Meanwhile, under Isaias Afwerki, the EPLF founded modern Eritrea, splitting off from Ethiopia in 1993. For more on the timeline of decentralization, see Appendix 2.

Initially, the TPLF sought regional decentralization as a means to "hold together" the peoples of Ethiopia. While the TPLF led the EPRDF, the opposition to the Derg also drew support from a host of other nationalities, including the Oromo and the Somali. Accommodating these movements and peoples seemed the first step in state reconstruction. However, the EPRDF quickly developed top-down patterns of governance—led by the TPLF—that pushed in the direction of more centralized federation (cf. Keller, 2002). TPLF leaders in the coalition

increasingly sidelined strong movements that represented the nations, most notably the Oromo Liberation Front (OLF), which boycotted the first national elections after the fall of the Derg. The TPLF consolidated its power as the head of the new government. To channel demands from the different nations, it created parties and organizations under the EPRDF umbrella. These included the Oromo Peoples' Democratic Organization (OPDO) in Oromia and the Amhara National Democratic Movement (ANDM) in Amhara, the two parties that won the most seats in the coalition in 2000.

The decision to promote woreda (district) decentralization was less motivated by questions of ethnic identity, and more by the motivation to extend governing authority down to local levels. As contrasted with the stability and governability aims of the regional decentralization, the stated aims of woreda decentralization included improved service delivery, deeper and more participatory governance, and promotion of economic development. It should be noted, however, that the consequences of woreda decentralization are also political, as the increasingly centralized partisan structure of the EPRDF has penetrated to the local level as a result of the decentralization process.

At both the regional and woreda levels, the decentralization process thus has worthy objectives and political consequences that may help explain the motivation to decentralize. In this context, it is useful to consider the sequential relationship between these processes and the larger macro-political environment, particularly as regards the governing EPRDF coalition. Regional decentralization took place simultaneously with the end of the insurgency against the Derg and the establishment of the new regime. That is, regional decentralization went hand-in-hand with large-scale initiatives to stabilize the polity, create order, reconstruct the state (on an ethnic-federal basis), and reform the economy. The process occurred as a party (TPLF) and the coalition it led (EPRDF) was attempting to establish power. By contrast, woreda decentralization took place in the context of a stabilized regime in which the coalition maintained a clear governing majority coming out of the 2000 elections. Whether one takes stated aims as given or assumes a narrow political calculus by the TPLF, the difference in the macro-political sequences meant that the motivation for decentralization turned from questions of basic stability with regional decentralization to questions of the political and economic reach of the state with woreda decentralization. Fuller treatment of the partisan implications and potential underlying political motivations for decisions regarding decentralization will be further examined in Section 3 on "Political Economy," under "National Government."

2.0 INTERMEDIATE OBJECTIVES

In this section, we examine the four intermediate objectives of interest to the United States Agency for International Development (USAID) in democratic decentralization. We find that *authority* is rather clearly established and secure in Ethiopia for SNG, though some levels of SNG are more robust than others. The degree to which decentralization has met the objectives of *autonomy* and *accountability* is more ambiguous, while *capacity* seems to be a factor that seriously constrains implementation.

2.1 AUTHORITY

Ethiopian decentralization has gone farther in advancing subnational *authority* than in attaining the other three intermediate objectives of interest to USAID. The legal framework for decentralization is relatively clearly established in the Constitution of 1995 (and indeed was established in the transition prior to the passage of the Constitution). There are five major layers of government, as seen in Figure 2 in Appendix 3. These are the federal government, regional states, zones, woredas, and kebeles. We treat the structure and authority of each of these in order.

2.1.1 LEVELS OF GOVERNMENT

Ethiopia's decentralization since the 1990s has taken place in two waves: the 1990s decentralization from the center to the regional states and the early 2000s woreda decentralization that devolved power to the district level. The regional decentralization of the 1990s featured stability and ethnic federalism as the central issues, while the woreda decentralization was directed more at the goals of development and democracy (along with a political economy calculus on the part of the center). In this section, we elaborate upon the multiple layers of government that currently exist in Ethiopia as a consequence of the two major decentralization processes.

- **Federal government** (based in Addis Ababa)

As noted above, several of the key structures of Ethiopia's federal government are predicated on the notion of ethnic federalism. The national-level institutions of particular importance for decentralization are the structure of the legislative-executive relations (including electoral rules for legislators) and the structure of the political party system. On legislative-executive relations, Ethiopia's legislature is uncommon in Africa because it is parliamentary, with the Prime Minister (currently Meles Zenawi of the EPRDF) serving as the head of government and a ceremonial president selected as head of state. Parliament is bicameral, with a House of Peoples' Representatives (lower chamber) elected in single-seat constituencies from districts and the House of Federation (upper chamber) selected by the legislatures of the regional states. This arrangement gives a territorial basis for representation in both chambers. In both,

the EPRDF is the dominant party, having won 499 out of 547 seats in the House of Peoples' Representatives in the 2010 general election, with allied parties winning all but two of the remaining seats; this gives the EPRDF a voting bloc that controls greater than 99% of seats in the legislature. The central government is responsible for defense, foreign affairs, international and inter-regional trade, currency, highway construction, immigration, and civil aviation.

- **Regional states** (9 + 2 city administrations)

The Ethiopian federal system has created nine regional governments and two city administrations. The nine regional units are federating entities with their own constitutions. As noted, regional states are explicitly designed to take into account Ethiopia's nationalities, with most of the regions named after the dominant nationality in the state: Afar, Amhara, Benishangul-Gumuz, Gambela, Harari, Oromia, Somali, the SNNPR, and Tigray. Two city administrations—Addis Ababa and Dire Dawa—are accountable to the federal cabinet, largely for demographic reasons (most notably including their large population sizes, but also because the cities are quite diverse in terms of nationalities/ethnicities).

Regional authority is robust on paper, emanating from the Federal Constitution. Particularly important is the clause reserving residual powers: Article 52(1) states that "all powers not given expressly to the Federal Government alone or concurrently to the Federal Government and the States are reserved to the States." These powers involve enacting state constitutions; establishing state administration; formulating and executing economic, social, and development policies; administering land and natural resources; levying and collecting taxes and duties; enacting and enforcing the state civil service; and establishing and administering the state police force (see Box 1)

Box 1: The Powers of Regional Government

- To establish a state administration that best advances self-government, a democratic order based on the rule of law; to protect and defend the Federal Constitution;
- To enact and execute the State constitution and other laws;
- To formulate and execute economic, social and development policies, strategies and plans of the state;
- To administer land and other natural resources in accordance with Federal laws;
- To levy and collect taxes and duties on revenue sources reserved to the states and to draw up and administer the state budget;
- To enact and enforce laws on the state civil service and their condition of work; in the implementation of the responsibility it shall ensure that educational, training, and experience requirements for any job, title, or position approximate national standards;
- To establish and administer a state police force and to maintain public order and peace within the state.

Regional governments also have significant fiscal authority, both in expenditure responsibility and revenue collection powers (which we discuss under "Autonomy" below). The revenue authority of regions is defined in terms of regional and shared revenue, with shared revenues used jointly by the federal and regional government. Appendix 3 outlines the revenue authority of federal and regional governments, including those resources assigned concurrently.

While the regional governments have independent authority from the center, it should be noted (and is emphasized below) that strong party linkages connect the two highest levels of government: the EPRDF dominates politics at the regional level, just as it does at the national level. In the recent elections, the EPRDF prevailed in 1,903 out of 1,904 regional council seats.

- **Zones**

Below the regional states and above the elected district level are administrative units known as zones. These zones are appointed by the regional governments in most cases, with the exception of one state—the SNNPRS—where elections are held for zonal cabinets (see Tegegne and Kassahun, 2007). It is at this level that we observe some degree of *deconcentration* of authority from the regions to the zones. Zones are responsible for coordinating among woredas, and monitoring woreda compliance with regional prerogatives; as such, “in most regions, they have become the arms of the regional government” (Garcia and Rajkumar, 2008, p. 13).

- **Woredas (districts)**

These bodies are the essence of Ethiopia’s decentralization drive in the last 10 years, as elected local governments have been established at the woreda level since 2002. They number approximately 550 or more, with woredas periodically subdividing into multiple units. Though woredas are not indicated in the Federal Constitution, they have power and authority that emanates from each of the respective Regional Constitutions; provisions vary modestly across regional states, but in each the woredas are the key autonomous self-governing units to which power and resources are devolved. While the precise rules vary from region to region, members of woreda councils are elected by the citizens of the district, and these councils select their executive cabinets. The EPRDF and affiliated parties dominated the 2008 woreda elections, running essentially without opposition.

Since woreda administrations are created by the regions (and vary in details across them), we consider the example of the Amhara region, where woredas are empowered “*to prepare and decide on economic development and social service plans*” for its territorial area. While woredas are elected levels of government, they are also accountable for implementing directives from above (from the regional state or the zones). In Amhara region, for instance, they are in charge of implementing “*policies, laws, regulations and directives issued by the regional state organs.*” Moreover, “*each and every woreda is a body hierarchically subordinate to the regional government*” (Amhara National Regional State (ANRS) Constitution Article 83; see Box 2).

Box 2: Constitutional Powers and Duties of the Woreda Councils in Amhara region

- Approval of woreda’s social service, economic development and administrative plans and programs;
- Levying and collecting land use taxes, agricultural income revenues and other local taxes
- Utilizing the woreda source of revenues, excluding such other revenue allocated and administered by regions;
- Preparation and approval of the woreda budget;
- Construction and maintenance of lower grade rural roads;
- Directing basic agricultural development activities, administering and protecting the natural resources of the woreda.

Woreda fiscal authority is also defined by each regional constitution. On the revenue side, there are certain tax bases assigned to woredas across Ethiopia, as seen in Appendix 3. However, as with the regions, there is considerable vertical fiscal imbalance, with many of the less prosperous woredas relying upon intergovernmental transfers to cover as much as 80 percent to 90 percent of expenditures (Garcia and Rajkumar, 2008, p. 16); we elaborate upon this issue under “Autonomy” below. On the expenditure side, woredas are responsible for a range of local public goods, including local police, local roads, utilities, water and sewerage, street lighting, and sanitation (Tegegne and Kasasahun, 2007). They are also responsible for a range of activities in the public services that have been decentralized since 2001: education, health, and supporting water services (Garcia and Rajkumar, 2008, p. 16–18). This includes hiring and paying teachers and health staff, coordinating primary health care, and constructing and maintaining local health clinics (ibid).

- **Kebeles**

Kebele administrations are the grassroots governance units, serving as local-level institutions in both rural and urban areas. Intended for a population numbering about 5,000, they are governed by approximately 100 (or more) council members. At this level, the EPRDF won more than 3.5 million out of approximately 3.6 million local seats in the 2008 local elections. (The stunning number of seats means that there is a local councilor for about every 20 Ethiopians). In fact, the EPRDF dominance in the 2008 local elections was seen by some as a precursor to the 2010 general election; given that the 2005 general election had witnessed some decline in EPRDF dominance, the 2008 local elections presented a preliminary opportunity for the EPRDF to reconsolidate its power (cf. Aalen and Tronvoll, 2008). Along with elected local councils, the kebeles have executive cabinets which coordinate planning and administrative functions; these are selected by the members of the local councils. They respond to the woredas’ directives, and rely upon the woredas for their budgets (Tegegne and Kassahun, 2007, p. 15).

2.1.2 DEVOLUTION, DECONCENTRATION, AND DELEGATION

Ethiopia, more than most countries in Africa, initiated its decentralization process with a dramatic commitment to devolution, instead of deconcentration or delegation. This took place with the “big push” decentralization of the early 1990s, with changes in a number of areas:

- *Political decentralization* with the election of subnational politicians at the region and district (woreda) levels;
- *Fiscal decentralization* with the transfer of a significant portion of the national budget to the regions (starting in 1992) and woredas (starting in 2001), and the transfer of expenditures in major social service areas such as education, health care, and agriculture; and
- *Administrative decentralization* with the transfer of planning and administrative responsibilities in the expenditure areas noted above.

The system of power devolution is made possible through the establishment of the necessary institutions to lead and run government functions. Legislative, judicial, and executive branches of government are created at federal, regional, and local levels. The legislative bodies at subnational levels are regional and woreda councils. Regional councils have the authorities and

powers of state legislatures found in certain other federations, including the ability to select representatives for the House of Federation, the upper chamber of the parliament that has some influence on patterns of fiscal decentralization. Woreda councils are assemblies that meet once every three months. The council has the authority of approving the woreda's budget, and of reviewing the work progress of the different sectors and executive members. The judicial system is represented by the court and the executive branch is represented by the states and woreda administrations.

Deconcentration and delegation are perhaps less prominent in Ethiopia than in many African countries or cases of decentralization elsewhere in the developing world. Nonetheless, deconcentration may be seen in the zones (with the regional states—not the central government—doing the “deconcentrating”). The roles of the zones vary from state to state—with some working on a deconcentrated approach where the regions confer specified responsibilities to the zones, and others working on a more bottom-up approach—but in each case they are partially responsible for implementing regional initiatives.

The relatively limited nature of deconcentration in Ethiopia is especially noteworthy in one significant area where SNGs have greater autonomy than most of their African counterparts: control over the civil service. While Watson and Yohannes (2005, p. 15) note that “the civil service is a federal institution,” it seems clear that civil servants employed by SNGs actually respond to subnational units of government, not directly to national government. As noted by Fessha and Kirkby (2008, p. 259), Ethiopia's regions have a separate civil service from the national civil service. This enables the regions to hire and fire personnel, including the large number of teachers each has under their purview. The full transfer of autonomy over personnel was crucial for the substantial “big push” fiscal decentralization that occurred in Ethiopia, as many other countries decentralize expenditures, yet retain centralized patterns of control over nationally contracted civil servants.

2.2 AUTONOMY

Subnational autonomy can be judged by looking at political autonomy, fiscal autonomy, and administrative autonomy. We begin with *political autonomy*. As the section on authority above would suggest, political power in Ethiopia is more decentralized than in most African countries. The lower chamber of the national parliament (the highest political organ), does not involve itself in regional and local affairs. The parliament is limited to legislating laws of national importance and overseeing the national executives and national departments. Regional officials are not expected to report to the national parliament. The HF, on the other hand, is established to address nationality issues. With its members from nations and nationalities, it can be regarded as a “council of nationalities”, and is composed of representatives of all ethnic groups. The HF has a mandate to determine the allocation of intergovernmental transfer to different regions, without the involvement of regional governments (though regional governments are consulted for purposes of information). The allocation formula is ultimately approved by members of the HF.

As indicated above, regional governments have fiscal *authority*, but the degree to which regional governments (and woredas) have fiscal *autonomy* is more circumscribed. The distinction here comes down to the sources of subnational revenues, and particularly that between intergovernmental transfers and own-source revenues that SNGs collect on their own tax bases. Fiscal decentralization in Ethiopia is substantial by African standards, if one takes into account

intergovernmental transfers (such as block grants and conditional “special purpose” grants) as well as own-source revenues. In addition, expenditure is quite decentralized, with regions responsible for as much as 37 percent of total expenditure as early as 1994, and increasing to well over 40 percent thereafter (Tegegne and Kassahun, 2007, pp. 16-19; Garcia and Rajkumar, 2008). Moreover, revenue distributions are formula-based and thus largely transparent. Grants from the federal government to the regional states are reported as being based on four indicators, in declining order of importance: population (accounting for about half of the formula), then development indicators, regional tax effort, and finally poverty indicators (Tegegne and Kassahun, 2007, p. 21). The use of gross indicators for a formula has changed recently. The recent budget allocation is based on assessment of expenditure needs and revenue potential of each region. From the regional state to woreda level, the formula used differ, but some regions employ the expenditure need approach.

While this is considerable, the limits to the fiscal autonomy of Ethiopia’s SNG begin with the limited tax base facing many regions and woredas, especially in rural areas. Along with the low levels of private sector economic activity in some areas, one of the reasons is the assignment of less yielding and narrower tax bases to regional governments. This leads to a heavy reliance (of all levels of SNG) on intergovernmental fiscal transfers. Estimates are that in the 1990s, after the establishment of decentralization, the subnational government (under the aegis of the regions) collected an average of 16–17 percent of total government revenue, with the center raising the remaining 83–84 percent (Keller and Smith, 2005, p. 273). For many observers, the central problem of Ethiopia’s fiscal federalism is that expenditures are so decentralized while revenue collection is centralized (cf. Meheret, 2007). This in turn gives the central government leverage over subnational expenditures.

Transfers from the federal level to the regional states cover from 45 percent to 80 percent of regions’ expenditure assignments (Tegegne, 2009). Such high dependency of regional governments on the federal government reduces the autonomy of the states and compromises their decision-making capability. At the woreda level, the situation is even worse; woredas rely heavily on regional governments, with the level of dependence on transfers from regions rising to over 80–90 percent (Tegegne, 2009). A study in eight woredas found out that on average more than 90 percent of woreda budgets were made up of grants received from regional governments (Meheret, 2007). As a rule, woreda finance passed on from the regional state is insufficient to meet expenditure requirements. For example, Kilete Awlalo woreda in Tigray region requested 12 million birr (approx. \$1–\$1.5 million) in 2004, but received less than half that amount (5.1 million birr) from the regional state. Since this was not enough to cover recurrent budget, an additional 1.5 million birr was transferred to the woreda at later dates. Accordingly, the woredas may seek revenues from other sources, including foreign assistance or earmarked central government funds, as seen in Table 2 below. The reliance on regional state and external funding compromises local autonomy as the financing arrangement makes woredas dependent on regional government and/or ad hoc special transfers. Greater own-source revenue (if feasible) would help rectify this situation.

TABLE 2. REQUESTED AND ALLOCATED BUDGET (IN BIRR) FOR 2004 IN KELET AWLALO WOREDA, TIGRAY REGION

Total Requested	11,868,880
Government Treasury Allotments	
Initially assigned	5,126,436.5
Additional budget	1,460,863
Subtotal from Treasury	6,587,299.5
Ireland Aid	706,320
Food security	1,800,589
ESRDF	1,496,180.74
Total Allotted from all sources	15,716,825.74

Source: Author compilation from statistics provided by Woreda Finance and Economic Development Office

It should also be noted that the budgets transferred are generally used for recurrent expenditure, with nearly 91 percent of woreda budgets are earmarked for administrative and operational expenditures (Meheret, 2007). This leaves little room for discretionary capital budgeting at the woreda level. Most capital activities at the woreda level are financed from donors and aid agencies or from specific purpose grants from the center, such as food security finance. Reliance on donors and aid agencies to undertake capital activities raises issues of sustainability, and reliance on “specific purpose” grants to undertake specific development activities limits the woredas’ abilities to address overall development outcomes; specific purpose grants reduce power to make discretionary expenditure decisions as a result of budget guidelines required by regional governments (Canadian International Development Agency [CIDA], 2005).

With regard to administrative autonomy, subnational units in Ethiopia are established as autonomous and are empowered to approve budgets, and prepare and implement development plans. The three organs of government at the subnational levels—the legislature, the judiciary, and the executive—are expected to operate without control and interference from the central government. The extent to which local governments have discretionary power to initiate regulatory legislation, undertake procurement, run the civil service and undertake employment policies are important areas of autonomy. According to a study by Yilmaz and Venugopal (2008):

- Concerning regulatory legislation, local governments can regulate land use, co-operatives and community activities, while municipal local government can regulate markets, sanitary services, and other municipal services. Local governments also have the autonomy to enforce regulation by sanctioning and punishing citizens in elected “social courts” and woreda courts;
- Woreda governments have discretionary power over tendering and administrations of small projects usually less than Ethiopian birr (ETB) 100,000. For larger projects, however, the woreda defers to zonal and regional governments; and
- Civil servants such as teachers, sector heads, health workers, and development agents are hired by woreda governments (though the practice varies from region to region). In Amhara and Oromia, woredas play a central role in recruiting and hiring of civil servants, but in Afar, the woredas send their needs to the regional government.

In Ethiopia, regional governments have had autonomy in planning and budgeting beginning from the first phase of decentralization. As this autonomy was limited to regions, woredas suffered from inability to autonomously plan and budget until the implementation of District Level

Decentralization Program (DLDP) in 2002. Subsequent to DLDP, regions devolved considerable portions of their experienced manpower (along with financial resources in the form of block grants) to woredas by scaling-down the role and resources of the zones, which hitherto served as intermediate tiers of administration linking woredas to regions (Kassahun and Tegegne, 2004). The significance of this is that woredas are responsible for their planning and implementation within the bounds of resources available to them without seeking authorization from higher levels of administration. This has marked a significant improvement in the exercising of autonomy of planning and budgeting at the local level. Case studies in Tigray and Amhara woredas in 2004 showed that the Finance and Economic Development offices of woredas are responsible to prepare woreda plans (Kassahun and Tegegne, 2004). These plans are based on sector plans prepared by different sectors (such as health, education, etc.). The Finance and Economic Development office prioritizes sector plans and checks consistency with regional policy. The woredas thus prepare plans autonomously, though they utilize the regional policy framework to ensure consistency.

It is well established that the greatest benefits of decentralization occur when SNGs are autonomous and accountable, and it is in the area of autonomy that Ethiopia's massive decentralization begins to look more ambiguous. The limitations on subnational fiscal autonomy—especially in the form of limited own-source revenues and the resulting need to follow central directives in many areas of expenditure—hinder the ability of SNG to target public services to the specific needs of each area. Given limited own-source revenues, and the need to dedicate transfers for recurrent expenditure, we may say that decentralization results in less fiscal *autonomy* than the highly decentralized *authority* would suggest.

Indeed, the same is true for the aforementioned political autonomy as well. While the Ethiopian political system nominally guarantees considerable autonomy to the subnational levels, this formal autonomy is offset by the dominance of the EPRDF party, which dominates politics at all levels. This dominance up and down the system may have the positive effect of facilitating communication vertically across different levels, but it also presents an unofficial mechanism through which national level leaders can exert influence over decision making at subnational levels. We have noted this previously with regard to electoral results in Section 1, and return to this theme in Sections 3 and 4, but note here that political autonomy is circumscribed by the informal logic of party control. That the influence of the center is greater *de facto* than it is *de jure* is a theme that reemerges in the discussion of accountability.

2.3 ACCOUNTABILITY

One of the intended benefits of political decentralization is to promote accountability and responsiveness at the local level. Two fundamental issues in understanding accountability are to determine the patterns of accountability and the instruments used to ensure accountability. The pattern of accountability refers to identifying who is accountable to whom (the direction of accountability) and the legal basis for accountability among actors. With regards to instruments, in principle there are a range of accountability mechanisms such as administrative processes (e.g., consultation with technical staff, report cards), formal political processes (e.g., voting in elections, consultation with elected officials), and use of civic media (e.g., local press and radio, public forums organized by nongovernmental organizations [NGOs]). In addition, the extent to

which competitive/pluralist politics is found at local level is an indicator of transparency and accountability (Tegegne, Taye, Kassahun, and Meheret, 2004).

In Ethiopian decentralization, we can distinguish accountability between levels of government and between the government and the people. At the various levels of SNG in Ethiopia, dual accountability exists. This takes the form of “upward accountability” to higher levels of government and “downward accountability” to electors. Concerning the latter, the formal assertion of accountability is found in the Constitution, which ascertains that sovereignty resides in the nations, nationalities, and people of Ethiopia which is expressed through their elected representatives (Article 8). Similarly, the Constitution states in Article 12 that the conduct of affairs of government shall be transparent, any public official is accountable for any failure in official duties, and in case of loss of confidence the people may recall an elected representative (Federal Democratic Republic of Ethiopia [FDRE], 1995). The Constitution therefore provides for the fundamental legal basis for political accountability

All SNG have popularly elected local councils that should be accountable to the electorate. Elections are a first important mechanism that allows people to express their satisfaction/dissatisfaction, of course, and secret ballot voting occurs once every five years. The electoral system provides recourse for those disenchanted with local officials. At the regional level, the councils are accountable to the people, while at the woreda level the councils are accountable to the people by whom they are elected and to the regional executive committee through the zonal executive committee. Such dual accountability has its own problems in that it might relegate accountability to electors to secondary status. In case of cities and towns with no independent councils, decisions affecting cities and towns are undertaken by woreda councilors. The managers of these cities are appointed and accountable to woreda administration (Meheret, 2007). This practice brings upward accountability, which has a potential of neglecting community interest.

There is also a system of horizontal accountability between branches of government. Woreda councils have standing committees to oversee sector activities. This practice is also evident at the federal level, where the Prime Minister, as chief of the executive, and various sector ministers face the Parliament, which assesses their performance on the basis of reports. The oversight functions of councils, however, are compromised because of conflict of interest, as cabinet members in all woredas are also members of the councils (Yilmaz and Venugopal, 2008).

At the woreda level, in addition to representative accountability, there is administrative/service delivery accountability (CIDA, 2005). This refers to woreda sector offices (health, agriculture, education etc.) which are headed by appointed professional civil servants. The main problem noted here is the blurring of the distinction between the elected and appointed personnel. At the woreda level, those who run sector offices are both elected and appointed officials.

Public scrutiny remains one of the most important means of ensuring accountability, but this social accountability is not a well-developed area in the Ethiopian decentralization schemes. Ethiopian decentralization makes no reference to civil society and there is no provision for members of civil society to represent their constituencies in local councils or the national parliament (Tegegne and Kassahun, 2004). The tradition of scrutinizing plans, budgets, and other documents is not instituted in the decentralization drive. A recent citizen report card survey conducted in seven regions in 21 rural woredas has shown that 87 percent of the households have no information on woreda level government budget, 83 percent of the households have no

information on strategic plan of the local governments, 85 percent have not information about the agenda of their local governments, and 84 percent are not informed of the decision made by woreda council (Ministry of Capacity Building and Ministry of Ministry of Works and Urban Development, 2008). This is a clear indication of the lack of accountability and transparency on the part of woreda functionaries to their constituencies. Though budgets are published in *Negarit Gazettas* (official journals/gazettes), the levels of literacy and awareness of the public remain obstacles for the people to scrutinize and hold the government accountable. Mechanisms such as participatory budgeting are not also well instituted in the country.

Political competitiveness is an especially important criterion in ensuring accountability, but this is constrained at the local level. Party politics at the local level is critical and permeates many aspects of woreda administration including appointments and recruitments to local offices (Meheret, 2007). The fact that the EPRDF dominates the political scene narrows the political sphere, leaving no space for alternative policies and programs for the local people. Local officials are loyal to party leaders rather than to the populace, which can reduce the incentive to address local development needs. Yilmaz and Venugopal (2008) observed that there is a gulf between the constitutional provision which allows a multi-party system and the *de facto* exercise of this system, since the ruling party controls the executive and legislative branches of the national and regional governments (Yilmaz and Venugopal, 2008).

While the above provides elements of accountability at the subnational level, it is important to indicate government's effort to institute systems of accountability in the country. These include the national capacity-building program that is meant to ensure democracy, accountability, and transparency; the system of "Gemgema" or ongoing evaluation that is mainly used for intra-party accountability within the ruling party; and the formal grievance-processing mechanisms installed in different sectors or offices at levels of government (CIDA, 2005). It is hoped these will improve the state of accountability, but their effectiveness and sustainability in addressing the issue is unclear.

2.4 CAPACITY

The capacity of local government in formulating policies, and implementing strategies and development activities is an essential part of the governance structure at local/regional level. Various studies indicated that there is a clear capacity gap in running and managing different responsibilities under the decentralized system. Apart from financial and budgetary problems, woredas face serious lack of competent and trained personnel. In terms of human resources, capacity has different dimensions. The first is related to the availability of required number of staff in a particular situation. A study by Meheret (2007) is indicative of the fact that though there are some variations among woredas in this regard, woreda administrators and councilors repeatedly suggested that there are many vacant positions that remain unfilled in their respective woredas; this has serious implications for local service delivery and local economic development. The reasons for the presence of vacant positions is the lack of adequate budget to hire new staff members and the inability to remunerate well any prospective staffers that might come to the woreda. This means the woredas lack competitiveness in service delivery and economic development.

The second aspect of human resource capacity involves the capability of woreda administration in administrative, oversight, and planning functions. The administrative capacity of woreda

officials is worrisome and minimal at best. Local government officials are popularly elected individuals whose election is mainly due to party allegiance, as they are recruited and promoted by party structure. These individuals, however, are expected to lead the total development activities and policymaking process. Meheret (2007) looked at the level of education of woreda and sub-city executive committee members and found that most woreda personnel hold diploma and certificate qualifications. These individuals were also former elementary or secondary school teachers with little or no formal training in the critical areas of public service delivery, good governance, and economic development (Meheret, 2007). Another study also indicated the lack of capacity on the part of councilors at local level to review the planning, budgeting and service delivery functions (Yilmaz and Venugopal, 2008). This reduces the oversight functions of councilors.

In the same way, a capacity gap is noted in other areas of woreda planning. To return to the aforementioned Kelet Awlalo woreda (Tigray region), for instance, there is no planning manual to guide planning activity in the woreda. As most sector heads are not trained as planners, there is little understanding of the roles and procedures of planning at the woreda level. Lack of information is also mentioned as additional operational challenge (Kassahun and Tegegne, 2004). Another significant challenge of the planning exercise in both Amhara and Tigray rural woredas is that there is little evidence of participatory planning. There is neither guidance nor training given by the local government or any other body to the community or to the different sector and planning offices on participatory planning. This is exacerbated by a narrow organizational structure that does not allow the office to reach the community. The Finance and Economic Development Office in Kelet Awlalo woreda had only three experts (plan expert, budget expert, and an accountant) in 2004. Though realities might have changed since 2004, there is no evidence that shows capacity gaps at the woreda level in particular have lessened. In Amhara region, despite the fact that the Finance and Economic Development Bureau (of the Amhara Region) prepared a booklet on participation, evidence from the Fogera woreda indicates that the woreda is not in a position to use the manual because of lack of capacity to understand and utilize it (Kassahun and Tegegne, 2004).

A related area to planning capacity at the local level is the capacity to track public expenditure. One of the activities woredas perform is to track public expenditure to ensure expenditures are made in conformity with approved budget plans. They deploy internal auditors to examine the books of account of the sector offices, which are expected to provide a clear picture of expenses incurred in view of approved budget lines for specified activities (Kassahun and Tegegne, 2004). Tracking public expenditures associated with capital budget is often too complex to be handled by the expertise available to the woredas, however, since capital expenditure involves technical skills to determine the amount of money spent on a specific aspect of a project. Zonal experts (such as engineers and surveyors) assist the woredas in supervising whether activities are performed according to plan and standard, and determine whether the amount of money requested by private contractors for their service is commensurate with plans and budget (Kassahun and Tegegne, 2004).

The capacity gap of local government is therefore pervasive and compromises the functions of local government in service delivery, regulation, and oversight. A national survey in 2004 showed that about 56.3 percent of experts indicated that local government has poor capacity to manage the various decentralized responsibilities while another 17.5 percent believe that they have no capacity at all. Those who suggested that the local government has limited capacity are

about 22.5 percent while those who felt that the local government has some capacity are only about 4 percent (Tegegne et al., 2004).

At this juncture it is worth noting that the central government, cognizant of the capacity gap, has attempted to train local officials in centrally-run formal institutions and has also organized various symposiums and seminars (Tegegne et al., 2004). These include government launched training programs for the elected officials for woredas, zones and regions, the modules of which include EPRDF designed agricultural development, basic management, financial management, integrated rural development, and ethics (Asmelash, 2000). In relation to this, the government has taken seriously the capacity problem and has initiated different national programs. The National Capacity Building Program (NCBP) targets 14 sectors: civil service reform, tax reform, justice reform, district decentralization, information and communication technology, private sector, construction sector, urban management, cooperatives, textile and garments, agricultural training of vocational and technical levels, industrial training of vocational and technical levels, civil society, and higher education.

Local government capacity building in rural areas is addressed by the District Level Decentralization Program and in urban areas by the Urban Management components. A super ministry called the Ministry of Capacity Building was established to run the capacity building programs of the country. The Federal Government of Ethiopia, with support from the World Bank, also initiated a five-year Capacity Building for Decentralized Service Delivery project (CBDS). The main objectives of the program were to improve service delivery performance by building public sector capacity at the federal, regional, and local levels of the country's decentralized government system. The CBDS project supports three components: implementing civil service reforms, restructuring and empowering local government (RELG), and strengthening the Ministry of Capacity Building (Gutema, 2005).

3.0 POLITICAL ECONOMY OF DECENTRALIZATION

In this section, we address the political decision making behind the decentralization process. As noted in the section on Political Incentives and Constraints, we find that the EPRDF had compelling political reasons to decentralize in the 1990s to ensure governability and facilitate a process of state reform and democratization. In this, we do not assume that the EPRDF was interested only in the “stated goals” of decentralization, but that it may also have been interested in securing its own power. In any event, we find that what was good for stability and good for decentralization was also good for the party.

3.1 POLITICAL INCENTIVES AND CONSTRAINTS: PROPONENTS AND OPPONENTS

Relating to the question of political accountability in Section 2.3 above, it may be said that many of the central political incentives and constraints behind decentralization are found in the political party system, and particularly in the dominance of the EPRDF. The power of the central party in the decentralized federation was such that the system originally considered a “holding-together” federation designed to accommodate Ethiopia’s peoples came to be understood by some as a top-down “putting-together” federation (Keller and Smith, 2005, p. 269; cf. Stepan, 1999). As noted above, the EPRDF initially had incentives to accommodate diverse ethnic interests with regional decentralization, but these incentives shifted as the party consolidated power and established its dominance in political life over the period from 1995 to the present.

In light of its partisan control at all levels of the political system, the EPRDF has mixed incentives with respect to decentralization. In many instances, dominant parties should be reticent to fragment or fracture their grip on central power through decentralization. While decentralizing could indeed result in such dispersal of power, the extension of political authority to subnational levels has also accommodated large numbers of EPRDF party activists and has clearly deepened the political linkages between the party and local populations. Put affirmatively, this could enable effective channeling of demands from local levels to increasingly higher levels of government (cf. Meheret, 2007, p. 89). But the scholarship on the structure of the party itself points in the direction of greater degree of state control, clientelism, and top-down governance in which decentralized units perform more as transmission belts for central prerogatives than for upward transmission of local demands (cf. Aalen and Tronvoll, 2008; Chanie, 2007; Kidane, 2001; *inter alia*). The political incentives for the EPRDF may thus be to continue to deepen the existing decentralization of governance, partly in the interest of improved service provision, but not necessarily in the interest of more bottom-up democracy.

Bureaucratic politics at the ministerial level is an additional complicating factor, with some (though not all) ministries and central government officials resisting or otherwise hindering the decentralization process. This can be both a political incentive to retain power in some

circumstances and a lack of capacity in other circumstances. Among the former, there were reports that as of 2005 the Ministry of Education, for instance, exhibited “some resistance to the notion of devolution” (Watson and Yohannes, 2005, p. 15). Among the ministries that may support decentralization actively, yet have shown limited effectiveness in doing so, is the Ministry of Capacity Building, which Watson and Yohannes (2005, p. 15) report is focused on *national* capacity building and on provision of direct technical assistance, rather than on building *subnational* capacity in a self-reinforcing fashion. Similarly, as noted above, the Ministry of Finance and Economic Development (MOFED) has lagged in the provision of fiscal resources to subnational levels, even as the ministry remains an active player in the decentralization process. There is no clear evidence that MOFED is deliberately slowing the pace of decentralization; rather, we observe simply that the implementation of fiscal decentralization is likely to be challenging in resource-poor environments.

3.2 THE DECENTRALIZATION SEQUENCE

Ethiopia’s regional decentralization experience after 1991 can be seen as a “big push” or “big bang” decentralization, in which substantial amounts of resources and responsibilities totaling about 40 percent of the government budget were transferred to the regions in short order (cf. Garcia and Rajkumar, 2008, p. 27). At the same time, political decentralization was advanced, with initial regional elections held in 1992 and new elections held under the new constitutional charter (and with a consolidated list of regions) in 1995. The reason for the big push can be understood from the perspective of the political imperatives of the time, as the sequence began with the emergence of regional identities that gave impetus to the regional decentralization to the national states. Up to the present, political, fiscal, and administrative decentralization at the regional level have accompanied one another, with the share of total spending at this level estimated at about 38 percent of total government expenditure, and about 45 percent or more of total non-discretionary expenditure (ibid, p. 31). The big push decentralization has led some regions to lag behind others in the implementation of decentralized functions. In particular, the emerging regions (namely Gambella, Benishangul-Gumuz, Afar, and Somali) have shown capacity gaps in budget utilization, planning, budgeting and implementation of development activities. The main reason is the lack of preparedness on the part of these regions as they did not have institutional infrastructure which was available to a greater extent in other regions. This has prompted inter-regional cooperation in implementing decentralized functions; cooperation between Tigray and Afar regions, Amhara and Afar regions, and Gambella and SNNPR are cases in point. Such positive developments need to be supported by high-level policies pertaining to decentralization, as currently there are no formal or legal provisions for such inter-regional ventures.

Woreda decentralization followed in 2001–2002 from the prior regional decentralization. It was also nearly simultaneous across the political, fiscal, and administrative domains in each regional state, but it was asymmetrical, with the first adoption coming in the country’s three most populous states—Oromia, Amhara, and SNNPR—along with Tigray (which may be the fourth-most populous state, being roughly the same size as Somali). This decentralization was then followed in the remaining states (and two urban municipalities) in the subsequent years. In all states, finance roughly followed function, with revenues and expenditures being transferred in parallel, along with administrative and planning authority.

3.3 INSTITUTIONAL ARENAS

There are several arenas that affect the decentralization process in Ethiopia, at the national and subnational levels, as well as the international level. We elaborate here upon these, beginning with the national arena, moving to subnational actors in government and civil society, and then commenting briefly upon the donor agencies.

3.3.1 THE NATIONAL ARENA

At the national level, the key institutional feature shaping Ethiopia's decentralization is the structure of the leading political party, the EPRDF. Despite the features of the constitution that apparently empower the many nations of Ethiopia, several observers find that this devolution of power has been significantly undercut by partisan realities (cf. Chanie, 2007; Keller, 2002; Keller and Smith, 2005; Kidane, 2001; Merera, 2007, *inter alia*). For several of these analysts, the near-single-party dominance of the EPRDF has gutted the idea of democratic federalism. In this vein, Keller (2002, p. 31) argues that Ethiopia's structure was originally conceived not as a "coming-together" federation of peoples from the bottom-up, but rather as a top-down "holding-together" federation designed by the EPRDF to maintain some degree of unity in the multi-national state; this lack of devolved power was exacerbated when the country shifted to become a "putting-together" federation led by a dominant political clique, in what might also be termed "federation from above" (cf. Keller and Smith, 2005, p. 268).

The official version of Ethiopian federation is that the federation is created voluntarily by regional governments, which implies federation from below or "coming together." In fact, the preamble of the Ethiopian Constitution (FDRE, 1995) starts with the phrase "We, the nations, Nationalities and Peoples of Ethiopia," and highlights that there is:

- Full and free exercise of rights to self-determination and building of a political community;
- Respect for individual and people's rights to live together on the basis of equality;
- Building of common interest and common outlook;
- Rectifying historically unjust relationship and promoting shared interests;
- A need to live as one economic community; and
- Consolidation of the peace and prospects of a democratic order.

The *de jure* basis of decentralization for the national arena is thus the recognition of the equal rights of the nations, nationalities, and peoples of Ethiopia, as manifested in the regional states. (This *de jure* decentralization then cascades down to the elected district level (*woredas*) through the legal establishment of districts in each regional state constitution, as noted below.) It is the open question about where power resides *de facto* that leads to questions about the depth of decentralization.

3.3.2 THE SUBNATIONAL ARENA

The decentralization process in Ethiopia has consolidated the subnational arena (the region and the *woreda*) as levels of government in their own rights. The political, fiscal, and administrative

authorities devolved to such units have made the regions and the woredas capable of making decisions on matters under their respective jurisdictions. The decentralization processes created new forms of organization at the woreda and kebele levels, and there is an expanded activity and responsibility accorded to SNG, especially at the regional and woreda levels. Many offices, which did not exist previously, are now created; planning, capacity building, and public organization/mobilization offices, among others, are cases in point (Kassahun and Tegegne, 2004).

While *de jure* authority is well established, *de facto* autonomy is more restricted by party politics, as noted just above. Regions and woredas continue to rely on the center for their financial resources and political guidance. The latter is due to the prevalence of the dominant political party, the EPRDF, throughout the country. The EPRDF has taken on a more integrated vertical structure in recent years. It has transitioned from being a loose coalition of regional parties—led by the TPLF and allied parties in Oromia (OPDO), Amhara (ANDM), and SNNPR (the Southern Ethiopian Peoples’ Democratic Front [SEPDF] party)—to a more cohesive political force in which the major regions are now governed by EPRDF-allied parties.

At the subnational level, concerns about Ethiopia’s dominant-party state are thus replicated. One of the most conspicuous features of woreda and kebele administration is the sheer number of candidates required to staff all positions; while cast by the EPRDF as a way to ensure participatory democracy, the large numbers of cadres required systematically advantages the EPRDF politically, as it is the only political force capable of fielding large numbers of candidates across the country (Aalen and Tronvoll, 2008, p. 116). In 2008, local elections for approximately 3.6 million local administrative seats resulted in an overwhelming victory for the EPRDF that made Ethiopia virtually a one-party state at the local level, a political situation rendered more suspect by the fact that that there may be several hundred kebele council seats for just a few thousand inhabitants; this confers considerable political control at the local level to the governing party (*ibid*).

As noted in the section on accountability above, officials in Ethiopia’s SNGs (region and woreda) have dual accountability to local electorates and to higher levels of government. With respect to higher levels of government, there are several sources of accountability from above that shape the actions of SNGs. These include formal and legal accountability (as specified by law) and fiscal accountability (through some degree of earmarking and guidance on expenditures). For some, such as Chanie (2007), this is further rounded out by partisan accountability in the patron-client relations established in the EPRDF.

A final noteworthy feature at the subnational level is the overlapping of geographic decentralization with ethnic decentralization. As noted above, identity-based and ethnic decentralization was primarily installed at the regional state level, whereas the more local subnational entities—namely zones, woredas, and kebeles—are merely geographical entities created on the basis of administrative expediency. In general, the creation of geographic units (woreda, zones, and kebeles) emphasize service delivery, resource, distance, administration ease and economic development. However, there are two exceptions to the rule in which zones and woredas follow an ethnic logic. These are the multi-national SNNP regional state, where zones and special woredas are created explicitly to accommodate ethnic diversity, and in Amhara region where there are two ethnic zones, namely the Awi zone dominated by the Agew People and the Oromiya zone dominated by the Oromo speakers.

3.3.3 THE CIVIL SOCIETY ARENA

Many scholars outside Ethiopia exhibit skepticism about the quality of civil society engagement in politics; with this acknowledged, we will also note below the areas in which civil society seems to have exhibited relatively higher levels of engagement. With respect to civil society engagement as a whole, the skeptical view may be seen in Keller (2002, p. 21):

Ethiopia has not constructed a system of democratic federalism. Moreover, rather than empowering citizens at the grassroots level, Ethiopia tightly controls development and politics through regional state governments, with very little popular decision making in the development process.

This skeptical view of civil society's contribution overlooks the ways civil society in Ethiopia might be taxonomized, however. Among civil society organizations, we may first distinguish between those operating at national and regional levels and those which are formed and operating at the grassroots level. Dessalegn (2002) categorizes civil society institutions in Ethiopia into four groups:

1. *NGOs* engaged in relief, development, or both;
2. *Advocacy organizations*, including right-based institutions and institutions committed to the protection of the environment, wildlife, etc.;
3. *Interest group institutions* which include professional societies, trade unions, cooperatives, chambers of commerce, employers associations, and cultural societies; and
4. *Community organizations*, including neighborhood groups and citizens and youth organizations, Parent-Teacher Associations (PTAs) and Kebele Education and Training Boards (KETBs), Social Courts, Health Committees, Water Management Groups, and traditional community organizations such as neighborhood burial associations (“iddirs”).

We consider the relative contributions of NGOs, advocacy organizations, and community organizations in turn, leaving aside the interest group institutions (whose preferences are too varied to capture in short order here, and in many cases are difficult to disentangle from party politics). To this, we also add a brief paragraph on the situation surrounding media and the press.

NGOs

The most visible set of civil society institutions in Ethiopia is found in the NGO sector. The main preoccupation of this sector is relief and development and huge resources have been channeled through NGOs to the different development sectors: rural and agricultural development, health, water and sanitation, environment, and urban development and have made considerable effort to instill participatory approaches (Dessalegn, 2002). While these attempts at participation are not to be doubted, and some NGOs have contributed to Ethiopia's recent successful development performance, the evidence about outcomes is somewhat contradictory, as Olowu (2001, p. 19) notes that there is “very limited involvement of other institutional actors in the delivery of services in Ethiopia.” For the objectives of development and service delivery, as well as the question of democratic participation, it may be said that NGOs have exhibited some success, but a comprehensive evaluation is beyond the scope of this study. For USAID's intermediate objective of democracy, we also look to advocacy organizations and community organizations.

Advocacy organizations

While NGOs have engaged substantively in relief and development, they have largely shunned away from policy advocacy and have chosen to work within the policy framework of the government. Those who consider policy advocacy as their preoccupation have chosen “safe issues,” such as promoting the rights of children, and campaigning against cultural practices harmful to women (Dessalegn. 2002). This is partly due to the government’s hostile nature towards NGOs that take up policy advocacy (ibid).

One recent legal change epitomizes and defines the challenges facing advocacy organizations. The “Charities and Societies Proclamation” of 2009 has limited participation in policy advocacy only to local or Ethiopian charities and societies, which are formed under the law of Ethiopia with full Ethiopian membership and control (FDRE, 2009). These institutions are not allowed to generate more than 10 percent of their funds from foreign sources. Foreign-controlled charities and societies are not allowed to engage in advocacy activities. Crucially, neither are Ethiopian resident charities and societies that generate the bulk of their resources from external sources. This constitutes a significant restriction on the operational autonomy of this sector (Debebe, 2010a and 2010b). The restriction was passed in 2009, but the origin of the proclamation can be traced to the EPRDF response to the actions of advocacy groups in the 2005 election, which had witnessed a shrinking of EPRDF electoral dominance (Debebe, 2010b, pp. 19–20). The impacts have been manifold and interrelated. By reducing the number of organizations involved in the policy advocacy arena, the proclamation reduced alternative policy, programs, and initiatives in the country. Donors have “become hesitant to engage in long-term project agreements because of the uncertainty and restrictions of the CSP” and some have reduced or ceased activities (Debebe, 2010b, p. 20). This in turn has created a “severe financial crisis” for civil society organizations (CSOs), since many have relied heavily on external funding, to the tune of much more than the permissible 10 percent of funding (Debebe, 2010b, p. 21). The policy environment should therefore be ameliorated if civic institutions are to be active and play a positive role in social change.

Community organizations

There is clear evidence that community organizations are participating in service delivery and development activities. It is also quite evident that citizens through these organizations participate in the delivery of services and development activities. For example, a study by Kassahun and Tegegne (2004) on citizens and CSO engagement in decentralization revealed that:

- Citizens are participating in activities designed to improve their lots in such areas as education and health by actively participating in PTAs/KETBs and health teams. This is considered as a sign of betterment that needs to be encouraged and consolidated further;
- Participatory processes culminated in engagement of citizens in water management schemes and putting in place platforms for reconciling and arbitrating litigations through elected judicial bodies (social courts); and
- Cooperative movements are resurging—despite the traumatic experiences of the past—and are essential in improving service delivery from which members and clients could benefit in various ways.

The above evidence results from the decentralization drive at lower levels, which enabled the establishment of organizations such as public organization/mobilization offices at woreda level and the structures of kebeles and sub-kebeles. However, caution is again merited with regard to the active participation of civil society, with Tesfaye (2007, p. 141) noting more reservations about the functioning of the KETB, calling them “more of a failure than a success” and noting they are characterized more by “excessive control than empowerment.”

Despite the contradictory evidence and conflicting approaches to the question of civil society in Ethiopia, we may conclude that civil society involvement in decentralization continues to be a weak link, as noted in this section and above in Section 2.3 on “social accountability.” Civic institutions in the country are fragmented, with weak coordination towards joint goals. They lack managerial capacity and experienced and flexible leadership (Dessalegn, 2002). There is therefore a need for individual organizations to engage in debate, to forge common agendas, and to work towards enlarging the political space. Government efforts to build capacity in civil society (through the National Capacity Building Program) could be a useful entry point in this regard, on the condition that stakeholders facilitate substantive debate and critiques rather than reinforcement of existing political channels.

Media and the Press

The situation surrounding media and the press in Ethiopia is tenuous. Again, the difference between *de jure* and *de facto* rules becomes significant. According to legal frameworks, access to information is relatively open. Freedom House (2010) notes that recent laws nominally prevent government censorship, for instance. However, the reality is more worrisome: the proclamation on press freedom also leaves loopholes that allow the government to restrict reporting that may compromise national security or defame the government. In a dominant-party system, this constitutes a substantial exception that can result in considerable self-censorship.

The press situation is complicated by the predominance of government-run and party-affiliated media sources (cf. International Research and Exchanges Board [IREX], 2008). While independent news sources are permitted, economic realities prevent the emergence of substantial competitors; this is true both in print and broadcast media (with the latter largely restricted to radio). Internet access is largely unrestricted, but available only to the few. There is access to foreign sources of information online, with the important exception alleged by some journalists that certain opposition websites hosted abroad may be blocked. With regard to television, the state-sponsored channel dominates and private Ethiopian television is essentially non-existent; international transmissions are available, but can be accessed by relatively small numbers of people, typically in the largest cities. The Media Sustainability Index scores Ethiopia a 1.35 on a scale of 0 (worst) to 4 (best), characterizing Ethiopia as an “Unsustainable Mixed System”—neither entirely anti-free press, nor nearing a sustainably free press (IREX, 2008).

3.3.4. THE DONOR ARENA

Relations between the Ethiopian government and the donor community have been strained on questions of governance, despite considerable interactions between donors and the Ethiopian government, and despite Ethiopia’s reputation as a favored country for donors throughout much of the period since the fall of the Derg. On governance issues, the central government has been critical of international efforts to modify or reshape patterns of authority in the country

(reportedly informing donors they were welcome to leave the country if they were to persist in advocating explicitly political reform), while elements of the donor community have remained skeptical of the dominant-party state. One indicator of the friction is the aforementioned declaration of 2009, which seeks to limit the power of international advocacy groups.

Despite differences with the government on questions of governance, donors have contributed to the overall resources available for woreda decentralization, as well as supporting Civil Service Reform and other areas linked to subnational governance quality. As noted above, donor resources have resulted in specific grants, which typically have a higher degree of earmarking and formal monitoring and evaluation than may be seen in intergovernmental transfers. A skeptical view of the impact of donor support is expressed by Keller and Smith (2005, p. 277):

Donor assistance has reinforced the strong hand of the center. Assistance provided by donors is distributed and tightly controlled by the federal government, and, in theory if not always in practice, subtracted from the amount that according to the formulaic calculations is to be allocated through the revenue-sharing scheme. Moreover, the strings attached and the stringent reporting requirements of many donor-driven projects reduce the autonomy of state administrators.

Even this pessimistic assessment, however, implies that donor support subsidizes the decentralization mechanism with financing for civil service reform, for direct budgetary support to woredas, and through the National Capacity Building Program. In addition, donor-led capacity building measures at the subnational level are indispensable to furthering constructive decentralization, given the lack of government resources available for such investments in human capital.

Finally, at the macro-political level, we have little in the way of concrete evidence of donor impact on the macro-political/policy decision to adopt decentralization. Indeed, for the regional decentralization of the 1990s, the domestic politics of the TPLF and EPRDF may be seen as both necessary and sufficient to explain decentralization and ethnic federalism at that time, for the reasons of stability noted above; this suggests that donor influence on decision making was attenuated. More plausible is the idea that donor influence may have pushed the woreda decentralization of the 2000s, given the linkages between the donor community and Ethiopia. However, in the absence of clear evidence, this must be posited merely as a hypothesis; given the importance of domestic politics in the regional decentralization, it is at least equally plausible to hypothesize that the government undertook woreda decentralization for reasons identified domestically, either to improve social outcomes (democratic deepening, development, and service delivery) or for reasons of regime maintenance (such as the deepening of linkages between the ruling party and local populations, as confirmed by the overwhelming EPRDF victory in the elections after 2000). In the absence of clear evidence about the nature of discussions within the national leadership leading up to the woreda decentralization in the early 2000s, we are unable to adjudicate between these hypotheses at this time.

4.0 CONCLUSIONS

As noted at several points above, any examination of decentralization in Ethiopia is subject to a range of conflicting interpretations, with certain aspects of the decentralization process receiving considerable praise and other aspects being challenged on the grounds that devolution is incomplete, lacking in implementation, or otherwise undermined. We thus find it appropriate to begin to conclude this desk study with a consideration of the variations in Ethiopia's process, and we aim to highlight where any consensus emerges about areas where the process has advanced farthest and other areas where it has lagged. We then turn to preliminary country lessons, followed by open questions for further research.

4.1 VARIATIONS

With regard to the observable variations in Ethiopia's decentralization process, we look at overall achievements and limitations across several aspects of decentralization. We focus on the three aspects of decentralization—political, fiscal, and administrative—and the four intermediate objectives in Section 2, we do not examine sectoral achievements (such as education vs. health), where evidence is less clear. For ease of exposition, we summarize the achievements and shortcomings in two successive tables, embedded in the text below.

TABLE 3. ACHIEVEMENTS OF DECENTRALIZATION IN ETHIOPIA

Aspects of decentralization: Political, Fiscal, Administrative

Political decentralization

Change is especially noteworthy (both over time and in cross-national comparative perspective relative to elsewhere in Africa) in *political decentralization*. The election of subnational officials at both the regional state and woreda/district levels (as well as elected councils in the local level kebeles) has given Ethiopia a claim to be among Africa's leaders in creating devolved authorities, most notably with the creation of a federal system in a formerly centralized, unitary state.

Fiscal decentralization

Ethiopia has also undertaken considerable *fiscal decentralization*, in the form of fiscal transfers. These are legally guaranteed and substantial, with SNGs spending nearly half of all government revenues. Moreover, the distribution of these revenues is formula-based, lending to a substantial degree of transparency to the fiscal distribution.

Administrative decentralization

Similarly, there has been adequate administrative decentralization to complement political and fiscal decentralization. Regional states, woredas, and the zones and kebeles have been granted planning and administrative authority. With respect to the civil service, employees such as teachers (the most numerous of civil servants) fall under the purview of woredas.

Intermediate Objectives: Authority, Autonomy, Accountability, Capacity

Authority

Regional states have very high degrees of legal authority (including a theoretical right to secede, albeit after clearing significant institutional hurdles). Woredas are established in regional state constitutions, a fact which confirms both that these districts have significant legal stature and that the regional states themselves have independent authority to recognize their own subnational units.

Autonomy

As noted above under fiscal decentralization, the subnational units have revenue autonomy in the form of guaranteed, formula-based transfers. They also have some degree of decision-making autonomy with respect to the expenditure responsibilities devolved.

Accountability

Political decentralization has ensured that subnational elected officials are accountable to local populations, and that members of the civil service are directly accountable to subnational politicians. Upward accountability is not compromised, and coexists alongside downward accountability.

Capacity

Achievements at the subnational level are most limited in the area of capacity (see below), but the central government and donors have invested in Civil Service Reform and capacity building.

TABLE 4. LIMITATIONS AND DEFICITS OF DECENTRALIZATION IN ETHIOPIA

Aspects of decentralization: Political, Fiscal, Administrative

Political decentralization

A principal constraining factor in the system is the predominance of the EPRDF party, which enables a degree of continued central government control over subnational elected officials. Partisan powers to appoint candidates for local elections can limit the degree to which candidates are attentive to local populations.

Fiscal decentralization

This is severely constrained by the lack of own-source revenues available to SNGs. The regional states and woredas (and by extension the zones and kebeles) rely upon central government transfers, for which the center has greater leverage. These funds are allocated primarily to recurrent expenditures, leaving scarce resources for capital budgeting.

Administrative decentralization

While administrative authority has been devolved to subnational levels (*de jure* and *de facto*), serious constraints on capacity hinder the achievement of full-fledged decentralization. (See below.)

Intermediate Objectives: Authority, Autonomy, Accountability, Capacity

Authority

Authority is well established *de jure* for SNGs, but insufficient alone to ensure successful decentralization, as it can be undermined *de facto* through the party system (see below).

Autonomy

Fiscally, the lack of own-source revenues (due to weak tax bases, with the city of Addis Ababa being a major exception) constrains SNGs in their ability to set their own capital spending priorities. Intergovernmental transfers (block grants) are linked to recurring costs. Politically, autonomy of subnational officials can be limited by internal politics within the dominant party.

Accountability

The continued centralization of power in the dominant party suggests that politics constrains decentralization. Party discipline and top-down management can substitute upward accountability for the desired downward accountability of subnational officials and civil servants to the citizenry.

Capacity

Evidence from studies of Ethiopia is perhaps most consistent (and discouraging) as regards the capacity question. At the subnational levels (especially woredas and below), capacity for management, planning, administration, and service delivery are constrained by low levels of preparedness among many staff and officials.

4.2 COUNTRY LESSONS

Ethiopia's decentralization process offers a range of potential lessons for other African countries, both in terms of what makes decentralization work and what hinders the process. Among the greatest achievements was the experience of the ethnic-based decentralization. Being a multi-ethnic and multi-cultural country, Ethiopia has chosen what has been called "ethnic-based" decentralization, with subnational regions created on the basis of ethno-linguistic criteria. This form of decentralization is different from the more commonly designated decentralization based on geography, resource, or other criteria. Two views are forwarded on the potential outcome of ethnic-based decentralization. One view argues that ethnic decentralization will lead to dismemberment of the nation (Seyom and Yacob, 1999) and leads to unbalanced resource distribution (Assefa, 2006). The opposing view argues that ethnic decentralization, by providing

autonomy and self-rule to the various ethnic groups in the country, ensures voluntary belongingness and acts as restraint for further disintegration. For example, Asmelash (2000, p. 143) argues that “although it would be difficult to predict the future with any degree of accuracy, the fact that the government has halted ethnic conflict and prevented the breakdown of the government is no small achievement.” Despite tribal conflicts that occur in different settings and for different reasons across Africa (and beyond), Ethiopia has remained intact for nearly two decades under ethnic federalism. Ethnic heterogeneity is the rule rather than the exception in African countries (originally resulting from arbitrary drawings of borders by colonial powers), and observers of African politics will find the Ethiopian experience worthy of observing closely as an approach to resolve problems of nationality and ethnicity.

The other big achievement is the establishment of a significant degree of political, fiscal, and administrative decentralization in a short period of time. This process was relatively orderly and comprehensive; given that this occurred in sub-Saharan Africa’s second-most populous country, with a complex ethnic demography and a legacy of top-down (indeed Marxist-Leninist) authority, the Ethiopian experience suggests that comprehensive decentralization is attainable even under inauspicious conditions. This further suggests that *simultaneous* rather than *sequential* decentralization may be feasible in other African cases, at least with regard to fiscal and administrative decentralization. It also serves as an example of a way devolution can persist in such environments. While subnational spending is of necessity largely dedicated to recurring costs (as a function of resource constraints), this is not merely deconcentration.

That said, it should also be noted that Ethiopia’s substantial decentralization (while rapid and comprehensive once initiated) came in two waves: regional decentralization followed by woreda (district) decentralization. The empowerment of woredas (and kebeles at the local level) followed the empowerment of the regions by several years, a sequence which may have facilitated the establishment of effective patterns of intergovernmental relations, especially in a post-conflict context where regime change occurred and stability was at issue.

Another leading issue offers ambiguous lessons, but lessons that should pertain to a range of African countries: the impact of a dominant-party state on decentralization. It is noteworthy that the regional decentralization was initiated in Ethiopia before the EPRDF grew to its present dominant role, and that the woreda decentralization occurred when the EPRDF had already established firm control. For many observers (as noted above), the presence and power of the EPRDF has undermined the decentralization process; yet it may also be said that decentralization has consolidated and flourished in tandem with the governing party developing stronger links down to local levels (cf. Meheret, 2007, p. 89). Strong party linkages up and down the vertical layers may or may not hamper local democratization. National-regional-local party linkages can theoretically either transmit demands from the bottom-up or imperatives from the top-down; an optimistic perspective may hold that the EPRDF’s decentralization has effectively constructed local governance at the woreda and kebele levels, and has provided considerable fiscal support to the woredas. In addition, while decentralization in the dominant-party state seems to have favored the extension of EPRDF power, it is not clear how party politics interacts with patronage. The relative transparency of the fiscal transfer formula suggests that access to funds is not primarily conditioned on personalistic relations between subnational officials and the center. While the incentives to decentralize may be both to improve the quality of governance and (less “nobly”) to generate party loyalty, the experience of the EPRDF illustrates that significant

decentralization can be compatible with dominant-party regimes, which prevail in many African countries.

Finally, on the fiscal side, the key lessons are with regard to the devolution of tax authority relative to intergovernmental transfers. The difference between these two categories of revenue sources illustrates the ways fiscal decentralization can be cast in different lights. On the one hand, Ethiopia is quite fiscally decentralized, with high levels of government expenditures taking place at the subnational level, and intergovernmental transfers providing resources for this. On the other hand, Ethiopia's fiscal decentralization is limited by the low levels of own-source revenue at subnational levels. The impacts of this are not felt just in inadequate resources (though there is some evidence of this), but in the *expenditure autonomy* of SNGs: intergovernmental transfers are shaped overwhelmingly by central prerogatives, even where they are not explicitly earmarked or otherwise formally mandated. Thus, while own-source taxation faces obvious constraints in many countries in Africa, it is worth noting that the difference between these resources and intergovernmental transfers may be significant.

4.3 FINAL QUESTIONS

In this final section, we aim to identify several of the questions that remain unresolved in this desk study, and that would benefit from further consideration or follow-up. We group these under three categories that partially reflect the structure of the report above. We consider what questions remain about Intermediate Objectives (especially autonomy and accountability on issues of subnational spending) and on Political Economy (with regard to whether conditions in Ethiopia are permissive for local democratization). We also consider it an open question whether further research might shed light upon the variations in policy outcomes across decentralized units. Finally, we ask an open question about the lessons Ethiopia may (or may not) offer to a comparative examination of decentralization in Africa.

- Intermediate Objectives: Subnational expenditure autonomy

There is conflicting evidence on the extent of the expenditure autonomy of the devolved units of government (the regional states and woredas). On the one hand, the revenues transferred are sent to these subnational levels as block grants, implying considerable latitude in expenditure. On the other hand, there is reliance upon these funds for recurrent expenditures (cf. Tegegne and Kassahun, 2007). Moreover, there are reports that the government uses its partisan leverage to shape the decisions of subnational officials (cf. Meheret, 2007).

It is clear that autonomy is partially restricted on the revenue side, due to questions of overall tax bases and the capacity for collections. While this is likely to be true across many African countries, the more intriguing questions for Ethiopia seem to be on the expenditure side, given the relatively secure access to intergovernmental transfer revenues enjoyed by the regions and woredas. If Ethiopia is a leader among African countries in the proportion of revenues devolved to subnational levels (albeit not the extent of own-source revenues available to SNGs), then a leading question for further investigation would be the extent to which the center exercises leverage on the spending side of the ledger. It would be interesting to give a fuller accounting of the nature of official mandates, earmarks, standards, and requirements for subnational compliance with central directives, but complete information on this remains surprisingly elusive at this stage.

- Political Economy: Conditions for local democratization

We have aimed to capture the ambiguous evidence on the extent of local democratization. We have seen that both local officials at the subnational level are partly beholden to top-down imperatives from the dominant party, but we have also entertained the alternate hypothesis (long articulated by African dominant-party, one-party, and “no-party” states) that the tight linkages between layers of government may effectively facilitate upward transmission of local demands. While cautious about the party system in light of historical patterns of dominant-party rule elsewhere on the continent, we do not feel we have adequate evidence to state convincingly that the EPRDF has undertaken decentralization solely (or even mainly) for partisan purposes. (We noted this above as a “hypothesis” in the section on donors, for instance, where we posited this alongside other hypotheses such as donor support and good faith efforts to promote the goals of decentralizations.)

Similarly, we have aimed to capture the ambiguous evidence regarding civil society, which is held by many to be ineffective and by others to be actively participating in political life and in service delivery in a constructive fashion. As we cannot fully resolve the varying perspectives, we note here that a further question for subsequent investigation would be whether the conditions for local democratization are in place at present, or whether it is hindered by the current structure of politics. Again, we anticipate some degree of variation at the subnational level in this regard.

- Policy Outcomes: Variations across woredas

One of the gaps in the literature on Ethiopian decentralization that remains is determining what underlying factors account for variations in performance *across* woredas. Several factors do emerge in the literature, of course, with one of the key factors in subnational comparison being the economic legacy of underdevelopment in some regions, which manifests first and foremost as a capacity issue when it comes to governance quality in Ethiopia’s decentralization (cf. Tegegne and Kassahun, 2007, *inter alia*).

Beyond this obvious factor, however, it is unclear whether more conclusive findings can emerge with anything short of comprehensive, longitudinal data. While there are a handful of comparative examinations across regions (see Chanie, 2007; Meheret, 2007; Tesfaye, 2007) as well as across woredas (see Kumera 2007), there is no clear pattern as to where decentralization has functioned better or worse. Indeed, many scholars seem to paint decentralization with a “broad brush,” identifying its achievements or failings from a national perspective (see Chanie, 2007; Meheret, 2007; *inter alia*). Yet detecting whether there are systematic differences in performance by region could be a fruitful avenue for further research; such a study was proposed by Meheret (2007), but a comprehensive examination is not available at present. Given our emphasis on the political economy of decentralization and the top-down structure of the EPRDF, we would be interested in further investigation of whether subnational performance in deepening democracy (and/or in building capacity) varies across regions or across woredas. We attempt a very preliminary synopsis of some recent subnational research efforts in Appendix 4, in which we highlight some of the key findings from selected works on specific regions and woredas.

- Comparative Perspectives: Timing and Sequencing

Finally, we would raise the question about how and in what ways Ethiopia's decentralization experience provides leverage for an understanding of decentralization processes more generally, whether in Africa or in broader comparative perspective. To examine this, we might consider further investigating the notions of *timing* and *sequencing* in decentralization.

As suggested by our characterization of Ethiopia's "big push," the *sequence* of decentralization cannot be seen as "gradualist," given its rapid implementation at the regional level after the fall of the Derg in 1992 and its similarly rapid extension to the woreda level with DLDP in 2001–2003. Yet the process can also not be seen as a one-shot "shock therapy," because of the two-stage sequence that led from regional decentralization in the 1990s to the DLDP in the 2000s. With regard to *simultaneity*, the process was largely (and impressively) simultaneous across political, fiscal, and administrative aspects, but remains ongoing and incomplete in its implementation and desired outcomes. Furthermore, the process covers the whole of the country more or less equally, but was not exactly *symmetrical*: woreda decentralization was first implemented in the four "big" regions (Amhara, Oromo, SNNPR, and Tigray) before being extended to the others, and woredas themselves are established (with modest variations in form) by the regional state constitutions rather than the federal constitution. Finally, this post-conflict state has practiced substantial devolution (but under a dominant party that exercises a degree of top-down control) and an ethnic federalism that paradoxically both channels and may deepens ethnic divides (cf. Vaughan, 2006; Merera, 2007). In sum, the comparative lessons do actually demand comparison; Ethiopia's decentralization is not necessarily *sui generis*, but it fits uneasily with any particular doctrine of decentralization.

APPENDIX 1: BIBLIOGRAPHY

- Aalen, Lovise and Kjetil Tronvoll. (2008). “Briefing The 2008 Ethiopian Local Elections: The Return of Electoral Authoritarianism”. *African Affairs* 108(430): 111–120.
- Amhara National Regional State. (1995). Constitution of Amhara National Regional State. Bahir Dar: Amhara National Regional State.
- Aneyew, Meheret. (2007). “A Rapid Assessment of Wereda Decentralization in Ethiopia”, in Taye Assefa and Tegegne Gebre-Egziabher, eds. *Decentralization in Ethiopia*, pp. 69–102. Addis Ababa: Forum for Social Studies.
- Assefa, Taye and Gebre-Egziabher, Tegegne, eds. (2007). *Decentralization in Ethiopia*. Addis Ababa: Forum for Social Studies.
- Beyene, Asmelash. (2000). “Decentralization as a tool for Resolving the Nationality Problem: the Ethiopian Experience”. *Regional Development Dialogue* 21(2): 122–147.
- Birhanu, Kassahun and Gebre-Egziabher, Tegegne. (2004). Citizen participation, Consultancy Report prepared for Ministry of Capacity Building.
- Central Statistical Agency (CSA). (2007). Population and Housing Census of Ethiopia. Addis Ababa: CSA.
- Chanie, Paulos. (2007). “Clientelism and Ethiopia’s post-1991 Decentralisation”. *Journal of Modern African Studies* 45(3): 355–384.
- CIDA. (2005). Grassroots empowerment Review of Progress and Prospects Phase I. (http://siteresources.worldbank.org/INTETHIOPIA/resources/Final_GER_MA)
- Edmiston, Kelly. (2000). “Fostering Subnational Autonomy and Accountability in Decentralized Developing Countries: Lessons from Papua New Guinea Experience (International Studies Program Working Paper 00-5)”. Atlanta: Georgia State University. (<http://aysps.gsu.edu/isp/files/ispwp0005.pdf>)
- Federal Democratic Republic of Ethiopia (FDRE). (1995). The Constitution of the Federal Democratic Republic of Ethiopia. Addis Abeba: Negarit Gazeta.
- Federal Democratic Republic of Ethiopia (FDRE). (2009). Proclamation no 621/2009. “A Proclamation to provide for registration and licensing of charities and societies”. Addis Ababa: Negarit Gazeta
- Feyissa, Dereje. (2006). “The Experience of Gambella Regional State”, in David Turton, ed. *Ethnic Federalism: the Ethiopian Experience in Comparative Perspective*, pp. 208–230. Oxford: James Currey.
- Fessha, Yonatan and Coel Kirkby. (2008). “A Critical Survey of Subnational Autonomy in African States”. *Publius: The Journal of Federalism* 38(2): 248–271.

- Fiseha, Assefa. (2006). "Theory versus Practice in the Implementation of Ethiopia's Ethnic Federalism", in David Turton, ed. *Ethnic Federalism: the Ethiopian Experience in Comparative Perspective*, pp. 131–164. Oxford: James Currey.
- Freedom House. (2010). Ethiopia Country Report. Available at: <http://www.freedomhouse.org/template.cfm?page=363&year=2010>
- Garcia, Marito and Andrew Sunil Rajkumar. (2008). "Achieving Better Service Delivery Through Decentralization in Ethiopia". World Bank Working Paper (Africa Human Development Series), No. 131. Washington, D.C.: World Bank.
- Gebre-Egziabher, Tegegne. (1998). "The Influences of Decentralization on Some Aspects of Local and Regional Development Planning in Ethiopia". *Eastern Africa Social Science Research Review* 14(1): 33–51.
- Gebre-Egziabher, Tegegne. (2007). "Introduction," in Taye Assefa and Tegegne Gebre-Egziabher, eds. *Decentralization in Ethiopia*, pp. 9–68. Addis Ababa: Forum for Social Studies.
- Gebre-Egziabher, Tegegne. (2009). "Regional and Local Development in Ethiopia: Problems, Policies and New Frontiers". Professorial inaugural lecture.
- Gebre-Egziabher, Tegegne, Assefa, Taye, Berhanu, Kassahun, and Aneyew, Meheret (2004). "Monitoring Progress towards Good Governance in Ethiopia". Institute of Regional and Local Development Studies, Addis Ababa University, and United Nations Economic Commission for Africa.
- Gebre-Egziabher, Tegegne and Birhanu, Kassahun. (2004). "The Role of Decentralized Governance in Building Local Institutions, Diffusing Ethnic Conflicts and Alleviating Poverty in Ethiopia". *Regional Development Dialogue* 25(1): 35–63.
- Gebre-Egziabher, Tegegne and Birhanu, Kassahun. (2007). "A Literature Review of Decentralization in Ethiopia", in Taye Assefa and Tegegne Gebre-Egziabher, eds., *Decentralization in Ethiopia*. Addis Ababa: Forum for Social Studies.
- Gudina, Merera. (2006). "Contradictory Interpretations of Ethiopian History: the Need for a New Consensus," in David Turton, ed. *Ethnic Federalism: the Ethiopian Experience in Comparative Perspective*, pp. 119–130. Oxford: James Currey.
- Gudina, Merera. (2007). "Ethnicity, Democratisation and Decentralization in Ethiopia: The Case of Oromia". *Eastern Africa Social Science Research Review* 23(1): 81–106.
- Gutema Bulcha. (2005). "Local Governance and Poverty Reduction: Lessons of Experience". Workshop report prepared for Workshop on local governance and poverty alleviation, Tunis.
- Hailegebriel, Debebe. (2010a). "Sub-Saharan Africa Country Report: Ethiopia". *The International Journal of Not-for-Profit Law* 12(2): 9–20.
- Hailegebriel, Debebe. (2010b). "Restrictions on Foreign Funding of Civil Society: Ethiopia". *The International Journal of Not-for-Profit Law* 12(3): 18–27.

- International Research and Exchanges Board (IREX). (2008). Media Sustainability Index (MSI) Africa: Ethiopia. Available at: http://www.irex.org/programs/MSI_Africa/2008/ethiopia.asp
- Keller, Edmond. (2002). "Ethnic Federalism, Fiscal Reform, Development and Democracy in Ethiopia". *African Journal of Political Science* 7(1): 21–50.
- Keller, Edmond J. and Lahra Smith. (2005). "Obstacles to Implementing Territorial Decentralization: the First Decade of Ethiopian federalism", in Philip G. Roeder and Donald Rothchild, eds., *Sustainable Peace: Power and Democracy after Civil Wars*, pp. 265–291. Ithaca, N.Y.: Cornell University Press
- Kidane Mengisteab. (2001). "Ethiopia's Ethnic-Based Federalism: 10 Years After". *African Issues* 29(1/2): 20–25.
- Kumera Kanea Tucho. (2007). "Decentralized Governance and Service Delivery: A Case Study of Digelu and Tijo Wereda of Arsi Zone in Oromia Region", in Taye Assefa and Tegegne Gebre-Egziabher, eds. *Decentralization in Ethiopia*, pp. 103–130. Addis Ababa: Forum for Social Studies.
- Legesse, Berhanu. (2008). Note on Fiscal Federalism, Service Delivery and Capacity Building: The Case of Ethiopia. Paper presented at the Conference on the Role of Sub-national Jurisdictions in Efforts to Achieve the MDGs (Abuja, Nigeria; 7–9 May 2009). New York: United Nations Economic Commission for Africa (UNECA).
- Marcus, Harold. (1994). *A History of Ethiopia*. Berkeley: University of California Press.
- Ministry of Capacity Building and Ministry of Works and Urban Development. (2008). Woreda and City Benchmarking Survey: Citizens' Report Card. Unpublished report.
- Olowu, Dele. (2001). Decentralization Policies and Practices under Structural Adjustment and Democratization in Africa (Democracy, Governance and Human Rights Programme Paper Number 4). Geneva: United Nations Research Institute for Social Development (UNRISD).
- Rahmato, Dessalegn. (2002). "Civil society organizations in Ethiopia", in Bahur Zewde and Siegfried Pausewang, eds. *Ethiopia: the Challenge of Democracy from Below*. Stockholm and Addis Ababa: Nordiska Afrikainstitutet and Forum for Social Studies.
- Seyom Gebre Selassie and Yacob Arsano. (1999). "The Challenges and Opportunities Presented by the Adoption of the Federal structure in Ethiopia," in Tegegne Gebre-Egziabher, et al. (eds.) *Aspects of Development Issues in Ethiopia (Proceedings of a workshop in the 25th anniversary of the Institute of Development Research)*, pp 91–104. Addis Ababa: Addis Ababa University.
- Stepan, Alfred. (1999). "Federalism and Democracy: Beyond the U.S. Model". *Journal of Democracy* 10(4): 19–34.
- Tadesse, Tesfaye. (2007). "Decentralization and Education Service Delivery: The Case of Moretenna Jirru and Bereh Aleltu Weredas in North Shoa", in Taye Assefa and Tegegne Gebre-Egziabher, eds. *Decentralization in Ethiopia*, pp. 131–144. Addis Ababa: Forum for Social Studies.

- Teka, Tegegne. (1993). “Regional Administration in Ethiopia: Some Attempts in Local Self-Administration”, in proceedings of the seminar on Regional Planning and Development in Ethiopia, Institute of Development Research, Addis Ababa.
- Tesfaye, Aaron. (2002). *Political Power and Ethnic Federalism: the Struggle for Democracy in Ethiopia*. Lanham, MD: University Press of America.
- Turton, David, ed. (2006). *Ethnic Federalism: the Ethiopian Experience in Comparative Perspective*. Oxford: James Currey.
- Vaughan, Sarah. (2006). “Responses to Ethnic Federalism in Ethiopia’s Southern Region”, in David Turton, ed. *Ethnic Federalism: the Ethiopian Experience in Comparative Perspective*, pp. 181–207. Oxford: James Currey.
- Watson, David and Lissane Yohannes. (2005). “Capacity Building for Decentralized Education Service Delivery in Ethiopia”, (Discussion Paper 57H). Maastricht: European Centre for Development Policy Management.
- Yilmaz, Serdar and Varsha Venugopal. (2008). “Local Government Discretion and Accountability in Ethiopia”, (International Studies Program Working Paper 08-38). Atlanta: Georgia State University. (<http://aysps.gsu.edu/isp/files/ispwp0838.pdf>)
- Yimer, Muhammad Seid. (2007). “The Performance of Wereda Decentralization Program in Amhara National Regional State: With Emphasis on Legambo Wereda in South Wello Zone”, in Taye Assefa and Tegegne Gebre-Egziabher, eds., *Decentralization in Ethiopia*, pp. 145–169. Addis Ababa: Forum for Social Studies.

APPENDIX 2: TIMELINE OF DECENTRALIZATION IN ETHIOPIA

TABLE 5. TIMELINE OF DECENTRALIZATION IN ETHIOPIA

Year	Event
1889-1913	Reign of Emperor Menelik II
1916-1930	Regency of Ras Tafari Makonnen (later Haile Selassie) in reign of Empress Zewditu
1930	Reign of Emperor Haile Selassie begins
1936-1941	Italian occupation, with government of Haile Selassie in exile
1974	Army overthrows Haile Selassie Derg regime established under Haile Mengistu Miriam
1980s	Derg collectivizes agriculture, nationalizes industry
1985	Derg initiates compulsory villagization
1991	Derg overthrown by EPRDF (including TPLF and EPLF) Transitional Government of Ethiopia established Transitional Charter establishes timeframe for Constitution and basis for federalism TPLF becomes lead party of the EPRDF coalition in Ethiopia EPLF remains in control of present-day Eritrea
1992	EPRDF organizes local and regional elections Oromo Liberation Front (OLF) and other parties boycott elections Proclamation 33 establishes broad parameters of fiscal decentralization
1993	Eritrea officially gains independence
1994	Constitution is passed by Transitional Government of Ethiopia
1995	Constitution enters into effect (August)
2000	National and regional elections are held, with EPRDF consolidating power
2001	Woreda decentralization initiated in four states (Amhara, Oromiya, SNNPR, Tigray)
2002	Woreda decentralization/District Level Decentralization Program (DLDP) extended to remaining regional states
2005	National and regional elections are held; as in 2000, EPRDF wins majority Coalition for Unity and Democracy (CUD) protests election results
2007	States begin implementing new “fiscal equalization” model for transfers to woredas
2008	Local elections are held, with EPRDF consolidating power
2010	National elections held May 21 EPRDF wins overwhelming majority
2011 (projected)	States complete transition to “fiscal equalization” model for transfers to woredas

APPENDIX 3: REVENUE AUTHORITY OF FEDERAL AND REGIONAL GOVERNMENTS

TABLE 6. REVENUE AUTHORITY OF FEDERAL AND REGIONAL GOVERNMENTS

Central Government	Regional Government	Concurrent (Central and Regional Government)
Duties, taxes, and other charges levied on the importation and exportation of goods	Personal income tax collected from employees of the regional governments and employees other than those covered under Sub-article 2 and 4 of this Article.	Profit tax, personal income tax, and sales tax collected from enterprises jointly owned by the central government and regional government
Personal income tax collected from employees of the central government and international organizations	Rural land use fee	Profit tax, dividend tax, and sales tax collected from organizations
Profit tax, personal income tax, and sales tax collected from enterprises owned by the central government	Agricultural income tax collected from farmers not incorporated in an organization	Profit tax, royalty, and rent of land collection from large-scale mining, any petroleum and gas operations
Taxes collected from national lotteries and other prizes	Profits and sales tax collected from individual traders	
Taxes collected on income from air, train, and marine transport activities	Tax on income from inland water transportation	
Taxes collected from rent of houses and properties owned by the central government	Tax collected from rent of house and properties owned by the regional government	
Charges and fees on licenses and services issued or rendered by the central government	Profit tax, personal income tax, and sales tax collected from enterprises owned by the regional government	
	Income tax royalty and rent of land collected from mining activities	

Source: Tegegne and Kassahun, 2007

FIGURE 2, STRUCTURE OF GOVERNMENT IN ETHIOPIA



* The number of zones, woredas, and kebele varies according to estimates over time, and to periodic changes in their number. The dashed lines connecting the Regional States to the Zones and the Zones to the Woredas signify the deconcentration of power *from the Regional States* to the Zones; with the exception of SNNPRS, the Zones are not an elected level of government

TABLE 7. PER CAPITA BLOCK GRANT TRANSFERS TO REGIONS (2005/06)

- A. Block Grant from Treasury (per capita)
- B. Block Grant from Regional and External Sources (per capita)
- C. Regional Own-source Revenue (per capita)

	POP	A	B	C	A+C
Tigray	4.28	117	127	70	187
Afar	1.37	214	226	29	243
Amhara	18.87	81	93	20	101
Oromyia	26.18	89	95	24	113
Somali	4.27	111	117	14	125
Benshangul-Gumuz	0.62	335	353	55	390
SNNP	14.70	93	98	18	111
Gambella	0.24	590	603	45	636
Harari	0.19	510	530	111	621
Dire Dawa	0.39	306	316	84	390

Source: Garcia and Rajkumar, 2008, p. 20 (from Ministry of Finance and Economic Development)

Note: in 2005/06, the birr fluctuated largely in a range between 8.4 birr/dollar 8.9 birr/dollar

(Source: <http://www.xe.com/currencycharts/?from=USD&to=ETB&view=10Y>)

TABLE 8. SHARE OF TOTAL POPULATION AND FEDERAL TRANSFERS BY REGION

Region	Population as % of total (2005/06)	Transfers as % of total (2007/08)
Tigray	6.04%	7.58%
Afar	1.96%	3.81%
Amhara	26.59%	23.16%
Oromyia	36.76%	32.25%
Somali	6.02%	6.72%
Benshangul-Gumuz	0.87%	2.62%
SNNP	20.62%	19.13%
Gambella	0.34%	1.92%
Harari	0.26%	1.24%
Dire Dawa	0.54%	1.56%

Sources: Garcia and Rajkumar, 2008, p. 22 (from Ministry of Finance and Economic Development)

Note: Addis Ababa is omitted, as it is self-financing and receives almost no transfers from the central government.

APPENDIX 4: REGIONAL AND DISTRICT EXPERIENCES

TABLE 9. KEY FINDINGS FROM THE LITERATURE

Author (date)	Region (District)	Key Findings
Chanie, Paulos (2007)	Amhara Benshangul-Gumuz Tigray	Clientelism impedes successful decentralization Intra-party control by TPLF restricts SNG autonomy - Finding holds across regions
Dereje, Feyissa (2006)	Gambella	Ethnic federalism fails to mitigate ethnic tension Multi-ethnic state still has violent competing groups
Meheret, Aneyew (2007)	Amhara (Mecha, Dera) Oromia (Mullo Sullulta, Yaya Gullele) SNNPR (Alaba, Silti) Tigray (Kilte Awlalo, Seharti-Samre) Addis Ababa (Addis Ketema Kifle Ketema, Arada Kifle Ketema)	Higher performance in some regions/districts than others Performance varies with capacity, level of development Woreda personnel have low qualifications (education, e.g.) Other causes of performance unclear; need further research Woreda budgets used for recurrent spending (all regions) Political dominance of ruling party may have pros and cons - Pro: possible transmission of needs upward - Con: possible domination of local by central Intergovernmental lines of accountability unclear (region—woreda, woreda—kebele)
Kumera, Kanea Tucho (2007)	Oromia (Digelu, Tijo)	Decentralization leads to little change in service delivery Financial & capacity constraints lead to low efficiency
Merera, Gudina (2007)	Oromia	EPRDF regime fails to attend to “national question” Oromia continues to push for greater devolution
Muhammad, Seid Yimer (2007)	Amhara (Legambo)	Weak zonal structures (between region and woreda) Low capacity in rural woredas Fiscal decentralization: - adequate resources for woredas exist - reliance upon transfers (national & donor) - weak at kebele level Service provision: mixed/ambiguous results in <i>Education, Health, Agricultural extension</i> Civil Service Reform appropriate, but incomplete
Tesfaye, Tadesse (2007)	Amhara (Moretenna Jirru) Oromia (Bereh Aleltu)	<i>Sector: Education</i> Human resource challenges in M.J., not B.A. Inadequate capacity & background of personnel, Kebele Education & Training Board (KETB) Weak community empowerment, though effective PTAs
Vaughan, Sarah (2006)	SNNPR	Responses to ethnic federalism vary locally within state Ethnic groups mobilize in ways unforeseen by EPRDF

U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

www.usaid.gov