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ABBREVIATIONS

AA	Analytical and Advisory Activities
CSI	Amhara Credit and Savings Institution
CF	Action Contra la Faim
DLI	Agricultural Development Led Industrialization
DP	Area Development Program
NRS	Amhara National Regional State
CA	Baseline Information Collection and Analysis
A	Bureau of Agriculture
PEd	Bureau of Planning and Economic Development
TI	Bureau of Trade and Industry
BDSD	Capacity Building for Decentralized Service Delivery
BO	Community Based Organization
DD	Community-Driven Development
FW	Cash for Work
HA	Community Health Agent
P	Children in Program
SRP	Civil Service Reform Program
A	Development Agent
PED	Department of Planning and Economic Development
PB	Disaster Preparedness and Prevention Bureau
EF	Emergency HIV/AIDS Fund
C	Ethiopian Calendar
FY	Ethiopian Fiscal Year
ES	Employment Generation Schemes
HSAP	Ethiopia Multi-Sect oral HIV/AIDS Program
PRDF	Ethiopian People's Revolutionary Democratic Front
EDP	Education Sector Development Program
ERDF	Ethiopia Social Rehabilitation and Development Fund
ETB	Ethiopian Birr
EU	European Union
FFW	Food for Work
FHI	Freedom for Hunger International
GOE	Government of Ethiopia
GR	Gracious Relief
HSDP	Health Sector Development Program
ICTF	Italian Capacity Building Trust Fund
IDA	Internacional Development Asociación
IFSP-SG	Integrated Food Security Program – South Gonder
IMF	International Monetary Fund
INGO	International Nongovernmental Organizations
KDA	Konso Development Association
KDO	Konso Democratic Organization
MEDaC	Ministry Economic Development and Cooperation
MGZ	Misrak Gojam Zone
NCBP	National Capacity Building Program
NFSP	National Fertilizer Sector Project
NGO	Nonovernmental Organization
ODC	Orgut Dangaro Culsulting
O & M	Operations and Maintenance
PADETS	Participatory Development and Extension Training System
PCC	Program Coordinating Committee
PMU	Program Management Unit
PRA	Participant Rural Appraisal
PSU	Program Support Unit
SC	Service Cooperative
SIDA	Swedish International Development Agency
SMC	School Management Committee
SMS	Subject Matter Specialist
SNNPR	Southern Nations Nationalities Peoples Region
SORDU	Southern Rangelands Development Unit
SDPs	Sector Development Programs
SWC	Soil and Water Conservation
TBA	Traditional Birth Attendant
TCC	Technical Committee
TOR	Terms of Reference
UNCDF	United Nations Capital Development Fund
UNDP	United Nation Development Program
USAID	United States Aid
USD	United States Dollars
VAC	Vitamin A Capsule
VAD	Vitamin A Deficiency
WAB	Woreda Agriculture Bureau
WAO	Woreda Agriculture Office
WDC	Woreda Development Committee
WDF	Woreda Development Fund
WEDO	Woreda Economic Development Office
WPC	Woreda Project Committee
WS	Woreda Studies
WUC	Water User Committee
WEDO	Woreda Economic Development Office
WV	World Vision
ZDCC	Zonal Development Coordinating Committee
ZEB	Zonal Education Bureau
ZPC	Zonal Project Committee

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Prologue

The Woreda Studies were carried out by a team of World Bank Country Office staff and consultants with assistance from officials of the Office of the Prime Minister of Ethiopia (Chief Economic Adviser's Office) and the Federal Ministry of Development and Economic Cooperation, and with support from Action Aid, the Canadian International Development Agency, UNDP, and the EU. The studies seek to relate official Ethiopian decentralization policies to the actual practice of rural development in nine case woredas, examining development from the perspectives of public sector planning, resource management, and service delivery.

Field work was conducted between November 1999 and September 2000. The team was led by Joanne Raisin (consultant) and Abebaw Alemayehu from the World Bank Country Office in Ethiopia. The final report was compiled by Nigel Roberts. In addition, In mid-2001, a review of bilateral and INGO support for decentralized service delivery was carried out by Tegegne Gebre Egziabher and is included in Volume II. A pilot study of governance in education in one woreda was conducted in early 2000, and appears as Volume III.

Executive Summary

1. **Delivering basic services in Ethiopia is a formidable task.** Much of Ethiopia remains inaccessible, underserved, and potentially unstable. The country is notable for its sheer size, its physical and ethnic diversity, its dependence on a volatile agricultural economy, and for the grinding poverty that exists alongside heightened popular expectations of change. In addition, the Ethiopian People's Revolutionary Democratic Front (EPRDF) has committed itself to a radical new brand of ethnicallybased regional decentralization. The Woreda Studies (the Study) illustrate how hard it is to develop accountable government and reduce poverty under such circumstances.

2. **The Study shows that the Federal Government and its Regional counterparts still rely heavily on traditional hierarchical approaches to development**. The system in place is characterized by administrative deconcentration, not the devolution of powers to elected bodies provided for in the Federal and regional constitutions. It makes use of established bureaucratic disciplines and a tradition of popular compliance with authority.

3. **In view of the complexities it faces and the shortage of resources at its disposal, this approach is pragmatic and understandable – but it carries a price.** First and most important, it inhibits the development of democratic accountability at the local level and dampens the latent capabilities of communities and of other service providers. Second, the service delivery model in use is staff-intensive and rigid, and maintaining it consumes too high a portion of the scant resources available for development.

4. **The findings suggest that Ethiopia should build on its existing system of governance.** It could do this by increasing the accountability of service providers to beneficiaries and by encouraging communities to engage as active partners in service delivery.

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5. **In the 1970s, the Derg Regime bypassed Ethiopia's traditional community organizations in creating modern participatory structures.** These highly centralized structures extended to the grassroots level and provided a mechanism both for service delivery and for the exercise of political control. This is the system which the EPRDF inherited and which it has put to use.

6. **The formal authority entrusted to these representative structures under the Federal and regional constitutions of 1995 is considerable, and the constitutional and legal basis for devolution of power is thus in place.** In a fiscal sense, moreover, the Federal Government has devolved a high degree of spending authority to regional governments and has allocated them a major share of the national budget.

7. **In reality, the system of governance is still highly centralized.** The Study revealed this through an examination of the practice of decentralization in three key areas

of economic development activity: planning, resource management, and program implementation.

8. **Planning at the local level is largely subordinated to national and regional priorities.** Most plan resources available for woredas and kebeles are spoken for by the recurrent budget needs of the civil service, over which local governments have no say. Where off-plan resources are available (emergency food/cash funds, donor and international NGO contributions), these are generally programmed by outside agencies. Local governments are generally left to focus on the planning of capital projects, but capital budgets are very limited – ranging between US$0.16 and $2.60 per capita in the Study woredas in 1998-99. Capital project selection, moreover, is ultimately determined by civil servants at the zonal level, where priority is given to sector ministry objectives and to the national Five-Year Plan. It is true that community capacity to participate in planning is limited, and interest muted. This may reflect skepticism at the process, however – much greater enthusiasm was witnessed in relation to certain participatory pilot exercises. The Study found no evidence that traditional community structures were tapped in planning; labor power, not ideas, appears to be the main contribution sought from communities. Groups with little voice, in particular pastoralists and women, are not specifically catered to in the planning cycle.

9. **Resource management is largely controlled by the bureaucracy.** Federal transfers account for two-thirds of woreda expenditures, and budget preparation and management are mainly handled by the bureaucracy -- elected representatives and community groups focus more on tax collection and labor mobilization. Budgeting conventions further loosen expectations of local resource management control: local revenues are applied to recurrent budgets (which local governments do not allocate), rather than to the capital budget (which in principle they do). The shortage of budgeting and accounting skills in the civil service, and their virtual absence among elected officials, are a major constraint to effective budget formulation or management at the woreda level, as well as to meaningful civic participation in public resource management. Although formal reviews of the budget are held annually by woreda councils, the sanctioning of those who abuse their budgetary authority normally derives from internal investigations rather than from accountability to the public.

10. **Citizens are passive beneficiaries of public service delivery rather than active participants in its management.** The Ethiopian service delivery model is based on area coverage and direct service provision by cadres of professional staff, and their salaries account for the bulk of public development resources (over 60 percent in most Study woredas). As mentioned above, capital resources are scarce, as are operating costs; this imbalance reflects a clearlystated Federal focus on increasing primary enrollments and the numbers of farmers reached by the extension service, and has impacted service quality quite seriously. The traditional community structures prevalent in Ethiopian life play little part in formal service delivery, and the capacity, leadership, and resources embodied in them lie untapped by the official development effort. Apart from site selection and the contracting of individual artisans, communities and user groups exercise

little discretion over Government staff, procurement processes, or service evaluation. Channels for complaint, while formally present, are little used.

11. **In summary, hierarchical control is strong, the formal development process is directed in detail by the technical bureaucracy and local/alternative energies are under-used.**

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12. **Why does a system which so strongly empowers elected structures operate in this hierarchical manner?** That it does reflects the historical legacy, weak institutional structures, and a lack of capacity. The situation also attests to the role of the ruling EPRDF in development. In today's Ethiopia, the Party exercises considerable leadership and control throughout local government, as respondents at all levels acknowledged..

13. **When the EPRDF came to power in 1991, it inherited expectations and realities that it could not ignore.** There was demand for a new relationship between the center and the peripheries, one that reversed extractive practices and recognized regional and ethnic aspirations. There was demand for a restoration of basic services and for improved rural welfare. The context was one in which traditional structures had been sidelined and the nascent rural private sector destroyed. Nor could rural instability and law and order concerns be ignored. Out of these realities emerged the current federalist political structure and the Government's Agricultural-Development Led Industrialization (ADLI) strategy. It is ADLI that provides the economic rationale for a strong public presence in service provision, awaiting the emergence of a vigorous private market.

14. **The means at the Government's disposal were meager.** The Government must work with a low fiscal base, a suffering and poorly educated population, and a civil service made hesitant by years of politicization.

15. **Government strategy under these circumstances mixes commitment to eventual decentralization and economic democracy with a reliance for the time being on authoritarian practice**. This hierarchical approach has permitted a strong budgetary emphasis on key ADLI priorities, in particular universal primary education and increased agricultural production, with impressive results through the mid-1990s. The civil service remains welldisciplined, and absenteeism and fraud are rare by any standardsFunds in the Study woredas appear to flow on time and to the purposes intended. Considerable stores of community labor power are tapped for their own benefit.

16. **But these achievements come with a price.** Foremost among these is stifling of the development of the woreda as a democratic, accountable unit of government, and – associated with this – a failure to capture the resourcefulness, resilience and adaptability of Ethiopian communities. Second is the related self-reinforcement of the bureaucracy. Evidence of this is found in the high proportion of development resources devoted to maintaining regional and zonal bureaucratic superstructures and in the strong budgetary preference shown for salary expenditures over either capital projects or operating costs,

despite what community preferences appear to indicate. There is also a relationship between the centralized control of service delivery and inflexibility. Service products are uniform in nature, and are not well tailored to different target groups (the poor, pastoralists, women). Valuable lessons that could be learned from bilateral and NGO activities are virtually ignored by the technical bureaus. The private sector, far from being seen as a legitimate complementary channel for service provision, tends to be regarded by officials as undesirable and exploitative. Indications from other sources suggest that the spread of rural entrepreneurship envisaged under ADLI has faltered

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17. **The Study raises questions about the critical path for institutional reform in Ethiopia.** Will it gradually relinquish the short-term advantages of a hierarchical approach and pursue the democratization of service provision and rural development? Or will history and tradition prevail? On balance, the prospects for a positive change seem good. The legal instruments for greater democratization are in place or – in the case of the municipalities – are under enactment. Tax reform should shortly bring a significant increase in resources to local governments. Donor-financed decentralization pilot efforts are showing promise and evincing strong Federal Government interest.

18. **The Study proposes a number of actions that would assist in the measured decentralization of power to elected bodies and would enhance community control of development resources.** Collectively, these measures seek to refine roles, build human skills and define accountabilities – the better to enable citizens to exercise the rights that their constitutions already accord them. The measures include:

- **Introducing unified planning at the woreda level.** This has two dimensions: first, the integration of capital and recurrent budgeting, so that woredas and their elected structures are involved in planning and budgeting the delivery of services as well as capital projects; and, second, the integration of all public resources into the planning process, including donor/NGO contributions and emergency food and cash resources.

- **Developing transparent formulae for determining subregional transfers.** A formula-based system should replace the current adhoc approach to determining how much of the federal subsidy should go to each zone and woreda, and the extent to which it should be offset to account for aid resources (including emergency food and cash). These formulae should be clearly explained to elected bodies and the public.

- **Upgrading planning skills at woreda and kebele levels**. If planning is to involve elected representatives and community groups in any meaningful way, the technical capacity of the public to appreciate and participate in planning must be improved. This can be done in the short term by ensuring full staffing of Government planning and finance positions at the zonal and woreda levels then ensuring that these experts provide insitu training to woreda and kebele officials.

- **Introducing modern civil service legislation and other formal rules.** A modern legal framework would provide the basis for a client- and service-oriented public administration. It would help clarify the roles of political and technical actors, as well as those of the executive and legislature within regions and woredas. Furthermore, a new Code of Conduct and Citizen's Charter of Rights and Responsibilities give a clear idea of what the public should expect from the civil service, and would help create a clear sense of citizen entitlement and recourse.

- **Introducing annual woreda-level assessments of service delivery performance in priority sectors.** These should be conducted by the woreda councils and serve as an audit of the public and donor/INGO services provided in a particular woreda.

- **Reviewing, refining, and expanding woreda grant schemes.** A number of approaches are being tried. These include the SIDA, UNCDF, and ESRDF-financed woreda-based schemes, as well as sector-specific block grants (under the Bank-financed HIV/AIDS Program and the proposed Food Security Program). All aim to devolve greater control over resources to elected local structures. There is a need to compare experiences, refine models, and replicate those showing promise.

- **Expanding community management of specific institutions or services.** Another approach to decentralization is to give communities greater control over service facilities. School management committees, once they meet certain standards for reporting and public information provision, could be given responsibility for managing teachers and school budgets. Similar powers could be delegated to comparable health post and veterinary clinic management committees.

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19. **The Bank is proposing to partner the Government and the donor/NGO community in a comprehensive, long-term program of work on decentralization and service delivery.** Many such initiatives could be advanced under this umbrella. As an initial step, the Bank is supporting the preparation of a Capacity Building for Decentralized Service Delivery (CBDSD) Project to support key public management reforms (for example, wage policy and budgeting reforms) as well as the restructuring of specific agencies at the Federal level and in some regions. The project would also help woredas and municipalities take on more responsibility for their own development. Lessons drawn from the preparation and early implementation of the CBDSD Project would provide a basis for a longer-term program of supportfor regional governance and service delivery.

1. Delivering Basic Services in Ethiopia: The Challenge

1.01 The Federal Government of Ethiopia faces formidable challenges in overseeing the delivery of basic services. Ethiopia's feudal regime was followed in 1974 by twenty years of civil disruption, and efforts in the 1990s to reform economic management and meet the needs of the population have been set back in the past three years by an expensive war with Eritrea, a severe episode of drought, and a deterioration in Ethiopia's international terms of trade[1]. Ethiopia, one of the oldest continuous civilizations in the world, is also one of the most destitute of all nations. Basic infrastructure provision (miles of road per capita, access to clean water) fares poorly compared to other low-income countries[2], as do social indicators (life expectancy, adult literacy, combined school enrollments, and gender equality[3]). Ethiopia's population, currently almost 63 million, is projected to grow by almost 50 percent in the next 15 years[4]. The needs of this poor, expanding population for schooling, clean water, health services, access to markets, and agricultural technology are formidable. Despite the Government's efforts to restore spending levels in poverty-related areas since the end of the 1999-2000 border conflict, the fiscal base remains weak, and aggregate scarcity is pervasive in certain regions. Furthermore, institutional and capacity weaknesses at all level of government contribute to delayed fiscal transfers to regions, structural imbalances between the recurrent and development sides of sectoral budgets, and poor civil service wages, all of which undermine the service delivery improvements achieved through the 1990s.

1.02 Along with this disparity between needs and means Ethiopia faces the additional complexities of great geographic and ethnic diversity, as well as an almost total dependence on rain-fed agriculture which exposes the population to constant production and market uncertainties. Most of the population lives in mountainous areas, traditionally isolated from the outside world and from neighboring communities. This diversity finds economic expression in Ethiopia's varied livelihood systems: the settled upland teff

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[1] The earnings from Ethiopia's main export coffee fell from US$420 million in FY98 to US$187 million in FY01. In the same period, Ethiopia's oil imports rose from US$143 million to US$275 million. (Source: IMF Staff Review of PRGF, July 5, 2002. EBS/01/108, p. 32).

[2] Only 30percent of Ethiopia's population has access to an improved water source compared with an average of 43 percent across Sub-Saharan Africa, and an average of 64 percent in low-income countries. Over the 1995-99 period, only 13.3 percent of all roads in Ethiopia were paved compared with 18.7% in other low-income countries. In 2000, only 13 percent of the rural and 58 percent of the urban population had access to improved sanitation facilities, as opposed to 31 percent of the rural and 79 percent of the urban population in low-income countries respectively. Commercial energy use per capita in Ethiopia averaged only 284 kg of oil equivalent in 1998 compared to an average of 550 kg in low-income countries.

[3] Life expectancy in Ethiopia was 44.1 years in 1999 compared with an average of 59.4 years across low-income countries. Adult literacy rates also fared poorly with only 37.4 percent in 1999 compared with an average of 61.7 percent in low-income countries. Ethiopia's combined gross enrollment rates in 1999 amounted to 27 percent of the school-age population as compared with 51 percent in low-income countries. Gender disparities in gross primary enrollment were also more pronounced in Ethiopia, approximately 24 percent, compared with a Sub-Saharan African average of 14 percent.

[4] In *World Population Prospects–the 2000 Revision*, March 2001, United Nations Population Division, Ethiopia's 2000 population of 62.9 million is projected to increase to 89.8 million by 2015.

cultures of the north; the enset-based farming systems of the south; and a variety of agro-pastoralist and nomadic systems along the margins of the Rift Valley. Each of these ways of life has its own particular socioeconomic dynamic and combination of service needs. Crucial to the nature of modern Ethiopia are the historical political tensions between the unitary impulse and the aspirations of the country's different ethnic groups were parlayed into the model of federalism adopted in the Ethiopian Constitution of 1994. Under this governance system, prime responsibility for the delivery of basic services falls to the governments of the nine regional states and two special city administrations, albeit largely financed by Federal subsidy and conforming in practice to policy directions and standards established at the Federal level. Implementation of this distinct vision of decentralization has involved the transfer of large numbers of staff to the regions, and an ongoing process of assigning responsibilities to different tiers of Government -- a process in which disruption and discontinuity is inevitable, and evident.

2. Decentralization: Opportunities and Risks

2.01 In the last quarter of the twentieth century, a growing number of developed and developing countries have embarked on decentralization policies. The forces behind this worldwide trend towards localization and toward the specific shifting of significant fiscal, administrative, and political authority to subnational levels are myriad and complex. Often, larger political dynamics related to the process of democratization have compelled governments such as those in Latin America to decentralize formerly autocratic, centralized regimes. In many parts of Africa, decentralization is driven by the transition to multi-party democracy as well as by the aspirations of diverse ethnic groups for greater voice in decisionmaking. In other settings, governments have viewed decentralization as a largely technocratic exercise, partially in recognition of the shortcomings of centralized forms of public administration in terms of allocative and operational efficiency.

2.02 Regardless of how and why they emerge, decentralization processes are replete with opportunities as well as risks, benefits as well as potential costs. In the most general terms, decentralization allows good politics and good economics to come together.[5] It achieves this by enhancing political responsiveness and participation at the local level while simultaneously furthering economic objectives, for instance by improving the allocative and operational efficiency of public expenditures. When designed appropriately, decentralization can help governments better allocate financial and human resources in accordance with local preferences (for example, spending more money on education rather than roads, or on more teachers rather than classroom expansion) and also can customize essential services in line with local tastes. Another potential benefit is that decentralized governance arrangements tend to generate stronger accountability relationships downwards to clients and beneficiaries. Frequently, local jurisdictions—empowered with the authority to carry out service delivery—will also start competing with each other to better serve citizens, who "vote with their feet."[6] Aside from its purported economic advantages, fiscal and administrative decentralization—as noted above—can also serve broader political objectives. These may include increasing the scope of popular participation, extending the reach of legitimate authority, and enhancing the credibility and stability of state institutions.

2.03 Notwithstanding its potential payoffs in terms of improving efficiency, accountability, client satisfaction, and popular legitimacy, decentralization also comes with its share of risks. For example, when central governments fail to reduce spending or increase taxes to match the increasing cost of intergovernmental fiscal transfers, they risk macrostability in the form of recurring central government deficits.. In addition, macrofiscal performance may be compromised because central authorities have less ability to influence the overall level of public sector revenues and expenditures. Local authorities may also use their new influence to borrow excessively in expectation of bailouts from the center. Problems of contingent liabilities, poor budget execution, and resource leakage can further exacerbate aggregate fiscal indiscipline in the context of

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[5] See "Rationale for Decentralization," in Decentralization NET, World Bank: PREM Public Sector.
[6] Burki, et al. Beyond the Center : Decentralizing the State. World Bank, 1999.

decentralization. A second major risk lies in the likely disparities that may emerge between subnational jurisdictions. Poorer regions or districts are not likely to fare as well as wealthier ones, both in terms of effective demand for essential services, which varies with income, and in terms of spending, which reflects variations in the local tax bases. To safeguard against the risks of decentralization, it is important to put in place both incentives for local governments to maintain sound fiscal performance, and minimum baseline standards for service delivery inputs and outputs..

2.04 Leveraging the benefits of decentralization while minimizing the risks requires that governments implement the following design principles:

(i) Link fiscal authority—specifically, expenditure and revenue assignments—at the margin to the service provision responsibilities and functions of local government so that local politicians can bear the costs of their decisions and deliver on their promises;

(ii) Put mechanisms in place for communities to express their preferences in a way that is binding on the politicians, creating a credible incentive for people to participate;

(iii) Inform local communities about the costs of services and service delivery options, as well as the resource envelope and its sources, so the decisions they make are meaningful.

(iv) Create an administrative system in which technical cadres are assigned to, and primarily accountable to, political executives within a subnational jurisdiction.

(v) Establish a robust fiduciary and accountability framework, in addition to traditional government oversight institutions, that generates public and transparent information on the financial and physical performance of the local government, and encourages citizens to seek remedies to performance problems;

(vi) Set up a system of minimum standards for the inputs and outputs of service delivery in order to ensure that a basic level of services is provided across subnational units.

2.05 Since 1995, Ethiopia has sought to establish a system of federated government based on many of the design principles described above. As the Bank's Regionalization Study[7] remarks, "one of the underlying arguments for fiscal federalism is that assigning expenditure responsibilities and decisionmaking powers to lower levels of government can improve a state's ability to efficiently identify and address its citizens' needs. Being closer to the beneficiary population, lower levels of government have an informational advantage over the Federal Government as they can better see their constituents' needs. They also know the local conditions that are important in internalizing benefits and costs of public service provision. Moreover, local governments have a greater incentive to

[7] "Ethiopia: Regionalization Study,",June 2000, World Bank.

improve service delivery, beneficiaries and citizen groups can easily monitor their actions and evaluate them through local elections, etc."

2.06 Most conventional arguments for decentralization stress the potential balance that can be achieved between hierarchy and participation in service delivery. Thus, active community participation in planning, resource management, and the delivery of services can help ensure that local institutions set priorities which respond to and implement the needs and wishes of potential recipients. Meanwhile, strong financial and personnel management from within the civil service helps promote objective standards of behavior among Government staff, and encourages the orderly flow and disposition of public funds. In other words, the top-down enforcement of rules in combination with bottom-up pressures from communities can act in concert to enhance probity and accountability in local service delivery organizations.

3. Constitutional Provisions for Decentralization in Ethiopia

3.01 The Bank's Regionalization Study provides a useful introduction to Ethiopia's federal structure. It describes Ethiopia's post-Derg strategy as one aiming to "secure balanced regional progress" and "based on the principle of participatory development with involvement from the highest [federal] to the lowest [woreda] levels of government.... There is strong belief in the principle that a decision-making process that includes all nationalities and ethnic groups is key to sustained national development."

3.02 The Ethiopian Federal Constitution of 1995 established a four-tier system of government. The regions are divided into 66 zones, 550 woredas, and 6 special woredas. The woreda is considered the key level of local government. The average woreda population is around 100,000. Most urban areas are governed by a parallel system of municipal government whose institutional structures, rights, and responsibilities were assigned by law during the 1940s. Unlike the woredas, the municipalities do not receive any fiscal transfers from higher levels of government. The municipalities were not considered in this study, but are the subject of another parallel piece of Bank work: *Municipal Decentralization in Ethiopia: A Rapid Assessment*[8].

3.03 The Federal Constitution reveals a strong preference for an activist, welfare state-oriented government that is heavily involved in providing social and economic infrastructure for development. Article 90 (1) states that "to the extent the country's resources permit, policies shall aim to provide all Ethiopians access to public health and education, clean water, housing, food and social security." Resources, of course, do not permit full public provision; moreover, it is also very important to note that responsibility for a service does not mean a government need necessarily provide it.

3.04 Extensive powers are assigned to the regions in modern Ethiopia. Each region can establish a government that advances self-rule and democracy in accordance with the Federal Constitution. That regional government is empowered to write its own constitution and manage its internal social, developmental, security, and economic affairs. The functions assigned to the Federal Government are national in scope: monetary policy, foreign relations, defense. In addition to implementing policies with nationwide benefits, federal ministries are expected to support their regional counterparts by undertaking research, collecting data, and providing technical assistance and advice.

3.05 The Regionalization Study identifies three aspects of regional discretion in Ethiopia:

(i) The first aspect concerns the allocation of responsibilities and discretion over *expenditure*. The regions are given the bulk of the responsibility for managing local infrastructure and service provision. Within sectors, expenditure responsibilities are allocated to the lowest level of government presumed able to pay for and use the service. Thus, in principle, the Federal Government builds and

[8] Draft report of July 17, 2001.

maintains national highways, the regions build interzonal rural roads, the zones build small inter-woreda roads, and the woredas build tracks and paths; the regions run specialized clinics, the zones referral hospitals, and the woredas health centers and health posts; the regions establish educational curricula and construction/teacher standards, the zones oversee school construction, and the woredas attend to the management of individual schools.

(ii) The second aspect concerns the allocation of revenue-raising powers. The nature of ownership determines whether taxes are paid to the federation or the regions.

(iii) The third aspect concerns the design of the transfer system. This system bridges the gap ("vertical imbalance") between the expenditure requirements and the revenue-generation capacities of each level of government[9].

3.06 In Ethiopia, there is a large vertical imbalance between the revenue-raising powers of the Federation and the expenditure responsibilities of the regions; as the Regionalization Study says, "the present distribution of tax revenue is heavily tilted towards the Federal Government in Ethiopia, while expenditure responsibilities have been....extensively decentralized," the result being that regional governments have in the past few years been able to finance, on average, only some 30 percent of their expenditures from their own resources. The remaining 70 percent "is bridged by unconditional block grants determined on 'objective' factors such as population, development levels and local revenue generation, rather than the effective fulfillment of certain tasks."

3.07 The Regionalization Study characterizes decentralization in Ethiopia as a "bold and thoughtful process.... supported by a widely shared consensus over both development strategy and objectives, and very large transfers of untied resources from the federal government to the regions."

[9] The extent of vertical imbalance in Ethiopia is striking by international standards. Ethiopia's vertical imbalance coefficient of 0.52 is considerably higher than the federal systems of Mexico (0.36) or Malaysia (0.37) and was exceeded in the Regionalization Study's sample of 13 federal countries only by Bolivia (0.66) and South Africa (0.88) – but the share of regional expenditure in total government spending in Ethiopia (41.2 percent) is much higher than in either Bolivia (19.8 percent) or South Africa (30.9 percent). A coefficient of close to one – high vertical imbalance – indicates that a state/region's revenue share is very small in comparison to its expenditure share, or vice-versa.

4. The Context of the Woreda Studies

4.01 In the initial period following the overthrow of the Derg in 1991, the Bank focused on support for postwar demobilization and reconstruction, economic reform and the financing of basic infrastructure. Direct involvement in grassroots service delivery was limited largely to support for the Ethiopian Social and Rehabilitation Development Fund, ESRDF, which depends on the mobilization of local beneficiaries to finance and assist with the implementation of small-scale capital works (schools, health facilities, water systems, and irrigation schemes). As the economy stabilized and as first-generation reforms took hold, the Bank's program shifted emphasis toward the composition and quality of public expenditures, and a series of vertical sector investment programs were put in place in the late 1990s. Some of these, for example the Agriculture Research and Training Project (FY98), provide conventional project support to core Federal institutions, while others – in particular the multi-donor Education and Health Sector Development Programs (ESDP, FY98, and HSDP, FY99) – aim to provide budget support to national programs delivered primarily at the regional level.

4.02 Early implementation of the ESDP and HSDP showed that the Bank's understanding of decentralized governance and project implementation in Ethiopia was weak. At the same time it was apparent that Ethiopia's transition to a federal system was proving complex and disruptive, and that inherent weaknesses in planning, budgeting, financial management, procurement, and field supervision had been intensified by the dispersion of responsibilities across the country to a variety of new institutions[10]/. Up to this point, the Bank's knowledge of the crucial interface between local governance structures and service delivery agencies was limited to experience gained through the ESRDF; the Bank's knowledge lacked any clear analytical dimension. A first attempt to chart the territory was made with the Regionalization Study, researched in 1998, which focused on the macrofiscal dimensions of decentralization in Ethiopia.

4.03 By 1998, additional factors prompted the Bank to accelerate efforts to achieve a better understanding of governance and service delivery on the front line. The first factor was the Federal Government's decision to engage the Bank as a strategic partner in its National Capacity Building Program (NCBP). The heart of that program is a drive to enhance capacity to deliver decentralized basic services. Beginning in 1998 senior policymakers, in particular the Prime Minister, have asked the Bank to give top strategic priority to capacity building in Ethiopia. The policymakers now see the Bank's reincarnation as a "knowledge Bank" as a way to access experience in this sphere from

[10] The first and second Annual Review Meeting of SDPs identified six major constraints on program implementation: 1) inadequate technical capacity, specifically in civil works projects, procurement, and supervision; 2) high turnover and attrition of staff, including teachers and healthcare workers; 3) delays in the release of funds to Regions; 4) lack of awareness of programs among stakeholders;5) poor communication between federal and regional levels, and 6) cumbersome procurement procedures. The mid-term review of SDPs identified capacity as a major constraint on implementation across departments at the federal and regional levels.

around the globe[11]. A second critical factor is the Bank's own growing interest in supporting basic service delivery to the poor, and the emergence of a new paradigm for rural development, which in the Bank's Africa Region is known as the Community-Driven Development (CDD) initiative. This approach arose from an analysis of the failures associated with Bank efforts to support sustainable integrated rural development in the 1970s and 1980s, when integration was largely regarded as a supply-side, top-down effort to coordinate sectoral programs. CDD initiatives, currently supported in a variety of client countries, seeks to strengthen the demand side of service delivery and good governance by enabling communities—through a combination of untied resource transfers and capacity building—to take the lead in planning and implementing multi-sectoral development efforts.

4.04 In June 1999, the prime minister chaired a seminar with Bank staff in which the Government's draft NCBP and possible Bank responses to this were discussed[12]/. In May 2001, the Government asked the Bank to consider support for 14 detailed capacity building project proposals, which can be grouped into three broad categories of activity: capacity for civil service reform and decentralized service delivery; capacity for private sector development;, and capacity for higher and vocational education. Following the 1999 seminar, the Bank's analytical and operational research work program in Ethiopia increasingly began to focus on various dimensions of decentralized service delivery and capacity building. Collectively, this body of work now forms the main focus of Bank analytical and advisory (AAA) work in Ethiopia, providing the underpinning for significant potential future IDA lending.

4.05 **Work Completed or Under Way.** There are a number of Bank-supported initiatives:

(i) The federal Ministry of Finance/multi-donor **Public Expenditure Review 2000** studied public expenditure planning at the regional level. The PER also reviewed examples of service delivery in practice in the health and education sectors.

(ii) **Municipal Decentralization in Ethiopia: A Rapid Assessment** looked at decentralization in four sample municipalities (Bahir Dar in Amhara Region, Awassa in Southern Nations Region, Gambella town in Gambella Region and Dire Dawa City). This report complemented the rural perspective of the Woreda Studies and highlighted some of the key issues and opportunities for improving municipal capacity and performance. A draft of this study was completed in July 2001.

(iii) **Handling Hierarchy in Decentralized Settings: Governance Underpinnings of School Performance in Tikur Inchini Woreda** studies primary education in one

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[11] "National Capacity Building Strategy and Programme Document," Government of Ethiopia. December 1998.

[12] "A Report on the Government of Ethiopia–World Bank Capacity Building Seminar," World Bank. September 1998.

woreda. This freestanding contribution to the Woreda Studies, undertaken in mid-2000, reviews decisionmaking, resource allocation, and the perceptions of the local population. The study is attached to the Woreda Studies as Annex 4.

(iv) The **Emergency Recovery Credit** (FY01) allows the Bank to support the Government's effort to implement a comprehensive set of reforms of the public sector. Many of these reforms are of direct relevance to the quality of service delivery on the frontline. They include reforms in civil service management (the drafting of a new Civil Service Law, the production of a civil service Code of Conduct, systematic job regrading leading to medium-term pay reform, and the development of a National Service Delivery Policy); and reforms in public expenditure management (including adherence to a regular budget calendar and the proper integration of capital and recurrent budgeting).

(v) The **Rural Water Supply Project** (FY97) engages a number of communities throughout Ethiopia. This pilot program is designed to enhance community-level control of and responsibility for the planning, construction, and maintenance of water points.

(vi) The **Ethiopia Multi-Sectoral HIV/AIDS Program** (EMSAP, FY01) creates an Emergency HIV/AIDS Fund (EAF) with a total allocation of US$28.1 million. The EAF includes a grant window that encourages community efforts to intensify action against HIV/AIDS. Access rules for the grant, which is administered through woreda HIV/AIDS councils, specify clear eligibility criteria for kebele and woreda participation. Participating woredas are to receive initial allocations equivalent to US$1000 per kebele, paid in two installments of US$500 each, that will allow them to finance community-operated projects or to buy services from outside providers.

4.06 **Work Proposed.** Future activities include the following, and would be carried out in close partnership with the Government as well as with interested donors (which include including UNDP, EU, USAID, the Government of Italy, and DfID) and NGOs.

(i) As an initial step in buttressing elements of the Government's National Capacity Building Program, the Bank is supporting the preparation of a **Capacity Building for Decentralized Service Delivery (CBDSD) Project**. This program supports cross-cutting public management reforms (for example, wage policy reform, budgeting) as well as agency-specific restructuring at the Federal level and in some regions. The project would also encourage restructuring and empowering woredas and municipalities to take on the responsibilities associated with fiscal and administrative decentralization (for example, planning, implementation, accountability).

(ii) In parallel with this, the Bank has offered to finance **a Regional Governance and Capacity Building Project** (FY03). This project, working in parallel with the above program, would immediately build on initiatives that are well advanced in

their design. The project would be fairly modest in scope and could be eventually followed by a larger operation.

(iii) Complementing these activities, **Service Delivery Surveys** are planned over the coming months to deepen understanding on how services are perceived, both by public officials and by citizens. The surveys would solicit the views of these two groups on the relevance, efficacy, and probity of Government services.

(iv) A **Review of Regional Revenue** is proposed over the FY02-03 period. This study would examine federal/regional revenue sharing provisions, explore the potential for additional sources of regional revenue, assess regional tax administration capacity and pilot training for regional tax officers.

(v) A **Review of Federal and Regional Pay and Incentive Structures** has also been proposed for this FY as an additional Bank input into the civil service reform program;

(vi) Under the proposed **Food Security Project** (FY02), kebeles would be provided with grants for rural development purposes. These grants would build community capacity to plan and implement development programs, as well as providing them with untied funds to pursue activities of their own choosing. The project would also build the capacity of the woredas, zones, and regions to support this process.

4.07 **The Italian Capacity Building Trust Fund.** The ICBTF is a $3million facility which the Federal Government and the Government of Italy have asked the Bank to manage, in support of the Government's National Capacity Building Program (para. 4.04). A major plank of the NCBP and of the ICBTF is support for decentralized service delivery. The Regional Revenue Review, the Service Delivery Surveys, and the Review of Federal and Regional Pay and Incentives Structures could be largely financed through this instrument, as could proposed studies related to Ethiopia's Poverty Reduction Strategy Paper, including a review of the effectiveness of ADLI in the 1990s and the development of functional indicators for measuring the impact of service delivery efforts.

4.08 The Woreda Studies should thus be seen as one aspect of a broader set of inquiries. They have their own particular genesis in the Bank Country Director's wish that the institution should achieve a better understanding of "how ideas flow up and resources down" at the local level. The Studies are intended to contribute to the overall body of knowledge and experience that will be generated through the Bank's work program. They seek, in particular, to shed light on the interface between governance and service delivery at the woreda level and below. The exercise was also intended as a training tool for the staff of Bank and other donor/international NGO agencies and as a way to expose them to the realities of village-level development.

4.09 This draft report will be discussed with the Government in February 2002, along with the two other completed case studies, *Municipal Decentralization in Ethiopia: A Rapid Assessment* and *Handling Hierarchy in Decentralized Settings: Governance*

Underpinnings of School Performance in Tikur Inchini Woreda. A workshop will also be held February 20, 2002 in Addis to broaden the discussions and seek feedback. The findings from this process will contribute to the design of the subsequent analytical and capacity building tasks described above.

5. The Key Hypothesis

5.01 The main phase of the Woreda Studies was preceded by a pilot in Awabel Woreda, West Gojam Zone, Amhara Region, in order to test out methodologies and to arrive at some working hypotheses. This initial Woreda Profile can be found in Annex 2.

5.02 The pilot study suggested a disconnect between the formal decentralization of powers and authorities envisaged by the Federal and regional constitutions and its exercise in practice. Two important observations contributed to this hypothesis. First, while the Federal Constitution devolves considerable authority over the provision of basic social and economic services to the regions, technical line agencies operating in Awabel in 1998-99 delivered products that conformed closely to the types of service evident throughout the highland areas of the country: thus, for example, the agricultural development agents in the woreda were intent on promoting fertilizer, packages of seed, and credit on half-hectare teff demonstration plots in a manner identical to what could simultaneously be observed in teff-producing areas in Oromiya or Southern Nations Regions. Second, the impetus and authority for development planning, budget management, and project implementation appeared to rest firmly in the hands of the same technical line agencies, with elected local structures and local community interest groups providing quite limited inputs.

5.03 In other words, the pilot study suggested that service delivery in Awabel Woreda was characterized by a *deconcentration of administrative authority* rather than a *decentralization of political power*. Put another way, the development process in Awabel presented itself as *hierarchical* rather than *participatory*. The Main Phase set out to research this hypothesis further, and to assess the effectiveness of the revealed mode of decisionmaking on local development.

6. Methodology and the Conduct of the Study

6.01 The Woreda Studies intend to provide a snapshot of the development process in the budget year 1998-99 (Ethiopian FY 1991) in a selection of woredas chosen to illustrate certain gross dichotomies in the economic system – urban/rural, food secure/food insecure, agrarian/pastoral. *As case studies, their main intent is to reveal process and perception rather than to develop statistically significant conclusions.* In effect, they identify behaviors that may warrant further investigation.

6.02 The Awabel Woreda Pilot laid the foundation for the research agenda of the Main Phase. Omissions in the Pilot led to the incorporation of a significant community dimension as well as a broadened research agenda and an expanded methodology (see main phase TORs, Annex 1). Nine rural woredas in four regions were visited over a five-month period between May and September 2000:

(i) Farta Woreda, Amhara Region (food secure agricultural woreda)
(ii) Tach Gayint Woreda, Amhara Region (food insecure agricultural woreda)
(iii) Awabel Woreda, Amhara Region (food secure agricultural woreda – revisit)
(iv) Dubti Woreda, Afar Region (food secure pastoral woreda with an urban center)
(v) Konso Special Woreda, Southern Nations Region (food insecure agricultural special status woreda)
(vi) Sodo Zuria Woreda, Southern Nations Region (food secure agricultural woreda)
(vii) Adami Tulu Woreda, Oromiya Region (food insecure agricultural woreda with an urban center)
(viii) Agarfa Woreda, Oromiya Region (food secure agricultural woreda)
(ix) Liben Woreda, Borana, Oromiya Region (food insecure agro-pastoralist woreda)

Fieldwork was undertaken at regional, zonal, woreda, kebele, and sub-kebele levels. Discussions took place with representatives of the elected administration, the staff of six sectors bureaus (health, education, water, agriculture, finance and planning), NGOs, and communities.

6.04 The methodology for the Woreda Studies was informed by current debates on research methods (Box 6.1). The quantitative and qualitative methods included questionnaires, nondirective interviews, focus group meetings, and simple Participant Rural Appraisal (PRA) techniques. The main use of quantitative methods was to gather financial data and information on planning, while qualitative methods were used to shed light on perceptions of decentralization at all levels and to probe the issue of community participation within this process.

Box 6.1: Methodology and Methods

The terms *methodology* and *methods* describe the analysis of how research proceeds and the techniques it uses to gather data[13]/ Debate goes on whether qualitative or quantitative data (for example, nondirective interviews or questionnaires) are more useful[14]/. The major strength of quantitative research lies in its ability to encompass large samples; in contrast, qualitative methods and interpretive procedures are clearly weak in this respect – an argument frequently used against case studies. That said, as pointed out by Robert Chambers[15], quantitative data derived from questionnaires has significant limitations when applied to process enquiry, since "their penetration concentrates on what is measurable and answerable, and acceptable as a question, rather than probing less tangible, and more qualitative aspects of society" and can conceal important information about the nature of social relationships, such as reciprocity, dependence, and exploitation. Moreover, drawing distinctions between different styles of research may imply that each technique is self-contained and leads to a particular line of enquiry, whereas in reality different research approaches are analytically different aspects of social research and can complement one another.

6.05 By studying woredas in four regions, the Study captured some of the regional and subregional variations in the way decentralization is interpreted and implemented. By stratifying selected woredas (6.01), the Study was able to capture some of the diversity of economic systems in Ethiopia and to assess the extent to which this diversity was catered to by Government services. Naturally, great care is needed in generalizing the findings from 9 out of the country's 556 woredas/special woredas.

6.06 Other caveats must be mentioned. First, the sheer logistical difficulty of carrying out the Study needs to be emphasized, as this of itself reveals something of the challenge faced on a daily basis by the Government. Communications with the more remote kebeles are appalling at best. During the rains many communities are inaccessible to vehicles and virtually cut off from the delivery of services. Second, the collection of research data, especially at kebele and sub-kebele levels, was inevitably affected by respondents' perceptions of the value to them of certain kinds of information. Particularly in food deficit woredas, where food-aid needs assessments and food distribution had taken place throughout the year, communities tended to think that their answers would affect their access to relief supplies. The team tried to address this issue by making it clear that the work was broader in nature and that the choice of kebeles was unrelated to the question of relief. Nonetheless, respondents would frequently return to the issue of their food needs. Data collection was also affected by language barriers. Although the team spoke Amharic, and some participants also spoke Oromifiya, translators were often needed -- with the attendant risk of loss of accuracy. To correct for this, the team would ask key questions in a number of different ways, and guidelines were provided to team members on how to solicit qualitative information. Third, the collection of financial data and plans at different tiers of government proved immensely vexing, with many inconsistencies and gaps. As a result of this, in some locations the team was not able to collect reliable data

[13] See "Feminism and Methodology", 1987, Harding, S. (ed.), Open University Press, Milton Keynes.
[14] See "Sociological Research Methods: An Introduction", 1987, Bulmer, M. (ed.), Macmillan Educational Publishers.
[15] See "Rural Development: Putting the Last First", 1990, Chambers, R., Longman Press, London.

for events more than one year past, and the Study therefore settled for analyzing information for 1998-99 only. Most clearly, this inability to gather older data means a loss of trend perspectives. Another omission from the original TOR was the decision not to pursue baseline service data from a wider sample of woredas; such data does not exist, and it is hoped that the proposed Service Delivery Surveys mentioned in para. 4.03, item iii above will help bridge this gap. A further omission was the failure to collect certain categories of information of undoubted value, because of either time constraints or the study team's lack of expertise[16]. These deficiencies in part reflect the difficulty of field research in Ethiopia and the experimental nature of the Woreda Studies. Ways to round out certain information gaps are proposed in Chapter 9.

6.07 At the community (sub-kebele) level, the main technique used was to meet with focus groups. These were of three kinds – kebele officials; community groups; and women's groups. **Kebele officials' groups** varied in size between 4 and 15, and consisted of elected kebele council members, executive committee officers, and civil servants posted to the kebele (see para. 7.03). **Community groups** usually consisted of a minimum of 30 residents of a kebele. These groups included men and women, and a conscious effort was made to draw in representatives of different age groups. Community groups were most often assembled with the assistance of the agricultural development agent (DA) and/or elected kebele leaders and sub-kebele representatives. Discussions with the kebele and community groups concentrated on the availability to the community of basic services and on the community's perception of how planning and implementation take place and of the extent of their participation in these processes. In addition, the groups were asked about the avenues open to them to express dissatisfaction with services and with the participatory process itself. **Women's groups** were more formally stratified to include different generations. Questions asked of them concentrated on their role, their own perception of the value of their work, the extent to which community values substantiated their views of themselves, the degree to which they were allowed voice, their representation within formal structures, their awareness of formal planning processes, and the extent of their influence in household decisionmaking. In addition, and in order to assess the cohesion of the community in identifying its needs and the extent of its participation in decisionmaking, matrix ranking exercises were sometimes used with the various groups. Groups were asked to identify the five priority needs of the community. Following discussion among themselves, they would place stones on various symbols denoting different development alternatives (for instance, a bridge or a health facility). This was followed by a discussion on why they had chosen what they had and how it related to what they had actually received. The results of the exercise were then cross-referenced against the kebele plan where one existed. In all groups, respondents were encouraged to relate their experiences freely, to provide their own definitions of their situation, and to reveal their opinions and attitudes as they saw

[16] Full budget information was not collected – i.e., information on all community labor contributions and off-budget resources received through federal emergency food/cash programs and from donors and international NGOs; this proved impossible under the timeconstraint of one field week or less per woreda, since much of this information was unrecorded anywhere. The team also decided not to quantify the contributions of community-based organizations (CBOs) or the private sector, but to concentrate instead on public sector service delivery efforts. Information on service cooperatives and on revenue mobilization was only cursorily reviewed because the team lacked financial management expertise.

fit. In most cases, notes were taken on how people reacted to specific questions and their willingness to participate in the research.

6.08 In Liben and Dubti, the two woredas with significant pastoralist populations, – officials were also asked additional research questions to assess the extent to which the different sector bureaus adapted service delivery to the pastoralists' mobile, livestock-oriented lifestyle. In Dubti, it proved impossible to convene community or women's focus groups: a flood in the Awash Valley had caused most of the population to move away temporarily to the Kalawan area.

7. Decentralization and Service Delivery in the Nine Woredas

A. The Formal Structures of Decentralized Government

7.01 Amhara, Southern Nations, Oromiya, and Afar Regions all share a similar four-tier governance structure, specified in the 1995 Proclamations that established their respective regional constitutions[17]. Each **region** has at its apex a regional council, with council members directly elected to represent each woreda. For example, the Oromiya Regional Council consists of 353 members from180 woredas. The councils have the legislative and executive authority to direct the internal affairs of the region and are complemented by an independent regional judiciary. The councils implement their mandate through an executive committee and regional sector bureaus which report to it. Thus, the Oromiya Executive Committee is chaired by the region's president, who is directly elected, and consists of 21 members -- the 12 Zonal Administrators (appointed by the Council but drawn from the ranks of the civil service) and 9 elected Council members. The governance structures in the **zones** vary -- in Southern Nations, zones (and special woredas such as Konso) elect councils, which form executive committees; in Amhara and Oromiya there are no such elected councils, and zonal executive committee members are appointed by the regional council and include those from its own ranks[18]. Zonal executive committees are chaired by the zonal administrator and consist, in addition to elected representatives, of civil servants from the technical bureaus and security officials. The sector bureaus have offices at the zonal level.

7.02 The tripartite structure of council, executive committee, and sector bureaus is replicated at the **woreda** level[19]. Woreda councils consist of directly elected representatives from each kebele in the woreda. Thus, the Woreda Council in Sodo Zuria Woreda, with 40 kebeles, consists of 120 members (the number of Woreda Council representatives per kebele varied between three and five in the nine study woredas). The Woreda council has dual accountability: upward to its respective zonal and regional executive committees, and downward to its electorate. Woreda executive committees consist of around a dozen members, drawn from elected representatives and sector bureau chiefs. Woredas also feature a court, which falls under the authority of the regional judicial apparatus.

The main constitutional powers and duties of the woreda council and its executive[20] are

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[17] The two Special Administrations of Addis Ababa and Dire Dawa have different structures and are considered the equivalent of regions.

[18] Two other categories of zone are special (urban) zones (for example, Bahir Dar in Amhara, Nazareth in Oromiya), and nationality zones (for example, Agew Himra in Amhara). In addition, there are special woredas (Southern Nations), which recognize specific ethnicities and in some cases enjoy a higher political status than surrounding zones (thus special zones in Amhara have their own elected councils, while special woredas in Southern have a strong direct relationship with the regional council).

[19] Woreda populations in the study sample varied between 72,000 in Agarfa Woreda and 241,000 in Farta Woreda (1999).

[20] See, for example, Amhara Regional Proclamation No. 2, 1995, Article 79.

(i) Preparing and approving the annual woreda development plans and budgets and monitoring their implementation;
(ii) Setting certain tax rates and collecting local taxes and levies (principally land use tax, agricultural income tax, sales taxes, and user fees[21]); remitting a portion of the local tax take to the zone[22];
(iii) Administering the fiscal resources available to the woreda (own source and transfers);
(iv) Constructing and maintaining low-grade rural tracks, water points, and woreda-level administrative infrastructure (offices, houses);
(v) Administering primary schools and health institutions;
(vi) Managing agricultural development activities, and protecting natural resources.

7.03 The **kebeles** (village areas with an average population of 5,000[23]) do not enjoy the same constitutional formality as regions, zones, and woredas, but are in effect the prime contact level for most Ethiopian citizens. Kebele administrations again consist of an elected kebele council (in principle 100 members), a kebele executive committee of 5-7 citizens, a social court[24], and the development and security staff posted in the kebele. The kebele council and Executive committee's main responsibilities are:

(i) Preparing an annual kebele development plan;
(ii) Ensuring the collection of land and agricultural income tax;
(iii) Organizing local labor and in-kind contributions to development activities;
(iv) Resolving conflicts within the community through the social courts.

Kebele executive committees are answerable to their woreda council. Unlike executive committee members at the region and zone, elected members receive no stipend. The only official kebele officer is the council chairman, who receives a small monthly allowance and is in some cases permitted to keep up to 10 percent of taxes collected by the kebele. Kebeles commonly form community committees – for example, water users' committees to oversee spring management and maintenance, health brigades to drain and spray malarial areas, or special women's committees to raise consciousness, provide education, and mobilize female labor. Below the kebele, formal structures vary. In Oromiya and Afar there are no formal sub-kebele structures; in Amhara, communities are subdivided into sub-kebeles (300-400 households), gotes (villages of about 100 households) and mengistawi buden, or government teams (30-50 households). In

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[21] Income tax of government employees in the woreda, a significant source of woreda income, is collected at the regional level.

[22] The amount prescribed varies according the region; in the case of Southern Nations, for example, 30 percent of revenues collected by the woreda are supposed to be remitted to the zone. In practice, given that no woreda collects nearly enough revenue to cover expenditures, upward transfers, such as business taxes on a regionally-owned enterprise located in a woreda, are not made other than in exceptional circumstances. .

[23] Kebele populations in the nine study woredas vary between 2,500 and 10,000, depending on the region and the type of kebele, urban kebelles being the most populous.

[24] The social court is an independent organ of the kebele, with a judge appointed by the kebele executive committee and approved by the kebele council.

Southern Nations, similar sub-kebele units are termed kantas, below which are found ketenas.

7.04 In practice, these structures are more coherent at regional and zonal level than they are on the front lines. As the subsequent discussion will indicate, the Study found that most woreda councils met infrequently, often citing a lack of per diem, while some councils had not met at all in 1999-2000[25]. Kebele executive committees did not tend to operate as functional bodies, reflecting in large part their unpaid and untrained nature. Most woredas and kebeles could not produce the written development plans they should have prepared for 1999-2000[26]. These factors varied to some extent by region. The formal sub-woreda structures was more developed in Amhara, particularly insofar as the network of mengistawi buden[27] is concerned, and least developed in Afar, which featured little involvement in official development work by Woreda Councils and none at all by Kebele Councils. Informal and traditional structures, moreover, appear to have been under-used in favor of the uniform architecture of the modern state, although they retain significant local influence in the form of clan and extended family associations. Sector bureau representation tends to be sparse below the woreda level, with the exception of the widespread presence of agricultural development agents and primary school teachers. As will be described, a progressive attenuation of the capacity of the political and executive structures of decentralization is evident as the chain extends downwards. This compromises the Government's ability to engage systematically with its citizens and hampers the grassroots decentralization of the development process.

[25] Community discussions in several woredas indicated this – for example, in Awassa Kebele in Konso, and in Gela Aluto Kebele in Adami Tulu.

[26] Ony two of the nine woredas were able to provide full woreda plans; only six of the 24 kebelles visited could provide any sort of kebele plan, and none of these appeared to have been formally submitted in written form.

[27] These government teams are informal bodies organized by the kebele administration for the purpose of facilitating the collection by officials of tax and credit owed for fertilizer purchase and for the mobilization of labor for development. They are prominent in all rural kebeles in Amhara Region and have their origins in the Derg period.

B. Planning

7.05 The regional constitutions empower woredas to formulate and implement their own development plans. The study found the formal planning procedures to be similar in all regions, with some significant variations. Importantly, this process only deals with capital/project planning, and not with service/recurrent planning.

Box 7.1: Formal Planning Procedures in 1998-99

Amhara only

(i) A plan drafting committee of nine members at sub-kebele level (three elders, three women, and three youths), representing 300-400 households, identifies community needs. These needs are then aggregated at kebele level in a general community meeting. Kebele needs are further aggregated at the woreda level by the Woreda Development Committee (see below) and by the sector bureaus. In 1998-99, this process took place between November and February, at which time no indicative budget envelope was available.

Southern Nations and Oromiya only

(ii) Each woreda sector office identifies sub-woreda needs through an examination of the service gaps in and around kebeles. The Woreda Agriculture Bureau uses the DAs at the kebele/sub-kebele levels for this, while other sector bureaus tend to do so via field visits and discussion with kebele executive committee members. In 1998-99, this took place between January and February, at which time no indicative budget envelope was available.

Amhara, Southern Nations and Oromiya

(iii) Each woreda sector bureau prepares its own capital plan. In the absence of an indicative budget, planning is done by matching identified needs against the previous year's budget. Sector plans are aggregated by a Woreda Development Committee consisting of elected representatives and bureau office heads.

(iv) Before the capital plan is submitted to the Woreda Council, it is discussed with the zonal Department of Planning and Economic Development (DOPED) to check for consistency with the regional Five-Year Plan and previous performance. Recurrent planning is handled within the civil service and interpolated into the planning process at the initiative of the zonal sector bureaus and DOPEDs.

(v) After vetting by the zonal DOPED, consolidated (capital and recurrent) plans are submitted to the Woreda Council for approval, and then forwarded to the zone on a formal basis. In 1998-99, this took place in March – again, without an indicative budget envelope.

(vi) After vetting by the Zonal Projects Committee (generally consisting of zonal bureau chiefs and civil servants), the Zonal Executive Committees (and Councils, where these exist) review and approve the zonal plan, comprising several woreda plans. In 1998-99, this generally took place in May, by which time the likely regional budget envelope was apparent.

(vii) The zonal plan is reviewed and approved by the Regional Planning Bureau and Executive Committee, and subsequently by the Regional Council.

Afar

Planning procedures in Afar are focused at the regional level, and are initiated by the Regional Sector Bureaus. Considerable technical assistance is also provided by regional staff from neighboring Tigray and Amhara . Zones and woredas are consulted as follows:

(i) A regional task force visits each zone with a set of pre-identified project proposals for the zone and its woredas. In 1998-99, this took place in January, using the previous year's capital budget as the indicative envelope.

(ii) The task force calls a meeting of zonal sector department heads, experts, and woreda representatives. This consultation leads to a prioritization of the proposed projects.

(iii) The capital plan is subsequently matched against the regional budget envelope and adjusted accordingly by the Regional Executive Committee, which also interpolates the recurrent plan.

The main inter-regional differences were the requirement that communities actively participate in the initial stages in Amhara and the explicit centralization of the whole process in Afar.

7.06 In practice, the woredas studied used a predominantly top-down planning approach in which the inputs of communities and even of elected officials were subordinated to sector-based planning, with zonal and regional bureau staff the dominant actors. As a result, the involvement of communities and their influence on the planning of official development inputs was muted, as the study's examination of community-level planning in 1998-99 shows.

7.07 In Amhara Region, as seen above, sub-kebele structures have defined planning obligations. In practice in 1998-99, however, not all kebeles constituted sub-kebele planning committees and very few managed to parlay their work into a full kebele plan; indeed, the team was only able to access informal partial kebele plans (para. 7.09); no multi-sectoral plans and no formal plans could be provided, presumably because they did not exist. Needs assessment exercises did take place in many instances, however, as is illustrated by the examples in Table 7.1.

7.08 The study team was keen to establish the extent to which community needs and priorities were properly identified by kebele officials and woreda bureau staff. The team therefore asked the study's community focus groups (para. 6.07) to recall how the communities had ranked their priorities; they then compared this ranking with what the kebele had actually passed on to the woreda. They also asked women's focus groups to rank what they saw as priorities. Three examples of these discussions are given in Table 7.2.

Table 7.1: Needs Identification at Kebele and Sub-kebele Levels in Southern Nations Region, 1998-99

Mackeke Rural Kebele, Konso Woreda	**Gersergio Kebele, Konso Woreda**	**Urban Kebele 04, Sodo Zuria Woreda[28]**
Direct Community Participation in Initial Needs Identification ?		
No	*Yes*	*No*
Kebele Executive Committee identified needs with elected kanta leaders.	Informal kanta development committees[29] identified kanta needs with kanta leaders.	Elected ketena[30] representatives identified needs with kebele executives.
Community Participation in Priority Setting ?		
No	*Yes*	*Yes*
Kebele officials organized a general meeting to which all members of the community were invited, and at which kebele priorities were endorsed.	Priorities discussed and endorsed at kanta level were submitted to the Kebele Executive Committee for review, which was followed by a discussion with the community. Kebele priorities were subsequently differentiated eitheras projects to be funded through the Government budget, or as activities to be supported by funds from different emergency food and cash programs.	The Kebele Executive Committee prepared a draft plan, which was discussed in an open community meeting and subsequently submitted to the Kebele Council for approval.

[28] Kebele 05 of Sodo Zuria followed a similar planning process to Kebele 04, except that residents were involved in needs identification even if they were not involved in the subsequent prioritization.

[29] In this case study, the kanta development committee, established by the NGO Farm Africa, consists of two women and three men chosen by their peers. These committees initially served to assist the kanta to identify suitable activities for Farm Africa's capacity building program. The committee members were trained in planning, especially land-use planning, and were thus given some capacity to feed into GOE planning processes.

[30] In the case of Sodo Zuria, there are two to four representatives per ketena, chosen by ketena members.

Table 7.2: Ranked Development Priorities in Three Communities, 1998-99

Community focus group priorities and ranking	Women's focus group priorities and ranking	Priorities/rankings submitted to woreda by kebele officials
1. Health post 2. Protected water 3. School expansion 4. Bridge over Woyib River 5. Office construction for the kebele	1. Health post 2. Drinking water 3. Grind mill 4. School expansion 5. Bridge	1. Irrigation 2. Health post 3. School expansion 4. Nursery site 5. Office construction for the kebele
1. Drinking water points for livestock and humans 2. Veterinary post 3. Drugs and staff for the health center	1. Drinking water points 2. Health center staffing	1. DA housing 2. Nursery establishment 3. Rural road repairs
1. Water supply scheme 2. Maintenance of pumps 3. Veterinary clinic 4. More fertilizer and seed	1. Health post staffing and drug supply 2. Water supply scheme 3. Irrigation 4. Maintenance of pumps	1. Contour bunding 2. Stone wall protection of access tracks 3. DA housing 4. Maintenance of pumps

7.09 These results suggest some disconnect between what communities feel they need and what is communicated to the woreda—notably, the inclusion of administrative infrastructure and an emphasis on labor-intensive activities. Also, the focus groups expressed community needs mainly in terms of potential *capital* projects, in large part because communities know what is on offer: a formal annual planning process that basically involves petitioning for new projects or facilities from a narrow, predefined menu. When questioned about the key constraints to their well-being, community and women's groups would generally cite *household* needs: a lack of employment opportunities, a lack of cash, the absence of microcredit, health problems, and drinking-water shortages; nor, on questioning, did they feel that the "government plan" would address many of these requirements. The nature of the planning process is further illustrated by viewing a sample of the woreda and kebele plans shared with the team. These plans assume the form of tables listing capital projects, their proposed cost, and whether they were approved by the zone and subsequently the Woreda Council (see Files 1-7).

7.10 It was also evident that communities had very low expectations of gaining from the official planning process. The table below illustrates this. It shows projects planned in four kebeles in 1998-99 and the means used to fund them. Those projects intended for financing via the Woreda Plans are highlighted in bold, along with their fiscal 1998-99 year-end status. This table captures all of the capital projects in the public sector in each kebele, and also shows the extent to which bilateral donors, international NGOs, and the communities themselves contributed to the development process in 1998-99, a theme the study will return to. In the cases where the Government was involved in the four kebeles in Table 7.3, its contribution tended towards contract supervision and the provision of technical skills and amounted to little in the way of capital inputs.

Table 7.3: Projects in Four Kebeles, 1998-99

Planned Project	Activity/Quantity	Financiers and Participants	Status at end of FY
Ambentu Kebele, Agarfa Woreda			
Expansion of primary school	Construction of 3 additional classrooms	Community	Implemented
Agarfa Irrigation Project	**Construction of 12 km of channels**	**Government, community**	**Provisional handover stage**
Nursery project	Seedling growth and distribution	ESRDF, Community	Implemented
Health post	Construction of health post	ESRDF, Community	Not implemented
DA's office and house	**Construction**	**Government, community**	**Implemented**
Kessarkio Rural Kebele, Konso Special Woreda			
Road construction	18 km of access road	Farm Africa's (FA) Employment Generation Scheme (EGS)	Under construction
Pond construction	2	FA EGS	Completed
Spring development	2	FA EGS	Completed
Soil conservation	Quantity unknown	FA EGS	Completed
Planting seedlings	1800	Community	Completed
DA office and house	Construct 2	Community	Under construction
Cattle crush	Construct 1	Community	Completed
Woibla-Selamku Rural Kebele, Farta Woreda			
Credit for oxen purchase	**Planned for 310 eligible family heads**	**Government via ACSI**[31]	**2 family heads received**
Spring development	Construct 10	FINNIDA and community	6 constructed
Credit for seed purchase	**1106 families requested**	**Government via ACSI**	**160 families received**
Upgrading primary school to 1-6	**Construction**	**Government**	**Unfunded**
Hand-dug wells	Construct 4	FINNIDA and Community	1 completed
Stone terracing	On 52 hectares of hillside land	Community	Completed
Drain construction	0.3 km planned	Community	Completed
Adult literacy centers	Construct 3	Community	Completed

[31] Amhara Credit and Savings Institution.

Dajet Rural Kebele, Tach Gaynt Woreda			
Foot path	Construct 2 km	Community	Completed
Spring cleaning	Clear 1 km of channels	Community	Completed
Hillside terracing	100 km	Community	Completed
Fencing Dajet Primary School	Construct from local materials	Community	Completed
Fencing Kut Mender Clinic	Construct from local materials	Community	Completed
Drain construction	10 km	Community	Completed
Literacy centers	Construct 3	Community	Completed
Soil and water conservation terracing	Quantity unknown	FHI[32], GTZ food-for-work (FFW)	Completed

7.11 The team also examined the fit between projects requested by woredas and projects approved by zones. Tables 7.4 and 7.5 below trace the relationship between requests from woredas in Amhara and Oromiya and what was approved by the zones in 1998-99. What is notable is that these requests, while often scaled back at the zone level due to budgetary shortages, were clearly respected in the majority of cases -- a process repeated at the regional level[33]. On the surface, the process of bottom-up planning and the top-down framing of these plans appears to harmonize at the woreda/zonal interface. However, this is not ultimately the case. Woreda officials and bureau staff frequently and freely acknowledged that the reason for the compatibility between the woreda and zonal plans is that woreda plans are, in essence, ghost-written by the zonal technical bureaus -- on the basis of sectoral guidelines received from the region, which in turn reflect national priorities driven by the current Five-Year Plan.

Table 7.4: Amhara Region—Capital Projects Requested by Three Woredas, 1998-99

Project by Sector	Requested by the Woreda			Endorsed by the Zone		
	Awabel	Farta	Tach Gaynt	Awabel	Farta	Tach Gaynt
Agriculture						
Development agent's house	3	7	4	2	5	3
Development agent's office	3	7	3	2	5	2
Veterinary post/clinic	1	2	0	1	1	0
Veterinary crush	1	1	0	1	1	0
Mule purchase	0	3	3	0	3	3
Seed cleaning	0	1	0	0	1	0
Education						
Primary village school construction	2	2	0	0	1	0
Primary village school furnishing	2	4	2	0	4	2
School upgrading	0	3	2	2	1	0
School expansion	0	1	1	0	0	1

[32] Freedom from Hunger International, a German NGO.

[33] Again, Afar is the exception, since the identification of projects and their approval is essentially handled at the regional level.

Health						
Health post construction	1	3	1	0	3	1
Purchase of generator	0	1	1	0	0	1
Health center	0	0	1	0	0	0
Water						
Rural water points	14	0	1	14	0	1

Table 7.5: Oromiya Region—Capital Projects Requested by Three Woredas, 1998-99

Project by Sector	Requested by the Woreda			Endorsed by the Zone		
	Agarfa	Adami Tulu	Liben	Agarfa	Adami Tulu	Liben
Agriculture						
Construction of agricultural development agent's house	0	0	1	0	0	0
	1	4	3	1	4	1
Development agent's office	1	0	0	1	0	0
Veterinary post/clinic	1	0	2	0	0	0
Irrigation scheme	2	0	0	2	0	0
Education						
Primary village school construction	0	10	3	0	3	1
School upgrading	3	10	2	3	2	1
School renovation & expansion	7	3	0	7	1	0
Health						
Health post maintenance	0	2	0	0	2	0
Health post construction	3	0	2	1	0	1
Health center construction	1	2	0	1	2	0
Water						
Bore hole	1	1	1	1	0	1

7.12 In many cases, kebeles received little or nothing of what they requested through the planning exercise. In Eniby Kebele in Awabel Woreda, for example (see Table 7.2), the community asked for the construction a new watersupply scheme, the maintenance of existing hand pumps, a new veterinary clinic, and an increase in fertilizer and seed supply. Two broken hand pumps were maintained on the 1998-99 recurrent budget of the woreda budget, but none of the other requests were realized. In Huletu Kanat Kebele in Farta Woreda, the community identified soil conservation, health post construction, completion of water schemes, and maintenance of broken hand pumps as its priority needs. None of these found their way into the 1998-99 Woreda Plan, though an office for their DA was constructed at the woreda's initiative. In Awasso Kebele in Konso Special Woreda the community had promised labor and materials for the construction of a health post in both 1997-98 and 1998-99, but the woreda, while supportive, had been unable to commit any funds. In Awabel Woreda, in contrast, 16 kebeles identified a need for a new water scheme, 14 such schemes were included in the Woreda Plan and 13 were financed – but ETB 200,560 of the ETB 214,560 for this work came from a Swedish (SIDA) grant and the balance from community labor contributions[34].

[34] See also para. 7.25.

7.13 With this degree of variation between community planning and what can be expected to result from it, it is not surprising that communities at times appeared indifferent to the formal planning process. The increased enthusiasm displayed in relation to the planning of activities outside the formal woreda plan suggests that apparent problems in engaging participation relate more to a lack of motivation than to capacity constraints. These nonplan activities consist mainly of projects financed through external assistance. Three main types were encountered: ESRDF projects; (in identified food-deficit woredas, federallyfunded food- or cash-for-work schemes (FFW, CFW, the Employment Generation Scheme (EGS); and local relief and development activities financed by bilateral donors and international NGOs.

(i) Planning under ESRDF follows specific protocols designed to ensure strong community input. The ESRDF Regional Office identifies and then appraises subproject proposals for ESRDF funding based on a set of criteria which include the suitability of the subproject for community management, the willingness of the community to contribute at least 10 percent of the capital costs in cash or kind, the adequacy of proposed implementation arrangements and the likelihood that the project will be properly operated and maintained. The community is kept involved and consulted at each stage, and is encouraged to take the initiative.

(ii) Most FFW and EGS funds are used to finance soil and water conservation (SWC) and road building activities, In contrast to the free labor required from the community in support of many projects financed under the Woreda Plan, FFW and EGS compensate food-deficit communities and provide an invaluable source of household income in return for contributions to community capital. In food-deficit Amhara in particular, the mengistawi buden interact closely with the local agricultural DA to identify needs, plan projects, and commit labor to these SWC plans, which are subsequently prioritized at kebele level before submission to the woreda. Typically, in Dajet Peasant Association in Tach Gayint Woreda, the local agriculture DA played the pivotal role in this process, drafting the plan and submitting it to kebele executives and the woreda, then leading community discussions on the final plan. The sheer scope of these FFW/EGS-financed activities – also explored below in the discussion on budgets – is seen from the SWC plan from next-door Farta Woreda.

Table 7.6: Farta Woreda Soil and Water Conservation Plan, 1998-99

Activity	Plan	Actual
1. Terracing	3120 hectares	3590 hectares
2. Check dam	6 kms.	11.95 kms.
3. Check dam maintenance	14 kms.	31.7 kms.
4. Feeder road	14 kms.	31.7 kms.
5. Cut off drain	9 kms.	13.5 kms
6. Artificial water way	8 kms.	19.8 kms.
7. Spring development	200	330

(iii) Several of the study woredas received significant bilateral or international NGO financing -- German GTZ and Freedom from Hunger International (FHI) in Tach Gayint and Farta Woredas, Swedish SIDA in Awabel Woreda, Medicins Sans Frontieres and Action Contre La Faim in Dubti, World Vision in Sodo Zuria Woreda, and Farm Africa, Medecins Sans Frontieres, and the Lutheran World Foundation in Konso Woreda. Planning procedures used in relation to these programs vary greatly, but usually stress participation and often embody training in planning for community members.

Box 7.2: Farm Africa in Konso

Farm Africa (a British INGO) supports the Southern Nations Regional Food Security Unit with a regional-level capacity building component providing hands-on technical support to the unit through a consultant placed *in situ*. At the woreda level, Farm Africa provides hands-on technical capacity building support to the Konso Development Association (KDA), a local NGO, with the ultimate goal of handing over Farm Africa activities to KDA in the future. At sub-woreda level, the Farm Africa program is working with communities to help build land-use planning capacity. This process includes regional and woreda-level preparatory workshops, and on-the-ground training and discussion with communities using enlarged aerial photographs of the area in question. The results from this program have been encouraging, with communities able to interpret the maps well and to use the perspective thus afforded to identify environmental issues and propose homegrown solutions, as well as to gain experience in prioritizing and planning the implementation of appropriate and sustainable EGS activities.

7.14 The arguments for decentralized planning stress the demand-responsiveness that can be achieved if primary beneficiaries are involved in decisions on resource allocation and project design. In Ethiopia, though, the involvement of communities in the formal annual planning process does not appear to translate into demand-responsive annual plans, nor are communities generally wellinformed about the planning process or aware of how their wishes are intermediated with national priorities and available resources. The study sample indicated that the key decisionmakers in local planning were in fact the zonal authorities[35] (except in Afar). In Amhara, the team was told, there is always substantive interaction between zonal and the woreda officials before the Woreda Council formally approves the Plan. This was generally seen as positive by woreda officials and bureau staff, since the zones have greater planning expertise and better information (on Five-Year Plan and sector targets; on available budget). In Southern Nations, the same pattern is apparent -- in the case of Sodo Zuria Woreda, the Woreda Chairman attends zonal planning meetings, but it is the Zonal Executive Committee that approves the capital budget, and thus, in effect, the annual Woreda Plan [36](there were no subsequent Woreda Council meetings to approve the plans established at zonal level). In Oromiya, the same again; here it was noted that the Zonal Project Committee (ZPC) is

[35] The key decision-making bodies were the Zonal Executive Committees in Amhara, the Zonal Councils in Southern Nations (guided by the Zonal Executive Committees), and Zonal Project Committees in Oromiya.

[36] Southern Nations special woredas are an exception, since they have direct access to the region. Thus, Konso approves its own plan because it functions as a zone (albeit with weaker organizational structures, capacity, and staffing levels). However, the region often involves itself in what are, constitutionally, the woreda's responsibilities. Members of the woreda sector bureaus complained to the study team that communications between the region and the woreda were far from ideal. For example, NGO programs would be approved at the regional level without the prior knowledge of the woreda.

supposed to visit woredas annually to identify projects, but rarely does so.– More commonly it will resort to the previous year's plan as a basis for its work. In Oromiya, moreover, the Region plans and implements all projects above ETB 1.5 million. Afar is the outlier, with needs identification, planning, and capital budgeting all decided at regional level. The Woreda Economic Development Offices (WEDO) is responsible only for the preparation of the recurrent budget plan. Woreda officials in several locations claimed they were unable to obtain information on the criteria used for accepting or rejecting project proposals. When team members questioned local officials and community focus groups on the planning processes applicable to their individual situation, they found that understanding of them was very imperfect.

7.15 When this pattern is related to the role of communities in planning, it is clear that apart from articulating their needs (without much prospect of satisfaction), the major role of the community is to discuss suggestions for a capital menu, the scale of which is severely limited and the final design of which will be referenced to pre-existing sector plans. As mentioned earlier, and perhaps in response to these realities, the kebeles visited did not prepare formal plans; in fact the preferred approach, it seemed, was for kebele chairmen to request specific types of assistance from the woreda from time to time, either verbally or in a brief letter. When asked about this, though, some officials (for example in Woibla-Selamku Kebele, Farta Woreda) indicated that this approach, useful in the past, had also not yielded much during the last two years of severe capital budget constraint (see para. 7.40).

7.16 The observed constraints to the kind of decentralized planning envisaged in Federal and regional constitutions can be summarized as follows:

- **Lack of community involvement in service delivery planning.** The project-oriented nature of the community planning cycle focuses community attention on capital projects. As will be elaborated later, capital projects most commonly account for only a small fraction of the overall woreda plan (in five of the nine study woredas, the portion of the woreda plan devoted to capital projects was 17 percent or less). Most services provided to communities are financed through the recurrent budget (salaries of civil servants, school supplies, medicines), but communities are not asked to involve themselves in service delivery planning.

- **"Blue sky" budgeting.** Needs identification at the community level, and many of the subsequent iterations between woreda officials and the zone, take place in the absence of a budget envelope. No indicative budget is taken into discussions with communities, which are thereby, in effect, asked to list their wishes rather than determine their priorities. The reconciliation of such wishes with the woreda budgets takes place far from the front line.

- **Priority given to the Five-Year Plan and to sector planning.** Compounding the last point, the final choice of capital projects gives primacy to the Five-Year Plan and derived sectoral targets, with little consideration for other priorities.

- **Shortages of capital funds.** In six of the study woredas, the capital budget allocation for 1998-99 varied between a mere US $0.16 and US $1.06 per capita[37], with the result that very few projects could be accommodated under the Woreda Plan. In Awabel Woreda (pop. 165,000), for instance, the only projects funded through the Government budget in 1998-99 were the construction of four DA houses and offices, mainly financed by contributions of unpaid labor and hardly rating as capital formation; the construction of a veterinary post and cattle crush (again, largely using unpaid labor); and the purchase of furniture for two schools. With so few resources at hand, woreda bureau staff often expressed frustration at the elaborate process they were supposed to follow for community planning. Officials in Tach Gayint, Farta, and Sodo Zuria Woredas said they were reluctant to carry out participatory planning because they felt it raised expectations that could not be met.

- **Capacity constraints.** Most bureaus do not post staff at community level. The value of bureau staff in helping communities plan is highlighted by the contributions of agriculture DAs, who in effect prepared most of the informal kebele plans seen by the study team. Travel from the woreda capital to communities in 1998-99 was often hindered by shortages of Government budget for per diem and fuel. Planning procedures for Amhara Region ascribe important roles to sub-woreda structures (Box 7.1), but bureau staff in both Farta and Tach Gayint Woredas told the team that the requisite sub-kebele drafting committees usually did not exist – while those that did lacked any capacity to engage in formal planning with bureau staff, needing a level of support that the bureaus were unable to provide.

- **Issues specific to pastoral communities.** Community involvement in needs identification and planning was weakest in the two woredas with large pastoral communities (Dubti Woreda in Afar and Liben Woreda in Oromiya) – an observation made by NGO staff as well as by Government officials. In Afar and previously in Liben, the Region would take care of planning, with little consultation at the woreda level or with communities. There are many reasons for this scant communication, some related to the mobile lifestyle of pastoralists and the difficulty of delivering services to them, others to the cultural divide between the settled and the nomadic, and to highland unfamiliarity with the pastoral way of life. In Liben Woreda the team found no evidence that kebele-level needs assessment or planning now indicated had in fact taken place; requests for help were instead submitted to the Woreda on an ad hoc basis throughout the year.

- **Women's involvement in planning.** As described earlier, women's needs and inputs are very poorly reflected in the community planning process. Box 7.3 elaborates.

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[37] Ethiopia also fares poorly compared with other African countries in terms of per capita capital expenditures at the national level. Per capita capital spending in Ethiopia amounted to US$10 in 1998, compared with a Sub-Saharan African average of US$34 in the same year.

Box 7.3: Gender Issues in Community Planning and Decisionmaking

Women's participation in community planning and decisionmaking was found to be almost nonexistent. Women were not equally represented with men at community discussions, especially when the gatherings were held at the community's own initiative. Many husbands would not allow their wives to attend such meetings. Female presence at meetings organized by the woreda appeared to have been higher, as women were often "ordered" to attend. However, women claimed that they rarely expressed themselves within such fora. In a very few cases, women claimed to discuss community priorities at home with their husbands and at informal all-women gatherings. The extent to which these informal channels of expression fed into community decisionmaking, however, would depend on whether women's priorities conflicted with those of the men.

Social factors militate against women's presence and/or participation in planning and decisionmaking at the community level. These include:

- Women's perception of themselves as disadvantaged in the realm of public speaking, due to their lack of experience and to traditional stigma attached to women expressing themselves in public. Women tended to believe they were not listened to within the community in the way that men were, irrespective of what they might say.
- The pressure on women's time from the multitude of tasks they are expected to handle (women in Amhara tended to fare the worst in this regard, with many claiming to get no more than three or four hours sleep each night). The range of tasks that rural women take responsibility for include water collection, coffee and meal preparation (often including grinding), milking, fodder collection, fuel wood and dung collection, land preparation and weeding, care of livestock, and childcare (obviously with variations by household and woreda according to levels of wealth and economic systems).
- Fear of violent reprisal from their husbands if they spoke out in public fora. Many women claimed that their husbands beat them for joining public debates -- because such behavior assumed equality with men and thereby embarrassed their husbands in front of their peers. As one respondent stated, "We want to speak out, but fear prevents us." *All* women in *all* of the study's focus groups cited male violence as a lifestyle issue.
- A belief among women that their primary role is within the household.
- On occasion, the conviction that men do adequately represented their interests.

Women in the Study's focus groups were generally ignorant of the annual kebele planning process and often confused it with the existence of the kebele executive committee (rather than understanding planning as an event which should directly involve the community). Those women who had heard of their kebele plan were generally unable to say what it consisted of (this, it should be added, was common for communities as a whole). The Study found no apparent correlation between the economic means of a kebele and the degree of female participation in planning and decisionmaking. For example, Eniby Kebele, Awabel Woreda is a food secure woreda with a relatively high and prolonged rate of female participation in education, where some 30 percent of women between 15 and 45 have spent some time at primary school; but its kebele focus group stood out for its lack of female participation in public meetings.

C. Resource Management

7.17 The various regional constitutions mandate a process of resource management in which the elected woreda councils are responsible for levying and setting tax rates and collecting taxes within the regional purview; woreda budget preparation and approval, and woreda budget administration. The role of kebeles is limited to the collection of taxes and user fees and the mobilization of labor and materials. The legal structure of decentralized resource management thus identifies the woreda council as the gatekeeper of fiscal decentralization. As the study found, however, and consistent with the observations made above on planning, the real gatekeepers are the zonal and regional technical bureaus.

7.18 **Sources of Woreda Revenues.** The Federal Constitution (Articles 96-98) assigns responsibility for revenue mobilization in the manner shown in Table 7.7. The regional constitutions of Amhara, Oromiya, and Southern Nations reflect Article 100 of the Federal Constitution, which empowers woredas to levy and collect taxes identified as sources of regional revenue[38]. In practice most tax rates have been established at the Federal level. The major exceptions to this are the fees levied on rural land use and taxes on agricultural income, which have been set through regional rural land use and agricultural income tax proclamations[39], and service user fees, which are variously established at regional, woreda, and even kebele level[40].

7.19 ***Own Source Revenues.*** The amount and composition of the revenues collected by the nine study woredas in 1998-99 is shown in the tables below. Own source revenues were in no instance sufficient to cover even half of the woreda's budgeted expenditures for 1998-99, with contributions ranging from a low of 11 percent of budget in the pastoral Liben Woreda to a high of 48 percent in the two urban woredas. Averaging across the study woredas, the equivalent of only 39 percent of recurrent expenditure and 30 percent

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[38] With the exceptions of taxes on the incomes of regional employees and taxes on regional enterprises, which are to be established by the region.

[39] According to the 1998 Regional Rural Land Use and Agricultural Income Tax Proclamations of Amhara, Oromia and SNNP, the annual land use rent payable by a farmer or a cooperative society is ETB 10.00 per hectare for the first hectare, and ETB 7.50 per each additional half hectare. State farm enterprises owned by regional governments pay ETB 15.00 per hectare. The tax structure on agricultural income is as follows:

Annual income (ETB)	Amount payable (ETB)
Less than 1200	15.00
1201 - 5,000	45.00
5001 - 15,000	295.00
15001 - 30,000	1795.00
30,001 - 50.000	4795.00
50,000 and above	7295.00

In practice, most rural farmers fall below the minimum taxable agricultural income tax in all the regions and thus do not pay this tax.

[40] The user fee for water ranges from ETB 0.05 per liter to ETB 0.15 in rural Ethiopia. The average is around ETB 0.10 per liter. For example, the deep well in Abuto Ulto Kebele charges ETB 0.10 per 25 liters and Dalocha Kebele in Silte Woreda charges ETB 0.15 per 40 liters. Both schemes are in SNNP.

of total expenditure in 1998-99 was financed with revenue collected by or on behalf of the woreda; the lion's share of the budget derived from transfers from above.

Table 7.7: Assigned Sources of Revenue and Responsibility for Collection[41]

Article 96: Sources of Revenue – Federal	Article 97: Sources of Revenue - Region	Article 98: Sources of Revenue - Shared
1. Customs duties, taxes, and other payments levied on imports and exports. 2. Taxes on the incomes of Federal Government employees and Ethiopian employees of international organizations. 3. Taxes on Federal Government enterprises. 4. Tax on the proceeds of national lotteries and related ventures. 5. Taxes on the proceeds of road, air, rail, water, and sea transport services. 6. Rental incomes from Federal Government houses and properties. 7. Federal license fees. 8. Income from federal monopolies. 9. GOE stamp duties.	1. Tax on incomes of Regional and private sector employees. 2. Fees for usufructory land rights. 3. Taxes on the incomes of private and incorporated farmers. 4. Taxes on the profits of resident merchants. 5. Sales tax. 6. Water transport fees within the Region. 7. Rental incomes from state government houses and properties. 8. Taxes on regional government enterprises. 9. Taxes on small-scale mining operations. 10. Regional license fees. 11. Royalties on the use of forest resources.	1. Taxes on jointlyowned enterprises. 2. Taxes on corporation profits and shareholder dividends. 3. Taxes on large-scale mining, petroleum, and gas operations.

Table 7.8: Revenues as a Proportion of Expenditures in Nine Woredas, 1998-99

Woreda	Own Source Revenue -- Actual (ETB million)	Total Plan Expenditure -- Actual (ETB million)			Own-Source Revenue as a Proportion of (%)	
		Recurrent	Capital	Total	Recurrent Expenditure	Total Expenditure
Awabel	1.56	3.10	0.74	3.84	50	41
Tach Gayint	0.67	2.31	2.00	4.31	29	15
Agarfa	0.79	3.13	1.10	4.23	25	19
Konso	1.95	3.91	0.85	4.76	50	41
Farta	1.69	4.30	2.25	6.75	43	25
Sodo Zuria	3.86	7.78	0.26	8.04	50	48
Adami Tulu	2.15	3.61	0.84	4.45	59	48
Liben	0.59	4.83	0.68	5.51	12	11
Dubti	0.55	1.60	0.83	2.43	34	23

7.20 No major region-wise variations in own source revenue patterns were observed, nor do regional revenue policies differ significantly, though some tentative correlations with woredas' economic systems can be observed. As seen in Tables 7.9 and 7.10, per capita own source revenue was universally low, ranging between US$0.64 and US$2.23

[41] For more detail, see the "Regionalization Study," ibid., paras. 1.38 – 1.43.

for the year. In all cases, direct taxation provided over half of total revenue, with the taxes on the incomes of Government employees stationed in the woreda consistently important. In woredas lacking a significant urban center, taxes on agricultural incomes and land use fees accounted for a major portion of revenue (as would be expected, they are of less account where the woreda includes a town providing significant sales tax revenue, and in pastoral areas[42]). Nontax revenue was proportionally higher in the woredas with a large town, reflecting incomes that could be tapped through user charges, as well as in Liben Woreda, primarily from cost recovery on livestock services supplied by the Southern Rangelands Development Unit[43]. The particularly low levels of nontax revenue in Agarfa and Dubti stemmed from different factors: in Agarfa, from poverty reflected in low user-fee collection, in Dubti, from the very scant interaction between the pastoralist communities in Afar and officialdom. Indirect taxation contributed little, except in Sodo Zuria, reflecting sales tax receipts from Ziway town and the main Addis – Moyale road that runs through the woreda, and in Dubti (sales tax on the salt trade)[44]. As would be expected, the predominant sources of revenue for the woredas with major urban concentrations were personal and business income taxes, and for the more rural woredas, agricultural income tax and land use fees. As a corollary to this in an economy so dependent on rainfall, urban woredas generate a fairly steady stream of tax income, while rural woredas experience wider year-to-year fluctuations.

Table 7.9: Composition of Woreda Own Revenues, 1998-99

	Rural					*w. Urban Center*		*Pastoral*	
Woreda	**Awabel**	**Tach Gayint**	**Agarfa**	**Konso**	**Farta**	**Sodo Zuria**	**Adami Tulu**	**Liben**	**Dubti**
Total own revenue (OR, ETB million.)	1.56	0.67	0.79	1.95	1.69	3.86	2.15	0.59	0.55
Per capita OR (ETB)	10.30	7.20	11.10	11.10	7.00	17.20	17.80	5.10	7.30
% of OR from direct taxes	75.90	86.10	82.00	72.90	86.20	53.20	57.40	61.20	60.60
% of OR from indirect taxes	2.80	0.90	7.20	3.30	0.90	21.80	8.00	4.20	33.30
% of OR from nontax rev.	21.30	13.0	10.90	23.90	12.90	25.10	34.60	34.60	6.30

[42] Though Dubti Woreda receives income tax from the regionally-owned Tendaho Agricultural Enterprise.
[43] SORDU was established in 1976-77 with IDA financing, in order to support pastoralists and livestock owners in the Borena area with animal production research and outreach, and veterinary services. After regionalization the hitherto national project was handed over to Oromiya Region.
[44] Higher sales tax collections could have been anticipated in the urban Ademi Tulu Woreda, but collection appears to have been unusually poor and default-rates very high. The study did not systematically look at issues of the efficiency of revenue management, however.

Table 7.10: Main Sources of Own Revenues by Percentage, Seven Woredas, 1998-99

		Rural			*w. Urban Center*		*Pastoral*	
Woreda		**Tach Gayint**	**Agarfa**	**Farta**	**Sodo Zuria**	**Adami Tulu**	**Liben**	**Dubti**
Direct	Personal income tax	21.1	27.4	17.1	23.3	28.0	51.6	20.8
	Ag income tax	29.8	22.3	34.7	8.4	6.4	3.3	20.3
	Land use fees	33.9	27.3	32.5	5.7	10.1	3.7	-
	Business income tax	1.3	4.9	-	16.4	11.0	2.6	19.4
Indirect	Sales tax	0.7	7.0	0.8	20.1	5.6	4.1	33.1
Nontax	Fees for service (inc. court fines and registration fees)	13.0	6.3	12.3	25.0	32.0	27.7	6.2
Total percentage		**84.5**	**95.2**	**97.4**	**98.9**	**93.1**	**93.0**	**99.8**

7.21 The Federal Government's emerging tax reform agenda, supported by the IMF's Poverty Reduction Grant Facility (FY01) and the Bank's Emergency Recovery Support Credit (FY01), is likely to impact on the relative distribution of taxes in two important ways. First, as Federal public enterprises are privatized, the revenue now accruing to the Federal Government from employee income taxes will shift to the regions and woredas. Second, if the current sales tax regime is replaced by a comprehensive VAT system, and if this is shared on the basis of origin, the distribution of the tax yield will shift significantly in favor of the regions and woredas. This would substantiate existing data and analysis[45]/ which point to the need for strengthening the resource base at the woreda level. Given what is currently a very limited potential for raising additional revenue from direct taxation, much of any resource increase will have to come from indirect taxes, and from an expansion of the tax base (i.e., more efficient collection) rather than from raising rates. This has major implications for local revenue management capabilities, the efficiency of which the study did not assess, but which the Regionalization Report rated as needing substantial improvement. Woreda revenue management performance, its future potential, and the means to achieve this will be investigated later this year in a Regional Revenue Review. This exercise will be jointly managed by the Federal and regional governments and the Bank and Fund, and financed from the proceeds of an Italian Capacity Building Trust Fund. In addition to its diagnostic thrust, the Review will provide training for regional revenue staff (see also Chapter 9).

7.22 ***The Federal Subsidy.*** The logic of fiscal decentralization would suggest that the smaller the unit of government, the more accurately can levels of taxation and allocation of public expenditures match people's choices and needs. Consistent with this, each unit of government would seek to balance own resources with expenditures, thereby both preserving fiscal autonomy and promoting accountability to tax-paying constituents. In practice, however, federations are generally characterized by both *vertical* imbalances (para. 3.05-06; the differences between central and regional revenue capacity and

[45] See, for example, *Regionalization Report*, ibid., and *Public Expenditure Report 1999*, World Bank.

expenditure requirements), and *horizontal* imbalances (the same difference across regions). Differential resource transfers from higher to lower levels of government are used as a mechanism to neutralize these imbalances and to promote equity across the state. In Ethiopia, both vertical and horizontal imbalances are especially pronounced. Typically, the Ethiopian Federal Government will collect over 80 percent of all revenue, while its share of expenditure is just over 50 percent. Conversely, subnational entities, which collect only some 20 percent of revenues, account for roughly 50 percent of total expenditure[46]. In the interests of equity and political stability, a major transfer of federal resources to the regions takes place through the Federal budget. Transfers are made on the basis of a formula approved at the Federal level[47]. The formula, revised last fiscal year, takes into consideration population size (55 percent of the weight); a composite development index, inverted to account for regional deprivation (20 percent); an index of revenue effort (15 percent); and a poverty index (10 percent). In 1998-99, this transfer formula allotted 27.96 percent of the Federal transfer to Oromiya, 21.39 to Amhara, 17.97 to Southern Nations, and 5.46 to Afar. Ideally, in order to fine-tune the subsidy, the same or a similar formula should be used to transfer resources from region to zone to woreda.

7.23 The regions in practice distribute these subsidies between zones in a variety of ways, some using formulae that partially mimic the federal transfer, others not[48]. However, transfer distribution from zones to woredas in the nine woredas under study was *always* discretionary and followed no objective formula. Discussions with many officials involved in this process revealed that the common factors determining the amount transferred by the zone were ongoing expenditure commitments, the woreda's record of project implementation[49], and the quantity of extrabudgetary financing likely to be available to the woreda from sources outside the purview of the Woreda Plan. This discretion is evidenced in Table 7.11, which looks at the proportion of the zonal transfer received in each woreda and compares this with the woreda's share of zonal population.

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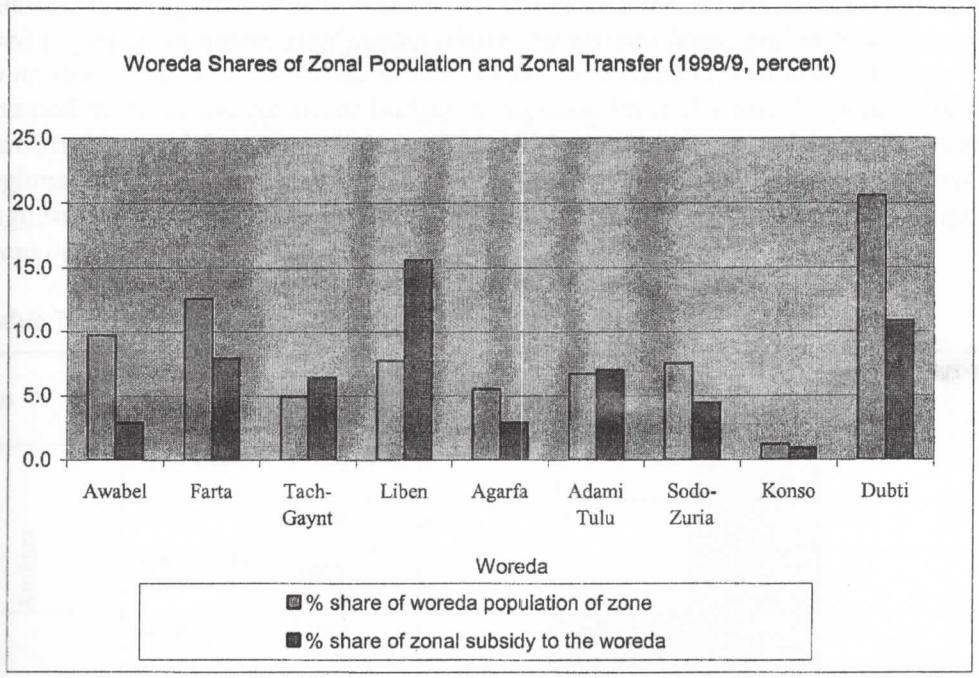
[46] No comparable data is available for other countries in the region. However, the sub-national revenue and expenditure shares, respectively, for some other major federations are 40.3 percent and 41.5 percent for Argentina, 28.2 percent and 37.3 percent for Australia, 45.3 percent and 49.4 percent for Canada, 51.0 percent and 54.7 percent for China, 28.0 percent and 39.1 percent for India and 39.9 percent and 32.8 percent for the USA (the *Regionalization Report,* ibid.).

[47] By the the House of Federation, the second house of the federal parliament.. It should be noted that the transfers are capped as a part of the overall budget framework set by the federal government, thus enforcing macroeconomic disciple. The transfers are essentially gap-filling – providing for regional expenditure plans not covered by own source revenues or donor flows.

[48] Regional transfers to the zones in Amhara and Southern Nations are established on the same basis as the federal formula. The transfers are modified somewhat in practice by taking established costs into consideration. In Oromiya, resource distribution across zones does not use an objective formula,but is handled through a process of consultation involving technical bureaus and local administrations. In Afar, all capital expenditures are managed by the region.

[49] In practice, a rather vague conflation of the track record of construction of civil works (an issue bearing on the performance of woreda civil servants and local contractors) and the associated willingness of communities in the woreda to mobilize unpaid labor for public projects.

Figure 7.1: Woreda Shares of Zonal Population and Zonal Transfers, 1998-99



7.25 Another factor bearing on the downward flow of federal transfers[51] through the vertical hierarchy is that regions and zones retain a significant portion of it to cover their own administrative expenses, and to provide for the maintenance of facilities/assets at all levels and for the development of new capital works at the regional, zonal, or inter-woreda levels. Obviously not all of the federal transfer can be passed down to the woredas. Table 7.12 below, however, shows that the shrinkage is considerable. The percapita transfer to the regions was almost uniform in 1998-99, ranging between ETB 47.3 and ETB 54.8. Transfers from region to zone are formula-based in Amhara and Southern Nations, and the shaded area of Table 7.12 shows where discretion is exercised in the distribution of the transfer. For Amhara and Oromiya, it is clear that in 1998-99 discretion gave rise to considerable variations in the proportion of the overall transfer allocated by the region to the zone in Oromiya, and by the zones to the woredas in both regions (see para. 7.24 for a partial explanation). A key component of this shrinkage may be highlighted by looking at the recurrent portion of the transfer[52]. In the seven conventional woredas in the study (minus Konso and Dubti), the proportion of the

[51] Findings in para. 7.24 on equity in transfers is consistent with those of the *Regionalization Report,* ibid. "Within regions the distribution of expenditure also appears to be highly progressive. The Amhara Region, for example, distributes money to zones according to socio-economic need (among other elements in the grant formula). The Southern Nations Region uses the progressive federal grant formula to distribute funds to zones in the region. Several regions have created special programs to redistribute funds to the nomadic peoples. Among public officials in the regions there is a strong belief in equity over other goals of public expenditure programs".

[52] While the Federal transfer does not differentiate between capital and recurrent uses, this split is made by the regions as part of their annual budgeting process.

recurrent transfer retained at higher levels varied between 57-74 percent. Since the regions reported that 85-90 percent of the recurrent portion of the transfer was used for salaries, this suggests that *a half to two-thirds of each region's recurrent transfer was used to pay government staff posted above the woreda level, and in practice far from the front line.* Afar and Oromiya, which do not use transfer formulae at the zonal level, retained more of the recurrent budget at regional level (84 and 37 percent respectively) than Amhara and Southern Nations (29 and 26 percent). This perhaps reflects the heavier regional input in program planning and implementation in these two regions, but also suggests a temptation to hoard funds passing down the hierarchy unless obliged to send them on.

Table 7.12: Vertical Transmission of Transfers, 1998-99

Region	Zone	Woreda	Per capita transfer (ETB)			% of *recurrent* transfer retained by	
			Region	Zone	Woreda	Region	Zone
Amhara	East Gojam	Awabel	47.3	43.9	13.0	29.3	32.0
	South Gonder	Farta		31.2	19.5	29.3	45.0
		Tach Gaynt			39.8	29.3	
Oromiya	Borena	Liben	54.7	19.3	38.9	37.3	32.0
	Bale	Agarfa		41.7	47.4	37.3	25.0
	East Shewa	Adami Tulu		19.5	20.43	37.3	23.0
Southern Nations	North Omo	Sodo Zuria	53.3	34.0	38.2	25.9	31.4
	Konso SW	Konso		Not applicable: treated like a zone	21.8	25.9	Not applicable
Afar	Zone 1	Dubti	54.8	No transfer – goes direct to woredas	41.4	84.0	Not applicable

7.26 ***Off-plan Resources–ESRDF, bilaterals, international NGOs, emergency eelief.*** An important consideration which applied when a zone determined the capital subsidy for each woreda was whether it was likely to receive extrabudgetary development assistance from ESRDF, bilateral or INGO area-based schemes[53], and/or from the food- or cash-for-work programs administered by the Disaster Preparedness and Prevention Bureau (DPPC) and various line ministries[54]. If a woreda did receive one or more of these types of assistance, this could lead to reductions in the formal capital budget.

[53] In contrast to donor inputs channeled through the federal and regional budgets, such as those for the Education and Health Sector Development Programs.

[54] FFW is used to combat both chronic (structural) and acute (short-term emergency) food deficits. In Tach Gayint, for example, FFW activities are financed by GTZ and FHI. In the GTZ FFW program, needs identified by the community are converted into a plan by the Woreda Agriculture Office (WAO). The plan

(i) *ESRDF* resources are aimed at the poor but are not clearly targeted to poor woredas. As ESRDF ostensibly follows a demand-driven approach in which subproject proposals are received directly from communities or their intermediaries, ESRDF subprojects do not appear in the formal capital budget. However, they do influence the allocation of the capital budget, particularly for health facilities and schools; and since ESRDF finances subprojects only after the approval of the regional government, ESRDF resources are fairly systematically offset during capital budget preparation.

(ii) Both chronic and emergency *food- and cash-for-work* assistance is planned outside the woreda budget and transferred from the federal level. This assistance is often allocated during the course of the budget year, depending upon such factors as rain failure and the pipeline of food aid. The study found that the flow of such assistance almost always resulted in an offset against the formal capital budget, although this was not in conformity with federal policy[55]. The implications of this are discussed in para. 7.36 below.

(iii) Precise information on *bilateral and NGO* resource flows in 1998-99 was hard to collect, not least because neither zonal/woreda staff nor local NGO staff had a clear idea of them, and also because they were not reported to local bureaucracies in a way that could be factored into the budget envelope. These did appear to be offset at times, but not consistently. See also Annex 3.

7.27 The presence of an INGO or bilateral and/or a tradition of food aid could have a significant impact on the overall resource envelope available for development, and this clearly influenced the size of the formal capital transfer that zones chose to allocate. This was universally acknowledged by zonal planners and woreda council members. In Southern Nations, for example, both Sodo Zuria and Konso Special Woreda benefit from significant INGO assistance. Sodo Zuria in 1998-99 received some ETB 2.2 million from

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is then approved by GTZ's project office in Debre Tabor. Implementation is carried out under the supervision and technical assistance of the Woreda Agriculture Office and the kebele-based DAs. GTZ financed FFW activities worth ETB 49,175 in 1998-99. FHI's FFW activity is planned and implemented by the NGO itself. FHI has an office in Arb Gebeya, and DA Centers with its own DAs based in the kebelles. The relationship between the FHI and the Woreda Agriculture Office is loose, and the WAO did not seem to know much about FHI. EGS pays food or cash for work and is not integrated into budget planning in any consistent way across woredas. In Tach Gayint, EGS was used for famine relief and was managed by DPPC: in 1998-99, DPPC supported ETB 4,030 of EGS activities through the Woreda Agriculture Office.

[55] Federal Government policy does not support informal offsetting against emergency funds, as was made clear in the Food Security Preparation Mission Wrap-Up Meeting between the Federal Ministry of Planning and Economic Development (MEDaC) and the Bank in March 2001. For this reason, project funds-flows in support of food security do not need to be offset either. From the Aide-Memoire: "The Government confirmed that food security is a federal responsibility, and while communities, Woredas, zones, and regions implement food security measures, under the Project all funds flowing from the Federal Government to lower levels for food security would be an addition to their existing budget flows, thereby constituting net injections of financial capital into local economies and providing incentives to use them well. In other words, funds flowing to the Regions and below under the proposed project would not offset allocations already in the regional budgets."

World Vision inputs, and this was said by South Omo zonal officials to be the main factor explaining the difference between the capital transfers to Sodo Zuria and neighboring Chencha Woreda, which did not receive any INGO funding (ETB 1.28 and 9.29 per capita respectively; if World Vision inputs are counted against the capital budget for Sodo Zuria, it would increase to ETB 12.1 per capita). In Konso, an extremely poor and food-insecure woreda, the official percapita capital transfer was only ETB 4.8 in 1998-99; when Farm Africa contributions are added to the capital budget, the figure increases to over ETB 80 per capita. In Oromiya, at first sight it appears strange that the 1998-99 per capita capital subsidy was much higher for food-secure Agarfa Woreda[56] (ETB 15.4) than for food-insecure Adami Tulu Woreda (ETB 4.6) – but Regional officials explained that Adami Tulu received considerable donor and food aid[57] in 1998-99, while Agarfa received virtually none[58].

7.28 Most INGO, bilateral, and food aid resources are not accurately accounted for by zonal planners, and their influence on the allocation of transfers is thus, inevitably, haphazard. By the same token, they are not considered in the course of the formal capital planning process, though in practice both bilateral/INGO and food aid inputs are often planned with considerable beneficiary involvement, and provide a greater motivation to communities to engage than the formal plan (para 7.13). A contrasting and exceptional example from Awabel Woreda, and one which will be referred to again in Chapter 8, is offered by the Swedish SIDA-financed woreda grant scheme. Under the scheme, an untied block grant is given to certain pilot woredas in East Gojam Zone, and is accounted formally through the woreda budget (and thus legitimately offsets an equivalent amount that would otherwise have been provided by the zone[59]). There are several advantages to this approach. One is predictability; Awabel Woreda knows it will receive ETB 450,000 (61 percent of its 1998-99 capital budget) from this source each year for five years. More importantly, the woreda itself can select the projects it wishes to implement, as opposed to receiving funds that are in effect pre-earmarked at the zonal level. Officials in Awabel also praised the flexible and simple approach embodied in the SIDA instrument: it allows schemes to be started on a pilot basis and replicated as and when experience counsels, while the procedures associated with grant administration are straightforward and allow much quicker implementation than the official capital transfer does.

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[56] Interestingly, during the Derg period, Agarfa Woreda received very high per-capita capital subsidies due to a policy of favoring surplus-producing areas and producer cooperatives (communally-worked land). At present Agarfa has relatively good infrastructure when compared with nearby food-deficit woredas in Oromiya. For example, Ambentu Kebele in Agarfa even had a canteen, and farmers were able to access services from a nearby extension college.

[57] Unfortunately it was not possible to make an accurate assessment of the actual inputs received, as there were no official records of this, other than an ESRDF contribution of ETB 277,740 for a new school.

[58] Other than a grant of ETB 43,000 from GTZ for school construction.

[59] It is worth stressing that this is not the norm. As will be further explored in Chapter 8, SIDA's Woreda Based Development Scheme in East Gojam Zone and the UN Capital Development Fund's Woreda Development Fund in North Gonder Zone are the two pilot projects that serve as exceptions and have useful lessons to offer.

Box 7.4 The SIDA Block Grant Program in Awabel Woreda

Participation in planning is assured through active stakeholder workshops. In Awabel Woreda in 1998-99, a total of 11,050 people participated in the planning workshops.

Planning process starts at *gote* (sub-kebele) level and proceeds to the kebeles and thence to the woreda. At gote level a plan formulation committee is established, and a workshop is held with the assistance of the Development Agent and other woreda officials and staff (who have received training in participatory development and gender planning). The gote workshops have two outputs. The first is a list of problems, with causes and solutions. The second is a work program which specifies the contribution of the community. Meetings are then held at kebele level. The requests from the gotes are reviewed and prioritized by the kebele development committees; the prioritized demands are submitted to the Woreda Development Committee through the kebele executives; and the Woreda Development Committee prioritizes them.

Implementation and follow up of any project is the responsibility of the Woreda Development Committee. The Committee places tenders, enters into contracts, and follows up on implementation. The Committee is eligible to tender for the full amount of a contract and is not bound by the normal ceiling of ETB 50,000. Kebele administrations are responsible for coordinating the contributions from the community via the mengistawi buden. The Woreda receives an annual fixed sum of ETB 450,000 from the Region for capital expenditure and about ETB190,000 for capacity building, and is free to allocate it to programs of its choosing. The distribution of capital projects clearly reflects local priorities, as documented through the planning process. Most funds have gone towards road constriction and drinking water schemes. Funds are disbursed quarterly to the account of the Woreda Council, against an annual plan and quarterly reports.

Implementation of the program has been good and timely, not least because of the major contribution of local labor that the SIDA grants have evoked. In 1997-98, for example, 12 of 13 planned handwells were dug and all 500 km. of planned terracing was completed. In 1998-99, the community contributed ETB 118,900, and in 1999, ETB 444,600 – almost equal to the SIDA contribution.

Source: Tegegne Gebre Egziabher, June 2001 (Annex 3)

7.29 ***In-Kind Contributions.*** In Amhara Region in particular, *unremunerated* community contributions of labor and materials (and sometimes cash) were major sources of development finance for the woredas in 1998-99 and were applied to the maintenance of existing assets and the development of new infrastructure (rural roads, terraces, drains, nurseries, schools, health facilities, and official houses and offices). The community did contribute in the other study regions, but not to the same extent -- the practice is deeperrooted in Amhara through the mengistawi buden networks. It was not possible for the study team to assess all such community inputs, as official records of labor quantities used are not retained systematically. A conservative reading of the evidence, however, suggests that the value of community contributions certainly exceeded official capital transfers to the woredas in Amhara[60]. In Awabel Woreda, which received a capital subsidy of ETB 0.74 million in 1998-99, communities contributed labor and materials to the value of at least ETB 0.67 million for agro-forestry and SWC activities, in addition to another ETB 0.15 million for roads, water schemes, and housing – a total of ETB 0.82 million. The picture in Tach Gayint Woreda is consistent with this.

[60] The team used the current EGS/FFW wage rate of ETB 4, or 3 kg of wheat per day, which is supposed to be less than the general market rate for labor (and thus purportedly takes into account the shadow labor wage rate in rural areas). Materials were costed using local market prices.

The woreda received an official capital budget of ETB 2.0 million; communities contributed at least ETB 1.31 million on schemes costed by the team, and much more besides (the ETB 1.31 million consisted of labor and materials for SWC activities in only three of the woreda's 16 kebeles, and for the construction of 3 DA offices and 2 DA houses)[61].

7.30 **Budgeting in the Nine Woredas.** Capital and recurrent budgeting are handled separately in Ethiopia[62], and this is reflected in regional procedures. As described earlier, the formal planning process involving woreda and kebele residents bears only upon the capital budget[63]. Woreda own-source revenues do cover a significant portion of woreda capital budgets, as Table 7.13 below indicates. These revenues, however, are applied towards the *recurrent* budget—the use of which is largely determined by zonal officials. In other words, the capital/recurrent disconnect and its administrative protocols act to disempower woreda inhabitants. The bifurcation of the budget system has other important implications for woredas as well:

(i) There is virtually no scope in the planning process for communities to choose between capital projects and recurrent outlays;

(ii) Woreda inhabitants exercise no budgetary control over the services they are provided with, nor over the staff who are posted in their communities to deliver them.

These factors materially impact on the potential for communities and their representatives to influence the development process at the grassroots level.

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[61] These activities represent a minor portion of the total unpaid community outlay. In one kebelle, Dajet, works performed in 1998-99 consisted of the construction of a 2 km footpath, the cleaning of several springs, the fencing of Dajet kebelle school and Kut Mender clinic, as well as digging a 10-km drain. Most of the kebelles in Tach Gayint performed a similar menu of works.

[62] At the federal level, the recurrent budget is prepared by the Ministry of Finance and the capital budget by MEDaC. This bifurcation of responsibilities for recurrent and capital budgets is replicated at the regional and zonal levels. The main problem with this arrangement is that it precludes an integrated view of resource allocation.– Thus, the recurrent cost implications of capital investments are not explicitly factored into budget decisions. Typically this results in inefficient use of resources and poor service delivery. A Medium Term Expenditure Framework which aims,at sauch factors as integrating recurrent and capital budgets,would help address this dichotomy.

[63] Capital expenditure is defined as an outlay on acquisition of or improvements to fixed assets (valued more than ETB 200 and normal life of more than one year), and consultancy services. The classification of research and training as well as fixed assets associated with ongoing activities is not clearly defined and is a matter of judgement by budget staff. Some recurrent expenditures associated with externally aided projects are often misclassified as capital. The recently-introduced chart of accounts has attempted to remedy many of these anomalies.

Table 7.13: Per Capita Revenue and Expenditure Patterns for Nine Woredas, 1998-99

Zone	Woreda	Resources (ETB)			Expenditures (ETB)			Own revenues as a % of recurrent expenditure	Own revenues as a % of capital expenditure	Capital budget as a % of total budget
		Own revenues	Transfer	Total	Rec.	Cap.	Total			
E. Gojam	Awabel	10.3	13.0	23.3	18.8	3.6	22.4	55	290	16
South Gonder	Farta	7.0	19.5	26.5	17.6	8.7	26.3	40	80	33
	T. Gaynt	7.2	39.8	47.0	24.3	21.0	45.3	30	34	46
Borena	Liben	5.1	8.93	44.0	41.0	5.8	46.8	12	88	12
Bale	Agarfa	11.1	47.4	58.5	43.7	15.2	58.9	25	73	26
E. Shewa	A. Tulu	17.8	20.4	38.2	33.71	4.7	38.4	53	380	12
N. Omo	S. Zuria	17.2	38.2	55.4	40.9	1.3	42.2	42	1320	3
KSW	Konso	11.1	28.4	39.4	22.7	4.8	27.5	49	230	17
Zone-1	Dubti	7.3	41.4	48.7	10.9	22.3	33.2	22	33	67

7.31 ***Budget Formulation.*** The preparation of formal recurrent and capital budgets for submission to higher levels of government typically starts at woreda level in February of each year, although there are regional variations. The Box below is based on what the team was told by woreda and zonal civil servants; a significant common feature is the virtual absence of community participation[64]. As can be seen, the matching of resources with plans and priorities from below is mainly done at the zonal level. Afar Region provides the major exception to this, with budgeting managed mostly at the regional level. The role of the woredas in budgeting is generally quite reactive: woreda budgeting is largely a recording of decisions made at higher levels of the bureaucracy.

[64] The study did not deal with municipal planning and budgeting, but ongoing Bank work suggests a similar finding in the municipal context. The "Bahir Dar Municipal Decentralization Study", draft of March 2001, Meheret Agenew, is an input to the Bank's Municipal Decentralization in Ethiopia: A Rapid Assessment. "It could generally be said that community participation is at a very low level. Urban dwellers, especially the educated, are not interested in actually participating in the affairs of the municipality. The possible causes for non-participation are said to be lack of trust and confidence in those people running the municipality; an absence of cadres who could mobilize and teach the community; and the feeling of the community that the officers running the municipality are neither capable of rendering services nor accountable and transparent".

Box 7.4 Budget Formulation in Amhara, Southern Nations, and Oromiya Regions in 1998-99

In **Amhara and Southern Nations**, each sector bureau of the woreda prepared a combined recurrent and capital plan and budget. While the capital portion of the plan and budget took account of community needs, the recurrent portion was formulated under the direction of the zonal sector departments. This took place in February, at which time there was no budget envelope available. Budgeting was therefore based on the previous year's allocations. These sector plans and budgets were subsequently submitted to the Woreda Finance Office. Prioritization typically occurred in the following order: nondiscretionary recurrent expenditure, operation and maintenance, ongoing capital works, followed lastly by new capital projects[65]. Thus some tradeoff between capital and recurrent alternatives was made at the woreda level, but essentially within the bureaucracy. Woreda civil servants indicated that the main trades were between O&M and new capital projects, with the former squeezed to stretch the funds available for the latter.

The draft sector plans and budgets were then aggregated at woreda level by the Woreda Projects Committee (WPC), which consists of woreda bureau chiefs and elected officials. At this stage, in March-April, there was still no budget envelope available. The plans and budgets were informally discussed with the zonal Department of Planning and Economic Development (DOPED) to ensure that higher-level priorities were factored in and were then submitted to the Woreda Council.

In **Oromiya** the recurrent budgeting process is more centralized. WPCs do not consider recurrent budgets at all, and thus there is no possible scope for trading capital and recurrent interests at the woreda level. Recurrent inputs are added by the zonal DOPEDs to the plans to be submitted to the woreda councils.

After approval from the woreda council, the plans and budgets were formally submitted to the zone. This generally took place in April-May. At the zone, DOPED submitted the draft plans and budgets to the Zonal Projects Committee (ZPC, generally consisting of zonal bureau chiefs and civil servants), which consolidated them; at this stage, in May, an indicative forward-looking budget envelope had been provided by the Region.

The ZPC then submitted the consolidated plan and budget to the zonal executive committee (the Zonal Council in Southern Nations) for approval. The zonal plans and budgets were then submitted it to the regional planning bureau, and subsequently to the regional executive committee and regional council.

The regional budget proclamations and associated authority to commit funds were gazetted in September 1998, three months into the fiscal year.

7.32 If woredas are to exercise their constitutional right to oversee their own economic development, one would assume they would prefer more autonomy over the budget formulation process. Interestingly, most elected woreda officials did not think zonal interventions eroded their authority. Woreda council representatives commonly felt their administration lacked the skills to formulate proper budgets (as discussed below, most woredas have had trouble filling higher-end vacancies, particularly in the woreda finance offices). Some also pointed out that the zone did not undermine autonomy anyway, since

[65] "Regionalization Study", ibid., describes the idealized sequencing of budget prioritization: "One of the key features of the budgeting process is the strict hierarchy of spending decisions. First priority goes to funding recurrent expenditures (salaries, maintenance and supplies–[*sic*])." After these activities are funded resources are allocated to financing the investment outlays associated with ongoing projects. Finally, any surplus budget is directed toward new investment projects. This facilitates implementation, timely project completion and avoids stretching investment too thinly.",

projects and spending have to be in line with the Five-Year Plan[66]. Woreda civil servants were also supportive of the budgeting role played by the zone, and explained it as a means to ensure that expenditure is correctly prioritized (by providing fully for recurrent expenditures before capital works, and for ongoing projects before new ones). Woreda officials and civil servants alike were much more concerned with the level of resources than with the allocative process – the sheer shortage of funding was seen as a much more urgent concern.

7.33 ***Budget composition.*** As shown in Table 7.14, the bulk of the total woreda budget is usually preempted by civil service salaries; even more so the recurrent budget. Figure 2 and Table 7.14 also show, unsurprisingly, that wage expenditures dwarf critical nonwage recurrent items – operating commodities and supplies, staff per diems, maintenance. International service standards suggest that a staff-intensive, field-oriented basic service in a LDC will normally need to allocate between 20-30 cents of each recurrent budget dollar to nonwage recurrent expenditure if it is to remain mobile and effective. By this standard, the study woredas do not appear to have made adequate proportional allocations, and a closer inspection of the woreda sector budgets shows that vital shortages existed in most sectors and in most woredas, as will be described in

Table 7.14: Share of Salaries in Nine Woreda Budgets, 1998-99

Region	Zone	Woreda	Salaries as a % of	
			Total budget	Rec. budget
Amhara	E. Gojam	Awabel	67	89
	S. Gonder	Farta	60	90
		T. Gaynt	45	94
Oromiya	Borena	Liben	73	88
	Bale	Agarfa	66	90
	E. Shewa	A. Tulu	72	85
Southern Nations	N. Omo	S. Zuria	90	94
	Konso	Konso	71	86
Afar	Zone 1	Dubti	28	84

Section D below. Sectorwise, between 80-90 percent of the recurrent budget in six of the nine sample woredas was allocated to education, health and agriculture, with education receiving a majority of recurrent funds in all woredas except Dubti in Afar. Put another way, the dominant development expenditure in the study woredas was the salaries of primary teachers. As argued in the Tikur Inchini study on the interplay of hierarchy and participation in the education sector in one particular woreda (Annex 4), this uniformity exemplifies the way in which the budget process in Ethiopia is used to pursue key *national* policies.

[66] This raises the question of the extent to which the Five-Year Plan is a participatory document. While it is beyond the scope of this paper to discuss this with any authority, it is freely acknowledged in Ethiopia that the first Five-Year Plan was initially molded by the TPLF, modified by the ruling EPRDF, and then discussed broadly at the local level. The leading role accorded the TPLF and EPRDF in Plan formulation is consistent with a political philosophy which espouses a guiding role for the Party in development.

Table 7.15: Sectoral Composition of Recurrent Expenditures, 1998-99

Region	Zone	*Woreda*	Proportional Share (%)							
			Agric	Educ	Health	Admin	Finance	Justice	Prosecutor	Co-Ops
Amhara	East Gojam	Awabel	26.8	52.5	4.4	8.7	3.6	1.6	1.5	1.0
	South Gonder	Farta	19.4	57.0	11.5	6.0	3.4	0.5	1.3	0.9
		Tach Gaynt	20.6	55.5	7.9	7.7	4.2	1.3	1.6	1.2
Oromiya		Liben	11.8	57.7	23.0	3.9	1.7	0.4	1.0	0.6
		Agarfa	13.8	69.0	3.8	6.8	4.0	0.6	1.1	0.9
		Adami Tulu	27.0	51.1	9.6	6.0	4.1	0.5	1.0	0.8
Southern Nations	North Omo	Sodo Zuria	13.8	68.5	4.9	2.8	2.6	3.1	4.3	0.0
	KSW	Konso	16.3	52.0	10.4	5.4	10.4	1.4	2.7	1.4
Afar	Zone 1	Dubti	38.2			42.6	10.7	7.5	1.0	0.0

7.34 ***Budget management.*** The woreda capital budgets described in Table 7.13 above show *allocations* to the woredas, not the funds actually managed by them. In Amhara, woreda technical bureaus played a larger role in project implementation than in the other regions, particularly in those woredas (including Awabel) that received a SIDA block grant. In Oromiya and Southern Nations there were *no* significant actual transfers of capital resources from the zones to woredas (with the exception of the Special Woredas in Southern Nations); most projects were directly implemented by the regional and zonal sector bureaus. In Afar, the region retained all of the capital budget. All parties explained this as necessary given limited project/contract management capacity at the woreda level.

7.35 The annual regional budget proclamations define the powers of the various tiers of the administration (and their finance offices) in budget administration. The 1998-99 Amhara Budget Proclamation devolves a certain degree of discretion in funds transfer to the woredas, which are permitted to reallocate (i) recurrent budget from one program"[67] to another within the same head, and between salary and operating costs within the same "program"; (ii) capital budget appropriations from one item of expenditure to another within the same sub-program. Woredas in Oromiya and Southern Nations do not have the same degree of discretion, other than Special Woredas in Southern Nations, which are accorded a degree of reallocative freedom consistent with the role of the zone (though not between capital and recurrent budgets, and not generally for donor-financed projects). In *practice*, it appeared, woredas would always consult with their zone before making such

[67] In woreda budget parlance, a public body (for example, the Ministry of Agriculture) is described as a "head,",and has its own "programs" (the Ethiopian Roads Authority's "own force projects" is one example), under which are various "sub-programs" (including specific projects).

reallocations, while the need to fully finance salaries precluded much flexibility within the recurrent budget.

7.36 According to woreda finance officials, budgeted funds usually flowed to the woredas as planned and with few delays once the original appropriations were made in September. The team encountered some instances of delays in salary transfers (for example in Konso and in Sodo Zuria Woredas, and in Tikur Inchini), and a few cases in which nonsalary operating expenses were not paid as budgeted[68]; generally, though, *the timeliness of payments from the zones to the woredas could be rated as quite acceptable.* This is an unusual and creditable result for an LDC which faces the kinds of logistic and personnel difficulties that Ethiopia does, and speaks to the high degree of discipline manifest in the civil bureaucracy. That said, it should be noted that the phenomenon is not universal, and that delays in funding flows are a common cause of frustration in *donor*-financed projects. These arise very often because of the plethora of donor procedural requirements and the burden they impose on the small stock of decision-makers empowered to deal with them at the Federal or regional levels[69].

7.37 ***Budget accountability.*** Upward budget accountability was well-established in all of the study woredas. All woreda accounts were closed up to the current year, and four of the nine woredas' 1998-99 consolidated accounts had been audited at the regional level. Transmission of monthly financial reports from the woreda to the zone, and thence to the region, is standard practice -- albeit honored in the breach in two of the woredas (Konso and Dubti, which were renowned for inefficiency in this area). While the team did not focus on issues of corruption (this will be done under the Service Delivery Surveys mentioned in para. 4.06 (iii) above), these appeared to be fairly rare. Significant leakages were only reported in two recent audits in the study woredas. Most serious was the misappropriation of approximately ETB 1 million in Konso in 1998-99. Six individuals from the Woreda Finance Bureau associated with the misuse of funds have since been removed from post and legally charged. The 1988-99 audit of the Sodo Zuria woreda accounts also identifies a leakage of ETB 34,000. *Once again, these results are unusual in a LDC context and speak highly of the discipline inherent in the Ethiopian civil service.*

7.38 By contrast, downward budget accountability is slight. Although the consolidated woreda accounts are presented annually to the Woreda Councils, discussion of them was said to be cursory, while their dissemination does not go beyond this. The team could find no evidence of kebele-level gatherings to discuss the composition or the delivery of the woreda budget; ordinary members of the public had little apparent awareness of how

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[68] For instance, in Sodo Zuria Woreda operating expenditures of about ETB 14,000 requested by the agriculture, education, and health bureaus in February had not been paid in April, when the study team visited. This was somewhat unusual – financial norms require expenses to be paid within 15 days of the end of the month in which an authorized request is submitted.

[69] Even after a project becomes effective, the complexity of implementation procedures (for example, on disbursement, procurement, reporting and monitoring), combined with capacity constraints at all levels of government, make it very difficult to meet specific donor requirements. The ADF and IDA credits for the Education and Health Sector Development Programs are cited by regional officials as being particularly frustrating. PER 2000.

the *overall* FY1998-99 budget was composed and had been spent. While generally aware of the capital projects planned for their particular kebele, community focus group members did not usually know their value. Nor, as will be discussed in Section D below, did they perceive they had a role to play in monitoring their delivery.

7.39 Issues in revenue generation and budget management as they impact on decentralization could be summarized as follows:

- **Partial budgeting.** In essence, the representative structures at the woreda level and below are only invited to deal with a small portion of the total budget. In the case of Awabel Woreda in 1998-99, for instance, the capital budget allocated to the woreda amounted to only 15 percent of the resources made available for development through formal channels[70]. If nonplan resources are added to this (bilateral/INGO resources, FFW/CFW/EGS, ESRDF), this figure diminishes further – to 6-7 percent in the case of Konso Woreda, for example.

- **Limited local revenue generation and the disconnect in its application.** Woreda own-source revenues are currently inadequate to cover the woreda's development requirements, necessitating transfers from above. This implies a diminution of control over total revenue available to a woreda; in Ethiopia, however, those revenues which are generated locally are applied to the recurrent component of the woreda budget, over which the woreda has no effective control at all. The capital component of the budget, which ostensibly falls under the woreda's jurisdiction, is in fact transferred from outside. This severance of the link between revenues contributed and their management further diminishes the woreda's influence over its own development process.

- **Capacity constraints.** The shortage of budgeting and accounting skills in the civil service, and their virtual absence among elected officials, acted as a severe constraint to effective budget formulation or management at the woreda level, as well as to meaningful participation in public resource management ordinary citizens.

- **The primacy of the Five-Year Plan and sector program budgeting.** Woreda budgets are constructed primarily in pursuit of the goals of the FYP, as exemplified in the programs of the various regional line ministries (in particular Education, Agriculture and Health). In practice this meant that the bulk of the woreda budget went to pay the salaries of civil servants stationed in the woreda, while a significant proportion of the woreda's potential transfer from the Federal Government was used for civil service salaries at the regional and zonal levels.

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[70] The total formal budget for Awabel was ETB 3.84 million, of which ETB 0.74 million was capital and ETB 3.10 million recurrent. In addition to this, bilateral donors (except SIDA, whose block grant was offset and thereby included in the capital budget) and INGOs added an estimated ETB 0.4 million to the real budget, while labor contributions to capital projects and to SWC activities accounted for another ETB 0.82 million equivalent. Total formal development resources thus amounted to ETB 5.06 million, of which ETB 0.74 million is only 15 percent.

- **The discretionary allocation of transfers to woredas.** As described in para. 7.22, transfers are informally offset to take account of extra-budgetary inputs. The *ad hoc* and nontransparent way in which this is done has in some cases generated suspicion and a sense of disempowerment at woreda level.

- **Reducing the woreda capital subsidy on account of emergency food/cash relief inputs.** This particular form of offset deserves special attention. While understandable, given the sums involved, the practice clearly runs counter to Federal Government policy. In so doing it denies the poorest woredas an additional capital boost which, it may be argued, is needed if they are to be lifted from poverty. This would be less of an issue were the evidence on the sustainability of FFW/CFW/EGS-constructed assets more favorable[71], and the type of assets provided broader in nature (these emergency programs are not systematically planned or predictable, and are not used to build schools, health centers or water systems – in effect reducing the provision of these basic services to poor communities). Due to the way in which FFW/CFW/EGS programs are administered, moreover, there is no compensatory accumulation of private savings either[72].

[71] Many officials doubted the value of much of this work, noting a common reluctance to maintain it without further emergency payments. The team heard a number of reports of such terraces being destroyed so they could be rebuilt with further emergency grants.

[72] The universal Government rate of ETB 4/3 kg. of wheat is intended to ensure that only the very poorest self-select for the work. This means that these schemes cannot in effect be used to rebuild assets commonly lost through drought or other emergencies.

D. Service Delivery

7.40 The regional constitutions delegate broad powers over local development to the woreda councils, charging them with the administration of public fiscal resources made available to the woreda. Woredas have specific responsibility for the construction and maintenance of tracks, water points and administrative infrastructure; the management of primary school, health and veterinary facilities; the design and execution of agricultural development programs; and the protection of the woreda's natural resources. The study team set out to review the extent to which the governments of the study woredas in fact discharged these powers in 1998-99, with specific illustrative reference to four sectors – education, health, agriculture/veterinary services, and water.

7.41 **A Profile of Selected Basic Services in the Study Woredas**. To inform the discussion, the team consulted with the various study focus groups, woreda officials and Government staff to gain insight into the services provided and how service provision is perceived. This service profile is framed under three topics – physical access, functional access, and quality of service.

7.42 ***Physical access and coverage.*** Section C above showed that civil service salaries consumed the bulk of public funds budgeted for the study woredas in 1998-99. The uniform nature of the structures and products of the various sector agencies across woredas suggests that the allocation of development resources embodied Federal decisions on the approach to service delivery – one which relied fundamentally on direct service provision by cadres of Government technical staff. Implicit in this supply-side model is good coverage. In practice, the affordable number of Government staff was small. In 1998-99, the total of the Federal and regional budgets combined amounted to some ETB1.6 billion for all forms of expenditure, which translated to per capita Government expenditure of only $27,[73] which is also reflected in low levels of staffing in the contact areas (see Table 7.16 below).

7.43 Staff-in-post across sample woredas ranged from an average of 2.0 per 1000 persons in Awabel to 5.6 in Agarfa[74]. This suggests significant variations the ability of woredas to staff facilities such as schools or health clinics, and therefore, improve utilization rates over time. Table 9.1 at the end of the Main Report shows technical staff positions and vacancies in eight of the study woredas in early 2000. Although some of the quality of data in the table may be at issue, it suggests that the overall level of vacancies was acceptable (17 percent), though relatively high in administration, finance and agriculture (41, 39, and 39 percent respectively). The data also shows that the overwhelming majority of staff in the sample were employed in the education sector (67 percent), and that education bureau vacancies were generally very low (9 percent overall). To the extent that regional variations manifest from such a small sample, vacancies were more prevalent in the Amhara study woredas (29 percent overall – though

[73] Ethiopia's per capita government spending in 1998 fell far short of the average US$163 per capita spent in countries across sub-Saharan Africa. The average in G7 countries during the same year was US$7,286 (Source: World Development Indicators).

[74] These data take into account post vacancies, and are thus "actual".

this result is skewed by Tach Gayint, which has a suspiciously high vacancy ratio in education).

Table 7.16: Numbers of Technical Woreda Staff in Selected Sectors, 1998-99

Zone	'oreda	Woreda Population	Number of technical staff at woreda level		Staff in post/1000 persons and ranking
			In Post	*Vacancies*	
East Gojam	Awabel	165,312	336	81	**2.00 (9)**
South Gonder	Farta	241,101	592	156	**2.50 (7)**
	Tach Gaynt	95,666	337	282	**3.50 (4)**
Borena	Liben	117,700	570	74	**4.80 (2)**
Bale	Agarfa	71,608	400	73	**5.60 (1)**
East Shewa	Adami Tulu	120,695	411	48	**3.40 (5)**
North-Omo	Sodo Zuria	224,688	878	76	**3.90 (3)**
KSW	Konso	176,274	402	37	**2.30 (8)**
Zone 1	Dubti	75,674	209	40	**2.80 (6)**

7.44 Available staff resources also appear to have been deployed well. The physical coverage achieved by Government services in the study woredas, given prevailing staffing parameters, demonstrated careful attention to locational planning. Table 7.17 below shows this with concrete reference to selected services available in 15 kebeles. Almost all kebeles in the sample possess a primary school offering grades 1-4, and a resident DA. Human and animal health service access is somewhat spottier, with facilities and technicians sparse; and water, while generally available, often entails considerable household travel time.

Table 7.17: Access to Water, Education, Health and Agricultural Services in 15 Kebeles, 1999/00

Kebele	Water	Education				Health	Agriculture
		Grades 1-4	Grades 5-6	Gr. 7-8	Gr. 9-12		
Amhara Region							
Enebi, Awabel	Yes. 2 protected springs but with waits of up to 6 hrs.	Yes	Yes	No	No	No. Nearest health post 2-3 hrs walk away; provides basic curative services and outreach vaccinations. No trained traditional birth attendant (TBA) in situ. Severe lack of drugs.	Yes, a DA offers seed/fertilizer packages to contact farmers, as well as managing SWC program. A 2-3 hr walk for veterinary services, which are considered very poor.
Woibla-Selamku, Farta	Yes. Protected spring but complaints about required 10c weekly user payment.	Yes	Yes	No	No	No. Travel 2-3 hrs for basic curative services. Pre/postnatal care plus vaccination services provided in situ by visiting staff every two weeks.	Yes, a DA provides seed/fertilizer packages to the few contact farmers in the kebele, plus SWC. Veterinary post 2-3 hrs walk away, service considered reasonable though short of drugs.
Agat, Tach Gayint	No. Need to walk 1km outside the kebele or use the river, which is hard to access, dirty, and has uneven flow.	Yes	Yes	Yes	No	Yes. Health post in the kebele provides basic curative care and pre/postnatal care plus regular vaccinations. Trained TBA available.	Yes. 2 DAs live in the kebele and offer seed/fertilizer packages to a number of contact farmers, as well as extensive SWC program. Veterinary post situated 3 hrs walk away, but has very little medicine and rarely offers vaccinations.
Oromiya Region							
Soro Kudosa, Adami Tulu	No. Seasonal pond only.	Yes	No	No	No	No. Health post has been built but does not operate – no staff. No pre/postnatal services, no trained TBA.	Yes. DA provides seed/fertilizer packages to contact farmers. No Veterinary post; nearest 5 hrs walk away.
Gela Aluto, Adami Tulu	Yes. Hand pump.	Yes	No	No	No	No. No trained TBAs and no pre/postnatal services in situ, but sporadic vaccinations. Nearest facility 4 hours walk.	Yes. Usual seed/fertilizer/credit package. No veterinary post, nearest 4 hours walk, and no regular vaccinations, only when disease outbreak is reported.
Bunbun, Liben	Yes. Several boreholes, but problems with sanitation and distance.	Yes	No	No	No	Yes. Sporadic health post opening times and lack of drugs. No pre/postnatal services. Monthly vaccinations. Trained TBAs in situ.	Yes, but package focuses on seed distribution (pastoral kebele). Annual livestock vaccinations but no veterinary post for 6 hours. Livestock medication hard to access and expensive.

Mugayo, Liben	Yes. Hand pump and clean bore holes.	Yes	No	No	No	Yes. Irregular opening, indifferent health technician and no drugs. No pre/postnatal service but regular vaccinations. Trained TBAs in situ.	Yes, but seed-based package seen as inappropriate for this pastoralist area. No veterinary post within a day's walk.
Ambentu, Agarfa	Yes. Protected spring – but piped system broken.	Yes	Yes	Yes	No	No. Vaccinations and pre/ postnatal services provided in situ monthly. Nearest health post is 2 hr. walk.	Yes, DA provides standard seed/fertilizer packages. Nearest veterinary post 5 hours walk and no vaccination campaigns.
Southern Nations Region							
Awasso, Konso	Yes. Protected source but 3 hrs walk for most. Further 5 seasonal springs.	No. 3 hrs walk to nearest.	No	No	No	No. Travel between 5-8 hrs to nearest Health Post. No trained TBA in situ (the INGO Medecins Sans Frontieres provides vaccination service in situ).	No DA or link with extension system – farmers wanting seed, fertilizer must access from a kebele 5 hrs walk away. Nearest veterinary post 5 hrs walk. No onsite livestock vaccinations in the last 2 years.
Gewada, Konso	Yes. Protected springs, hand pumps.	Yes	Yes	No	No	Yes. Provides basic health services, medication, and pre/postnatal care, FP and vaccination service.	Yes. 2 DAs working with 4 kebele. Usual seed/fertilizer extension package. Veterinary post which also operates outreach service.
Mackake, Konso	Yes. Well.	No 1 hr walk	No 1 hr walk	No 1 hr walk	No 1 hr walk	No. 1 hr walk to health post with basic care, services, pre/postnatal and vaccinations.	Yes. DA provides the usual seed/fertilizer package. Veterinary post located 1 hr walk away.
Marmare, Konso	Yes. Pumped and pond.	No 1 hr walk	No 1 hr walk	No 1 hr walk	No 1 hr walk	No. 1 hr walk – services and facilities as above.	Yes. DA provides the usual seed/fertilizer package. Veterinary post located 1 hr walk away.
Gersergio, Konso	Yes. Pond.	No 1 hr walk	No 1 hr walk	No 1hr walk	No 1 hr walk	No. 1 hr walk with services as above.	Yes. DA provides the usual seed/fertilizer package. Veterinary post located 1 hr walk away.
Gurmo Moyde, Sodo Zuria	No – just seasonal river. Travel 3 hrs for water in dry season.	Yes	Yes	No	No	No. Monthly ambulant visit with basic curative services, vaccinations provided but no pre/ postnatal services. Nearest health post is 3 hrs away.	Yes. Usual seed/fertilizer package. No animal vaccinations, rely on Veterinary post 3 hrs away.
Humbo Larena, Sodo Zuria	Yes. Wells, spring, hand pump (3 hr walk) and river nearby.	Yes	Yes	No	No	Yes. One trained TBA in situ. Monthly ambulant visits for vaccination services and family planning.	Yes. Usual package organized through the DA. No Veterinary post – five hr walk but livestock vaccinations provided bi-annually. Shortage of drugs.

7.45 This is not to suggest that staff numbers and facility access were adequate to meet the basic needs of the population, however, or that too much comfort should be drawn from Table 9.1. Particularly in relation to education, the sector receiving top Government priority, the team heard numerous complaints of inadequate numbers of teachers to cope

with increasing enrollments. The issue of general staff shortages always came up in free-form discussion of service delivery with officials or community groups.

7.46 The Woreda Studies provide a snapshot of one particular year, and do not capture trends in service delivery over time. At a national level, the present Government has increased service delivery expenditure above the levels preceding the transition (in 1986-87-1990-91, education and health accounted for 9.5 and 3.3 percent of public expenditure respectively; by 1995-96-1997-98 this had risen to 14.6 and 5.9 percent). This reflected the sharp decrease in military expenditures that followed the end of the civil war and national demobilization. By the same token, as reported in the last two Bank-supported Public Expenditure Reviews, the Ethiopia/Eritrea war took a toll on development expenditures in 1998-99 -1999-2000[75]. The impact of the war was clearly felt in the study woredas, and much commented upon in community focus groups. As Table 7.3 above showed, kebeles received little new infrastructure in 1998-99, an atypical trend that continued in 1999-2000. Most new development activities approved for financing at this level relied heavily on community labor and materials, where possible financed through emergency channels (FFW/CFW/EGS) or implemented under NGO programs[76]. While data on staffing trends over time was not collected, officials and community members alike claimed that technical staff numbers had not increased during the war, leading in some cases to mismatches between the provision of a new facility and the Government's ability to staff it, or to impaired capacity to meet demand[77].

7.47 ***Functional access and the usefulness of the services provided.*** The physical presence of a service is of little value unless an individual can make use of it. While community focus groups were always in favor of receiving more and better basic services, there was less consensus on the usefulness of some of what they actually received. Three types of inhibitor could be identified: poverty, the insufficient tuning of services, and gender issues.

(i) *Poverty.* Access to **education** is very much constrained by family poverty. In the study woredas, children attending 7th grade and above usually needed to lodge outside their kebele, which required financial resources that most households lacked; thus, for example, the remote and poor kebele of Awasso in Konso could not boast any 12th grade completers. Poverty can also block access to in-situ

[75] As noted in the PER for 2000, both education and health expenditures declined in real terms as a consequence of increased military expenditures during 1998-2000. Real per capita education expenditure declined from ETB 8.6 in 1997-98 to ETB 8.42 in 1999-2000, and real per capita health expenditure from ETB 3.99 to ETB 3.48.

[76] The scale of this reliance on off-budget resources can be illustrated with reference to the inputs provided in some woredas by bilateral donors or INGOs. In Konso Woreda, where the Ministry of Agriculture financed some 12 km. of terracing, Farm Africa provided funds and supervision for over 300 km. of such structures through its EGS program. Similar orders of magnitude held for rural road construction in Tach Gaynt Woreda, where government programs funded 14 km. of rural roads, and German-financed FFW and EGS programs 46 km.

[77] In Gela Aultu Kebele in Adami Tulu Woreda, for example, the community had contributed labor and materials to build an extension to the local primary school in 1998-99, but had not received the additional teaching staff promised by the woreda. In Tikur Inchini Woreda, the number of teachers-in-post actually fell 9 percent between 1998 and 1999, while enrollment rates expanded by almost 20 percent.

schooling. In the "sedentary" woredas most affected by the drought (Konso, Tach Gayint, Adami Tulu), school attendance in the past two years appeared to have declined in poorer households; villagers reported that they were neither able to spare the cash for school supplies and fees, nor their children's time, which they had commonly switched into emergency employment schemes paying either food or cash. Access to curative **health** care is similarly constrained. Services provided by the contact-level health posts are limited to the treatment of basic infections and simple accidents, with subsidized Government drugs always in short supply. Community focus groups would commonly make statements like *"You must expect to buy expensive private drugs if you are sick; who can afford a full course of treatment?"*[78]. Complex medical treatment commonly entailed traveling long distances and paying privately to avoid long delays. Thus residents of Awasso Kebele in Konso must travel over 100 km. to the nearest major hospital[79]. Similar problems of drug availability and cost affect the **veterinary** services available to villagers. Access to **agricultural extension** packages is also inhibited by the current stress on using improved seed and fertilizer, since this generally requires seasonal credit – a high-risk option for asset poor farmers in areas of uncertain rainfall[80]. One activity that *favors* access of the poor to consumption resources are the FFW/CFW/EGS schemes.

(ii) *Undifferentiated technical packages.* The basic services offered by the woreda sector bureaus are designed with sedentary cereal/livestock farmers in mind, and the team found little evidence that the lifestyle realities of pastoralists were being catered to. The attendance of pastoralist children at Dubti's primary **schools**, for example, was low and intermittent, with an enrollment ratios of some 15-20 percent – pastoral families commonly spend the summer months outside the woreda grazing the Kalawan, where there are no education facilities, and this discontinuity results in poor enrollment levels and high drop-out and grade repetition rates. Both in Afar and Borena, community focus groups said they would send their children to boarding schools if these could be provided at reasonable cost -- but no such program had ever been discussed at formal planning sessions. Similarly, in Afar the team witnessed a bias towards the development of **water** points in areas of settled cultivation, alongside a virtual absence of water points for pastoralists[81]. More generally, approaches to

[78] These and other such italicized comments are verbatim quotes from various respondents, and have been chosen to summarize commonly-expressed opinions.

[79] Villagers of Awasso estimated they might spend upwards of ETB 500 on a major illness. This was usually possible only by selling assets and/or contracting significant private debt. Out of approximately 300 respondents in the kebele, only two had used the hospital in question.

[80] The study team heard some complaints from farmers of pressures to subscribe to these technologies, though the team did not research this in any systematic way. Team members also heard reports of insistence on loan repayment no matter what the outcome of the harvest, leading some farmers to the forced sale of assets. In the Southern Nations woredas the team were told that households had sold FFW rations to repay their fertilizer loans. According to one such informant, "we lost on the fertilizer package the first time. Now they are making us buy fertilizer again and we are told we will get bigger harvests and so we will be able to pay our loans. In the beginning the Ministry used to teach us to make compost. That was good, but now they come with fertilizer all the time."

[81] In Dubti, 4 of 14 water points developed over three years were easily accessible to pastoralists.

agricultural extension varied insufficiently between different woredas and kebeles. Thus in 1998-99, herders in the Liben rangelands were recommended packages of seeds and fertilizer designed for agro-pastoralists as well as advice on stall/lot-feeding of their animals. Farmers in Liben also complained that the emergency distribution of planting seed – a Government response to persistent drought – was of little use when cattle were dying for lack of water[82].

(iii) *Gender access*. The virtual exclusion of women from the planning process was discussed earlier (Box 7.3). Cultural factors also interfere with female access to certain services. The difficulties involved in girls attending primary school in Ethiopia are well-known, and include the distances involved and early marriage[83]. These were substantiated in discussion with female community focus groups. A dominant concern of these groups was the priority given by men to female labor power for the farm and the home, and an unwillingness to forego this in favor of what they saw as dubious investments is schooling. *"What use is a woman who can read?"* was how one female respondent characterized male attitudes in Gewarda Kebele in Konso, where it is very rare for girls to progress beyond Grade 4. Access to **family planning** services is often curtailed by male hostility. *"We are tired of endless pregnancies"* was a common refrain; nonetheless, and particularly in the kebeles visited in Oromiya and Southern Nations, the team heard many reports of threatened or actual violence to women who sought family planning services, and even to family planning workers: on one occasion in 1998-99 in Gurmo Woye Kebele in Sodo Zuria, "the men from our village wanted to beat [the female FP worker], and the kebele administration had to stop them since it would be bad for the village to strike a government employee."[84] In fact not *one* woman admitted to the team that she used contraceptives. **Water** was another area in which women felt their service perspective was over-ridden by that of the men. Many of the women's focus groups reported that they gave priority to water points for household use, while men favored locating water points where they were of most use for livestock[85].

7.48 ***The quality of service provision.*** Objective measures of service quality were not attempted under this study, however, these are being captured in the context of other work on Ethiopia including household surveys on access, usage, and client satisfaction, poverty assessments and welfare monitoring, as well as ongoing supervision in specific

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[82] The purpose of this distribution was to replace planter seed which, it was assumed, had of necessity been eaten.

[83] See, for example, Chapter IV of the "Regionalization Study."

[84] Nor was accessing family planning services secretly through health posts a real possibility for many women, especially if the health post was distant. As one woman in Ambentu PA in Agarfa Woreda said, "We don't usually travel far on our own, usually someone comes with us, especially if we are sick. If I went to the clinic to do this secretly, people would see me and probably tell my husband, and he'd ask why I am going to this clinic. If I took contraception secretly, he would think I had a lover or did not want more of his children. In either case, I could be beaten and that's why we don't use this service. If we had a health post in the village then we might."

[85] Be this as it may, most water schemes in the study woredas appeared to the team to have been located with human access as the primary concern. Women's perceptions in this case may be more revealing of attitudes than practice.

sectors such as health, education, roads, and water. Respondents for the Woreda Study almost universally identified service quality as an issue. Furthermore, most technical staff and woreda administrators acknowledged the need for more deliberate focus on performance improvement. The key factor alluded to in various ways was *inadequate operating budget*. Focus groups complained of shortages of materials and their unavailability at the right time – drugs in health posts, spare parts for water pumps, furniture, books and chalk at schools, and seeds, fertilizer and animal drugs in the agriculture sector[86]. Examples are provided in Box 7.6 below. Civil servants concurred, citing severe shortages in their operating budgets, which intensified in 1998-99 and 1999-2000, and which were sometimes exacerbated by delays in funds release and procurement[87]. Nor, as noted in para. 7.35, did woreda bureaus have any real discretion to adjust the composition of their budgets in favor of operating costs.

7.49 Bureau staff also stressed that operating cost shortages restricted mobility – fuel was perennially inadequate, while staff per diems were either not payable when needed, or simply not paid at all. While adequate fuel and per diem budgets are necessary, they are not sufficient for efficient performance of cadre-based field delivery systems. There is need for frequent in-situ technical back-up and administrative support if they are to achieve good technical standards and maintain discipline; this support will not materialize if supervisors are obliged to subsidize the state by paying for their own meals and accommodation[88].

Box 7.6: Shortages of O&M for Schools and Water Schemes, Sodo uria Woreda

Inadequate government budget for nonsalary recurrent costs is a major problem in the woreda. Two examples illustrate this:

The *Kokate Kebele Primary School* visited by the team used to get ETB 123.5month from the Government budget until fiscal year 1998-99. This amount was supposed to cover the costs of stationery, batteries for radio education, chalk, cleaning and sanitation material and garden maintenance. The sum was inadequate, but the school scraped by. In 1999-2000, though, nothing at all has been allocated by the Government, and the school is finding it hard to keep going. Students are being asked to supply paper for their teachers so they can prepare classes, set exams and record results. Radio education has been terminated for a lack of

[86] For example, focus groups in *all* kebeles stated that the funding available for animal vaccination programs had declined significantly since 1997-98 and was only now provided if there was an outbreak of disease.

[87] In the Tikur Inchini case study of education service delivery in one woreda (Annex 4), public officials at all levels of the woreda government indicated that unpredictable resource flows from above hindered implementation of planned education-related activities, such as undertaking school inspections and beginning construction on time. A majority of woreda officials also reported delayed payment (56 percent) and even nonpayment (33 percent) of salaries in the last twelve months. Salaries of nearly two-thirds of school officials were also delayed in the past twelve months.

[88] Staff posted to a woreda office are entitled to per diem if they leave the woreda capital to visit the kebeles. In practice, payment of this allowance was very rare in the study woredas, and many such staff freely admitted that they traveled hardly at all within the woreda (nor was there usually fuel for such visits as could have been accomplished by road). Thus most woreda-level planning exercises are done as desk studies, except when the inputs of DAs are received. These constraints operate at all levels and compromise contact, communication and realism. In Oromiya, for example, the Zonal Project Committee (ZPC) is supposed to visit each woreda annually to identify projects. In 1998-99 this very rarely happened, and the zones essentially resorted to the previous year's written plan to identify the coming year's projects. By the same token, in-field supervision of contact staff by their superiors appeared to be minimal.

batteries (which cost less than ETB 10 /month). In spite of this, the School Management Committee is meeting and has come up with plans to raise some money – from the sale of wood products from the school grounds, for example. One of the difficulties they face, though, is that they are unable to collect any contributions from the community; this needs the endorsement of the Woreda Council, which has been requested but had not been granted by the tenth month of the fiscal year.

In the case of one *water supply project* serving three kebeles, a water user committee is charged with the operation and maintenance of the scheme. In Dalbo Atwaro Kebele there is one water point with four taps, which is well fenced and guarded. The water points in the other two kebeles do not work, and WUC members claimed they could not get access to any technical help, and that sustainability was endangered because no-one had been trained to operate and maintain the system. Fees are collected from users at Dalbo Atwaro, but amount to only 25 cents per week regardless of the volume of water used; this is barely enough to pay for the guard. At the moment, the Dalbo Atwaro water point is maintained by World Vision, which explains its status. The WUC had little confidence that maintenance would be feasible if WV left, as the community would not be able to afford it. No private local artisans have been trained to do such maintenance.

7.50 Another casualty of the squeeze on operating costs is the lack of in-service training provided to field staff. To cite the Tikur Inchini case, staff at all levels had been given few opportunities to upgrade their skills. Most education officers had not received in-service training in the year prior to the team's visit, while only a quarter of teachers had received any short-term training in the same period. In-service training might have mitigated the shortage of qualified staff by improving existing staff efficiency somewhat.

7.51 The Woreda Studies exemplified a national conundrum. Recurrent budgets are low. Strategic budget choice have favored salary payments – that is, the deployment of the maximum affordable number of staff. Doing so, however, has meant two related budget compromises, both of which affect service quality. The first is low salaries, a well-known national issue that makes recruitment of higher-end skills particularly difficult (Table 9.1), and which is being examined under the Government's Civil Service Reform Program (work on which is being supported by the Bank through the Emergency Recovery Credit, para. 4.05 (iv) above). This itself can lead to well-meaning anomalies: the study woredas would commonly try to increase the stock of teachers by short-term strategies that ultimately endangered quality, or proved self-defeating -- such as using high entry salaries to attract new teachers, or employing untrained "community teachers" using contributions collected by kebeles[89]. And the second is the inadequate funding of

[89] In Tikur Inchini, respondents pointed to inadequate pay as a key factor causing vacancies to occur, particularly in the higher-end bureau skills (accountants, procurement specialists, program officers). Even though the woreda lacked the formal authority to improve wages, Tikur used informal practices to make public employment more attractive. For example, in the past two years, the woreda did not recruit any staff in its three lowest teaching grades, which paid between ETB 197 and ETB 285 per month. Virtually all new entrants were absorbed into the teaching cadres at the fourth salary grade, in which monthly salaries started at ETB 326. This de facto embargo on hiring at the three lowest grades coincided with substantial increases the numbers of staff being promoted to higher grades, (including a ten-fold increase in staff within the ETB 565-600 salary grade). While understandable, this tactic meant that *fewer* teachers could be employed, and also weakened the links between performance and pay. Schools in Tikur also tried to meet staff shortages by double-shifting and hiring community teachers with own-source revenues -- although most woreda officials considered such staff unqualified and harmful to the quality of education.

operating costs – which in turn compromises the effectiveness of the staff who have been deployed.

7.52 **The Nature of Beneficiary Involvement in Service Delivery.** Despite their constitutional mandate, the woreda councils in the nine study woredas exercised little independent authority over the development process[90]; consistent with what has been described in Sections B and C above, the implementation of capital projects and the management of service delivery was substantively handled by the zonal and regional technical bureaus.

7.53 ***Sub-kebele beneficiary organizations***. Three kinds of service-related community organization were identified at the sub-kebele level[91].

(i) *School management committees*. These are composed of local leaders, kebele officials and education bureau staff/teachers, and charged with supporting the operations of local schools. In practice, with the procurement of works and supplies and the selection, supervision and payment of teachers managed by the sector bureaus, these committees focused on helping the kebele administration mobilize voluntary labor for school improvements and maintenance, and raising money from the community (for instance, to buy school supplies or pay salaries of community teachers).

(ii) *User committees*. These are composed of beneficiaries and established to take care of the maintenance of water points and minor irrigation schemes. These entities had mixed records. When it came to local labor mobilization, user committees could usually deliver. When maintenance required cash or technical skills, matters would tend to languish and disputes to arise over who was responsible. In Macheke Kebele in Konso, for example, a pump had been installed by an NGO four years previously; the NGO had not made provision for its upkeep, and both the community and the woreda water bureau insisted that responsibility for the pump lay with the other (the pump had been broken for over a year). In Sodo Zuria, the woreda water bureau staff noted that five of ten windmill-operated boreholes, all three hand-pumps, and both motorized schemes in a particular area of the woreda had broken down, and admitted that the skills needed to maintain operations exceeded the capacity of the committees -- even though they had received training and had notionally taken ownership of the schemes.

(iii) *Mengistawi buden (in Amhara), and area-based work brigades (other regions).* These have varying degrees of permanence, and are organized at the initiative of

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[90] Once again, with the exception of Konso Special Woreda Council (since Konso SW operates much as most zones do).

[91] In addition to the facility and maintenance committees mentioned, women's associations existed in about a third of the kebeles visited. These associations are organized by the zonal/woreda bureaus of labor and social affairs. These associations have two main functions – the promotion of group savings, and the mobilization of female labor for the construction and maintenance of kebele capital projects.

bureau staff for "force-account" construction and maintenance work (for instance, building roads, staff houses and offices and soil and water conservation structures, maintaining school buildings). The amount of community labor mobilized in Ethiopia through these organizations is notable, though the degree of voluntarism can be questioned[92]. In the food-deficit areas where FFW/CFW/EGS schemes have been targeted, though, such labor can be remunerated and can thereby deliver income benefits to participants[93].

7.54 A strong common thread in all these organizations was the leading role played by bureau staff; rarely did the groups that the team met or observed display signs of spontaneous self-organization or independent community management. While community-based organizations (CBOs) exist in the form of funeral associations (idrs), rangeland societies and various church-related organizations, their energy is generally directed towards specific activities that fall outside the compass of the official development process (such as group savings and credit schemes, patrolling clan grazing boundaries and building churches). The most proactive of the various "official" groups described above appeared to be the school management committees – but their discretion is quite restricted. Box 7.7 illustrates the current limitations and potential of SMCs from examples in Tikur Inchini Woreda.

7.55 The extent of these organizations' enthusiasm and effectiveness naturally varied. Factors that affected commitment and performance included tradition (much stronger in Konso than in Dubti, for example), the quality of individual officials/bureau staff, and the availability of FFW/CFW/EGS resources. When emergency relief food/funding was available, a healthy labor supply response was always evident.

7.56 This gave rise to numerous comments from community focus groups about the extent to which labor – unpaid or remunerated – was directed towards community priorities. Most agreed that the road construction, spring cleaning and gully control works that had been undertaken were by and large beneficial, but the team detected a good deal of ambivalence about much of the terracing and dry-wall construction on farmers' fields. Reasons for this varied – some people felt the work was appropriated for the farms of the influential, others that such soil and water conservation measures used up too much valuable arable land. Underlying many of these discussions, though, was the implication that much of the work was decided on for them by the Government, rather than chosen by the communities themselves.

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[92] The practice of organizing communities systematically to perform labor dates from the Derg era, and is considered by some observers extractive in nature. This was clearly the case when communities were obliged to labor without remuneration on initiatives that were generally unpopular and served to extend the reach of state power – such as the creation of infrastructure for collectivized farms, or for villagization (the relocation of villagers into clustered settlements). Today, though, the force of this argument is much diminished, since the kind of infrastructure created should directly benefit the local community. Nonetheless, the provision of unpaid labor may entail costs to families in the form of on-and off-farm income generation opportunities foregone.

[93] As a general rule, though, the team found that "voluntary" and FFW/CFW/EGS labor were linked – it was necessary for an individual to put in a certain quota of unpaid labor before being able to access emergency employment.I In Amhara, this was generally 30 days in a given fiscal year.

7.57 ***Community involvement in capital projects.*** The study found that the role of the community in the implementation of capital projects was generally restricted to providing labor, and that of the kebele administration to the selection of sites for construction and of individual contractors (artisans) to carry out minor works. The role of the woreda was similarly restricted by the size of the contract – thus woreda development committees would award contracts for the construction of small water projects, veterinary clinics, or DA houses, but not for new schools or bridges. The following examples illustrate the division of responsibilities.

Box 7.7: Participation as an Accountability Mechanism: Under-exploited Resource?

Countries with robust decentralization programs typically offer communities various instruments with which communities can provide feedback, voice dissatisfaction, and generally hold public officials accountable. These typically comprise administrative processes (for example, consultations with technical staff, report cards), formal political processes (for example, voting in elections, consultations with elected officials), and civic media (for example, writing editorials in the local press, radio, participation in public fora organized by NGOs).

Based on data collected by the pilot surveys, the table below illustrates whether communities in Tikur would likely use administrative, political, or civic processes to apply participatory pressures on schools and public officials. In the eyes of most officials, political participation at the woreda- and kebele-levels, as well as regular involvement in SMCs were the most likely levers by which communities would hold public institutions accountable.

Administrative arrangements for garnering client feedback. The pilot found that communities were accustomed to voicing their concerns through open meetings between school officials and parents. These meetings, organized by the School Management Committee (SMC), constituted the most basic administrative arrangement by which clients could interact directly with providers. Most woreda officials (78 percent) also considered the SMC to be the primary filter for the educational system to glean client feedback. It is worth noting that the pilot surveys did not gauge whether parents actually shaped the agenda of these meetings or whether school officials were responsive to criticism and feedback received during these sessions.

The field visits did, however, reveal that the membership of SMCs typically included several kebele executives, who ostensibly wielded considerable authority in critical areas such as revenue mobilization and to a lesser extent, resource allocation. By implication, parents may have hesitated to express dissatisfaction with school management for fear of reprisal by an officials wearing both SMC and kebele hats. This finding suggests that the selection process for SMC officials requires further investigation since, in some communities, it was apparently a captured institution.

Communities also expressed dissatisfaction by contacting the education office directly. Forty-four percent of woreda-level respondents indicated clients had complained directly. On occasion, the woreda education office also held workshops with client groups, although this did not appear to be a very robust mechanism for clients to express concerns and provide feedback. In fact, given the choice, about a third of respondents felt that parents would agitate for better school performance through the political process by exercising their vote during woreda elections.

Accountability through political participation—voting and agitating. Nearly 40 percent of public officials indicated that client satisfaction with educational performance affected the way citizens voted in kebele and woreda elections. In addition to exercising their vote to register dissatisfaction with educational performance, kebele-level respondents indicated that parents typically agitated with sitting members of the kebele's executive (40 percent) and even more typically went straight to the woreda (60 percent).

Civic and other media. Communities in Tikur, which were largely rural and poor, were not likely to apply pressure on education officials by writing in newspapers or agitating NGOs. Nor were they likely to 'vote with their feet' or move to a private or NGO-run school. Such options were not as yet viable for most of the woreda's residents.

Source: Handling Hierarchy in Decentralized Settings (Annex 4)

Table 7.18: Constructing a Veterinary Clinic in Woibla-Selamku Kebele, Farta Woreda, Amhara, 1998-99

Activity	Responsible
Design preparation	Standards established by Regional Agriculture Bureau
Kebele selection	Proposed by Woreda Agriculture Bureau (WAB), vetted by zonal DOPED, approved by Woreda Council
Site selection	Kebele executives and WAB
Bid preparation	Woreda Development Committee (WDC -- consisting of officials and bureau staff)
Bid advertisement	WAB
Bid evaluation and selection of contractor	WDC
Construction supervision	WAB
Funds management and disbursement	Woreda Finance Office

Table 7.19: Constructing DA Houses and Centers in Tach Gaynt Woreda, Amhara, 1998-9[94]

Activity	Responsible
Design preparation	Zonal Bureau of Agriculture
Kebele selection	WAB, vetted by zonal DOPED, approved by Woreda Council
Site selection	Kebele executives and WAB
Bid preparation	WAB
Bid advertisement	WAB
Bid evaluation and selection of contractor	WDC
Construction supervision	WAB
Payment approval	WAB
Fund management and disbursement	Woreda Finance Office

Table 7.20: Constructing Primary Schools in Liben Woreda, Oromiya, 1998-99

Activity	**Treasury- financed**	**ESRDF financed**
Design preparation	Federal MOE	Federal MOE
Site selection	Zonal and Woreda Education Bureau	Woreda, kebele or community
Bid preparation	Zonal Education Bureau (ZEB), Zonal Works and Urban Development Department (ZWUDD)	ZEB, ESRDF regional gffice
Bid opening	Zonal projects committee (ZPC; includes ZWUDD, Zonal Education and Finance bureaus, head of DOPED, Zonal Administrator as chair)	ZPC
Bid evaluation	ZWUDD and ZEB	ZWUDD, approval by ESRDF
Award Approval	ZPC	ESRDF Regional Manager
Contract Signing	ZEB	Community and ZEB, or community
Supervision	ZEB/ ZWUDD	Community, Woreda Education Bureau, and ESRDF-hired supervisor working under ZWUDD
Payment	ZEB/WUDD	ESRDF supervisor working

[94] Apart from the purchase of three mules, these constituted the sum total of capital projects for this woreda in 1998-99. The community contributed local materials (sand , wood, stone) and labor valued at just over ETB 16,000.

		under ZWUDD (community also writes support letter to release payment)

Table 7.21 Implementation Responsibilities for Capital Projects under the Education and Health Sector Development Programs in Farta and Tach Gaynt Woredas, Amhara, 1998-99

Activity	Responsible
Design standards for schools, health facilities	Regional bureaus, Ministries of Education and Health
Bulk purchase of text books, educational and medical equipment, drugs and other supplies	Regional bureaus, Ministries of Education and Health
Bulk purchase of furniture for schools and health facilities	ZPC
Facility construction bid preparation	ZPC
Facility construction bid advertisement	ZPC
Facility construction bid evaluation	ZPC
Facility construction contract award and signing	ZPC
Facility site selection	Woreda Ed/Health Bureaus and kebele administrations
Facility construction supervision, payment authorization	ZPC
Facility construction payment	Zonal Finance Bureau

The variations between regions are essentially minor: in Afar, all decisions are centralized at the regional level (thus contracts are tendered, awarded and supervised by the Regional Works and Urban Development Bureau); in Southern Nations the locus for major procurement is the Zonal Works and Urban Development Bureau, in Oromiya and Amhara, the Zonal Projects Committee[95]. Community-level procurement was only evident in the hiring of artisans for maintenance work, and was invariably handled on an informal basis. At woreda and zonal level, elected officials are more heavily involved in procurement as members of Woreda Development Committees and Zonal Projects Committees, but always in the minority. In essence, procurement and the implementation of capital works were seen by the technical bureaus as a job for professionals. A partial exception to this is provided by ESRDF, which has made a more systematic effort to involve communities as partners in decision-making. The same holds for some bilateral and NGO-financed activities, though procedures are determined by the individual financier and vary widely.

7.55 ***Community involvement in service delivery.*** The key resource in the Ethiopian service delivery system is the staff of the technical bureaus, a resource clearly controlled by the civil service; the recruitment and management of front-line staff is handled by the zonal and woreda technical bureaus. Moreover, as discussed in Section C, recurrent budgets (salaries and operating costs) are formulated and managed by the zonal technical bureaus. Little effective control over service delivery is decentralized to communities or their representatives; their responsibilities are limited to infrastructure maintenance and the allocation of certain user fees (see para. 7.51 above). In essence, service delivery is managed by the civil service. Most aspects of service provision have been devolved from

[95] In Konso Special Woreda, the woreda projects committee plays the role of the zonal WUDB.

the Federal ministries to their counterparts in the regional and zonal bureaus – but the decentralization to citizens of authority over service delivery, though envisaged in the regional constitutions, is not yet in evidence.

7.56 **Community Recourse.** In the service delivery system observed in the study woredas, beneficiaries exercise little control over the planning and delivery of services. Given this, there is a self-evident need to tap and to use beneficiaries' views on the adequacy of the services they are receiving: without such a reality check, any powerful bureaucracy will grow complacent and inward-looking. The structure of local government in Ethiopia, with its directly-elected Woreda Councils, is well-suited to regular, open reviews of service performance. In practice, however, no such formal service reviews have been held in the study woredas. As a result, recourse in the case of poor performance tends to be ad hoc in nature, and focused on individual events.

(i) *Complaints about service provision.* To the extent that communities and their representatives are consulted on development issues, this occurs in the context of the annual planning exercise; these consultations, however, focus on requests for new capital infrastructure rather than any critique of past service performance. In practice, and in place of any *systemic* ex-post review, individuals complain about service glitches to the bureau staff stationed in the villages (principally teachers and DAs), or to their kebele executive committees. Among those noted by the study team were cases in which communities had provided labor and materials to construct or maintain a project, while the woreda had not. Two such examples come from Konso. In Awasso Kebele, the grind-mill built by the Government had never functioned, while in Macheke Kebele the water pump had been broken for four years. In neither case had the community's complaints resulted in corrective action[96]. Respondents said they had not attempted to take their case beyond the woreda, however, and implied that there was little to be gained by doing so.

(ii) *Complaints about civil servants.* Focus groups said that they would certainly complain to their kebele executives about corrupt or lazy staff, and several cited examples of such persons. In one kebele in Liben Woreda, the community stated that the technician managing the health post never admitted to having drugs in store, even though it was common knowledge that he did; he also had a drinking problem which resulted in erratic services – the same complaint heard in another kebele in Liben Woreda. Both groups said they had reported this behavior to the woreda. Past instances were cited in Awabel and Dubti Woredas, where community complaints about two corrupt water overseers had led in one case to dismissal and in the other to prosecution. The dynamic was one in which villagers and kebele executives would approach the technical bureau and would expect the bureau to institute disciplinary measures.

(iii) *Complaints about kebele officials.* Each kebele is supposed to constitute a social court, comprising three persons from the community, to adjudicate local disputes.

[96] Though it should be noted that local bureau staff claimed that this community had misinterpreted its maintenance obligations.

Most of these courts appeared to operate in some form. Their deliberations generally concerned property and other squabbles between individuals, or land demarcation/tax disputes with the Government – but the court can also be used to hear complaints about corrupt or incompetent kebele officials. While acknowledging this, respondents in the kebeles visited had not brought any such complaints before the courts. Alternatively, a community or individuals can complain about kebele officials to their woreda administration, though respondents said that this was uncommon. More normally, community members said, they would share complaints at church gatherings or in their respective Saint Day associations, without taking any further action (this was mentioned in Gersergio and Machecke PAs in Konso).

(iv) Kebele officials' performance is formally reviewed by woreda councils in an annual forum tailored to the purpose, and this can result (as in Awasso PA in Konso in 1992-93) in the replacement of officials. Thus sanction is applied from above rather than from below[97]. As far as civil servants are concerned, recourse is ad hoc in nature, with discipline flowing down the system. This is consistent with the overall profile of service management in the study woredas.

7.57 Constraints to significant community involvement in managing service include the following factors:

- **The service delivery model**. The Federal and regional constitutions oblige the state to see to the provision of basic services, but not to deliver those services itself (para. 3.03). The service delivery model used, however, is based on area coverage and direct service provision by cadres of professional staff, whose salaries consume the bulk of the development budget.

- **The locus of decision-making**. Although the constitutions provide for the management of service delivery activities by elected woreda councils, in practice discretion is retained largely within the civil service, and far from the front line. Citizen involvement in *planning and budgeting* in the study woredas was limited to selections from a menu of small infrastructure works; much of the capital and all of the recurrent budget was allocated at the regional and zonal levels. Most *procurement* was likewise managed from outside the woreda, and technical *staff selection and management* was handled by the zonal technical bureaus. Community beneficiary organizations played marginal roles in the provision of services; they were relied upon much less for ideas than for their ability to mobilize labor-power (7.51).

- **Community capacity, parallel structures**. The traditional, active community structures prevalent in Ethiopian life played little part in the formal development process. The capacity and leadership embodied in them was largely lost to the official development effort. Many of those interviewed complained of the increasing

[97] It was suggested by a number of community focus groups that political loyalty was often an issue in such cases (the role of the ruling party in decentralization is mentioned in Chapter 8 below).

tendency to overlook elders and other harbingers of traditional authority, and the role that the political system played in encouraging this process among the youth.

- **Limited recourse.** Woreda councils undertook periodic reviews of the woreda's accounts (7.36) and of kebele officials' performance (7.56), and these reviews served to highlight individual instances of abuse or neglect. If communities were dissatisfied with the performance of service delivery staff, however, they would habitually rely on mechanisms of internal discipline within the civil service to apply sanctions.

In summary, respondents and their institutions in the study woredas presented themselves as passive recipients of services rather than active participants in service delivery.

8. An Assessment of Government Performance

8.01 The study findings forcefully underline the problems the Government faces in delivering effective basic services in Ethiopia. Distances are great, with communications and infrastructure poor. Topographical, climatic, ethnic and economic systems diversity is immense. Overall poverty levels constrain revenue-generating capacity and the ability of many to access and benefit from education, agriculture and health services. Government budgets are parsimonious. The trained human resource pool is thin. The private sector is embryonic, restricted largely to trade and petty-contracting, and with little capacity as yet to offer alternative service delivery channels. Added to this is the recent introduction of federalism and the transitions associated with this. Community organizations, however, are widespread and active, in the form of saints' day peer groups, funeral societies, range management associations, savings collectives and church and mosque congregations. There are long traditions of community self-reliance in the face of isolation, civil unrest, and government neglect.

8.02 How, in an environment that is simultaneously poor in many resources and rich in community structures, did the Government respond to the demands of its citizens for basic services? What strategic choices did it make? Were these the right ones? To what extent have they been successful? What might be done better?

A. The Nature of the Government's Response

8.03 As we have seen, formal structures of participation exist down to the grass-roots level in Ethiopian society, and the powers that have been accorded them under the Federal and regional constitutions are considerable. The constitutional and legal basis for decentralization is thus in place. In a fiscal sense, moreover, the Federal Government has devolved an unusual degree of spending authority to sub-national government units, and has allocated to them a major share of the national budget. Practice, however, belies these provisions.

- **Planning** is structured as a process in which national policies are married to local priorities. In the nine study woredas in 1998-99, though, national policy was seen to dominate local concerns. Only a small proportion of the public budgetary resources available to a woreda were considered in the annual woreda plan; the bulk were spoken for by the recurrent requirements of Government technical bureaus, which were not subject to public determination. Woreda planning was thus restricted to the planning of capital projects, while the planning of service delivery was in effect handled by the civil service. Community inputs into capital planning, moreover, were constrained by a lack of information on budgets and by a pervasive shortage of funds. Actual project selection was mediated at the zonal level; only here were plans fitted to budgets. This was done by committees dominated by technical bureau staff, and obliged to give priority to sector ministry objectives. Significant off-Plan resources – emergency food/cash funds, donor and international NGO contributions, ESRDF funds – were also made available to the study woredas in 1998-99. The planning processes and degree of community involvement in them varied, but were usually

framed by outside agencies which had largely predetermined what particular communities should receive. Complaints of low community capacity and indifferent enthusiasm for planning were heard from many officials and bureau staff, but it also appeared that communities did not perceive much benefit in the formal process. There was no evidence that traditional community structures were being accessed through formal planning exercises; labor power, not ideas, was the principal contribution the Government looked to communities for.

- **Resource management** was also anchored firmly in the bureaucracy, with the role of elected representatives and community groups focused more on tax collection and labor mobilization than on expenditure determination or monitoring. With the woredas' revenue-generation capacity limited by poverty and the low monetization of economic activity, Federal transfers were required to finance some two-thirds of planned woreda expenditures. Budgeting convention also helped loosen expectations of local resource management control: own-source revenues were applied to recurrent budgets, which the woredas did not allocate, rather than to the capital budget, which in principle they did. Although formal reviews of the budget were held annually by the woreda councils, the sanctioning of those who abused their budgetary authority normally derived from internal audits or investigations from within the bureaucracy. Woredas also had no say over the proportion of the Federal transfer that would be taken "off the top" to finance zonal government overheads, nor the differential split in the transfer between woredas – and ignorance of the basis for such decisions could lead to perceptions of unfair or arbitrary behavior by the Government.

- **Service delivery** was characterized by a high degree of uniformity. First of all, the bulk of official resources in seven of nine woredas were devoted to education, and in seven of nine agriculture received second priority. Again, in seven of nine woredas, 60 percent or more of the total budget was devoted to salaries, and in all of them provisions for operating costs appeared woefully inadequate; this evidences a clearlystated Federal focus on maximizing primary enrollments and the numbers of farmers served by the extension service. Second, little variation to account for differences in agro-ecology and community structure was observed; most obviously, pastoral communities were provided with virtually the same service package as sedentary populations. Apart from site selection and the contracting of individual artisans, communities and user groups exercised little discretion over Government staff, the procurement process or the evaluation of services; channels for complaint, while formally present, were little used in practice.

8.04 In summary, this is a system in which hierarchical control is strong, and in which service delivery is managed by the technical bureaucracy. Why a system which empowers elected structures so thoroughly should in fact operate in such a conventionally top-down, technocratic manner relates importantly to discretion exercised in the political sphere. Important here is the strong role played by the ruling party in development. The First and Second Five-Year Plans, which embody the development strategies and policies evident across all the study woredas, were written with a major guiding input from the central organs of the EPRDF. In the current Ethiopian polity, the party exercises

considerable leadership and control throughout local government, as respondents at all levels acknowledged.

8.05 *The form of decentralization observed in the nine woredas is best described as deconcentration, or administrative decentralization – it does not yet manifest as the devolution of powers to elected bodies provided for in the Federal and regional constitutions.* This is a form of decentralization with inherent dangers. As described in one World Bank document, "When deconcentration occurs in isolation, or when it occurs together with fiscal decentralization but without simultaneous democratization - that is, when agents of higher levels of government move into lower level arenas but remain accountable only to persons higher up in the system - it enables central authority to penetrate more effectively into those areas without increasing the influence of organized interests at those levels. The central government is not giving up any authority. It is simply relocating its officers at different levels or points in the national territory. In such circumstances, it tends in practice to constitute centralization, since it enhances the leverage of those at the apex of the system"[98]/.

B. Evaluating the Response

8.06 Do the Government's choice of development strategies and instruments, and the degree of decentralization in force, represent optimal decisions for the country? An answer to this must constantly be informed by the sheer difficulty of the task facing the Government.

8.07 Some historical perspective is important here. When the EPRDF came to power in 1991, it inherited a structure of governance that had been radically transformed during the previous 17 years. A quasi-feudal society dominated by regional landlords was replaced in the 1970s by a soviet state. From the perspective of the rural peasantry, the new regime gave much improved access to land and made a more systematic effort than its predecessor to deliver basic services, while retaining the right to use or reallocate land and to extract surpluses for the benefit of the nonfarming population; it also put in place a comprehensive network of party structures to ensure local vigilance and compliance. The coherence of the Derg's apparatus and policies eroded as resistance spread and the alliance of regional parties that now constitute the EPRDF came into being. Nonetheless, as is clear from the political debate of the early 1990s, the legacy of this turbulent period embodied certain expectations and realities that the new Government could not afford to ignore. One such expectation was the need for a new relationship between the center and the peripheries – one that addressed the exploitation of the rural areas and recognized regional and ethnic aspirations. Another was the strong assumption that the new Government would deliver basic services and improve rural welfare. Alongside this was the fact that traditional structures of governance had been sidelined in favor of a descending structure of committees with significant proven ability to mobilize labor power and to disseminate information. Importantly, too, the nascent rural private sector

[98] J. Manor. "The Political Economy of Decentralization." World Bank, 1999.

had been destroyed. Nor could rural instability and law and order concerns be ignored[99]. Out of these realities were born the current federalist political structure as well as the Agricultural-Development Led Industrialization (ADLI) strategy which underpins Ethiopia's current approach to development[100]. Central to ADLI are two important concepts that bear upon decentralization and service delivery: the reversal of the Derg policy of extracting rural surplus to feed and develop the cities; and the notion of missing markets, that is, the severe discontinuities in systems of exchange in a country so beset with poverty and so disrupted by strife and policy change. These perceptions led to the major market liberalizations of the early 1990s[101] -- as well as to a rationale of a strong public presence in basic service provision until such time as a vigorous private market may emerge.

8.08 Thus the Government faced a situation in which the private sector and traditional community structures had been undermined; it also faced high expectations from a war-weary population with high natural rates of increase and a heightened consciousness of what might be expected from the state. The means at the Government's disposal were far from optimal – a low fiscal base, a poorly educated population and a civil service traumatized by a generation of politicization. *The evidence from the Woreda Studies shows that Government strategy under such circumstances has been complex. It embodies, on the one hand, a long-sighted commitment to decentralization and the democratization of the economy, as witnessed in the constitutions and the democratic structures of local governance. The practice of local development, however, is more traditional and more authoritarian, and builds on centralized systems and attitudes already in place.*

8.09 The woreda inquiries suggest that the Government's short-term hierarchical approach has certain clear advantages. Consistent attention to key ADLI policies is assured through the budgetary emphasis on primary education and agriculture. The civil service remains welldisciplined, with absenteeism and fraud rare by any standards. Public resources in the sample woredas appeared to flow in a predictable and timely manner, and for purposes that were originally intended. Considerable stores of community labor power are tapped for the benefit of the communities. And, at an aggregate level, there is clear improvement in key service delivery indicators: the national primary school enrollment rate expanded to 43 percent over the 1994-2000 period, while the number of farmers accessing the Government's fertilizer and seed packages has grown to nearly 2 million in 2000.

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[99] For instance, rural militias in some of the study woredas, particularly in Oromiya, reportedly exercised undue political influence of inhabitants elected to kebele council posts.

[100] For a fuller discussion of ADLI, see Chapter 3 of *Ethiopia: Transitions in a Poor Economy*,World Bank, June 2000. For example,. p. 41: "(ADLI) gives very high priority to agriculture, whose growth is seen as the engine of industrialization through its effects on domestic demand for industrial goods, supply of raw materials and exports. ADLI is also viewed as a pro-poor growth strategy which will ensure that the benefits of growth are widely shared. ADLI aims at a process of industrialization which depends not on exploiting agriculture (i.e. extracting a surplus from it), as has commonly been the case, but on exploiting the mutually reinforcing relationships between agriculture and industry".

[101] See Chapter 3 of *Ethiopia: Transitions in a Poor Economy*, World Bank, June 2000.

8.10 But such achievements come with a price. Foremost among these is the tendency of bureaucracies to maximize their size and budgets, and the willingness of bureaucrats to pursue their own self-interest, often at the expense of their ostensible clients such as communities and private sector institutions. The result may include the perpetuation over impact, sustainability and inclusiveness[102]. Evidence of this from the study was found in the high budgetary overhead associated with regional and zonal bureaucratic expenditures and the extent to which the Federal transfer was tapped to finance this (para. 7.23), and in the strong budgetary preference shown for salary expenditures over either capital projects or operating costs, despite what community preferences appeared to indicate – to the extent that one may legitimately ask if the cadres of technical staff employed, inadequate as they may be in any absolute or comparative sense, are not in fact *excessive* in relation to any quality service they can provide. By the same token, there appears to be a relationship between the centralized control of service delivery and inflexibility. Service products were uniform in nature, and were not welltailored to different target groups (the poor, pastoralists, women). Valuable lessons that could be derived from bilateral and NGO activities were virtually ignored by the technical bureaus (some of these are summarized in Annex 3). The private sector, far from presenting as a legitimate complementary channel for service provision, tended to be seen by bureau officials as undesirable and exploitative in nature, something which the public sector needed to contain. Indications from other sources, moreover, suggest that the spread of rural entrepreneurship envisaged under ADLI has faltered[103]. Other costs associated with the current approach are a stifling of the development of the woreda as a democratic, accountable unit of government, and – associated with this – a failure to capture the resourcefulness, resilience and adaptability of Ethiopian communities.

C. Policy Implications

8.11 The study implies that an important contribution to improving service delivery may lie in greater decentralization of power and enhanced community participation in the control of development resources.

8.12 The earlier discussions on planning and budgeting have drawn attention to the high degree of fragmentation and lack of transparency in planning. These factors serve to

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[102] Joe B. Stevens. *The Economics of Collective Choice*. Boulder, Colorado: Westview Press, 1993.

[103] One of the objective of the National Fertilizer Sector Project (NFSP) was to enhance private sector participation in the domestic fertilizer business. The results, however, have been mixed. A draft study on Fertilizer Marketing and Credit (commissioned by NFIA) indicates that, while the number of independent operators and commission agents (of importers) acting as wholesalers increased during the 1995-96 period, wholesale operations increasingly came under the control of importers and distributors in 1997. The two major contributing factors were the introduction of a new credit system in 1997 in which regional governments were given the authority to administer fertilizer credit; and deregulation of fertilizer prices in 1998, which removed pan-territorial pricing and fixed selling margins, thus making wholesale activities unattractive. Similarly, the role of private retailers showed a reduction in recent years in large part because of their exclusion from credit sales. The regional governments started dealing directly with major suppliers, who in most cases were importers.

constrain adaptive flexibility and the extent to which resources can be applied to areas of their greatest need. Consideration should therefore be given to:

- **Unified planning at the woreda level.** This has two dimensions – the integration of capital and recurrent budgeting, in order to involve the woredas and their elected structures in planning and budgeting for the delivery of services as well as capital projects; and the integration of all public resources into the planning process – specifically, donor/NGO contributions, emergency food and cash resources, and ESRDF funds. If kebele councils, and, more realistically, woreda councils are able to overlook the whole spectrum of the resources available to them, it becomes feasible for them to discuss intrasectoral adjustments, tradeoffs between new infrastructure and service provision (capital vs. recurrent allocations), and the balance between sustaining/improving services (salary vs. operating cost allocations). That said, any such development needs to be carefully integrated with work on budget reform at the national and regional levels; a proposal for how this might be approached is discussed in Chapter 9.

- **Transparent formulae for determining subregional transfers.** As noted in para. 7.22, some regional-zonal, and all zonal-woreda transfers are determined without recourse to a formula of the kind used for Federal-regional transfers. A formula-based approach should be introduced for transfers to all zones and woredas; woreda transfers should take *formal* account of emergency, donor/INGO and ESRDF resources, and the basis for such determinations should be made known and explained to the woreda councils.

- **Upgrading planning skills at woreda and kebele level.** If planning is to meaningfully involve elected representatives and community groups, the technical capacity of the public to appreciate and participate in planning needs to be enhanced. This can be done in the shortterm by ensuring a) full staffing of planning and finance positions at the zonal and woreda levels; and b) ensuring that these experts deliver insitu training to woreda and kebele councils – something for which fuel and per diem would need to be earmarked.

8.13 If bureaucraticallyoriented service delivery systems tend towards solipsism, there is a clear need—as observed in para. 7.56—to balance this with vigorous beneficiary monitoring. At present such counterbalances are not apparent, other than in annual reviews of kebele officials' performance and of the woreda's consolidated accounts by the woreda council – review that focus on financial probity rather than on service delivery strategy and the performance of service delivery agents. It is recommended that considerable emphasis be given to introducing active beneficiary monitoring of the development program by the elected structures.

- **The introduction of modern civil service legislation including a Code of Conduct and National Charter of Citizen's Rights and Responsibilities** (para. 4.05 (iv)) would provide a framework to inform the full range of civil service management issues including personnel and pay policies, payroll management, grievance, recourse

and redress, discipline, staff appraisal, etc. In addition, a Code of Conduct and Citizen's Charter, suitablypromulgated, would provide a clear idea of what the public should expect from the civil service in terms of service delivery outputs and behavior, and could have a profound impact on building a clearer sense of citizen entitlement and democratic recourse. The Government has been developing such a tool under the Civil Service Reform Program, and the refinement and introduction of these and other formal rules of civil service management have been assisted by the Bank under the Emergency Recovery Credit (FY01).

- **The introduction of annual reviews of service delivery performance** by the woreda councils is also recommended. These would serve, in effect, as management audits of the full range of services provided in a woreda and should, it is suggested, take in the activities of all bodies disposing of public funds (including the activities supported by donors and INGOs). Formats and facilitative processes would need to be developed.

8.14 As a longer-term proposition to support the decentralization of service management responsibilities to communities, Ethiopia is beginning to experiment with new methods of fund management. One such example encountered in the study was the SIDA block grant scheme – and similar schemes are found in other parts of the country (for example the UN Capital Development Fund's activities near Gonder in Amhara Region, and the ESRDF Block Grant Pilot Scheme which will shortly be initiated, also in Amhara Region[104]). Other examples are provided in the Bank-financed Ethiopian Multi-Sectoral HIV/AIDS Program (EMSAP, FY01), which is providing HIV/AIDS-related grants to kebeles to finance HIV prevention and HIV/AIDS care activities of their own choosing, and by the proposed Bank-financed Food Security Project (FY02), which would provide block grants to woredas and kebeles for a wide range of rural development activities. A selection of these and other donor efforts in support of decentralized service delivery are reviewed in Annex 3.

8.15 Bank and UNCDF experience with such facilities is now quite extensive, descending as it does from early work in Nepal and in Latin America in the 1980s[105]. In all cases the importance of a *graduated* approach has been shown; that is, a sequenced plan in which *capacity is built and access to capital funding is provided only in careful tandem with this process.* A variety of methods can be used – some of which offer technical support before they provide capital, others of which provide both types of input together and allow for increased capital allocations once good performance can be demonstrated. Consideration in Ethiopia could be given to experimenting with two forms of such decentralization:

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[104] See Annex 3.

[105] In Nepal, the UN/World Bank Management Support for Town Panchayats projects were designed to build the capacity of municipalities to manage their finances and conduct planning, and capital funding was made available to these units of local government as and when they could demonstrate superior performance; these projects then developed into a municipal development fund against which qualifying municipalities could borrow. In Latin America, the Bank's Provincial Development Program in Argentina gave local governments access to project funding if they could show a track record of good fiscal performance, robust participation and adequate skill in financial management.

- **Enhancing decentralized management of specific institutions or services.** School management committees, for example, in return for meeting certain basic standards in bookkeeping, financial management, report preparation and public information provision, could be given greater discretion over the selection and performance appraisal of teachers as well as over the full budget of the school and its allocation between capital, salary, equipment and recurrent uses. The same type of exercise could be applied to healthposts and veterinary clinics. Alternatively, a "full" kebele budget could be defined (capital + recurrent, government + donor/INGO) and the kebele executive committee given the responsibility to manage it in return for a commitment to plan, budget and report according to certain basic formulae, and to review these outputs fully with the kebele council.

- **Monitoring and building on ongoing/planned block grant schemes.** There is a need to tie together experiences from the various disparate efforts underway or proposed, with a view to exploring their national implications. Among the aspects of decentralization and service delivery that need researching are the following:

(i) Tying transfers to own-source revenue mobilization efforts;
(ii) Community determination of intersectoral budget allocations (including the discretion to decide that a particular service may *not* be needed, in view of the priority given to others);
(iii) Flexibility in budget management between different budget heads (construction, equipment, salary, operations and maintenance);
(iv) Developing different approaches to service delivery to suit local circumstances (for example mobile veterinary services and boarding schools for pastoral communities);
(v) Enabling communities to use budget resources to contract nongovernment actors to deliver services (NGOs, private entrepreneurs);
(vi) Community selection and management of staff;
(vii) Community-managed procurement and supervision of construction.

8.16 Initiatives such as those suggested in bullets (i) – (vii) should be undertaken in a coordinated manner, and their lessons made prominently available to Federal and regional policymakers. For that reason the Government may wish to consider working with the Bank and other donors (including donor INGOs) on these under the umbrella of the proposed Regional Governance and Capacity Building Project (FY03–para. 4.06 (ii)).

9. Further Work

9.01 The Woreda Studies were by nature experimental and proved to be complicated to organize due to logistical, staffing and weather constraints. As a result, some information deemed important in the TORs (Annex 1) was not collected. In order to round out the information set it would be useful to revisit one of the study woredas to draw up an in-depth profile, using the insights and research experience gained thus far. This would involve no more than a week of focused fieldwork. The methodology employed should blend the enquiry methods used for the nine woredas with an adapted version of the resource constraints analysis tool developed for the Tikur Inchini Pilot (Annex 4); perspectives derived from the companion work on municipal decentralization (para. 4.05) could also be factored in. The following additional information would be sought:

(i) A complete set of all woreda and kebele plans for 1999-2000;
(ii) Three-year (trend) budget information (for 1997-98, 1998-99, 1999-2000);
(iii) Service input and output information for the same period (for example, teacher employment/student enrolments, fertilizer distribution/yield impacts, medicine deliveries/morbidity and mortality statistics);
(iv) Data on the number, role and operating characteristics of service cooperatives, and access to/systems of formal and informal credit.

9.02 Using this additional information:

(i) A full woreda budget would be constructed, at least for 1999-2000 – to include inputs from off-budget sources (donors/INGO programs, emergency FFW/CFW/EGS schemes, ESRDF projects, and unpaid community labor);
(ii) The efficiency of revenue mobilization efforts would be assessed;
(iii) The role of the party in decisionmaking would be carefully explored;
(iv) The role and potential of CBOs and their actual/potential relationship to community user committees would be considered;
(v) Private sector service delivery potential would be assessed;
(vi) Financial flows from the woreda would be examined in detail to assess probity, timeliness and efficiency; and
(vii) The potential for community-level management of facilities and services, and woreda and kebele-level block grant schemes would be discussed with woreda officers and inhabitants, and practicable implementation arrangements for such schemes proposed.

This work could be carried out in Adami Tulu Woreda in East Shewa Zone in Oromiya. Adami Tulu contains Ziway town, and thus offers perspectives on decentralization in both rural and urban areas, and on the potential for the beneficial interactions between them envisaged under ADLI.

Table 9.1 Technical Staffing and Vacancies in Selected Sectors, Eight Woredas, 2000

Sector	Amhara							Oromiya							Southern Nations					Tot Posts	Tot In Post	Tot. Vacs.	Vac. %
	Awabel		Farta		T. Gayint		V%	A. Tulu		Agarfa		Liben		V%	S Zuriya		Konso		V%				
	IP	V	IP	V	IP	V		IP	V	IP	V	IP	V		IP	V	IP	V					
Ag	80	20	115	80	57	52	38	65	39	69	54	53	63	46	57	0	20	29	27	853	516	337	39
Ed	221	32	343	0	213	188	22	296	0	299	12	400	0	1	769	63	347	5	6	3188	2888	300	9
Health	14	12	58	33	27	17	39	41	3	23	0	110	0	2	34	0	30	0	0	402	337	65	16
Admin	14	12	58	33	27	17	39	5	3	6	4	2	6	50	0	3	0	0	?	190	112	78	41
Finance	7	5	18	10	13	8	35	4	3	3	3	5	5	34	18	10	5	3	28	120	73	47	39
Totals	336	81	592	156	337	282	29	411	48	400	73	570	74	12	878	76	402	37	8	4753	3926	827	17