

Part II. Major Findings of the Research

1. System Environment

Macro Level System Orientators

The first step in the assessment of a system of decentralization is to build up a clear and a detailed picture of the environmental factors having significant implications and influence over performance. In studying the legal contextual factor, this study found out that the regional states had more constitutional power than the Federal Government. The federal constitution assigned more legislative and executive power to the regional states. One factor, which underlined the autonomy of the regional states, was the assigning of residual power. According to the Federal Constitution, any residual power unspecified in the Constitution was left for the regional states. The significance of the residual power was that the regional states could exercise legislative power over matters not specified in the Constitution. The legislative and executive powers as well as the residual power assigned to the regional states suggested that the relationship between the Federal Government and the regional states was asymmetrical, even though they are in principle considered to be equal.

As regards the National Policy context, the Federal Government is responsible for the formulation and declaration of social, economic and cultural policies. The policy of the Federal Government in a way set a limit to the orientation of the regional states. As regards the land issue, for instance, the regional states could not make decision concerning the issue to their best interest in the resource mobilization process. They could not use the resource to develop ownership arrangements as their local conditions and interest permits them. Land has been declared as public and to bring about any change over land ownership, the Federal Constitution had to be changed.

Even if the regional states had more constitutional power than the Federal Government, the financial strings were in the hands of the latter. Various factors including the vagueness of the financial proclamations, nature of tax sharing system and the status of the regional capacity have contributed to the fiscal power of the Federal Government. The constitution gave regional states four distinct sources of revenue: i) own taxes, fees and user charges; ii) taxes shared with the Federal Government; iii) grants from the Federal Government; and iv) domestic borrowing. Out of these revenue sources, only two sources, namely own revenues and Federal transfers (including foreign assistance) were the principal support for Regional State spending. Due to the current development of the economic level, the productive base of both the direct and indirect taxes allocated to the regional state was very limited. According to the 1993/94 budget, own revenues of the regions covered only about 26% of their total regional expenditures, and less than half (47.1%) of the recurrent expenditures. In other words, the regional governments did not even have enough own revenue to cover their running costs. The major source of support of regional expenditures was transfers from the Federal Government.

In the context of democratization, some enabling environments have been created within which executive members and administrators of the regional states were expected to operate. In order to enable the establishment of a fully representative, democratic system of government, the EPRDF Government passed a number of enabling laws. Among such laws are those providing for an independent judiciary; for freedom of the press, association and

demonstration; for party registration; and for free, competitive elections under the supervision of an independent Election Board. Even though there were considerable difficulties in implementing these laws, there were constitutional standards and formal rules that the leaders were expected to respect and act accordingly.

Population migration, war, drought, and famine hampered government attempts to address long-term development needs. The Horn of Africa suffered profoundly from war and drought and these phenomena have diverted the use of resources. Man-made and natural disasters in the Horn also drew the involvement of foreign powers that have divergent political and strategic interests. This involvement entailed difficulties in getting international financial assistance and investment on the basis of sound economic reforms. Political and strategic foreign interests had affected the ability of the regional governments to perform proper decentralization activities.

Language, Religion and Group History

In studying the socio-cultural context at the micro level, this research found out that the Gurage people divided into groups because of geographical barriers, differences in dialects, patterns of settlement, religion and ways of agricultural production. In the designated area called Gurage, about 90% of the local population were Gurage. That means they were the majority and they were territorially concentrated. But the Gurages were not geographically homogenous. They were divided internally by a chain of mountainous natural barriers, thus creating a break in the compactness of the nationally active territory. The Gurage people were also divided into more than a dozen dialect groups. Beyond language, the Gurage people were divided into different religions – Muslims and Christians which were intermixed with traditionalists.

In spite of their seemingly objective diversity and variation in language and religion, there were common attributes ascribed to the Gurage people as a group. They have had a similar traditional administration since the 16th century after the weakening of the grip of the central power in Southern Ethiopia. In the absence of centralized administration, people were following their local tradition of administration rules and regulations in the area of farmland, grazing land, herding of cattle, justice, local conflict resolution, mourning associations, etc. Among the Gurage people these traditional administrative regulations were called *Sera* and they were supervised by elders who had a traditional title of *Sum* (an inherited office). In addition, the Gurage people shared a similar culture in aspects of marriage and divorce, music and dance, type of food, holiday preparation and celebration.

Viewed against the historical circumstances of the Gurage people, there was a greater responsibility on the zonal administration to identify and work hard on the links, which made the Gurage people a group. Especially in the face of the linguistic variations and diversity, the zonal administration had to select and use appropriate working language for the community and for the administration.

Agrarian Production Systems

In the Gurage area, the rural farmers were not homogenous and no single approach should monopolize development thinking. The agricultural system in the zone consisted of mainly two types of production systems, namely the seed-farming complex (in the southern parts and to some extent in the eastern part) and the *enset* planting complex mixed with livestock

production (in the western parts of Gurage). In the seed-farming complex districts, farmers grew annual crops (cereals such as *teff*, sorghum, maize, wheat). Crop growing was predominantly rainfed, and farmers used traditional agriculture tools and paired oxen for producing a wide range of crops. The family supplied most of the labour required. Non-family labour was used during peak periods to overcome labour shortage. Land was scarce to the extent that households were forced to survive on starvation plots. The size of the individual holding ranged from 0.5 to 5 hectare.

In the western part of Gurage and partly in the eastern part, *enset* was the dominant crop – a staple food. There were also perennial and cash crops (such as *chat*, coffee, eucalyptus tree) growing in these districts. *enset* was a multipurpose crop human food, fibre, animal forage, construction materials and medicines. The productivity of *enset* varied greatly with soil fertility, climate and management methods. In the *enset* complex areas there were households with a relatively large size of holding, up to 2 hectare, and there were households with only one-tenth of a hectare. There was a relatively high number of animals and grazing land in the *enset* areas. Animals and grazing land were important sources of nutrient flow to the *enset* field. The *enset* farming is a low-input farming system. The harvested *enset* crop was processed with simple tools before consumption. Women spent a lot of time doing an extended processing procedure. Ensete farming was not easily mechanizable.

Trade, Manufacturing and Infrastructure Development

The scope and volume of trading activity was not very much developed in the Gurage zone. The numbers of people engaged in trade activity were very few. The agricultural sector did not have many surpluses for sale. There was only a sizeable amount of grain surplus, *enset* and cash crop products such as *chat* that were supplied to the market. Domestic trade had also suffered from the lack of specialization and underdevelopment of the manufacturing sector. There were no rural small-scale industries to convert agricultural raw materials into products.

The urban centers in the zone did not develop well to encourage trade. Both in the rural and urban areas there was a lack of necessary infrastructure development such as electricity, water, road and communication facilities. Among the 34 towns of the zone, only 13 towns and two villages were served with electric light. Water was not easily available in the zone. Most people in the rural areas and small towns travelled long distances to fetch water. Postal and telecommunication were the dominant communication services in the zone, but the postal service was not that much developed. Of the eleven district towns, only three had permanent postal service. The telephone service was not developed either. Except for the two bigger towns, Wolkite and Buttagera, the rest of the district towns had lesser telephone services. The development of basic and market infrastructure required a high level of investment.

2. System Purpose

In 1992/93 a zonal administration was set up in the Gurage zone to solve the socioeconomic and cultural problems of the people as demanded by the ethnic movement leaders. Were the conditions of the people improving or deteriorating in the zone since the establishment of the zonal administration? What was achieved, and what was being reasonably expected to be achieved in terms of political autonomy and public service provision since the establishment of the zonal administration?

The Political and Cultural Well-being of the Group

Following the constitutions, power had been devolved down to the zonal and district levels. Language groups that fell under the category of *Guragigna* came under one zonal administration. Formerly, these people were administered under different provincial jurisdictions. Almost all of the ethnic group people have occupied the offices in the elective committees, civil service, police and militia of the zonal administration. For instance, 82% of the human resource working in the offices of the administrative councils in the zone were ethnically Gurage, while the minorities in the zone occupied the rest. If they wish so, the Gurage people could even form their own separate administration, since the constitution guarantees the right to self-determination up to secession (Federal Constitution, Article 39).

From the point of view of the ethnically organized forces, this was an achievement by itself. However, the subjective wellbeing of the ethnic group, particularly the achievements in cultural aspect, were not satisfactory. In an ethnic federation, it was expected that culture was one of the main components of the development. But the actual performance in the zone indicated the low priority given to the promotion of ethnic cultures. Though the ethnic group, through its zonal administration, already has control over its own educational institutions and various social and cultural activities necessary for the promotion of group identity, so far the achievements to create cohesion and to foster unity of identity of the Gurage people were not satisfactory. The administrative body did not conduct deeper research in the complex linguistic problems. There was no study made to identify priorities and plan for the eradication of harmful cultural aspects such as the practice of female circumcision, milk teeth extraction, etc. Politically, the zonal administration could not achieve the desired cohesion and unity among the Gurage people. Above all, the secession of the Silte people had undermined group cohesion among the Gurage.

The Material Well-being of the Group

The material well-being of the group on the other hand was well taken care of and considered. Compared to past governments, the achievements registered in the economic and social sectors were encouraging. Interviewed farmers said that they could see now the benefits of development, especially in agriculture and education. More important, the effort gave them an incentive to focus and actively participate in development efforts within their reach. However, considering the factors of availability, accessibility, quality and demand of the services, much remains to be done to meet the basic needs and demands of the people. Services like water supply, sanitation, education, health facilities, road development, etc. were woefully inadequate to meet the demands of the growing population of the zone and to stimulate productive investment and economic development. In 1999, educational coverage was 44%, health 48%, and clean water service coverage 26%. Regarding road construction, there was low coverage of all-weather and dry-weather roads. The ratio of road density expressed by road length to the total area was only 9 km/100 km², whereas the ratio of road to the population was 0.4 km/1000 people.

Much also remains to be done in the area of increasing agricultural productivity and promotion of income generating activities. The extension programme coverage was about 40% in 1999. But the programme was designed only for the seed-farming complex areas. There was no programme to promote improvements in the productivity of *enset* cultivation. The rural credit service coverage was extremely low, comprising only 3% of the farm households in the zone. In addition, there were no safety net response mechanisms or programmes for managing risks caused by natural, health, social, economic and political

factors. The people took the burden on themselves to deal and cope with the problems caused by unemployment, illness and injury, old age, harvest failure, and natural disaster. Except on ad hoc basis, the zonal administration did not have a clear policy and plan to reduce poverty in the zone.

The assessment of the purposes of ethnic decentralization showed that the system has not yet succeeded in achieving its intended objectives. Why? What were the problems for the level of performance achieved in the zone? Was it the National/Federal policy? Was it the problem in the design of ethnic decentralization? Was it lack of finance, skilled human resource, and management problems? Or was it a governance problem? Had the zonal administration the capacity to sustain the encouraging results it so far achieved in the face of daunting sector problems? These are some of the questions that are explored in system structure and functions.

3. System Structure

Vertical Decentralization Structure

The level of the Regional State distinguished four tiers of governments, namely the Regional State, the zonal administration, the district administration and the local administration known as *kebele*. In designing the Regional State, called the State of the Southern Nation, Nationalities and People (SNNP), the EPRDF Federal Government had taken into account political considerations, and probably administrative capacity of the five self-governing adjacent regions which were identified as independent units by Proclamation 7/1991. Owing to the amalgamated nature of the Regional State of SNNP, there were apparently many tiers or units of administrations with the potential to exhaust the limited resources and administrative costs. It is interesting to study whether the Regional State of SNNP suffers from this problem. If it does, large zones such as the North Omo, Sidama and Gurage zones with the highest population accounting for 27.4, 18, and 15.1 per cent of the total population, respectively, can form their own independent regional states. This might decrease the aggregate overhead costs to the Regional State.

According to the constitution, the zonal organizational structure of the Gurage zone was subdivided into three decision-making levels. The first level was the zonal administration and below it was an intermediate level corresponding to districts, and down from it was the lowest *kebele* level. The existence of three levels showed that there was no greater organizational distance between the top zonal level and the bottom *kebele* level. The former could increase their supervision and control if there were no constraints on their time. Having fewer levels made it possible for decision-makers to cope with and devote attention to the needs and initiatives of subordinate levels. But there was a tendency to increase the number of levels by creating sub-district units. This was justified on the grounds of administrative efficiency. But proliferation of government units at any level could entail overhead costs. Excluding the zonal council and administration, there were already eleven district councils and administrations, 34 towns, some of which have a municipality status, and 389 *kebele*.

Given a certain number of levels, the second concern of vertical structure was how the responsibilities were divided or shared among the branches of government. The Regional Constitution had identified the system and bodies of political leadership. It allowed the formation of representative councils at the Regional, zonal, district and local levels thus

ensuring complete political decentralization. The councils exercised political authority within their areas of jurisdiction and had legislative and executive powers to be exercised in accordance with the Regional Constitution.

Though somewhat vague, the Regional constitution indicated the degree of devolution of political, economic, financial and administrative power down to the local level. To a certain degree the political and administration decision-making have been decentralized down to the *kebele* levels. Political power has been decentralized down to the local level with the formation of representative councils and other bodies of governance. The fiscal decentralization (administration and collection), with the exception of determining the tax rate, was decentralized down to the district levels. Social services such as education and health and economic services such as agriculture were decentralized down to the district levels. The allocation or distribution of functions down to the district level reflects the importance given to social and economic services.

In general, it can be said that there was no emphasis on the concentration of power at higher level and emphasis was on vertical relationship. In as much as resources permitted, responsibilities were decentralized down to the district level and decisions could be made at this level. But the process of decentralization of decision-making power and responsibilities was far from completed. Economic and financial aspects were not decentralized to the lower levels. In this respect most power was retained at the zonal and Regional level. The lack of capacity at the district level was one of the causes for the limitation of further decentralization. The other reason could be the generality or vagueness of the assignment of functions and responsibilities. The Regional Constitution did not spell out the functions of each level of administration, without room for ambiguity. This had created either an overlap in responsibilities and functions or complete neglect of some services.

Horizontal Decentralization Structure

The dominant factor in organizing functions was the purpose that was to be fulfilled by the Gurage zonal administration, namely, fulfilling the subjective and material well-being of the people. Accordingly, a functional structure of sector departments, consisting of education, health, agriculture, etc., was formed both at the zone and district levels. The organizational structure of these sector departments was more or less in harmony with the goals and objectives of the zonal development plan. At the zone level, there were 17 sector departments. Out of the 17 departments, only nine departments were structured down to the district level.

At the time of this research, the horizontal structure was not stable. The mapping of functional fields changed continuously in accordance with altered views about the interrelationship of government tasks. At the zonal level, structural changes were introduced three times since the formation of the zonal administration in 1992. The changes introduced had created confusion and in some instances even job overloading. For instance some departments were given new tasks while retaining their older structure. What was even more problematic was that department heads and personnel who would be affected by the intended changes were not consulted before or during the introduction of these changes.

Coordination of tasks and activities was not a problem in the zone. The sector departments at the zonal level had no problems or limitations in coordinating their activities whenever they found it necessary. There was functional interdependence and the requirements of works, which compelled the sector departments to maintain good cooperation among themselves.

The need to pool organizational resources was another major factor for departmental cooperation. Most departments had acute shortages of human resources, finance and vehicles, which forced them to harmonize their joint programmes and thus pool resources. However, this did not mean that there was no vertical communication with sector departments at the Regional level.

One factor, which caused good cooperation and communication between the sector departments, was the method of geographical organization or grouping of activities at the district and zone levels at which they were performed. For instance, the sector departments in the districts were under the authority of the district council, though they received technical assistance from the zonal sector departments. This geographical way of grouping activities, placing of the departments under the authority of the district and the zonal councils, had a significant role in promoting inter-sector and area focused planning. Though district sector departments made a report to the zonal sector departments, their accountability and loyalty was first to their district council.

The Phases of Decentralization

Decentralization did not emerge in Ethiopia through methods of experimenting, testing, adjusting and replicating. It occurred in a dramatic context right after the overthrow of the Communist Military Government. The process of ethnic decentralization was enacted through a series of proclamations. The first phase was political and legal decentralization entailing the creation of Regional Self-Governments provided with the proclamation 7/1992. The second phase involved the implementation of fiscal decentralization through proclamation 33/1992, which defined the sharing of revenue between the central and regional states. The third phase was effected through the proclamation of 41/1993, which defined the duties and responsibilities of the regional states. The fourth phase began in 1994/95 with the preparation of the criteria for the allocation of regional subsidy. The fifth phase began with the establishment of the Ethiopian Civil Service College in order to develop the capacity of the regional states.

Even though there were instances showing the lack of synchronization, the phasing approach had enabled the maintenance of a certain balance. The phasing of the process allowed lessons to be learnt and fed into the subsequent stages. The developments of political and administrative structures as well as financial resources have reinforced each other leading to integrity of the decentralization process. However, this process was basically a top-down approach. Except with the drafting and approving of the constitution, there was no proper and wider consultation with people before devising the various phases of decentralization.

4. System Functions

The Economic Subsystem

Transferring Economic Authority to the Zonal Administration

One of the objectives of economic decentralization is the transferring of authority to the Regional/zonal administration to decide on which services and assets it offers to the people. A considerable economic power and policy decision-making authority had been transferred to the regional states. However, due to existing capacity problems the regions could not fully

exercise their economic decision-making authority. At the time of this research the Gurage zonal administration did not have the necessary capacity, technical experts and resources to provide overall guidance in the making of development strategy for the zone. Neither was there data available to assess the state, constraints and challenges of the economy in the zone.

Owing to the lack of its own regional economic analysis, the zonal administration instead adopted the Five-Year national development strategy formulated by the EPRDF party. In the context of the Gurage zone, the application of this development plan had limitations. First, the development strategy and programmes were not placed on a self-sustaining basis, through user fees, efficient administration of taxation and creation of favourable conditions for domestic investors. The Federal Government pinned its Five-Year national development strategy on the hope of massive foreign investment. The outbreak of the Ethio-Eritrea war in the years between 1998 and 2000, showed that much could not be gained by way of foreign investment and aid. Ethiopia had lost a huge amount of financial loan and investment aid due to the outbreak of the war and this had affected the financial status of the regional states. The Gurage zonal administration, which did not consider the resource constraints, but envisaged only the quantity of service provisions and infrastructure construction it could deliver, was caught off guard when its capital budget was suddenly reduced to half due to the outbreak of the war.

The second problem of adopting the national development strategy was the kind of disregard given to the existing regional and local conditions in Gurage. In the context of the Gurage zone, the objectives and strategic orientation of the development programmes lacked special consideration for the *enset* cultivation system, which was one of the major agricultural occupations and staple foods of the society. The Five-Year development programme focused mainly on the seed-farming cultivation and little attention was given to *enset* cultivation.

The third problem was that the Five-Year development programme was basically a sector based development strategy aimed at tackling economic problems by way of sector intervention and focusing on geographical community. The allocation of resources to the sectors, such as allocating resources to basic social services or physical infrastructure, did not aim at reaching particular poor groups, households or individuals. It was aimed at achieving universal coverage in a certain area or community by expanding public services. It was assumed that allocation of government expenditures to sectors and communities might bring about a trickle-down effect in poverty alleviation. However, sector targeting, even geographic targeting at the community level, did not reach poor households and individuals.

The Transfer of Economic Decision-making Responsibility to Individuals and Cooperatives

The second objective of economic decentralization should, therefore, be the transfer of economic decision making responsibility away from the Regional/zonal administration planners to individuals, households and voluntarily formed cooperatives. This is effected through expanding economic opportunities and building the economic assets of the individuals, farm households, and voluntarily formed cooperatives. The efforts made by the zonal administration in this direction were far from satisfactory and the problem did not receive the attention it deserved. The bulk of the work in expanding the economic opportunities and assets of the individuals and households was in the agricultural sector. Despite its considerable impact on raising the income and material capabilities of the rural people, the agriculture sector had received 9.7% of the total capital expenditure for the year

1998/99, while in the same year the share of social services (education and health) was 69.3%.

The efforts of input supply and extension programmes encountered enormous problems. For instance, the extension service programme had a number of problems including those that arose from its hierarchical structure, the pressure of the work on its staff members, and the technological package it included. Administrative matters like credit disbursement and enforcing repayment had absorbed much of the time of the agricultural development agents (or extension officers). In addition to the regular work assigned to them, they were assigned administrative tasks of recording farmers' accounts and reporting the collection of debts. That means they had less scheduled time to contact farmers and visit demonstration fields. In addition, the extension technological package did not include the transmission of skills on adequate crop protection procedures, methods of managing heavy water logging soil, water harnessing techniques and environmental specific varieties. Even the existing extension programme was intended mainly to help the farmer who lived on mixed farming, i.e., in cattle breeding and annual crop production. Until the time of this research, there was no package to improve the *enset* based cultivation system and maintenance of its long-term sustainability.

Farmers also complained about the shortages in agricultural input supplies, increased rate of price for fertilizers and also a shortage of capital to lend to farmers. About 3% of the farm households in the zone had access to microfinance. The institution which provided microfinance services had a human resource limitation both in quantity and quality. The promotion of service giving cooperatives was also at its initial stage. Of the 133 potential service giving cooperatives in the zone, the responsible department was able to reorganize only 14 cooperatives by 1999, or 16% of the total cooperative associations in the zone.

Access to land was one of the determinants in increasing agricultural production, but this issue was left in abeyance. In the zone, land holding was not uniform, even if land was owned by the state for the purpose of creating the opportunity of equal access to land. Farmers usufruct right to land was determined by the status of their former holding, possession of capital, labour and farm implements. Few had large landholdings, while the majority were small size landholders. The latter were expecting land distribution ever since the formation of the zonal administration. Their problem became acute as population increased in the zone. Except for the lands reserved for the would-be investors, in the Gurage zone all lands were occupied and there were no vast areas left for clearing and using for cultivation by new farmers most of whom belonged to the youth category. The only alternative for the zonal administration was the distribution of land, but until the time of this research, there was neither land distribution plan from the zonal nor from the regional states.

The above assessments showed that expanding or building up economic assets of households and individuals was not considered a central goal. The zonal administration had given varying importance to agricultural inputs and extension services as related to food security. But this approach disregards a number of variables such as land, microfinance, farm implements, number of *enset* plant possessions, etc. that affect food security at the household and individual levels.

Stakeholders' Participation in Planning

The third dimension of economic decentralization is the creation of a legal framework and mechanisms by which social players can resolve their differences in the use of economic

resources. This is often expressed in terms of forming and processing a Regional economic development plan. In the Gurage zone, planning was both a bottom-up and top-down exercise, with sectors playing a leading role in the preparation of the plan. However, the zonal plan was not a mere compilation of sector documents. The Zonal Planning Department and the zonal administration saw to it as their duty to bring about an integration of sector developments in an equitable way in the districts. The clarity of objectives in sectoral programmes and development policy as well as the practice of team management had enabled the zonal administration to come up with integrated multi-sectoral planning.

However, planning lacked assumption about the resources of the zone. This was partly due to the adoption of the Five-Year development strategy formulated by the central government. As pointed out, the assumption of the central government hinged on the hope of getting massive financial aid and foreign investment. The zonal administration did not make any assessment on resource constraints and opportunities in the zone. Rather, they assessed only the demand aspect (the immediate needs and aspiration of the rural people) in making the annual and Five-Year development plan. This led to the formulation of ambitious plans, even if this was checked against the budget ceilings of the government. A sound plan requires a great deal of knowledge about existing and potential resources and assets.

If the idea of economic decentralization, namely efficient match of public spending to local needs, is to work, there must be some degree of stakeholders' participation. Though the planning practice had a bottom-up approach, it has not yet encouraged the participation of the local people in the identification and preparing of the plan. The local people were represented by their elected officials at the district councils. Because of their technical capacity, the sectors played a significant role in the preparation of plans. It became possible that some local needs, which were beyond the department jurisdiction, escaped the possibility of inclusion in the plan. In the Gurage zone there was no structure in which local people could put forward their needs and comments on the proposed plan. However, in the regions of Tigray and Amhara, grass root development teams comprising different sections of the local people have been established to enable them to participate in the planning and decision-making process. Such a participation mechanism was absent in the Gurage zone.

There was also a problem of coordinating the zonal plan with NGO programmes and activities. Local stakeholders in the zone such as NGOs were not incorporated into the making of the zonal plan. This was not in fact the mistake of the zonal administration. To avoid control over their budget expenditures, NGOs in the zone were not willing to coordinate their activity with the zonal administration. Consequently, there were duplications of efforts in some projects, while some NGO plans were not that vitally important for the beneficiaries. To be effective, the zone's comprehensive plan must reflect the plans and policies of the NGOs. In turn stakeholder plans and policies must be consistent with the zone's comprehensive plan.

The Fiscal Subsystem

Recurrent and Capital Expenditures

The recurrent budget of the zone was established for operation of zonal administration organs. In the years between 1995/96 and 1998/99, the major proportion of the recurrent budget (an average of 73%) was allocated for salary, while an average of 27% was used for running expenses (example daily allowance, transport, fuel, maintenance, purchase of furniture, etc).

Since a good portion was used for salary, there was not much left for improving the quality of services.

Recurrent expenditure was increasing ever since the formation of the zonal administration. In 1992/93 when the structure of the zone began to function, there was 14 million *Birr* for human resource regular budget. In 1995/96, the portion of the budget allocated for salary reached an average of 38 million *Birr*. The other component allocated for administrative running expenses increased from one million to 13 million in the same period. In other words, the total recurrent expenditure rose from its low level of 15 million in 1985 to a high level of 53 million *Birr* in 1999/2000. Considering other variables constant, by the year 2010/11, the recurrent budget is calculated to increase to 83 million *Birr* if it goes according to the present rate of growth.

In the Gurage zone, capital budget was used for the construction of roads, public buildings, agricultural extension services, water development, for expansion of schools and construction of health institutions. Since 1995/96 the highest proportion of the capital project was targeted for social services (education and health) and not for economic services (agriculture, trade and infrastructure facilities). In the 1998/99 budget for instance, the share of social services was 69.3% of the total capital expenditure, while economic services constituted 21.4%. This was in line with Federal Government intervention. The Federal Government spends much in these areas since it was considered to have the potential to increase the country's productive capacity. As a result, the expenditure allocated for building up economic assets and expanding the economic opportunities of the rural poor was minimal.

Along this line, capital expenditure has doubled from its 1995/96 level of 20 million *Birr* to 40 million *Birr* in 1998/99. However, in 1999/2000 it dropped to a level of 20 million, almost by 50% owing to the outbreak of the Ethio-Eritrea war and drought. Capital projects were also dependent on the flow of external assistance, which was highly dependent on the state of political interest of the donors. Since capital expenditure was not sustainable, the zonal administration could never be sure how much it might get from the Federal Government.

In spite of this fluctuation in grants, the average zonal expenditure has increased over time. The pattern shows that the total zonal expenditure increased by 66 % in 1995/96, 31% in 1996/97, 13% in 1997/98, and 0.4% in 1998/99. Since there was a continuous devolution of shared responsibilities from the Region to the zonal administration and expansion of service provisions, it was possible for the expenditure budget to increase over time. But the zonal administration did not have enough of its own revenue sources (i.e., taxes fully and directly controlled by it) to finance increasing expenditure.

Zonal Administration Revenue

The Federal Constitution gave regional states four distinct sources of revenue: own taxes, fees and user charges; taxes shared with the Federal Government; grants from the Federal Government; and domestic borrowing. In the Gurage zone, there were no tax revenues jointly collected and shared by the Federal Government and the zonal administration. Theoretically, three sources constituted the financial sources of the Gurage zonal administration, but only two sources, namely, revenues from own taxes and the Federal transfer were the principal support of the zonal administration spending. Borrowing constituted an insignificant revenue source in the present system.

During the period 1994/95–1998/99 almost 87.3% of total tax revenues was provided by direct and indirect taxes, 12.7% from user charges and service fees. The major tax revenue was indirect taxes contributing about 56%, direct tax 33.7%, users charges and service fees 3.6% and non-tax revenues an average of 6.7% of the total consolidated revenue of the zonal administration.

If one looks at the objects and subjects of taxation, the major contributor was the *chat* tax, an average of 50.6% of the total consolidated tax revenue of the zonal administration. *Chat* tax fluctuated due to severe problems of collection and administration. Out of the indirect tax revenue, the *chat* tax constituted 90% of the total amount, while sale taxes, customs and excise taxes constituted about 2% of the indirect tax. The contribution of the custom and excise taxes was almost *nil*, since these taxes fall within the jurisdiction of the Federal Government. The relative insignificance of sales tax shows the low level of economic development in the zone.

Compared to the *chat* tax (paid by *chat* traders), the tax collected from farmers constituted an average of 20.7% of the total revenue of the zonal administration. Even though farmers constitute the bulk of the tax paying populations in the zone – farmers are about 355,475 in number – the problems of tax assessment and collection reduced the income to the administration. Taxes were not assessed on the basis of the type and size of the produce from the land. A farmer paid only a fixed agricultural tax and rent for using the land. The amounts of payment of these taxes were not even assessed periodically according to the size of land holding and fertility of the soil. Besides, the tax was collected by the farmers themselves, not by salary paid government officials. The zonal administration did not know actually who was paying and how much, and who was exempted from the tax at the local level. Tax collection was the responsibility of the farmers association. The tax collected from government employees constituted an average of 8.9%. The number of government employees may roughly be estimated to be 5565. The tax collected from traders constituted an average of 5.7%. There are about 3000 traders in the 11 districts. An average of 4.1% was collected from fines and sale of government property and 3% from user service fees.

Fiscal Deficit

The total tax revenue of the zone covered only an average of 44.3% of the total zonal expenditures, or 68.3% of the recurrent expenditure. It was clear that the zonal administration did not have enough of its own revenue even to cover its running costs. Federal assistance was provided to the Regional State in the form of grants and loans received from foreign assistance. Grant/transfer from the Federal Government (consisting of an average of 45%) was the most important source of revenue for the zonal administration, followed by its own revenue 44.3% and foreign loans and assistance 11%.

As external assistance and loans were not sustainable, ways should be found to cover expenditure through domestic revenue (internal sources). The zonal administration has two methods to increase revenue through taxation. It can raise tax rates and/or expand the tax base (i.e., reduce tax evasion), which will be a discretionary measure. Given the already low salaries prevalent in the public sectors and low development of the economy, the scope for additional revenue by means of increasing tax rate is limited. Private investment is discouraged mainly by the existence of poor infrastructure facilities such as roads, electricity and water. In an economy where there is slow development, there can be no intention to increase the tax burden by changing the tax rate. Basically an increase in own sources of

revenue is related to the development of the region and the national economy. If there are no industries and expansion of trade, if there are weak signs of development in the tax paying body, if the production capacity of the farmers does not increase, it is impossible to collect the amount of own revenue needed by the expenditure. Given such a situation it is necessary to design programmes of income generation activities.

The Administrative Subsystem

Mode of Administrative Organization

The forms of organizing the administration (i.e., its structure) in the zone was appropriate to its functions and the objectives it intended to achieve, namely sector-community based development strategy. The sector departments in the zone had both technical and supporting staff. The technical staff comprised those professionals with different skills, knowledge and qualifications required by the structure for the proper performance of activities. There were also service staff supporting the professional staff (personnel, finance, audit, and legal advice). In the Gurage zone the staff services were not organized independently of the line departments. They were found combined with the other sections of the line departments and they were thus under the immediate supervision of the line department heads.

There were problems caused by the changes in the allocation of functions between departments. At the time of this research, the structure was not yet settled, but its design was appropriate: the organizational structure stressed both functional and geographical forms and approaches. The advantages of functional organization were that it facilitated specialization in work task. Because it provided increased specialization, it was the organization's best way to optimize the performance of the individual. However, coordination of relatively independent departments could be a problem and this problem was avoided because of the territorial approach in organizing the Regional State. The territorial mode of administrative organization interprets needs in terms of geographical accessibility of all services and a special interest in relating services to the geographical communities. Consequently, councils and executive committees with the necessary power and functions were set up at the zone, district and local levels. All of the line departments, including the staff services within them, were under the direct control of the zonal and the district executive committees. Power and functions were thus territorially concentrated, facilitating horizontal cooperation and integration of activities. This form of organizational structure, in spite of all its problems, was appropriate for a small size of population and limited area. It encouraged specialization, differentiation of functions and at the same time discouraged central concentration of responsibilities and promoted coordination of activities, thus identifying responsible bodies.

The Number and Qualification of the Civil Service

The fundamental problem of the administration was the human capability factor. Even if the distribution of responsibilities and allocation of functions across the different levels of administration appeared to be satisfactory, administrative performance was affected by lack of professional skill. At the time of this research, the number of government employees in the public sectors of the zone (including the judiciary and the police) was estimated to be 5565, for a population of 1.7 million. Out of the total administrative employees, the number of teachers (2671) and staff of education department (473) amounted to 58%. Health workers, both in the administrative line staff and practitioners, comprised about 8% of the total employee figure. The personnel in zonal and district administration (including the executive

members) account for 6%, while the employees working in the agricultural sector department, including development agents, constituted 13% of the total government employees in the zone. The number of government employees in the sector departments of Trade, Planning, Finance, Water Mining, Cooperatives, Culture and Urban Development accounted 1%, 1%, 5%, 1%, 2%, 1%, 1%, respectively. The number of police constituted about 5% of the total zonal employees, while judges were 0.4%.

The sector departments were executing their functions at 65% of the capacity demanded by the structure. This had a considerable effect on the performance of sector departments. For instance, the administration of taxes (the assessment, collection, custody and delivery system) had a considerable human resources constraint. The collection of taxes from rural markets required more human resources. To collect taxes directly from farmers, leaving out the *kebele* officials, needs human resources. To assess the taxes on traders, to make use of the potential areas in imposing taxes, to identify farmers who did not pay tax according to the level of their income and size of landholding, to collect overdue taxes, etc., human resources was needed both in quantity and quality. This was only for the Department of Finance and much could be said for other departments as well.

The quality aspect of human resources problem in the zone was getting very serious. Relatively speaking, in the Gurage zone there was no problem in recruiting the service staff provided that budget was allocated for their employment. But the problem of the professional staff was very acute. Since sectors were organized functionally, they required specialized skills to perform their functions. They were given the responsibilities of planning, implementing and monitoring various activities, which required in-depth skills. However, there was human resources shortage in a wide range of disciplines: administrators, managers, accountants, economists, engineers, medical doctors, agriculturists, experts in specialized fields, etc.

The existing staff did not receive training either to upgrade the skills or to give additional skills other than that of their specialization. There was no effective training programme for the staff. At the time of this field research, there was no formal training plan for the sector departments. There were no documents and studies to determine the training needs of individuals using performance appraisal, analysis of job requirements, organizational analysis and employee survey. Training was done on an ad hoc basis.

Paradoxically, the existing capacity (which was limited both in quantity and quality) was not fully utilized. There were formidable problems related to motivation and the incentive system of the administration, which led to under-utilization of the available staff and human resources in the zone. The problems were lower salary, absence of promotion and on job training, and poor working facilities. It was difficult to exactly estimate how much this task environment affected the performance of individuals and consequently the overall administrative performance.

The System of Operating Procedures

As regards the system of operating procedures, there was more or less a properly planned operating procedure and effective methods of management control. There were no excessive reporting, wasteful meetings, authoritarian behaviours towards subordinates, departmentalism, top-down approach, defused individual responsibilities or ineffective work programming and information systems. However, the performance of operating procedures was affected by lack

of communication facilities such as telephone, vehicles, etc. The whole administration was under-equipped in these facilities.

The Management of Development Projects

It was under such an environment that the zonal and district administrations undertook extensive development projects directed to agriculture, promotion of education, health and development of physical infrastructure. Zonal and district administration institutions and community based organization played a crucial role in the management of the project cycle. Rural projects were integrated into the administrative and organizational settings of the zone. The main responsibility and authority of managing development projects relied on existing line departments, not on a new institutionalized body fully separated from the overall governing structure and administration of the zone. Rural projects were in the hands of the zonal and district administrations and the project staff were not outside experts and recruits. They were employees of the zonal sector departments who had a regular source of finance available within the administrative budgets and other works. This form of organization was important considering the long-term sustainability of all-rural development programmes and projects as it depended on zonal and local institutional capacity.

At the time of this research, the project execution performance in the Gurage zone was at a satisfactory level. In the 1998/99 fiscal year, the average physical and financial execution of the planned projects was 91% and 85% respectively. However there were problems that called for improvements in the execution of projects. These included inability to complete projects on the basis of the action plan, lack of proper and strengthened sectoral mechanisms in the supervision and control of construction and programme implementation and weaknesses related to contractors.

In the Gurage zone, there was an organizational structure which could provide unified control to achieve stated objectives over the specified time period in all the projects comprehending all sectors: agriculture, health, education, infrastructure, etc. Indigenous human resources, not outside experts, was used to formulate and implement the zonal and district development goals. The zonal executive members and the sectoral departments had an understanding of the integrated project cycle such as the entire spectrum of a given project, ranging from planning through progress evaluation. There was no fragmented departmental approach to the project cycle, and the management cycle was well coordinated both horizontally and vertically. There was a procedure of project management that brought together in a meaningful way the numerous policies and decisions emanating from different sectors which plan, implement and supervise projects.

However, there were major obstacles which made the integrated project management cycle of the zone ineffective. The first pertained to the lack of qualified human resources and sufficient material resources to realize the zonal and district decisions. The second major problem was lack of coordination in the planning and implementation of projects between the zonal administration and NGOs. The NGOs planned and implemented the projects independently of the zonal administration. The third major problem was the low place given to the phase of evaluation and refinement. In spite of the construction of many projects, there was no clearly stated follow up procedure and action to determine whether the constructed projects had become operational to meet the stated needs and objectives.

The Political Subsystem

Strength of Representatives' Councils

The number of elected representatives in the Gurage area was sufficient when compared to the total number of population in the region. The numbers of representative council members in the zone were 40,067 for a population of 1,747,720, i.e., one representative for 43.6 people. However, the representative groups in the Gurage zone were not diversified to represent the interest of all sorts of groups. Farmers were fairly represented because it was believed that most development programmes and the capital budget approved by the councils directly affect their livelihood and interest. Intellectuals and public sector employees such as teachers and sector department professionals and private individuals were also represented at the zonal council. Local businessmen and traders were also less represented. Women were almost non-represented at the zonal level in the 1995 election. The issue of women participation was not simply dictated by justice, it was a matter of practical necessity. In the Gurage zone according to the 1994 census, women made up 52% of the total population. Attempts were made to increase the number of women representatives in the 2000 election, but that was not satisfactory compared to the size of their number in the zone. Ethnic minority groups such as the Amhara and the Oromo were not represented. In the Regional Constitution, there was no requirement for the mandatory representation of minority groups who had come and settled earlier as a result of government policy or historical migration. According to the Federal Constitution, representation was only for groups enjoying specific geographical concentration, identified during the establishment of the regional states. Only the Mareko and the Kebena ethnic groups had constitutionally recognized rights of representation in the Gurage councils.

Not only were the elected councils unrepresentative of diversified groups, they also lacked the capacity to control executive officials. The zonal council had no standing committee to oversee the activities of the executive branch of the zonal administration. The absence of such committees made it difficult to examine the executive branches' implementation of the laws and plans.

Competitive Elections

Regular competitive elections are an essential step in the democratic process and are a feature of every democracy. In the region there were four competitive parties claiming to represent the Gurage ethnic group. One of them (GZNDM) was the strongest controlling the zonal administration. The four parties were formed after a process of fragmentation and reforms in the past ten years. The causes of fragmentation were mainly ideological differences (political and economic programmes) such as between the GPDF and GZNDM and ethnic power struggles among the elite between GZNDM and SPDM. During the 2000 election the parties tried to highlight their difference in their social, political and economic programmes. But the level of articulating and accentuating differences in social, political and economic programmes instead of cultural ones requires a development of social groups and conducting an intensive political education.

In the Gurage zone, there were 19 election constituents and a considerable number of polling places. Out of the total population eligible for voting (above the age of 18), 800,000 electors were entitled to register and elect candidates whom they prefer. In the 2000 Federal and Regional election, the people of the zone had participated actively in the election. Of the 800,000 electors, about 627,648 (78.5% of the eligible voters) were registered as voters.

From these, 540,587 voted, which was about 86% of the registered people. When compared to the 1995 election, the 2000 election was conducted in a fair and free manner. The ruling party has tried to avoid any imposition that trampled on the democratic rights of the people in election. The party has made sure that the opposition parties could freely compete. This partly stems from the belief in a free and democratic competition and the party readiness to accept the outcomes of the election. Another factor that indirectly contributed to the confidence of the party was its advantages and capacity to control all the structure down to the local level and its good preparation for the election.

During the 2000 election, there was an emerging awareness among party officials that the future or fate of the “ruling party” depends not on the central government but on their alliance with the local people and being their instruments. But this awareness can change if local opposition parties are not supported by all means. Without any threat of competition there is a possibility of creating petrified local petty officials in the zone and this is dangerous to the democratic process.

The Civil Society

The strengthening of the civil society institutions was also imperative for the sustainability of local democracy. In the zone there were attempts to organize the people along sectors (farmers in agriculture), gender (women), age, profession, interest groups (associations in rural credit), etc. The organizers were the sectoral departments, the NGOs and the Regional parties. But the civil societies were weak both in human resources and finance. Mass organizations had problems in fully organizing their members. The executive members of the mass organizations were not salary-paid employees. Most of them were either government employees or farmers and they contributed to the organizations on their free will during their extra hours. The mass organizations received help by collaborating with the district and local administration. In theory, they were free to mobilize their own resources and to procure funds from any sources including other NGOs but in practice they were not independent.

The Legal Subsystem

Independence of the Courts and Access to Justice

In the Gurage zone the judiciary was an independent body. The actions and tenure of the judges did not depend on the extraneous preference of zonal administration officials. The court system was expected to discharge the responsibility of resolving disputes in a fair, just and impartial manner. To enable the courts to discharge their functions impartially, without fear or favour, the constitution contained provisions that guaranteed and safeguarded the independence of the courts. Zonal judges were appointed and dismissed by the Zonal Judicial Administration body.

But there was a problem of access to justice mainly due to shortage of human resources. In the zone there were a total of 23 judges for a population of 1.7 million people (the ratio is 1:73913). This number did not include the judges in the social courts. Members of the social courts at the *kebele* level were not professionals; they received help from the district judges. The Justice Department of the zone also had a shortage of police human resources. Excluding the local militia, there were about 280 men for the whole population. To overcome the human resources shortage, the zonal administration provided a constitutional awareness programme

on the duties and responsibilities of the citizens. Cultural institutes were used by the population as a means to increase access to justice and to maintain social peace.

Accountability and Transparency

In the absence of strong representative councils, it was the ruling party and the zonal justice department which took the responsibility of enforcing accountability in the zone. Since the ruling party has begun to identify its interest with the local people, it is taking measures against corruption and nepotism, which could defame the reputation of the party. The party conducted what was known as *gimgema* (self-evaluation and criticism) at fixed intervals. However, there was a possibility of not putting this mechanism into effect in the government structure since the party leaders were themselves members of the zonal executive committee. In addition to supervision by the party, there were also internal administrative regulations (such as financial accountability) and supervision which were used as means to insure accountability.

Transparency mechanisms in the zone were not effectively used. In principle, meetings of the zonal council were open to all and citizens were permitted to attend deliberations. But there was no rising level of consciousness among the public to attend the meetings of the zonal council. Information on budgets, financial reports, project reports, tender contracts, recruitment opportunities were available to the citizens. Again there was no enthusiasm among the public for reading this information even though the information was critical to their interest.

Transparency in the zone was done partly as a matter of routine reporting. The zonal administration prepared budgets and reported expenditures to central government bodies. As such, accounting practices and dissemination of data responded to a system of reporting designed to serve the Federal and the regional states. Except for matters of administrative necessity, there was no implementation of laws and regulations that required the zonal administration to share information with the public on key issues. The quality and standard (level and detail) of the information that should be made public and that could push local government on transparency were not yet defined.

In the Gurage zone, transparency was a result of the ruling party principle and programmes to make the people participate in the Regional development activities. The party officials encouraged people's participation to earn acceptance for their party. Public meetings were means of spreading information and of injecting citizen opinion into local governance. The zonal, district and local administrations used their regular public meetings as a way of spreading information.

In the Gurage zone, it was the party and party sponsored meetings that were used as a powerful tool for enforcing accountability and transparency. But this kind of instrument and mechanism cease to have significance if there is weak party pluralism and competition at the local level. A necessary condition for building accountability and transparency is to develop strong civil organizations and local press.

Tsegaye Tegenu, Ph.D.
Stockholm University
Tsegaye.tegenu@humangeo.su.se