



# Integration of Ethiopia Local Authorities in the European Cooperation Programming Process 2021-2027

## ANALYTICAL REPORT



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**INTERGRATION OF LOCAL AUTHORITIES OF ETHIOPIA IN THE EUROPEAN COOPERATION  
PROGRAMMING PROCESS**

**2021-2027**

**ANALYTICAL REPORT**

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## **List of Abbreviations and Acronyms**

CSA	Central Statistical Agency
ECA	Ethiopian Cities Association
EU	European Union
EEAS	External Action Service
FSS	Forum for Social Studies
GTP	Growth and Transformation Plan
MoFED	Ministry of Finance and Economic Development
MSEs	Micro and Small enterprises
NDICI	Neighborhood Development and International Cooperation Instrument
UCLGA	United Cities and Local Government – Africa
NDP	National Development Plan
UDCo	Urban development and construction
TALD	Territorial Approach to Local Development
LAs	Local Authority
SWOT	Strength, Weakness, Opportunity and Threat
SDGs	Sustainable Development Goals
HoPR	House of Peoples’ Representatives
NPC	National Plan Commission

# **1. Introduction**

## **1.1 Background**

The European Commission has concluded a new financing instrument the Neighborhood Development and International Cooperation Instrument (NDICI) that will guide its next programming of the next 6 years (2021 to 2027). The programming process has already started with the pre-programming phase that is conducted internally between the EU delegations and the EU headquarters in Brussels, particularly the External Action Service (EAS) in charge of the political dimension of the EU cooperation. The pre-programming phase aims at defining the key political objectives of EU cooperation in each partner country.

The in-country programming phase is expected to commence in August and must be completed by end November 2020. The EU programming exercise is meant to identify strategic and priority areas and sectors for interventions to be financed by the EU cooperation following a political dialogue to be launched with the central governments, the local authorities and other development actors of (civil society, private sector, etc.). The short and medium-term consequences of the Covid-19 have to be fully integrated into the next programming process, taking into account also the EU's geopolitical and other priorities (e.g. migration, security, trade, etc.).

The main focus of the NDICI is on the geographic component which will have the bulk of the financial means of the EU cooperation. In the framework of the geographical focus of future EU cooperation, EU delegations in partner countries will have the main role and responsibility to discuss with the actors of the partner countries on the priorities and program to be included in the 2021-2027 EU cooperation.

It is at the programming phase that stakeholders of the partner countries are consulted, and that a dialogue is established with the EU delegation to define the specific priorities and programs of the EU cooperation aligned with the political objectives identified during the pre-programming phase for each country. Whereas this pre-programming phase should be finished by July 2020, the programming phase, in consultation with all national actors, should normally start in August 2020 and be finished in November 2020.

The integration of sub national/regional governments should represent a key innovative feature of the programming process, which until now has been mostly focused on the dialogue with national governments, local authorities being considered so far as non state actors. The EC 2013 Communication on “Empowering local authorities in partner countries for enhanced governance and more effective development outcomes”, recognizes from then on local and sub national governments (local authorities) as state actor in their own rights and capacity, working as proximity public authorities besides the central government according to the principle of subsidiarity based on the key dynamics and interaction between the two levels of public governance.

Therefore, Local authorities, through their national association are believed to be integral part in the programming process alongside the representatives of the national government, in the dialogue with the EU delegations. In line of this activity, the Ethiopian local governments association is being involved in the pre-programming study process. Hence, this document is prepared by the consultant who is commissioned by United Cities and Local Government – Africa (UCLGA) to compile an analytical report centered mainly on the state of the art of the decentralization process in the perspective for the localization and territorializing of national and sectoral policies and programs of Ethiopia.

This analytic report aimed at providing information on the following three main themes: (i) political economy of decentralization policy, opportunities and constraints created by the decentralization reforms; (ii) SWOT analysis of Ethiopian Cities Association; (iii) a state of the art regarding the territorializing of national policies and global agendas.

## **1.2 Objectives of the Analytical Report**

The objectives of this analytic report are:

- a. To analyze a political economy of decentralization policy;
- b. To identify the opportunities and constraints created by the decentralization reforms;
- c. To make a rapid SWOT analysis of Ethiopian Cities Association, especially regarding the TALD and the role of LAs as developmental actors;

- d. To provide information on a state of the art regarding the territorializing of national policies and global agendas including SDGs, in terms of both policies and programs adopted in the framework of the national development plan.

### **1.3 Methodology**

This analytical report was conducted through in-depth desk review of national and regional constitutions, official documents of the national and sectoral development plan, policy and strategy documents, working papers and legislations.

The data sources for the analytical report were collected from government offices, regional and local government, national and local development partners and stakeholders. The other data sources were relevant documents obtained from official documents, study papers, circular letters, policy and strategy documents, and legislative enactments. Besides, Regional constitutions and revised legislations of Regional States and the Charters of city administrations were reviewed.

## **2. Political- economy analysis on decentralization of Ethiopia**

### **2.1 To what extent has there been an evolution at central government level in terms of moving towards a “territorialization” of core national plans and (sectoral) public policies?**

In Ethiopia, devolution of power, responsibilities, and resources from central to local governments has been the foundation of decentralization reforms. The most recent decentralization reforms in Ethiopia began in the early 2000s at the Woreda (district) level, focusing on strengthening local governments as institutions of democratic governance and efficient service delivery. The decentralization program in Ethiopia followed: Political → Administrative → Fiscal sequences. The economic/market dimension was also followed subsequently.

During the first wave of decentralization, that only went as far as states it followed “Political → Administrative” form. But in the second wave of decentralization, when the District Level Decentralization Program (DLDP) was commenced fiscal decentralization took place.

Ethiopia officially launched the District Level Decentralization Program (DLDP) by the year 2002. The program flagged core objectives such as institutionalizing viable development centers at local levels, deepening devolution of power, enhancing the democratization process through broad-based participatory strategy, promoting good governance and improving service delivery. Since the inception of this program four strategic planning terms (one strategic term is five years) have already elapsed and the fifth is in a process. However, various program implementation reports and results on the ground narrowly justified the success of this program. Perception, conscious and voluntary participation of all the various stakeholders in general and communities at grassroots level in particular were not as apparent as initially desired. Nevertheless, it is not only this sequence that matters for the success of the decentralization program. There are many other complicated factors such as the weight of the leading party, the accountability issue (if the legislative is de facto accountable to the executive), the weight of states (their capacity to influence the center and their resilience to courageously utilize their legitimate powers) given the need for the consent of the leading party for each and every step of the way and also for many other reasons. With regard to economic/market decentralization, there is little to mention.

## **2.2 If so, why is central government doing this (i.e. in terms of objectives pursued?)**

Provisions for regional autonomy and the relationship between each tier of government have been regulated by the Constitution of the Federal Democratic Republic of Ethiopia (1995). The constitution clearly sets down federal and state powers. The principle of mutual respect, reciprocity and support are unequivocally stated. Article 39(1-4), Rights of Nations, Nationalities and People addresses responses to identity pressure, going further up to the possibility to secede. Article 50 (4-7) and Article 52 (1and 2), which determined the reengineering of the structure of the state organs and powers and functions of states responds to the functional interest of the decentralization program. The national policy principles and objectives are well stipulated under Articles 88-92. These articles set out political, economic, social, cultural and environmental objectives and address equity, social responsibility issues, concerns about environment and the future generation...everything in response to distributional pressures (FDRE, 1995). Emanated

from the national constitutions and policies the main objectives of the Decentralization reform program are summarized as follows:

1. To promote good governance and strengthen democracy by enhancing accountability, transparency and responsiveness.
2. To empower people through enhanced participation in planning and decision making and creating a sense of ownership.
3. To enhance economic development, ensure equity and raise the living standards of the community by applying creative, competitive and all inclusive (the government, the private sector, the civil society organizations and the community at large) administration systems.
4. To strengthen downward and horizontal devolution of power in order to enhance local and sectoral capacities.

In this policy framework, responsibility, powers and functions of the local government/district have been elaborated. It has been stated that all organs have the dual accountability- to the community and upwards. All organs have the responsibility to coordinate sectors, CSO and the private sector to make best use of scant resources.

All organs have the responsibility to empower the local authorities and cooperate with adjacent local government bodies in matters that go across boundaries. Under the long list of powers and functions, planning, natural resources management, service delivery, peace and legislative issues and culture have been comprehensively placed. Decision making authorities provided to local governments in this regard and principles that guide their implementation have also been explicitly detailed.

### **2.3 How solid is this national commitment to integrate the spatial dimension and recognize that territories have different needs?**

The national commitment of the central government to integrate the spatial dimension and recognizing the territories' different needs is seen from the objectives of the decentralization program focusing on to foster greater responsiveness of the government to the will and interests of citizens by placing services closer to the people, which would result in a closer congruence between public preference and public policies. This is also to make local development practitioners and decision makers more accountable to the local people, which could be realized

through local elections. In democratic nations where people have true power if policies are imposed against the will of people, they can remove officials from office through their votes. But there must be a true democracy, concerned and well informed citizens to do this.

The Ethiopian central government believed that without the involvement of territories it cannot satisfy the different needs of the different territories and public services alone. Responsiveness to the people involves variations of services and demands which cannot be addressed by a single service provider. Tastes change overtime, quantity and quality of needs also change continuously and people want to have services of their own choice rather than those imposed on them, irrespective of how perfect the services provided without preference may be. To this effect the central government shifted its role to regulate and stimulate service provision by various competitive individuals and CSOs by creating private and public partnerships. The central government structures is playing the responsiveness role to the different needs involves variations of services and demands which cannot be addressed by a single service provider unless otherwise recognize the spatial dimensions and different needs of the different territories of the country.

#### **2.4 Has it been translated into clear plans, policies and implementation processes?**

The decentralization policy has a detail implementation framework. How to share the scarce resource and facilities and how to minimize overhead costs by introducing a “pool system” were predesigned actions and where measures have been taken at the start. To this effect, the district categorized related sectors into four centers, which are hosted by major sectors (actually three centers – because one pool is dedicated to administration alone) and organized the services from these pools. All the sector offices get their budget and other facilities from these pools. Support and clerical personnel are all based in these pools to deliver services to the sectors. This pool system is supposed to maximize efficiency with limited resource and to facilitate networking and coordination among different sectors. It is also thought to limit corruption and misappropriation of resources by individual offices. Through transparent planning and utilization reports on the allocated resources, it is believed that this system serves the internal control purpose as well. Though there can be doubt how much they are realistic, no energy is reserved to make the

program successful at that level, at least in designs. Then how does it work? As mentioned above all the sectors prepare their plans and submit them to the district administration council. Following the procedure explained above when these are approved, further action plans are prepared for full implementation of the plans.

## **2.5 Are national funding mechanisms foreseen to ensure effective territorialization of core public policies?**

The decentralization trajectory in Ethiopia has followed two phases. The first stage (1991-2001) was focused on creating and empowering Regional Governments as stipulated in the Constitution. The second generation reform emplaced enabling legislation for local tiers of governments, to deepen and broaden the decentralization process to Woredas and Kebeles<sup>1</sup> by transferring a number of responsibilities including fiscal empowerment. Since then a number of activities have been taken place to strengthen local level governance and to pave the ground for making Woredas and Kebeles as a center of socio-economic development.

In Ethiopia delivering of basic services are mainly the responsibilities of the Regional and Woreda administrations. To finance such responsibilities regional governments are entitled to **block grant transfers** from the federal government allocated through legally approved formula. Since 2001 the devolution process has further pushed to the Woreda level and similar process is being practiced. Accordingly, **the block grant transfer** is the most important source of funding for service delivery by both the regional governments and Woredas.

Recognizing the need to support such activities at lower levels the country's major development partners, designed the Protection of Basic Services (PBS) program aimed at financing basic services at sub-national level utilizing public financial management systems of the government contingent to a number of commitments of the government.

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<sup>1</sup> Kebele is an Amharic word which means neighbourhood referring to the lowest grassroots administrative unit after the Woreda, recognized by both federal and regional constitutions as lower echelon of local administration in both urban and rural areas

A key question for the Decentralisation Policy is what its full implementation will cost. While it may be rather difficult to accurately cost the full policy implementation given its broad and long-term nature, it is reasonably manageable when the Policy objectives are translated into specific strategies and actionable tasks. The Government of Ethiopia prepared realistic costed plans that consolidate inputs and interventions of various development actors including line ministries' projects, relevant donor programs, NGOs and private sector activities linked to decentralisation. The Government tried to ensure that **inter-governmental transfers** are provided in adequate and timely manner. In order to have reliable financing of decentralisation, the Government has undertaken **intensive resource mobilisation**. The Government also implemented programs to develop the needed fiscal and public financial management capacity within Local Governments to ensure that public funds transferred to local Governments are properly utilised, and that Local Governments are able to mobilize additional local financing on their own. In order to mobilize more funds for decentralisation through budget financing arrangements, a sector wide approach (SWAp) coordination mechanism for decentralization was established, to facilitate mobilisation and coordination of development partners. The Decentralisation SWAp also served as a platform for joint results management and mutual accountability for all actors involved in decentralisation. The Government implemented institutional and legal reforms to facilitate effective fiscal decentralisation with a focus on strengthening PFM performance in Local Governments.

**2.6 To what extent does central government consider LAs as a “development actor” in its own right and an essential partner to be associated in these territorialized public policies (including for the SDGs or the Nationally Determined Contributions for the Paris Agreement)? Or are sub national authorities merely seen as subordinated “implementing agencies” of centrally conceived and steered national policies?**

As districts are frontiers for development operations, these need to be given attention, because this is where the actual resources that make or break the nation come. Decentralization as a strategy in Ethiopia's condition, where the country is a federal state that exists under the ideals of autonomy and unity, is not a matter of choice, but of necessity, if the country has to move. It is with this belief that the decentralization program was in place to increase motivation and

innovation to enable localities to develop their area, to exhaustively utilize indigenous knowledge and available resource, to deliver better services and to bring rapid transformation considering the local governments as a “development actor” with their own jurisdiction.

Decentralization, as a strategy that allows distribution of authority to local and sectoral bodies of government by itself, by its nature implies democratization. Since decentralization empowers local governments and entails fair participation and share of resources in such a way that it narrows inequality and brings unity, practically it is at the center of the democratic ethos. The decentralization program of Ethiopia was based on the principles of active engagement of the community at large in a sense of enhancing self-reliance to achieve its goals. And also to realize the appointment of local elites, bring officials to power through fair and free election and support the private sectors to release their potential for development. Chapter 10 of the Constitution of the FDRE outlines economic, social and environmental objectives. The national regional and sector policies and strategies that were prepared under the framework of the Constitution are compatible with the local objective realities at all levels. The three dimensions of the SDGs (economic, social and environmental) are aligned with national and regional strategies and the Climate-Resilient Green-Economy Strategy (CRGE-Strategy).

The National Development Plan takes into consideration the national vision, sectoral policies, and the international and regional agreements that Ethiopia has made in the areas of post-2015 development agendas. For example, the Paris Climate Change international agreement has been ratified by the HoPR of the FDRE. In general, there is a demonstrated commitment to integration of the SDGs into national development plans; but execution and implementation of the policy directives have faced some limitations due to capacity constraints.

There are developmental capacity gaps in all sectors and at all levels with respect both to executing and implementing national policies and the SDGs. Misperceptions among officials and implementing bodies, deficiency in their motivation and in their sense of ownership and in delivering efficient services are among the main challenges to be addressed. Efforts are being made across the nation to scrutinize the policies to ensure that they can be implemented at all levels and to identify and fill any policy gaps. Accordingly, the SDG-Integrated National Development plan has been prepared and endorsed and ratified for implementation.

During the National Development Plan preparation period, SDGs goals and targets were included in the details. Stakeholders participated in the preparation; ministerial committees and other members of society participated in the draft NDP review workshops. The NPC has played a principal role in the coordination, integration and harmonizing of the plan preparations.

It was endorsed by the council of ministers first and then ratified by the House of Peoples Representatives. Implementation of SDGs at all Government administrative levels is thus legally backed (has become binding) and the existing institutions, human resources and the resources of the three development forces (the ruling party, the Government, and the people) will be fully tapped to implement the GTP II. The legislative and executive organs will monitor and support the performance of the SDGs and GTP II, making use of performance reports that are compiled from official administrative data, documents, sample surveys and inventories obtainable from the federal, regional states and city administrations.

**2.7 Do they acknowledge that LAS have not only a role in helping to implement national (territorialized) policies but that they should also act as a catalyst of bottom-up processes of territorial development by developing partnerships with all relevant local actors (private sector, civil society, etc.)?**

There are various reasons for a nation to decentralize authority from center to lower tiers. Three main drives why nations decentralize their system of governance will be explained next. The first one is based on the interest of nations, nationalities and people's desire for self-rule on the one hand and the interest of maintaining shared rule for mutual benefits on the other hand. Then, the interest in this regard is to create a system of authority in which neither the center nor the constituent units can unilaterally alter the distribution of power and hence the balance between self rule and shared rule will be maintained. This is a drive that can be explained under identity pressure.

The second is functional interest, which can be explained under externalities and scale effects of functional characteristics of public goods. This is about balancing externality or spill-over that occurs when a decision causes costs or benefits to people on the one hand; and on the other hand the scale effects that occur when more units of goods or services can be produced on a larger scale with relatively less input costs at the center. As we see in this case the interest for decentralization is not the ethnic or identity interest, it is functional interest.

The third driving condition, of course to a lesser extent compared to identity and functional reason is, distributional interest. This factor deals with equity, the political opportunity structure and economic benefits offered to lower tiers and various regions. The above mentioned reasons

clearly show how the combination of all the three drives leads to allocation of authority and resources across government tiers. Of course, the debate on whether focus on 'productivity' comes first or fighting about 'equity' and 'distribution' where there is no production is also something one has to see it in a subtle mind.

### **2.8 Opportunities created by the decentralization reforms**

- The government reform has come to Ethiopia which is more liberalized than the previous one.
- UN Country Team and other Development partners commitment and endless support
- Multi-stakeholders engagement such as Private Sector ,civil Society, NGOs, Youth &Women, Political Parties, Higher Education and Research Institutions.

### **2.9 Constraints created by the decentralization reforms**

The findings indicate a need for more focused and planned approaches for the success of the decentralization reforms. Institutionalizing the district and the lowest tiers has not yet been achieved as it would be. While no inconsistency was observed in models used to transfer resources and authority, shortages and lack of dynamic capability of local implementers to properly utilize the power and resources transferred were evident at all levels. Perception and participation of stakeholders is an area that needs a paradigm shift. Achievements on the ground have not yet justified the efforts made or the decentralization reform goals. Everything seems perfect on paper, but when it comes to reality we find everybody in unplanned activities. Without adequate resources and creative human power who knows what has to be done, how to do it, it would be very difficult to accomplish the program. Though the problem in most cases stems from the assignment of incapable persons, local leaders must learn from their peers and try to be competitive. The designed coordination system is good, but it has hardly worked since its formation, because of incomplete elements of implementation capacity. The prevalence of euphoria for something on paper has lived in for decades. We see things beautifully done on paper, and we get excited and expect positive results but to no avail.

The district is still in the process of institutionalizing itself. The struggle is still to organize and to reorganize the structure. Though numerically the strength of the human power is sufficient to implement the current plans, budgets to turn the wheels and fair working facilities have not yet been attained.

### **2.10 The extent to which national development policy supports place-based, territorial development and the role of local authorities in promoting it**

The National Planning Commission (NPC) went ahead and prepared various working documents for the realization of the Decentralization Reform in Ethiopia. The major intervention areas or components identified to address the capacity building needs of local governments at a grassroots level include:

(I) Institutional/organizational rearrangement - which includes activities to refine the functional assignment of districts, to improve local governance, build efficient organizational structure, and define the roles of local entities.

(II) Staffing and training – to ensure the availability of sufficient human resources, enhance professional and leadership competency and roll out a human resources development plan for districts.

(III) District planning and fiscal control systems – which include activities aimed at speeding up the overall development and resource administration of districts by introducing multi-year local planning and fiscal framework mechanisms, improving donor integration in local development, facilitating financial rules, review and reporting of processes for gap assessment.

(IV) Grassroots participation - to enhance democratic participation and empowerment of the rural population at grassroots level in affairs affecting their lives in the development and democratic process.

(V) State-district revenue transfer and own revenue generation to allocate a budget required for local development on efficacy and equity basis by introducing a credible, transparent, and fair state-district transfer formula and enhancing the capacity and incentives of districts to mobilize own revenues and use of funds.

(VI) Minimum standard service indicators and performance mechanisms – to improve planning and implementation capacities of public sectors in districts by setting minimum standard systems of service norms, benchmarks, performance tracking and reporting mechanisms and related guidelines.

(VII) Program development – to strengthen the development of district level decentralization and facilitate its efficient and effective implementation by streamlining regional decentralization strategies, building capacity for coordination and execution of the program, creating capacity for monitoring and evaluation, sensitization of decentralization reform program and identification of linkages and gaps for capacity building intervention in the districts.

(VIII) Office equipment - creating an enabling working environment by strengthening disadvantaged local governments with basic office equipment, ICT and related office facilities.

(IX) Strengthening capacities of lead institutions – to maximize the supply side intervention of affiliated lead public sector organizations at state level which are directly involved in the empowerment of local governments by building capacities; through training, human resources, database and systems development.

### 3 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

A critical evaluation of internal and external key factors that influence the ECA in attaining its stated mandate during the planned period is required for the ECA to be able to chart a path for the future. This involves the identification of the ECA’s Strengths, Weakness, Opportunities and Threats (SWOT). The SWOT analysis below provides insights that will enable the ECA take advantage of existing opportunities, build on strengths, and improve or mitigate on threats during the implementation of ECA strategic plan. A summary of the SWOT analysis is provided in table below:

#### Summary of the Strengths, Weaknesses, Opportunities and Threats

Strengths (internal)	Weaknesses (internal)
1. Legally registered; 2. Clear mandate; 3. Clear definition of tasks and responsibilities of the General Assembly, Board, Secretariat and employee;	1. Working environment: limited office space, limited training opportunities; 2. Inadequate infrastructure (office, parking, sanitation facilities);

<ol style="list-style-type: none"> <li>4. Support from the Board of Directors and the General Assembly;</li> <li>5. The existence of an organizational structure of the Secretariat;</li> <li>6. Qualified and motivated professional staff;</li> <li>7. Existing partnerships with institutions of higher learning locally, regional and internationally;</li> <li>8. The existence of a constitution;</li> <li>9. Availability of financial and administration management manual;</li> <li>10. Started earning money from abroad;</li> <li>11. Audited by external auditors;</li> <li>12. Strong working relationships with stakeholders;</li> <li>13. Supportive environment for cooperation and development;</li> <li>14. Activities and programs are prepared based on need assessment of member cities;</li> <li>15. Activities and programs are relevant to members and are designed in consultation with members;</li> </ol>	<ol style="list-style-type: none"> <li>3. Weak management information system;</li> <li>4. Inadequate transportation;</li> <li>5. Lack of manpower in line with the expected size and quality of the structure;</li> <li>6. Members do not pay their membership fee regularly;</li> <li>7. Inadequate external support;</li> <li>8. Limitation of compiling, organizing, publishing and disseminating of best practices;</li> <li>9. Weak cooperation and communication with some cities;</li> <li>10. Lack of full communication with other relevant governmental, non-governmental and international organizations;</li> <li>11. Limited regional and international participation and linkages;</li> <li>12. Lack of enhanced resource mobilization capacity;</li> <li>13. Inadequate resource allocation to implement the Plan;</li> <li>14. Limited best practice documentation especially in the area of international best practice;</li> <li>15. Lack of written communication strategy;</li> <li>16. The website of the Association is not regularly updated and provides limited resources;</li> <li>17. Lack of in-house staff to manage the website;</li> <li>18. Lack of participation in relevant regional and international networks;</li> <li>19. Does not have a research and capacity building unit;</li> </ol>
<p><b>Opportunities (external)</b></p>	<p><b>Threats (external)</b></p>
<ol style="list-style-type: none"> <li>1. Existence of designed programs and projects;</li> <li>2. Potential to generate revenues;</li> <li>3. Autonomous status of the ECA;</li> <li>4. Political and public goodwill;</li> </ol>	<ol style="list-style-type: none"> <li>1. Low and untimely budgetary provisions;</li> <li>2. Political instability;</li> <li>3. Global economic fluctuations;</li> </ol>

<ol style="list-style-type: none"> <li>5. Potential to offer diverse urban development related trainings locally;</li> <li>6. Potential for external funding;</li> <li>7. Increased demand for continuing trainings, best practice experience sharing workshops by ECA member cities;</li> <li>8. Potential to retain revenues collected from ECA member cities and other programmes;</li> <li>9. The existence of a national development plan;</li> <li>10. The federal government's focus on urban development;</li> <li>11. Formulation of urban development policies and programs;</li> <li>12. The country's fast-growing economy created new urban centers;</li> <li>13. Accelerating urban economic growth;</li> <li>14. Increased readiness of cities to work together;</li> <li>16. Goodwill and recognition by national and international actors;</li> <li>15. Availability of donor funds;</li> <li>16. Growing demand for ECA services;</li> <li>17. Support from National and Regional governments;</li> <li>18. Strong partnership with stakeholders;</li> <li>19. Technological advancement for enhanced dissemination of information;</li> <li>20. Favorable global campaign for cooperation and integration;</li> <li>21. Close collaboration with universities;</li> <li>22. Support from stakeholders i.e. development partners, NUFFIC, Ministry of Urban Development and Construction;</li> <li>23. Legal framework supports its existence;</li> <li>24. Decentralisation policy;</li> <li>25. Increasing political support to decentralization policy by Government;</li> <li>26. The organizational objectives of ECA fits well with the government's policies and strategies on urban development;</li> </ol>	<ol style="list-style-type: none"> <li>4. Increasing population pressure;</li> <li>5. Insufficient financial resources;</li> <li>6. Creation of few LGs without corresponding resources;</li> <li>7. Weak financial management practices in LGs;</li> <li>8. Lack of support from politicians at lower levels ;</li> <li>9. 'Inadequate" communication means;</li> </ol>
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**4 A state of the art regarding the territorializing of national policies and global agendas including SDGs, in terms of both policies and programs adopted in the framework of the national development plan**

The 2030 Sustainable Development Agenda is a program of action intent on alleviating Poverty and Hunger from All People, Saving the World from Climate change, Fostering All-inclusive Peace

and Freedom and Ensuring Well-being and Prosperity for all Humanity. The 2030 Sustainable development Agenda comprises 17 Goals, 169 Targets and 230 Indicators. The 2030 Sustainable Development Agenda was approved by the member states of the United Nations Organization at the convention held in New York during the period 25th to 27th of September 2015 and is a program to be implemented by all member-states and stakeholders.

Ethiopia being a member state of the UN, with regards to the implementation of the Sustainable Development Agenda has been taking coordinated and organized practical actions, all in conspicuous commitment and sense of ownership.

The 2030 Sustainable Development agenda is well in harmony with the development needs of the people of Ethiopia. It is in line with the Ethiopian renaissance journey and accelerates the broad based, all-inclusive and rapid economic growth, social and economic development, environmental development and building of a democratic system. The government of Ethiopia had therefore good reasons to have committed at international level to implement the SDGs adapting it to the objective reality in the country. Nationally it has already been ratified and implementation has commenced.

#### **4.1 Contribution of Ethiopia to the preparation of SDGs and Owing the 2030 Sustainable development Agenda**

Ethiopia recorded remarkable achievements in a number of the Millennium Development Goals, (six of the eight MDG goals were successfully achieved). The two goals not achieved were 1) gender equality and empowerment and 2) improving maternal health. On account of its appreciable performances in the MDGs, Ethiopia was selected by the UN as one of the 50 countries tasked with providing data for the preparation of the 2030 Sustainable Development Agenda. In response, Ethiopia managed to provide the required data having had several review workshops at the federal and regional levels on the performance evaluation of the MDGs in Ethiopia.

The FDRE accepted and approved the 2030 Sustainable Development Agenda during the UN member states 'meeting held in New York from September 25 to 27/2015. The linkages between

the SDGs including their Targets with the GTP II in the basic directions of the priority development sectors and their targets have been clearly depicted in the GTP II. Across the nation consultations have been made with all stakeholders (from diverse communities) either directly or through their representatives on the draft SDG-Integrated GTP II. The consultations platforms organized had considerable contributions in enabling the stakeholders to fully understand. The SDG-integrated GTP II was subsequently endorsed 1st by the council of ministers and then by the House of Peoples' Representatives (HPR), then its implementation commenced. Regional states and city administrations have also prepared GTP II. In their GTP II, SDG was also fully integrated. Thus, the SDG in Ethiopia has now been fully owned nationally and in the regions.

#### **4.2 Policy and enabling environment to the implementation of SDGS**

**The Constitution** of the FDRE is a manifestation of the covenant made among nations, nationalities and peoples of Ethiopia. It aimed at building a unified economic society. Adopt **decentralized government administrative system**, it allowed for the participation of the people at various levels and aimed at forming strong economy. The overriding objective of the Ethiopian Government is **poverty eradication and sustainable development** through ensuring peace, political stability, democracy and good governance. All national policies, strategies, plans and programs are geared towards sustainable development and poverty eradication objectives (Article 43). The formulation and implementation of any development policies, strategies, plans and programs shall be guided by the constitutional principles and objectives of the Constitution. Sustainable development planning and implementation in Ethiopia has been carefully framed in the supreme law of the land by the Nations, Nationalities and Peoples of Ethiopia (Articles 41, 42, 43, 44).

- Article 41 : Economic, Social and Cultural rights
- Article 42: The Rights to Labor
- Article 43: The Right to Development
- Article 44: Environmental Rights

The Federal Government is responsible to design and implement vertically coherent and horizontally consistent National Development Plans which are based on national development needs and priorities. Under the national policy frameworks, regional states and city

administrations are obliged to prepare and implement plans and programs that reflect their local objective realities. There is strong integration and harmony among the national policy and strategies that are implemented at various government administrative levels, regional states and city administrations. This creates conducive environment for the implementation of SDGs.

To achieve the vision of the country (join Lower-Middle- Income Countries category by 2025) the FDRE has embarked upon an accelerated implementation of economic growth, infrastructure building, social development and the building of democratic system. To this end, it has put in place essential institutional mechanisms along with the necessary human capital. These institutional mechanisms are facilitating the implementation of the SDGs in Ethiopia.

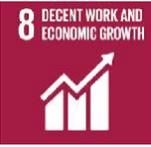
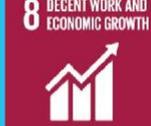
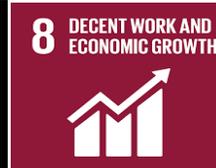
### **4.3 Integrating the SDGs with the National Development Frameworks**

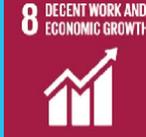
The new Ethiopian National Development Plan of 2020/21 – 2029/30 is a ten years perspective development plan ready for final endorsement and approval in the coming few weeks. It has a vision of making “Ethiopia: An African Beacon of Prosperity”.

The new national development plan has taken in to consideration the challenges and unmet targets of the previous Growth and Transformation Plans (GTP I & II) of which each of them had a five years span. Also it has taken the SDGs and the new perspectives of the government making Ethiopia self sustained and prosperous. The milestones of the national development plan include:

- a. Macroeconomic growth and structural change,
- b. Agriculture,
- c. Manufacturing Industry development,
- d. Urban Development and Construction (UDCo),
- e. Culture and Tourism development,
- f. Infrastructure development,
- g. Water, Irrigation and Energy, and
- h. Human Development.

**Figure 1:** Integration of Ethiopia’s National Development frameworks (priorities) and the SDGs

No.	Ethiopia's National Development Priorities	Relevant Sustainable Development Goals
1	Macroeconomic growth and structural change	   
2	Agriculture	          
3	Manufacturing Industry development	        
4	Urban Development and Construction (UDCo)	    
5	Culture and Tourism development	   
6	Infrastructure development	

No.	Ethiopia's National Development Priorities	Relevant Sustainable Development Goals
7	Water, Irrigation and Energy	 
8	Human Development	       

**4.4 Institutional mechanisms for implementing the SDGs**

Existing government institutional mechanisms and organizations operating under the Decentralized Administrative System

- The Ministers/Agencies are responsible for the implementation of NDP.
- The Ministers/Agencies are also accountable for monitoring, evaluating and reporting of progress and achievements of implementations.
- The NPC plays a coordinating role to ensure the functioning of the national monitoring and evaluation system.
- The NPC also plays following the implementation of NDP and monitoring and evaluating on progresses made.
- The Central Statistical Agency (CSA) is responsible for supplying socioeconomic and demographic data that are essential for planning, monitoring, evaluating and reporting.

The ‘Public-Wings’ Organization-form: A platform to engage the private sector, the civil society, the professional associations, the non-governmental organizations, the Women and Youth associations etc. along with appropriate government organs in the economic, social and environmental development in line with the government policies and at all levels.

## **Efforts to Implement SDGs**

### **a. National Fifteen Year Perspective Development Plan (2015/16-2029/30) has already been Prepared**

Background studies on the selected key areas such as macroeconomics, agriculture transformation, industrial development, particularly in the manufacturing sector, in energy infrastructure, human resource development and transport infrastructure (road and rail) and transport development services have already been done.

### **b. SDGs' Needs Assessment has been conducted**

SDG financial needs assessment has been completed. The study was used as an input for the formulation of the National Fifteen Year Perspective Development Plan (2015/16-2029/30) by identifying the full range of policies and institutions needed to meet the SDGs.

## **Challenges in implementation and localization of the SDGs in Ethiopia**

**The challenges faced by the Ethiopian government in implementation and localization of the SDGs include:**

- Climate change induced drought which had negative effects on agricultural production in particular and on the overall economy;
- Limited data and statistics to inform baseline and target indicators at the country level.
- Decline in the international market prices of export commodities which had negative effects on export earnings of the country;
- limited implementation capacity to implement the international goal;
- Financial resource to finance public projects.

## **Opportunities**

- UN Country Team and other Development partners commitment and endless support
- Multi-stakeholders engagement such as Private Sector ,civil Society, NGOs, Youth &Women, Political Parties, Higher Education and Research Institutions

## **5. What is the block grant transfer formula? Is its implementation raising complaints from the concerned decentralized entities?**

Ethiopia adopts both expenditure needs and revenue variables in to account and in that case the block grant transfer formula is progressive over years. This is because of the heterogeneous composition of the regional states and their development needs that preclude from deducing effective formula based on a single indicator.

This formula has also taken revenue capacities and expenditure needs into account so that it seeks to balance differences regarding capacities and needs. Among the peculiarities of this formula, special percentage share is reserved to the less developed states. Accordingly, Afar, Somali, Benishangul Gumuz and Gambela, which are defined as emerging regions by the Ethiopian government because they are far behind the rest regions in development, are allowed a specific budget grant which is one percent of the general pool that is additional to their share.

The respective share of each region is also allocated based on a formula devised for this purpose. The recent formula has also other peculiarities. For one thing it attempted to take the revenue potential of the states than actual revenues collected in the region in a far better way than its previous ones so that it pursues its principle of effort neutral approach effectively. This would potentially force regional states to make substantial effort so that the potential gap between revenue potential and actual revenue would be closed. For another thing, the expenditure needs assessment pays due emphasis on the number of beneficiaries (e.g. number of students, number of sick people) than on a per capita basis.

Like all the previous formulas, the recent done a year ago formula also concern regional states than the building blocks of the federation: Nations, Nationalities, and Peoples of Ethiopia. There are, however, some peculiarities in this formula. This is because it attempted to accommodate the especial expenditure requirements of multi ethnic states. For instance, those multi ethnic regions that have established council of nationalities and special administrative structures (Amhara, SNNPR, and Gambela) are awarded some share for their extra expenditure requirement.

Similarly the formula has also taken account of the number of first languages used in each state in primary education and the expenditure share of the region would also increase accordingly.

The revenue capacity of the regions is assessed by taking major tax sources that are reported to cover more than 80% of the revenues of the regions. Pursuing its principle of effort neutral approach, the formula only used the regions' revenue potential not the revenues they have actually collected. The taxes used for this purpose are six which are personal income taxes, business profit tax, VAT, Agricultural income tax, Rural Land Use Tax; and Turn over Tax (TOT). The formula has also incorporated non tax revenue, i.e. sales of medical visits and drug appointment whose proceeds are alleged to be consistently increasing across regions. Therefore, complaints on the formula and implementation are always being resolved by using a progressive consideration of realities.

#### **A. The current formula (e) being used for transferring funds to the regions and woredas**

The responsibility of deciding the proportion of the general purpose grant allocation to the regional states has been constitutionally vested in the House of Federation (HoF) since 1994/95. Federal transfers are distributed based on the relative fiscal gaps of regional states, and the HoF has adopted a grant allocation formula in order to capture the gaps as accurately as possible. The HoF revises the grant allocation formula periodically, so as to adjust the federal grant allocation to the changes in the socio-economic conditions of each regional state, and a number of formulae have been developed and used since the country adopted fiscal federalism.

In 2017, the HoF adopted a revised grant allocation formula (for use in the coming three years) to accommodate the allocation of federal grants to the changes in population size, levels of development, revenue collection capacities, employment and poverty, among other factors, across the regional states. The new approach of federal transfer is calculated on the basis of the representative revenue and representative expenditure estimates. In this approach, the revenue-raising capacity is estimated using the representative revenue system; the expenditure needs are estimated using the representative expenditure system; and the fiscal gaps are calculated accordingly for each regional state. The grant is therefore distributed based on the relative fiscal gaps of the regional states.

Though there are different approaches that can be used to estimate the revenue-generating capacities of sub-national governments, the federal transfer formula of Ethiopia uses the Representative Tax System (RTS) to estimate the revenue-generating capacities of each region. This system employs the main tax revenue sources of regional states, including agricultural income tax, land use fee, payroll tax, business income tax, turnover tax, and value added tax. The current grant allocation formula considers new developments in tax rates, particularly for payroll tax. Improvements have also been made to the previous computation method by using weighted averages rather than simple average tax rates. Moreover, a new method is followed in the

calculation of business income tax and value added tax, which represents a major departure from the method used in the previous formula.

According to the new grant allocation formula, the expenditure need of each regional state is calculated by taking into consideration the unit of measurement (which is different across each expenditure category), representative expenditure (per unit average expenditure for each expenditure category), and adjustment index (constructed from factors explaining unit cost differentials across sub-national governments). The current grant allocation formula employs a regression approach to estimate the adjustment index for each expenditure category, which was not the case in the previous formula (previously, the adjustment index was subjectively determined by an expert and then finally settled through consultation with the regional governments). The expenditure categories incorporated in the calculation include general services and administration, primary and secondary education, including Technical and Vocational Education and Training (TVET), public health, agriculture and rural development, drinking water development, rural road construction and maintenance, urban development, and micro and small-scale enterprises.

However, in the current revised grant allocation formula, the lack of adequate and good-quality data on some essential variables of interest have been the most important challenges faced in estimating the revenue-generating capacities and expenditure needs of regional states.

Moreover, it is impossible in this revision to capture some of the concerns raised by regional governments, such as the variation in the quality of public services provided and the efficiency differential across regional states.

### **B. Recent data/information within the past three years,**

As taken from the Federal Democratic Republic of Ethiopia House of Federation, the recent data on the federal general-purpose grant distribution formula 2017/18–2019/20 will be presented below.

As a result of the above applied formula computation, the very recent data within the past three years from 2017/18 to 2019/20 is that the total amount of the federal general purpose grant is divided and transferred as follows excluding Addis Ababa(which is dependent on own revenue only):

1. Tigray region, 6.03 per cent;
2. Afar region, 3.02 per cent;
3. Amhara region, 21.6 per cent;
4. Oromia region, 35.38 per cent;
5. Somali region, 10.32 per cent;
6. Benishangul-Gumuz region, 1.54 per cent;

7. Southern Nations, Nationalities and Peoples region, 20.41 per cent;
8. Gambella region, 1.1 per cent;
9. Harari region, 0.21 per cent; and
10. Dire Dawa (Chartered City), 0.38 per cent.

Of the 2019/20 total approved budget of ETB 386.9 billion, 62.1 per cent is allocated for federal government expenditures (ETB 240.2 billion), 36.4 per cent (ETB 140.8 billion) is allocated for unearmarked general purpose grants to autonomous sub-national governments responsible for sub-national sector budget allocations, and 1.6 per cent (ETB 6 billion) is earmarked for supporting capital projects towards the achievement of Sustainable Development Goals (SDGs) at the sub-national level. The budget allocated for federal government spending has increased nominally by 17 per cent compared to 2018/19.

General purpose grants to regional governments have also shown a 3.8 per cent increase compared to last year, while the budget for supporting the achievement of SDGs at the sub-national level has remained the same in nominal terms. However, when accounting for inflation, the increment for the budget allocated to the federal government spending is only 6.8 per cent, while both general purpose grants and SDG support for the regions have shown declines of 5.3 per cent and 9 per cent, respectively, compared to last year. Hence, the increments in nominal terms are not as impressive as they initially seem.

**C. As for the milestones of the National Development Plan, please quote the stated dates for each applicable milestone.**

As I stated in the analytical report clearly, the National Development Plan is under the process of endorsement. Therefore, now it is not the right time to get data on the dates for each applicable milestone. It needs to wait for some time, for its final version with its clear timelines and plan of action.

**6. Protection of Basic Service program (PBS), Scope and Coverage of this program so far**

Ethiopia's Promoting Basic Services Program (formerly the Protection of Basic Services Program) is a nationwide program that aims to contribute to (i) expanding nationwide access to basic services notably education, health, water supply, sanitation, rural roads and agricultural extension services, and (ii) improving the quality of these services.

It funds block grants that support adequate staffing and recurrent expenditures for these services, accompanied by measures to promote transparency and accountability at the woreda

(district) level. It has also helped to strengthen the decentralized public financial management system and supports local civil society organizations that improve opportunities for citizens to provide feedback on service delivery to local administrators and service providers.

The PBS is funded by the Government of Ethiopia and a number of development partners including the World Bank, the African Development Bank, the UK's Department for International Development (DfID), the European Union (EU), Austria, and Italy. In addition, the social accountability component is being supported by DFID, KfW (Germany), Irish Aid, and the EU. The program is a good example of harmonized support by donors to improve basic services in a low-income country. A PBS Secretariat was established by donors to facilitate and coordinate the dialogue on the program and its implementation, and provide analytical support. The Ministry of Finance and Economic Development is the implementing agency for the program.

### **6.1. Funds invested in the PBS**

As an effective instrument to support the government's commitment to local basic services, PBS has been supported by 10 development partners. The guiding principles for donor participation in the PBS Program are harmonization of aid and integration with the government of Ethiopia's financial systems. As the program's primary motivator, IDA took responsibility for harmonizing donor contributions, co-chairing the PBS Development Partners group to seek consensus, and channeling funding on donors' behalf.

PBS 1 involved donor contributions of US\$814 million. Most PBS 1 donors provided their financing through IDA-administered trust funds (US\$660 million). These trust funds used pooled arrangements subject to common procurement and financial management processes. To accommodate individual donors' interests to support different sub-programs, IDA managed a large portfolio of 19 multi-donor trust funds, including recipient and IDA-executed parent and child trust funds. PBS 2 involves more than US\$700 million in donor cofinancing (World Bank, 2010).

The recent one \$600 million for PBS III was approved by the World Bank in September 2012. It is a national program that serves about 84 million people across Ethiopia, and has contributed to

large gains in human development and Ethiopia’s rapid progress towards many of the Millennium Development Goals that fall due in 2015.

## 6.2. The impact of the program on the Ethiopian people

The PBS has greatly strengthened Ethiopia’s delivery of public services, by enabling woredas to hire 100,000 additional primary school teachers; 38,000 health extension workers (two for every kebele or ward); and 45,000 agricultural extension workers. It has also supported the setting up of 500 woreda road desks that are working to improve rural transport services. (Human Development Africa, 2014)

Greater capacity to deliver public services and enhanced government accountability for these services has contributed to some exceptionally strong development results in Ethiopia between 2004 and 2012: More children survive their 5th birthdays—child mortality has fallen from 118 per 1,000 births to 68. More children are in school—the net primary enrollment rate has grown rapidly from 68% to 85.9%. More people have water in rural areas—access to safe water has doubled from 35% to 71%. Together with efforts to promote equity and rapid economic growth, Ethiopia’s sharp focus on service delivery has helped overall improvements in people’s welfare. According to official data, the share of people living in poverty has fallen from 38.7% in 2004/05 to 29.6% in 2011. (ibid)

## 7. Level and evolution of intergovernmental transfers, Formula used for the transfer

The bulk of the grant that woredas receive from the regional governments is an unconditional block grants that the woredas can use for any purpose they deem necessary. Also, as can be seen from the table below, in the past years the amount that woredas receive in the form of block grants has significantly increased.

**Table 1: Block grant to *woredas* in Ethiopian Birr (millions)**

Year	Amhara	SNNPR	Oromia	Tigray
2005/06	-	852.106	1819.24	493.74
2006/07	2497.171 (86%)	-	2,688.20	-

2008/09	2936.29 (78.4%)	2121.33 (77.7%)	3,133.63 (76.1%)	769.44 (61.8%)
2009/10	2714.2 (78.2%)	2529.4 (73.3%)	3619.3 (81%)	839.48 57.6%)

**Source:** Ministry of Finance and Economic Development 2010

The federal government has a scheme of intergovernmental revenue transfer which is known as a “block grants”. Through this scheme it transfers a considerable amount of money to the regional states. The grant is transferred according to a prearranged formula and it has no or minimum conditions attached to it.

However woredas and zones do not receive intergovernmental grants directly from the federal government. Instead, revenues are transferred to them by the regional governments. The intergovernmental grant that woredas and zones obtain from the regional governments also takes the form of a “block grant”. Therefore they get the grants from the regional government without conditions attached. The variables which are used to determine the grant are: population size (55 %), level of poverty (10%), expenditure needs (20%), revenue raising capacity and execution efficiency (15%). All Woredas and zones have full liberty as to how to spend the revenue which they receive in form of block grants.

**8. Can the development partners Sector-wide (SWAp) coordination mechanism for decentralization be presented ?What are the participating donor partners? Who is the lead partners for SWAp? What the coordination mechanism entails: sharing of sector policy support? Allocation of different areas of the country to different donor partners? Establishment of common basket fund for support to the decentralization policy? Mutual accountability? Can examples be provided?**

Ethiopia is one of the top ODA recipients in Africa. During the period 2011-2015, the three principal donors included the World Bank group (USD 3.7 billion), the US (USD 3.5 billion)and the UK (USD 2.5 billion). Other major donors included (in declining order) other multilateral and regional banks, European Union institutions, Canada, the UN, Japan, Germany, the Netherlands, and Ireland.

The largest channel is the “Public Sector”, reaching USD 1.6 billion in 2015. This sector almost doubled in 2007 as a result of the shift from General Budget Support to the Promoting Basic

Services programme. Moreover, a major part of the development aid to Ethiopia is being channeled through large-scale multi-donor government-implemented programmes. The multilateral channel was the second largest channel in 2015 (USD 760 million), starting relatively low in 2004 and peaking in 2006 (USD 3.3 billion). The peak is presumably related to the below-mentioned debt relief under the Multilateral Debt Relief Initiative (MDRI), although it has not been possible to verify this.

The NGOs and Civil Society channel is less than half the size of the public sector, although it has increased steadily since 2004. In 2015, the ODA to the NGOs and Civil Society channel was USD 669 million.

## **9. The content of the Climate-Resilient Green Economy Strategy (CRGE strategy)**

The CRGE has three complementary objectives namely (i) Fostering economic development and growth; (ii) Ensuring abatement and avoidance of future emissions, i.e., transition to a green economy; and (iii) Improving resilience to climate change.

It has two building blocks: the Climate Resilience (CR) and Green Economy (GE) components. The CRGE targeted sectors are agriculture (livestock and soil), forestry, transport, electric power, industry and buildings (including Wastes and green Cities). The problem that CRGE seeks to address Ethiopia faces multiple climate-related challenges. GHG emissions are increasing due to population growth, industrialisation and the expansion of agricultural activities. Its climate is varied and complex and this is a challenge to policymaking. There is evidence of climate change in Ethiopia over the past 50 years. Although there is significant uncertainty in climate prediction models, high levels of climate vulnerability are turning hazards into disasters. Droughts and floods have increased in frequency which, when combined with increased variability, have had a major negative impact on growth in agriculture. Additionally, agricultural livelihoods are extremely vulnerable to climate, so the climate change impact and cost to agriculture are potentially large. A hotter and drier scenario, with increased droughts, could reduce GDP by 10% by 2050. This would increase food insecurity and the vulnerability of communities, which will struggle to survive. It will also limit the CRGE middle-income ambition.

There are four pillars of the CRGE strategy. These are adoption of agriculture and land use efficiency measures; protection and rehabilitation of forests for their economic and ecosystem services including as carbon stocks; deployment of renewable and clean power generation; use of appropriate advanced technologies in industry, transport, and buildings.

## 10. What is the content of SDG-Integrated National Development Plan

The content of the Sustainable Development Plan (SDG) integrated with the Ethiopian national development plan are presented below;

No.	Ethiopia's National Development Priorities	Relevant Sustainable Development Goals
1	Macroeconomic growth and structural change	Goal 8: Decent work and economic growth, Goal 10: Reduced inequalities, Goal 12: Responsible consumption and production, Goal 17: Partnership for the goals.
2	Agriculture	Goal 1: No poverty, Goal 2: Zero hunger, Goal 6: Clean water and sanitation, Goal 8: Decent work and economic growth, Goal 9: Industry innovation and infrastructure, Goal 10: Reduced inequalities, Goal 12: Responsible consumption and production, Goal 13: Climate action, Goal 14: Life below water, Goal 15: Life on Land, Goal 17: Partnership for the goals.
3	Manufacturing Industry development	Goal 1: No poverty, Goal 2: Zero hunger, Goal 4: Quality Education, Goal 6: Clean water and sanitation, Goal 8: Decent work and economic growth, Goal 9: Industry innovation and infrastructure, Goal 10: Reduced inequalities, Goal 12: Responsible consumption and production, Goal 17: Partnership for the goals.
4	Urban Development and Construction	Goal 6: Clean water and sanitation, Goal 9: Industry innovation and infrastructure, Goal 11: Sustainable Cities and Communities, Goal 13: Climate Action,

No.	Ethiopia's National Development Priorities	Relevant Sustainable Development Goals
		Goal 17: Partnership for the goals.
5	Culture and Tourism Development	Goal 4: Quality Education, Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible consumption and production.
6	Infrastructure development	Goal 9: Industry innovation and infrastructure, Goal 11: Sustainable Cities and Communities, Goal 13: Climate Action.
7	Water, Irrigation and Energy	Goal 6: Clean water and sanitation, Goal 7: Affordable and Clean Energy, Goal 9: Industry innovation and infrastructure, Goal 11: Sustainable Cities and Communities, Goal 13: Climate Action.
8	Human Development	Goal 3: Good Health and Well Being, Goal 4: Quality Education, Goal 5: Gender Equality, Goal 6: Clean water and sanitation, Goal 8: Decent work and economic growth, Goal 10: Reduced inequalities, Goal 12: Responsible consumption and production, Goal 17: Partnership for the goals.

## 11. The content of Growth and Transformation Plan (GTP)

Ethiopia is one of the fast growing economies in Africa and in the world (IMF, 2010). It plans to achieve climate resilient and green middle income economy status by 2025 with zero net emission. This ambition has been formalized in the Ethiopian GTP. The overriding development agenda of the GTP is to sustain rapid, broad-based and equitable economic growth path witnessed during the past several years and eventually end poverty (GTP, 2010). To achieve middle-income status before 2025, the GTP growth rates must be sustained for 15 years. Following the conventional development path would among other things result in:

The *Growth and Transformation Plan I (GTP I)* is a national five-year development plan created by the Government of Ethiopia to improve the country's economic well-being and work towards eradicating poverty. The four overarching objectives of GTP I are:

- a. Maintaining at least an average real GDP growth rate of 11% per annum and attaining the Millennium Development Goals (MDGs) by 2014/15;
- b. Expanding access and ensuring the qualities of education and health services and achieve MDGs in the social sectors;
- c. Establishing conditions for sustainable nation building through the creation of a stable democratic and developmental state;
- d. Ensuring the sustainability of growth by maintaining macroeconomic stability.

The document outlines the main objectives, strategies, and targets for the five-year period, as well as providing details on specific sectors; costs and financing; risks, opportunities, and challenges; and monitoring and evaluation.

Ethiopia's *Growth and Transformation Plan II (GTP II)* aims to spur economic structural transformation and sustain accelerated growth towards the realization of the national vision to become a low middle-income country by 2025. GTP II focuses on ensuring rapid, sustainable, and broad-based growth by enhancing the productivity of the [agriculture](#) and [manufacturing](#) sectors, improving the quality of production, and stimulating competition within the economy. GTP II sets out the following objectives:

- a. Achieve an annual average real GDP growth rate of 11 percent within a stable macroeconomic environment and thereby contribute towards the realization of Ethiopia's vision of becoming a lower middle-income country by 2025, while pursuing comprehensive measures towards narrowing the saving-investment gap and bridging the widening trade deficit.
- b. Develop domestic engineering and fabrication capacity and improve productivity, quality, and competitiveness of the domestic productive sectors (agriculture and manufacturing industries) to speed up structural transformation;
- c. Further solidify the on-going public mobilization and organized participation to ensure the public become both owners and beneficiaries from development outcomes;

- d. Deepen the hegemony of developmental political economy by strengthening a stable democratic developmental state.

## **12. The place and role of decentralized entities in the above mentioned plans and strategies**

The districts/woredas being centers of socio-economic development have the following mandates. The Woreda councils have mandates of implementing policies, laws, regulations, directives, plans and programs initiated and formulated by both the federal and regional states throughout the Woredas. It examines and approves the draft economic development, social services along with administrative working plans and programs of the Woredas. The Woreda administrations have mandates of preparing plans within the framework of the regional plan. The Woreda prepares and approves its own budget and sends it to the regions. Receive block grants from regions and allocates it to sectoral offices through Bureau of Finance and Economic Development.

## **13. The vision of the GTP was to “Join lower-middle income countries categories by 2025”. 5 years before the deadline can this vision be achieved: if yes provide evidence of the appreciation; if no, give the reasons why and possible corrective measures envisioned by the national government and possible contribution of subnational governments.**

The vision of Ethiopian GTP was to “Join lower middle income countries categories by 2025”. The first GTP with the period of five years from 2011-2015 was evaluated and its implementation result was taken as half-half that requires concerted effort in the next GTP II period to be more successful. GTP II, the continued plan of GTP I was from 2016-2020. However, in the middle of the plan period the government reform came to exist and the GTP plan implementation has got serious challenges since 2018. Yet the implementation levels and result of the GTP II as well as GTP I taking in to consideration the plan’s vision is not released officially. Rather a ten year prosperity plan is being prepared that only requires endorsement.

#### **14. Trajectory defined for the realization of Ethiopian National Development Plan 2020/21 - 2029/30 Vision, milestones**

The vision of the new Ethiopian National Development Plan 2020/21 - 2029/30 is “Making Ethiopia an Africa Beacon of Prosperity”. The trajectory is defined for the realization of this vision.

The milestones of the plan are:

- Encouraging large-scale foreign investment opportunities, primarily in the agricultural and industrial sectors,
- Completing Ethiopia's membership in the World Trade Organization and improving the country's commercial regulatory framework.,
- Providing basic infrastructure in four industrial cluster zones.,
- Renewing focus on natural resource and raw material industries such as gold, oil, gas, potash, and gemstones.,
- Increasing road networks by 10,000 miles throughout the country.,
- Building a 1,500 mile-long standard gauge rail network and creating manufacturing plants for locomotive engines and railway signaling systems,
- Quadrupling power generation from 2,000 to 10,000 megawatts, building 82,500 miles of new power distribution lines, and rehabilitating 4,800 miles of existing power transmission lines,
- Seeking investment in renewable energy projects involving hydro, wind, geothermal, and bio fuels to take advantage of the global focus on renewable energy,
- Increasing mobile telephone subscribers from 7 to 40 million and Internet service subscribers from less than 200,000 to 3.7 million.

#### **15. Challenges for the localizing of the new Ethiopian National Development Plan:**

- importance of considering climate change impact,
- Limited localized data making it difficult to have baseline information and define targets and monitoring and evaluation indicators,
- Limited capacity to implement national and global goals,
- Lack of financial resources to implement public projects.

#### **16. Actions suggested for subnational governments to take their part in addressing these challenges? How to address these challenges and how the EU cooperation program can contribute to it?**

In regard to mechanisms to address the challenges expected in implementing the National Development Plan, the sub nationals as well as local authorities need to take part in the

process of implementing the plan. Clear actions should be taken by all concerned subnational and local entities in the area of coping up the climate changes as they started the greening effort through huge afforestation program. Keeping the local environment clean, protect their environment from natural and human hazards and dangers. The subnationals have to exert their efforts in making their localities climate resilient.

About the limited localized data that will make it difficult to have baseline information and define targets and monitoring and evaluation indicators of the national development plan, the decentralized entities are expected to be well aware of the ground realities and establish a modern system of local data management both in terms of human capital and basic infrastructures. On the other hand, the subnationals and local authorities should seriously take in to consideration the building up of their implementation capacities that will enable them implement the national development plan and grounded the global goals and ended up with the expected results – ensuring prosperity in the country as a whole.

The subnationals and local authorities should also use their limited resources optimally focusing mainly on the targeted goals of the national development plan and global goals. In addition, it is expected from them to work in a cooperative manner with any development partners like EU cooperation and others.

The EU cooperation program support can also have a paramount significance in contributing to the successfulness of the national development plan and global goals. The EU cooperation program can be through financial support of direct implementation capacity programs, public projects, and human capital development support and support for national level partnerships.

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