Involving Local Authorities In the programming process of EU Cooperation in Ethiopia

LOCAL AUTHORITIES
ROADMAP
FOR THE 2021-2027 CYCLE OF EU COOPERATION

UCLG AFRICA
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List of Abbreviations and Acronyms

CSA   Central Statistics Agency

CSO   Civil Society Organization

DLDP   District Level Decentralization Program

ECA   Ethiopian Cities Association

FDRE   Federal Democratic Republic of Ethiopia

GTP   Growth and Transformation Plan

HoPR   House of People's Representative

LAs   Local Authorities

MUDCo   Ministry of Urban Development and Construction

NALA   National Local Authority

NDP   National Development Plan

NPC   National Plan Commission

NGOs   Non Governmental Organizations

NPC   National Plan Commission

SDGs   Sustainable Development Goals

SWOT   Strength, Weakness, Opportunity and Threat

UIIDP   Urban Institutional and Infrastructure Development Program

ULGDP   Urban Local Government Development Project

UN   United Nations

Definition of Terms and Concepts

Prior to delving into the main body of this roadmap which presents a situation analysis followed by a statement on possible remedial actions, it is important to first define or describe the terms deemed to pivotal in the discussion to follow. This is intended to elevate our understanding and appreciation of such terms from both theoretical and contextual points of view, since systems and application of some words and concepts may vary across countries.

Decentralization: There is no commonly accepted definition of decentralisation. Nevertheless, almost all authors who have attempted to define the concept often hold that decentralisation involves, even if in varied forms, transferring responsibilities, powers, functions and resources from a centre to peripheral governmental institutions.[1] Yet, decentralisation is not meant to deprive the centre of all political powers.[2] There are certain areas of authorities which are appropriate to the national actors and other areas of authorities which are appropriate to subnational actors. "Both national and sub-national actors have a complementary role to play. However, their role needs to be "determined by analyzing the most effective ways and means of achieving a desired objective."[3]

Forms of Decentralisation: Decentralisation takes various forms. The most known ones are deconcentration (also known as administrative decentralisation), devolution (democratic decentralisation) and delegation.

Deconcentration: Also known as administrative decentralisation[4] is the transfer of responsibilities, authorities and resources from a centre to local units of the centre[5]. Through deconcentration, powers and responsibilities are transferred to governmental institutions within the jurisdictional authority of the central government.[6]

Delegation: refers to a situation where decision-making and administrative authority and responsibility for definite tasks are transferred from a centre to an autonomous sub-national unit[7]. The central government defines the powers which are to be transferred.

Devolution or democratic decentralisation: refers to a situation where a local level government is constituted legally as a 'separate governance body'[8] and that powers and

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[1] "[D]ecentralisation is commonly regarded as a process through which powers, functions, responsibilities and resources are transferred from central to local governments and/or to other decentralized entities howsoever defined." Kauzya (2005)

[2] UNDP (1998)

[3] UNDP(1998)

[4] Manor (1999)

[5] De Visser (2005) at 14; Assefa (2003) at 5; Rondinelli & Nellis (1986)

[6] De Visser (2005) at 14; UNDP (1998) at 3; Manor (1999)

[7] UNDP (1999) at 7; De Visser (2005)

[8] Manor (1999)

responsibilities are transferred to such unit on permanent basis. This form of decentralisation is referred to as "genuine decentralisation.

Woredas: are generally semi-autonomous local government entities that have a separate legal status as corporate bodies with their own political leadership (council) and their own budget accounts. The woreda council members are elected directly to represent each kebele (ward) in the district. The term woreda can refer to rural districts as well as urban units. Regional governments have created urban local governments (ULGs).

1. Introduction

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 (UCLG Africa) 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. Hence this road map is prepared for practical actions.

Part 1

1. Assessing Local Authorities Involvement in Development and Cooperation Policy

1.1. Main conclusions resulting from the Compendium

    1.1.1   The theoretical context of potential levels of disjuncture in the Decentralisation Process

According to Andrews et al the effectiveness of decentralisation is based on a joined-up flow of service assignments.[9] The authors identify three levels at which disjuncture can occur in decentralisation programmes. The first is at the *theoretical level* where principles in normative literature on decentralisation are depicted in terms of the decentralised powers and functions.[10] It is at this level, for instance, where differences may occur in the conception of the definition, types and dimensions of decentralisation.

Secondly, there is the *legal level*, which encompasses the legal framework that mandates and implements the decentralisation programmes.[11] The importance of this level is well presented by the UNDP, which contends that the robustness of local government systems is greatly dependent on the clarity and level of protection embedded in the instruments that establish and operationalise them.[12] Legal mandate and clarity of power relations and scope of responsibility among different levels of government are not only crucial for the implementation of decentralisation but also in the management of conflicts that arise as a result. This partially explains why the proponents of local government are increasingly seeking for constitutional fortification of complementary systems in public governance.[13] Though it is argued that constitutionalisation of decentralisation protects it from various forms of threat, there are always justifications for recentralisation. In some instances, functions or services that are legally decentralised are held back by bureaucratic tendencies and direct forms of inter-organisational conflict.[14]

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[9] Matthew Andrews and Larry Schroeder, 'Sectoral Decentralisation and Inter-Governmental Arrangements in Africa' (2003) 23 Public Administration and Development 29, 30.
[10] ibid
[11] ibid., at p. 32.
[12] United Nations Development Programme (UNDP), 'Local Governance for Poverty Reduction in Africa' (Fifth Africa Governance Forum, Maputo, Mozambique, 23-25 May 2002).
[13] Dele Olowu, 'Local Institutional and Political Structures and Processes: Recent Experience in Africa' (2003) 23 Public Administration and Development 41, 44.
[14] Andrews op. cit., n. 2, at p. 36.

Thirdly, there is the *practical level* which depicts the degree to which a given component is actually decentralised.[15] The transfer of services or sectors does not necessarily spell what components of it are actually decentralised.[16] Also, decentralisation of a sector or service may not take into account capacity issues in terms of the human, financial and physical resources, at the disposal of the decentralised units.[17] Andrews et al further observe that disjoints between theory and reality arise from various factors including intergovernmental politics, bureaucracy and local level incapacities.[18] Indeed, political commitment, exhibited in the form and level of support extended by the centre to local units, remains a core foundation for effective decentralisation. As we shall shortly see in the case of Ethiopia below, however, several disjoints in the decentralisation process can be attributed to the elevation of the centralist paradigm in the management of local affairs.

1.1.2   Main conclusions resulting from the Compendium: The case of Ethiopia

Article 50(4) of the 1995 Constitution allows each regional state to decide on its own local government structure so that the local governance system of each region could be rooted in its socio-economic circumstances. Yet the right of regional states to decide on their local government structure is limited by a concomitant obligation to create an autonomous local government as opposed to their own administrative arms.[19]

A glance at the regional constitutions and statutes creates the impression that the regional states have done just that. At present, regional states have established rural and urban local government: *woredas* (districts) in rural areas and city administrations in urban areas. There is a representative council in each *woreda* and city administration whose members are directly elected by the local people. There is also an executive council which is chaired by a chief administrator (for *woreda*) or a mayor (for city administrations). Moreover, various sectoral offices have been established to deal with the bureaucratic works of *woredas* and city administrations. The regional constitutions and the city proclamations authorize the *woredas*

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[15] Andrews op. cit., n. 2.
[16] ibid., at p. 30.
[17] Olowu op. cit., n. 6
[18] Andrews op. cit., n. 2.
[19] Art 50(4) was a result of a compromise to accommodate two important interests: to provide responsibility regarding the creation of local government to regional states and ensuring the establishment of autonomous local government. The compromise was that local government should be a state competence. However, "it was clearly stated that the local governments should not merely be agents of the state government but should have some level of autonomy". See Assefa (2007) at 341.

and city administrations to decide on matters relating to their own social services and economic development, adopt their own budgets and hire and fire their administrative personnel.[20] Nonetheless there are a number of deficiencies in the regional constitutional and legal framework that render *woredas* and city administrations subordinate structures of the regional states. Indeed, an investigation of the institutional arrangement and autonomy of local governments shows that, well as some regional government statues depict local governments as autonomous units with some defined mandates including power to decide on policy issues., they are in reality more of deconcentration than autonomous units. There their autonomy is significantly curtailed by higher level governments. Such a scenario therefore presents Local governments as extension arms of the regional state with little autonomy of their own. Well as democratic institutions such as elected councils, mayors and the executive exist at the local level, they are in practice more adhered to vertical than horizontal accountability, a situation that renders them less accountable in the sense of being effective Representive of the local voices. This scenario is mainly a result of three factors:

The first is the lack of a clear division of powers between regional government and local government; in particular, between a regional government and a *woreda*. The federal Constitution does not provide for specific functional competences of local government except by providing generally that regional states should transfer adequate power to it.[21] The regional constitutions provide that each *woreda* will have the power to plan and implement its own social services and economic development. Yet the regional constitutions fall far short of clearly defining the particular social service and economic matters which are within the jurisdiction of *woredas*. Also, to date none of the regional states, save for Tigray regional state, has enacted even an ordinary statute which defines the competences of a *woreda*. Even the Tigray Proclamation, which was enacted with a view to define the powers and functions of the *woredas* in the region, lacks clarity: it adds almost nothing to what is already given in the regional Constitution.[22] It is evident that *woredas* and city administrations exercise important functions relating to security, primary education, agricultural extension services and the like.[23] Nonetheless they exercise these functions as determined by regional officials by means of

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[20] The above is based on a general overview of the regional constitutions and regional legislative frameworks which govern urban local governments.
[21] Art 50(4) of the FDRE Constitution (1995).
[22] See Tigray Proclamation 99/2005
[23] Berhanu L *Note on fiscal federalism, service delivery and capacity building: The case of Ethiopia* (2009)

political decisions that are not necessarily based on the clear principle of a constitutionally entrenched division of powers and functions.

The second problem relates to the fact that city administrations are the creation of ordinary regional statutes, not of regional constitutions.[24] This has allowed regional states to easily amend the statutes dealing with city administration, often to the detriment of the cities' autonomy. For instance, the Oromia regional state has issued a proclamation in which it reduced the so-called third and fourth grade cities to *kebele* status.[25] It also dissolved the councils of these towns.[26] The same proclamation shifted the power to elect a mayor of all city administrations from a city council to the regional president, thereby reducing city administrations into mere administrative arms of the regional government.[27] In Afar regional state the regional government retains the power to appoint a tenth of the members of the Semera City Council,[28] which is clearly a grave infringement of the principle of self-rule which was supposed to underpin the decentralisation scheme.

The third shortcoming is that the regional constitutions and statutes dealing with local government maintain the old hierarchical structure in which *woredas* and city administrations are treated as subordinate structures of the regional states rather than autonomous governments. The regional constitutions expressly state that "*woreda* is a body subordinate to the regional government".[29] Moreover, the regional constitutions and statutes make the chief administrators and mayors of *woredas* and city administrations respectively accountable to the regional government in addition to their accountability to the councils of *woredas* and city administrations.[30] Even worse, in Oromia the accountability of a mayor is exclusively to the regional president.[31]

The accountability of *woreda* chief administrators and mayors to regional governments has opened a door for the regional government to not only hinder the execution of the decisions of

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[24] Some of the regional constitutions provide to the regional government the authority to separately structure cities without clearly defining their institutional structure and constitutional status. Some of the regional constitutions (for instance that of Oromia and Tigray) are totally silent about the status of cities.

[25] Art 3(1) of Oromia Proclamation No 116/2006.

[26] Art 2 of Oromia Proclamation No 116/2006.

[27] Art 6 of Oromia Proclamation No 116/2006.

[28] Art 8(2) of Afar Proclamation 33/2006.

[29] See, for instance, Art 84(2) of Amhara Constitution (2002); Article 74(2) of Afar Constitution; Art 85(2) of Benishangul-Gumuz Constitution; Art 72(2) of Tigray Constitution.

[30] For instance, see Art 93 of Amhara Constitution (2002); Art 85(1) of Afar Constitution (2002); Art 94(2) of Benishangul-Gumuz Constitution (2002); Art 82(1) of Tigray Constitution (2002); Art 18 (2) of Proclamation 91/2003.

[31] Article 6 of Oromia Proclamation No 116/2006.

elected representatives of the local people, but also to replace local decisions with their own. This has undermined the role of the local councils as the overseers of the performance of the local executive bodies.[32] The situation is further aggravated by the fact that, as will be discussed below, all levels of government in Ethiopia are controlled by one party, the EPRDF. In most cases, the regional chief administrators are the 'party bosses' of *woreda* chief administrators and mayors of city administrations. Thus, *woreda* chief administrators and mayors often tend to follow the instructions of their party bosses rather than the interests or the preferences of the local people.[33]

Inadequate finance

The regional constitutions provide no taxing power to *woredas* except by authorizing *woredas* to collect rural land use and agricultural income tax, the rate of which is determined by the regional states.[34] Moreover *woredas* are, in principle, expected to transfer the proceeds from these taxes to the regional government, even though in practice they retain the proceeds for themselves.[35] Hence these taxes cannot be considered as *woreda* taxes. Even if they were to be considered as such, the proceeds of these taxes are trifling, covering less than 30 percent of the total annual budget of *woredas*.[36]Thus *woredas* are largely dependent on the regional grant for discharging their responsibilities. 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.[37]

Yet the grants are far from sufficient to allow *woredas* to invest in the priority areas of the local people. Rather, up to 90 percent of the block grant is used to pay the salaries of local employees.[38] Thus little funding is left for building schools, health stations and the like. As a result, local residents are often required to contribute in kind, in cash or in labour to building schools, roads, markets, health posts etc.[39] *Kebele* and sub-*kebele* level institutions play a key role in mobilizing the local community for developmental works. It should be stressed that there is nothing wrong with community contribution in developmental endeavours. Rather, as Yilmaz

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[32] Yilmaz S & Venugopal V *Local government accountability and discretion in Ethiopia* (2008) at 11.
[33] Yilmaz & Venugopal (2008) at 11-12.
[34] See, for instance, Art 91(1) (c) of Amhara Constitution (2002); Art 79(2)(g) of Oromia Constitution (2002).
[35] Garcia M & Rajkumar AS *Achieving better service delivery through decentralization in Ethiopia* (2008)
[36] Garcia & Rajkumar (2008)
[37] Garcia & Rajkumar (2008) at 58.
[38] Garcia M & Rajkumar AS *Achieving better service delivery through decentralization in Ethiopia* (2008) at 58
[39] 99Yilmaz & Venugopal (2008) at 17-18.

and Venugopal state, it can be seen as active and effective participation of the communities in their own affairs. The problem is that the contributions are not always voluntarily offered.[40]

1.2 Main findings from the analytical report

Through assessing the extent at which an evolution at central government level in terms of moving towards "territorialization" of core national plans and (sectoral) public policies, the report arrived at the following major points; 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.

The main objectives of the Decentralization reform program whereby "territorialization" of core national plans and (sectoral) public policies by the central government are summarized as follows:

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[40] Yilmaz & Venugopal (2008) at 17-18.

a. To promote good governance and strengthen democracy by enhancing accountability, transparency and responsiveness.

b. To empower people through enhanced participation in planning and decision making and creating a sense of ownership.

c. 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.

d. To strengthen downward and horizontal devolution of power in order to enhance local and sectoral capacities.

Through assessing how solid is the national commitment to integrate the spatial dimension and recognize that territories have different needs the report arrived at the following major findings. 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. 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.

Furthermore, the national commitment is somehow 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.

In Ethiopia there are national funding mechanisms foreseen to ensure effective territorialization of core public policies. 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. Accordingly, the block grant transfer is the most important source of funding for service delivery by both the regional governments and Woredas. 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 mobilization.

The central government considers 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. 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.

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.

The central government acknowledges LAS have a role in helping to implement national (territorialized) policies. But there is a gap in acting LAs 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.

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.

Opportunities created by the decentralization reforms in Ethiopia among others are:
   a. The government reform has come to Ethiopia which is more liberalized than the previous one.
   b. UN Country Team and other Development partners' commitment and endless support.
   c. Multi-stakeholders' engagement such as Private Sector, civil Society, NGOs, Youth &Women, Political Parties, Higher Education and Research Institutions.

Ethiopia as a developing country faced constraints created by the decentralization reforms. Most of the constraints were associated with institutional and technical issues.

   a. Institutionalizing the district and the lowest tiers has not yet been achieved as it would be.
   b. Inconsistency was observed in models used to transfer resources and authority,
   c. Shortages and lack of dynamic capability of local implementers to properly utilize the power and resources transferred were evident at all levels.
   d. The district is still in the process of institutionalizing itself. The struggle is still to organize and to reorganize the structure.

The national development policy of Ethiopia supports place-based, territorial development. 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: Institutional/organizational rearrangement; Staffing and training; District planning and fiscal control systems; Grassroots participation; State-district revenue transfer and own revenue generation; Minimum standard service indicators and performance mechanisms; Program development; Office equipment; Strengthening capacities of lead institutions

Assessment of 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 were made. 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.

Policy and enabling environment to the implementation of SDGS in Ethiopia is crucial issue that has to be addressed. 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. All national policies, strategies, plans and programs are geared towards sustainable development and poverty

eradication objectives (Article 43). 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.

Regarding integrating the SDGs with the National Development Frameworks, the new Ethiopian National Development Plan of 2020/21 – 2029/30 is a ten-year 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". 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.

By assessing the existing government institutional mechanisms for implementing the SDGs the following are the major institutions responsible for implementing SDGs. These are: The Ministers/Agencies are responsible for the implementation of NDP. They 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. NPC also play 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 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.

The Opportunities created in implementation and localization of SDGs include: 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

1.3 Conclusion

Local government empowerment is one of the conditions which should be fulfilled for an enhanced involvement of LAs in development and cooperation policy in Ethiopia. A number of factors which should be taken into account in determining the adequacy of the empowerment of local government are established. Accordingly, local government should be democratically constituted and it should have an exclusive area of governance. Also it should be autonomous in a sense that it should not be controlled by the central government. The role of the central government should be limited to supervising it. It must have its own adequate financial sources.

Woredas should be given specific taxing power so as to ensure their downward accountability. The block grant which is transferred to woredas should match their mandates so that woredas can be responsive to local priorities.

Part 2

2. Enhancing Local Authorities Participation in Development And Cooperation Policy: Actions Expected From Decision-Makers at National Government Level and at EU Delegation Level

2.1 Recognizing the Local Authorities and the National Association of Local Authorities as Public/State Actor

Ethiopian Local Authorities are recognized as state actors while Ethiopian Cities Association as a public but non-state actor. The Ethiopian Cities Association (ECA) is an alliance of Ethiopian Cities that is legally registered and licensed by the Federal Democratic Republic of Ethiopia (FDRE), Charities and Societies Agency as an Ethiopian Residents Society. ECA has been re-registered and accorded legal personality with registration Number 2228 on March 05, 2020 as a local organization in accordance with the civil society organization proclamation number 1113/2019. Therefore, ECA is recognized as public actor whereas Ethiopian Cities Association is recognized as state actor.

2.3.1 Fiscal decentralization as a way to support the territorialization of national development policies and global agendas;

Coming to fiscal decentralization as a way to support the territorialization of national development policies and global agendas, decentralizing powers and functions to local government should be accompanied by fiscal decentralisation in a form of devolved taxing and spending powers. Hence local government should be given certain taxing powers which will enable it to collect as much revenue as is required to discharge its functions. Moreover, it should be allowed to collect fees in return for the services that it delivers to the local people. The reason behind the requirement for the financial independence of local government, in addition to enabling it to discharge its functions, is to maintain the autonomy of the local government and to ensure its accountability to the local people.

However, in transferring taxing power to local level, the appropriateness of the tax to local government should be taken into account. Anwar Shah[41] provides us with three points which should be considered in determining the suitability of a tax to sub-national governments. The points are the efficiency of the common market, national equity and administrative costs. He states, the internal common market is efficient if all resources can freely move within a state. Some taxes, if assigned at sub national level, may result in distortion of the national market for resources which are mobile. Thus such taxes should be maintained by central government. He also said, tax can be used as an instrument of redistributive equity. Taxes that are redistributive in nature, if assigned at local level, may result in inequity. That is because those areas with good tax bases keep developing while those with poor tax bases remain destitute. He further said assigning certain type of taxes at local level may result in increased cost of collection. Thus in assigning a tax at sub national level, the cost of collection should also be considered.

2.3.2 Budget support mechanisms as a way to localize sector support cooperation programs include intergovernmental grants and borrowing.

Intergovernmental grants

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%). A total of 314 *Woredas* and zones have full liberty as to how to spend the revenue which they receive in form of block grants.

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[41] Shah (2004)

2.3.3 Borrowing opportunities and powers

The FDRE Constitution provides that regional states may borrow money from internal sources. They are authorized to borrow money under terms and conditions that the federal government determines by law. However, there is nothing provided either in the federal or Constitutions regarding whether local government can borrow money.

In Ethiopia there are different projects-based supports to local development initiatives. Some of them include: Urban Local Government Development Project (ULGDP), Urban Institutional and Infrastructure Development Program (UIIDP), Strengthening Democratic Governance in Ethiopia (SDG), District Level Decentralization Program (DLDP)

Conclusion

Local Governments in Ethiopia are those entities at their powers and functions determined by Regional constitutions. These mainly include Woredas and city administrations. Whereas, Nationality Zones and Liyu Woredas (special districts) are established in five regions including Afar, Amhara, SNNPR, Benishangul-Gumuz, and Gambella regions.

Almost in all regions, Woreda administrations have the power to collect taxes on rural land use fees and agricultural income, whereas, the rate is decided by the regional government. They also impose and collect service charges. However, they are not autonomous to use the income they collect because the revenue is transferred to the treasury of the regional governments. This shows that currently, the Woredas are not in a position to manage their own financial matters as indicated in their respective regional constitutions.

The federal constitution provides the power for regional states that they may borrow money from internal sources under terms and conditions that federal government determines by law. However, nothing is provided both in the federal and regional constitutions whether local governments can borrow money.

The Woreda administration is authorized to run its own civil service. But the power is currently overridden by zones because it is said to skilled manpower at Woreda level. Nevertheless, the block grant which is transferred to Woredas does not match their mandates. This has direct impact on the responsiveness of Woredas to their priorities. Hence, regional governments need to consider the following issues to make more effective the services of local governments that can address the grass roots level:

- Local government has to be granted appropriate fiscal powers to further facilitate the development of the nation.
- Woredas have to form association to promote their interests and to keep minimal zonal administration interference.
- Local governments need to have administrative autonomy through clearly set rules.
- Local government should have the real functions on its civil service.
- Local/territorial development efforts have to be supported.
- National decentralisation reforms, initiated by central governments in Ethiopian have to be supported.

Part 3

3. **Enhancing Local Authorities Meaningful Involvement in Development And Cooperation Policy: Actions Expected From the Local Authorities and the National Association**

Meaningful LAs involvement requires input and action from both sides: policy- and decision-makers at national level and development partners on the one hand; and LAs and their representative national associations on the other hand. LAs and NALAs should therefore be ready and able to fulfill a proactive and leading role in this process. Different aspects are keys when it comes to the development of meaningful LAs involvement.

3.1 Organizing a meaningful and competent voice of Local Authorities: The critical political and institutional role of Ethiopian Cities Association

Due to the adoption and implementation of decentralization (shift of responsibilities from the national to the sub national and local governments) in most African countries, local authorities become more and more important, and are having a more and more direct impact on the living conditions of people. This requires that the NALAs master different knowledge and capacities, in particular the capacity and resources to communicate with national policy makers and other stakeholders, especially the development partners, including the EU; and to be able to formulate policy messages in a sensible way as well as implementable actions plans. In this part, attention will be put on the key issues identified in the SWOT analysis of the Ethiopian Cities Association and on prioritizing areas of improvement to address.

Ethiopia has limited experience with decentralization policies in comparison to many African countries in which a relatively developed system of local government prevailed from the colonial heritage. In Ethiopia, the culture and experience of local government has been applied to local authorities (sub-districts) and municipalities. Local authorities (sub-districts) have existed as the lower tier of government or basic unit of administration for nearly half a century, and they were entrusted with a range of responsibilities over matters such as education, health, law and security within urban areas and their surrounding rural settlements. On the other hand, municipalities of various categories have been entrusted with providing a range of services and carrying out the proper planning and development of urban areas. Nevertheless, there has not been meaningful integration and co-ordination between these units of government functioning at the grassroots partly because the very concept of local government and its structure is not well conceived and developed in the country.

Ethiopia is a federal state, with ten regional states, 928 local governments, and two cities that have special status similar to that of the regional states (Addis Ababa and Dire Dawa). The country is decentralized, with elected local councils and appointed executive bodies throughout the country. However, the National Constitution is neutral on the subject of local government. It has no single article that addresses local government decentralization and/or local autonomy. This neutrality in the Constitution emanates from the fact that legislation on local government is the assigned responsibilities of the regional states, not the federal government. Hence each region must enact its own laws on local government taking into account its own unique context. Because of this, the legislation is not always consistent from region to region, or always in harmony with national legislation.

Nevertheless, since 2000, the strong socio-political demand to establish local governments has triggered sweeping institutional reform leading to the adoption of institutional and legal frameworks favoring decentralization. This institutional reform combined with strong commitment to fiscal decentralization underscores the political will to give local governments direct and transparent power when it comes to public spending. The goal was to create and strengthen the role of local governments so that they can ensure better people's participation in the management of public affairs and greater democracy in decisions on the decentralized provision of public services. Overall, however, local governments in Ethiopia have responsibilities in the areas of planning, education, health, justice and safety; they take care of urban roads, drainage, solid waste collection and hygiene.

Evidences confirmed that the existing local government association (Ethiopian Cities Association) of Ethiopia is strongly demanding the political and institutional back up and due attention from both sides of the national government and development partners – EU on the one hand and the local authorities themselves on the other hand to strengthen it well. The articulated major challenges it is facing include the problem it has with regard to institutional and capacity building (leadership, management and technical capacities). The major prioritizing areas of improvement to be addressed include:

1. Limited power of lobbying and advocacy on national policy dialogues,
2. Working environment: inadequate institutional infrastructure (office, office facilities, materials etc.);
3. Weak management of information system;
4. Lack of manpower in line with the expected size and quality of the structure;
5. Limited access to cooperation and communication with development partners;
6. Limited access to continental and international linkages;
7. Lack of enhanced resource mobilization capacity; and
8. Inadequate resources to implement the desired plan;

Therefore, as a national association of local authorities in the country, the Ethiopian Cities Association needs to have an added responsibility of serving as a platform for research, policy dialogue, cooperation, knowledge, experience and practice exchange of local authorities.

SWOT analysis of Ethiopian local authorities

Strengths
- Social Accountability works! Citizens hold their service providers accountable and better pro-poor service delivery in the local authorities,
- Somehow improved service delivery and governance processes ultimately resulting in increased trust between citizens and government,
- Similarly, the evaluation of the WB funded Urban Local Government Development Project recognizes that city governments are motivated and often proactive in achieving development outcomes. Particularly performance linked grants prove to be strong incentives in the reform and capacity building process.
- Horizontal exchanges between peer has a strong potential for learning and capacity enhancement being exercised by Ethiopian cities association.

Weaknesses
- Fiscal autonomy at local authority levels is limited (despite legislation); transfers (block grants) are needed to cover recurrent expenditure and own-source revenues are limited. Transfers are input- rather than performance-related
- Weak human resource capacities of local authorities in administrative, oversight and planning functions. Local authorities' councils have very little capacity to fulfill their mandate and are crowded out by the administration (cabinets).
- Weak civil society that finds it difficult to play its role in local governance.

Opportunities
- New openness in Ethiopia and freedom of association (NGO law) can positively influence governance at local level; also it is expected that the federal government becomes more open for advocacy from sub-national levels.
- The government recognizes the importance of improving delivery of local (rural and urban) services to catalyze opportunities associated with economic activities.
- The nascent initiative to create (and revive) the Ethiopian Cities Association, that could ultimately also become a Local Government Association.
- Apparent interest of Ethiopian Universities and Research Institutes in Local Government development.

Threats
- The creation of local authorities along ethnic lines,
- Reported corruption at local government level,
- Tradition of strong upward accountability leading to false reporting of achievements,
- Unrest and pockets of political turmoil constitute a threat to development.

3.2 Capacity Building

Ethiopian Cities Association requires advocacy and organizational capacities as well as professional capacities and skills in the following fields: Leadership capacity; Management capacity; and Technical capacity:

a. **Leadership capacity:** formulation and propagation of an authentic political vision and mission, based on the knowledge, expertise and close relationship to members; cooperation with and relation to relevant stakeholders, including national policy-makers, CSOs, the private sector, development partners, etc.; inspiration and motivation of relevant stakeholders; development of a strong reputation as a reliable and knowledgeable partner.

b. **Management capacity:** support to the Ethiopian Cities Association/ECA/ governing structures; managing and enhancing its staff; developing its standard of operations.

c. **Technical capacity:** training of ECAs staff on Policy and political frameworks (understand how the policy system works and how policies are developed); understanding Policy cycles (know the relevant policy cycles on local and national level in order to understand when advocacy activities need to be organized to create impact); Strategic partnerships: be aware of the relevant stakeholders in the field and know their role and position; know which stakeholders might support (allies) or oppose (enemies); motivate, inspire and stimulate potential allies to support specific advocacy activities.

3.3 Setting the Objectives of the Local Authorities and the National Association of Local Authorities

Overall Objectives:

Strengthening the institutional and operational capacity of Local Authorities and the National Association of Local Authorities - ECA to deepen Ethiopia's decentralization process as a pathway to enhance Local Authorities meaningful involvement in development and cooperation policy

Objectives of Local Authorities

1. By 2027, strengthen downward and horizontal devolution of power in order to enhance local authorities and their implementation capacities,
2. By 2027, ensure good governance and strengthen democracy at local government level by enhancing accountability, transparency and responsiveness,
3. By 2027, empower local authorities through enhanced participation in planning and decision making and creating a sense of ownership of citizens,

4. By 2027, 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) governance systems.

Objectives of National Association of Local Authorities-Ethiopian Cities Association/ECA

1. By 2027, strengthen the ECA as a united voice of cities representative membership organization and ultimately all local authorities in Ethiopia,
2. By 2027, support decentralization in Ethiopia in line with the devolution provisions with an emphasis on true fiscal decentralization and public finance management system,
3. By 2027, enhance the capacities (skills and knowledge) of cities and local authorities, their Councils and involved citizens,
4. By 2027, develop a body of evidence on local authorities in Ethiopia (i.e. best practice sharing, scaling-up, research perspectives).

3.4 Defining the National Association of Local Authorities Plan of Action

Content/Major Activities of the National Association of Local Authorities –ECA
Plan of Action:

1. Institutional organization and capacity assessment of ECA to make it an association of all local authorities in Ethiopia,
2. Strategic support to ECA for the development of strategic plans and policies (e.g. communication, lobby / advocacy, service delivery policies)
3. Support to ECA training activities, workshops, seminars provided for members,
4. Support to develop services for the ECA members (technical support on fiscal decentralization and on public finance management, participatory policy-making, gender policies in local government etc…),
5. Study tours and exposure visits to ECA leadership and management,
6. Development of ECA's capacity to foster cities twinning in and outside Ethiopia,
7. Support to ECA to represent Local Authorities' at regional and federal levels (e.g. dialogue platforms) on topics related to (fiscal) decentralization, urban and rural development,
8. Support to the political organs of ECA (general assembly, governing board, policy committees) to develop policy statements,
9. Identification of relevant interfaces/dialogue platforms and ensure ECA participation therein,
10. Support to key business processes at local authorities level to achieve core fiscal and financial management system functionalities,
11. Support to Local Planning processes that promote equal participation of all in Local Authorities policy development and decision making,
12. Development of training materials and implementation of training activities potentially in collaboration with universities,
13. Organization of benchmarks to promote horizontal exchange and learning on best practices functionalities facilitated by experienced CSO's,

14. Facilitate dissemination of best practices and knowledge exchange among all local authorities through ECA,
15. Establish linkages with research institutes and universities,
16. Conduct policy research and advocacy related work on (fiscal) decentralization, pro-poor service delivery, gender and youth employment being cross-cutting, and
17. Monitoring of the implementation of constitutional provisions with regards to decentralization.

NALAs Plan of Action steps:

Activities and related outputs & results:
[The below results and activities will be further developed (and cost) in the full proposal]

Result -1. Strengthened institutional capacities and internal structure of ECA as representative actor

At the end of the action ECA has broadened its paying membership base, further developed its policies and enjoys an increased recognition by its main stakeholders as representative of local government in Ethiopia.

The action will build on the existing initiative of 54 urban local authorities in Ethiopia to further develop their Cities Association. ECA has a wish to grow its membership base and gradually become the Association of all Local Authorities in Ethiopia. UCLG Africa has ample experience in supporting nascent NALA's and will support the Ethiopian initiative with Technical Assistance and provide, through the action, The EU Cooperation will backup with the necessary financial support to implement activities. From previous experiences it is important that the process is locally owned, meaning that ECA needs to steer the process, e.g. by establishing a task-force with interested mayors. When ECA implements more activities, it will become more visible and will be able to attract more paying members which will guarantee its sustainability as an organization.

Activities:
1. Institutional Organization and Capacity Assessment of ECA,
2. Strategic support to ECA such as the development of strategic plans and policies (e.g. communication, lobby / advocacy, service delivery policies),
3. Support to training activities, workshops, seminars, experience exchange forums organized for members LAs,
4. Support to develop services for the ECA members (guidelines on public finance management, participatory policy-making, gender policies in local authorities etc...)
5. Study tours and exposure visits to ECA leadership and management,
6. Development of ECA's capacity to foster cities twinning in Ethiopia and outside Ethiopia.

Result 2. Increased interaction between Federal and Regional Authorities with ECA as mouthpiece of local governments in Ethiopia

At the end of the action the number of interactions on local authorities related matters between ECA and Federal and Regional Authorities will have increased significantly resulting in policy measures and other actions that strengthen the position of sub-national authorities.

During the six years programme increased exchange between local authorities and higher tiers of government will be sought in interface meetings / dialogue platforms. The aim will be to increase understanding for the challenges that local authorities face at regional and national levels of government in order to create innovative solutions for local authorities and deepen the decentralization process. The exchange agenda will be fed by results under the other 3 result areas. Lobby and advocacy will involve politicians from the ECA executive board and eventually policy committees.

Activities
1. Support to ECA to represent LA's at regional and national levels (e.g. dialogue platforms) on topics related to (fiscal) decentralization, urban and rural development.
2. Support to the political organs of ECA (executive committee, general assembly, and governing board, policy committees) to develop policy statements,
3. Identification of relevant interfaces / dialogue platforms and ensures ECA participation therein.

Result 3. Strengthened capacity of local authorities in local fiscal decentralization and Financial Management systems with increased participation of the citizens as a pathway towards sustainable service delivery

At the end of the action all local authorities have increased their local planning and capacity which is testified by increased service delivery responding to needs of citizens. Methodologies for scaling through ECA to ensure wider application are developed

Recognising that ECA currently limits its activities to urban local governments, the action wants to ensure that, local authorities at rural and semi-urban areas are also targeted. For feasibility reasons, it could be envisaged to initially start with less local authorities (e.g. 2 per zone) and gradually increase the number. Also it is go for to work with CSO's active under the targeted local authorities will be involved for capacity development, facilitation of benchmarks etc. Under this result area it is aimed to improve the performance capacity through horizontal learning between peers following the benchmarking methodology. ECA has ample experience in facilitating these horizontal exchanges. Finally it will be explored to what extent collaboration can be sought with some Ethiopian Universities for the development of specific courses on fiscal decentralization and financial management systems at local authorities level.

Activities
1. Conduct a baseline assessment for local planning, fiscal decentralization and financial management systems. review of relevant legislation and other decentralization initiatives in Ethiopia,
2. Support to key business processes in local authorities to achieve core decentralization functionalities, that might include a credible and participative budget preparation process; decision making processes, budget classification / chart of accounts; controls over cash

and banking; Tax administration strengthened; Consistent Accounting and reporting; Procurement regulations,

3. Support to Local Planning processes that promote equal participation of women and men, youth and older people, persons with disabilities, and people suffering from HIV/Aids in LAs policy development and decision making,
4. Development of training materials and implementation of training activities potentially in collaboration with universities,
5. Organization of benchmarks to promote horizontal exchange and learning on major functionalities facilitated by experienced CSO's,
6. Facilitate dissemination of best practices and knowledge exchange among all local authorities through ECA.

Result 4 More research findings on institutional and operational capacities of Local Authorities in Ethiopia

At the end of the action, research is conducted with leading Ethiopian Universities that provide a better understanding of important trends in Local Authorities with regards to fiscal decentralization and urbanization which will enable the project and ECA to make informed choices for lobby and action.

Research on local authorities' development in Ethiopia is important to gain better understanding of the challenges that LA's face in becoming important actors in development. Under this result area will seek linkages with both national and international researchers. ECA has established relations with different Universities of Ethiopia which will be further explored. The other aim of the research agenda is to assemble data that can be used for the lobby and advocacy agenda under result 2. Some areas of research will include fiscal decentralization, financial management and decision-making systems, reconceptualising the rural areas in view of rapid urbanization, specific service delivery constraints, etc.

Activities

1. Establish linkages with research institutes (universities),
2. Conduct policy research and advocacy related work on (fiscal) decentralization, pro-poor service delivery, gender and youth employment being cross-cutting
3. Monitoring of the implementation of constitutional provisions with regards to decentralization.

Timeframe: Overall six years. Support to ECA, its participation in dialogue platforms as well as meaning full support to local authorities, assessment and research demands a considerable time-frame.

Inputs: The proposed action is essentially demanding financial support from EU cooperation with specific budgets for activity costs. Technical advisory support is also expected from UCLG Africa as it has rich experiences in many African countries. Activity costs will include training, benchmarking workshops, study-tours and others. Sub-contracting could be envisaged for specific assignments to CSO's and Universities.

3.5 Conclusion

The national government and each regional state government in Ethiopia must formally devolve adequate decision-making authority and control over resources to local authorities in order to promote democratic decentralization and get government closer to the people. However, the stark reality in Ethiopia's decentralization process is that local authorities/districts/woredas and kebeles have been given too much responsibility and functions without the necessary financial and resource capacity to undertake development at the local level. This situation has to change in favor of devolving responsibilities and functions to local authorities/woredas and kebeles accompanied by sufficient financial and human resource strength to undertake development at the local level. To this end, the local authorities need to have a well strengthened and impactful national association that can leverage national policy issues and strategies.