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Ethnic Federalism, Fiscal Reform, Development and Democracy in Ethiopia

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Abstract

Ethiopia has embarked upon what it claims to be a novel experiment in 'ethnic federalism'. The ruling Ethiopian Peoples' Revolutionary Democratic Front has asserted that it is intent on forthrightly addressing the claims of ethnic groups in the country of historic discrimination and inequality, and to build a multi-ethnic democracy. The essay critically assesses this effort, concentrating on the emerging relations between the federal and regional state governments. Particular attention is given to the strategy of revenue sharing as a mechanism for addressing regional inequities. Where appropriate, comparisons are made with the federal system in Nigeria, Africa's most well-known federal system. The article concludes that, while there may be federal features and institutions normally found in democracies, Ethiopia has not constructed a system of democratic federalism. Moreover, rather than empowering citizens at the grassroots level, Ethiopia tightly controls development and politics through regional state governments, with very little popular decision making in the development process.

Ethnic Federalism, Fiscal Reform, Development and Democracy in Ethiopia

Throughout its modern history, Ethiopia has been characterized by ethnic tensions. Until, 1991, however, successive regimes either tried to suppress the unique cultural identities of more than eighty distinct ethno-linguistic groups and, at the same time, to assimilate them into the dominant Amhara culture. Following a relatively brief civil war, in April 1991, the Marxist regime that had ruled for more than 17 years was displaced by the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), an umbrella organization comprised of a number of ethnically based opposition groups.[1] On coming to power, the

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EPRDF decided not to suppress the national aspirations of Ethiopia's grieving ethnic groups but, instead, to allow them the full expression of their languages and cultures. Moreover, within less than two years, it decided that the country would be administratively and politically reorganized, creating what are largely (though not exclusively) ethnically based national/regional governments or states.[2] The then ruling Transitional Government of Ethiopia (TGE) also publicly committed itself to the introduction of pluralist, multi-party democracy. This was significant in that, until that time, Ethiopia had never had political parties or pluralist democracy.

The TGE was immediately faced with the problem of managing a polity that was ethnically diverse, with many in the general population nervous about what the future held for them as nationality groups. This approach was seen as the best way to demonstrate that the regime was committed to social equity and democracy. Democratic principles were eventually enshrined in a well crafted national Constitution. In addition to the institution of a constitution that was at least nominally democratic, the TGE introduced public policies designed to devolve administrative authority from the center to the states. Cohen and Peterson (1999: 23–24) note that, "while administrative decentralization is not the same as political decentralization, it can, under enlightened central leadership, lead to democratization and greater political participation".

Power sharing formulae such as this, including regional autonomy or federalism, are thought by many theorists and practitioners alike to be ideal strategies for avoiding ethnic conflict and achieving a measure of democracy. Although there is no guarantee that such approaches will work in all cases, it has been demonstrated elsewhere that, in deeply divided societies, once they are in place, administrative and political institutions can be manipulated by a governing élite in an effort to achieve the desired end of civic peace and cooperation, albeit in the context of extreme social diversity. In relations between the center and the states, under ideal circumstances, there is a balance of power. However, there could conceivably be some cases where this relationship is asymmetrical, with the power equation favoring one or the other level of government. In such cases, the structures in place may appear to be federal and democratic but, in practice, this may not necessarily be the case. Relatively strong regional states, in terms of their revenue generating capabilities or in terms of their military capabilities, may in fact have the upper hand in dealing with the center. On the other hand, where the power balance favors the center, incumbent élites are often in a position to use their control over revenues and the instruments of coercion to enhance central control in politics as well as policy making. Under such circumstances, the governing élite might be most interested in creating an appearance of federal power sharing in pursuit of democracy and development, while masking their primary aim of central management and control.

The purpose of this essay is to critically assess the efforts of the EPRDF government over the past decade to use a form of federalism to pursue development and democracy. Particularly, the paper focuses on how the government and its ruling party utilize fiscal and administrative reform to devolve administrative power and authority to regional states. The main question here is: 'To what extent do the political and administrative strategies chosen by Ethiopia in the process of implementing its novel form of ethnic federalism represent a clear cut effort primarily meant to address ethno-regional inequalities, while at the same time creating an enabling environment for the establishment of pluralist democracy by enhancing popular participation in governance, or to what extent is it another device to ensure central control over all important political and economic matters?' Although the primary focus of the study is Ethiopia, where appropriate we compare the Ethiopian federal experiment with that of Nigeria, Africa's longest standing example of a federal system of governance.

Ethiopia's two pronged strategy involves the use of administrative institutions and institutional reform as instruments of change. Central to this approach is fiscal reform, particularly a system of revenue sharing involving the central and regional governments. The government's stated intention is to to promote ever increasing social equity and the policy is supposed to be weighed in favor of those states with the greatest need. In this sense, the political undertones of Ethiopia's approach to federalism, as well as the policies and programs that undergird it, resemble the approach taken by Nigeria. However, as shall be seen below, differences in political culture and historical experiences result in important differences in the experiences of the two countries.

The remainder of the essay is divided into four main sections. The first section critically assesses the federalist approach to governance in divided societies. It examines theoretically the merits and limitations of such approaches. The second section traces the intellectual history of the political transitions in Ethiopia leading up to the adoption and initial implementation of the strategy of ethnic federalism. The third section provides an in depth analysis of the actual experience of Ethiopia in the implementation of this strategy, while comparing it where appropriate with the Nigerian experience. Empirical evidence is considered on the use of revenue sharing as one instrument in the process of constructing a federalist system of governance, while at the same time creating an enabling environment for democracy. The fourth section is the conclusion to the paper.

The Theoretical Underpinnings of the Use of Federalism as an Instrument of Democratic Consolidation

There are various ways in which federal systems come into being. Alfred Stepan, building on the seminal work of William Riker, identifies two main patterns:

1 Coming together federations; and
2 Holding together federations (Stepan, 2001: 320–23).

'Coming together' federations emerge when sovereign states, for security purposes and/or purposes of governmental efficiency, decide voluntarily to form a federal system. 'Holding together' federations are the outgrowth of a consensual parliamentary decision to preserve a unitary state by creating a multi-ethnic federal system. This is most often done to avoid or manage divisive ethnic, regional, or other types of group conflict within the polity. Although Nigeria had been governed by the British as a large multi-ethnic colony that could have easily at independence been broken up into three ethically based sovereign states, it took on the form of what appeared to be a coming together federation in 1960 but, by 1967, it had clearly embarked upon the path to becoming a holding together federation. By contrast, Ethiopia began as what appeared to be holding together federation in 1991. The Marxist regime had been eliminated and ethnic communities were promised that they could exercise their rights to self determination in the 'new' Ethiopia, a federation comprised of ethnically based states. But, within a year, all that changed and Ethiopia was transformed into what Stepan refers to as a 'putting together' federation. The ruling coalition narrowed and the EPRDF created the so called 'People's Democratic Organizations', mere ethnically based surrogate parties through which it could project the illusion of a multi-ethnic federal state (Stepan, 2001: 320–23). The EPRDF regime forced out ethnic parties that wanted to assert the right of their regional states to "self-determination up to and including secession"[3] and, through the manipulation of political and administrative institutions, the EPRDF was able to preserve its dominance in the political arena.

In the formation of holding together federations, one of the most common justifications given for entering into a federal arrangement is the desire to reduce group conflict, while at the same time demonstrating not only a respect for the diversity of the cultures of the given polity but also a commitment to protecting the integrity of the constituent cultures (Elaigwu and Olorunsola, in Rothchild and Olorunsola, 1983). Under most circumstances, the decision to pursue such a course is taken by the central authorities of a unitary state in the interest of 'social justice and democracy'. In this type of circumstance, the central government must be confident that it has both the coercive capacity and the political acumen to make such an arrangement work.

Federal systems vary in form but, at a very fundamental level, federal principles involve a combination of self rule and shared rule. Sub-national units are accorded rights to govern their own affairs, at least in particularly prescribed policy areas, and they acknowledge the authority of the central government to rule on their collective behalf in other clearly defined areas, such as taxation and foreign policy. It is possible, then, to have a unitary state that grants wide

latitude for self governance to lower levels in the governmental hierarchy. Power is constitutionally diffused to the sub-national governments, while at the same time being constitutionally concentrated at the center (Riker, 1964; Elazar, 1987; 5–6; Olowu, in Wunsch and Olowu, 1990: 197).

The federal principle is not synonymous with regional autonomy. Where autonomous regions exist, they are more often subject to central veto than is the case with states in federal systems (Horowitz, 1985: 602). Federal systems enshrine in their constitutions the particular rights of the center vis a vis the states and visa versa. Although the sovereignty of the central government is most often supreme, states tend to have very clearly defined juridical rights and guaranteed protection from the capriciousness of the center.

In the modern era, it is most common for a federal system of national government to be rationalized in a constitution. Rather than this constitution being based on a particular formula that can be easily transported from one society and one historical moment to another, it is always the product of a unique historical circumstance (Riker, 1964: 11). In situations where attempts have been made to apply a federalist paradigm wholesale onto a society this has generally failed. To the extent that federalism succeeds, it is fashioned so as to accommodate the circumstances existing in a particular society at a particular historical moment.

The most intense resistance to federal solutions to ethnic tensions in a deeply divided society have come from those who intensely favor a multi-ethnic but unitary state, rather than an accommodation of diversity, or those who, claiming an inalienable right to self determination, object to being included in the particular federal system.

The genesis of Ethiopia's decision to pursue a federal system of governance contrasts sharply with the decision taken by Nigeria's leaders in the days leading up to independence in the 1950s. Nigeria had been ruled as a large, culturally diverse colony of the British. At the time of drafting an independence constitution, it was decided by all interested parties, the colonialists and major ethnically based parties, that Nigeria should remain one but on the basis of a federal constitution. In other words, regional states were created on the basis of equality, and ethnic élites engaged in a contingent compromise, deciding to come together by creating a federation comprised of three large, ethnically based states. It is important to note that the states were initially based on large, ethnically based collectivities, the Yoruba, Hausa-Fulani, and Igbo people (Suberu, 2001; Olugbade, 1992; Osaghae, 1991; Adamolekun and Kincaid, 1991). By contrast, the decision to implement federalism in Ethiopia was also the product of élite compromise but the relative strength of regional élites was greater in Nigeria than in Ethiopia.

Horowitz has noted that one of the primary objectives of a federalist approach in deeply divided societies should be to "proliferate the points of power" (1985:

598–99). The idea is to scatter power among institutions not only at the center but also at the sub-national level. In this way, sub-national units come to govern their own affairs and sub-national élites come to feel that they have power and authority over the affairs of their people. In this way, intra-group conflict will come to predominate, rather than conflict between the center and the periphery or among various units in the periphery. The existence of federal councils, which make it possible for equal representation of the constituent units in executive and/or legislative bodies, will likely contribute to cooperation across sub-national units. When these sub-national units are largely based on ethnic identity, this arrangement will contribute to the development of intra-ethnic cooperation.

While getting federal institutions 'right' may be important, one cannot understate the importance of élite agency in the effective implementation of federal systems. The need for a federal system is often claimed to be the existence of real or potential ethnic or regional conflict and the sense of insecurity among minorities within a polity. Minorities might tend to feel threatened by ethnic or regional majorities, by external actors or by the state itself. They need assurances that their human and political rights will be protected and that they will be able to function as equal citizens within the context of a multi-ethnic federal state. In order for this to happen, incumbent elites, and the élite representatives of constituent groups, must agree to a pact. In the process, the constitutional rules of the political game are established and this pact must hold, and eventually give rise to a full blown constitution, if the federal system is to function properly (Przeworski, 1995: 36). Incumbent élites must demonstrate not only that they are determined to use their authority to govern effectively, but also that they are committed to democracy and social justice beyond the procedural minimums. In the process, they build legitimacy among the general population and not just in certain segments of society. Each individual and each group must be convinced that they have rights as citizens within a particular polity and that those rights are protected by constitutional writ.

The effectiveness of federal systems can be measured in political terms or in administrative terms. In political terms we could assess the level of support in the general population at the sub-regional level for local, regional and national institutions and governmental actors. In administrative terms, we could look at the process of decentralization, the design and operations of federal institutions and the impact of resulting policies.

There are three most common forms of administrative decentralization:

1. Deconcentration, where authority over certain decision making, financial and management functions is transferred to federal institutions at the state or local levels, with the aim being to get the center closer to the people, while retaining central control;
2. Delegation, a situation that involves transfer of government decision making and administrative authority for certain well defined tasks to lower level

governmental entities that are either autonomous or only indirectly under the control of the center; and

3. Devolution, a circumstance under which the central government transfers certain constitutionally specified authorities to autonomous state and local governments which have independent corporate status and the authority to employ their own staff, to raise certain types of revenue, devise their own constitutions, and manage their own budgetary, accounting and evaluation systems (Cohen and Peterson, 1999: 20–30).

The new Ethiopian government has consciously chosen a strategy of administrative devolution and a political strategy it claims is designed to enhance popular participation in governmental and political affairs at the grassroots level. How effective has this strategy been?

In the cases of both present day Ethiopia and Nigeria, the style of administrative decentralization has, in practice, been a mixture of deconcentration and devolution. This approach is said by numerous observers to have been chosen in Nigeria mainly as a mechanism for enhancing equality among regional states and the ethnic groups represented in them while, at the same time, creating a strong central government (Olugbade, 1992; Joseph, 1983; Naanen, 1995). No mention was made of the desire to provide avenues for increased individual popular participation in public matters but only the devolution of power and authority to state and local governmental entities. By contrast, as we shall see below, the EPRDF has ostensibly been primarily concerned with reducing inequalities among the regional states and, at the same time, empowering the citizenry. Despite differences between the two federal systems, it is important to note that both constitutions are designed to ensure that their respective federal systems are characterized by a strong center vis-à-vis sub-national units (Suberu, 2001).

The remainder of this essay critically assesses the nature and impact of administrative reforms, and ends with some tentative conclusions about the political implications and impact of efforts to create a system of ethnic federalism. However, in order to do this, we must briefly place the Ethiopian experience with ethnic federalism in a proper historical context.

The Choice of Ethnic Federalism as a Strategy for Democracy and Social Justice: From Empire to People's Republic

The primary architect of the modern state of Ethiopia was Emperor Haile Selassie I, who reigned for 44 years, until his overthrow in 1974. Historians largely view Haile Selassie as a modernizer who fiercely guarded the sovereignty and independence of this northeast African polity. Despite this reputation, Haile Selassie's regime was ultimately toppled by the weight of official

corruption, bad governance and his failure to resolve the 'national question'. The Emperor had cultivated, both at home and abroad, a myth that Ethiopia was a multi-ethnic but unitary nation state. However, by the early 1970s, Ethiopia's poverty, gross inequalities and, political and economic underdevelopment laid bare the lack of a foundation for such a myth. Even before Haile Selassie was overthrown, evidence of ethnic and regional discontent had begun to surface and, in the aftermath of the demise of his regime, ethnic tensions came to present the main challenge for the new revolutionary regime (Keller, 1998).

Within less than two years after overthrowing Haile Selassie, the leaders of Ethiopia committed themselves to 'scientific socialism' and proceeded to reorganize society to achieve this end. One of the defining features of Ethiopia's brand of scientific socialism was that ethnicity was not a legitimate political organizing principle for groups in society. Instead, people were thought to best be grouped into mass organizations based upon their economic or social roles. However, like Haile Selassie, the Marxist regime, headed by Col. Mengistu Haile Mariam, failed to effectively address the national question. In a final effort to legitimize itself and its programs, the regime created the Worker's Party of Ethiopia (WPE) and constitutionally established the People's Democratic Republic of Ethiopia (PDRE). In addition, in an effort to defuse discontent among regionally based nationality groups, the new national assembly created 24 administrative regions and five autonomous regions (Keller, 1995).

Rather than enhancing its legitimacy by the creation of the WPE, the PDRE, and administrative and political reorganization, it exposed its vulnerability. In late 1988, with Ethiopia in the throes of yet another major drought and the regime under pressure from a number of nationalist movements, the Soviet Union informed Mengistu that it would soon cease to provide military assistance. Mengistu declared a state of emergency and ordered "everything to the warfront" (Perlez, 1989). The ranks of the Ethiopian military swelled to more than 500 000 by 1990. However, the morale of the military was low and, in May 1989, there was an attempted coup. Although this coup was brutally put down by forces loyal to Mengistu, Ethiopia's army was in disarray and came to be characterized by massive defections.

Opposition groups, particularly the TPLF, the dominant partner in the EPRDF, came to control ever increasing amounts of territory in the north-central part of the country and the Mengistu regime was finally forced to realize that it would have to at least create the appearance of seeking a political solution to its problems. As a result of external pressures from the US, Russia and other donor countries, it agreed to several rounds of peace talks. Even as negotiations were taking place in London, opposition groups were winning on the battlefield. On 28 May 1991, Mengistu's government collapsed as the victorious forces of the EPRDF moved in to take control of the capital city, Addis Ababa. Mengistu was forced into exile.

A primary challenge facing any new regime is to restore state effectiveness, while being guided by competent, politically committed leaders, working systematically to establish legitimacy and develop trust among society's disparate groups. The EPRDF, at first, tried to present the public image that it had the political will to effectively address many of Ethiopia's past problems, including the national question. Its leaders moved quickly to fill the power vacuum caused by the collapse of the Mengistu regime and, within a few weeks, it had established a Transitional Government. A national conference for this purpose was convened in July 1991. This was an attempt on the part of the EPRDF to secure widespread acceptance. It resulted in the signing of a Transitional Charter by representatives of some 31 political movements, the creation of a Council of Representatives with 87 members, and the establishment of the Transitional Government of Ethiopia (TGE). The EPRDF had the largest single bloc in the Council, with 32 seats, and the Oromo Liberation Front (OLF), until its withdrawal from the government in late June 1992, was the second largest, with 12 seats. It appeared to outside observers at the time that Ethiopia had the real possibility of forming a holding together federation.[4]

The Charter declared that the transitional period was to last no more than two and a half years. The Council was charged with constituting a commission to draw up a draft constitution. The draft Constitution in 1994 was first submitted for public discussion and then voted into effect by a Constituent Assembly.

Ethnic Politics in the Context of Administrative Reform

In 1992, the EPRDF government organized the first multi-party elections in Ethiopian history. These elections were for local and regional offices during the period of transition to a multi-party democracy. In the days leading up to these elections in June, ethnic tensions ran high. Although ethnic parties had been included in the broad based governing coalition, there were fears among groups such as the Oromo, Amhara and Somali, that these elections would not be free and fair and that the elections would simply provide a cover for the minority rule of the Tigray minority through the EPRDF. Days before the elections, major parties, including the OLF, the Ethiopian Democratic Action Group, the Gideo People's Democratic Organization, the Islamic Front for the Liberation of Oromia, and the All Amhara People's Organization (AAPO), announced that they would not participate in the process. At the same time, the armed wing of the OLF left camps to which it had been confined in the lead up to the elections, and engaged in low intensity warfare against the forces of the EPRDF. Because they refused to lay down their arms, the OLF was barred from participating in electoral politics.

In 1993, the EPRDF issued a proclamation relating to the registration of political parties. In order to operate freely and to engage in activities normally asso-

ciated with political parties (e.g. organizing, campaigning, holding rallies, etc.), political organizations must be registered. The only groups that were barred were those who attempted to pursue their objectives through the use of arms, and those that behaved irresponsibly and fomented conflict, hatred, racism, religious intolerance, etc (Joireman, 1997).[5] In addition, the former Marxist ruling party, the WPE was specifically excluded.

By the end of 1993, the governing coalition had narrowed considerably. In April of that year, the Transitional Government ousted five political groups (calling themselves the Southern Coalition) from the Council of Representatives for endorsing a resolution adopted at a conference of opposition groups meeting in Paris, calling for the dissolution of the Council. Consequently, the membership of the Council was reduced to the representatives of the EPRDF and ethnically based parties it had created. Organized opposition inside the country by this time was generally repressed. Major ethnically based parties had now been completely shut out of the pact that now formed the transitional government or were forced out over the first two years of the transition (Keller; 1995: 136–37).

In December 1993, the government allowed a 'peace and reconciliation conference', organized by internal as well as exiled opposition groups, to take place. But some who returned from abroad to participate were arrested and government agents generally harassed participants. Moreover, the transitional government itself boycotted the conference, demonstrating that there was still a wide chasm between the EPRDF and opposition leadership. What was also made clear by this conference was that the opposition was badly fragmented along ethnic lines. Apart from the urban based Ethiopian National Democratic Party and the Joint Political Forum, most opposition parties tend to still be organized along ethnic lines (Joireman, 1997: 398).

Elections for a constitutent assembly to approve a new democratic constitution took place in 1994. All registered political parties could participate and, indeed, 39 did participate. However, the outcome could have been predicted. Member organizations of the EPRDF won 484 of 547 seats. The EPRDF had the advantage of incumbency and a wealth of resources at its disposal, including patronage with which it could co-opt opposition leaders. Currently, the EPRDF and affiliated parties hold 518 seats in the 547 seat Federal Assembly. EPRDF and affiliated parties also hold all regional parliaments by large majorities, except in the capital, Addis Ababa, where opposition parties hold about 30 percent of the Regional Council.

Clearly, what has emerged in Ethiopia is a type of putting together federation that is based upon the ruling EPRDF working through ethnically based élites and parties that are beholden to it. Although authority is constitutionally devolved to sub-national governments, this devolution is only apparent at the regional, zonal and, in some cases, woreda (district) levels. Sub-regional authorities, under most circumstances, have power and authority to make

autonomous policy decisions only when this involves using non-federal resources. Given the heavy emphasis on following central directions, one could even argue that what Ethiopian federalism resembles is more a case of the deconcentration of authority rather than devolution of authority.

Foundations of Ethnic Federalism in Ethiopia

Even before the passage of the Federal Constitution, the EPRDF utilized the Transitional Charter and selected proclamations to make clear its intentions to create a new system of governance that was federal in form and based on a commitment to ethnically based self determination. Perhaps the two most important provisions of the Transitional Charter in this regard were articles II and XIII. Article II asserted the right of all Ethiopian nationalities to self determination, the preservation of the national identities of each group, and the right of each nationality to govern its own affairs within the context of a federated Ethiopia. Article XIII stated that "there shall be a law establishing local and regional councils defined on the basis of nationality". These provisions represented a dramatic departure from the policies of previous regimes on the national question. The new policy quickly prompted protests among Ethiopian nationalists both at home and abroad who violently opposed what they saw as the 'balkanization' or 'bantustaanization' of Ethiopia.

Despite this, the EPRDF regime showed its determination to follow through on the administrative reorganization of the country along ethno-regional lines. This policy commitment was formalized with the enactment of the Federal Constitution of 1994.

Even as the Constitution was in the final stages of being drafted, the EPRDF issued a major policy statement outlining its political views and policy objectives in regional reforms.[6] It declared its intention to implement a plan to devolve power from the center to states and local governments. This was billed as a form of 'devolved federalism' without extensive sub-national control over technical policies, laws, regulations and taxes (Cohen, 1995: 10). This contrasts with a 'coming together' type of federalism resulting from bargaining and negotiations among states that seek to voluntarily join in some type of federal arrangement. In such cases, each state surrenders a certain amount of its sovereignty, power and authority to the center for the good of the collective (Riker, 1964: 12). However, when it finally took shape, Ethiopia's federal system was clearly of the holding together variety, having been imposed from the top, and it quickly transformed into a putting together federal exercise, where there are federal features, but little or no liberal democracy.[7]

Further evidence of this can be seen in the fact that although, the Constitution states that states may prepare their own constitutions, decide their own official language, develop their own administrative systems, establish separate police forces, and collect certain taxes (Cohen, 1995: 12–13), again, the

initiative for these arrangements came more from the center than from the constituent states.

Article #39 of the constitution, *The Rights of Nations, Nationalities and Peoples*, declares that, "Every nation, nationality and people shall have the unrestricted right to self-determination up to secession." This action can be taken when at least two thirds of the legislature of the nation, nationality or people concerned vote to do so, and the action is ratified in a statewide referendum three years later. Before this happens, however, there are constitutional provisions for review by the Constitutional Court and the Council of the Federation, a national political and deliberative body with 108 elected representatives from all states (Haile, 1996). Article #39 also gives nations, nationalities or peoples the right to speak, write, promote and develop their own languages.

Article #52 articulates the powers and duties of states. Among their powers are the rights to prepare and implement development plans, to promulgate and implement state constitutions and to levy taxes and duties not reserved for the federal government. They may also organize and direct their own police forces.

The Constitution further proclaims the establishment of the Federal Democratic Republic of Ethiopia, consisting of nine states. Six of these states - Afar, Amhara, Harari, Oromia, Somalia and Tigray – are dominated by a single ethnic group, and three – Beneshangul/Gumuz, Gambella and the Southern Nations, Nationalities and Peoples (SNNP) – are multi-ethnic states, with no one dominant ethnic group. In the multi-ethnic regional states, although each group uses its own language on a day to day basis, Amharic is the working language. In the others, the working language is the language of the predominant group in the state.

The objectives of the EPRDF seemed noble enough. They claimed to want to reduce the ethnic tensions and conflicts that had dominated the modern history of Ethiopia; to forthrightly tackle social and economic problems in such a way that all ethnic groups were treated as equals; to build a democratic society; and to construct effective, efficient and uncorrupt systems of governance.[8] In order to do this, there would have to be a new social compact for the polity. However, rather than such a compact being negotiated among élites representing the major groups in society, or rather than this compact emerging in an organic manner, it was imposed from the top (Mengistiab, 1999: 19; Hassen, in Mengistaib and Daddeh, 1999: 234). What has evolved, then, is an asymmetrical form of federalism that is 'hyper-centralized'. In the way it operates, except for the emphasis on ethnicity as a basis for organizing sub-national governance, the Ethiopian system functions very much as does federalism in Nigeria. The tendency toward hyper-centralized federalism can clearly be seen in Ethiopia's policy of revenue sharing.

The Practice of Ethnic Federalism and Revenue Sharing in Ethiopia

In a 1999 report, the World Bank (1999: 1) optimistically commented:

> Ethiopia has embarked on a bold and thoughtful process of decentralization, which has been supported by a widely shared consensus over both the development strategy and objectives, and very large transfers of untied resources from the federal government to the regions. At this point the system is unquestionably working well.

By the standards of public administration, this would seem to be the case. However, there is a political dimension that organizations like the World Bank and other international development agencies seem to ignore or simply downplay. Ethnic federalism has not resulted in a widespread consensus in the general population of Ethiopia. There are some in the public at large, particularly between the Amhara and other ethnic groups and individuals voluntarily steeped in Amhara culture, who contend that, by definition, a development strategy involving ethnic federalism is fatally flawed. This is the predominant view of citizens who feel that such a strategy will ultimately result in the demise of a unitary Ethiopian state (Aberra, 1993; Brietzke, 1995; Gudina, 1994). Some scholars question this approach because they claim it is likely to lead to more rather than less ethnically based conflict (Engedayehu, 1993).

Despite such concerns, the EPRDF government has forged ahead with its plans, justifying this approach on the basis that its first priority is the removal of social inequalities based upon ethnicity. One of the government's chief ideologues in 1995, citing the historic failure of previous Ethiopian governments to effectively address the problem of ethnic disharmony, stated, "We must find a solution which is beneficial to the Ethiopian people today, therefore, history will not provide the answer".[9]

Whether one agrees or disagrees with Ethiopia's strategy of ethnic federalism, the process of constructing it will not be easy. In spite of the fact that international donors tend to accentuate the positives in this approach, there are no prior examples of success in establishing a purely ethnically based system of federalism. In Canada, Quebec is a special case. In Switzerland, although discrete ethno-linguistic groups generally inhabit cantons, its federal system does not operate according to an ethnic construct. Indian federalism is characterized by some ethnically pure states but not all states are organized on the basis of ethnicity.[10] Nigeria represents a case where large states that were dominated by one of three ethnic groups have now been broken up into 36 separate states that are not explicitly organized around the ethnic principal. There the most intense cultural conflict presently revolves around religion. Take for example, the religious upheavals over the past decade in parts of Northern Nigeria, as state governments have attempted to introduce shari'ia (strict Islamic) law. It appears

that over time the 'ethnic' in Ethiopia's federal system is going to have to come to be de-emphasized in favor of such principles as social equity and governmental efficiency. Moreover, whatever federalism finally takes hold in Ethiopia, will have to be crafted so as to take into account the unique features of a multi-ethnic Ethiopia.

Hybrid Federalism

The experiment currently underway is indeed hybrid federalism with many features that are characteristically Ethiopian. In structural terms, the Federal Democratic Republic of Ethiopia resembles federal states in most parts of the world. As mentioned above, it consists of nine regional states, and two special cities, Addis Ababa and Dire Dawa. In addition Ethiopia is made up of 66 administrative zones (provinces), 550 *woredas* (districts) and six special districts. Each of the four levels of government has more or less the same structures, with executive, legislative and judicial branches. The regional state bureaucracy carries out the day to day operations of government.

State vs Federal Powers

Regional state powers include the implementation of state constitutions as well as social (e.g. language policy, education policy) and economic development policies and plans; the policing function; the administration of land and natural resources according to federal law; taxation in such areas as personal income (except for federal state and international employees); certain producer and manufacture taxes; and certain joint taxes with the federal government.

Although most taxing powers rest with the federal government, most of the expenditure obligations of government in this federal system are the responsibility of regional states, zones and *woredas*. The central government has rather narrow responsibilities. It is responsible for collecting most taxes, including import and export taxes, setting national economic and social policies, establishing national standards in areas such as commerce and trade, finance, and transportation. Also, like central governments in all federal states, it is responsible for the conduct of foreign policy, insuring national defense, monetary policy, and setting policy relating to inter-regional state transportation and commerce.

In spite of the fact that the Constitution gives a great deal of power and administrative authority to regional states, the overwhelming amount of political power in this system rests with the central government. Because of this, in practice, Ethiopia operates more like a unitary state, with regional states closely following the policy lead of the center, mainly as represented in the TPLF's Five Year Program, rather than asserting their policy independence. This system has been described as a form of 'cooperative federalism', characterized by a policy consensus between the federal and state governments in most sectors (World

Bank, 1999: 31–32). What is revealed by this reality is the manner in which the EPRDF government has systematically neutralized political opposition and placed the political élite and party cadres who support it in positions of power and authority at the regional level (Tronvoll, 1995: 1).

At the same time, the central government has set up a devolved system of administration, ostensibly in an effort to bring government closer to the people and to create an environment conducive to peoples' empowerment. However, as Grindle (1999: 1) found in Kenya and Mexico, devolution can often enhance the control of the center rather than reducing it, especially when regional states do not have sufficient taxing powers or other means of generating their own revenue.

In poor and deeply divided countries such as Ethiopia, administrative devolution would, under the best of circumstances, be risky business. Poverty and weak, uncoordinated administrative institutions have generally proven to be anathema to the successful implementation of devolved federalism. Such an approach has the tendency to limit population movement between and among regional states; could lead to demands for secession from the federal state; limit the ability of the central government to take an effective lead in the development of the country; and is likely to inhibit the development of an open and free market that integrates all parts of the country (Cohen and Peterson, 1999: 135).

According to John Cohen (1995: 33), in order for devolved ethnic federalism to work, there should, at the very least, be a widespread sense in the general population of national unity and a sense that ethnically based federalism, rooted in the principles of administrative devolution, is appropriate to the development of the country. Moreover, there should be the administrative and financial capacity to effectively implement such a strategy. However, at the time the strategy of devolved ethnic federalism was embarked upon, there was a consensus only among a narrow circle of élite within or close to the EPRDF that this strategy was desirable.

Federalism and Revenue Sharing

A central feature of Ethiopia's devolved federalism is a hybrid system of revenue sharing that includes block grants by which the central government shares with regional states tax and other revenues it is able to generate. The authority for this approach is Proclamation #33, which is based on the following objectives:

1. Enabling the Central Government and National/Regional Governments to efficiently carry out their respective duties and responsibilities;
2. Assisting National/Regional Governments to develop their regions on their own initiative; and
3. Narrowing the existing gap in development and economic growth between regions to encourage activities that have common interest to regions.[11]

As mentioned above, the taxing powers of the Federal Government far exceed that of the regional governments, although this is changing. The assignment of revenues to federal and state governments is addressed in the Constitution (See Table 1).

As extensive as the Ethiopian federal government's taxing and revenue generating powers are, the Nigerian federal government, in this regard, has far greater powers. In Nigeria, the only tax jurisdictions and rights to revenue accorded exclusively to states are pool betting taxes, motor vehicle and drivers' license fees, entertainment taxes, land registration and survey fees, property taxes and market and trading license fees (Anyanwu, 1999; Suberu, 2001). This is not to say that the Ethiopian government is relatively weak when compared to its counterpart in Nigeria but only that, in the exercise of its powers it often goes around the Constitution rather than through it. This, however, could well be due to the fact that Ethiopian federalism is still in a nascent stage.

The Causes and Consequences of Fiscal Imbalance

The dominance of the Ethiopian Federal Government in revenue generation has resulted in state governments extensively relying on transfers from the central government in order to meet their obligations. Ideally a federal arrangement would be characterized by a fiscal balance, whereby regional governments would have taxing powers sufficient for them to meet their service delivery and governance obligations. However, in Ethiopia, this has not been the case. In fact, present day Ethiopia has been characterized by vertical imbalances, with mismatches between expenditure responsibilities and revenue generating capacities. For example, in the 1993–94 fiscal year, out of a total expenditure of Birr 3 145 million[12] by the regions, only Birr 807 million (26 percent) was generated by the states. The rest was in the form of grants and subsidies from the central government. These numbers highlight the fact that between 80 percent and 90 percent of all revenue is controlled by the Federal Government. Moreover, the expenditure patterns of the states are centrally monitored and, thereby, controlled (Chipande, 1997: 23).

The World Bank (1998, 42) has estimated that, in 1994–96, the regional states collected only 15 percent of the total national revenues. By 1996–97 that figure had risen by two percent. This change does not represent a significant erosion of the dominance of the Federal Government in revenue generation, and only serves to highlight the relative weaknesses of regional states in such matters.

It is interesting to note that, in both Ethiopia and Nigeria, the architects of a strong federal government took advantage of political instability and constructed federal institutions designed to implement such a policy. Ethiopia's present day federal system was built on the ashes of a Marxist regime following a civil war. Similarly, Nigeria's current federal system was created in the aftermath of more than a decade of ethno-regional civil strife, involving an attempt

Table 1: Summary of Revenue Assignments, 1997/98

Federal	Regional	Concurrent 3/
International Trade Import Tariffs Import Sales Tax Import Excise Tax Exports of Coffee Chat Export Sales Tax		
Personal Income and Employment Employees of Fed. Government Employees of Fed. Enterprises Ethiopian Employees of Int'l Organiz Rental Income	Agricultural Activities Cooperative Societies Non-Farm Employment Rental Income	Dividends paid to Individuals (50%)
Business Income and Profits Tax Federally Owned Enterprises Inter-regional Transport Services Rental Income Incorporated Farms Unincorporated Activities Intra-State Water Transport Services	State Farms State Owned Non-Agric. Enterprises Rental Income	Large Scale Mining, Petrol. and Gas 1/ Joint Federal-State Enterprises 2/ Private Corporations (50%)
Royalties N/A Excise Taxes Federally Owned Enterprise	Forest Services State Owned Enterprises Unincorporated Activities	Large Scale Mining, Petrol and Gas 1/ Joint Federal-State Enterprises 2/ Corporations (70%)
Sales Taxes on Goods Federally Owned Enterprises	State Owned Enterprises Unincorporated Activities Domestic Sales of Chat	Joint Federal-State Enterprises 2/ Corporation (70%)
Sales Taxes on Services Federally Owned Enterprises Corporations	State Owned Enterprises Unincorporated Activities	Joint Federal-State Enterprises 2/
Capital Gains Collected by the Federal Government	Collected by the State Governments	N/A
Dividends Federally Owned Enterprises	State Owned Enterprises	Joint Federal-State Enterprises 2/
Rent Federally Owned Houses and Properties State Owned Houses and Properties	State Land Use (Rural, Mining, Urban)	N/A
Other Non-Tax Revenues Lotteries and Games of Chance Federal Stamp Duties Federal License Fees and Services	State License Fees and Services	N/A

Notes:

1. Federal and state shares for this revenue category had not been determined at the time of this report.
2. Federal and state shares of revenue are assumed to be proportional to the federal and state ownership
3. For concurrent revenue categories, the federal shares assigned to date are shown in parenthesis.

Source: Constitution of the Federal Democratic Republic of Ethiopia and selected federal proclamations; cited in World Bank. Ethiopia: *Review of Public Finances*, Vol 1. Report No. 18369-ET. (December 30, 1998), 38).

by the south eastern part of the country to secede during the Biafran War. Nigeria, over the past thirty years, has implemented a number of fiscal reforms, all designed to strengthen the central government (Anyanwu, 1999: 120; Phillips, 1992: 21). Since 1970, the Federal Government has collected the bulk of Nigeria's revenues, most of this coming from taxes on petroleum extraction, rents and royalties. Because of this control, the central government has been able to dictate how federal funds shared with states are spent in such policy sectors as agriculture, health, education and social welfare. In both the case of Nigeria and Ethiopia, a form of fiscal decentralization exists in that, although sub-national governments have the power to raise some taxes and to carry out spending activities for public policy purposes in an autonomous or semi-autonomous manner, the predominant taxing powers rest with the centre.

Further, it is important to note that, in both Nigeria and Ethiopia, fiscal policies have been driven more by political considerations than by factors associated with the pursuit of economic development. The primary objective of such policies has been to create an activist role for the federal government in an effort to reduce social inequalities across regions. A key aspect of this strategy has been the devolution of power and authority to states.

Revenue Sharing and the Reduction of Regional State Inequalities

Acknowledging the significant disparity in terms of levels of economic development, the widespread poverty and inequality throughout the country, and differences in the revenue generating capacities of the states, the Federal Government of Ethiopia has turned to a form of revenue sharing as a way of implementing an equity based development strategy. Taxes are collected at the center, and then devolved to the regions according to a formula that has a significant equity component.

In contrast to Ethiopia, where there have been few disagreements between the center and regional states with regard to the formula used for revenue sharing, in Nigeria, the opposite has been the case. For more than 50 years, the revenue sharing formula in Nigeria has been constantly under review and subject to adjustments and readjustments. Over this period, a dozen separate commissions have recommended such changes. Since 1967, the revenue sharing formula has been organized around six main principles of entitlement: equality of states, population, a social development factor, land mass and terrain, internal revenue generation effort and 'derivation'. The main problem faced by the architects of the revenue sharing formula has had to do with striking the appropriate balance between an equality principle among regions and the derivation principle, or the commitment to returning a fair share of the revenues collected to those states from which they originated e.g. the oil producing states of the southeast (Suberu, 2001: 64–65). The other elements in the formula have been

far less controversial. Suberu (2001, 64–65) notes that the derivation principle has been a constant impediment to the development of a rational and equitable system of revenue sharing for Nigeria. It has tended to exacerbate tensions between the federal and state governments, as well as leading to intense inter-regional rivalry and conflict over the distribution of shared revenues. Consequently, a firm sense of national unity has failed to develop.

Ethiopia's approach to revenue sharing involves the provision of 'budgetary subsidies' or block grants from the center to the states. Grants are determined according to a formula (see Figure 1).

Figure 1

Federal transfers to regions in Ethiopia first began in 1992–93, when grants were *ad hoc* in nature, based on approved projects of the regions and an assessment of required assistance for the individual projects. Formula-determined grants date back only to 1994–95, when a fairly complicated formula was used to allocate grants among the regions. Grants for capital expenditures of the regions were determined on the basis of five indicators: population (30 percent), I-distance, representing a region's relative development based on eight factors against a hypothetical region (25 percent), tax effort (20 percent), capital expenditure in the previous year (15 percent) and area (10 percent). Recurrent expenditure grants were determined on the basis of the number of administrative units at the sub-regional levels, the structure of bureau and offices, and own revenues of the regions.

1995–96 saw considerable simplification of the formula to determine the **total expenditure** envelope for the regions. Only three factors-population, I-distance and budgeted state revenues-were used, each having **equal weight**.

1996–97, the formula substituted the I-distance with a development index comprising five indicators (number of health clinics, number of primary schools, number of telephone lines, electricity consumption and road length).

In 1997–98, the formula was changed in terms of weighting, with population given a weight of 60 percent, development index a weight of 25 percent and **the revenue effort variable a weight of 15 percent. The development index was reestimated on the basis of six underlying factors: education level, health sector indicator, road density, electricity consumption, water supply and telephone coverage.**

The formula now reads:

$$TRi = TR \times (0.60 \times POPi/POP + 0.25 \times Di/D + 0.15 \times [\,(REVi,\ t\text{-}1/BUDi,\ t\text{-}1)/(REV\ t\text{-}1/BUD\ t\text{-}1)])$$

TRi	=	Transfer to region i
TR	=	*Total of transfers over all regions*
POPi	=	Population of region i
POP	=	Total population over all regions
Di	=	A composite inverted development index, which for region I is equal to 6/(Ei+Hi+Ri+Eli+TEi+Wi). The official title for this index is "Index for the combined indicators of the level of development of a region"
Di	=	Sum of the values of the Di over all regions

Ei	=	Index for combined indicators for education in region i (made up of three equally weighted sub components: average class size, pupil-teacher ratio, primary and secondary school participation rate as percentage of age cohort).
Hi	=	Index for combined indicators for health in region i (made up of six equally weighted sub-components: number of clinics, number of doctors, number of nurses, number of health assistants, number of health assistants, number of hospital beds, and mortality rate of under-fives).
Ri	=	Index of road density in region i (road length per km^2)
ELi	=	Index of electric power sales region i (KWH per thousand people).
TEi	=	Index of telephone line density in region i (telephone lines per thousand people).
Wi	=	Index of coverage of safe drinking water in region i (percentage of people with safe drinking water)
REVi, t-1	=	Planned own revenue raised by region i in the prior year (since it is "own" revenue it excludes the region's share of joint revenue with the Federal Government).
BUDi, t-1	=	Planned budget for region i in the year prior to the year
REVt-1	=	Sum of planned own revenue of all regions in the prior year
BUDt-1	=	Sum of planned budget of all regions in the prior year

Source: World Bank, *Ethiopia: Regionalization Study, Report No. 18898.* (February 3, 1999), p 29.

The share of the budget subsidy that is accorded each region is based on such objective factors as the region's population share; its relative level of development; and its relative projected revenue generation capacity (World bank, 1999: 28). The formula has been in place since 1995–96, and has been revised twice.

In addition to the formula, an effort is made to capture important elements that cannot to be captured in a formulaic way. The amount of funds transferred to each region is determined according to the following five steps:

1. The total amount of combined revenue available to the Federal and State governments (made up of government revenues, external assistance and loans);
2. The division of the overall amount of revenues available divided between the federal and regional governments on the basis of the expenditure assignments of each level of government;
3. The division of the overall amount of resources available to regional governments between the states on the basis of the formula, determining the overall budget ceiling for each region;
4. The reduction of the budget ceiling for each individual state by its own projected revenues to determine the overall amount of the budget subsidy; and
5. A determination of the amount of the subsidy to come from the federal treasury and the amount to come from foreign assistance and loans.

What is, in fact, transferred to the states is only that emanating from the federal treasury. In other words, a state's share of revenues received through grants is reduced to take into account the amount of donor assistance that flows to each region.

Conditionalities and Block Grants to Regional States

In principle, block grants to states come with no strings attached. In developed countries revenue sharing generally involves tax sharing. But, in developing countries it often takes the form of block grants to regions, based on needs, and intended to compensate for the differences in regional resource endowments and levels of economic development. Regions under such circumstances, theoretically, have the power and authority to identify the policy preferences of their constituents; to formulate their own development plans; and to make decisions about the allocation of their own budgets between sectors, as well as between capital and recurrent expenditures (World Bank, 1999: 8). However, as mentioned above, state spending decisions most often are heavily influenced by priorities set nationally in the TPLF Five Year Program. In other words, officials at the state and zone levels, who are generally party loyalists, structure the choices at the *woreda* and sub-*woreda* levels so that they conform to centrally determined priorities. Only funds designated for the Road Fund are earmarked and the center makes an active effort to encourage the coordination of individual states' road projects with neighboring states.

Making Spending Decisions at the Regional State Level

While there generally has been a policy consensus between states and the Federal Government, there have been occasions when intra-regional conflicts have emerged over how to allocate the revenues received from the center. For instance, the World Bank (1999: 7) reported that in the Amhara region there was recently an incident where zonal preferences did not match regional preferences. One zone wanted to allocate its entire budget to roads, at the expense of such important activities as improving educational infrastructure and instruction, health care and agricultural programs. Another wanted to use its entire budget to construct a sports stadium. However, each zone was persuaded to change its plans and to follow guidelines set at the federal and regional levels "for a more balanced approach to development". Such incidents show that there are limits to autonomous decision making on the part of lower levels of administration, especially when they stray too far outside nationally and regionally determined priorities. This is especially true at the woreda level. Rather than popular participation being enhanced at that level, it is constrained by the heavy hand of the center and its representatives at the state and zonal levels.

Inter-Regional Imbalances

In addition to the fiscal imbalance that exists between the center and the regional states, there are also imbalances between and among regions themselves. For instance, the city of Addis Ababa finances almost all its public spending from revenues that it independently generates. In fact, Addis accounts for an average of 34 percent of the revenues raised by all states. The state that collects the next largest percentage of revenues is Oromia (28 percent), followed by the Amhara Regional State (12 percent) and the SNNP State (11 percent). The lowest collections tend to be in Gambella, Benishangul/Gumuz, Harari, and Afar (World Bank, 1999: 44). (See Table 2).

It is interesting to note that, of all the tax revenues individual states are able to generate on their own, in Gambella, one of the poorest states, most of the state's revenues collected come from personal income tax paid primarily by government employees. Another interesting statistic is in the category of sales tax on goods, where Tigray and Afar (another extremely poor state) far out pace other states in terms of the percentage of their revenues collected in this category. This is, in large measure, due to taxes levied by state governments against public and private enterprises doing business in these regions. The regions of Benishangul/Gumuz and Gambella are barely able to finance 10 percent of their public expenditures on their own (World Bank, 1999: 23).

The Limits of Revenue Sharing as a Strategy for Democracy and Development

The heavy reliance of regional states on the Federal Government for fiscal resources is only part of the story. In spite of an admirable development strategy centered on the principle of revenue sharing, regional states tend not as a rule to be able to make any significant headway. There are a number of reasons for this.

1. **The reality of an underdeveloped private sector, and a lack of access to credit for this sector.** In most regions except for Amhara, Addis Ababa, Tigre and Oromia, this sector is either at a very low level of development or nonexistent (World Bank, 1999; Young, 1997: 83). Moreover, given the heavy reliance of regional states on revenues emanating from the center, there is a disincentive to private capital to invest and grow.
2. **The shortage of administrative capacity, particularly in the poorest regions** (Egziabher, 1998: 41; Cohen and Peterson, 1999: 136–37). There is a significant regional difference in the availability of skilled administrative and technical staff and this is a major constraint on the autonomous development of regions. This is a natural consequence of attempting to implement a federalist system under conditions of abject poverty and underdevelopment. Decentralization comes at a high price. It involves the duplication of

Table 2: Regional Revenue Indicators, 1994/95–97/98

	Total	Tigray	Afar	Amhara	Oromiya	Somali Shangui	Ben-	SNNP	Gambella	Hararl Ababa	Addis
Share of Total State Revenues	100.00	6.98	0.91	12.12	27.51	4.07	0.48	11.02	0.48	0.60	34.16
Per Capita Revenue/GDP	0.05	0.05	0.02	0.02	0.04	0.06	0.03	0.03	0.08	0.12	0.36
1994 Population (millions)	52.64	3.14	1.11	13.83	18.73	2.32	0.46	10.38	0.18	0.13	2.11
Share of 1996/97 State Totals	100	100	100	100	100	100	100	100	100	100	100
Personal Income Tax	15	26	19	12	11	31	17	47	19	13	12
Business Profit Tax	13	14	8	28	78	2	19	2	44	16	41
Agricultural Income and Land Fees	10	0	33	25	0	12	25	2	1	0	0
Ag. Income Tax	4	0	16	13	0	6	14	1	0	0	0
Rural Land Use Fee	6	0	16	12	0	6	11	1	0	0	0
Sales Tax on Goods	32	39	4	14	2	2	15	6	0	5	15
Service Sales Tax	2	0	1	0	1	0	1	0	1	2	3
Urban Land Lease Fee	0	0	0	0	0	0	0	0	0	14	0
Govt Sale of Goods and Services	5	8	13	7	1	15	7	21	0	5	9
Stamp Sales and Duty	6	0	1	1	1	0	1	0	2	11	5
Charges and Fees	10	3	7	4	0	3	3	1	4	3	9
All Others	9	8	14	9	6	34	13	20	10	33	6

Note: The share of state revenues is the average for the period 1993/94 through 1996/97

Source: World Bank. *Ethiopia: Review of Public Finances*, Vol. 2. Report No. 18369-ET. (December 30, 1999), 45.

institutions and functions in a hierarchical pattern from top to bottom. In order to meet staff needs, regional bureaucracies must either employ individuals who may not be qualified for the positions they hold or force skilled bureaucrats to underutilize their talents. This problem is particularly acute in the poorest regions. The record shows that, while popular participation at the regional level might have improved, allowing citizens to have more to say about how public funds are spent and what services are given priority, there has not been a consequent improvement in the efficiency of administration. The World Bank recently reported that in most regions such basic public services as drinking water, sanitation, education, public health, and public works are generally unavailable or only available to a limited extent (World Bank, 1999: 5–6).

In an effort to address the problem of low levels of administrative capacity at the regional level, the Federal Government has recently made efforts to provide state governments with training and technical assistance for capacity building. But, this support has been modest in relation to the amount of public fiscal resources the states are asked to distribute and redistribute. The absorptive capacity of shared revenues by such regions as Afar, Somali, Gambella and Benishangul/Gumuz is quite low and this serves as a drag on regional development. States are required to give their recurrent needs the highest priority, followed by ongoing non-capital projects, and new investment projects are given the lowest priority. The poorest regions most often are only able to address their recurrent needs.

3. **Problems with breaking in the system of ethnic federalism.** Apart from the limited availability of sufficient numbers of trained and skilled civil servants at the regional level and below, a problem also exists in the fact that devolved federalism is new and regional and local administrators and politicians have a great deal of discretion to set their own rules in dealing with their constituents. In some cases, this has led to serious excesses in administration. For example, although the Constitution guarantees citizen freedom of assembly, this right is not always adhered to by local administration. The US State Department's 1999 Human Rights Report (2000:18) reported a case where, in January of that year, the Coalition of Ethiopian Opposition Political Organization held a rally in Addis to announce its political agenda but its organizers claimed that they could not properly do this because local authorities did not approve a permit for the rally until a day before.
4. **Pitfalls of donor dependence.** Regional states, in addition to being heavily reliant on grants from the Federal Government, tend also to be dependent on donor assistance. Neither situation has anywhere proved to be conducive to the achievement of autonomous development on the part of states. In the case of Ethiopia, the practice has been for states to attempt to cut their dependence on donor assistance even before they can reduce their reliance

on block grants from the center. In part, this is due to a sense of nationalism that is encouraged by the EPRDF and, in part, it is due to the fact that state administrators know that there is no value added with donor assistance. Assistance provided by donors is distributed and tightly controlled by the Federal Government, and merely subtracted from the amount that, according to the formulaic calculations, is to be allocated through the revenue sharing scheme. Moreover, the strings attached to, and stringent reporting requirements of, many donor driven projects, make them less than desirable to state administrators.

5. **Official Corruption.** A final negative aspect of devolved federalism in Ethiopia, particularly given the nascent stage of its regional and sub-regional bureaucracy, is official corruption (Young, 1999). As in the past, the EPRDF regime promotes the use of *gim gima* (self criticism) sessions for bureaucrats as a way of addressing charges of corruption. However, in recent years, this method has proven to be grossly inadequate to address the problem of official corruption.

As infighting within the ruling group and its constituent parties increased in 2001, charges of corruption at all levels began to surface. Throughout the summer months of 2001, all EPRDF parties were called to their regional headquarters to conduct party congresses, aimed at rooting out corruption and what was termed 'narrow nationalism'.

An additional anti-corruption measure was the introduction, in the spring of 2001, of the Federal Ethics and Anti-corruption Commission (FEACC). As 2001 drew to a close, several high profile politicians and businesspeople were being investigated and tried for corruption. However, this process coincided with major purges in the TPLF and other EPRDF affiliated parties, and some observers have argued whether the primary aim of the Commission was to root out official corruption or to settle old political scores. It can be noted that individuals close to the dominant faction in the ruling EPRDF clearly seem to have been spared by the Commission.

In a general sense, what is clear is that the lack of an ethic of good governance at various levels of Ethiopia's government bureaucracies and governments will continue to undercut any efforts to tackle serious problems of poverty, inequality and discrimination. Such an ethic will no doubt have to be institutionalized and forged through practice.

Conclusion

Ethiopia is presently involved in attempting to implement what is officially billed as a form of 'ethnic federalism'. In contrast to the typical practice of federal systems emerging organically as political entities that must coexist and decide to organize themselves into a system of self rule and shared rule, in

Ethiopia, this approach has been dictated from above. This experiment initially started off looking like what Alfred Stepan has termed a 'holding together' federation, as a decision was taken by ethnic élites to create sub-national states from a unitary state. But, it has now evolved into a form of 'putting together' federation, as the federal government and ruling party have created new states but staffed them with parties and personalities loyal to the ruling group as opposed to being representatives of the regional states themselves and their citizens (Stepan, 2001).

The government claims that this approach is best for achieving democratic consolidation in this multi-ethnic polity. A central element in the process of consolidation is a system of devolved administration giving state and zonal authorities major roles in making decisions relating to socioeconomic development and the building of democratic institutions. This study has found, however, that decision making at sub-national levels of governance is constrained by the TPLF Five Year Development Program which does not permit much deviation from the dictates of the center.

Revenues collected at the center are shared with regional states but most of these resources are used to cover the salaries of state, zonal, woreda and local bureaucrats, and other recurrent expenses. Most states, because of the lack of resources, are not able to engage in new capital projects. Moreover, there is, in most cases, a severe lack of skilled administrative capacity below the national and state levels and this too serves as a drag on democracy and development.

In reality, what is billed as a 'unique form of ethnic federalism' in Ethiopia, operates very much like a centralized, unitary state, with most power residing at the center. While official rhetoric proclaims that ethnic communities are now empowered and free to exercise their right to self determination, Ethiopia is characterized by limited autonomous decision making below the regional state level and a great deal of central control and orchestration. As a consequence, while some institutional forms associated with consolidated democracies, such as political parties and periodic elections with universal suffrage may exist, this is more of a 'pseudo-democracy' (Diamond, 1997) than anything else.

Both Nigeria and Ethiopia possess a highly centralized form of federalism, with the 'power of the purse' giving the federal government enormous power and control over policy making at the sub-national levels. (See Figure 2 for a graphic presentation of the comparisons.)

In both cases, the choice of a federal system, as well as the policies and programs that undergird such a system, were political decisions, primarily to enhance the controlling hand of the central government. However, Ethiopian federalism is unique in the emphasis it places on organizing most states along ethnic lines. In Nigeria, by contrast, efforts to minimize ethnic conflict have led to the creation of an ever increasing number of states – from three in 1960 to 36 in 2001. Also, in Ethiopia, the dominant party, the EPRDF, exercises a very

Figure 2: Comparison of the Nigerian and Ethiopian Federal Systems

	Nigeria	**Ethiopia**
Impetus for the Creation of the	Independence deal involving colonialist and ethnic elite	Pact among ethnic Federal System élite after civil war
System Transformation	Elite bargain>strong center Dominant party rule	Inclusive pact>
Primary Motivation for Creation of the System	Political	Political
Defining Feature	Hyper-centralization based on control of revenue collection and distribution	Hyper-centralization based on control of revenue collection and distribution
Number of States at Inception	Three (3)	Nine (9)
Current Number of States	Thirty-six (36)	Nine (9)
Significance of the Ethnic factor in State Creation	None	Primary
Primary Objective of Federal System	Reduction of regional inequality	Regional equity/ popular empowerment
Secessionist/ Irredentists Claims	Biafran War late 60s None since early '70's	Oromo, ongoing Somali, ongoing
Primary Source of Revenue	Petrolium (80+%)	Coffee (85%)
Form of Administrative Decentralization	Deconcentration/ devolved	Deconcentration/ devolved
Revenue Sharing Formula?	Yes	Yes
Controversy over Formula?	Derivation Principle vs. Equality Principle	None significant
Control Over Development Policy	Heavy central influence	Heavy central influence
Regional State Autonomy	Weak/limited	Weak/limited

explicit steering role over the harmonization of federal and regional state policies while, in Nigeria the role of the central government in this process is more subtle, although it does exist. Nigeria has, since at least the mid 1960s been characterized by a form of holding together federation. By contrast, since the early 1990s, Ethiopia has more resembled a putting together federation, with the Federal Government and incumbent regime using policies and programs to, at times forcefully, keep the federation from Balkanizing.

Notes

1. In terms of population, Ethiopia is the second largest country in Africa, with a population of almost 60 million. It is populated by between 80 and 100 distinct ethnic groups, who speak more than 70 languages. The single largest ethnic group is the Oromo (32 percent), followed by the Amhara (30 percent).
2. For our purposes, when discussing center-state relations, we use the term "state" to mean regional states. In a federal or quasi-federal system this would be the next level of government below the federal or central government.
3. The Constitution of the Federal Democratic Republic of Ethiopia. Addis Ababa (1994).
4. The official line of the EPRDF went something like this: "The nations, nationalities and peoples of Ethiopia have historically been denied their rights to self determination. This was as true under the imperial regime as it was under the Marxist regime. The New Ethiopia is committed to redressing these historic wrongs, and to giving all its peoples the right to self-determination up to and including independence. To insure that the multi-ethnic state remains intact, there will be guarantees of individual and collective rights will be enshrined in a federal Constitution."
5. See, The Political Parties Registration Proclamation. No. 46 of 1993, *Negarit Gazeta*, (Addis Ababa), April 15, 1993.
6. Prime Minister of the Federal Democratic Republic of Ethiopia. *The System of Regional Administration in Ethiopia*. Addis Ababa (1994).
7. Stepan notes that in non-democratic political systems with federal features social order can only be maintained, as was the case in the former Soviet Union and former Yugoslavia, when the incumbent party maintains a firm steering role. This appears to aptly describe present day Ethiopia.
8. Ethiopian Peoples' Revolutionary Democratic Front. "EPRDF's Five-Year Programme of Development, Peace and Democracy," Addis Ababa, Ethiopia (August 2000).
9. Quoted in: Kjetil Tronvoll and Oyvind Aadland "The Process of Democratization in Ethiopia: An Expression of Popular Participation or Political Resistance," *Human Rights Report No. 5*, Oslo, Norway: Norwegian Institute of Human Rights, 1995.
10. I would like to thank Crawford Young for helping me think this through.
11. Negaret Gazeta of the Transitional Government of Ethiopia. *Proclamation No. 33/1992: A Proclamation to Define the Sharing of Revenue Between the Central Government and the National/Regional Self-governments. No. 7 (20 October 1992)*, p 25.
12. $US1 is equivalent to Birr 8.2.

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