

***The pros and Cons of Unconditional Grant Under  
The Ethiopian Federal Arrangements: -  
A Comparative Study***

**Daniel Gemechu**



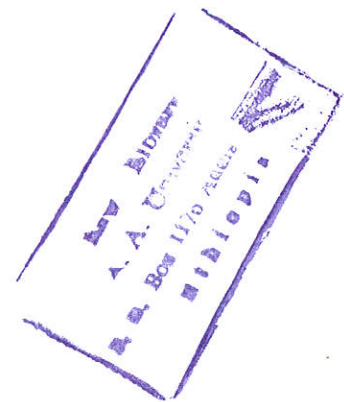
**Addis Ababa University  
School of Graduate Studies  
Law Faculty  
March 16, 2009**

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A Comparative Study***

**For the partial Fulfillment of the Requirements of Master's Degree of Law  
(LL, M)**

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**FACULTY OF LAW**

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A COMPARATIVE STUDY*

BY: Daniel Gemechu

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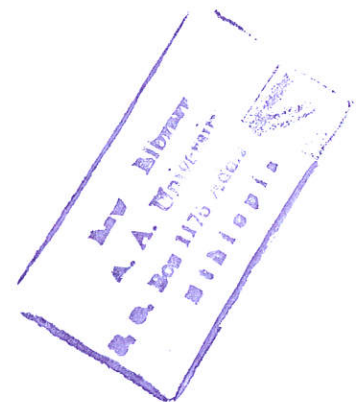
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With regards,

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## **Introduction**

Fiscal federalism is considered as a glue of federalism. It creates frequent interaction between different levels of government within a federation. Most of the time, revenue sources and expenditure responsibility of each level of governments are expressed in the constitution. One of the features of fiscal federalism is the existence of vertical as well as horizontal imbalances. Because, most important and lucrative revenue sources are allocated to the centre, vertical imbalance occurred in a federation. On the other hand, uneven distribution of natural resources and public enterprises creates horizontal fiscal imbalance.

Intergovernmental fiscal instruments are basically set for addressing both vertical and horizontal fiscal imbalances. Federal transfer of funds and borrowing are the two instruments that the Ethiopian fiscal system uses to address fiscal imbalances. Federal transfer of grant is the major means of addressing vertical imbalances. In Ethiopian intergovernmental fiscal practice, the most dominant type of transfer is unconditional grant.

In this paper, the pros and cons of unconditional grant would be discussed and possible recommendations forwarded. For the purpose of achieving this goal, there are five chapters; chapter one, discusses about statement of the problem, significant of the study and other important concepts which help the reader to frame the scope of the study. Chapter two, deals about the theoretical background of fiscal federalism and its important components. Fiscal decentralization in Ethiopia discussed under Chapter three. Chapter four, deals about the pros and cons of unconditional grant under Ethiopian federal arrangement. Finally conclusion and recommendations are given under chapter five.

## **Chapter one**

### **Introduction**

#### **A. Background of the Problem**

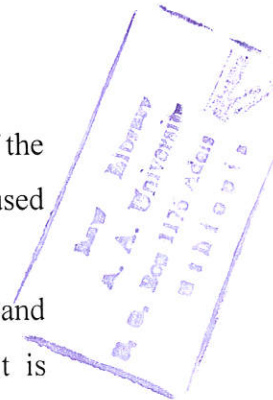
Revenue transfer is one of the core points in the discussion of federalism. The federal government and states may have their own revenue sources and expenditure. In order to meet their needs each levels of government needs financial back up. All most in all federations it is possible to identify fiscal imbalances (vertical as well as horizontal). Vertical fiscal imbalance arises because different levels of government have differing capacities to raise revenues to finance their expenditure. And horizontal fiscal imbalances occur since regional governments incur uneven cost of provision of public goods and do not have equivalent revenue raising capacities. Depending on the federal arrangement and the constitutional set up, different federations adopt different methods to deal with the problem posed by fiscal imbalances. Revenue sharing and allocation of grant are the two means of revenue transfer mechanisms of addressing fiscal imbalances.

Allocations of grants are in two forms:-

1. If the grant is under the discretion of the states to spend with out the control of the centre, then it is unconditional or general purpose grant. This kind of grant is used mostly to raise the fiscal capacity of the states.
2. On the other hand, if the grant, which is allocated to the states, are controlled and supervised by the centre in order to spend it on a specific sector, then it is considered as conditional grant.

In Ethiopia, after the introduction of federalism, revenue transfers from the centre to the regions are one of the main issues in the discussion of fiscal decentralisation process. Under the constitution, both the federal as well as regional governments can levy taxes and collect duties on the sources that fall under their jurisdictions.

However, the constitution does not balance between the expenditure responsibilities and revenue share of the states. Giving almost all important (lucrative) tax sources to the federal government is one illustration. The existence of fiscal imbalance is attributable to



the above facts. So, in order to solve the fiscal imbalances and build up the financial capacity of the states, unconditional or general-purpose grants are implemented.

By giving special emphasis to the Ethiopian federal arrangement, allocations of unconditional or general-purpose grants have its own merits and demerits. If one observes from the principles of federalism in which the constitution bestows each state full right of self government, then giving unconditional grant to the states is significant at least for two reasons. (1) It gives power of self rule to the states and (2) it gives states to allocate their transfer according to their priorities. On the other hand, allocation of unconditional or general purpose grant has its own limitations in the Ethiopian fiscal system. (1) Lack of skilled man power, (2) abuse of federal transfer and (3) different level of development in public service between regional states could be considered as the limitations.

#### B. Statement of the Problem

In the Ethiopian federal arrangement, federal grant is the major source of revenue to the states. This is by the fact that most important revenue sources are reserved to the centre.

Unlike US Federation, the Ethiopian Federal system introduces unconditional or general purpose grant for equalising vertical as well as horizontal fiscal imbalances between the federal government and the states on one hand and between states on the other hand. Since the nature of this kind of grant does not allow the grantor to specify, audit or put any kind of control on the states, it may open the door for misuse of budget for other than public interest and corruption, finally it can lead to bad governance and disproportionate growth.

Unconditional or general-purpose grant has its own drawbacks in the present Ethiopian federal system. Among the reasons:-

- Lack of intellectual capacity. At present, most states do not have adequate number of skilled man power who understands and execute fiscal policy of the country. Because of

this, it happens to seen falling to use their grant properly. As a result, to go with those states that has the skilled manpower become difficult. Gambella, Somali, Benishangul Gumuze and, Afar regions can be a good example.

- Absence of accountability. The other problem in the application of unconditional grant is absence of accountability. In other words, they can spend the whole or parts of the grant even other than public use, but no one asks them why they do that. This can be illustrated by the fact that, most public officials have luxury house hold and office equipments (chair, table and pc's) more than one car, house e.t.c...entirely by misusing the grants given to the public good.

The following are some of the research questions that the study tries to answer at the end by raising legal and practical issues.

1. Why does the Ethiopian federal system adopt unconditional grant?
2. What are the advantages of unconditional grant in the Ethiopian Federal arrangement?
3. What are the disadvantages of unconditional grant in the Ethiopian federal arrangement?
4. Why does the Ethiopian grant formula changed many times?
5. What consideration (priorities) has been given in the formulation of the new (2007) grant formula?
6. What were the challenges against the previous grant formula?
7. What lesson should we learn from other federations in allocation of grant?
8. Do we have other means's to address fiscal imbalances other than unconditional grants?

### C. Objective of the Study

The main objective of this study is to show how much unconditional or general-purpose grant practiced in the present Ethiopian federal system by discussing the advantages as well as the disadvantages of it.



On the other hand, the study will demonstrate how much fiscal transfer (grant) is important for addressing vertical as well as horizontal fiscal imbalances.

The other objective of the study is, to observe other federations grant system and recommend important achievements to our grant system.

The last but not the least objective of the study is, to recommend some legal measure that can reduce the draw back of unconditional grant under the Ethiopian federal arrangement.

#### D. Significance of the Study

In its findings, the research try to limit the draw back of unconditional or general-purpose grant and provide effective and adequate method of utilizing federal grant, which is given to the states.

By looking the fiscal policy of the country, the study provides effective way of using revenue resources by considering the federal arrangements.

The study, by pointing out other federation's experience, show the relevance of putting limitations on the application of unconditional or general-purpose grant in order to bring sustainable uniform development through out the country.

The research benefits the states as well as the federal government, to know the impact of unconditional grant and minimise its side effects.

#### E. Limitation of the Study

With regard to limitation(s), the following points could be considered as limitations of the study:-

- Availability of recorded data, documents
- Absence of collaboration from authorities for giving information
- Financial constraints to gather data in all regions and
- Time to finalize the thesis because of the above reasons

## **F. Methodology**

The study will make an appropriate study of the existing literature on fiscal federalism. In so doing, the study has set up the proper conceptual, legal and theoretical framework, which serves to analyze unconditional or general-purpose grant.

The methods that are going to be applied in the study are:-

- Analysis- because information will be obtained through questionnaires and interviews
- Deductive- because the study will apply legal provision to factual situations.
- Documentary analysis of five annual years (1996-1999 E.C.) Fiscal report of regional states.

## **G. Organisation of the Thesis**

The thesis will have five chapters including:

- A. chapter one is an introductory part of the thesis and it deals with background of the problem, statement of the problem, objective of the study, significance of the study, limitation of the study and methodology of the study.
- B. Chapter two tries to deal with conceptual frameworks including definition of the term grant and related concepts. It also tries to show types of grants and the nature and extent of grant.
- C. Chapter three tries to show unconditional or general-purpose grant under the Ethiopian federal arrangement. It also
- D. Chapter four shows the pros and cons of unconditional grant in Ethiopia.
- E. The last chapter will give conclusion and recommendations.

## **Chapter Two**

### **Theoretical Background**

#### **2.1. Fiscal Federalism**

In the federal form of government, the federation consists of two sovereign organs (levels of governments). Usually there exist the federal (central) government and sub national (regional) governments. Each operates according to the constitutional division of power<sup>1</sup>. Depending on their constitutional set up, each has exclusive power over matters which fall under their jurisdiction. In case of concurrent powers, both the federal as well as the sub national governments will have a right on it.<sup>2</sup>

The core point of federalism is to combine unity and diversity which is created as a result of multi ethnic, cultural and linguistic society.<sup>3</sup> In order to bring harmonious peaceful co-existence between different ethnic and religious groups, powers which are important for expression of their unique identity should be given to different nations and nationalities. These powers include self rule, and administration of resources.

Fiscal decentralization is the position when revenue sources and expenditure responsibility distributed among the center and the regions. In a federal form of government, as political and administrative power distributed among federal and regional governments, fiscal powers also distributed between the two levels of governments. The focal point of this section is to give brief high light about fiscal federalism.

Fiscal decentralization deals about how tax revenues and public expenditures are allocated between federal and regional governments.<sup>4</sup> If the regional government get the larger part of the revenue, then it indicates that the greater part of the revenues collected is decentralized.<sup>5</sup> Accordingly, expenditure decentralization may occur. In other words, the major concern of fiscal federalism is distribution of revenue sources and expenditure responsibility of revenue resources to federal and regional governments.<sup>6</sup> The allocation of revenue resources to federal and regional governments

with in the federation is important at least for two main reasons; “first, revenue resources enable or constrain governments in the exercise of their constitutionally assigned legislative and executive responsibilities. Second, the economy can be affected, because taxing powers and expenditure are important powers by themselves.”<sup>7</sup>

In order to have a successful federal system, the adoption of effective fiscal federalism is very important.<sup>8</sup> In any federation, it is common to see the different financial capacity of regions, some regions are more richer than others, some may have more natural resources and revenue raising power than others. On the other hand there exists a huge difference between the federal government and regions in revenue sources and expenditure power. Therefore, fiscal imbalances happen to be seen in a federation. So, in order to avoid imbalances, both vertical (between federal government and regional state) and horizontal (between regional state), there should be an effective fiscal policy that can adjust the fiscal imbalances<sup>9</sup>

In order to adjust fiscal imbalances there must be an intergovernmental fiscal transfer system. And this intergovernmental transfer system should be effective. Some argue that the central government has the duty to maintain a minimum standard of public service in all sub national governments.<sup>10</sup> But this argument is not supported by many scholars.

At this stage of the research I think it is important to see basic criteria's for an effective transfer system before engulfing to other theoretical concepts. In order to have an effective inter governmental fiscal transfer system, there should be;

“**Revenue adequacy:** each regional government should have sufficient resources, to fulfill its expenditure responsibilities.”<sup>11</sup>

**Transparency and stability:** the formula which the transfer system works should be announced and each locality should be able for cast its own revenue. And the formulas should be stable at least a few years (3-5) years in order to plan a long term policy at the local level.<sup>12</sup>

**Local tax effort and expenditure control:** The system should not encourage fiscal deficits, rather should produce sufficient tax revenue by the regional governments.<sup>13</sup>

**Equity:** The intergovernmental fiscal transfer should not be based on the same merit to all regions. Instead it should base on the needs of each region. This is because the fiscal capacity and needs of regions vary from region to region.<sup>14</sup>

On the other corner there are scholars who argued that there is no need for the government to be involved because the market can perform the function of equalization by itself.<sup>15</sup> They say, if the population of a country is perfectly mobile through out the region, then resources have a high degree of mobility. But, in real life no country's population is perfectly mobile because of many factors. Such as; moving costs, employment and lack of information etc...

I think to have an effective intergovernmental fiscal transfer system, equity based transfer is mandatory. For example in Ethiopia, Afar region needs for rural road in 1999FY was 2.25% of its total transfer but Tigray region need was 0.53% from its total transfer in the same FY. The other point, the involvement of government in addressing fiscal imbalances is very important. The current global financial crisis shows the market could not perform the equalization function by itself.

### **2.1.1 Revenue Transfer**

Revenue transfer is needed because federal government usually control the major tax sources; as a result, regional states can not execute their expenditure responsibilities with a shortage of fiscal capacity.<sup>16</sup> Vertical imbalance occurs usually as a result of the above reason. On the other had as stated in the previous section, horizontal imbalance could possibly happen in a federation when there is a difference in natural resources and revenue raising power between the regions. So, to reduce these fiscal imbalances, it is important to have intergovernmental revenue transfer system.<sup>17</sup>

In order to correct the imbalances most federation adopted mechanism of revenue transfers from federal to regional government.<sup>18</sup> The main purpose of revenue transfer is avoiding vertical imbalances by providing different kinds of grants(conditional, unconditional, matching and non matching e.t.c) which will be discussed in depth in the coming sections and to avoid horizontal imbalances by assisting poorer regions.<sup>19</sup>

In fact the level of imbalances varies across federations. However, the major objective of revenue transfer is, addressing states financial constraints. As a result, they (states) can execute their expenditure responsibility.<sup>20</sup>

### **2.1.2 Revenue sharing**

Revenue sharing, as the name speaks for itself, happens when revenue sources are shared between the federal and regional governments. Unlike grant, only states that share a revenue source with the federal government can get the benefit out of it.

Scholars argued that, even in the best assignment system, best designed mapping of function, overlapping jurisdictions is unavoidable.<sup>21</sup> Fiscal overlapping can occur in both tax and expenditure responsibilities.<sup>22</sup> This overlapping is created as a result of concurrent assignments, interdependence of fiscal revenue bases, expenditure functions, and vertical competition (competition among hierarchically ordered governmental layers) and horizontal competition ( competition with in each layer).<sup>23</sup> For this reason Govinda and Nirvikar said:

*“In fact, intergovernmental transfers are both a cause and consequence of fiscal interdependence between different layers of government.”<sup>24</sup>*

*“The principal reasons for fiscal overlapping is intergovernmental competition.”<sup>25</sup>*

Fiscal overlapping accounts for overlapping of fiscal jurisdiction. In fact in order to avoid such kind of problem, a system of cooperative federalism should be adopted.

One of the sign of fiscal overlapping is revenue sharing. When revenue sources are shared between the federal and regional governments, then overlapping of fiscal jurisdiction created. The degree of revenue sharing is dependant on the Constitutional set up of revenue sources between the federal as well as regional governments<sup>26</sup>. This principle is applied in a federation because it is difficult to attain uniform standards across a federation. This is because there exists different geographical, natural, sociological and economical background of the regions. The most important function of revenue sharing is attaining the highest revenue capacity of regional governments, in order to satisfy their expenditure responsibilities<sup>27</sup>. On the other side, this gives the states autonomy of self rule on the revenue collected by both the center and themselves.

So, we said the existence of fiscal over lapping is common and revenue sharing is one of the presiding feature in a federation, but I would like to note that, an important effective and transparent mechanism, which both the states and federal governments satisfied with, should be applied.

## **2.2 Reasons for Fiscal Decentralization**

It is important to show the importance and reasons of fiscal decentralization. This is because there are arguments for fiscal centralization.

In the previous part we said, fiscal decentralization deals about how tax revenues and public expenditure are distributed among the different levels of governments<sup>28</sup>.

According to most literatures, inter governmental fiscal relation is important for achieving the process of fiscal decentralization.

According to Bernard P. Herber, when we see it from the economic point of view, decentralized decision approximate the market more closely than those of the central decisions.<sup>20</sup>

- Since there exists cultural and other differences across the nation, decentralized fiscal policy, gives the regions to expend the revenue as the values and preference of their people.<sup>30</sup>
- Individuals attain greater freedom and responsibility when public goods are allocated by local governments.<sup>31</sup>
- Fiscal decentralization avoid frustration of regional government because they are not implementing policies decided elsewhere rather they are implementing there own policies based on their merits.<sup>32</sup>
- Last but not least, fiscal decentralization held accountable the local politicians to bear the costs of their decisions and deliver on their promises.<sup>33</sup>

For the above reason many scholars support the principle of fiscal decentralization. Among them, Fjeldstad, Conforti and Litvack are known.<sup>34</sup>

## **2.3 Challenges for Fiscal Decentralization**

So far we have discussed important points about fiscal decentralization. In the previous section (section 2.2) we have seen the rationales of fiscal decentralization. Because there is no such perfect system, it is so important to see the limitations or challenges of fiscal decentralization. It is said in section 2.1.1 that, because the federal government controls major tax sources, regional states failed to fulfill their expenditure responsibility which is given by the constitution. As a result, vertical imbalance happens. On the other hand, it was said that because of different natural resource, revenue capacity and other socio-economic factors there exists fiscal imbalance between regional states. As a result horizontal imbalance created.

The major challenges of fiscal decentralization are:-

- Vertical imbalance and
- Horizontal imbalance

But there are other limitations which highly affect the principles of fiscal decentralization, such as;

- Multiple taxation &
- Intergovernmental externalities

The objective of this section is only to discuss these challenges in depth.

### **2.3.1 Vertical Imbalance**

Vertical fiscal imbalance occur as a result of revenue as well as expenditure gap between federal and regional governments revenue resources and expenditure responsibilities.<sup>35</sup> Since revenue raising power of both the federal as well as regional governments is based on the constitutional division of power, the problem of vertical imbalance is created primarily by the constitution<sup>36</sup>.

In other words, both layers of government have expenditure responsibilities but the major revenue sources are given to the center. As a result vertical fiscal imbalance created. For this Bernard, said,

*“Vertical fiscal imbalance refers to a disproportionate alignments of those revenue sources vis-à-vis expenditure obligations by level of governments”* <sup>37</sup>

Further, he reason out why the federal government dominates the revenue sources. He said, the federal government for the purpose of allocational, distributional, and stabilization purposes should dominate the revenue source.<sup>38</sup>

Though Bernard’s points are from economics point of view, Ronald L. Watts also support some of the point that Bernard set.

According to Watts, vertical imbalance created fro two reasons, first, he argued that, it is important to allocate the major revenue power to the federal government because it helps to bring uniform and effective economic union and bring collective development.<sup>39</sup> For this, more or less he has similar approach with Bernard. Second, watts believes that, no matter how the federation carefully planed to avoid vertical fiscal imbalance, because of unforeseen circumstances over time vertical fiscal imbalance will be created.<sup>40</sup>

When we boiled down from the discussion, presented above, it is clear that vertical fiscal imbalances is one of the measure challenges to fiscal decentralization.

### **2.3.2 Horizontal Imbalances**

One of the challenges of fiscal decentralization is horizontal fiscal imbalances. When there is a fiscal imbalance created between different regional governments in a federation, it is known as the problem of horizontal imbalance.<sup>41</sup>

Regional governments usually have different capacity to generate revenue, even in a single tax bases. As a result they may not generate the same amount of money.<sup>42</sup> Further, Solomon elaborated the existence of different capacity of revenue raising power between the regional governments . He said,

*“ The problem of horizontal imbalance occurs when the revenue capacities of different constituent units vary so that they are not able to provide their citizens with services at the same level on the basis of comparable tax levels ”* <sup>43</sup>

Like Solomon, Ronal Watts support the arguments presided above. But further he said that, variations in socio- demographic , characteristics of the population such as population dispersion, urbanization, agriculture, the cost of providing services and physical and economic environment are also the reasons for the occurrence of horizontal imbalances .<sup>44</sup>

From the above arguments it is possible to see fiscal imbalances between the sub national governments though the degree varies from federations to federations. But it is important to note that horizontal fiscal imbalance is one of the challenges of fiscal decentralization .

### **2.3.3 Intergovernmental Externalities**

The other challenge of fiscal federalism is intergovernmental externalities. It means the fiscal action of one regional government affects or benefited on residents of another regional state in a manner which escapes budgetary control.<sup>45</sup>

Intergovernmental externalities can be categorized in: <sup>46</sup>

- Positive intergovernmental externalities
- Negative intergovernmental externalities
- Vertical intergovernmental externalities and
- Horizontal intergovernmental externalities.

Positive intergovernmental externalities exists, when the fiscal action of one region benefits the residents of an other region. Thus, a public health clinic financed by one region may benefit the neighboring states.

When the fiscal action of one region affects the residents of an other regions, it is known as negative intergovernmental externalities. Thus the dumping of poorly treated sewerage in to a river by one region may affect the health of the residents it the down stream region .

We refer vertical intergovernmental externalities when such kinds of impact exerted between the federal and regional governments.

Horizontal intergovernmental externalities are between sub national governments.

#### **2.3.4. Multiple Taxation**

Multiple taxation sometimes its called tax over lapping by some scholars considered as, secondary problems of fiscal decentralization. Bernard is one of the advocates of this idea<sup>47</sup>. Overlapping taxation is one of the phenomena that can be seen in a federation. It simply means, same tax base is taxed more than once. <sup>48</sup> It can be created in three ways:-

**Vertical Multiple Taxation:** it happens when different levels of government (federal and regional) impose tax in the same base.

E.g. when income tax imposed by both the federal and regional governments.

**Horizontal Multiple Taxation:** Occurs when the same tax base taxed by the different regional unites of government at the same level .

E.g. when income tax imposed by two regional governments

**Intra Unit Multiple Taxation:** Occurs when one tax base is taxed twice by one government. Fore instance, imposition of income tax on both corporation and personal on corporate dividend income in the American public sector can be a good example for intra unit multiple taxation.<sup>49</sup>

Multiple taxation, based on the above presentation, considered as one of the challenges for fiscal decentralization.

## **2.4 Intergovernmental Fiscal Instruments**

In the previous sections it is discussed that, in a federation intergovernmental fiscal problems are certain to arise. We also discussed that there are multiple factors for the existence of vertical as well as horizontal fiscal imbalances in a federation, which were considered as challenges of fiscal decentralization.

In this section we shall see different kinds of approach that helps federations to reduce fiscal imbalances. Different federations apply a number of intergovernmental policies, such as conditional grant, unconditional general purpose grant, matching grant, non matching grant, vertical grant, horizontal grant and income tax credit etc.

Some federation use a mixture of 2 or 3 kinds of grants, but the most important point is addressing the imbalances that already exist in federation.

Now let's discuss major intergovernmental fiscal instruments.

### **2.4.1 Allocation of Grants /Intergovernmental Grants /**

In order to address fiscal imbalances and challenge of fiscal decentralization, different types of grants are allocated. Normally the flow of intergovernmental grants are from a higher level to a lower level government.<sup>50</sup> In other words from federal governmental to the regional governments.

One of the principal objective of such inter governmental grants are reducing the horizontal imbalance between the regional governments. Hence most of the time the federal government took the major revenue sources for different reasons, allocation of grants is one of the basic revenue to the sub national governments. Each type of grants has its own characteristics. Therefore, it is beneficial to see one by one.

#### **2.4.1.1 Conditional Grant**

Conditional grants sometimes called specific purpose grants or categorical grants. In this types of grant the federal government is the one which specifies the purpose of the grant which the regional governments receive.<sup>52</sup> As a result such kind of grant often address concerns which are highly important to the federal government but contrary to less to the regional governments.<sup>53</sup>

Solomon said,

*“As the conditions become more specific, the states will in effect be left with no option but of spending the money in the area specifically required by the center.”<sup>54</sup>*

Since the conditions are set by the federal government, regional governments can not use the grant for other purpose. For instance, if the grant is conditions to the building of health care center, the respective regional government cannot use it for building of elementary school.

It is important to note the objective of specific purpose grant. It is to impose conditions in order to build up nation wide standards for provision of public services.<sup>55</sup>

Categorical grant further play a major role in curbing financial embezzlement , inefficiency and corruption because, it is the federal government which control and audit the grant.<sup>56</sup>

Ronald Watts suggests that, if conditional transfer constitute a large part of the revenue transfer and significant part of the whole regional state's revenue, it may undermine the autonomy of the regional governments.<sup>57</sup> Because it induce regional governments to undertake expenditures not necessarily important to their own priorities.

With in conditional grants, there are several types. Let's see some of them.

#### **A. Matching Grants**

Matching grants are conditional grants which regional states shares the cost with the center in order to get the grant. <sup>58</sup> The federal governments can give conditional matching grants, but that means the states shall share the cost with it.

Most federal states introduced matching grant; one, for optimize the use of limited federal resources and second, to encourage regional states to spend on activities which has a national benefit, like standardized education , health care etc.\*

Matching grant is in two forms:-

- Open Ended Matching Grants and
- Close Ended Matching Grants

**Open Ended Matching Grants :** In this grant , when ever the regional state expend , the center shall support that particular activity. For example, a grant may indicate that the local government spends a dollar on health, the federal government will contribute a dollar as well .<sup>59</sup>What ever the local government expends, the center will support. In other words, there are no limitations which the center gives to the regional states. That is why it is said an open ended.

**Closed Ended Matching Grants :** Unlike open ended matching grants, the center may specify some maximum amount of money that it will contribute.<sup>60</sup> That is why it is said closed. The local governments can get only the specified amount of grant from the center.

For the purpose of budget control most governments put a ceiling on the federal government share.<sup>61</sup>

### **B. Non Matching Grants**

Unlike matching grants, the regional stats are not required to match the contribution of the federal government. <sup>62</sup> The federal government offers only a fixed mount of money with stipulation that, it will be spent on a specified public good. That means the states are not duty bound to expend their budget in order to match the grant given by the federal government. <sup>63</sup>

### **C. Block Grants**

Block grants are essentially non-matching conditional grants. In block grants, unlike other categorical grants, the recipient state and local government have more flexibility in spending funds which are acquired from the center\*\*. One example , let's say the block grant program is for education, in this case the state or the local

government can spend the grant either for elementary or high school or even tertiary level education. This gives the state to spend the grant in its need.

It was under Regan administration (early 1980s) that block grants became popular in the United States. Job Training Partnership Act of 1982 is one example of block grants under the Reagan administration. But despite the efforts of the Reagan administration, the categorical grant (without block) remains the dominant means of transferring funds from the federal governments to the state and local governments.

To address fiscal imbalances different countries applied grant system which is more appropriate to their priorities. Here under, four countries (USA, Germany, UK and, India) experience of addressing fiscal imbalances discussed. The purpose of discussing these countries experience is to compare with Ethiopian intergovernmental fiscal transfer system under chapter three.

### **The United States**

In the United States, unlike most developed countries, conditional grants are used rather than unconditional grants.<sup>64</sup> Further it is argued that conditional grants are a better response to U.S needs than the use of unconditional grants.

*“In the United States, conditionality of federal state transfers is the norm, but the states retain their right to legislate, their own programs.”<sup>65</sup>*

As a result the federal government have a power of imposing national standards for the design of state program.

According to Rosen, in the early 1990's conditional grants accounted more than 90 percent the federal grant. And 2/3 of the grants were given to the state governments and the remaining is given directly to the local governments.<sup>66</sup>

Health, Income, security, education and training are the four most important categories of federal grants in the US.<sup>67</sup> 55 percent of federal grants are accounted for health and income security.<sup>68</sup>

According to Hyman, education, housing and community redevelopment, waste treatment facilities, and airport construction are federal grants that are directly given to the local governments.<sup>69</sup>

All forms of conditional grants (open ended matching, closed ended matching and non matching) are used in the United States but closed ended matching grants is the most common one.<sup>70</sup>

In the early 1980s under the Reagan administration, block grants become popular. And many categorical grants were consolidated into a few broad block grants.<sup>71</sup> Now in U.S.A categorical grant remains the major means of transferring grants from the federal government to the states and local governments.

It can be concluded that, in the United States, conditional grant is used to address fiscal imbalances. And through it, the federal government intervenes into states and local government affairs.<sup>72</sup>

### **German**

Unlike many other countries, German tax system has a unique feature. All major taxes are shared by the federal and regional governments.<sup>73</sup> Including, personal income tax, corporate income tax, and VAT.

In 1990, about 64 percent of the state revenues and 30 percent of local government revenues came from shared taxes.<sup>74</sup>

The federal government, to lift up financially weak states (east & west) offers grants. In 1990, 15 percent of the states and 22 percent of local government's revenue came from the federal grant.<sup>75</sup>

German transfer system is considered as the most “conditional” one comparing to others. This is because the regional governments intended to finance expenditures that the Lander incurs in administering the federally legislated programs.<sup>76</sup> All the programs are formatted by the federal government as a result, the states have no choice except performing in accordance with it.

*“Such conditionality is obviously absolute in the sense that all Lander are required to administer uniform national public service programs in their own jurisdiction.”<sup>77</sup>*

In fact when the program set in the federal house each Lander can put some remark through its representative to minimize the absoluteness of the conditional grant.

With this it is clear that Germany uses conditional grants as a means of addressing imbalances.

### **The United Kingdom**

Unlike America and Germany, the United Kingdom (UK) is unitary state. Even if, the central government can, at any time, by the ordinary process of legislation, changes the powers of local authorities or abolish them altogether, it has important features in dealing fiscal imbalances. Almost all major taxes (personal income tax and corporate income tax) are collected by the center. Only local residential property tax (council tax) are collected by the regions among the major taxes.<sup>77</sup>

In the UK, grants for the local authority are grouped under three broad heads. The first one is aid from the central government, the second is property tax, fees and charges on services provided by local government, rent, interest, the third is miscellaneous charges of which the largest component is council house rents. Since the local units have very limited fiscal resources, the grants from the center are necessary.<sup>78</sup>

Unlike the United States and Germany, the UK grant system is different. Both general purpose ( unconditional ) grants and specific ( conditional ) grants are applicable in UK.<sup>79</sup> it is general purpose grant which is applicable widely, but the specific purpose



grant can be used to address the spill-over or externality effect of specific projects, such as roads, education and social welfare.<sup>80</sup>

In the UK addressing fiscal imbalances took a mixture of both conditional as well as un conditional grant system.

## **India**

According to literatures, Indian intergovernmental fiscal transfers go as far back as 1919, and encountered many changes after its independence from UK in 1947.<sup>81</sup>

In order to address fiscal imbalances, the Indian grant system consists of three elements :(1) In order to assist the backward areas, a revenue sharing scheme introduced through a general purpose grant<sup>82</sup>. This is operated by the finance commission. (2) Both conditional and unconditional transfers from the federal government to the regional states<sup>83</sup>. (3) Local government borrowings with the approval of the federal government.<sup>84</sup> But this is not grant in the strict sense.

India just like the UK, practices both conditional as well as un conditional grants which are authorized by the planning commission.<sup>85</sup> According to Jun Ma study, in 1992/93 transfers authorized by the commission amounted to 38 percent of the total transfers ( world Bank 1995, p.45)

In India, some of specific (conditional) grants are matching ones. And it is the planning commission which specified conditions for some part of its grant to the regional states and local governments.

### **2.4.1.2 Unconditional /General Purpose Grant /**

The other type of grant, in order to address fiscal imbalances and minimize the challenges of fiscal decentralization, is unconditional or general purpose grant.

Unconditional or general purpose grant is simply the opposite of conditional or specific purpose grant. Unlike conditional grant, the federal government does not put

any restriction or specification on the grant which it give to the states and local governments <sup>86</sup>. That means the receiver state or local government has absolute discretionary power to use the grant according to its priorities.<sup>87</sup>

For this, Solomon Said,

*“ It is characterized by the absence of significant restriction on the use of funds as it is at the regions discretion to spend the money for any preferred purposes . ”*<sup>88</sup>

According to Bernard P. Herber, there are a number of reasons why countries use unconditional or general purpose grant. <sup>84</sup>

These include,

1. Supporting states that have inferior tax ( revenue ) sources comparing to the federal government .
2. The fact that exists different fiscal capacities of states and local governments,
3. From the economics point of view, it helps to scale tax administration.

Unconditional or general purpose grant has its own disadvantage .Bernard said, the application of unconditional or general purpose grant conflicts with the principles of fiscal symmetry.<sup>90</sup> This is because tax ( revenue ) collected by one ( federal) government and spend by an other ( states or local) governments which is called fiscal asymmetry. As a result, it causes fiscal irresponsibly.<sup>91</sup> In order to solve this asymmetry Solomon said:

*“ this asymmetry would be avoided , however, if the same government that takes the taxing decision also in a symmetrical fashion, takes the spending decision. ”*<sup>92</sup>

Further, Solomon point out, even if it has its own disadvantages, the application of unconditional or general purpose grant is needed to equalize the financial capacity of states as well as local governments .<sup>93</sup>

It seems that, countries use unconditional or general purpose grant in a limited range or circumstances. In order to minimize the asymmetric effects of it, in the UK as discussed earlier, both conditional as well as unconditional grant are applicable. For addressing spill over effects or externalities and specific projects like education and social welfare, conditional grant applied. In India also some matching conditional grants applicable despite the use of wide ranged unconditional or general purpose of grant. These shows in order to minimize the fiscal asymmetric effect of unconditional or general purpose grant, countries uses specific purpose grant in some degree.

In concluding about unconditional grant, the main reason for the federal government to give unconditional or general purpose grant to states and local governments is to equalize fiscal capacities of different states in a federation in order to ensure the provision of some minimum level of public services.<sup>94</sup>

## **2.5 Grant Formula**

We saw that in a federation, intergovernmental fiscal problems are certain to arise. Addressing these intergovernmental fiscal imbalances is one of the core points of fiscal federalism. In the previous section, we discussed how fiscal imbalances could be addressed by the allocation of different kinds of grants ( conditional, unconditional ) to the states and local governments.

In this section we will discuss how the criteria or formula in which the grant allocated to the states and local governments are applicable. In order to avoid arbitrariness and subjectivity in a federation, it is mandatory to have a common formula in which a grant system operates in a federation .

In general there are four types of grant formulas;

- Based on Fiscal capacities and expenditure needs
- Based on only fiscal capacities
- Based on some needs ‘Indicators’
- Based on an equal per capital basis.

### **2.5.1 Formula Based on Fiscal Capacities and Expenditure**

#### **Needs**

As the name speaks for itself, this kinds of formula consider both fiscal capacities as well as expenditure needs of states and local governments .<sup>95</sup>

“Thus , in order to consider both fiscal capacities and expenditure needs, a typical formula of this types is necessary.

$$Tr_i = N_i - C_i - OTR_i$$

$N_i$  = the fiscal need of the a region

$C_i$  = the fiscal capacity of a region

$N_i - c_i$  = the gap between the fiscal need and fiscal capacity (own source or revenue)

$OTR_i$  = other transfers (e.g. Conditional transfers)’,<sup>95a</sup>

According to this formula, the gap between each state fiscal needs and fiscal capacity will be filled by the federal government.<sup>96</sup>

Application of this formula can be seen in Germany, UK, etc

In this formula the requirement of data, especially on expenditure needs, is very important.<sup>97</sup> Because the allocation is based on the expenditure needs of regions, previous expenditure data of regions is important to allocate the feature transfer.

### **2.5.2, Formula Based on only Fiscal Capacities**

This type of formula is also called representative tax system. Relatively it is easy to implement and need not require data as the previous formula.<sup>98</sup>

**The typical formula is as follows;**

$$Tr_i = p_i (B/p - B_i/p_i) t$$

$Tr_i$  = Transfer from the center to a region

$P_i$  = population of a region

$B_i$  = tax base of a region

$P$  = Total population of the country

$B$  = Total tax base of the country

$t$  = The country's average effective tax rate on the tax base

$B/P$   $B_i/P_i$  = measures the gap between the national average per capita tax base and a region per capita tax base .

According to this formula the federal government transfer will create fiscal capacity of the below average region up to the national average<sup>99</sup>. An example of the use of this formula is Canada.

### **2.5.3 Formula Based on some Needs 'Indicators'**

In this formula, fiscal capacity is not considered. Because, getting such data are difficult to obtain.<sup>100</sup> As a result, the use of varieties of indicators are mandatory. In other words, though there are no data, there are varieties of indicators which describe the fiscal needs of

a region and the choice made pursuant of the government objective as well as historical and political factors.<sup>101</sup>

The following are a typical indicators used to determine regions fiscal needs;

Per capita income level;

Poverty incidence;

Unemployment rate;

Population density;

Area;

Infant mortality;

Life expectancy;

School enrollment rate

Infrastructure and

Other indicators

Most of the time, more than one of the indicators often used to determine a region fiscal need.

The most important issue is, understanding and choosing the right indicator. It is a very sensitive question and need to be taken with careful consideration.

India could be a good example of applying this formula.

#### **2.5.4 Formula Based on an equal per Capita basis**

This kind of formula, Comparing to the above three, has relatively weak equalization effects.<sup>104</sup> This formula cannot absolutely equalize but reduce fiscal disparity between regions.

The formula is as follows:

$$Tr_i = P_i(TT/P)$$

TT= Total amount of transfer

P= Total population eligible for the transfer program

An example of using this formula is Germany; in VAT sharing, Canada's EPF, UK's NDR and a number of Indonesia general purpose grant.<sup>105</sup>

Among all formulas the first one provides potential full equalization and the last one is less effective in equalization.<sup>106</sup>

By using the above formulas different countries address fiscal imbalances through allocation of grants.

### **Conclusion**

In this chapter, the major theoretical aspect of fiscal decentralization was discussed. Fiscal decentralization occurs as a result of distribution of revenue source and expenditure responsibilities between the center and regional states. The two challenges of fiscal decentralization are vertical and horizontal fiscal imbalances. Vertical fiscal imbalance occurs because major lucrative revenue sources are allocated to the federal government and the states left with limited revenue which, most of the time, disproportionate to their expenditure responsibilities. Horizontal fiscal imbalance occurs because of uneven distribution of natural resources and revenue raising power between regional states.

The main purpose of intergovernmental fiscal instruments is addressing both vertical and horizontal fiscal imbalances. In order to fill the fiscal gap, allocation of grant or intergovernmental grant is transferred to the regions from the center. The transfer, whether conditional or unconditional, is dependant on the fiscal policy of a country. Different kinds of grant formula are used in different countries. The objective of having formula is, to set objective criteria of transferring the fund to the regions. The formula could be based on; fiscal capacities and expenditure needs, only fiscal capacities, on some needs 'Indicators' and, on an equal per capital basis.

## **Chapter Three**

### **Fiscal Decentralization in Ethiopia**

Many agree that fiscal decentralization resulted after the downfall of the military regime (Derg) in Ethiopia. Before that historically there was a highly centralized form of fiscal policy. The process of decentralization was driven by a number of factors.<sup>1</sup>

In Ethiopian fiscal decentralization process, proclamation no. 33/1992 is the most important legal instruments<sup>2</sup>. This proclamation, among others, specified the basis for revenue sharing, expenditure and revenue assignment subsidy (grant) and borrowing.<sup>3</sup> After few weeks following the collapse of the derg regime, various political forces agreed on to form a transitional government of Ethiopia (TGE)<sup>4</sup>. The transitional government facilitated the formation of current form of government.

The next section discusses the features of the TGE fiscal policies.

#### **3.1. Fiscal Decentralization under the Transitional Government of Ethiopia (TGE).**

In July 1991, by the effort of EPRDF, a national conference was made<sup>5</sup> and the signing of the Transitional Charter by representatives of 31 political movement's made<sup>6</sup>. At the same time the council of TGE was formed. The council was constituted 87 representative, member<sup>7</sup>. In the council EPRDF has a dominated 32 seats, the Oromo Liberation Fronts (OLF) has 12 seat, until it with draw from the government in June 1992<sup>8</sup>.

The TGE was stay in power from July 1991-August 1995<sup>9</sup>. But the charter declared it will not last more than two and half years<sup>10</sup>. In the mean time the council was charged with constituting a commission to draw up a draft constitution<sup>11</sup>. The TGE, in order to decentralize administrative as well as fiscal powers, formed fourteen regions and defined the autonomy of the central, regional and local levels of government<sup>12</sup>. As a result, it is said that, the establishment of TGE is the marked departure from centralized fiscal policy to decentralized one<sup>13</sup>.

### **3.1.1 Economic Policies of TGE**

It is important to discuss the economic policies of the TGE at least for two reasons. (1) The radical change from command economy to market economy needs a brief explanation and, (2) economic policies dictate fiscal policy of a country. So, by looking in to the economic policies of the TGE, one can understand fiscal policy of TGE.

According to Ayele the economic policies of the TGE were;<sup>14</sup>

- a. “To replace the command economy with the market economy
- b. To enhance popular participation in economic activities and decision-making processes by ensuring control over resources by regional authorities.
- c. To perform structural adjustment of the economy
- d. To put the most emphasis on the agricultural sector and
- e. To increase and diversify export.”

Further, Ayele said the main objectives of the economic development program were to build a market economy in which (1) the Ethiopian people are beneficiaries (2) dependence on food aid is eliminated and (3) rapid economic growth<sup>15</sup>.

The TGE in the first place busy in transforming of the command economy to a market oriented one. Structural reform has been also undertaken. These were;<sup>16</sup>

- “• Government structure was decentralized and power was moved to regional states.
- For achievement of fiscal balance a number of tax reforms and other government revenue enhancement measures were taken,
- Prices were partially deregulated,
- The role of the government in economic activities was limited,
- Public enterprises were granted autonomy and institutions like privatization agency and foreign trade promotion agency were established,
- A new investment code was promulgated to provide incentives and improvement for investors,

- A new labor code where in retrenchments (lay off of workers when demand for goods and services fall) and redeployment of workers is allowed was introduced,
- Automatic hiring of graduates from higher education institutions was terminated,
- To transform the backward and bureaucratic civil service reform has been undertaken,
- Capacity building and corruption campaign embarked on,
- The financial institution reform provides for the private investors to commence banking and insurance business and compete with the state owned ones on commercial basis,
- A new deposit and loan interest rate structure was introduced,
- Tight monetary policy was pursued to ensure consistency of growth rate of money supply with that of nominal GDP so that inflation could be checked and external balance maintained,
- In the process of liberalization automatic granting of import licenses except for goods on negative list became effective,
- The local currency (birr) was initially devalued from birr 2.07 to birr 5.00 per USD and then after foreign exchange auction was introduced to make the exchange rate market determined.”

### **3.1.2 Revenue Assignment**

According to Proclamation No. 33/1992, the objective of revenue assignment based on tax base and revenue sharing has been stated. These were to;<sup>17</sup>

- “a) enable the central government and the regional governments to carry out their duties and responsibilities,
- b) help the regional governments develop their region on their own initiatives,
- c) narrow the gap in development and economic growth between regions,
- d) encourage activities that are of common interest to regions.”

Under the TGE there were two important proclamations which enable the establishment of national self government (Proclamation no. 7/1992) and provided the functions of ministers and bureaus together with defining the functions assigned to the regions (Proclamation no. 41/1992)<sup>18</sup>.

### **3.1.3 Revenue sources of TGE**

Under the TGE the revenue sources are classified as central, regional and joint. Proclamation no 33/1992 give power to regional states to levy duties and taxes.<sup>19</sup> According to the proclamation, the tax rate that are reserved to joint use by the center and the regions are determine by the central government.<sup>20</sup>

The regions may not have the power of determining tax rate even from sources exclusively left for them, because the proclamation proposed the tax system that have unified policy.<sup>21</sup> That means it was the ministry of finance, which give a final decision on it.

During the period, there were implementation problems.<sup>22</sup> These problems related to some specific provisions which assign some tax source to the region, for instance,

- Profit tax
- Personal in come tax and
- Sales tax from enterprises owned by regions.

The main implementation problems are attributed to (1) different capacity of regions to collect revenue and (2) uneven distribution of public enterprise in the regions.

The modality of determining the share of the center and the regions in joint revenue was not clear and as a result the regions have not benefited since they are under the control of central government.<sup>23</sup>

According to Befekadu, in this period the revenue generated by the regions was very weak and below the level required to fulfill the objectives fiscal independence<sup>24</sup>.

According to proclamation no. 33 /1992 the revenue power of the center and regions as follows; <sup>25</sup>

### **Central**

The following are revenue of central government

- Duties, taxes, and other charges levied on the importation and exportation of goods,
- personal income tax collected from employees of the central government, and international organizations,
- profit tax, personal income tax and sales tax collected from enterprises owned by the central government,
- tax collected from national lotteries and other chance winning prizes.
- tax collected on income from air, train and marine transport activities,
- tax collected from rent of house and properties owned by the central government, and
- charges and fees on licenses and services issued, or rendered by the central government.

### **Regional**

The following are revenue of the regional governments;

- personal income tax collected from employees of the regional governments and employees other than those mentioned,
- rural land use fees,
- Agricultural income tax collected from farmers not incorporated in an Organization,
- profit and sales tax collected from individual traders,
- tax on income from inland water transportation,
- tax collected from rent of house and properties owned by the regional governments,
- profit tax, personal income tax, sales tax collected from enterprises owned by the regional government,
- income tax, royalty and rent of land collected from mining activities, and
- charges and fees on licenses and services issued or rendered by the regional governments.

### **Shared**

The following are shared revenues between the center and the regions;

- profit tax, personal income tax and sales tax collected from enterprises jointly owned by the central government and regional governments,
- profit tax, dividend tax and sales tax collected from organizations that carry out business activities
- profit tax, royalty and rent of land collected from large scale mining, any petroleum and gas operations and
- forest royalty

One thing which can be noticed from the proclamation is that, the allocation of external assistance and grants were not specified in it. In other words, allocation of external loan and borrowings were not discussed in proclamation no.33/1992.

When we see the revenue shares of the center and regions, in 1993/94 budget year, the regions share were only 10 percent of the total revenue<sup>25</sup>. According to Eshetu (1994) study,

- Agricultural income tax,
- land use fee,
- rental income tax,
- stamp sales and duty
- charges and fees, and
- pension contribution were the most important source of revenue for regional Governments<sup>27</sup>.

Following the revenue classification of the two levels of governments, it is clear that (1) major revenue sources are allocated to the center and (2) revenue source of the regional governments were less than their expenditure responsibilities.

### **3.1.4. Expenditure Assignment**

Once we start to see the fiscal practice of the TGE, it is important to see its expenditure assignment at least in a brief way.

According to Eshetu's study on 1993/94 budget year, the distribution of expenditure between the central and regional government have big gap<sup>28</sup>. The share of regional government were a little bit over to 37 percent while the share of the central government were the remaining 62 percent<sup>29</sup>. According to the study, order of expenditure share sector by sector follows as;

- social sector 77.6 percent, which was the highest share,
- Economic service 58.3 percent,
- Public order 65.8 percent,
- Defense 25.5 percent, which was the lowest, and
- Others 8.85 percent

Regions had the highest expenditure share in the social sector (education 73.7 percent and health 87.8 percent) while the lowest in economic sector (trade, transport, industry, mining, energy) as a result these activities were covered by the central government<sup>30</sup>.

### **3.1.5. Fiscal Imbalances**

During the TGE, there were both vertical as well as horizontal imbalances.

It was discussed in the previous section that the revenue share of the regions was small percent of the total revenue. So as a result, there was a striking degree of vertical imbalance during the period<sup>31</sup>.

In fact, beside the revenue gap, there were other factors which promote vertical imbalance<sup>32</sup>. For example;

- Limited administrative and technical capacity to raise revenue and
- Lack of capacity to internalize public expenditure or their dependence on

transfers were some of them.

Other than vertical imbalance, during the TGE there was regional (horizontal) fiscal imbalance (HFI). These imbalances were created mainly as a result of having lesser ability to finance spending from own sources of revenue<sup>33</sup>.

### **3.1.6 Inter-Governmental Transfers and Borrowing**

According to Proclamation no. 33/1992, transfers and borrowing are the two instruments that deal with fiscal imbalances<sup>34</sup>. According to the proclamation the purpose of transfers is;

*“ to promote social services and economic development of the national regional governments, to accelerate the development of the neglected and forgotten areas, to narrow down the gap in per capital income between regions, to support projects that help control negative externalities, to encourage foreign currency earning projects to the national interests.” (TGE 1992)*

The proclamation set procedures of getting grant from the central government when a region needs a transfer, it must submit its subsidy request to the Ministry of Finance and Ministry of Planning and Economic Development, and then the two ministries review it and allocate the grant<sup>35</sup>. Until 1994/95 there was no grant formula. In that case the allocation was more or less applied by the subjective judgment of two ministries.

Proclamation no.33/1992 give power to the MoFED to control and facilitate the borrowing of money to the region based on the proposal submitted to it<sup>36</sup>. This process may affect regions needs since the ultimate decision is given by MoFED which advocates the position of the center.

### **3.1.7 End of TGE**

The promulgation of the 1994 constitution of 'Federal Democratic Republic of Ethiopia (FDRE)' considered as the end of TGE.

Even though the TGE encounters different kind of obstacles, shortage of skilled man power and infrastructure, its structures are considered to be federal like structure<sup>37</sup>. TGE is criticized to adopt federal system with out passing transitory steps (decentralized unitary system)<sup>38</sup>. For this one writer said a 'radical formation of federalism'<sup>39</sup>.

### **3.2 Revenue Transfer under the 1995 FDRE Constitution**

The existence of expressed constitutional provisions for the transfer of revenue from the center to regions may not guarantee to have an effective system, nor the absence of it avoid having good transfer system<sup>40</sup>. Factors like, political process, existence of independent institutions responsible for the transfer system and historical background of a country plays an important role for achieving effective transfer system<sup>41</sup>.

The 1995 constitution in relation to fiscal policy, does not specify the absolute or relative magnitude of grants given to states from the federal pool.<sup>42</sup> However, the constitution recognized intergovernmental transfer of revenue and plays a major role in determining the financial capacities of states<sup>43</sup>. In other words the constitution has provision which deals about fiscal transfer, revenue sharing and allocation of grants.

The constitution under article 62 (7) said the states can get grant from the center<sup>44</sup> and least advantaged in economic and social development nation, nationalities and people shall get special assistance from the center.<sup>45</sup> Despite its ambiguity, article 95 provides shared revenue between states and center.<sup>46</sup> According to article 62(7) of the constitution, regional states has a right to get grant or subsidy from the federal government. But the power of determining the grant is given to House of Federation (HOF).<sup>47</sup>

In principle, the theory of intergovernmental fiscal transfer suggests, the importance of having constitutional or other legislation provisions as to how the revenue sources distributed among states and the center.<sup>48</sup> According to this principle, most federations like Germany, India and Nigeria, provided expressed provisions on the constitution for the allocation of conditional and unconditional grants and for revenue sharing.<sup>49</sup> However, as stated above having the expressed provision in the constitution or other legislation does not guarantee to have an effective transfer system. USA and Canada could be the best example that have no provision in the constitution but considered as best example in exercising conditional grants. However, having an explicit provision is more beneficial to the system of intergovernmental fiscal transfer.

In Ethiopia, unlike many federations, it is the House of Federation ( HOF) the political organ which determine the amount of grant given to the states <sup>50</sup>. In some federation for example in Australia(Australian Grants commission) and in India (Indian Finance and plan commissions ), the transfer system is worked thorough independent institution.

According to article 94 (2) of the FDRE constitution which says:-

*“ the federal government may grant to states emergency, rehabilitation and development assistance and loans, due care being taken that such assistance and loans do not hinder the proportionate development of states. The federal government shall have the power to audit and inspect the proper utilization of subsidies it grants to the states. ”<sup>51</sup>*

The federal government can give conditional grants for the execution of matters with in states jurisdiction by putting specification and controlling it .<sup>52</sup>

Solomon raises a very important question whether the federal government can provide conditional grants to the states in the areas where it cannot enact laws ? <sup>53</sup> To address this question R. Watts and K.C Wheare have diverse opinion. According to K.C Wheare the federal government should not give conditional grant to the states by affecting the execution of state power.<sup>54</sup> His view is on a strictly federal one by giving same weight to financial power and legislative power. <sup>55</sup> However, unlike Wheare view, R Watt’s believes, in order for a federation to operate effectively Varsity of devices should be applied and these devises include overlaps and interdependence between the order of governments among which conditional grant could be an example. <sup>56</sup> So, R. Watt support transfers of conditional grants to the states as long as it helps the federation to operate effectively.

According to article 94(2) of the Ethiopian constitution, though it is not explicit and powerful as the Indian and Australian constitutions, it permits the allocation of conditional grants<sup>57</sup>. The application of conditional grant is important for the execution of specific projects in national bases. However, the Ethiopian system does not recognize transfer of conditional grants, despite article 94(2).

### **3.3 Fiscal Imbalances**

As we said in chapter two, the main challenges of fiscal federalism are fiscal imbalances. Because major revenue sources allocated to the federal government, vertical imbalance created and the difference between regional states in their revenue rising capacity there exists horizontal fiscal imbalances.

The theory of fiscal federalism presumes an effective fiscal practice<sup>58</sup>. However, in practice many federations fail to balance fiscal expenditure and revenue raising power of regional states. When we see Ethiopian fiscal decentralization, it encounters both vertical as well as horizontal fiscal imbalances. Because the constitution does not create a balance between expenditure responsibilities and revenue sources at the state level, and more over, most lucrative revenue sources are allocated to the federal government, there exists a high degree of vertical imbalances. As a result regional states are highly dependant on transfers coming from the federal government<sup>59</sup>. On the other hand, the country experiences a significant degree of horizontal imbalance. This imbalance resulted because of high degree of regional variation in terms of both the level and mix of revenue raising capacities, heterogeneity of demographic and socio-economic factors<sup>60</sup>.

To get a clear picture of both vertical and horizontal imbalance in Ethiopian fiscal decentralization, Lets see each separately.

#### **3.3.1 Vertical Fiscal Imbalance**

In Ethiopia there is a large and growing vertical fiscal imbalance which is attributed to many factors,<sup>61</sup>

- ⇒ Major revenue sources are allocated to the federal government,
- ⇒ The revenue assignment of the state governments is concentrated in direct tax revenue which does not show any growth,
- ⇒ Lack of capacity to administer tax, etc...

The vertical fiscal imbalance is widening from time to time. It was 14.7 percent in 1993/94 and 28.5 percent in 1995/96 fiscal year.<sup>62</sup> And it is likely to persist in the foreseeable future. The percentage indicates that, within two fiscal years the vertical imbalance between the center and the regions doubled. These shows that the revenue of

the regions be come smaller and smaller and the federal government dominate the total revenue.

Ethiopia: Expenditures and Revenue of the Federal and state Government (in percent & Total) 1

**Table: 1**

	1993/94 Preliminary Actual <sup>2</sup>	1994/95 Preliminary Actual <sup>2</sup>	1995/96 Budget
Federal government expenditure share	68.5	60.1	55.4
Revenue share	83.2	85.3	83.9
Difference <sup>3</sup>	14.7	25.2	28.5
State governments			
Expenditures share	31.5	39.9	44.6
Revenue share	16.8	14.7	16.1
Difference <sup>2</sup>	-14.7	-25.2	-28.5

**Source: Ministry of Finance (MoFED)**

1. The fiscal year runs from July 8 to July 7
2. Excludes in-kind grants and project grants, data on which will become available after fiscal accounts are closed
3. The difference is between revenue and expenditure

On the other hand, the revenue raising power of the regional governments is very minimal. This is mainly because, taxes collected from profits, residual surplus and indirect taxes from federal government enterprises as well as important taxes which constitute the principal share of macro revenue are constitutionally given to the federal government <sup>63</sup>. As a result states heavily depend on federal transfer to fulfill their expenditure needs. <sup>64</sup> To illustrate, in the 2006 fiscal year regional governments average revenue collected from the total tax and non –tax base was only 9.7 percent.

Federal and Regional Governments Domestic Revenue collection, on 2006/2007 fiscal year.

**Table: 2**

Government	Domestic revenue	% Share
Federal Government	15,133.0	90.3
Regional Government	1,620.6	9.7
Total	16,753.6	100.00

Source: MOFED Quarterly Reports and FU 2007/08 budget Proposal, June, 2007

To show the existence of vertical imbalance, looking expenditure of the federal and regional government is enough. In 2006/2007 fiscal year, the expenditure share of the regional government was only 28.0 percent and the share of the federal government is very significant.<sup>65</sup> This can be justified, because the federal government is responsible for basic expenditures like, defense, internal and external debt payments and special purpose grants.<sup>66</sup>

2006/2009 Federal Government Budget

**Table: 3**

Expenditure	Amount	% share
Recurrent Expenditure	9.5	26.8
Capital Expenditure	16.0	45.2
Budget Grant to regions	9.9	28.0
Total	35.4	100.0

Source: MOFED 2006/2007 Budget.

According to table 3, vertical imbalance shows how much the federal government controls the regional governments.<sup>67</sup> To some extent vertical imbalance is justified when there is a high degree of inter-regional inequality. In this case the federal government can hold some resources to promote equality among the regional government.<sup>68</sup>

To compute vertical imbalances,

$$VI = \left[ 1 - \left( \frac{R_s}{R} \right) \right] / \left( \frac{E_s}{E} \right)$$

Where VI = vertical imbalance measure,

$R_s$  = Regions revenue

$R$  = national (federal plus regional state) revenue,

$E_s$  = regions expenditures,

$E$  = total expenditures (federal plus regional)

When using the above formula, the value close to zero indicates that regional governments are more autonomous in their revenue and expenditure.<sup>69</sup> on the contrary, if the value close to one, indicates that the federal government control over the regional governments revenue.<sup>70</sup>

By using such standard, as shown, in table 4, vertical imbalance in Ethiopia is larger<sup>71</sup>. Averagely the regions are responsible 35 percent but raise only 20 percent.

Trends of vertical Imbalances in Ethiopia, 1993/94-2001/02 FY

Table: 4

	Share of regional government (%)		Measure vertical Imbalance
	In total national revenue	In total national expenditure	
1993/94	17.7	33.87	0.48
1994/95	15.0	36.21	0.59
1995/96	16.2	40.16	0.60
1996/97	17.3	41.45	0.58
1997/98	19.0	40.74	0.53
1998/99	16.1	31.25	0.48
1999/00	18.1	2.14	0.25
2000/01	17.4	31.72	0.45
2001/02	18.9	31.31	0.40
Average	17.3	34.1	0.47

Source: MoFED and World Bank ( 1998)

In the 1999/2000 fiscal year a very large drop in the share of regional governments expenditure is due to the fact that Ethiopia was at war with Eritrea<sup>72</sup>

As it is discussed above, vertical fiscal imbalances have existed in Ethiopian fiscal federalism and its widening from one fiscal year to the other. So, in order to have an effective system it needs intergovernmental fiscal mechanism which minimize the gap between federal and regional governments.

### **Horizontal Fiscal Imbalance**

Like many other federations, horizontal fiscal imbalance is one of the features of Ethiopian fiscal federalism. As stated in the previous chapter, the fact that the significance difference in revenue raising power between regional states and variation in socio-demographic, providing services and others are the main reasons for having horizontal fiscal imbalance<sup>73</sup>.

Natural resource is the other cause for horizontal imbalance in Ethiopia. For instance, Oromia and SNNPR regions have better natural resources than Afar and Somali regions. As a result the flow of investment and skilled man power prefer the region with better natural resources. These can create different level of development in between the regional states.

To witness the existence of horizontal fiscal imbalance in Ethiopia, as shown in tables:5, in 2006 fiscal years, by comparing expenditure financed by regions own revenue, there are significant difference among regions.

Regional Governments Expenditure Financed from own revenue 2006 F Y

**Table: 5**

<b>Region</b>	<b>Total Exp.</b>	<b>Own Revenue</b>	<b>% share of (2)</b>
	<b>1</b>	<b>2</b>	<b>3</b>
Tigray	695.7	194.9	28.0
Afar	332.0	38.0	11.4
Amhara	1899.7	380.3	20.0
Oromia	2958.3	624.3	21.1
Somali	506.2	31.0	6.1
B.S Gumuz	229.0	22.1	9.7
SNNPR	1626.4	262.8	16.2
Gambela	156.2	12.4	7.9
Harar	119.0	20.5	17.2
Dire Dawa	153.9	34.3	22.3
<b>Totoal /Average</b>	<b>8676.4</b>	<b>1620.6</b>	<b>18.7</b>

Source: MoFED

Averagely regional governments cover 19.0 percent of their expenditure respectively from their own soruces.<sup>74</sup> According to table 5, Gambela, B,S Gumuze and Somali Covered 7.9, 9.7 and 6.1 percent respectively. On the other side Tigray and Dire Dawa covered 28.0 and 22.3 percent of their expenditure from own source. Difference per capita of regional governments in raising revenue are the reason for this horizontal imbalance.<sup>75</sup>

When we summarized the above points, the existence of horizontal fiscal imbalance in the Ethiopian fiscal system is certain. In order to achieve an effective system this imbalance should be addressed through intergovernmental fiscal transfer.

### **3.4. Transfer**

The federal government budget transfer is the major inter governmental fiscal instruments which are used to close down the fiscal gap. Since the 1992/93 fiscal year up to now, the federal government, in order to address fiscal imbalances, allocate substantial amount of budget to the regional governments. By looking in to three fiscal years (2004/05, 2005/06 and 2006/07) federal government transfers to the regions, one can understand the importance of transfer under the Ethiopian intergovernmental fiscal system.

#### **3.4.1 Intergovernmental fiscal Transfer**

It was discussed in chapter two, that fiscal imbalances are certain to arise in a federation<sup>76</sup>. In order to minimize the imbalances and create an effective system, there must be an effective intergovernmental fiscal instruments.<sup>77</sup>

In Ethiopia, in order to address both vertical and horizontal fiscal imbalance, intergovernmental fiscal transfers are implemented. Proclamation no 33/1992 indicated the two main types of fiscal instruments (transfers and borrowings) as a means of combating fiscal imbalance.<sup>78</sup> But the proclamation failed to show how and by whom the federal grant (subsidy) allocated to the regional states.<sup>79</sup> As a result. During 1992/93 and 1993/94 fiscal years, the transfer was allocated in an ad hoc system without involving a given formula.<sup>80</sup> Because of that, it was criticized for opening gap for subjectivity and absences of appeal against the rejected grant request.<sup>81</sup>

Formula based transfer system introduced during 1994/95 fiscal year, which is two years after the promulgation of proclamation no 33/992.<sup>82</sup> However, the formula has been experienced a number of changes. The features of grant formula starting from proclamation no 33/1992 until the new (2007) federal budget grant distribution formula will be discussed in section 3.5.

**Table: 6 Federal Government Recurrent Expenditure in Million birr**

	2004/05 FY	2005/06 FY)	2006/07 FY
Federal Government Regional budget transfer	5497.2	7072(52.3%)	9365(57.1%)
Federal Government Total Expenditure	11803.6	13532.5	16401

Source: MoFED (2007, 2006, 2005)

According to table 6, during the 2005/06 fiscal year from the total government expenditure which was 13532.5million birr, 7071.4million was transferred to regions as grant or subsidy. The transferred constituent, 52.3 percent of the total actual government expenditure. In comparing to the 2004/05 fiscal budget it increases the amount of transferred by 1574.2 million birr i.e. 28.6 percent from the 2004/05 fiscal year.

During 2006/07 fiscal year the total government expenditure was 16401 million birr from the total budget 9365 million birr which is 57.1 percent , transferred to the regions as a budget support. Comparing to the previous (2005/06) fiscal year, it has shown 2294 million birr increase which is 32.4 percent.

Considering the three fiscal years (2004/05,2005/06 and 2006/07, it is easy to see how federal transfer is important to the regions in financing their expenditure responsibilities. On the other hand the amount of transfer increased together with the increase in total government expenditure.Even if the majority of government revenues are transferred to regions as a means of addressing fiscal imbalances, the Ethiopian system of inter governmental fiscal transfer has been criticized for two reasons.<sup>83</sup> The first one is, lack of transparency in determining the grant despite the domestic revenues ( tax and non-tax), the foreign assistance is not included in the calculation of transfer.<sup>84</sup> Second, the formula used for the transfer system encountered a number of frequent changes starting from 1994/95.<sup>85</sup>

### **3.4.2 Borrowing**

The other intergovernmental fiscal instrument which the Ethiopian system apply to address fiscal imbalance is borrowing.<sup>86</sup> Regional government can borrow only from the domestic sources. Foreign borrowing is prohibited.<sup>87</sup>

According to proclamation no 33/1992, article 10, In order to borrow from the domestic sources, regions should submit the loan amount and other important justification to the Ministry of Finance and Economic development.<sup>88</sup>

To demonstrate this, Derrese said;

*“In short, Ethiopia has administrative controls on domestic borrowing by regions while external borrowing is strictly forbidden.”<sup>89</sup>*

As discussed in section 3.1.6. Federal transfer and borrowing are the two instruments to address fiscal imbalances. However, in relating to borrowing, both the 1992 proclamation and the constitution did not clearly state who the borrower is. But in practice the national Bank of Ethiopia considered as the borrower.<sup>90</sup>

### **3.5 Grant Formula**

As discussed in the previous section, intergovernmental fiscal instruments are essential in addressing fiscal imbalances. To allocate different kinds of grant, there should be a common formula which a grant system operates. Depending on factors like, history and political program or priority, difference countries adopt different formulas based on some needs.

As discussed in chapter two Germany and UK based their formula based on both fiscal capacities and expenditure needs. The Canada grant formula based only on fiscal capacities, it does not see the expenditure needs of the regions. Unlike the German, UK and Canada, India grant formula is based on multiple indicators which are attributed to historical events and political factors. Though the formula based on different needs and factors, it is mandatory to have a formula.

When we come to the Ethiopian grant system, starting from its introduction in 1992/93 FY (for not having definite criteria to allocate the grant) and encountering frequent changes it has subjected to criticism.

In this section focus is made how the Ethiopia grant formula developed by looking proclamation no 33/1992, the new (2007) federal budget grant distribution formula and its predecessor grant formula.

#### **3.5.1 Proclamations no. 33/1992**

The proclamation says, revenue transfer is one of intergovernmental fiscal instruments especially in addressing vertical imbalances<sup>91</sup> The procedure of revenue transfer was also included in the proclamation. To get transfer from the center, the regional government expected to submit a proposal to both ministry of finance and ministry of planning and economic development.<sup>92</sup>.

The grant was allocated in an ad hoc basis. Meaning, there were no common criteria applied to all submitted proposals.<sup>93</sup> The grant finally allocated by the evaluation of the

two ministries. According to the proclamation there was no appeal, if the proposal rejected by the evaluation of the two ministers.<sup>94</sup> During 1992/93 and 1993/94 fiscal year, the transfer process was adopted in this fashion.

As discussed in section 3.4, proclamation no 33/1992's procedure for transfer has been criticized for not having appeal for the decisions of the proposed proposal by the two ministries and subjective criteria of the grant given.<sup>95</sup>

### **3.5.2 The Previous Grant Distribution Formula**

Starting from the 1994/95 fiscal year, grants have been allocated based on common formula<sup>96</sup>. This formula has been subject for many changes through out the last thirteen years. The formula has been based on different variable which most of them were subjective one.<sup>97</sup>

The variable used were.<sup>98</sup>

- Size of population ,
- Differences in levels of development
- Revenue collection effort and
- Sectoral performance

**Variables of the Previous Budget Grant Distribution Formula.**

**Table: 7**

<b>Year</b>	<b>Variable</b>	<b>Weight in percent</b>
1995	- size of population	30
	- I-distance ( index of development)	25
	- Regional revenue collection	20
	- Capital budget allocation for EFY 1994	15
	- Area	10
1997	- size of population	33.3
	- level of development	33.3
	- ratio of regional revenue collection to budget	33.3
1998	- size of population	60
	- level of development	15
	- ratio of regional revenue collection to budget	15
	- area	10
2000	- size of population	55
	- level of poverty	10
	- level of development	20
	- revenue collection effort and sector performance	15
2004-2007	- size of population	65
	- Level of development	25
	- Revenue collection effort	10

Source: MoFED, and Management Department, February, 2006 cited from the new budget grant distribution formula.

As illustrated in table 7, the weight of variables was changed in different fiscal years. For instance, size of population took different weight in all fiscal years 30 percent in 1995, 33.3 in 1997, 60 percent in 1998, 55 percent in 2000 and 65 in the years 2004 – 2007.

### **3.5.2.1 Shortcomings of the Previous Formula**

The following points are considered the major limitations of the previous formula.<sup>99</sup>

- “subjectivity of the variables and weight given to the variables in determining regional expenditure needs,
- Absence of considering recurrent expenditure needs by focusing only on capital expenditure and
- Absence of analyses potential revenue raising power of the region which resulted in impossibility to know the difference between actual and potential revenue raising capacity of the regions.”

### **3.5.3 The New Federal Budget Grant Distributions Formula**

Basically the introduction of ‘The New Federal Budget Grant Distribution Formula’ needs, in order to address the shortcomings of the previous formula.<sup>100</sup> It was the House of federation (HOF), with understanding the shortcomings of the previous formula, who decided the need for a new formula.<sup>101</sup>

The new formula follows the Australian experience, which is based on revenue capacity and expenditure needs of regions.<sup>102</sup> With the support of Australian consultant and East AFRI-TAC (IMF) including MoFED, the new formula prepared in 2004.<sup>103</sup>

#### **3.5.3.1 Principles of the New Formula**

There are three principles which guide the new formula. One, equality to get public service;

*“Every Ethiopian living in any part of the country is entitled by and large, to similar range and level of public services.”<sup>104</sup>*

Two, independence of budget transfers

*“The annual budget grant distributed to regions is independent of the their tax effort or expenditure level, i.e., it is effort neutral.”<sup>105</sup>*

Third, entitlement of budgetary support

*“Regions that are forced to spend more than the standard regional expenditures are entitled to budgetary support to finance the gap.”<sup>106</sup>*

In the new formula, if incase a region collect higher revenue, it will not get incentive or its budget transfer will not be reduced<sup>107</sup> similarly , if a region get additional revenue to finance additional expenditure, its grant will not be reduced or affected.<sup>108</sup>

### **3.5.3.2 Characteristic of the New Grant Distribution Formula**

Before discussing the variables of the new formula, it is important to look over the characteristics of it.

The following seven conditions are considered as characteristics of the new formula,

- “Facilitating similar standard of public services through out the regions by creating comparable financial capacity among the regions.”<sup>109</sup>
- The formula used objective standards such as actual or potential revenues and expenditure data rather that subjective standards.<sup>110</sup>
- The new formula assess revenue base of regions and equalizes revenues generating capacity between regions.<sup>111</sup>
- It enables regions to exercise their constitutional granted expenditure assignment. Because it assesses recurrent and capital expenditure needs of the regions not subjective weighted variables.<sup>112</sup>
- It reveals sectarian expenditure of each region.<sup>113</sup>
- Accommodates future events, its simplicity and transparency are considered as characteristics of the new formula.”<sup>114</sup>

### 3.5.3.3 Variable used in the new (2007) Formula

Under the new formula four variables used to determine the expenditure needs of a region. These are,<sup>115</sup>

- A. Populations,
- B. differences in relative revenue raising capacity,
- C. differences in relative expenditure needs, and
- D. performance incentives

The following is the formula.<sup>116</sup>

$$G_i p_i (APCG + ADF_1 + ADF_2 + \dots + ADF_n)$$

Where:-

$G_i$  :- is the budget grant to each region

$P_i$  :- is the population of each region

APCG: - stands for "Average per capita Grant"

ADF: - stands for "Assessed Difference factor"

**Remark:** The New Grant Distribution Formula recently under takes reform. As a result, variables of the formula may be changed. Since the reform is not completed and the House did not endorse it, it has no use to discuss the whole reform. But unlike the existing formula rather than using the actual revenue, the reform would like to use potential revenue and expenditure capacity of regions in determining unconditional grants\*\*.

### 3.5.3.4 Type of Transfers

The constitution recognized transfer of revenue from the federal to regional states. These transfers may take either conditional or unconditional form Article 94 (2) of the constitution which said,

*"..... The federal government shall have the power to audit and inspect the proper utilization of subsidies it grants to the states.."*<sup>117</sup>

According to the above article, the constitution opens the door to argue that it permits application of conditional grants. However, Derrese argues that, the Ethiopian

intergovernmental transfer system always applies unconditional grant.<sup>118</sup> According to Solomon, in Ethiopia, there are specific grants that are not included in intergovernmental fiscal relations<sup>119</sup>. For example:- Road fund and water fund are given to regions with some conditions with matching requirements. These can show even if it's not recognized expressly, impliedly the application of conditional grant is experienced.

As discussed in chapter two, the application of conditional grant, for limited purposes, is important. From American experience we can learn that for acquiring equal public infrastructure and equitable development, the application of conditional grant in some sectors like education, health and road etc... are important.

### **Conclusion**

In this chapter the Ethiopian fiscal system starting from the transitional government up to now discussed. It started from the TGE because, the period witnessed the beginning of fiscal decentralization. During the TGE (1) the economic policy of the country changed from command economy to market one, (2) revenue and expenditure responsibilities were decentralized. However, the radical transformation of federal structure without passing a transitional unitary decentralized system, considered as the limitation of the period.

The federal constitution gives the revenue power and expenditure responsibility of regional states. But, the revenue power and expenditure responsibility of regional governments are not proportional. Most of major revenues are allocated to the federal government. As a result, there exist vertical fiscal imbalances which increased almost in each fiscal year. Uneven distribution of natural resources and public enterprises between regional governments also caused horizontal fiscal imbalances.

Federal transfer and borrowing are the two major intergovernmental fiscal instruments which address fiscal imbalances. The constitution or any other law does not expressly provide the type of transfer (conditional or unconditional) which should be applied. But,

in practice the transfer is unconditional grant. However, by virtue of article 94(2), it is possible to apply conditional transfer which is more important to execute projects which aim to produce a national standard.

Starting from the 1994/95 fiscal year, the federal transfer was based on a grant formula. Before that the transfer was made by the subjective standards. The grant system is highly criticized for its frequent changes. The variables used vary from one fiscal year to the other. On the other hand, borrowing from the foreign source is prohibited and the national borrower is not mentioned but in practices the national bank borrows to the regions.

## **Chapter Four**

### **The Pros and Cons of Unconditional Grant under the Ethiopian Federal Arrangements**

#### **Introduction**

We have seen that fiscal imbalances are common feature in a federation. To address both vertical and horizontal imbalances, the application of intergovernmental fiscal instruments is important. It is said that one of the intergovernmental fiscal instrument is transfer of unconditional grant. Since the nature and characteristics of unconditional grant discussed in chapter two, the purpose of this chapter is to show how unconditional grant exercised in the Ethiopian federal arrangements. For this purpose there are two sections. The first one, discusses about the benefits of applying unconditional grant. And the second one, discusses about the disadvantages of applying unconditional grants in Ethiopian federal structure.

#### **4.1 The pros (advantages) of Unconditional Grant under the Ethiopian Federal Arrangements**

In Ethiopia the application of unconditional grant has its own advantages. It was discussed in chapter two that the federal government does not put any restrictions to the funds given to the states. As a result, it enables states to expend the funds in accordance with their priorities. For example, as illustrated in table 5, in 1999 fiscal year for the health sector regional states uses different percent of the total transfer from the federal government. Afar region 13.46 percent, Amhara region 21.53 percent, Bnishangul Gmuz 10.64 percent and Gambella 6.88 percent uses the block grants for the health sector. These clearly show how priorities of regions vary in different regional states. Because of the absence of restriction regions expend the fund according to their priorities. As a result, it can be said that, the use of unconditional grant justifies the autonomy of regional states in self government and administering their own budget<sup>1</sup>.

The other advantage of unconditional grant in Ethiopian federal arrangement is its role in addressing most of regional expenditure responsibilities. The major revenue of regional

states to fulfil their expenditure needs comes from the transfer of unconditional grant from the federal government.

Regions annual expenditure by comparing with the federal and own source Table: 1

Region	Federal transfer	Own Revenue
Tigray	84.2%	15.8%
Afar	88.1%	11.9%
Amhara	81.0%	19.0%
Oromiya	82.5%	17.5%
Somale		
Benishangul Gumuz	90.7%	9.7%
SNNPR	84.2%	15.8%
Gambella	92.1%	7.9%
Harar	83.4%	16.6%
Dere Dawa	73.5%	26.5%

Five annual fiscal year average (1995-1999 FY)

Somale region no data

Source: HOF (2000EC) Impact Assessment made by the Secretariat (Unpublished)

According to the consolidated four annual fiscal year (1996-1999FY) average expenditure of regions, unconditional grant covers 92 percent of the expenditure responsibilities of Gambella region and the 81 percent Amhara region. These two are the maximum and the minimum expenditure responsibilities covered by the transfer of unconditional grant. These show how unconditional grant is vital for the states as the major revenue source to address their expenditure needs.

Therefore, in Ethiopia, unconditional grant is important (1) to reflect the autonomy of regional states and (2) used as the major revenue source to the regional states to cover their expenditure responsibilities.

## **4.2 The Constrains of Unconditional Grant under the Ethiopian Federal Arrangements**

The application of unconditional grant has some disadvantages in the Ethiopian fiscal decentralization process. Among the major constraints of unconditional grant;

- Lack of skilled man power,
- Miss appropriate use of federal transfer by the regional authorities, and
- Last but not least, different level of development in providing public service between regions.

### **4.2.1 Lack of Skilled man power**

As discussed in chapter three, Ethiopia experienced a radical change from highly centralized to decentralized form of government. The transfer of unconditional grant needs more skilled man power than conditional grant. In case of unconditional grant, each regional state needs adequate skilled man power which uses the transfer at optimum level to fulfil the priorities of the region. However, for a country like Ethiopia which does not have enough skilled man power, the application of unconditional grant has some draw backs. For this Solomon argue that there should be a transition of decentralized unitary government before the direct application of decentralized federal form of government<sup>2</sup>. Analysing the underground facts, Solomon is right. Had it not been radically changed to decentralised federal structure, the problem of skilled man power would not be exaggerated this much. However, because there was no enough preparation, the immediate change to decentralization structure created high demand for skilled man power in all regional states.

Unfortunately, at the beginning of TGE there was no adequate educated man power to execute the federal program. According to Ato Ashenafi Mamuye (Grant Expert at HOF), Even at present time, there is no enough skilled man power which properly utilize the grant given in accordance with the region's priorities at the regional level. Ato Ashenafi said when impact assessment made by the secretariats of HOF (2000EC), one of the



challenges of the regions in utilizing the federal grant is lack of skilled man power which understand the region's priorities and set the allocation to different sectors accordingly.

Since unconditional grant is given with out any instruction and specifications from the centre, regional governments expected to have educated man power that produced optimum level of utility from federal grant. According to Ashenafi, in 2001 EC a group of experts from HOF visited all regions, and reported that, there is lack of skilled man power to execute the grant in accordance with the needs and priorities of regional states. Especially the four regions, (Afar, B.Gumuze, Somali and Gambella) experienced having shortage of skilled man power.

Therefore, lack of skilled man power is one of the constraints of unconditional grant in Ethiopian intergovernmental fiscal transfer.

#### **4.2.2 Misappropriate Use of Federal Transfer**

Another disadvantage of unconditional grant in Ethiopian intergovernmental fiscal relation is, miss appropriate use of public fund other than public use. The constitution gives expenditure power to federal and regional governments to spend the revenue for public use<sup>3</sup>. However, there is no mechanism to hold accountable the respective public officials, if in case they expend the fund other than public use.

Now a days, it is common to see that both federal as well as regional officials use the fund to their own personal luxury life expenses. Having more than one house, car and, very expensive office furniture which has nothing to do with the public use.

Since in unconditional grant, the federal government does not have a control over the transferred grant to the regions weather it spends in accordance with the public interest or not, If in case one region spends its fund other than public use, there is no mechanism to hold accountable the official that made a decision to the expenditure. For instance, in every fiscal year regions buy large number of expensive four wheel drive cars in the name of different projects. Even if the federal government wants to limits a number of cars bought in a fiscal year, the nature of unconditional grant does not allow it.

The other justification for misuse of public fund is allocation of budget for miscellaneous expenses. Miscellaneous expenses do not have clear meaning, but give flexibility or windows to the authorities to spend the fund in accordance with their wish.

For example, as shown in table two, unlike any other region, Gambella region allocate 26.95 percent of its total budget for miscellanies expenses for 1996 fiscal year. However, in the same fiscal year the region allocate only 11.09 percent for education. In 1997 fiscal year the region allocate 27.8 percent for miscellanies expenses and 11.5 percent for education.

Gambell's region four fiscal year (1996-1999) Expenditure of Miscellanies and Education expenditure in % Table: 2

Fiscal Year	Miscellanies expenditure in %	Education expenditure in %
1996	26.95%	11.09%
1997	27.87%	11.57%
1998	10.85%	10.16%
1999	10.85%	6.88%

Source: Computed from Impact Assessment made by the Secretariats of HOF (2000 EC) Unpublished

According to the figures, for the three fiscal year (1996, 1997 and, 1999) allocation miscellanies expenses were almost double than the allocation of education.

Therefore, since there is no control from the federal government, by allocating substantial amount of budget to miscellanies expenses, the regions may miss appropriately spend the fund other than public interest.

#### **4.2.3 Different level of development in Public Service**

The existence of different level of development in public service is one of the results of unconditional grant. As discussed in chapter three, in Ethiopian intergovernmental fiscal relation, the norm is unconditional grant. Accordingly, regional states allocate the grant

in accordance with their priorities. According to the priority, the allocation of revenue varies. At the end the level of development varies between regions.

In Ethiopia, because regions allocate different proportion of revenue to the same sector, there exists asymmetric development in education, health and infrastructure e. t. c. absence of uniform national standard is the main reason for different level of development between regions.

To show the existence of different levels of development between regions, four fiscal years (1996-1999) expenditure of regions computed. Due to their importance, expenditure of agriculture and rural development, education, health and, rural road construction are computed.

1996- 1999 FY Regions Expenditures of Agricultural and Rural Development in %

Table: 3

Region	1996 FY	1997 FY	1998 FY	1999 FY
Tigray	11.62	11.30	12.37	11.41
Afar	10.91	9.07	13.93	10.86
Amhara	14.04	16.26	14.49	11.62
Oromiya	8.19	9.05	13.50	10.99
Somale	6.08	8.67	10.96	8.41
Benishangul Gumuze	7.96	6.76	10.18	8.70
SNNPR	17.31	18.48	13.71	13.26
Gambella	3.84	4.46	13.68	8.75
Harari	2.42	6.43	5.02	3.83

Source: Computed from Impact Assessment made by the Secretariats of HOF (2000 EC) Unpublished

As shown in table 3, comparing to others Gambella and Harari regions expend a small percentage of their revenue to agriculture and rural development. Harari expenditure of

2.42 percent is the least and Gambella's expenditure of 3.84 percent is the second least for 1996 FY. Relatively these two regions allocate minimum percentage of their total revenue for agriculture and rural development.

On the other hand, SNNPR, Amhara and, Tigray region expend maximum percentage of their revenue to agriculture and rural development. In 1996 FY SNNPR expend 17.3 percent of its revenue and Amhar region expend 14 percent of its revenue. In 1997 FY SNNPR and Amhara region expend 18.4 and 16 .2 percent of their revenue respectively, which is the two highest expenditure in four fiscal years.

Therefore, the difference in expenditure of revenues for agriculture and rural development between regions attributed to different level of rural development among the regional states.

1996- 1999 FY Regions Expenditures of Education in %

Table: 4

Region	1996 FY	1997 FY	1998 FY	1999 FY
Tigray	35.49	36.24	39.24	39.53
Afar	14.66	13.42	17.99	17.98
Amhara	31.28	35.14	35.03	32.24
Oromiya	34.23	33.74	36.57	36.42
Somali	17.93	18.78	19.53	17.08
Benishangul Gumuze	23.86	12.88	24.19	31.04
SNNPR	29.80	33.12	32.38	33.74
Gambella	5.55	7.74	23.11	24.44
Harari	18.31	24.72	22.09	15.82

Source: Computed from Impact Assessment made by the Secretariats of HOF (2000 EC) Unpublished

As shown in table 4, there is no uniform expenditure for education through out the regions.

Tigray, Oromiya and Amhara regions compering to other regions, expends the highest percentage of revenue to education. These regions expend more than 30 percent of there revenue for education. Tigray region expends 39.5 percent (which is the highest in the four FY) of its revenue for education in 1999 FY.

On the other hand, Gambella, Afar and, Somale regions expend very low percentage of their revenue for education. Table 4 shows, Gambella expend only 5 percent of its transferred grant for education in 1996 FY. However, in the same fiscal year Tigray region expend 35 percent of its transferred grant for education, which is seven times what Gambella region expends.

Therefore, different level or proportion of literacy and educated man power between regional states observed, because revenue allocated to education in different regions took asymmetric fashion.

1996- 1999 FY Regions Expenditures of Health Sector in %

Table: 5

Region	1996 FY	1997 FY	1998 FY	1999 FY
Tigray	15.31	13.78	14.62	12.70
Afar	13.09	10.94	11.89	13.46
Amhara	10.50	10.81	8.96	8.37
Oromiya	10.28	8.26	8.28	10.94
Somale	8.08	8.00	8.13	21.07
Benishangul Gumuze	9.16	5.55	10.55	10.64
SNNPR	8.22	10.09	10.64	9.16
Gambella	11.09	11.57	10.16	6.88
Harari	11.62	16.98	15.31	10.52

Source: Computed from Impact Assessment made by the Secretariats of HOF (2000 EC) Unpublished

According to table 5, health sector shows relatively approximate percentage of expenditure between regional states. Tigray region expends higher than all other regions. As shown in table 5; 15.3, 13.7, 14.6 and 12.7 percent in 1996, 1997, 1998 and, 1999 FY respectively. On the other hand Benishangul Gumuze region expends; 9.1, 5.5, 10.5 and, 10.6 percent of its revenue in 1996, 1997, 1998 and, 1999 FY respectively. By comparing expenditure of Tigray and Benishangul Gumuze regions, it is easy to understand the existence of different level of health service between the two regions. Therefore, absence of uniform expenditure standards to health sector results different level of public health service across the regions.

1996- 1999 FY Regions Expenditures of Rural Roads in %

Table: 6

Region	1996 FY	1997 FY	1998 FY	1999 FY
Tigray	0.59	0.41	0.58	0.53
Afar	4.59	1.31	1.83	2.52
Amhara	2.76	1.86	0.82	1.32
Oromiya	0.43	0.51	0.44	0.37
Somali	0.46	0.38	0.32	0.21
Benishangul Gumuze	15.97	3.63	18.37	8.33
SNNPR	1.01	0.95	0.95	1.68
Gambella	0.44	0.40	0.47	0.46
Harari	-----	-----	-----	0.42

Source: Computed from Impact Assessment made by the Secretariats of HOF (2000 EC) Unpublished

As shown in table 6, unlike the previous three sectors (agriculture and rural development, Education and, Health), expenditure of rural roads is the most approximate expenditure in all regions. Benishambul Gumuze expends the highest especially in 1996 and 1998 FY,

15.9 and 18.3 percent respectively. However, despite its approximate expenditure between regions, the availability of rural roads is varying from region to region, because there is no uniform standard at the national level.

### Conclusion

In this chapter, the pros and cons of unconditional grant under the Ethiopian federal arrangement is discussed. Every theory and principle has its own advantage and disadvantage. Under the Ethiopian intergovernmental fiscal practice, the application of transferring unconditional or general purpose grant has its own merit and demerits.

Unconditional grant has advantages to regions (1) to exercise constitutionally granted autonomy and self government, (2) to use the grant transferred to the region from the federal government in accordance with regions priorities and needs.

However, the application of unconditional grant in the Ethiopian context has its own limitations. (1) Lack of skilled man power in the regional states especially in Afar, somali, Gambella and, Benishangul Gumuze regions. (2) Misappropriate use of public fund and absence of accountability and, (3) Different level of development in public services between regional states are among the limitations.

## **Chapter Five** **Conclusion and Recommendations**

### **5.1. Conclusion**

It is important to recall the research questions which were asked in introduction part of the paper. These were;

- 1 Why does the Ethiopian Federal System adopt unconditional grant?
  2. What are the advantages of unconditional grant in the Ethiopian Federal arrangements?
  4. What are the disadvantages of unconditional grant in the Ethiopian federal arrangements?
  5. Why does the Ethiopian grant formula frequently changed many times?
  6. What consideration (priorities) has been given in the formulation of the new (2007) distribution grant formula?
  7. What were the challenges of the previous grant formula?
  8. What lesson should we learn from other federations in allocation of grant?
  9. Do we have other means's to address fiscal imbalances other than unconditional grants?
- 
- Chapter three addresses why the Ethiopian federal system adopt the transfer of unconditional grant from the centre to the regions. Even if there is no expressed provision in the constitution or any other law as to whether the transfer is conditional or unconditional, in Ethiopia, the norm is transfer of unconditional grant. As discussed in chapter three, countries like Germany, India and, Nigeria have explicit constitutional provision for the application of both conditional as well as unconditional grants. On the other hand, USA and Canada does not have expressed constitutional provision but has an effective transfer of conditional grant. However, the existence of expressed provision is important to avoid vagueness and interpretation which may affect the interests of regions.

• Chapter four discussed the advantages and disadvantages of unconditional grant. As discussed in the chapter, application of unconditional grant is one of the features of self government which reflect the autonomy of regional states. Unconditional grant avoid any control from the centre, as a result, regional states expend the grant in accordance to their needs and priorities. On the other hand, unconditional grant is the major revenue of regional sates. According to article 62(7) of the constitution, regional states have right to get grant from the federal government. As a result, most of regions expenditure is addressed from the transferred federal grant. Chapter four discussed the disadvantages of unconditional grant under the Ethiopian fiscal system. The major disadvantages are three; (1) lack of skilled man power. Unconditional grant needs more professionals than conditional one. This is because, unlike conditional grant, the priorities and the specifications are made in all regions. That means it needs more skilled man power, which is not easily available in a country like Ethiopia. Therefore, the application of unconditional grant has a disadvantageous effect to the Ethiopian fiscal system. (2) Misappropriate use of federal transfer. This could be resulted from the lack of skilled man power. However, the main discussion under chapter four is, there is no mechanism to hold responsible public officers, if in case they spend the money other than public interest. (3) Different level of development in public services between regional states. Since, expending the federal transfer in region's best interest are one merits of unconditional grant, (as shown under tables 3, 4, 5and, 6) based on different weights given to different sectors (education, health and rural rods) caused different level of public service and development between regional states. In UK and India, as discussed in chapter two, in order to addresses slipover effects and produce similar level of development in education and social welfare, same national standards applied through conditional grant. In Ethiopia, the absence of national standards for education, health and, road caused different proportion of development in the provision of public service across the regions.

• Chapter three discussed that, Ethiopian grant system criticized for; (1) not having definite criteria for allocating the grant and, (2) encountering frequent changes. As shown in table 7 of chapter three, the variables used to determine the grant varies almost in each

fiscal years. In additions to subjectivity of variables used, absence of considering recurrent expenditure and absence to analyse potential revenue of regions considered as the short comings of the previous grant formula.

- The priority of the new 2007 grant formula was based on the Australian experience which is based on revenue capacity and expenditure needs of the regions. The new formula wants to apply objective standards such as actual or potential revenues, instead of subjective standards. However, the new 2007 grant distribution formula currently under takes reforms and unlike the 2007 grant formula, the would be grant formula expected to use potential revenue and expenditure capacity as the base of determining unconditional grant.
- By discussing different countries intergovernmental fiscal achievements under chapter two, some lesson can be taken. (1) Having independent non- political grant commission, like Grant commission of Australia and planning commission of India, and (2) giving specific or conditional grants to meet same level of development in some sectors' like; education health and road, are some of the lesson which could be taken from the discussion.

## **5.2 Recommendations**

In the Ethiopian fiscal decentralization process, In order to address both vertical as well as horizontal fiscal imbalances and to have an effective intergovernmental fiscal relation; I submit the following recommendations as a possible means of achieving effective fiscal system.

1. Application of conditional grant. According to article 94(2) of the constitution, the federal government can give conditional grant to the regions by controlling the execution of projects. In order to bring the same level of development in some sectors, especially in education, health and infrastructures like roads, there should be national standards which resulted similar level of public service across the regions. Due to the nature of conditional grant if it applied, the central government can control and supervise the execution of the programme in regions level. As a result, similar level of development in terms of public service achieved across the regions.
2. Promulgation of law which makes public officials accountable for the expenditure made other than public interest. Since head of regional governments are politically appointed and due to the nature of unconditional grant, regions are autonomous and uncontrollable by the centre and absence of legal remedies against the decision of these officials needs to be addressed by law.
3. Introduction of Grant Commission. As lesson taken from other countries, the Ethiopian grant system needs independent and non political institution which is equipped with skilled experts. Almost all regional governments (according to Ato Ashenafi) support the idea of having independent grant commission. One of The main reasons of frequent changes in the grant formula is attributed to absence of experts at HOF. On the other hand, because the house is engulfed in other activities such as interpretation of the constitution, which needs serious processes, adequate attention has not been given for allocation of grant. Therefore, like India and Australia, the Ethiopian grant system should introduce grant commission which is entirely focused on the transfer of grants and borrowings.

4. There should be an expressed provision in the constitution or any other law concerning the type of federal transfer which the fiscal policy based. Having expressed provision avoids confusion and gives clear indication as to the nature of transfer.
5. The grant system should give incentives for those regional states which increased their revenue from their own source. By rewarding states which raise their own revenue from own source, it is possible to minimize the regions dependency on the federal transferred grant.
6. Revenue source of the regional states should be balances with their expenditure responsibilities. Therefore, in order to minimize vertical fiscal imbalance, additional source of revenue should be allocated from the centre to the regions.
7. There should be restrictions on regional states in allocation of miscellaneous expenses and the meaning and scope of it should be expressly given to all regional states.



## **CHPATER TWO**

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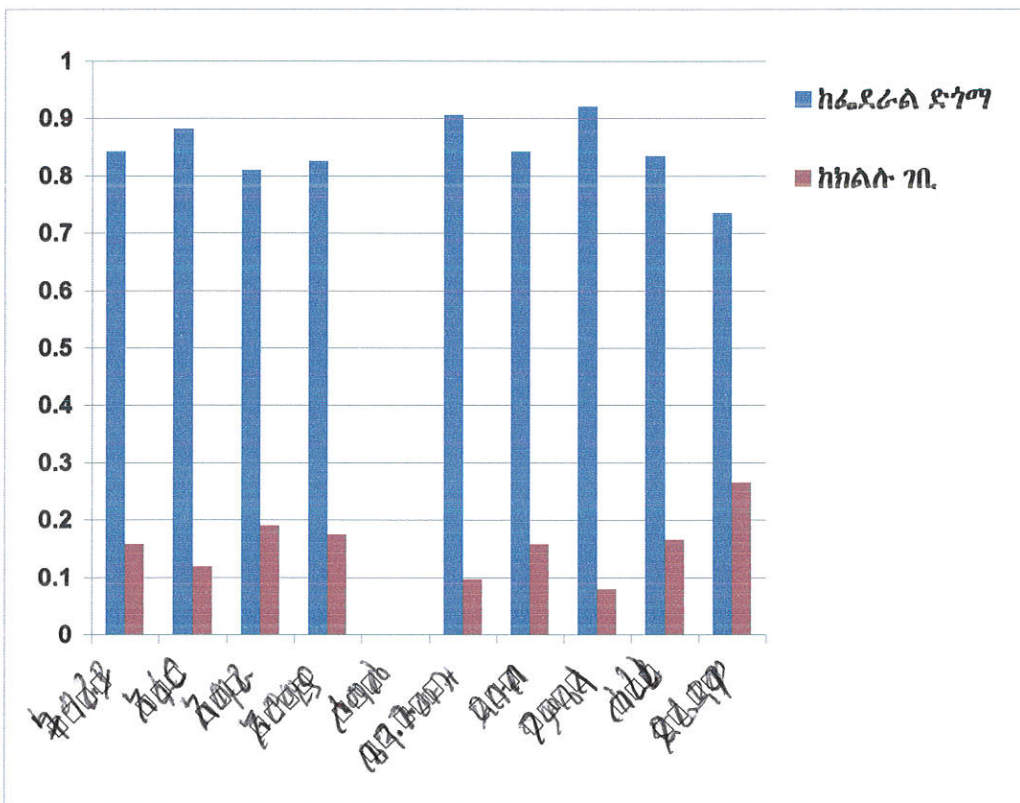
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**HOF (2000EC) Impact Assessment made by the Secretariat  
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**ክልሎች አመታዊ ወጪያቸውን በክልሉ ገቢ መሸፈን ላይ ያላቸው ድርሻ ንጽጽር**

ክልል	ከፌደራል ድጎማ	ከክልሉ ገቢ
ትግራይ	84.2%	15.8%
አፋር	88.1%	11.9%
አማራ	81.0%	19.0%
አሮሚያ	82.5%	17.5%
ሶማሌ		
ቤን.ጉሙዝ	90.7%	9.7%
ደቡብ	84.2%	15.8%
ጋምቤላ	92.1%	7.9%
ሃረሪ	83.4%	16.6%
ድሬ ዳዋ	73.5%	26.5%

የተወሰደው የአምስት አመት አማካይ ነው (ከ1995-1999 ዓ.ም)  
 የሶማሌ ክልል መረጃው ስላልተገኘ አልተሞላም



ትግራይ ብሔራዊ ክልላዊ መንግስት

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት				የማህበራዊ አገልግሎት			አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	5	6	7	8	9	10	11	
		ግብርና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ሌሎች	ትምህርት	ጤና	ሌሎች	የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	
	መደበኛ	51189790	9334493	3969574	13152916	162720131	70035936	7737627	2154350	35975827	33767351	63997360	454035355
1996	ካፒታል	27632091	15625935		38386237	77995199	33823008	1458153				29283902	224204525
	ድምር	78821881	24960428	3969574	51539153	240715330	103858944	9195780	2154350	35975827	33767351	93281262	678239880
	ከጠቅላላ ድርሻ	11.62%	3.68%	0.59%	7.60%	35.49%	15.31%	1.36%	0.32%	5.30%	4.98%	13.75%	100.00%
	መደበኛ	64123846	6281643	2837672	20800494	192753408	77351161	16242911	1330944	40379017	22559077	78699305	523359478
	ካፒታል	13159824	8823210		31750229	55085779	16921888	116511				34748523	160605964
1997	ድምር	77283670	15104853	2837672	52550723	247839187	94273049	16359422	1330944	40379017	22559077	113447828	683965442
	ከጠቅላላ ድርሻ	11.30%	2.21%	0.41%	7.68%	36.24%	13.78%	2.39%	0.19%	5.90%	3.30%	16.59%	100.00%
	መደበኛ	89332244	11201776	5019674	13597473	264003621	91512724	17256385	3373156	49418344	31417597	87618653	663751647
	ካፒታል	18216647	24650026		17899912	77259874	35611853	6017169				26256271	205911752
1998	ድምር	107548891	35851802	5019674	31497385	341263495	127124577	23273554	3373156	49418344	31417597	113874924	869663399
	ከጠቅላላ ድርሻ	12.37%	4.12%	0.58%	3.62%	39.24%	14.62%	2.68%	0.39%	5.68%	3.61%	13.09%	100.00%
	መደበኛ	95875397	16009454	5259741	21351693	336967633	99811834	28182657	5345918	58827233	32711286	100505289	800848135
	ካፒታል	18216647	24650026		17899912	58187053	27163419	7949567				44715442	198782066
1999	ድምር	114092044	40659480	5259741	39251605	395154686	126975253	36132224	5345918	58827233	32711286	145220731	999630201
	ከጠቅላላ ድርሻ	11.41%	4.07%	0.53%	3.93%	39.53%	12.70%	3.61%	0.53%	5.88%	3.27%	14.53%	100%

በአምድ (5) ሌሎች ስር የተካተቱ፡-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 ንግድ ኢንዱስትሪና ቱሪዝም

በአምድ (9) ሌሎች ስር የተካተቱ፡-  
 አቅም ግንባታ  
 የወጣቶች ስፓርት ባህልና ማስታወቂያ  
 ሀራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት እና ሌሎች  
 መጠባበቂያ  
 በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (13) ሌሎች ስር የተካተቱ፡-  
 በሌሎች ወስጥ የተካተቱ ወጪዎች

**አፋር ብሔራዊ ክልላዊ መንግስት**

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት				የማህበራዊ አገልግሎት			አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	6	7	8	9	10	11	12	
		ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ሌሎች	ትምህርት	ጤና	ሌሎች	የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	
	መደበኛ	16299292	3520158	1224342	4199513	25013342	14460248	8758446	23335393	25638294	18318520	1880066	142647614
	ካፒታል	7091157	11682533	8611016	4077136	6428711	13613099	6852068				13437150	71792870
1996	ድምር	23390449	15202691	9835358	8276649	31442053	28073347	15610514	23335393	25638294	18318520	15317216	214440484
	ከጠቅላላ ድርሻ	10.91%	7.09%	4.59%	3.86%	14.66%	13.09%	7.28%	10.88%	11.96%	8.54%	7.14%	100.00%
	መደበኛ	20754391	2514458	1483411	4234755	31871127	21373520	15899156	29374527	33727700	24899200	1894418	188026663
	ካፒታል	4291102	29819427	2124617	12542963	5186315	8832088	5436023				19873079	88105614
	ድምር	25045493	32333885	3608028	16777718	37057442	30205608	21335179	29374527	33727700	24899200	21767497	276132277
1997	ከጠቅላላ ድርሻ	9.07%	11.71%	1.31%	6.08%	13.42%	10.94%	7.73%	10.64%	12.21%	9.01%	7.88%	100.00%
	መደበኛ	25563759	2741512	1768628	4852096	43352891	25623261	19577895	36478217	40260210	25075036	2729434	228022939
	ካፒታል	21818784	17843334	4455175	4275756	17809185	14816039	8293099				22714505	112025877
1998	ድምር	47382543	20584846	6223803	9127852	61162076	40439300	27870994	36478217	40260210	25075036	25443939	340048816
	ከጠቅላላ ድርሻ	13.93%	6.05%	1.83%	2.68%	17.99%	11.89%	8.19%	10.73%	11.84%	7.37%	7.48%	100.00%
	መደበኛ	31191498	7497279	2144292	5772185	48657716	30328310	21946608	43241608	47233542	27893088	2968487	268874613
	ካፒታል	10845003	14093903	7616163	2675506	20960219	21793638	7211741				33086503	118282676
1999	ድምር	42036501	21591182	9760455	8447691	69617935	52121948	29158349	43241608	47233542	27893088	36054990	387157289
	ከጠቅላላ ድርሻ	10.86%	5.58%	2.52%	2.18%	17.98%	13.46%	7.53%	11.17%	12.20%	7.20%	9.31%	100.00%
	መደበኛ												
	ካፒታል												
2000	ድምር												
	ከጠቅላላ ድርሻ												

በአምድ (6) ሌሎች ስር የተካተቱ:-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 ንግድ ኢንዱስትሪና ቱሪዝም

በአምድ (9) ሌሎች ስር የተካተቱ:-  
 አቅም ግንባታ  
 የሴቶች ጉዳይ  
 የወጣቶች ስፓርት፣ ባህላዊና ማስታወቂያ  
 ሠራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት እና ሌሎች

በአምድ (13) ሌሎች ስር የተካተቱ:-  
 በሌሎች ውስጥ የተካተቱ ወጪዎች

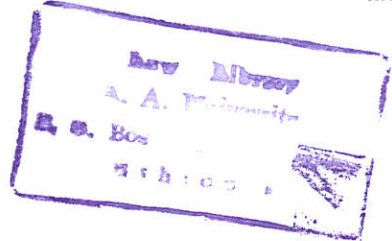
**አማራ ብሔራዊ ክልላዊ መንግስት**

ዓ.ም	መግለጫ		የአ.ኮኖሚ አገልግሎት					የማህበራዊ አገልግሎት					ጠቅላላ ወጪ
	1	2	3	4	6	7	8	9	10	11	12	13	
	ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ሌሎች	ትምህርት	ጤና	ሌሎች	የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ	
	መደበኛ	159721852	6754054	3524636	25821933	393946628	119851495	113113297	60607008	167214477	102214204	2682699	1155452283
	ካፒታል	43785969	89668150	36406660	4488526	59351611	32322834	1541922				26038166	293603838
1996	ድምር	203507821	96422204	39931296	30310459	453298239	152174329	114655219	60607008	167214477	102214204	28720865	1449056121
	ከጠቅላላ ድርሻ	14.04%	6.65%	2.76%	2.09%	31.28%	10.50%	7.91%	4.18%	11.54%	7.05%	1.98%	100.00%
	መደበኛ	181570554	3988569	2629609	27248778	464480454	119193868	160976205	64934058	190158172	62915029	3185363	1281280659
	ካፒታል	67014395	20472524	25736017	867992	72556475	45972871	906526				13598293	247125093
1997	ድምር	248584949	24461093	28365626	28116770	537036929	165166739	161882731	64934058	190158172	62915029	16783656	1528405752
	ከጠቅላላ ድርሻ	16.26%	1.60%	1.86%	1.84%	35.14%	10.81%	10.59%	4.25%	12.44%	4.12%	1.10%	100.00%
	መደበኛ	258308146	11899280	4667337	33613594	600471781	149276406	335317795	71894158	224723165	76754912	4078071	1771004645
	ካፒታል	32303262	14891274	11703444	762163	102275662	30519651	25911391				16485319	234852166
1998	ድምር	290611408	26790554	16370781	34375757	702747443	179796057	361229186	71894158	224723165	76754912	20563390	2005856811
	ከጠቅላላ ድርሻ	14.49%	1.34%	0.82%	1.71%	35.03%	8.96%	18.01%	3.58%	11.20%	3.83%	1.03%	100.00%
	መደበኛ	280365905	18794433	5528855	58179481	775941266	186190369	345375876	107336257	280425831	84312738	3960370	2144411381
	ካፒታል	17795094	49158900	28228170	4289352	53467130	28521470	206985477				33195542	421641135
1999	ድምር	298160999	67953333	33757025	62468833	827408396	214711839	552361353	107336257	280425831	84312738	37155912	2566052516
	ከጠቅላላ ድርሻ	11.62%	2.65%	1.32%	2.43%	32.24%	8.37%	21.53%	4.18%	10.93%	3.29%	1.45%	100.00%

በአምድ (6) ሌሎች ስር የተካተቱ:-  
 የማእድንና ኢነርጂ ስራና ከተማ ልማት ንግድ ኢንዱስትሪና ቱሪዝም የኢንቨስትመንት ቢሮ በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ:-  
 አቅም ግንባታ የሴቶች ጉዳይ የወጣቶች ስፓርት ባህልና ማስታወቂያ ሠራተኛና ማህበራዊ ጉዳይ አደጋ መከላከልና ዝግጁነት በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ:-  
 በሌሎች ወስጥ የተካተቱ ወጪዎች በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ የአስተዳደር ህንፃዎች ሌሎች የመንግስት ህንፃዎች በሌሎች ወስጥ የተካተቱ ወጪዎች



አሮሚያ ብሔራዊ ክልላዊ መንግስት

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት				የማህበራዊ አገልግሎት			አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ	
		1	2	3	4	6	7	8	9	10	11	12		13
		ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ሌሎች	ትምህርት	ጤና		የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች		ጠቅላላ ወጪ
	መደበኛ	114158679	12704930	9242255	147163299	645574152	155119650	102251469						
	ካፒታል	62793988	88060017		161475735	93776103	66949030	2554281	16902448	121434280	84319166	267662775	1676533103	
1996	ድምር	176952667	100764947	9242255	308639034	739350255	222068680	104805750	16902448	121434280	84319166	7928744	483537898	
	ከጠቅላላ ድርሻ	8.19%	4.66%	0.43%	14.29%	34.23%	10.28%	4.85%	0.78%	5.62%	3.90%	12.76%	2160071001	
	መደበኛ	174449719	16699422	12821636	97757598	765981523	161146948	114761031						
	ካፒታል	50803198	84775620		285861482	74287014	44513426	400927	20110558	106377676	104494065	340165274	1914765450	
1997	ድምር	225252917	101475042	12821636	383619080	840268537	205660374	115161958	20110558	106377676	104494065	34697187	575338854	
	ከጠቅላላ ድርሻ	9.05%	4.08%	0.51%	15.41%	33.74%	8.26%	4.62%	0.81%	4.27%	4.20%	15.05%	2490104304	
	መደበኛ	392739530	22724535	13313584	108655490	1082547795	216317869	127330770						
	ካፒታል	19031399	95040570		163665606	32964320	36230125	2075142	25776357	186120087	139195759	338081924	2652803710	
1998	ድምር	411770929	117765105	13313584	272321096	1115512115	252547994	129405912	25776367	186120087	139195759	48553950	397561112	
	ከጠቅላላ ድርሻ	13.50%	3.86%	0.44%	8.93%	36.57%	8.28%	4.24%	0.85%	6.10%	4.56%	12.68%	3050364822	
	መደበኛ	398116677	27466077	14351949	82290943	1334166140	273061728	203216635						
	ካፒታል	23023671	108491741		242263073	61533190	145981120	8417432	34947228	208970785	193527096	428364879	3198480137	
1999	ድምር	421140348	135957818	14351949	324554016	1395699330	419042848	211634067	34947228	208970785	193527096	43630219	633340446	
	ከጠቅላላ ድርሻ	10.99%	3.55%	0.37%	8.47%	36.42%	10.94%	5.52%	0.91%	5.45%	5.05%	12.32%	3831820583	

በአምድ (6) ሌሎች ስር የተካተቱ:-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 ንግድ ኢንዱስትሪና ተራገም  
 በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ:-  
 አቅም ግንባታ  
 የሴቶች ጉዳይ  
 የወጣቶች ስፓርትስ፣ ባህልና ማስታወቂያ  
 ሠራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት  
 በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ:-  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች  
 በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ  
 የአስተዳደር ህንፃዎች  
 ሌሎች የመንግስት ህንፃዎች  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች

የሰማሌ ክልላዊ መንግስት

ዓ.ም	መግለጫ		የኢኮኖሚ አገልግሎት			የማህበራዊ አገልግሎት				አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
	1	2	3	4	5	6	7	8	9	10	11	12	13	
	ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ግንድ፡ኢንዱስትሪና ቱሪዝም	ሌሎች	ትምህርት	ጤና		ሌሎች	የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ
	መደበኛ	11435439.2	6323321.3	864038.77	3441505.85	1485831.24	33722798.1	15199861	8187549.4	32101574	56610762.3	16262974.2	2396123.71	188031780
	ካፒታል													170424213
1996	ድምር													358455992
	ከጠቅላላ ድርሻ	6.08%	3.36%	0.46%	1.83%	0.79%	17.93%	8.08%	4.35%	17.07%	30.11%	8.65%	1.27%	100.00%
	መደበኛ	17099520.7	6079331.92	755586.77	2398703.56	1897389.33	37041416.9	15779923	7812290.07	37547717	44845148.2	22620223.4	3322347.41	197199597
	ካፒታል													184835365
1997	ድምር													382034962
	ከጠቅላላ ድርሻ	8.67%	3.08%	0.38%	1.22%	0.96%	18.78%	8.00%	3.96%	19.04%	22.74%	11.47%	1.68%	100.00%
	መደበኛ	31453279.8	7326800.46	931605.14	1666086.89	3362772.55	56058491.5	23349321	13291576.7	42837314	67467764.8	29888417.6	9471051.55	287104482
	ካፒታል													189798293
1998	ድምር													476902776
	ከጠቅላላ ድርሻ	10.96%	2.55%	0.32%	0.58%	1.17%	19.53%	8.13%	4.63%	14.92%	23.50%	10.41%	3.30%	100.00%
	መደበኛ	45012224.5	6572364.1	1116587.54	1791465.2	3676613.93	91425295.3	112766179	21130278.4	40019888	159068487	40526274.2	12134392.61	535240050
	ካፒታል													202364437
1999	ድምር													737604487
	ከጠቅላላ ድርሻ	8.41%	1.23%	0.21%	0.33%	0.69%	17.08%	21.07%	3.95%	7.48%	29.72%	7.57%	2.27%	100.00%

1 በአምድ (6) ሌሎች ስር የተካተቱ፡-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 የኢንቨስትመንት ቢሮ  
 በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ፡-  
 አቅም ግንባታ  
 የሴቶች ጉዳይ  
 የወጣቶች ስፓርት ባህልና ማስታወቂያ  
 ሠራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት  
 በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

2 ከሰማሌ ክልል የተገኘው መረጃ የመደበኛ ወጪን ዝርዝር ወጪ ሲሆን የካፒታል ወጪን በሚመለከት በዝርዝር ስላልቀረበ የእያንዳንዱ ሴክተር መቶኛ ድርሻ የተሰላው ከመደበኛ ወጪ ጠቅላላ ድምር ላይ ነው፡፡

**ቤኒሻንጉል ጉሙዝ ክልላዊ መንግስት**

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት					የማህበራዊ አገልግሎት				አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	5	6	7	8	9	10	11	12	13	
		ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ንግድ፡ኢንዱስትሪና ቱሪዝም	ሌሎች	ትምህርት	ጤና		የክልል ምክርቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ	
	መደበኛ	11750047.3	1752236.27	2966032.33	1549338.22	7216237.61	30126553	13619880.1	9753522.77	12331089	19974150.6	10375567	297385.46	121712041	
	ካፒታል	1482963.35	894058.15	23568652.5		5309855	9525781.75	1603448.73	291770.95				1768884.63	44445415.1	
1996	ድምር	13233010.7	2646294.42	26534684.8	1549338.22	12526092.6	39652334.7	15223328.9	10045293.7	12331089	19974150.6	10375567	2066270.09	166157456	
	ክፍት ስርዓት	7.96%	1.59%	15.97%	0.93%	7.54%	23.86%	9.16%	6.05%	7.42%	12.02%	6.24%	1.24%	100.00%	
	መደበኛ	19914438.4	1936955.44	2933570.05	1381629.79	1379312	35127977.1	15605584.1	8742468.59	15460108	18760581.3	10371344	4259126.38	135873095	
	ካፒታል	5027508.84	2788986	10460741.9	4077389.78	621136.32	12424503.7	4892126.9					192907132.3	233199526	
1997	ድምር	24941947.2	4725941.44	13394311.9	5459019.57	2000448.32	47552480.8	20497711	8742468.59	15460108	18760581.3	10371344	197166258.7	369072621	
	ክፍት ስርዓት	6.76%	1.28%	3.63%	1.48%	9.54%	12.88%	5.55%	2.27%	4.19%	5.08%	2.81%	53.42%	100.00%	
	የቀጠለ.....														
	መደበኛ	20384750.4	9993633.24	3660936.35	1761172.18	3366484.64	50313997.5	24481290.1	8093997.84	13185825	28635803.6	16984683	1869343.11	182731917	
	ካፒታል	5134392.84	3052388.84	42398383.8	1043422.33	4023017.76	10321737.7	1976689.36						67950032.7	
1998	ድምር	25519143.2	13046022.1	46059320.2	2804594.51	7389502.4	60635735.3	26457979.4	8093997.84	13185825	28635803.6	16984683	1869343.11	250681950	
	ክፍት ስርዓት	10.18%	5.20%	18.37%	1.12%	2.95%	24.19%	10.55%	3.23%	5.26%	11.42%	6.78%	0.75%	100.00%	
	መደበኛ	22336015.1	2691876	3148235.27	2577879.45	3487259.86	55784937	25711638.2	11811283	14847150	33483046.7	20416495	2106084.09	198401900	
	ካፒታል	1716557.11	12738232.1	19875728.9	332064.22	9256606.84	30011365.6	3692517.86	345115.16					77968187.8	
1999	ድምር	24052572.2	15430108.1	23023964.2	2909943.67	12743866.7	85796302.6	29404156.1	12156398.2	14847150	33483046.7	20416495	2106084.09	276370088	
	ክፍት ስርዓት	8.70%	5.58%	8.33%	1.05%	4.61%	31.04%	10.64%	4.40%	5.37%	12.12%	7.39%	0.76%	100.00%	

በአምድ (6) ሌሎች ስር የተካተቱ፡-

- የማእድንና ኢነርጂ
- ስራና ከተማ ልማት
- በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ፡-

- አቅም ግንባታ
- የሴቶች ጉዳይ
- የወጣቶች፡ስፓርት፡ባህልና ማስታወቂያ
- ሠራተኛና ማህበራዊ ጉዳይ
- አደጋ መከላከልና ዝግጁነት
- በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ፡-

- በሌሎች ወጪዎች የተካተቱ ወጪዎች
- በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ
- የአስተዳደር ህንፃዎች
- ሌሎች የመንግስት ህንፃዎች
- በሌሎች ወጪዎች የተካተቱ ወጪዎች

**ደቡብ ብሔር ብሔረሰቦች ሕዝቦች ክ**

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት				የማህበራዊ አገልግሎት				አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	5	6	7	8	9	10	11	12	
		ግብርና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ንግድ፡ኢንዱስትሪና ቱሪዝም	ሌሎች	ትምህርት	ጤና	ሌሎች	የክልል ም/ቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ
	መደበኛ	161794763	2183868.6	2355061.6	16376334.4	10899248.5	331950356	59059075	128752895	15943939.3	108700962	58101938.2	71796588.3	967915030
	ካፒታል	54936027.9	5364070.9	10321653.1	2893696.5	27297833.9	41100582.2	43857756.4	17853560.2		2111194.8	16630077.3	61582024.83	283948478
1996	ድምር	216730791	7547939.5	12676714.7	19270030.9	38197082.4	373050938	102916831	146606456	15943939.3	110812157	74732015.5	133378613.1	<b>1251863508</b>
	ከጠቅላላ ድርሻ	17.31%	0.60%	1.01%	1.54%	3.05%	29.80%	8.22%	11.71%	1.27%	8.85%	5.97%	10.65%	100.00%
	መደበኛ	189493731	2313833	2542607.07	17314843.7	8926667.34	428783073	95993723.7	50487165.1	16763970.5	141062506	93044372.4	75678716.84	1122405209
	ካፒታል	78317859.8	1499147.4	11225793.1	9016366.17	4475341.57	51267221.6	50305990.3	3190809.89	2742793.5	4532367.64	45048924.1	65417052.01	327039667
1997	ድምር	267811591	3812980.4	13768400.2	26331209.8	13402008.9	480050294	146299714	53677974.9	19506764	145594873	138093297	141095768.9	<b>1449444876</b>
	ከጠቅላላ ድርሻ	18.48%	0.76%	0.95%	1.82%	0.92%	33.12%	10.09%	3.70%	1.35%	10.04%	9.53%	9.73%	100.00%
	መደበኛ	226144289	8359065.2	2874896.4	24193092.9	6244639	552988892	135476349	74528021.9	19345245.3	135343335	116790130	105784884.6	1408072839
	ካፒታል	34567488.6	9856977.5	15189390.7	18051307.1	16702526.2	62882585.8	66976814.6	6195507.7	3353541.8	18398214.5	67025297.1	174883057	494082709
1998	ድምር	260711777	18216042.7	18064287.1	42244400	22947165.2	615871477	202453163	80723529.6	22698787.1	153741550	183815427	280667941.6	<b>1902155548</b>
	ከጠቅላላ ድርሻ	13.71%	0.96%	0.95%	2.22%	1.21%	32.38%	10.64%	4.24%	1.19%	8.08%	9.66%	14.76%	100.00%
	መደበኛ	263343682	18428529.2	2683695.1	33154732	9204402.1	623934457	152901290	66990931	23959833	360338363	135309866	0	1690249780
	ካፒታል	28038489.8	15004454.5	34186552.4	14986845.4	31641041.3	117524551	48286310.9	14810748	1931438.7	29834190.8	68335066.1	102664810.8	507244500
1999	ድምር	291382172	33432983.7	36870247.5	48141577.4	40845443.4	741459008	201187600	81801679	25891271.7	390172554	203644932	102664810.8	<b>2197494280</b>
	ከጠቅላላ ድርሻ	13.26%	1.52%	1.68%	2.19%	1.86%	33.74%	9.16%	3.72%	1.18%	17.76%	9.27%	4.67%	100.00%

በአምድ (6) ሌሎች ስር የተካተቱ፡-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ፡-  
 አቅም ግንባታ  
 የሴቶች ጉዳይ  
 የወጣቶች፡ስፓርት፣ባህልና ማስታወቂያ  
 ሠራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት  
 በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ፡-  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች  
 በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ  
 የአስተዳደር ህንፃዎች  
 ሌሎች የመንግስት ህንፃዎች  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች

የጋምቤላ ሕዝቦች ብሔራዊ ክልላዊ መ

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት					የማህበራዊ አገልግሎት			አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	5	6	7	8	9	10	11	12	13
		ግብርናና ግብር ልማት	ወ.ሃ	ገጠር መንገድ	ንግድ፡ኢንዱስትሪና ቱሪዝም	ሌሎች	ትምህርት	ጤና	ሌሎች	የክልል ምክርቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ
	መደበኛ	2295726.11	1076256.68	556393.4	892997.71	11147292.6	4702306.21	9846259.88	28054676.6	9903353.6	15372431.4	5579046.32	1912146.8	91338887.3
	ካፒታል	2595816.79	13174689.3	-	-	2628313.86	2375293.56	4259827.51	6235206.55	-	-	-	4643875.7	35913023.3
1996	ድምር	4891542.9	14250946	556393.4	892997.71	13775606.5	7077599.77	14106087.4	34289883.2	9903353.6	15372431.4	5579046.32	6556022.5	127251911
	ከጠቅላላ ድርሻ	3.84%	11.20%	0.44%	0.70%	10.83%	5.56%	11.09%	26.95%	7.78%	12.08%	4.38%	5.15%	100.00%
	መደበኛ	2198076.09	1186307.68	409423.45	519595.3	10706656.7	5612199.1	10142700.8	28220431.2	8200301.26	16675212.5	6309660.69	1820188.8	92000753.6
	ካፒታል	2312966.32	99638.52	-	-	150247.5	2221867.19	1567548.7	-	-	-	-	2887868.1	9240136.37
1997	ድምር	4511042.41	1285946.2	409423.45	519595.3	10856904.2	7834066.29	11710249.5	28220431.2	8200301.26	16675212.5	6309660.69	4708056.9	101240890
	ከጠቅላላ ድርሻ	4.46%	1.27%	0.40%	0.51%	10.72%	7.74%	11.57%	27.87%	8.10%	16.47%	6.23%	4.65%	100.00%
	መደበኛ	15806559.9	1508637.31	686368.33	711431.42	3222802.02	31703834.1	11836809	15885324.5	11890993.2	24390994.7	10099642.1	3790635.2	131534032
	ካፒታል	4216443.69	3729273.55	-	39815.38	-	2114343.49	3026390.04	-	-	-	-	1683604.3	14809870.4
1998	ድምር	20023003.6	5237910.86	686368.33	751246.8	3222802.02	33818177.6	14863199	15885324.5	11890993.2	24390994.7	10099642.1	5474239.5	146343902
	ከጠቅላላ ድርሻ	13.68%	3.58%	0.47%	0.51%	2.20%	23.11%	10.16%	10.85%	8.13%	16.67%	6.90%	3.74%	100.00%
	የቀጠለ....													
	መደበኛ	11672628.4	2691177.2	881400.15	2015823.81	3281980.26	42580918.9	11075015.9	19968934.5	21330712.2	33105987.6	13102970.2	4791603	166499152
	ካፒታል	5234664.85	5630704.7	-	-	899360.41	4672248.97	2231554.58	403521.41	-	-	-	7748799	26820854
1999	ድምር	16907293.2	8321881.9	881400.15	2015823.81	4181340.67	47253167.8	13306570.5	20372455.9	21330712.2	33105987.6	13102970.2	12540402	193320006
	ከጠቅላላ ድርሻ	8.75%	4.30%	0.46%	1.04%	2.16%	24.44%	6.88%	10.54%	11.03%	17.12%	6.78%	6.49%	100.00%

በአምድ (9) ሌሎች ስር የተካተቱ:-

በአምድ (6) ሌሎች ስር የተካተቱ:-

- 1 የአዲት ቢሮ
- 2 በሌሎች ወጪዎች ስር የተካተቱ

አቅም ግንባታ

- የሴቶች ጉዳይ
- የወጣቶች፡ስፓርት፡ባህልና ማስታወቂያ
- ሠራተኛና ማህበራዊ ጉዳይ
- አደጋ መከላከልና ዝግጁነት
- በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ:-

- በሌሎች ወስጥ የተካተቱ ወጪዎች
- በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ:-
- የአስተዳደር ህንፃዎች
- ሌሎች የመንግስት ህንፃዎች
- በሌሎች ወስጥ የተካተቱ ወጪዎች

የሐረር ሕዝብ ክልላዊ መንግስት

ዓ.ም	መግለጫ	የኢኮኖሚ አገልግሎት				የማህበራዊ አገልግሎት				አስተዳደርና ሌሎች አገልግሎት				ጠቅላላ ወጪ
		1	2	3	4	5	6	7	8	9	10	11	12	
		ግብርናና ገጠር ልማት	ወ.ሃ	ገጠር መንገድ	ንግድ፡ኢ.ጉዳ. ስተሪና ቱሪዝም	ሌሎች	ትምህርት	ጤና		የክልል ምክርቤት	ፍትህና ደህንነት	ፋይናንስና ገቢ ዘርፍ	ሌሎች	ጠቅላላ ወጪ
	መደበኛ	2164000			1234000	2212000	17895000	11734000	2664000	3250000	14829000	4987000	5648000	66617000
	ካፒታል	670000	10531000			5039000	3555000	1876000	160000				28714000	50545000
1996	ድምር	2834000	10531000		1234000	7251000	21450000	13610000	2824000	3250000	14829000	4987000	34362000	1.17E+08
	ከጠቅላላ ድርሻ	2.42%	8.99%		1.05%	6.19%	18.31%	11.62%	2.41%	2.77%	12.66%	4.26%	29.33%	100.00%
	መደበኛ	3106000			1741000	770000	18473000	12801000	2711000	3773000	6248000	2179000	5336000	57138000
	ካፒታል	2841000	3322000			3317000	4386000	2907000	1036000				17536000	35345000
1997	ድምር	5947000	3322000		1741000	4087000	22859000	15708000	3747000	3773000	6248000	2179000	22872000	92483000
	ከጠቅላላ ድርሻ	6.43%	3.59%		1.88%	4.42%	24.72%	16.98%	4.05%	4.08%	6.76%	2.36%	24.73%	100.00%
	መደበኛ	4367000			3630000	380000	23441000	15222000	4380300	3336000	8858000	2229000	13648000	79491300
	ካፒታል	2263000	6194000			5295000	5739000	5003000	12000				28071000	52577000
1998	ድምር	6630000	6194000		3630000	5675000	29180000	20225000	4392300	3336000	8858000	2229000	41719000	1.32E+08
	ከጠቅላላ ድርሻ	5.02%	4.69%		2.75%	4.30%	22.09%	15.31%	3.33%	2.53%	6.71%	1.69%	31.59%	100.00%
	መደበኛ	4910300		772000	261000	3408500	25784700	15212000	3820900	8469000	15241700	2371200	1842000	82093300
	ካፒታል	2184700			2200000	17524600	3549400	4300600	33637600				39970900	1.03E+08
1999	ድምር	7095000		772000	2461000	20933100	29334100	19512600	37458500	8469000	15241700	2371200	41812900	1.85E+08
	ከጠቅላላ ድርሻ	3.83%		0.42%	1.33%	11.29%	15.82%	10.52%	20.20%	4.57%	8.22%	1.28%	22.55%	100.00%

1 በአምድ (6) ሌሎች ስር የተካተቱ:-  
 የማእድንና ኢነርጂ  
 ስራና ከተማ ልማት  
 በሌሎች ወጪዎች ስር የተካተቱ

በአምድ (9) ሌሎች ስር የተካተቱ:-  
 አቅም ግንባታ  
 የሴቶች ጉዳይ  
 የወጣቶች ስጋርት፣ ባህልና ማስታወቂያ  
 ሠራተኛና ማህበራዊ ጉዳይ  
 አደጋ መከላከልና ዝግጁነት  
 በሌሎች ወጪዎች ስር የተካተቱ ወጪዎች

በአምድ (13) ሌሎች ስር የተካተቱ:-  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች  
 በካፒታል አስተዳደርና ሌሎች አገልግሎቶች ስር የተካተቱ  
 የአስተዳደር ህንፃዎች  
 ሌሎች የመንግስት ህንፃዎች  
 በሌሎች ወጪዎች የተካተቱ ወጪዎች

2 መደበኛ በጀት ወስጥ ከክልሉ በጀት ለወ.ሃ የሚመደብ የሥም::

## Interview Questions

1. What are the advantages and disadvantages of Unconditional Grant in the Ethiopian Federal arrangements?
2. Do we need an independent grant commission like that of India and Australia?
3. Why do we experience so many changes in the grant formula often?

## Declaration

This thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for this thesis have been duly acknowledge.

Name: Daniel Gemechu

Signature: 

This thesis has been submitted for the examination up on my approval as a university advisor.

Name: Solomon Negussie (Dr.)  
*(Assistant Professor of Law)*

Signature: 