I. INTRODUCTION

The Ethiopian Government has established the Ministry of Capacity Building (MCB) as the focal point for supervising, co-ordinating and guiding implementation of national capacity building initiatives. Its establishment is in response to the global call for improving the policy environment for sustainable development and poverty reduction, which has taken the centre-stage with shifts in the development paradigm in recent years. But capacity building is also, and perhaps more fundamentally, an issue of sound governance, bureaucratic transparency and accountability. The role of the MCB is to deal with the problems and challenges presented by deficiencies in human and institutional capacity which constituted the weakest link in past development efforts and economic performance, as well as to ensure good governance by empowering citizens at all levels.

While considerable gains were recorded in macro-economic performance as the result of economic liberalisation that was put in place in the 1990s, systematic constraints in human and institutional capacity, poor economic management and governance, inadequate accountability and transparency remain amongst core problems that act as impediments to sustainable growth and poverty reduction. Although there undoubtedly are pockets of relatively effective performance in government, public sector capacity at present is unable to meet the challenges presented by sustainable growth and poverty reduction much less those of globalisation. Weaknesses in public sector capacity are matched by weaknesses in the private sector which has failed to bring about any meaningful impact on the economy. So are civil society organisations whose contributions to the development process have hardly had any impact.

Based on lessons of experience, the Government came to the conclusion that national capacity building calls for an integrated approach and sustained co-ordination, both in scale -- nation-wide -- and complexity -- multi-dimensional and multi-sectoral. This approach to capacity building recognises the interdependence and inter-action of all factors and actors involved in capacity building and optimises synergy. To be effective, capacity building requires broad-based interventions. A holistic approach to capacity building is particularly important because there is a need for a broader perspective at a time when capacity building has moved to the forefront of the development agenda. Among other things, the approach helps in co-ordinating resources, both internal and external, and in ensuring their efficient utilisation for a theme, sector or region.

In order to attain its objectives of building human and institutional capacity as well as systems, processes, rules and procedures for enhancing efficient performance, the MCB provides a holistic framework for national capacity building and intervenes strategically at national, regional and sectoral levels. It works with a broad spectrum of stakeholders, and with a multitude of institutions. The task of the MCB is to bring together all the key players involved in capacity building into partnership, encourage shared responsibility and mutual accountability, and maintain donor-country dialogue. It constitutes a focal point for collaborative endeavours with the country’s development partners and provides a conceptual and operational framework for donor efforts on issues of national capacity building.
In recognition of the important role of the private sector and civil society organisations in development, the MCB intends to formulate a strategy for instituting dialogue for their active involvement in the development process. Plans are currently underway to put in place mechanisms for a wide participation by all stakeholders including those in the private sector, first, by opening up channels of communication for new ideas and sources of information and, secondly, by exposing and discussing issues and developing consensus on policies and actions. The participation of the private sector and civil society in national capacity building will require even greater enhancement in the years to come, among other things, in the promotion of decentralised public service delivery at the grass-roots level to which the Government is fully committed.

Because of the crucial role of the private sector, civil society and non-governmental organisations in capacity building, Ethiopia's national capacity building programmes embrace not only the public sector but also the non-state sector. However, since the latter is at an embryonic stage at present, the most important challenge facing the Government is to strengthen the effectiveness of the public sector, which is the theme of this volume, which is made up of six parts.

Following these introductory remarks, a discussion of the framework for capacity building, including the Sustainable Development and Poverty Reduction Programme (SDPRP) and the Agricultural-Led-Industrialisation Strategy (ADLI) is presented in Part II. Part III presents a consolidated strategic public sector capacity-building programme (PSCAP) comprising six key areas of intervention. This is followed by a consolidated summary of financial requirements in Part IV. Arrangements for implementing the programme, and programme monitoring and evaluation are covered in Part V. Part VI concludes the document by touching briefly upon some cross-cutting issues and stressing the need for ever closer partnership and collaborative endeavours between the Government and its partners in development -- the international community -- for implementing the country's national capacity building programmes in general and PSCAP in particular.
II. A FRAMEWORK FOR CAPACITY BUILDING

National capacity building flows from the country's overall policies and priorities based on broad national vision and goals, both socio-economic and political, as well as from the country's capacity building policy and strategy framework as adopted by the Government. Underlying the policies and strategies is the recognition of good governance whose major elements are transparency and accountability. In this context, capacity building may be defined as the exercise of economic, political and administrative authority which can only be sustained with good governance. Both are indivisible, and capacity building is as much an exercise in attaining sustainable growth as it is an exercise in instituting political and administrative authority in the management of both economic and political matters at all levels of government. Indeed, capacity building for good governance constitutes a primary means of eradicating poverty.

Although Ethiopia has performed remarkably well in its progress from a closed to a market-driven economy in a short span of a decade, economic stabilisation and growth in the 1990s have hardly made a dent in the incidence of poverty. The persistence of poverty is because of extremely low per capita income whose growth averaged barely one per cent during the decade of the 1990s. In spite of the favourable macro-economic performance, the number of people living in absolute poverty still stands at a staggering 44 per cent (1999/2000). Most of the poor eke out miserable existence in rural areas depending for their livelihood mainly on rain-fed agriculture, which is subject to erratic weather conditions frequently resulting in droughts and devastating famines.

The persistence of poverty and inequality calls for intensified efforts for tackling the problems more effectively, as it affects all segments of the population through pandemic/epidemic diseases, crime and violence, ever-present insecurity, large-scale unemployment, etc. Since economic reforms in recent years have not brought about a meaningful progress, there is a pressing need to transform the structure of the economy, among other things, by doing away with existing deficiencies and weaknesses in human and institutional capacity in both the public and private sectors.

Capacity building is rooted in the SDPRP whose major thrust is to reduce poverty to 40 per cent in 2004/05 from its 1999/00 level of about 44 per cent. The framework and long-term perspective for economic transformation is the ADLI whose underlying macro-economic policy is the promotion of rapid, broad-based and equitable growth with focus on rural transformation. Its goal is to accelerate growth for the benefit of the broad masses of the population, the promotion of a market-driven economy, and ultimately to do away with the culture of dependence on external aid and donations. It constitutes a strategic framework for intervention in all areas of social and economic endeavours, including capacity building.

The SDPRP provides a framework for the formulation of policy reforms, plans and strategies to meet the enormous development challenges facing the country over a shorter period of 2003-2005. Its specific macro-economic objective is to achieve an annual real average growth of about 7 per cent in gross domestic product while maintaining stable prices. In a broader context, the SDPRP outlines strategies aimed
at reducing poverty by one-half by 2015 from its 1999/00 level of about 44 per cent. It envisages to attain this objective by ensuring real average annual growth of 5.7 per cent in gross domestic product up to the year 2015, and by creating a favourable environment for ensuring good governance, transparency, accountability and security with the aim to ultimately increase the ability of the poor to raise their incomes and improve the quality of their lives. These policies and strategies aim at creating a conducive environment for poverty reduction leading to growth and equity, so that the poor can better help themselves on a sustainable basis. Issues related to capacity have a significant impact on equity, the ability of the poor to help themselves, and the sustainability of poverty reduction.

Capacity building constitutes an essential building block for attaining sustainable growth and poverty reduction, which is the primary goal of the SDPRP. Poverty reduction includes developing capacities to empower the more marginalised groups of society by decentralising public services and providing access to productive assets such as land, credit, market information, new skills and technology, etc. For example, the degree of decentralisation of the budgetary process and public investment will enhance popular participation in the country's development as well as responsiveness to priority needs at regional and sub-regional levels.

In recognition of serious deficiencies in human and institutional capacity, working systems and procedures which severely constrain its development objectives, the Government issued a national capacity building strategy in 1998 as a guide to action. The strategy is framed within the country's overall development policy and strategy. It is designed to address sustainable development and poverty alleviation and is tailored to the particular circumstances of the country. It contains goals and strategic objectives for enhancing education, training and learning, transforming the public sector, strengthening the private sector, giving voice to civil society and promoting capacity building through sectoral programmes. The strategy embraces all stakeholders involved in development including not only the public sector but also the private sector and civil society organisations.

The major features of the strategy are that it (i) focuses on institutionalising capacity building to ensure efficiency and sustainability; (ii) aims at a comprehensive development of human resources, institutions/organisations, systems and processes as means for achieving the country's overall development goal; and (iii) is designed in such a way as to ensure flexibility so as to accommodate changes. Given the strategic role of the Government in building capacity across institutions, and the existing critical gap, the thrust of the strategy is to enhance and strengthen public sector capacity.

The strategy also addresses institutions concerned with formal education such as universities and colleges, vocational training institutes, research and other similar institutions, both in the public and private sectors that are concerned with building capacity. These institutions need to be strengthened themselves, and their activities monitored and evaluated, in order to ensure that they play effectively roles assigned to, and expected of, them. While the three pillars of the strategy comprise human resources, institutional development and systems and processes, interventions in building capacity will be comprehensive, that is, it will be multi-sectoral and multi-dimensional so as to create a critical mass of skill, technical and institutional capability needed for the economy to go beyond mere marginal change.
The MCB is committed to the formulation and implementation of series of capacity building programmes of medium-term duration within the framework of the Government's long-term vision of socio-economic transformation, sustainable growth and poverty elimination. The present programme represents the first step of a long-term goal and vision of building and strengthening national capacity. Over the next five years, MCB's operational priorities will evolve around fourteen major programmes which contain goals and strategic objectives for enhancing education, training and learning, transforming the public sector, strengthening the private sector, empowering civil society and promoting efficient utilisation of existing capacity.

Some of these programmes have been under implementation by various government departments. Others are new and still more programmes will be initiated in response to changing circumstances based on the needs of the economy.

PSCAP is drawn up to effectively and immediately respond to the tasks and challenges embodied in the SDPRP through strategic intervention in key areas of capacity building in the public sector. The public sector constitutes a vital component of the capacity building strategy, because to the extent that it determines the performance of all other sectors, it is the base -- indeed a pre-condition -- for the success of all development endeavours. Both the capacity building strategy and PSCAP are formulated by means of participatory national process with consultations made intensively and extensively across regions at all levels and across sectors with relevant stakeholders. The approach is therefore responsive to national needs and is genuinely demand driven.

Focus is placed on public sector capacity building because the ability of the state to perform effectively is central to the challenging demands of the private sector and civil society, as well as those of globalisation. The public sector needs the capacity for an efficient delivery of essential services such as macro-economic management, law and order, public infrastructure, basic health and education, etc. that would not otherwise be provided by the private sector. It has been said time and again that, in a market-driven economy, the private sector develops most effectively with a level and competitive playing field only when public sector organisations and institutions take the lead in the delivery of efficient services. But the scarcity of resources also necessitates prioritisation and sequencing of activities and focused intervention in key areas of the public sector should make strategic impacts on the country's overall development on a sustainable basis.

While capacity building for sustainable development requires a long-term commitment, a medium-term time frame is necessary to build the groundwork for achieving sustainable long-run impacts. A medium-term time frame has important implications on planning for capacity building, its implementation, monitoring and evaluation. Tools such as results-based management can then point to thresholds of short-term performance indicators as the basis for long-term sustainability. It is in this context that the MCB puts forward this consolidated strategic public sector capacity building programme with focus on strengthening the performance of core public

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1 The seprogrammes were first introduced by the Office of the Prime Minister and therefore pre-date the MCB, which was subsequently established in October of 2001 to take ownership of the sub-programmes, co-ordinate and guide their implementation.

2 The programme was first discussed at a workshop in the presence of all stakeholders in March of 2002 before presentation to the Consultative Group of donor agencies in July of the same year.
sectors aimed at improved service delivery and enhancing good governance. The programme covers the period 2004 to 2008 and provides a broad strategic framework for co-ordinating and managing both international and national development efforts aimed at mobilising resources, both domestic and external, for its implementation. It incorporates and builds upon on-going capacity building programmes initiated by the Government in the context of economic liberalisation and macro-economic reform programmes in recent years.

The programme is flexible enough as to allow modifications, revisions and adaptation as the need arises during its five-year implementation time frame. Therefore, in order to build flexibility into its implementation, it avoids going into specific details. This is on the assumption that such details will be developed and worked out within the framework of project implementation documents or reports during actual implementation, taking into consideration specific circumstances, constraints and opportunities that present themselves. This allows for the fine-tuning of details of projects and activities as the need arises in the course of their implementation.
III. PUBLIC SECTOR CAPACITY-BUILDING PROGRAMME

3.1 Core Sub-Programmes

The Government has already embarked on a programme of re-designing public-sector organisations to make them more responsive to the needs and demands of the public. Institutional and human resource capacities for full transition to a market-driven economy have been and continue to be strengthened through reform of the civil service, decentralisation for service delivery at the grass-roots level, justice system reform, reform of the tax system, and a wide range of training activities. Areas that call for strategic intervention in the context of PSCAP are those the Government has already identified and/or initiated for creating a critical mass in building capacity including the following sectors which constitute key components of PSCAP in particular and the capacity building strategy in general.

(i) Civil Service Reform.
(ii) District-level Decentralised Service Delivery.
(iii) Information and communications technology.
(iv) Justice System Reform.
(v) Tax System Reform.
(vi) Urban Management.

Together, these determine the success or failure of the capacity building strategy. They constitute core public sector sub-programmes which set the scope for strategic intervention in building capacity in the public sector over the coming five years with the following specific aims.

- Strengthening and building capacity in the core public sector.
- Reinforcing on-going priority activities and providing a framework for more vigorous intervention in public sector capacity needs for sustainable growth, poverty reduction and good governance.
- Interfacing with the private sector through challenging demands for positive response and efficient service delivery, transparency and accountability.
- Confronting the challenges of globalisation by playing a pivotal role in terms of competence, efficiency, transparency and accountability.
- Providing strategic support to regional focal points involved in capacity building to promote their effective intervention and enhance their contribution to Ethiopia's effective participation in the global economy.
- Providing a framework for collaborative endeavours with bilateral and multilateral agencies for maximum impact on the country's capacity needs for sustainable growth, poverty reduction and good governance.
• Strengthening the MCB as a centre of excellence with an appropriate mix of professional skills to enhance the focus of its intervention in capacity building at the national, regional and sectoral levels.

3.2 Linkages Between Sub-Programmes

Central to capacity building is a civil service that is oriented and committed to providing efficient service to the public up to the grass-roots level, free of political patronage, special-interest groups and rent-seeking culture. The first step towards providing prompt and efficient service and to ensure the accountability and transparency of public servants to the public, particularly the poor, is to radically improve the performance of the civil service. Reform of the civil service will bring about improvements in service delivery, among other things, through the introduction of results-oriented management.

The Government has therefore initiated a comprehensive civil service reform sub-programme within the framework of the national capacity building programme. This sub-programme aims at rationalising the structure of the public sector, both functional and organisational, and is at the core of the country's capacity building strategy. It goes parallel with the right incentives to help improve public sector service delivery making state institutions responsive to the interests and needs of the people. It aims at promoting and enhancing empowerment and ensuring good governance.

Decentralisation of service delivery, in parallel with strengthening local government, allows people to take their destiny into their hands by increasing their participation in decision-making at the grass-roots level on issues that directly affect their lives. Decentralising government enables the public to participate more directly in governance processes and empowers people previously excluded from decision-making. More fundamentally, it involves the devolution of power for making decisions at local levels and improves the efficiency of the public sector by making it more responsive to the needs of the public.

Decentralisation promotes the objectives of social and economic development by making projects and programmes more attuned to meeting local needs and their formulation more relevant. Decentralisation is an ideal approach to rural and urban development. And since regions lack capacity in many areas, including programme formulation and implementation, budgeting, etc. decentralisation should create challenges for capacity creation/strengthening at lower echelons. Amongst the objectives of the decentralisation sub-programme is therefore to develop human and institutional capacity at the local level to deal with increased responsibilities that come with decentralisation.

The urban management sub-programme supports the Government's decentralisation strategy by strengthening/building the capacity of local authorities to generate adequate municipal revenue for undertaking sustained investment in the development of urban infrastructure.

A sound judicial framework enhances predictability and transparency. There is a general need not only to pass laws, but also to apply them effectively and efficiently so that both normal business activities and disputes that arise in the course of normal transactions are handled in a fair and predictable way. Clearly stating what the rules
are, and how they should be followed, should help firms focus on relevant issues than administrative and legal problems. The judicial system should protect the rule of law and the constitutional rights of every citizen.

Reform of the justice system is of critical importance as it helps achieve sustainable economic growth based on empowerment, equal opportunity and security for all. Improvements in the legal and judicial system, together with an efficient and equitable tax system are prerequisites for the development of the private sector and economic growth, as they enhance a supportive policy environment. An efficient tax system encourages both foreign and domestic private investment, raises the efficiency of tax collection, increases revenue and improves fiscal performance, thus contributing to sustainable growth and poverty alleviation. A modernised tax system is therefore essential.

Ethiopia is far behind in information and communications technology (ICT), which needs to be developed and effectively managed for bringing about improvements in the system of production, management and distribution. ICT cuts across all sectors and regions and building capacity is to respond to cross-sector demands arising from social and economic development. Among other things, and in the context of transparency, this would be critical for a free flow of information and its accessibility to institutions and individuals requiring access to them. Despite concerted efforts made by the Government for training aimed at diversified skills development, the creation of facilities for training, modest expansions in communications, ICT remains far too inadequate to meet the challenges of development and globalisation.

Clearly, the various sub-components of PSCAP and, indeed, several dimensions of the national capacity building programmes are interdependent, inter-active and indivisible. All sub-programmes have a great deal of commonality and interface one with the other. Civil Service Reform, District Level Decentralisation, Justice System Reform and the Urban Management sub-programmes are all closely inter-related with one another as well as with other sub-programmes, such as Tax reform and ICT. Beyond the public sector, PSCAP influence the development of the non-public sectors and effectively interface with programmes in the private sector, civil society and non-governmental organisations.

The civil service reform, which is amongst the main instruments with which the Government intends to attain its objectives of good governance, transparency and accountability, is strongly linked to decentralisation, whose purpose is to manage resources and provide services better. Indeed, civil service reform which involves capacity building at all levels of government may be considered an essential element of decentralisation whose broader aim is to address the problem of access to services, tailoring government actions to private needs, and increasing opportunities for a healthy inter-action between government and people. While the objective of decentralisation is to provide services better, manage resources more efficiently or support other objectives, reform of the civil service supports decentralisation in efficient and effective public service delivery.

Decentralisation also requires a strong legal framework, and therefore legal and justice system reform, aimed at addressing issues related to financing and reporting to determine mechanisms for financial control, hiring and firing practices and
compensation schemes as well as issues related to procurement of public works to ensure sound utilisation of public resources and minimise corruption.

The tax reform sub-programme may be considered an integral part of the civil service reform sub-programme, as it is intended to overhaul the traditionally inefficient system of tax administration and remove legal barriers which constrain private investment and the development of the national economy. The customs reform component of tax reform is designed to ease cumbersome administrative and legal burdens that at present hamper the establishment of an effective and efficient trade administration, and incorporates measures aimed at civil service reform.

ICT should enhance efforts, for example, towards effective and efficient tax administration relating to basic functions such as taxpayer identification, assessment and tax collection, which constitute major elements of the tax reform sub-programme. Indeed, this is a major problem at present constraining efficient tax administration, and is bound to continue if no modern communications are put in place. The World Customs Organisation, of which Ethiopia is a member, recommends the use of ICT, among other things, for customs clearance and for storing and sharing relevant information amongst member countries. So does the Common Market for Eastern and Southern Africa, again, of which Ethiopia is a member.

In a relatively large country such as Ethiopia, ICT should make a major difference in the geographic dispersion of economic activities, as it permits efficient control and co-ordination between widely dispersed business or administrative units. Decentralisation requires fast processing and transmission of information between hierarchal levels, or between systems and sub-systems. To be effective, it requires a smooth flow of information and resources between and amongst various levels of government -- from federal to regional and local, and from regional and local to federal. ICT comes in handy in facilitating inter-action and co-ordination between hierarchies and systems with minimum temporal lags or bottlenecks.

ICT is also an important tool for strengthening institutions in the justice sector, as well as for achieving transparency and more efficient functioning of institutions in the sector. Certainly, ICT would be indispensable for reform of the justice system, which requires modern technology to automate record-keeping and case-processing, among other things. Indeed, national capacity building programmes and the economy more generally cry out for ICT which is the most backward in the world, and in the absence of which it is inconceivable to think of a level playing field in a global economy. Certainly, ICT helps in the development of the service sector, including education and training, the second largest contributor to the gross domestic product after agriculture. Building capacity in ICT is, therefore, crucial as it affects all sectors of the economy and all aspects of life.

These are but a few examples pointing to the fact that capacity building can be effective only if the interdependencies and interactions of the various sub-programmes are taken into consideration. Addressing them singly or in isolation as individual components is bound to prove ineffective, as they all are strategically important. Since there is a programmatic linkage between specific activities and broader capacity needs, each sub-programme may be considered as part of an overall system which affects individual components which, in turn, influence the performance of the overall programme. Therefore, capacity building requires
simultaneous intervention on all key fronts with the aim to attain systemic change and for optimum synergy, as opposed to meeting perceived needs or problems in a particular sector or area.

This consolidated PSCAP and action plan at the national level represents a synthesis of six sub-programmes at the federal level and across nine regional and two city-states. The consolidated programme is made up of three parts comprising

(a) Consolidated PSCAP at the national level.
(b) Self-standing action plan matrices.
(c) Self-standing logical framework matrices.

The consolidated PSCAP and action plan provide a clear direction of what needs to be done in order to achieve the envisaged overall development goals and objectives; constitutes the basis for deciding how to reach defined objectives; resolves issues of prioritising and sequencing, or the order in which things should be done; focuses limited resources on actions that will be of the utmost importance in terms of overall benefits; acts as a guide for making decisions; provides a coherent guide for day-to-day operation; constitutes a basis for accountabilities regarding what needs to be done; and provides a basis for measuring progress and progress reviews.

The rest of this document is devoted to a detailed presentation of various aspects of PSCAP including brief situation assessments relating to sub-programmes, their objectives and activities beginning with civil service reform.
1.1 Introduction

The civil service reform sub-programme (CSRP) is an integral part of a broader programme of multi-faceted reforms intended to build and strengthen public sector capacity for the attainment of the Government's socio-economic development goals and objectives. It aims at creating an enabling environment which will allow the civil service to function effectively and efficiently. It focuses on the development and implementation of appropriate legal and regulatory frameworks, and institutional and human resources as well as the introduction of improved management systems and best practices. The overall purpose is to build a fair, effective, efficient, transparent and ethical civil service through institutional reforms, systems development and training. The need for civil service reform is dictated by the inefficiency and ineffectiveness of the existing system and the lack of capacity of organisations both in the public and private sectors to effectively manage and utilise available resources for bringing about sustainable growth and poverty reduction.

The CSRP was initiated in 1997 in response to weaknesses in the administrative system. It is a large national undertaking in terms of both human resources and financial commitment and aims at introducing new and improved legislations and working systems to simplify administrative processes as well as ensuring effectiveness, efficiency and ethical behaviour in performance and service delivery. It provides a "road map" for moving ahead towards enhancing the capacity needs of the civil service and supports the policy and strategy of the Government for promoting sustained economic development within the framework of a democratic and market-driven economic order.

Civil service reform goes hand in hand with decentralisation in the delivery of public services upon which the Government has embarked in recent years. In this context, reform of the civil service is the process of modifying rules and incentives to obtain a more efficient and dedicated civil service in a newly decentralised environment. Civil service at all levels of government needs capable, motivated and efficient staff in order to deliver quality services to the public. When civil service functions and structures are decentralised, existing bureaucratic patterns must be reorganised as roles and accountability are shifted.

Implementation of the CSRP is now in full gear in the context of the country's National Capacity Building Programme whose aim is to develop human and institutional capacity at all levels of government and in all sectors of the economy. Positive results have been attained and the Government is encouraged to intensify implementation of the CSRP for attaining the objectives of sustainable growth and poverty reduction. Its critical importance in this respect has been echoed widely in several policy papers, including the SDPRP.

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3 The civil service reform sub-programme dates back to 1994 when the Government set up a Task Force which undertook an extensive evaluation of management arrangements and practices at all levels of government.
1.2 Problems and Challenges

As has already been pointed out, the start-up phase of the CSRP began in November of 1994, when a task force was commissioned to conduct a diagnostic overview. The primary phase of diagnosis and taking stock of the problems facing the civil service ended in February, 1996, with the identification of weaknesses in the ways the civil service managed its financial and human resources, delivered services to the public, strategic priorities and performances and monitoring and evaluation of top management.

Following the identification of problems, efforts were made to reform the system by providing, among other things, training to civil servants at federal and regional levels. However, due to various problems including lack of capacity, only limited successes were made in bringing about improvements in performance and service delivery, effective policy formulation, programme and project execution as well as in tackling other problems of the civil service in general. The problems are much more serious in regions such as Afar, Benishangul-Gumuz, Gambela and Somalia where civil service performance and public service delivery are at a rudimentary stage. The problem is aggravated by weak civil service structures and human and institutional capacities.

Amongst the major shortcomings hampering implementation of the reform measures are the following.

- Lags in transition from problem identification phases to “full” implementation phase.
- Weaknesses in integrating and co-ordinating reforms in order to achieve meaningful impacts on the efficiency and effectiveness of the civil service.
- Weaknesses in ranking of reform priorities, and sequencing and timing of implementation.
- Inadequacy of attention given to implementation of mutually reinforcing reform measures with a “do-it-now” approach.
- Lack of incentives to reform and resources.
- Low level of participation of regional governments in the reform process.

Since there are massive tasks ahead, the Government will step up efforts to improve implementation of the sub-programme with focus on the following:

- Legislative restrictions governing financial and human resources management and control will be removed.
- Civil servants will be adequately provided with a conducive working environment in which they can pursue their careers.
• The capacity of top officials and senior managers to strategically manage and implement policies and programmes will be enhanced, and the systems with which they carry out their core technocratic functions will be overhauled.

• The ability of the civil service to attract, retain and motivate well-qualified employees for ensuring effective performance and commitment to reform will be strengthened.

• Roles and organisational arrangements of institutions will be restructured in ways that support improvements in service delivery and ensuring accountability and efficiency.

• Ethical conduct of government business needs will be promoted within the civil service together with strengthening the capacity of the newly established Ethics and Anti-Corruption Commission and other institutions to ensure ethical behaviour.

1.3 Full-scale Implementation

Based on lessons learned during the first half of 2002, the Government undertook relevant policy and institutional reform measures for full-scale implementation of the sub-programme with the following measures taken prior to start up of implementation.

• Placement of the responsibility to manage and co-ordinate the CSRP under the MCB.

• Restructuring the original CSRP Co-ordinating Office as a CSRP Office and strengthening its capacity to manage and co-ordinate implementation.

• Transferring ownership of the various reforms and accountability for their implementation to federal and regional institutions through a series of seminars delivered to top officials on the objectives of the CSRP and its components.

• Providing extensive training to staff from various federal and regional institutions so as to enable them spearhead implementation of reforms.

Other measures taken included (i) strengthening the CSRP Office; (ii) improving governance in resources management, performance and public service delivery; (iii) improving accountability and transparency; (iv) strengthening top management systems; and (v) building policy and institutional capacities of emerging regions.

Full implementation of the CSRP was launched beginning September, 2002, and is now well underway. As a start-up move, civil service reform offices were established in key federal and regional civil service institutions to provide technical support in planning and management. A document containing information on “quick win” reform measures to increase service recipients’ (clients’) satisfaction was also distributed to these institutions.
1.4 Sub-Programme Objectives

The overall objective of the CSRP is to enhance the capacity of the civil service so that it will be effective, efficient, transparent, accountable, ethical, performance oriented, and that it promotes good governance, provides client-oriented service delivery and is supportive of the Government’s social and economic development policies and private sector development. Its specific objectives are the following.

- Ensure the ability of federal and regional governments in efficient and effective service delivery as well as equity in the treatment of clients on a sustainable basis.

- Ensure that federal and regional governments have staff with significantly better understanding, appreciation and management of public service delivery issues.

- Ensure that federal civil service institutions re-orient their planning, management and performance evaluation to strategic management issues, and have staff with the capacity to undertake planning, management and performance evaluation.

- Ensure that regional governments have staff with the capacity to undertake planning, management and performance evaluation on strategic management approaches.

- Ensure better understanding of, and commitment to, the proper conduct of government business and to safeguard public property.

- Enable the police and the judiciary to have significantly stronger ability to investigate and judge cases of impropriety in civil service delivery.

- Ensure that the media will be able to investigate and report cases of impropriety and corruption in government and the civil service.

- Ensure that federal and regional governments manage and promote staff on the basis of performance and in a fair and honest manner.

- Ensure that federal and regional governments operate within a comprehensive and complete legal framework for civil service in human resource management.

- Ensure that federal and regional governments have staff with significantly better skills in human resource management.

- Ensure that federal and regional governments train staff of civil service institutions to implement government policies and priorities.

- Ensure that federal and regional governments are governed by comprehensive legal frameworks for financial management.
• Ensure that federal and regional governments operate budgetary systems showing informed and rational annual and medium-term resource allocation reflecting government objectives and priorities.

• Ensure that federal and regional governments have in place improved accountability to elected representatives.

• Ensure that federal and regional governments make proper arrangements for acquiring, safeguarding and controlling financial and physical assets.

• Ensure that federal and regional governments have staff with significantly better financial management skills.

The most important beneficiary of the CSRP is the Ethiopian public who will deal with a client-responsive civil service providing quality services with integrity. At the end of the reform, the civil service staff and work force will be a self-confident, competitive group inspired by a sense of service to the public. The private sector will reduce its transaction costs of doing business with the civil service.

In order to attain the long-term and specific objectives of the CSRP several components or projects are envisaged for implementation, as summarised in the following paragraphs.

1.5 Major Components and Activities

The CSRP has seven major components, as follows.

(i) Strengthening the capacity of CSR coordinating structures.
(ii) Improving governance of financial resource management.
(iii) Improving governance of human resource management.
(iv) Improving performance and public service delivery.
(v) Improving accountability and transparency.
(vi) Strengthening top management systems.
(vii) Building the policy and institutional governance capacity of 4 LDRs.

In the context of PSCAP, the objectives of implementing these CSR measures are:

• To remove unnecessary legislative restrictions governing financial and human resources management and control within the civil service.

• To build the capacity of top civil service officials and senior managers to strategically manage and implement policies and programs, and overhaul the systems with which they carry out their core technocratic functions.

• To provide civil servants with an enabling environment with which they can effectively and efficiently execute the functions of the institutions for which they are working.
• To enhance the ability of the civil service system to attract, retain qualified staff and motivate existing employees for ensuring effective performance and commitment to reform.

• To facilitate restructuring of the roles and organisational arrangements of civil service institutions in ways that support improvement in service delivery performance and ensuring accountability and efficiency.

• To facilitate strengthening of ethics, accountability and transparency in the conduct of government business.

• To build the capacity of top officials and middle level managers of civil service institutions of the 4 LDRs to formulate and implement policies and programmes, create civil service structures, and determine and manage their functions.

1.5.1 Strengthening the Capacity of CSR Co-ordinating Structures

Institutions and structures, which are and will be involved in implementing the CSR measures and in driving the reform processes forward are: key federal, regional and local civil service institutions and their CSR units, the MCB, CSRP Office, MoFED, FCSC and regional capacity building bureaus.

Central to the effective implementation of the CSR measure is, therefore, building and strengthening the capacities of CSR co-ordinating structures so that they will be able to carry out the following functions.

(i) Integration and sequencing the roll out and implementation of civil service capacity building measures with the participation of target institutions, lead federal and regional institutions and other stakeholders.

(ii) Provision of support to target institutions in the management of change through the organisation of events, on a regular basis, whereby they will be able to exchange views and ideas on CSR issues with lead agencies, donors and other stakeholders.

(iii) Following up, monitoring and evaluating implementation progresses of CSR measures and assessing impacts.

(iv) Informing and educating the public and civil servants and communicating with them and other stakeholders to solicit internal and external support to the CSR measures and their objectives.

This component of the CSRP comprises the following activities.

• Review the functional roles, responsibilities and structures of the CSR co-ordinating units.
• Study and recommend organizational arrangement options with departmental functional roles and responsibilities clearly defined, staffing requirements determined, and jobs described.

• Facilitate and support implementation of recommended organizational arrangements.

• Identify training needs and staff development requirements.

• Prepare training materials.

• Conduct training.

• Identify staff for exposure to CSR management and co-ordination practices in other countries, work out study tour programmes.

• Design, develop, adopt and install CSR management and coordination systems identified for application.

• Identify best practices and implement them.

• Study and determine the requirements for strengthening IEC capacity.

• Facilitate provision of professional staff, equipment and technical know-how to CSR coordinating structures;

1.5.2 Improving Governance for Financial Management and Control

In order to strengthen FM&C within the civil service, bring related systems in line with current policies and address critical technical weaknesses, the FM&C component of the CSRP has undertaken various prototyping activities. However, not all such activities have been completed or initiated; and only few of those so far completed have been implemented. As a result, the FM&C functions of civil service institutions, at all levels, are still plagued with the problem of ineffectiveness and inefficiency.

This CSR measure is aimed at completing the development of the remaining legislations and working systems for FM&C, adopts and roll them out, and facilitate their implementation, and building human and institutional capacities for effective FM&C.

The objective of reform measures under this component is to strengthen the enabling environment and enhance the human and institutional capacity of civil service institutions at all levels to ensure effectiveness and efficiency in FM&C by the end of the plan period. Major activities include the following:

• Complete the design and development of the remaining operating systems and procedures associated with the new Financial Administration Proclamation, and those related to external auditing.
Refine and adopt legislations and working systems prototyped, but not yet have progressed to the implementation phase.

Roll out all new and improved legislations and working systems ready for implementation.

Facilitate effective implementation of rolled out legislations and operating systems by target institutions.

Develop training programmes, retrain trainers, update existing training materials (and identify and develop new ones), select target groups, and conduct training.

Strengthen the finance and internal audit functions of target institutions in terms of improved organizational arrangements and equipment.

Strengthen the institutional frameworks of OFAG and RAOs in terms of improved organisational arrangements and equipment.

1.5.3 Improving Governance for Human Resource Management and Control

The HRM component of the CSRP has produced the Federal Civil Service Law, on the basis of which most regional states have also legislated their own civil service laws. In addition, regulations, directives, procedures and guidelines to strengthen personnel management have been prototyped; and some Regional States have tailored them to their circumstances and implement them. However, for prototyping activities relating to all such regulations, directives, procedures and guidelines are not yet completed and those already prototyped need to be refined, adopted and rolled out. The Federal Government and regional states lack a complete set of systems with which they can translate their laws into practices.

This CSR measure seeks to complete the remaining prototyping activists and facilitate their adoption and implementation to bring about significant improvement in the management of human resource throughout the entire civil service system.

The objective of this component is to strengthen the enabling environment and the human and institutional capacities of civil service institutions, at all levels, to ensure effective and efficient HRM and control for resulted-oriented performance and service delivery by the end of the plan period. Major activities include the following:

- Complete the design and development of the remaining operating systems and procedures for improved HRM and control for adoption by federal institutions and adoption or adaptation by regional states.

- Refine and adopt those operating systems (directives, procedures and manuals) prototyped but not finalised and have not progressed to implementation phase.

- Roll out the new and improved working systems ready for implementation and facilitate their effective application by target institutions.
• Strengthen the HRM and control functions of civil service institutions in terms of improving their organisational set-ups and providing them with modern equipment.

• Strengthen the human resources capacities of civil service institutions in terms of providing them with training and motivation.

1.5.4 Improving Performance and Public Service Delivery

It is envisaged that encouraging and supporting civil service institutions to undertake selected reform measures will help achieve performance and service delivery improvement. This calls for identifying the reform measures to be undertaken towards achieving improved performance and service delivery, prioritising, promoting, rolling out and introducing them for implementation by target institutions. A system of performance tracking is also a requirement to effectively facilitate the build up of institutional capacity for improved performance and service delivery.

This CSR measure, therefore, seeks to facilitate and support performance and service delivery improvement through the introduction of selected reform measures and modern management tools and practices, first in sample agencies and then in a wide range of institutions.

The objective of the component is to enhance performance and service delivery in all federal, regional, and sub-regional civil service institutions, by the end of the programme period, through the identification and roll out of selected reform measures, modern management tools and best practices. Major planned activities include the following:

• Identify, prioritise and adopt performance and service delivery improvement measures, management tools and best practices.

• Roll out identified performance and service delivery improvement measures, management tools and best practices, and facilitate and support their effective implementation by target institutions.

• Coordinate human resources and institutional capacity building measures for the effective implementation of performance and service delivery improvement measures, management tools and best practices.

1.5.5 Improving Accountability and Transparency

Amongst the main objectives of the CSRP is to build a civil service which is democratic, accountable and transparent. The realisation of this objective calls for the application of a comprehensive approach that facilitates internal accountability within the civil service, and to ensure that relationships with the client public are transparent, consultative, participative and democratic. But the issue of ensuring accountability and transparency also involves strengthening mechanisms for regulating internal accountability so as to promote a participatory approach to decision making on the part of civil servants and managements of civil service institutions. This should be complemented by managements’ readiness to provide to
the public and civil servants the necessary information in clear and accessible language.

This component of the CSRP comprises completion of the prototyping activities for ensuring accountability and transparency including the development of accounting and auditing professions, facilitating the promotion of various techniques for monitoring and evaluating the performance of the civil service in line with the requirements of the National Service Delivery Policy and the National Charter on Citizens’ Rights and Responsibilities, and continuing implementation of systems and techniques. Major activities include the following:

- Facilitate completion of legislations and working systems for enhancing accountability and transparency, and the development of the accounting and auditing professions.
- Refine, adopt, and facilitate roll out and implementation of completed legislations and working systems.
- Strengthen institutional and human resource capacities.
- Facilitate the promotion of various techniques for monitoring and evaluating the performance of the civil service in line with the requirement of the National Service Delivery Policy and the National Charter on Citizens’ Right and Responsibilities.
- Roll out the systems and techniques and facilitate their implementation.

1.5.6 Strengthening Top Management Systems

Civil service institutions from the highest policy making level down to the lower units have not yet built the capacity to set a cascade of objectives. This resulted in the allocation of meagre budgetary resources to projects or activities to which little or no attention was given in terms of priorities. M&E is also not given due attention. Other aspects of top management systems (TMS) such as planning, performance measurement, reporting, programme and project evaluation and rationalisation of institutional roles and responsibilities leave much to be desired. Therefore, in consideration of the fact that little has been done under the original TMS programme of the CSRP, in terms of developing needed systems and introducing changes, this component aims at facilitating the development and installation of new and improved systems and structures with focus on the following:

- Setting aims and objectives.
- Strategic planning and management.
- Performance measurement and assessment.
- Reporting and top management decision-making.
- Programme and project management.
• Top management development.
• Managing value for money.
• Designing, developing, adopting and implementing systems.
• Refining and adopting the TMD and SMP handbooks developed under the original TMS programme.
• Providing training to meet the capacity needs of top and middle-level civil service managers.

1.5.7 Building the Policy and Institutional Capacities for Emerging Regions

Compared to other regions, the human and institutional capacity of the four emerging regions, namely, Afar, Benishangul-Gumuz, Gambela and Somalia is limited. Because of poor civil service structure, infrastructure and resources, there are serious performance and service delivery problems in these regions so that there is a pressing need for an innovative and flexible approach to facilitate effective implementation of the CSRP in these regions by adopting innovative approaches with focus on the following major activities.

• Assess the status of civil service in the emerging regions.
• Identify policy and institutional gaps and appropriate measures to address existing gaps.
• Identify alternative approaches for the effective implementation of the CSRP in the LDRs.
• Evaluate the institutional capacity needs of emerging regions.
• Facilitate the design, development and implementation of legislations and civil service management systems that meet the specific requirements of emerging regions.

1.6 Linkages with Other Sub-Programmes and Cross-cutting Issues

1.6.1 Linkages

The objective of PSCAP is to improve the efficiency and responsiveness of public service delivery at federal, regional and local levels, empower citizens to effectively participate in shaping their own development, and to promote good governance and accountability by scaling up on-going capacity building and institutional transformation efforts. Thus, as the CSRP intends to promote the development of an efficient, effective, transparent, accountable, ethical and performance-oriented civil service at all levels of government, within the context of PSCAP, its effective implementation will significantly contribute to the successful achievement of the
objectives of other sub-programmes. The following paragraphs shows linkages between the CSRP and other sub-programmes of PSCAP.

1.6.1.1 District Level Decentralisation and Urban Management

The objective of the DLDP is to improve decentralised service delivery, enhance local participation and promote good governance at the grass-roots level by deepening the devolution of power to the lower tiers of government, and institutionalising decision-making processes; The objective of the urban management sub-programme is to enhance the capacity of municipalities in the delivery of services and enable urban centres to play a more effective role in social and economic development. As one of the main instrument with which the government intends to attain its objectives of good governance, transparency and accountability, the CSRP is generally linked to both the DLDP and the urban management in terms of putting in place structures, appropriate manning, providing operating systems and procedures, addressing the problems of access to services, tailoring government actions to private sector needs, and increasing opportunities for healthy interaction between government and the public at large.

1.6.1.2 Justice System Reform

This sub-programme is designed to promote the rule of law as well as an effective and efficient functioning of the justice system. Major activities to be carried out under this sub-programme are strengthening the courts, establishing the office of public defender, developing a system of case load management, supporting legal education and research, strengthening parliamentary and statutory bodies, and continued financing of technical assistance of law reform. Implementation of the CSRP will greatly contribute to achieving the goals of the JSRP in terms of addressing issues related to service delivery, records management, financial management and control, hiring and firing practices and compensation schemes as well as issues related to procurement of public works and goods to ensure sound utilization of public resources and minimize corruption within the justice system.

1.6.1.3 Tax System Reform

This sub-programme aims to encourage capital investment and development, increase tax revenue and ensure equity and fairness in the tax system. These objectives are to be achieved mainly through strengthening of tax policy, overhaul and codification of income tax law, introduction of presumptive and value add taxes, adoption of a system of tax payers identification, reorganisation of relevant institutions, development and implementation of operational manuals for tax officials and training manuals for tax payers, and computerization of tax administration.

Since the TSRP is intended to overhaul the traditionally inefficient system of tax administration and remove legal barriers that constrain private investment for the development of the national economy, implementations of the CSRP will significantly contribute to achieving this objective in terms of improving the performance of tax administrators, addressing problems associated with effective service delivery to tax payers, and accountability and transparency of officials and employees operating the tax system.
1.6.1.4 Information and communications technology

Amongst the objectives of the ICT is the development of human resources, democratisation, service delivery and good governance. Successful utilisation of ICT by government institutions across the country requires procurement of hardware, the establishment of enabling legislation and regulations, development of human resources, and the promotion of community based information systems and services. As civil service institutions will directly benefit from the use ICT in terms, among other things, of creating and maintaining database that support their operations, enhance service delivery, record-keeping and case processing, implementation of the CSRP will greatly contribute to the successful achievement of the objectives of the ICT sub-programme by way of providing training in the field, facilitating effective procurement of hard-wares and soft-wares, etc.

1.6.2 Cross-cutting Issues

1.6.2.1 Impact on Poverty Reduction

The provision of effective and efficient public service delivery at all levels of government will remove hurdles, enhance investment, creates employment opportunities and enabling environment for the implementation of development policies and strategies. Implementation of the CSRP will remove the bottlenecks and contribute to poverty reduction in particular and to achieving other development goals in general.

1.6.2.2 Effect on Gender

The CSRP is designed to improve the civil service for the benefit of all citizens. It plays a key role in shaping public programmes and the delivery of services as a whole, so that women can equally benefit from the reform. Central to the process of mainstreaming and formulating programmes, projects and policies are issues of capacity and skills for women as well as the availability of data and information for planning purposes. This entails equipping women with knowledge, information and tools. Various policies and strategies are designed in such a way that gender issues are addressed across the civil service.

1.6.2.3 Effect on HIV/AIDS

The CSRP requires the design and implementation of various policies and strategies which need to be developed and implemented in the entire civil service and institutionalisation of the process as a long-term measure. This should involve tackling of absenteeism due to sickness, stigma at the workplace and erosion of trained workforce in the civil service from the perspective of human resource management. Mainstreaming of the HIV/AIDS programme in the civil service needs the development of effective and efficient systems, appropriate policies to address human rights issues and the development of appropriate interventions to address the health, economic and psychosocial needs of individuals.
Sub-Programme 2  
District-level Decentralisation

2.1 Introduction

The Ethiopian Government has been actively involved in structural and institutional reforms in recent years with a clear focus on sustainable development and poverty reduction, deepening democratisation, promoting good governance and empowerment. Amongst these are decentralisation policy whose objective is to ensure effective involvement by the people in decision-making at the grass-roots level. Decentralisation is amongst the Government's instruments for providing opportunities to the rural poor at the local level so that they could be involved directly in matters affecting their daily lives. Decentralisation at the local level is designed within the framework of the country's on-going political and economic reforms comprising ADLI, SDPRP and the Rural Development strategies.

These strategies aim at sustainable growth and poverty reduction by transforming the rural economy through increases in productivity and output. Implementation of the strategies requires a favourable macro environment with focus on building capacity in rural areas, which is the seat of upwards of 85 per cent of the country's population whose livelihood depends almost entirely on agriculture. Decentralisation is an effective means of reducing poverty, as it brings decision-making to the door steps of the masses of the rural poor and empowers them to formulate projects and programmes that better address their needs. It allows communities at the grass-roots level to take the responsibility for their development into their own hands.

Amongst the major objectives of decentralisation is to meet the needs and aspirations of the country's diverse populations for deepening the process of democratisation. From this perspective, decentralisation is directly associated with good governance, democratic representation, transparency and accountability as well as responsiveness to community needs by bringing government closer to people at the lowest level of administration. These and other objectives can only be attained, however, if decentralisation goes hand in hand with capacity building and increased allocation of resources to local authorities for service delivery.

Decentralisation can be effective only if it is implemented in conjunction with other capacity building interventions including human resource development, institutional transformation and changes in working systems and processes. Civil service reform, which was initiated with the aim to create a smaller, efficient and effectively performing public services is amongst the major means of attaining the capacity building needs of rural districts countrywide. So are other initiatives such as urban management, justice system reform, information and communications technology, etc. Decentralisation is therefore linked with all other capacity building programmes and sectoral activities at local levels.

2.2 Problems and Challenges

Ethiopia is a good example of decentralised federalism in Africa. Devolution of power to regional and local governments date from the early 1990s with enactment of the country's new constitution. The establishment of a system of federated government
was introduced in 1995 with the objective of making woredas democratic organs of government, introducing unified planning, establishing a strong fiduciary and accountability framework and the like all of which aim at empowering communities at the grass-roots level. The constitution established a four-tier system of government with regions divided into 66 zones and over 550 woreda administrations out of which 541 are rural. The woreda is the lower tier of administration with legislative, judiciary and executive powers. It comprises the woreda council, woreda administrative council, woreda spokesperson, woreda cabinet and court. The average population per woreda is about 100,000.

The devolution of power to lower administrative tiers is a new development in administrative and governance history of Ethiopia. Since the formation of the federal structure, substantial efforts have been made to devolve power to woredas which have been mandated to prepare and implement development plans and programmes and set priorities clearly reflecting the needs of the people.

The devolution of power from regional and zonal administrative tiers to woredas is contained in the revised constitutions of the four regional states. Power has been devolved to woredas in Amhara, Oromia, SNNPRS and Tigray beginning in 2001. While a constitution usually provides a general framework, its intents are elaborated by regulations and guidelines. Therefore, district-level decentralisation aims at filling the missing gap between constitutions of the regional governments and the vertical and horizontal relationships of woredas by demarcating their functions and accountabilities, and recommending prototype organisational structures.

Although the Government established the legal framework before 2001 and although all woredas were vested with powers and functions on economic, social and budgetary affairs, they were not able to fully exercise their power and continued to depend partially on zones and regional governments. Thus, decentralisation has not been fully translated due mainly to lack of capacity associated with administrative and personnel problems, and a meagre revenue base.

Thus woredas face challenges due to lack a well-functioning organisational structure and face an acute shortage of skilled personnel, efficient working systems and requisite equipment to effectively discharge their constitutional responsibilities. Besides, the process of democratic participation and consultation is not fully in place, and systems and procedures for decentralised service delivery have not been developed to ensure good governance.

Next to the woreda are kebeles which constitute the lowest administrative hierarchy. A typical kebele comprises a kebele council, an administrative council and a court. Woredas and kebeles closely interact with the people and are empowered to implement plans and programmes and deliver essential services in the areas of public health, education, agricultural services, justice, etc. which are amongst their major functions and responsibilities.

According to a study carried out in February of 2002, civil service personnel in the 430 rural woredas were estimated at 65,172 mostly transferred from regional and zonal offices. However, the minimum additional requirement in personnel was estimated at twice this figure. The study also recommended pre- and in-service short-term training for new and existing civil servants with focus on planning, budget
preparation, expenditure control and administration, personnel and property administration. Recommendations included the design of woreda block grant formula, own and shared revenue sources and fiscal decentralisation, following which a transparent and untied grant system was established in the starting regional states for fiscal 2002, with weights assigned on the basis of population size, level of development and own revenue raising efforts. The formula will be modified for adoption by other regional states.

There were substantial increases in grants transferred from federal to regional governments, and from regional governments to woredas during fiscal 2002 compared to the preceding year. The transfer involved recurrent and on-going capital expenditures as well as additional resources for new projects and programmes. Annual and medium–term block grants will be allocated on the basis of budget grant formula. Donor funds will be effectively integrated into the consolidated budgets of a woreda.

Four of the country's nine regions, namely, Amhara, Oromia, SNNPRS and Tigray have taken measures to ameliorate problems encountered by their respective woredas in the delivery of public functions, with other regions, namely, Afar, Benishangul-Gumuz, Gambela, Harari and Somali expected to follow suit gradually.

Nevertheless, there still are woreda specific constraints which demand continuous support including the following:

- Lack of awareness to promote attitudinal changes at the local level.
- Lack of efficient structure, adequate investment and skilled personnel for decentralised delivery of services.
- High turnover of skilled personnel in some regional states.
- Untapped potential revenue at the local and regional levels.
- Absence and lack of a system for participation of people in the development process.
- Lack of capacity in devolving administrative and fiscal power to woredas in the five regional states.
- Absence of co-ordinated and locally adapted working systems for planning, budgeting and execution.
- Lack of strong leadership and management capacity in some regional states.
- Absence of well established local governance system accountable to local communities and responsive to service delivery.
- Duplication of efforts and lack of collaboration.
- Lack of office equipment.
In order to strengthen the abilities of woreda institutions to more effectively manage revenues and expenditures, simplified budget preparation and expenditure control manuals have been developed for payment, accounting, reporting, supervision and inspection. This will assist in monitoring and tracking the use of resources, and to ensure that transfers are not misused or wasted. Furthermore, a woreda multi-year planning system including mechanisms for establishing indicative planning figures will be developed with planning and budgeting integrated into budgeting cycles at the woreda level.

The major elements of the district-level decentralisation sub-programme (DLDP) are the devolution of functions and the delivery of services by woreda authorities with the direct participation of communities. As a common ground for accountabilities, indicators and norms for minimum service delivery aimed at monitoring are under preparation. When the process of decentralisation is fully in place, woredas will be local providers of both basic welfare and administrative services, with increased community participation in planning, prioritisation of projects and programmes. As shown in Table 1 below, rural woredas prioritised for purposes of decentralisation and capacity building interventions have been grouped by regional states.

<table>
<thead>
<tr>
<th>Four Regional States</th>
<th>Rural Woredas</th>
<th>Five Regional States</th>
<th>Rural Woredas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amhara</td>
<td>106</td>
<td>Afar</td>
<td>26</td>
</tr>
<tr>
<td>Oromia</td>
<td>197</td>
<td>Benushangul-Gumz</td>
<td>20</td>
</tr>
<tr>
<td>SNNPRS</td>
<td>96</td>
<td>Gambela</td>
<td>9</td>
</tr>
<tr>
<td>Tigray</td>
<td>34</td>
<td>Harari</td>
<td>2</td>
</tr>
<tr>
<td>Somali</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>433</td>
<td>-</td>
<td>108</td>
</tr>
</tbody>
</table>

2.3 Sub-Programme Objectives

The long-term objective of the decentralisation sub-programme is to transform rural woredas by deepening the devolution of power to lower tiers of regional governments, institutionalising decision-making processes at the grass-roots level with a view to enhancing democratic participation, promote good governance, improve service delivery and contribute to sustainable development and poverty reduction. With an enabling environment for democratic change firmly established a large number of rural woredas could be transformed into viable development centres with enhanced capacities.

The immediate objective of decentralisation is to speed up capacity building in 433 woredas of the four regional states mentioned above, and to take preliminary
measures for building capacity in 70 woredas of five regional states, namely, Afar, Benshangul-Gumz, Gambela, Harari and Somali. Implementation is divided into two phases of two and three years each. The first phase comprises initial intervention in the four regional states followed by five regional states. Intervention during the second phase includes the expansion and consolidation of 50 per cent of woredas in all regional states. The first phase includes the creation of an enabling environment in 433 woredas of the four regional states with the following specific objectives.

- Create a conducive environment for empowerment and democratic participation by communities at the grass-roots level.
- Strengthen institutional/organisational arrangements and accountability and good governance by establishing and refining functional assignments.
- Establish the legal basis to avoid duplications between regions and woredas, structure and restructure public bodies for efficient service delivery across all rural woredas.
- Establish effective and efficient working systems for planning and plan execution.
- Ensure the availability of skilled personnel for planning, plan implementation, administration and management.
- Improve monitoring and tracking of development activities and woredas’ own rules and develop guidelines on minimum standard service performance mechanism and benchmarks.
- Strengthen district-level decentralisation by facilitating efficient and effective implementation and streamlining regional decentralisation strategies, building capacity for co-ordination, execution and linkages, monitoring and evaluation.
- Design improved region/woreda block grant formula and implement revenue sharing and own revenue enhancement mechanisms.
- Introduce multi-year local planning and fiscal framework mechanism, improve donor integration in local development, strengthen financial rules, reviews, reporting systems, etc.
- Upgrade professional and leadership competence by launching short-term training, developing human resources at rural woredas.
- Provide office equipment and create a conducive working environment at rural woreda levels.

2.4 Major Sub-Programme Components and Activities

In order to address the challenges of decentralisation and meet the immediate and long–term objectives spelled out above, three major programme components have been identified. These are (i) woreda institutional set-up and minimum standard service delivery; (ii) systems development in planning and plan execution; and (iii)
human resources development.

These three components are further sub-divided into specific components or projects, as follows:

2.4.1 **Woreda Institutions/Organisations**

- Refinement and establishment of woreda functional (expenditure and revenue) assignment.
- Restructuring of specific public sector/bodies in four regional states.
- Structuring of rural woreda public bodies, functional relationships and accountabilities in five regional states.
- Defining and elaborating functional relationships and accountabilities.

2.4.2 **Manning and Training**

- Woreda personnel plan projection.
- Training needs assessment and module development.
- Development of systems for sustainable short-term training.
- Short-term in-service training for electorates, administrators and civil servants.
- Developing woreda administrative personnel, finance and material management systems.

2.4.3 **Grass-roots Participation**

- Woreda grass-roots participation, monitoring and evaluation.
- Local organisational training and sensitisation.
- Integration of civic societies and NGO’s.

2.4.4 **Sub-Programme Development**

- Development of decentralisation strategies.
- Monitoring and evaluation system and impact assessment.
- Assessment of linkages and gaps.
- Experience sharing on decentralisation and policy analysis.
- Creation and strengthening of co-ordinating units.
2.4.5 Capacity Building for Woreda Fiscal Transfer and Own Revenue Enhancement

- Introducing and improving region/woreda block grant model.
- Revenue sharing and own revenue enhancement.
- Woreda budget allocation and prioritisation.
- Study of performance based grant system.

2.4.6 Woreda Planning and Financial Control System

- Strengthening project management capacity.
- Assessment of woreda financial reporting, inspection, supervision and management system.
- Woreda multi-year planning system and fiscal framework.
- Integration of donor funded activities into woreda development activities.

2.4.7 Minimum Standard Service

- Development of minimum standard service performance mechanisms and guidelines.
- Assessment of minimum standard service.
- Development of benchmarks and data base system for intervention.

2.4.8 Office Equipment

- Need assessment.
- Training on usage and maintenance.
- Equipment procurement.

2.4.9 Strengthening Capacities of Lead Institutions

This component focuses on maximising the supply side intervention of affiliated lead public sector organisations at the regional level by building their capacity in the area of training, human resource development, database and systems development including:

- Training of trainees and facilitators for woredas.
- Strengthening data base system at regional levels.
• Curriculum module development by regional management institutes for woreda needs.

2.5 Priorities and Sequencing

Prioritisation and sequencing depend on long-term strategies, on the phases of intervention envisaged by each regional government and other stakeholders as well as on scaling-up of on-going activities. Therefore, activities planned for the five-year period will be implemented in phases -- enabling, deepening and consolidation -- which vary in the nine regional states, with the four regional states advancing ahead of others.

The four regional states concentrate on deepening and consolidating human capital, reinforcing grass-roots participation and planning systems, refining functional assignments and restructuring of some of the public institutions, etc. The other five regional states are still in the process of creating enabling environments and will begin establishing functional assignments, building-up institutions, creating financial management systems and devolving decision-making on financial resources, etc.

2.6 Linkages with Sub-Programmes

Decentralisation is linked to other capacity building sub-programmes and sectoral activities at the local level. It therefore requires effective co-ordination with pertinent sectoral and programme activities. In some cases, there is a need to adapt systems tailored to local needs.

2.7 Cross-cutting Issues

Building capacities will create opportunities to address cross-cutting issues effectively. Among other things implementation of the sub-programme depends on the extent to which it is harmonised with national development priorities, macro-economic and fiscal policies. At the local level, empowerment could not be realised without the active participation of rural women in decision-making. Utmost efforts will be made to advance the participation of all disadvantaged members of the population. Improving the delivery of social services, ensuring ownership and enhancing their asset creation capabilities will ameliorate the problems of women.

Focus will be made on facilitating the role of women in decision-making, leadership and changing the backward cultural heritage. Environmental land use concerns need to be embodied in projects and plans of all institutions at the local level. In this regard, it is necessary to put in place woreda structures as well as regulatory systems to ensure the responsiveness of every institution for sustainability. At the local level HIV-AIDS institutions should be strengthened.
Sub-Programme 3
Information and communications technology

3.1 Introduction

The Ethiopian Government recognises that in the newly emerging economic order, the basis for national prosperity is information and communications technology (ICT), and that Ethiopia cannot afford to be left behind in its development. The Government sees ICT within the wider context of its socio-economic development objectives and believes that it should take advantage of these technologies to accelerate the rate of economic growth and alleviate poverty. Indeed, the Government sees ICT as a key factor for achieving progress in economic and social development.

ICT is known to provide an opportunity to foster vital development goals such as poverty reduction, basic health care and education, etc. But it also promotes good governance by facilitating interaction between the Government and the population, thereby creating the conditions for enhancing transparency, increasing accountability and improving the efficiency and effectiveness of public-sector delivery. ICT thus creates new opportunities for sustainable growth and poverty reduction and helps in deepening the process of democratisation and good governance. The use of ICT creates the conditions for improved transparency and governance.

Clearly, ICT will be of enormous help in implementing the Government's decentralised service delivery at the grass-roots level by making data and information readily available in all regions and at all levels of government. Not only will ICT result in improved service delivery to remote rural areas, but it also facilitates interfacing with the private sector, which is expected to play an increasingly important role in ICT development in the years ahead. The Government will foster private sector participation in the development of ICT by creating a favourable environment and developing facilities and related infrastructure.

The development of ICT comprising, among other things, policies and strategies, and information and communications infrastructure aimed at harnessing its vast potential for the country's social and economic development is the goal of the Government. It is committed to enhancing the impact of ICT on its overarching goal of reducing poverty and good governance. Towards this end, the Government will pursue policies and strategies that will ensure greater application of ICT by building capacity aimed at improving knowledge and skills at all levels. This applies to all aspects of programmes under PSCAP.

3.2 Overview of the Current Situation

The ICT sector in Ethiopia at present is at a nascent stage. This manifests itself in many ways.

- Nearly the entire population is dependent only on the conventional and traditional information delivery system, the radio or newspapers. Even, then, however, basic and day-to-day information available through local newspapers or the radio can hardly be said to reach the vast majority of the rural population due to the low level of infrastructure development.
• Coverage of the national telecommunication network, which is mainly designed for voice grade communication, is low.

• The capacity of Internet services is extremely limited and accessibility is poor.

• There is a serious shortage of human resources in ICT, both in number and qualification.

• Data and information resources in support of economic and social development are limited and are not systematically organised for ease of accessibility.

In recognition of ICT's vital importance in the development process, the Government undertook initiatives to promote its development. There were considerable investments in setting up telecommunications infrastructure in the last 8-10 years. The largest telecommunication services provider, the Ethiopian Telecommunications Corporation, has made nearly all the investment.

The telecommunications sector has been liberalised by a policy framework and proclamation. However, national coverage is still negligible and substantial investment will be needed to increase coverage to desirable levels. Although the policy provides for competition and licensing for multiple operators, private service providers lack the requisite resources, which is reinforced by limitations in infrastructure.

As a result of expansions in investment in telecommunications infrastructure and services, there have been modest expansions of information and communications services in recent years both in the public and private sectors. Technologies that have been expanding include cellular telephone, mobile radio communication, payphones, the Internet, Internet cafe services and community centres, which provide a broad range of multi-purpose communication services such as fax, telephone, computer services, Internet, e-mail and media services. While the Internet and other forms of information and communications technology are now readily available in Addis Ababa, limited access to ICT by populations with medium and lower income, including those in rural areas, is a major impediment to ICT usage.

In addition to telecommunications infrastructure, the availability of personal computers may be considered an indicator of the extent of ICT in the country. Although the number of computers is admittedly negligible, their availability in the private and public sectors has been on the rise in recent years. Both public and private banks as well as academic institutions have experienced some level of computerisation, and most of the larger private sector organisations use computers. International agencies operating in the country and non-governmental organisations have almost wholly computerised their activities.

Although recent trends in the development of ICT shows considerable growth in infrastructure and services, ICT in Ethiopia is the least developed as compared to countries in sub-Saharan Africa. Proper data communication network is only beginning, and the number of computers, modems and facsimile machines in the
country is negligible. Internet services are given from eight points-of-presence (PoPs) covering a mere 50,000 dial-up customers all over the country.

Nearly the entire rural population has no telecommunication infrastructure. This threatens to make a mockery of decentralisation which is intended to ensure good governance by offering opportunities to all citizens. The formulation of policies and programmes at the local level cannot be realised without expanding ICT. It is clear, therefore, that much more needs to be done to further develop ICT infrastructure in the interests of sustainable growth and poverty reduction as well as for deepening the process of democratisation and good governance.

The national ICT policy includes the establishment of an enabling legislative and regulatory framework consisting of the institutionalisation of duties and responsibilities, definition of financial and operational guidelines, etc. for the attainment the policy objectives. Existing legislations all have major limitations in that they fail to address ICT concerns, are lacking in clarity and enforcement, to mention but a few examples. While recent attempts to improve the situation, particularly in patent and broadcasting, are expected to result in significant improvements there remain areas requiring immediate intervention in terms of reviewing regulatory issues, financial and technical support, etc. including the following:

- Capacity building of the regulatory authority.
- Licensing system.
- Local competition.
- Spectrum management system.
- Regulatory role/arrangements.
- Arrangements for providing Internet services.
- Bandwidth for data and multimedia.
- Human resource capacity building
- Technical know how.
- Computer literacy.
- Private sector involvement.
- Security policy.
- Local content management and standardisation.
- Community access and participation.

The above are some of the building blocks that the Government will put in place for a robust development of ICT. The salient features of ICT policy are presented in the Communications Policy Paper of April 2002 and the draft Information and Communications Technology Policy document of June 2002. These documents present policy frameworks for telecommunications and ICT development respectively.

3.3 Problems and Challenges

There is awareness about the benefit of ICT at all levels of government. As a result, every institution is modernising its information management, though in unco-ordinated and disorganised manner. Much emphasis is given to infrastructure development, but most institutions have a critical problem of ICT professionals and ICT literate staff capable of developing electronic content and effectively using existing infrastructure. In addition to the most complex problem of content
development, institutions also have problems to troubleshoot minor software and hardware failures.

Problems at regional levels are even more serious. The basic infrastructure required for using ICT is poorly developed and virtually non-existent in some regions. The number of computers and the availability of application software is limited. There is virtually no regional network of computers and whatever network exists is limited only to small offices. Woreda government offices and rural areas are devoid of telecommunications services delivered at regional levels are not reliable. Besides, information exchange outside government institutions is predominantly oral.

On the basis of a preliminary assessment of ICT application and utilisation in the country the following problems have been identified.

- Absence of IT skilled and literate personnel.
- Poor and slow information exchange process/system horizontally and vertically throughout federal and regional institutions, offices and bureaux.
- Inaccessibility of existing information because of lack of proper organisation and excessive paper-based document management system.
- Lack of ICT infrastructure and networking to share and exchange data and information resources.
- Inefficient utilisation of internet and e-mail services and absence of these services in rural areas.
- Duplication of efforts among bureaux in data collection, analysis and dissemination due to the absence of standardised and integrated systems.
- Excessive paper work; despite the presence of computers, people are tempted to use paper to exchange and read information.
- Traditional mail delivery system.
- Lack of access to conventional information delivery systems such as the radio, newspapers and mail systems in rural areas.
- Lack of appropriate hardware and software for data collection, consolidation and dissemination of information.
- Delays in reporting due to traditional means of communication.
- Duplication of efforts among different government organisations.

### 3.4 Sub-Programme Objectives
In order to promote national development and effectively integrate the country's ICT and economy into the global information infrastructure and the world economy the Government intends to undertake the following.

- Find effective ways of maximising benefits accruing from ICT including services and institutions. In this respect, there is a need to put in place the necessary scientific, technical and engineering know-how as well efficient management for harvesting the potential of ICT to maximise social and economic benefits.

- Create national and specialised information systems based on historical, cultural and institutional settings in such areas as agriculture, industry, health, education and governance.

- Promote citizens' rights to access basic information at all levels and in all areas; major policy and regulatory measures are needed to ensure equitable, reliable and affordable access to ICT.

- Strengthen efforts towards solving standardisation problems in data communication and the storage and retrieval of information in general and in local languages in particular.

- Upgrade the capacity of the national telecommunications network so that it supports higher data communication demands. The penetration level of the national telecommunications network which is mainly designed for voice grade communication at present is extremely low and cannot therefore provide quality data communication services for community access and public services delivery.

- Develop adequate skills through training in the fields of information science and systems analysis, software engineering, networking, communications, etc.

While the long-term objective capacity building in ICT is to harness the full spectrum of ICT potential for economic growth and poverty eradication, including the development of human resources, democratisation and good governance on a sustainable basis, its specific objectives include the following:

- Develop a legislative framework and build institutional capacity.

- Establish a national ICT strategy responsive to national development goals.

- Support ICT professionals of regional and federal institutions by providing them with adequate information and infrastructure.

- Facilitate sharing and dissemination of information between civil, private and public service institutions to improve efficiency and transparency.
• Facilitate citizens' access to public domain information contents of public institutions.

• Create the groundwork for research and development in such areas as contents and applications, and high tech ICT industry growth.

• Promote community-based development of contents, services and applications.

• Interconnect government agencies/institutions.

• Formulate ICT human resources development strategy.

• Strengthen ICT institutions by providing education and training.

• Introduce new ICT training and education programmes at regional universities and teacher training colleges.

• Systematise digital contents to enable ICT-based civil and public services delivery and support decision-making process.

• Initiate ICT-assisted service delivery in health, education, and for rural development.

• Organise and manage electronic information resources in all sectors and institutions and make them available at global, national, regional and local levels.

• Create a critical mass of ICT-skilled labour force.

• Mobilise community knowledge and resources to create a gateway to diverse information resources within the country and facilitate the community to access and interact with national and global information infrastructure, resources and systems.

• Define strategies for the active participation of the private sector in the development and utilisation of ICT.

• Incorporate gender information needs and the interests of women in all information and communication programmes.

• Promote women's access to information, especially in rural areas, so as to reduce the gender information gap.

In general, the need for building ICT capacity is driven by the country's overall development goals, but particularly the poverty reduction strategy as well as good governance and democratisation. Capacity building will have a pivotal role in the country's socio-economic development and poverty reduction strategy.
3.5 Major Components and Activities

On the basis of the objectives enunciated above, the Government intends to embark on capacity building in ICT for implementation over the medium term. The programme is designed to make the required inputs into the development of ICT ranging from national policy and strategies to the building up of national information and communications infrastructure. The focus will be on the following six priority areas where severe capacity limitations are evident.

(i) Establishing enabling legal frameworks and a conducive environment
(ii) Using ICT for efficient service delivery and good governance
(iii) Developing physical infrastructure, human resources, content and applications
(iv) Promoting community-based information systems and services
(v) Using ICT for sector and rural development
(vi) ICT and the private sector.

The development of ICT may be grouped under two major categories, namely, creating the foundation for the sustainable development of ICT and developing the necessary infrastructure, large-scale computerisation and expansion of ICT-based solutions and applications across all sectors.

The Government clearly recognises that for ICT to play a significant role in Ethiopia’s development special attention must be given to laying the foundation and addressing cross-cutting issues. These include developing an enabling policy and regulatory environment; ICT standards, human resource and content development; capacity building and institutional strengthening. These are amongst the key prerequisites for the successful institutionalisation of ICT in health, education, rural development, the public sector in general, and for effective ICT-assisted development in Ethiopia. The Government is in the process of preparing a separate ICT-assisted development project along this line.

3.6 ICT and PSCAP

The development of ICT infrastructure, large-scale computerisation and expansion of activities will be carried out within the framework of the respective sector operations and with appropriate sources of funding provided through corresponding programmes. In this context, the scope and modalities of ICT application include:

- Use of ICT for efficient service delivery and good governance.
- Expansion of woreda-net, e-government and other public sector initiatives, computerisation of federal, regional and local government institutions.
- ICT application and management information systems in sector programmes under PSCAP.
- Human resources development in ICT for e-government initiative.

3.6.1 ICT for Public Service Delivery and Good Governance
The intention here is to develop a network of information systems involving computerisation, content development and Internet with the objective of interconnecting public institutions/agencies. This component includes the following activities.

- Design relatively cost-effective systems for access to information resources.
- Establish government portal to make information accessible through the media to be established.
- Establish/publish websites for government institutions and federal and regional governments.
- Establish information and decision-making support systems in line with the political structure and sector ministries at the federal, regional and woreda levels.
- Develop systems and supervision service for public information network.
- Procure hardware and software for government offices in 611 woredas as part of the e-government initiative.
- Lease telecommunications circuits, both dedicated and dial-up.
- Hire ICT experts and support staff for federal and regional offices.
- Facilitate electronic content development in standardised and usable formats (preferably web-based) for all federal, regional and woreda level government institutions.
- Assist public sector institutions to establish electronic records management (documentation) units and electronic libraries.
- Create service portfolios to deliver information to users (institutional as well as individuals).

3.6.2 ICT for Human Resource Development and E-Government Initiative

The basic objective of this component is to produce a critical mass of ICT-literate workforce in public institutions for effectively utilising ICT infrastructure along with the provision of improved service delivery. The following are the major activities:

- Establish distance learning centres.
- Establish higher education network.
- Develop ICT curriculum for high schools, technical and vocational training centres and universities, as well as for personnel working in government information network nodes at all levels of administration.
• Conduct training for civil service personnel at the national level for effective use of ICT for good governance and for public service delivery at federal, regional and woreda levels.

• Conduct training of trainers in basic ICT skills for teachers from all high schools.

3.6.3 ICT and Sectors

ICT has a broad range of application across various sectors of the economy. It plays a crucial role in the effective implementation of sector development programmes in health, education, agriculture, e-government, e-commerce, etc. The aim of this component is to initiate ICT-assisted service delivery in health, education, rural development; and other programmes that are components of PSCAP. Following are some of the major activities:

• Establish school net.

• Establish library net.

• Establish justice net.

• Establish management information systems.

• Modernise the administration of health services.

• Establish a health net project.

• Introduce appropriate technologies for health in rural areas.

• Disseminate medical information through the Internet, especially on ways to prevent contagious diseases such as HIV/AIDS, tuberculosis, basic health care and environmental sanitation.

• Establish national agricultural database.

• Establish a national agricultural research network connecting all agricultural research institutions with access to rural communities, and develop agricultural information and content for rural communities.

• Provide support for farmers’ associations and rural extension workers by making available current information on modern agricultural techniques and resource management.

• Initiate a modern geographical information system (GIS).

3.6.4 Community-based Information Systems and Services
As pointed out earlier, ICT-based information services and resources are concentrated in urban centres, mainly Addis Ababa, to the exclusion of rural areas and other urban centres. To address this problem, pilot multi-purpose community tele-centres have been initiated in three localities in as many regions, namely, in the towns of Debrebrhan in Amhara, Woliso in Oromia and Axum in Tigray. Plans are underway to extend coverage of these services to other localities in all regions. About 100 community-based information systems and service centres will be established in selected localities in all regions. The major activities regarding the expansion of community-based information and services are highlighted below.

- Establish a legal, regulatory and institutional framework for the establishment of community-based information systems and services.
- Sensitise the authorities and the community at large.
- Procure and install ICT facilities.
- Provide connectivity to the domestic and world pool of information.
- Study and organise appropriate community-based local contents for wider usage.
- Identify and establish services to be provided to local communities through such centres as school net and woreda information network system, which is expected to be in place.
- Repackage globally available knowledge in usable forms.
- Regularly organise awareness-raising events and forums for community participation.
- Conduct regular training programmes at all levels.
- Acquire and develop basic reference sources/materials.

3.7 Priorities and Sequencing

The ICT sub-programme envisages several activities. Although these activities are important, they cannot be implemented all at the same time. Therefore, it is important to prioritise and sequence them on the basis of the following criteria.

- Instead of investing large amounts of money on one large project, smaller projects will be undertaken in order to avoid or minimize risks.
- The project must benefit citizens and organizations.
- The running cost of a project should not be high to avoid sustainability problems; the availability of local staff to run the project is also important.
A project should not be complex, for if it is complex, it may face problem of operation.

3.8 Linkages and Cross-cutting Issues

3.8.1 Linkages

Linkages between the ICT sub-programme and others in PSCAP are essential for responding to cross-sectoral issues. ICT is known to provide opportunities to foster development goals but it also promotes good governance by facilitating interaction between the government and the public, thereby creating the conditions for enhancing transparency and accountability and improving the efficiency and effectiveness of the public sector. By and large, ICT facilitates information exchange through all public institutions and across PSCAP.

Improvements in the provision of services to the general public requires efficiency in the performance of different sectors. Decentralising service delivery strengthens and permits communities to participate in the process of decision-making. Due to its inherent nature of being a tool to facilitate change, ICT comes on the scene through information and data exchange. Every institution engaged in service delivery needs information. ICT has to strengthen relationships between public and private firms. ICT at present is hampered by lack of infrastructure and human resources.

ICT can be used as a tool for effective and efficient implementation of PSCAP. The woreda decentralisation, tax reform, justice reform and civil service reform sub-programmes all have strong linkages with ICT as well as other on-going activities in other sectors.

3.8.2 Gender

In general, problems related to women and gender inequalities in the country are linked to economic, access to information and tradition. In solving such problems, the ICT sub-programme will encourage the involvement of women in ICT through various means. For example, ICT can play an important role in awareness creation and empowering of women by providing up-to-date and reliable information. The sub-programme helps solve the deeply rooted problems of women by providing information and ICT-skill upgrading trainings aimed at empowering women.

3.8.3 Environment

Environmental issues are generally considered important in any developing country as well as in the developed world. There is a serious problem of environmental degradation due to over-cultivation, overgrazing, deforestation etc. A major problem is the lack of data to monitor changes. Therefore, the development of an environmental information system will make it possible to provide environment related information to policy makers, regulatory agencies thereby assisting in reducing/controlling further degradation.

3.8.4 HIV/AIDS
HIV/AIDS is one of the most serious problems in the country as in many other countries. Currently, an estimated 3 million people are infected, the working age group being the most affected. It is one of the ten top killer diseases in the country. Therefore, prevention and control is a question of survival. One of the main reasons for the spread of HIV/AIDS is the lack of awareness and poor information exchange. The use of ICT, therefore, is indispensable, for it will make it possible to collect and monitor data on HIV prevalence rates and to support planned initiatives by federal and regional HIV/AIDS Council Secretariats to control the killer disease, to provide integrated care and support services to victims. In addition, ICT will increase public awareness by facilitating the circulation of information through communities.

Sub-Programme 4
Justice System Reform

4.1 Introduction

There has been a growing consensus that reform of the justice system in Ethiopia is long overdue, coupled with a growing public demand for efficiency, fairness, transparency and accountability in the system of justice. This is due, in large measure, to the generally recognised fact that there are large numbers of cases pending all over the country. Although there have admittedly been steady improvements in recent years, the average delay remains extraordinarily long. Such delays and legal unpredictability present a major problem both for public and private sector operations. Lack of legal predictability in economic transactions and the denial of justice because of backlogs and delays in the court system, among other things; necessitate the need for justice system reform. In response to the growing consensus, reform of the justice system with the aim to improve its efficiency and effectiveness has moved up the Government's priority agenda.

Reform of the justice system is of profound importance. It entails far-reaching changes across institutions as well as changes in cultural norms and values. Reforming the justice system is a task that profoundly affects the balance of national institutional power among the executive, legislative and judicial branches of government, as well as the balance of power among diverse social and political groups in society. Amongst the aims of justice system reform is to ensure the efficiency of the market-driven economy by increasing access to justice and building the justice system's ability to quickly respond to the needs of the private sector. An effective justice system is essential for attracting private investment and for economic growth and development. Hence, an effective and efficient justice system is an essential element of a well-functioning market economy and democratic system.

The nature of the justice system and problems it presents are such that both public and private sectors are adversely affected if it malfunctions, and benefit if there is an effective and efficient justice system. The judiciary should enforce and apply laws and associated regulations impartially, predictably and efficiently. This is of paramount importance for economic growth, which cannot be promoted and sustained where there is a failure in the justice system. The Government is committed to making the country's judicial system independent and effective so that it guarantees the rights of citizens, and that it contributes to sustainable economic growth and poverty reduction based on empowerment, opportunity and security.
4.2 Overview of the Justice System

4.2.1 Structure of the Constitution

In May of 1991, Ethiopia made a major shift from a highly centralised system of government to a democratic and decentralised federal system. The country’s constitution, which was adopted in December of 1994 guarantees respect for human and democratic rights of citizens. The principle of self-determination as enshrined in the constitution is manifested by a federal state structure devolving power to regions that are constituent members of the federation. The constitution guarantees full independence of the judiciary with judicial powers both at the federal and regional levels vested in the courts. In addition to federal courts, there are nine regional courts each with a three-tier court structure -- supreme, high (zonal) and first instance (woreda). The Federal Government and member states of the federation have parallel legislative, executive and judicial organs that perform their functions independent of one another.

The House of Peoples’ Representatives, the highest authority of the Federal Government, is the law-making organ in all matters assigned by the constitution to the federal jurisdiction. The State Council, the highest organ of state authority, has the power of legislation on matters falling under state jurisdiction. It is important to note here that regions have residual powers in matters that are not expressly given to the Federal Government alone or concurrently with regions.

The House of Federation, the second chamber of the parliament, is vested with the power to interpret the constitution, organise the council of constitutional inquiry, decide on issues relating to the rights of citizens, nationalities and self-determination, including the right to secession.

The Independence of the judiciary is also guaranteed by the federal constitution. Judicial powers both at federal and regional levels are vested in the courts. Because of the duality of institutions entailed by the dichotomy of the federal/regional state structure there are, in addition to federal courts, nine regional courts each with its own compliment of a three-tier court structure -- supreme, high (zonal) and first instance (woreda) courts. Unless the House of Peoples’ Representatives votes to establish nation-wide federal high and first instance courts by two-thirds majority, jurisdiction is delegated to regional courts.

The constitution also elaborates the powers and duties of the executive branch of the Government. The Council of Ministers is the highest executive organ at the federal level. Other federal agencies referred to as commissions, authorities and offices are accountable to appropriate ministries excepting those directly accountable to the Office of the Prime Minister. In regions, the state council (legislature) is the highest governmental organ. State executive organs parallel and analogous to ministries of the Federal Government are referred to as bureaux. In regional states, the executive organ is the state cabinet headed by the chief administrator of the state.
4.2.2 Institutions Involved in the Justice System

There are various institutions involved in the justice system with their respective duties and responsibilities. These are:

(i) The House of Peoples' Representatives
(ii) The House of Federation
(iii) The State Councils
(iv) The Courts
(v) The Ministry and Regional Bureaux of Justice
(vi) Federal and State Police
(vii) The Federal and State Penitentiary Administration
(viii) Institutions of Legal Education and Research
(ix) The Bar Association of Ethiopia

4.2.2.1 Federal Institutions

4.2.2.1.1 House of Peoples' Representatives

Legislative power resides with the House of Peoples' Representatives, which is "the supreme legislative organ in all matters assigned by the constitution to federal jurisdiction. Its members are elected for a term of five years on the basis of universal suffrage and by direct, free and fair elections.

4.2.2.1.2 House of Federation

The House of Federation is the second chamber of parliament composed of representatives of nations, nationalities and peoples of the country. The house is vested with the power to interpret the constitution, decide on self-determination, and division of revenues between federal and regional governments.

4.2.2.1.3 The Federal Courts

Proclamation No. 25 of 1996 establishes federal courts, which comprise the Federal Supreme Court, the Federal High Court and the Federal First Instance Court. These courts have jurisdiction over cases arising under federal laws as well as cases of parties and places specified in federal law. Judges of federal courts are selected for appointment by the Federal Commission for Judicial Administration and are appointed by the House of Peoples' Representative after nomination by the Prime Minister. Federal judges hold office as long as they are in good health and behaviour.

Another institution worth mentioning is the Court of Cassation, which is an integral part of the Federal Supreme Court. In addition to reviewing final decisions of federal courts, it has the power to review the final decisions of state supreme courts in cases containing "fundamental errors of law".
4.2.2.1.4 The Ministry of Justice

According to Proclamation No.4 of 1995 (as amended), which defines the powers and duties of the executive organs of the Federal Democratic Republic of Ethiopia, the duties and responsibilities of the Ministry of Justice are the following:

- Act as a chief advisor to the Federal Government on matters of law.
- Prosecute federal crimes before federal and state courts.
- Study the causes and methods of crimes and their prevention.
- Institute cases or intervene in proceedings before federal and regional courts, other judicial body's or arbitration tribunals, where the rights and interests of the public and of the Federal Government so require.
- Issue, supervise and revoke licenses of advocates practicing before federal courts.
- Provide legal education with a view to raising the public's legal consciousness.

4.2.2.1.5 The Police

The Federal Police, which is under the Ministry of Federal Affairs, is responsible for investigating federal crimes. The Federal Police has also the duty to investigate federal crimes committed at state level.

4.2.2.1.6 The Penitentiary Administration

The federal Penitentiary Administration was established recently under Proclamation No. 365/2003. It is vested with executing sentence passed by the federal courts and rehabilitation of convicts. In doing so, it has the responsibility of creating a better environment where inmates can be educated and rehabilitated as responsible members of the community.

4.2.2.1.7 The Bar Association

The Ethiopian Bar Association is an organisation of licensed lawyers whose function is to assist the courts in rendering justice. Established in the 1960s, the Association has taken new initiatives to revitalise itself, particularly since 1995. At present, it has membership of over seven hundred practicing lawyers. Its ultimate objective is to establish itself as self-governing professional association.

4.2.2.1.8 Institutions of Legal Education and Research

Several institutions of higher learning and one research institute are involved in the country's justice system in one way or another. The higher learning institutions, which provide trained legal professionals to the justice and other institutions are law faculties of the Addis Ababa University, the Civil Service College and others. Established in 1963, the Faculty of Law at the Addis Ababa University has been
offering degree and diploma programmes to regular and evening students. Due to capacity limitations it graduated only about 1,200 LL.B degree holders and approximately 2,000 graduates with diploma in its nearly 40 years of existence.

The Civil Service College was established in 1996 with the objective of creating conditions under which civil servants in regions serve the people by training them in various skills and professions, with priority given to women and backward regions in admission of students. To date, the College has graduated over 500 lawyers.

The Justice and Legal System Research Institute was established in 1997 with the objective of undertaking research with a view to strengthening and modernising the country's justice and legal system.

4.2.2.2 Regional Institutions

There also are several other institutions at state levels, including the following.

4.2.2.2.1 The State Council

The State Council is the highest organ of state authority in each member state. It is responsible to the people of the state and has the power of legislation on matters falling under state jurisdiction according to the federal constitution. The state administration constitutes the highest organ of executive power. All member states having enacted their respective constitutions and are in the process of implementing them by establishing institutions and promulgating laws.

4.2.2.2.2 State Courts

Courts established in all states have three levels: state supreme courts, zonal or high courts, and woreda courts. As with the federal system, and similar in both composition and powers, state courts also have their cassation benches.

4.2.2.2.3 State Justice Bureaux

The functions of state justice bureaux of regional governments are similar to those of the Federal Government's Ministry of Justice.

4.2.2.2.4 State Police

In principle, the state police are responsible for handling state crimes. State police also partake in the investigation of federal crimes committed in states.

4.2.2.2.5 State Penitentiary Administration

The State Penitentiary Administration is responsible for enforcing judgment of state courts and for rehabilitation of offenders serving prison terms.

4.3 Major Problems of the Justice System

The system of justice in Ethiopia is generally characterised by delays in the dispensation of justice, lack of institutional capacity in law enforcement, court
congestion. This creates obstacles in the promotion and protection of human and democratic rights, inefficiencies in law enforcement as well as in the administration of justice. These problems exist mainly because of shortage of adequately trained personnel and the lack of essential equipment and facilities at both federal and regional levels. Programmes designed to bring about a fair and efficient system of justice in the interest of the people have not fully lived up to expectations. The most critical problems are the following:

- Acute shortage of trained professionals and inadequate qualification of existing personnel.
- Lack of essential facilities in institutions of justice.
- Insufficiency and inability of institutions providing legal education to produce competent lawyers in desired numbers.
- Outdated and inefficient methods and procedures of the justice system in delivering justice.
- Inability of existing laws to fully cope with the constitution and the present state of affairs.
- Court congestion and delays.
- Obstacles in the promotion and protection of human and democratic rights.
- Inefficient system of law enforcement.

In general, the justice system is unnecessarily costly, complex and unpredictable. Dispositions of criminal cases are so protracted that rights granted by the constitution are not fully operational. In order to ameliorate the situation, the Government has been taking measures aimed at bringing about improvements in the administration of justice by making budgetary allocations from its meagre resources. These include regular trainings, on-the-job and otherwise, of judges, prosecutors and other justice personnel on procedural and substantive laws of Ethiopia. About 3,000 judges and prosecutors have been trained with focus on upgrading skills of lower level judges and prosecutors during court recess. This is both at the federal and regional levels and has been going on for the last several years.

Parallel measures have been undertaken aimed at raising the professional competence of the police and prisons' administration officials. Measures are also being taken to bring about a comprehensive reform and revision of the laws of the country aimed at harmonising existing laws with the constitution. The major laws of the country existing in the form of codes such as the penal code, the commercial code, the criminal procedure code and the family code have been revised in line with the federal constitution and the needs and aspirations of the people in the last three years. Several new laws such as the administrative procedure law, the notary public law, the stock exchange law, and law on civil registration system have been initiated.
The Government recognises that fragmented and piecemeal approaches in reforming and building the capacity of justice institutions cannot solve problems facing the justice system and bring about effective changes. This can only be achieved within the framework of a programme of comprehensive justice system reform. Towards this end, preparations are being made for formulating a comprehensive justice sector reform with defined priorities, areas of strategic intervention, etc. This will be a major task requiring external funding and expert assistance. In the meantime, improvements in the system of justice will proceed with the Government continuing to allocate funds within the framework of the annual budget as in the past.

4.4 Objectives of Justice System Reform

The overall objectives of the justice system reform sub-programme (JSRP) are the following:

- Strengthen the performance of the country's justice system.
- Promote the practical implementation of democratic and human rights as enshrined in the constitution.
- Promote an efficient system of justice that is consistent with sustainable economic growth.
- Ensure community participatory in the justice system.
- Streamline the system of courts.
- Improve the legal framework and judicial capacity.
- Bring about improvements in access to the system of justice consistent with the growing needs of the society.
- Strengthen institutions for an efficient and transparent judicial system that will ensure a rule of law.

Implementation of the sub-programme will be carried out within the framework of the Government's overall strategy of economic growth and poverty reduction, which aims at bringing about improvements in the system of governance for sustainable social and economic development. Implementation of the sub-programme is expected to substantially contribute to the Government's market-driven growth strategy.

4.5 Major Components and Activities

Justice system reform comprises enhancing the effectiveness of law-making organs and affiliated bodies, effective delivery of justice by judicial organs, efficient law enforcement, training of legal professionals and researchers and putting in place an efficient system of justice. It has three main components, namely, the judiciary, law reform and revision and the law enforcement organ.
4.5.1 The Judiciary

This component mainly concerns the courts at various hierarchies of federal and regional governments with the following key activities.

- Improve the filing system.
- Improve the management system.
- Introduce an automated case recording and transcribing system in federal and regional courts.
- Establish information counters for the public
- Improve the production of court orders and decisions
- Conduct workshops for judges and court personnel to raise awareness.
- Conduct managerial skill training for court leadership.
- Upgrade ICT skills of judges and staff.
- Establishing legal institution centre.
- Regularly conduct training for court clerks,

4.5.2 Law Enforcement Organs

This component concerns the justice Ministry (bureaux), police commissions and penitentiary. Key activities include the following:

- Develop a national crime prevention strategy.
- Develop a programme of continuous professional development training for prosecutors.
- Develop and deliver special training for police officers to enable them properly direct and manage police institutions with a view to developing a modern police force.
- Conduct continuous professional development for members of the police on crime prevention, human rights, constitutional law, criminal procedure, investigation techniques, community policing and the management of evidence.
- Develop training standards for penitentiary staff.
- Provide police and the penitentiary administration for the installation of modern equipments.
• Equip the law enforcement organs with ICT.
• Establish community policing systems.
• Upgrade existing national forensic laboratory.
• Conduct public awareness programmes to fight crime and its causes.

4.5.3 Law Reform and Revision

The component concerns the parliamentary and affiliated organs such as the House of Federation and regional state councils; it comprises the following key activities.

• Conduct training and workshops for members of Parliament, House of Federation, regional councils and their respective staff.
• Revise existing laws and enact new legal provisions where required.
• Conduct a study on a comprehensive national justice system reform programme.
• Publish and distribute proceedings of legislations.
• Compile, consolidate and distribute legislations and regulations.
• Publish and distribute legal research materials
• Procure information and services.
• Undertake a study on the establishment of systems and procedures for declaring income and property.
• Develop by-laws for the Human Rights Commission and Ombudsman's offices.

4.6 Linkages with Sub-Programmes

The civil service reform sub-programme has been designed with focus on overhauling the civil service system. The major reform components are human resource management, service delivery, top management system and ethics. These components and activities will be implemented by national and regional government agencies including the police, public prosecutor offices and the judiciary to enable them play major roles in the prevention, detection and investigation of corruption and correct other administrative malpractices. Wherever the sub-programme directly impacts on human resources management, service delivery, top management system and ethics; it will be implemented in consultation with the civil service reform to ensure conformity.
The JSRP includes the development and implementation of improved information technologies throughout the justice system. This will be implemented in parallel or consistent with the ICT sub-programme to ensure consistency and effective/efficient implementation.

The JSRP has also linkages with the following sub-programmes.

**Tax system Reform** comprising: customs as an enforcement body/police force; organised prevention strategy regarding contraband and tax evasion; fraud regarding commercial crime investigations; provision of forensic services; implementation of new income tax legislation, prosecution of cases of fraud; smuggling etc.

Linkages with **urban management** comprise the role of the Addis Ababa municipal court, traffic laws and traffic police, and urban planning as an aspect of community policing and crime prevention strategy, urban planners and their role in construction and design of police stations, courthouses, forensic labs and jails, etc.

4.7 Cross-cutting Issues

Cross-cutting issues such as gender, HIV/AIDS and the environment have been considered for inclusion in the design of the sub-programme. Workshops will be conducted for sensitising the public on the spread of the pandemic while training opportunities will be provided for socially disadvantaged groups, in particular women.

Sub-Programme 5
Tax System Reform

5.1 Introduction

Ethiopia has performed remarkably well in implementing the far-reaching structural adjustment programme since the beginning of the 1990s, amongst which is fiscal stability coupled with rapid increases in tax revenue approaching 13 per cent of the gross domestic product in recent years. This is the result of major improvements in the system of tax administration and policy, which are crucial not only for mobilising domestic resources but also for improving overall fiscal performance. The major factors accounting for increases in revenue are expansions in the tax base as a result of far-reaching liberalisation of the economy, changes in the structure of taxation, and streamlining the organisational structures of institutions involved in tax administration. Some of the measures taken so far towards rationalising the existing tax structure and increasing revenue are broadening the tax base, enhancing efficiency, reducing maximum customs rates, drastically limiting the number of zero-tariff rated items and import exemptions and introducing, in 1992, the value added tax and rationalising the excise tax.

The Government has taken bold and innovative measures in reforming the country's tax administration and policy, which were instrumental in improving growth in revenue and ensuring the fiscal health of the economy. Tax reform has been in progress since 1999, but since progress in implementing reforms was not proceeding at the desired pace, the Government took a major step in 2001 when it established the Ministry of Revenue to assume responsibilities previously entrusted to the Revenues Board. The Ministry is mandated to supervise the activities of revenue institutions and implement...
the tax reform programme. A Tax Reform Programme Office was subsequently established within the Ministry with the mandate to develop and implement reform measures. The creation of a separate ministry for tax and customs administration added yet another new dimension to the Government's effort and stands out as an issue of key importance.

Amongst the vision and mission of the Ministry are far-reaching reforms of the tax system in conjunction with which it has formulated a comprehensive medium-term programme, which is crucial for an equitable administration of the tax system and for restricting, and eventually eliminating, corruption. While streamlining and simplifying procedures, reducing compliance costs of taxpayers, among other things, is an important part of the programme. The strategic goal is to attain sustainable macro-economic stability, maximise revenues in a sustainable way and create a conducive climate for private sector development. It is towards this end that the Government seeks to build the capacity of all revenue-collecting institutions and bring about systemic improvements in their efficiency and performance.

5.2   Major Problems and Challenges

5.2.1   Legal and Policy Issues

Proclamation No. 173/61 dating as far back as 1961 and as supplemented by numerous proclamations constituted the only legal and policy framework for tax administration and policy in Ethiopia. The legislation was deficient in its provisions, had a negative impact on investment decisions and consequently constrained the development of the private sector for many years. It was as complex to administer, as it was confusing for the taxpayer. Federal and regional tax institutions as well as city tax administrations did not have the authority, common to most tax jurisdictions, to effect the collection of arrears and to support audit and investigations for tax fraud.

Since 1992 the Government has been giving particular attention to reforming the system of tax administration with the aim to mobilise domestic resources and improve fiscal performance. Amongst the numerous proclamations pertaining to the assignment and collection of revenues issued by central and regional governments are the following:

(i) Proclamation 7/1992 that establishes regional governments with devolution of powers.
(ii) Proclamation 33/1992 that defines the basis for revenue sharing between central and regional governments.
(iii) Proclamation 41/1993, which sets out the powers and duties of central and regional governments.
(iv) Proclamation 1/1995 (Constitution of the Federal Democratic Republic of Ethiopia), Articles 96 to 100 which provides concurrent and undesignated powers of taxation to federal and regional governments.

Although in force since they were promulgated, these proclamations are as yet to be fully implemented because of constraints in capacity. Technical assistance which agencies of the Federal Government are expected to extend to regions are as yet to materialise, among other things, because of problems associated with the evolving nature of relationships between and within the federal and regional arrangements.
5.2.2 Tax Administration

The *Capacity Building Strategy and Programme Framework* document issued in December, 1998, highlights the following problems in tax administration.

...revenue collecting institutions are unable to fulfill their expected role because they are enmeshed in a web of complex and outdated practices, characterised by inadequate skilled staff and rampant corruption. The Government is therefore implementing an operational and organizational reform programme covering Customs and Federal Inland Revenue institutions. However, the implementation of this programme is not moving at the desired pace and the task is not comprehensive.

The capacity of tax offices to conduct taxpayer education programmes was neither well organised nor were the offices adequately equipped. Although licensing requirements and tax clearance processes assisted in the identification of taxpayers for income tax purposes, tax offices did not have adequate programmes to ensure that all taxpayers who are liable for sales or excise tax are included in the system. Tax offices focused on manually gathering information from the Customs Authority. There were no effective exchanges of information or joint operational programmes amongst Federal Inland Revenue Authority (FIRA), the Customs Authority, regional and city tax administrations to support the identification of business taxpayers who may be excluded from the tax system.

Although FIRA and the regional and city tax administrations applied the same legislation, they operated relatively independently due to constraints in resources and the absence of formal agreements to facilitate collaborative efforts. Since tax offices did not have an effective and comprehensive operational planning in place, they lacked an effective accountability and employee performance management framework for their operations. Therefore, they were unable to effectively address employee misconduct.

Tax offices did not have formal programmes for staff training and development. They had neither organisational nor operational programmes in place dedicated to the investigation of tax evasion and internal corruption. The penalties provided in the tax legislation did not serve as effective deterrent. The current initiative to strengthen the audit programme and skills of the audit staff include the provision of training to detect negligent or deliberate understatement of income, or overstatement of expenses, by taxpayers.

Unique numbers were not assigned to taxpayers dealing with FIRA, the Customs Authority and regional and city tax administrations. All tax-collecting institutions, with the exception of the Customs Authority, operated in a manual environment because they had no access to ICT. Regional and city tax administrations only estimated the income and tax liability of smaller taxpayers who were not required to maintain books and records. The system relied heavily on the judgment of the tax officer, which creates inconsistencies in the treatment of taxpayers and created the conditions for
collusion between the officer and the taxpayer. FIRA is currently faced with a similar situation with respect to taxpayers who do not maintain books and records.

It is the policy of the Government to audit all income tax declarations at the time of assessment. The tax offices assess and audit individual taxpayers for all taxes concurrently through comprehensive audits for a number of years. Consequently, a significant portion of the additional tax assessed was not collectible. The information was inadequate to provide accurate data on the effectiveness of the audit. Short, issue-oriented or spot audits to verify current compliance were not undertaken. No policy of selective audits based on risk until taxpayer compliance and information systems on taxpayers were significantly improved has been introduced.

Auditing skills were far from satisfactory. The tendency was for auditors to accept data provided by the taxpayer and accountant. Auditors neither pursued the possibility of suppressed sales or income nor accounting practices to minimise tax. Staffs were inadequate to provide the required quality audit coverage of the taxpayer population. The sales tax inspection programme, although it serves as a deterrent to some extent, was ineffective as inspectors only accepted figures provided by the taxpayer for subsequent comparison to monthly declarations.

Tax offices did not have a comprehensive accounting system to record the filing of income tax, sales tax and excise tax declarations, payments and arrears for each taxpayer. Although ledger cards were maintained for some income tax and sales tax accounts, the information was incomplete and inaccurate. Taxpayers liable for personal income tax withholding were not included in the system. Due to inadequacies in the accounting system, tax offices were unable to readily identify taxpayers who were delinquent in paying or have stopped filing for business profits tax, personal income tax withholding, sales and excise taxes.

Tax offices had no system in place to enforce collection or to pursue tax arrears and stop filers. The focus was on the collection of audit assessments for additional taxes. For tax clearance certificate purposes, tax offices must resort to analyses of data contained in the taxpayer's file to determine tax arrears. The procedure was unreliable since data in the files are incomplete. Tax offices had to resort to legal action through the courts if a taxpayer refused to pay, which was a long and costly process with no guarantees for success. They had no authority, common to most tax jurisdictions, to attach taxpayer's bank accounts and trade receivables, or seize assets to effect payment of arrears.

5.2.3 Customs Administration

The customs administration is confronted by an increasingly difficult environment requiring compliance with the country's laws and regulations while, at the same time, ensuring speedy clearance of goods in reasonable timeframes to meet the requirements of the business community. The ever-increasing volume of international trade, evolving sophistication of fraudulent practices, increased threats to national and international security, and the requirement to ensure compliance with health and other regulations all contribute to the needs for increased vigilance and the adoption of modern business practices.
Similarly, the continuous growth in international airport passenger traffic and instabilities in neighbouring countries provide increased opportunities for smuggling and criminal activities by organised crime syndicates with additional burden on customs administration, which is inadequately staffed and ill equipped to provide the desired level of enforcement. Although some measures have been introduced to combat internal corruption, and collusion with importers, the administration still needs to strengthen its efforts to curtail illegal practices that have negative impacts on revenues as well as on investment and development.

At present, the Customs Authority lacks qualified personnel to handle modern operational compliance and enforcement practices. There are no formal and comprehensive personnel training and development programmes that are essential for the staff accountability and performance evaluation. Unlike most countries, the Customs Authority does not have its own training institution to provide induction programmes for new recruits and courses for current staff. Neither does it have in place formal consultation processes with various stakeholders nor the existing practice involves addressing problems on an ad hoc basis.

The Authority does not have a customs laboratory that is required to analyse the composition of goods and is regularly faced with disputes that have a negative impact on trade, revenues and customer relations. It encounters recurring problems with respect to the correct classification of goods, such as chemicals and textiles that require analyses of their composition.

The Authority’s enforcement capacity is weak with respect to the ability to effectively combat contraband, counterfeit products, and commercial fraud such as under-valuation of goods. In a modern customs environment, emphasis is placed on extensive use of intelligence gathered from domestic and international sources; importer risk profiling and assessment, selective inspections and post clearance verifications; increased co-operation with neighbouring countries on enforcement issues and co-ordinate operational programmes and information exchanges.

Existing buildings and equipment at headquarters and the different depots are very old and create impediments for efficient and effective operations and a satisfactory level of service. The proposed replacement or renovations to properties will facilitate the processing of clientele and the clearance and settlement of importations and export transactions, accommodate new technological innovations, systems and procedures, and provide a more conducive working environment for customs personnel.

Because of the above and other problems, the cargo and passenger clearance times at present take nearly two months at the railway station and one week at the Addis Ababa airport due mainly to outmoded systems of operations involving manual systems and procedures, which takes over 74 processes to clear a single consignment. It is the intention of the Authority to reduce clearance to within five days, and concurrently improve operational effectiveness and compliance, through the introduction of new technologies, a more effective use of personnel, and enhanced operational programmes, systems and procedures.
5.3 Recent Developments

5.3.1 Tax Administration

Tax reform has been in progress since 1999 when studies were conducted on aspects of tax administration comprising taxpayer identification number; presumptive taxation, assessment and audit, revenue accounting and receivables management, value added tax, taxpayer recruitment, organisation, investigations and regional co-operation. The study was subsequently re-organised under the following components.

- Tax policy and Legislation.
- Presumptive Taxation.
- Taxpayers Identification Number.
- Value Added Tax.
- Operational Programme, Systems and Procedures.
- FIRA Re-organisation and Taxpayer Recruitment.

5.3.1.1 Tax Policy and Legislation

The Government has taken a number of measures to encourage foreign direct investment. The investment code provides privileges and incentives in terms of tax holidays. However, in order to further encourage investment, the Government recognised the need to incur short-term revenue loss by providing additional concessions in the income tax laws. In addition, to ensure consistency and fairness in the administration of the tax laws, increased emphasis will be made on enforcement, particularly with respect to addressing fraud and deliberate non-compliance with the requirement to pay the appropriate amount of tax to which the Government is entitled.

Overhauling the income tax legislation, which was completed recently, is based on international experiences, incorporates the valid recommendations of the various stakeholders and includes such measures as the reduction of the corporate income tax rate from 35 per cent, and in the business income tax rate from 40 percent to 35 per cent, applicable to role proprietors and partnerships. Since the previous corporate income tax rate of 35 per cent was comparable to that of other African countries, the Government, in effect, is incurring a short-term revenue loss that will be subsequently offset by increased business activity and improved taxpayer compliance. The new income tax proclamation now provides business income tax expenditure deductions for tax payments for land lease, payments as interest for bank borrowing, insurance premiums and other expenditures which were previously not allowable as deductions. Other measures include loss carry forward provisions and revisions to thresh-holds, capital gains and withholding taxes.
A new **income tax proclamation** incorporating relevant recommendations of various stakeholders, including provisions for extended deductions, loss carry forward and revisions, tariff rates, capital gains and withholding on payments has already been implemented. A **turnover tax** was introduced in January of 2003 and will apply to taxpayers whose annual turnover is less than the value added tax threshold of Birr 500,000. An **excise tax** proclamation reflecting more accurately the current business environment was also introduced in January of 2003.

### 5.3.1.2 Value Added Tax

The Government introduced the **value added tax (VAT)** in January, 2003, to replace the sales tax and reduce reliance on direct taxes. VAT is intended to (i) broaden the base; (ii) achieve an appropriate balance between income and commodity taxes; (iii) enhance competitiveness internationally through the relief of VAT on exports and business inputs; and (iv) encourage investment and economic growth in general. A separate VAT office has been established and staff have been given extensive training.

VAT applies to goods and services and provides for a single rate of 15 per cent and zero rating for exports. The proclamation contains provisions for exemptions for public transport, education, health, electricity, water and financial services. It also includes a registration threshold of Birr 500,000. About 6,100 taxpayers are registered to date compared to an estimated 4,000 taxpayers expected to be registered.

Computerisation of a full-fledged VAT system is expected to be in place shortly. In the interim period, a system is being developed to assist in taxpayer registration, revenue accounting and reporting, taxpayer accounting, refunds management, the identification of tax arrears and non-filers, etc. The system will operate on a local area network in the Addis Ababa VAT Office. Initially, declarations for regional VAT offices will be processed in Addis Ababa until local capacity to operate the system is established. Staff from regional offices will be given training to operate the system.

The VAT is being administered nationally by FIRA. A separate VAT Department was created and currently new FIRA branch offices have been established at Mekele and Jimma. New graduates were recruited, trained and assigned to positions beginning November, 2003.

An interim computer system, developed by a local company to support the core VAT business is operating effectively and efficiently. Implementation of a more comprehensive and customised VAT system began in the last quarter of 2003.

### 5.3.1.3 Presumptive Taxation

The Government adopted a number of **presumptive taxation** schemes designed to generate additional revenue, promote fairness and equity in the tax system, encourage record keeping by the business community, reduce opportunities for corruption and lessen the administrative burden for the tax authorities. Presumptive taxation is intended to broaden the tax base and raise more revenue from the hard-to-tax business group, including the large informal sector, and taxpayers who fail to declare or understate income. It involves the use of simplified and cost-
effective techniques designed to capture domestic transactions and sources of income that frequently escape taxation under conventional norms.

Presumptive taxation is a tool to combat limited record keeping by the business community, tax evasion, tax compliance and weak tax administration capacity. Implementation of the standard assessment method applying to small (Category C) taxpayers in regions and city administrations with annual turnover of less than Birr 100,000 was introduced in July of 2001. Schemes adopted include the following:

- **Standard assessment**, which involves fixing a lump-sum tax on a taxpayer for a fixed period, based on occupation or business activity, replaced the estimating method previously in practice.

- **Withholding tax** on imports represents an advance profits income tax payment by the taxpayer and is credited against the taxpayer's final declaration provided the taxpayer maintains the required books and records in substantiation.

- **Withholding tax** on payments to the hard-to-tax groups (contractors, subcontractors, professionals, lessees of commercial property and equipment, non-resident entertainers, etc.) will be collected by larger taxpayers and non-commercial institutions; including non-governmental organisations.

5.3.1.4 Taxpayer Identification Number

A computerised **taxpayer identification number (TIN)** is the basis for tax collecting institutions to independently identify taxpayers, control tax evasion, create a dependable database on taxpayers, and promote efficient and effective tax collection.

A South African company developed the TIN application software, which covers business taxpayers. The operating systems, hardware and communications equipment were provided by a local company although there were delays, some of which were beyond the control of FIRA and the contractors. The pilot test of the system has been completed at a number of sites in Addis Ababa and at regional locations. National implementation of the system at approximately 70 sites is currently underway.

The intention in the future is to include individual employed taxpayers in the TIN system and to link it to systems in the Customs Authority, banks, other government agencies and commercial institutions.

FIRA's MIS capacity has been significantly improved at the management and technical support level through the recruitment of new personnel and formal technical training. Training and development initiatives are being extended to the MIS personnel in the city and regional tax authorities. Training in computer awareness and basic skills was provided to all operational and support personnel.
5.3.1.5 Operational Programmes, Systems, Procedures and Large Taxpayer Office

As far as operational programmes, systems and procedures and the Large Taxpayer Office are concerned, the Office has been established and is fully operational. In addition to providing FIRA with better administrative control over 80 per cent of annual tax revenues, the Office provides improved services to taxpayers. New operational programmes, manuals, systems and procedures have been implemented for revenue accounting with increased efficiency and effectiveness in the management of tax arrears and taxpayer non-compliance. New audit programmes have also been implemented with focus on sectors of the economy where significant underpayment of taxes is suspected. The audit programme, combined with the enhanced taxpayer education programme, is designed to achieve improved overall taxpayer compliance and result in equity and fairness. Integration of the tax system is expected to strengthen the overall effectiveness of tax administration.

The city and regional tax authorities have actively participated in the tax reform programme through workshops, seminars and study tours. The Program Office has provided training on the income tax, excise tax, turnover tax and VAT proclamations to personnel in the city/regional tax authorities, and to FIRA regional personnel. In addition, 771 city/regional personnel received training on the tax reform program at the Civil Service College and Mekele University. Training is continuing on an ongoing basis.

The FIRA intends to acquire and customise an integrated tax system during 2003/4 for implementation during 2004/2005. The system, which will build on the TIN and VAT systems, will support the administration of all taxes in the FIRA and the city/regional tax authorities.

5.3.1.6 Re-organisation of FIRA and Taxpayer Recruitment

FIRA’s organisation has been approved. Both FIRA and ECuA have been granted autonomy from the Civil Service Commission. The FIRA has recruited approximately 150 new graduates, who have been given orientation training, and additional intake is expected in 2004. The main features of the new organisation include the following:

- The establishment of a separate head office, relieved of the day-to-day operational responsibilities to provide stronger support to the strategic and operational planning and development activities.
- The establishment of four additional regional offices to broaden service to the public and to improve the administration of the tax laws.
- A new investigation organisation for enforcement, taxpayer education and information technology.
- The ability to recruit significant numbers of college and university graduates.
Senior officials from the Ministry of Revenue, FIRA and the Ministry of Finance and Economic Development have provided training on the new tax proclamations and tax operations. New offices have been established at Jimma and Mekele.

FIRA requires technical assistance to develop taxpayer education programmes, the design of forms, computer system development, staff training and the preparation of operational manuals.

5.3.2 Customs Administration

As part of the customs automation programme, the Customs Authority introduced a computerised system (ASYCUDA, version 2) in 1998. Although the system does provide certain benefits, it has serious limitations, which necessitate reliance on cumbersome manual procedures that are prone to inefficiency and error. It therefore intends to shift to the ACYCUDA++ version which incorporates the automatic valuation system, risk profiling and selectivity system, control over transit goods and security bond management, direct trader input and customised management reports. The introduction of the ASYCUDA++ system will be supplemented by extensive information technology training, including training in computer literacy for all customs staff.

Migration to ASYCUDA++ is in progress and having been implemented at Addis Ababa airport on a pilot scale in January 2004. Implementation of the system began at Kallitti in April, 2004, and will subsequently be implemented nationally during 2004/2005.

Customs engineering department has conducted the identification of building sites and the tendering process for the building design is in progress.

Land has been secured for the construction of the customs training centre in the northern part of the capital city.

Customs transit and clearance control, valuation, tariff classification and post importation control manuals have been developed and implemented. Clearance times have been reduced substantially and additional measures are in the pilot stage, with the expectation of reaching the target of a one-day clearance time in all customs branch offices.

A contracted expert for the whole of customs has conducted training need analysis. Customs transit and clearance control valuation, tariff classification and post importation control manuals have been developed, and training needs assessments have been conducted with the aim to increase the efficiency of customs administration.

5.4 Objectives of Tax Reform

The tax reform sub-programme has a long-term development objective of building capacity aimed at maximising revenues, attaining sustainable macro-economic stability, create a conducive climate for private sector development to promote economic growth and to combat corruption. Measures to maximise revenue include improvements in operational programmes, systems and procedures, enhancing

The specific objectives of the programme are the following:

5.4.1 Tax Administration

- Collect revenues more effectively in support of the Government's macro-economic objective of raising the tax effort from 13 per cent of the gross domestic product at present to between 18-20 per cent.

- Improve tax revenues and ensure equity and fairness in the tax system through a comprehensive overhaul of the current tax legislation.

- Strengthen institutional capacity for implementing legislative reform measures.

- Introduce new systems and procedures of taxpayer identification, assessment, audit revenue accounting and receivable management to enhance compliance, increase revenue and support the private sector.

- Issue a computerised TIN as the foundation for tax collecting institutions to (i) independently identify taxpayers; (ii) control tax evasion; (iii) create a dependable database on taxpayers; and (iv) promote efficient and effective tax collection.

- Develop a professional, honest and competent work force in order to achieve the Government's objectives of efficient tax administration and revenue collection.

- Strengthen human resources capacity of the institutions through careful recruitment and recurrent training. Particular attention will be given to the merciless uprooting of corruption from these institutions.

5.4.2 Customs Administration

- Build modern national customs administration capable of enforcing national tax and other economic policies by establishing improved and accountable customs service delivery, integrated customs management, an enforcement infrastructure capable of targeting major contraband inlets and customs commercial frauds, etc.

- Build an improved system of information management to enhance customs ability to formulate realistic policies.

- Implement updated customs transit and clearance procedures and processes, enhance customs control, increase commercial transport productivity, reduce demurrage and other port charges and thereby reduce the cost of expensive customs clearance.
• Migrate to the improved version of Asycuda++ with additional utilities, enable collection offices to automatically process entries, produce timely and accurate trade statistics, and enhance revenue collection and customs manifesting to increase revenue.

• Build modern tariff classification infrastructure to deliver accurate classification.

• Lower the impact of contraband on legitimate trade by strengthening enforcement capacity of customs in terms of logistics, intelligence and investigations.

• Enhance the productivity of customs personnel by improving working conditions and facilities.

• Improve customs service delivery and management capability of core and other staff through management and technical trainings of employees.

5.5 Major Components and Activities

5.5.1 Tax Administration

Implementation of the tax reform sub-programme, which is on-going, consists of six components. These are:

(i) Tax Policy and Legislation.
(ii) Taxpayer Identification Number.
(iii) Presumptive Taxation.
(iv) Value Added Tax.
(v) Operational Programmes, Systems and Procedures.
(vi) Organisation.

Implementations of some of the above components such as issuance of an income tax proclamation, operational programme development, etc. have already been completed. Summaries of the major activities, both on-going and yet to be started, are presented below.

• Introduce a computerized TIN system with the aim to (I) independently identifying taxpayers; (ii) controlling tax evasion; (iii) establishing database; and (iv) for efficient and effective tax collection.

• Issue a unique TIN to the business taxpayer clientele of the FIRA, Customs Authority and regional and city tax administrations.

• Exchange information between FIRA, the Customs Authority and regional and city tax administrations to support the verification of the accuracy of the taxpayers’ income declarations.

• Identify and notify delinquent taxpayers to pay or declare taxes.
• Produce timely management reports on the status of accounts receivable.

• Take appropriate measures to enforce the collection of arrears and stop filers (taxpayers who have failed to make the required tax declarations).

• Select taxpayers for audit or investigation according to the risk of potential revenue loss.

• Develop an integrated tax system to provide timely and accurate information on taxpayers.

• Develop an effective collection enforcement system to identify and follow-up on taxpayers who owe tax arrears or who fail to make tax declarations.

• Train personnel in modern collection and audit enforcement practices.

• Develop management information system to provide timely and comprehensive information on the status of tax delinquencies and the effectiveness of collection and audit enforcement programmes.

• Reduce collusion between tax officers and the taxpayers through closer supervision, improved audit reporting, the matching of data gathered from third parties to support the more accurate determination of a taxpayer's income and internal investigation/control measures.

• Develop a comprehensive employee performance measurement process linked to corporate and operational objectives.

• Develop operational programmes, systems and procedures, recruitment and education to enhance compliance.

• Develop assessment and audit programmes, launch investigations to control tax fraud and evasion.

• Develop management accountability frameworks, employees performance management system followed by training.

• Introduce modern enforcement practices.

• Establish a "Large Taxpayers' Office" for dealing with large taxpayers to (i) control the tax affairs of the largest potential taxpayers; (ii) introduce new operational programs, systems and procedures in a controlled manner. (iii) Introduce a new organisational structures on functional bases; and (iv) create favourable conditions for introducing the VAT system.

• Recruit staff for audit, investigations and taxpayer operations.

• Produce timely management reports on the status of accounts receivable.

• Develop operational manuals and procedures.
Establish a dependable taxpayer database.

5.5.2 Customs Administration

The Government has restructured the Customs Authority and taken several constructive measures including the introduction of a new customs legislation and an automated system, improvements in human resource profile, and has managed to enhance the collection of revenue. Nevertheless, the rapid increase in volume and complexity of international trade points to the need for stepping up reform and modernisation of the customs administration. To that end, diagnostic studies have been conducted and the major problems and constraints have been identified.

The Customs Authority has to go through a reform and modernisation programme to strengthen and build its capacity through the introduction of ICT, build the tariff classification infrastructure by establishing customs laboratory, establish a customs training school to develop new skills so as to effectively implement customs procedures, strengthen enforcement so as to combat contraband trade and transnational crime, and implement customs procedures in line with the COMESA Free Trade Area and the Customs Union by December 2004.

5.5.2.1 Automation and Training

The Customs Authority will take advantage of ICT including the Internet by migrating to ASYCUDA++ that has been adopted by over 30 countries in the Americas, the Caribbean, Europe, Asia and Africa. The software would automate tasks that cannot be carried out by the present system including an integrated automatic valuation and selectivity systems, automated transit system with bond writes off. Direct Trader input, and customised management reports. In addition to the provision of training to core automation staff, an extensive computer literacy campaign for all customs staff is mandatory. The information technology will increasingly become an integral part of customs clearance process.

The introduction of ICT and training in computer skills will strengthen the enforcement wing of the Customs Authority, which at present is unable to cope with developments in international trade. Also, as customs places greater reliance on post-clearance audits, audit skills need to be developed.

5.5.2.2 Customs Laboratory

Standard customs laboratories are essential for the classification of products such as textile and chemicals. Following the recommendation of the World Customs Organization, adequate furniture and equipment, establishing a standard customs laboratory for testing and analysis, etc. will be essential to strengthen the classification infrastructure of customs. This is expected to have positive impacts on tariff levying, revenue collection and trade statistics.
5.5.2.3 Other Activities

Other activities for improving the efficiency of customs administration include the following:

- Building customs valuation database and infrastructure according to WTO’s valuation provisions for use nationally after taking away the pre-shipment inspection intervention scheme.
- Conducting structural and incentive review according to operational manuals and procedures to be developed by functional departments.
- Formulating improved and realistic operational directives according to the provisions of the COMESA regional management act under consideration to streamline ground level implementation difficulties giving rise to recurrent appeals and complaints.
- Relocating, restructuring, reorganising and re-staffing the Addis Ababa railway station collection, transit and clearance control office which is the major entry channel,

Details of the above activities relating to tax and customs administration are shown in the Action Plan.

5.6 Linkages and Cross-cutting Issues

5.6.1 Linkages

Implementation of the tax reform sub-programme will depend upon effective implementation of other PSCAP sub-programmes. In order to speed up tax reform and generate more revenue by creating a conducive working environment for the private sector, effective linkages amongst the various sub-programmes would be vital in order to optimise synergy, as presented in the following paragraphs.

Providing prompt and efficient service to ensure the accountability and transparency of public servants not only radically improves the performance of the civil service in terms of creating an accountable, transparent and dedicated civil service but it also benefits the public, especially taxpayers. Decentralisation of service delivery along with strengthening local government allows people to take their destiny into their hands by increasing their participation in decision-making process at the grass-roots level on issues that directly affect their lives. It is expected to improve the efficiency of woreda tax offices by making them more responsive to the needs of the public through building capacity and by creating awareness regarding revenue collection, etc. The urban management sub-programme supports regional tax reform by strengthening the capacity of local (woreda) revenue collecting institutions to generate adequate municipal revenue to undertake sustained investment in the development of urban infrastructure.

Reform of the justice system is of critical importance for implementing the tax reform sub-programme as it helps to achieve sustainable regional economic growth based
on empowerment, equal opportunity and security for all. Improvements in the judicial system, together with an efficient and equitable tax system are prerequisites for the development of the private sector and economic growth in general, as they enhance a supportive policy environment. An efficient tax system encourages both foreign and domestic private investment, raises the efficiency of tax collection, increases revenue and improves fiscal performance, thus contributing to sustainable growth and poverty alleviation.

ICT should enhance efforts towards effective and efficient tax administration relating to basic functions such as Taxpayer Identification, Assessment, Audit and Tax Collection which constitute major elements of tax reform. Indeed, there can be no effective and efficient tax administration unless modern communication system is put in place. This requires a smooth flow of information and recourses between and amongst institutions at various levels. Therefore, ICT is an important tool for facilitating interaction and co-ordination between systems and programmes for implementing the tax reform.

5.6.2 Cross-cutting Issues

5.6.2.1 Effect on Poverty Reduction

The development of the country in general and regions in particular depends on the development of revenue. The Government's overall policies and priorities, socio-economic and political as well as strategic frameworks are the primary means of eradicating poverty. In this regard the Government is taking measures in reforming the country's tax administration and policy which are instrumental in improving growth in revenue collection. Enhancing revenue collection will help implement policies and strategies effectively and efficiently leading to growth and poverty reduction.

5.6.2.2 Effect on Environment/Private Investment

Amongst the objectives of the tax reform is to overhaul the traditionally inefficient system of tax administration and remove legal barriers that constrain private investment to promote the development of the national economy. Different tax reform components are designed to remove or strengthen administrative and legal barriers with the aim to establish an effective and efficient tax administration. This will be achieved by creating, among other things, awareness through sensitisation, and by preventing illegal trade.

5.6.2.3 Effect on HIV/AIDS

By and large, the Government's ability to carry out programmes in the social sector and infrastructure development depends on resources, largely expected to flow from its tax system. Growth in revenue helps in providing access to health services and information regarding HIV/AIDS as well as other diseases.
Sub-Programme 6
Urban Management

6.1 Introduction

Ethiopia’s total population is estimated at 66 million of which about 10 million or just over 15 per cent live in urban areas\(^4\). This is projected to grow to over 22 per cent by 2030\(^5\). Although the country is amongst the least urbanised, urbanisation has outpaced the provision of services including land management and housing, water supply and sanitation, solid waste management and transport. With urbanisation expected to surpass the 22 per cent level by 2030 these are issues that are becoming of increasing concern to the Government. Capacity needs to be developed urgently to deal with the growing problems of urbanisation -- economic and social, political and demographic.

The urban sector encompasses several sub-sectors and constitutes a complex development ground. In addition to the provision of efficient services, it includes cross-cutting issues such as employment and poverty alleviation, HIV/AIDS, gender and development and governance. The complexity of the sector and the relative weakness of existing institutions points to the need for increased emphasis on policies, operational systems, and institutions. While measures to improve the efficiency of urban services benefit not only the urban but also the national economy, urban areas are exposed to external influences in an increasingly inter-connected world over which they have little or no control. Therefore, the Government's approach to urban management would need to be responsive to the evolving and varied needs of the urban sector.

The Government's operational objectives include (i) increasing the efficiency of providing services; (ii) reducing urban poverty; (iii) improving the quality of life, (iv) achieving sustainable urban development; and (v) exploiting the advantages offered by urban centres as efficient exchange points for goods and services, and capital and labour. The Government will advance the broad goal of national economic development while achieving poverty reduction and sustainable urban development in key urban centres. This calls for greater focus on policy, operational systems, and institutional issues.

6.2 Overview of the Urban Sector

An assessment of the urban sector is essential for the formulation of an urban management programme. There are at present about 925 urban centres in Ethiopia. The most important institutions in urban centres at present are: federal and regional institutions including the Ministry of Federal Affairs (MFA), the National Urban Planning Institute (NUPI), the Urban Development Capacity Building Office (UDCBO), Regional Bureaux of Urban Development and Industry and Municipalities including

\(^{4}\) An urban area or centre in Ethiopia is defined as a locality with 2000 or more inhabitants (CSA). However, localities with less than 2000 inhabitants are also included in the Population and Housing Census.

the two city councils, and urban-related training and research institutions. These are discussed briefly in the following paragraphs.

6.2.1 Federal and Regional Institutions

Although capacity problems are more acute and complex at the local (municipality) level, the situation at federal and regional levels is not any better. Until recent years federal and regional organs lacked clear vision as to how to address the multi-faceted problems of urban centres. This was aggravated by the lack of qualified and experienced personnel in urban-related disciplines, suitable organisational structures and equipment.

6.2.1.1 Ministry of Federal Affairs

The Ministry of Federal Affairs plays an important role in municipal development. Among other things, it is responsible for carrying out studies on urban issues and providing standards and models for the smooth operation of municipalities. At present, there are two departments in the Ministry that deal with urban issues: Departments of Urban Housing and Land Management and Urban Development Monitoring and Control. These departments have only limited capacity as they lack adequately trained personnel and equipment.

6.2.1.2 National Urban Planning Institute

NUPI is engaged in preparing town plans but has played no significant role in building the capacity of regions because, along with other specialised institutions established under the Ministry, it suffers from serious limitations in capacity.

6.2.1.3 Urban Development Capacity Building Office

UDCBO is a key institution for building capacity by providing, among other things, technical assistance to regions in areas such as defining the legal status of municipalities and organisational structures. However, its contribution remains insignificant. Its capacity needs to be enhanced in terms of personnel and equipment to make it more responsive to the needs of urban communities.

6.2.1.4 Regional Bureaux of Urban Development and Industry

At the regional level, bureaux of works and urban development/industry are the responsible institutions for municipal development. They provide technical assistance to urban centres on urban planning, revenue and budget administration, personnel administration, etc. However, in most cases, their focus is on implementing public sector projects and, therefore, no significant attention is given to municipal development. These institutions require major interventions for enhancing their performance by staffing them with qualified personnel and providing them with adequate equipment.

6.2.1.5 Urban-Related Training and Research Institutions

The urban sector lacks adequately qualified human resources for urban management, mainly because of limitations in the number of institutions engaged
urban-related disciplines. The Addis Ababa University and the Ethiopian Civil Service College provide training in town planning. The latter has recently introduced high-level training in urban management in collaboration with the Institute for Housing and Urban Development in the Netherlands. However, in terms of human resources, supply remains far short of demand. A summary of the major problems of the urban sector is presented as follows.

6.2.2 Major Problems and Challenges

High urban population growth and unemployment, inadequate houses and shelter, poor sanitation, congested roads and poor social services are some of the major problems and challenges currently facing urban areas in Ethiopia. In more specific terms, the following are key capacity problems of the urban sector in the country.

6.2.2.1 Absence of Appropriate Policy Framework

Ethiopia has not yet formulated a national urban development policy to guide the development of the sector. This has partly led to the absence of subsidiary policies such as urban housing, environment and service delivery policies and the like, and has negatively affected urban development and service delivery. Therefore, as urbanisation is a recently evolving phenomenon in the country, there is a need to formulate a comprehensive policy that fosters balanced urban development and promotes rural development through enhanced rural-urban linkages.

6.2.2.2 Weak Organisational Arrangement and Governance

The institutional arrangement of bodies operating in the urban management sector, particularly those at regional and local levels is weak. This is the root cause for the absence of good governance in urban areas and has led to poor performance in undertaking developmental activities and service delivery. In order to bring about improvements in service delivery, there is a need to introduce changes. In addition, urban institutions in Ethiopia often have rural orientation and therefore fail to fully capture the peculiar features of urban areas, particularly in terms of the delivery of effective and efficient services. Until the introduction of new institutional arrangement in recent years, municipalities were simply lumped together with the administration of the surrounding rural areas. Addis Ababa and major regions such as Amhara, Oromia, SNNPRS and Tigray have taken the initiative to establish new legal frameworks, although much remains to be done. Other regions also need to introduce legal and institutional frameworks in order to improve the delivery of services.

6.2.2.3 Human Resource Development

As discussed earlier institutions operating in the sector, especially those at the local and regional levels, lack trained/skilled personnel that can deliver efficient and quality services. Due to lack of adequately qualified personnel, weak enforcement and inadequate incentive; municipal revenue collection is not efficient. Therefore, a large portion of revenue remains uncollected. In addition, there are no articulated policies and/or strategies for addressing human resources development issues in the sector. In addition, many urban centres in the country have no plans of any sort. For instance, out of the 104 urban centres in the SNNPRS, only 42 have plans. In Tigray,
only 13 towns out of 40 have plans while in Amhara and Oromia the proportion of urban centres that have physical plans of any sort does not exceed 50 per cent.

Generally, municipalities do not carry out urban planning and both municipalities, and urban residents have no say in plan preparation, which is left to UDCBO. As a consequence, plans are either not adhered to or are not implemented at all. The creation of capacity at the local level would be essential for municipalities to be able to prepare plans in a participatory manner.

**6.2.2.4 Absence of Operational Systems for Service Delivery**

Municipalities and other organs of government deliver urban services. The delivery of services is neither effective nor efficient, and there is a wide mismatch between supply and demand. In some cases existing facilities continue to deteriorate with no plans to establish new ones. The mismatch between supply and demand for services may be explained by the fact that in major towns such as Adama, Bahr Dar, Harar and Mekele only 38.6 per cent, 42.9 per cent, 57.8 per cent and 33.6 per cent respectively of the housing units had private and shared meters in 1994. Regarding electricity only 444 urban centres out of the 534 towns with populations of 2000 and above had electricity in 1994 (NUPI, 2002).

The picture regarding sanitation is also poor. According to the 1994 census, about 42 per cent of urban housing units had no toilet facilities. Some studies indicate that only 8.7 per cent of urban households dispose of solid waste into garbage collection containers. The rest dispose of waste in open areas and roadsides. In general, inadequate services and poor management of existing ones is a typical feature of most urban centres in the country. The main reason for poor service delivery is lack of efficient delivery system, among others. Most services are provided on the basis of traditional practices inherited from pastimes instead of well-designed modern systems. As a result, the current practices lack transparency and accountability. In addition, the old systems are not cost effective. Thus, they need to be replaced by new and efficient systems of service delivery without which improving urban service delivery is hardly possible.

Moreover, municipalities lack sufficient resources to discharge their responsibilities. They depend on revenues they raise from sources assigned to them by law. However, they have been unable to increase revenue because of several constraints. First, tariff regulations are obsolete and do not relate to current realities, with costs of services and materials escalating significantly in recent years. Secondly, the absence of a court system that fast disposes of cases against defaulters is the other reason for inefficient tax collection. Thirdly, municipalities have no modern financial system, and this has led to the misuse of resources.

In order to change these serious capacity problems, the Government has already committed itself to take immediate action. The Federal Government has identified urban management capacity building as one of its priority areas and has started taking measures. Regional governments, especially the major regions and Addis Ababa, also have launched comprehensive urban reform programmes in their respective regions. They have issued regulations and have started implementation in selected towns.
6.3 Sub-Programme Objectives

The overall objective of the urban management capacity building sub-programme is to enhance the capacity of federal institutions such as the MFA, UDCBO and NUPI, regional urban development bureaux, municipalities and urban-related institutions to deliver decentralised services efficiently and effectively, to promote and facilitate the establishment of good governance and create a conducive environment for the implementation of sustainable urban development. Institutional strengthening, training of the human resources and installing appropriate policies and working methods are key focus areas of the first phase of the urban management capacity building sub-programme whose objective is to provide efficient urban services that meet basic human needs, reduce poverty and improve the environment. It supports the Government's decentralisation policy by strengthening the capacity of local authorities to generate adequate revenue for sustained investment in the development of urban infrastructure and services.

While the broad objective of the sub-programme is enhancing the institutional and human resource, and putting in place systems that are needed for the efficient and effective delivery of adequate services and enable urban centres play roles expected of them in the social and economic development of the nation, its specific objectives are highlighted below.

- Prepare legislative and administrative instruments for the proper implementation of policies and strategies required for the delivery of adequate and quality urban services.
- Enhance the service delivery performance in municipal towns selected as phase one.
- Formulate and adapt municipal judicial administrative and legal framework.
- Establish and strengthen urban information and communication systems.
- Establish and strengthen four regions’ urban physical planning and planning units.
- Formulate management systems for the mobilisation of community participation in infrastructure development.
- Formulate human resource development policy and strategy.
- Formulate urban transport and energy development policy and strategy.
- Formulate and adapt urban environmental protection strategy.
- Put in place the policy and strategy frameworks that are needed for sustainable urban development and the efficient and effective delivery of urban services.
• Create a conducive environment in the urban sector with focus on the formulation of policies and strategies aimed at strengthening the performance of municipalities and other federal and regional institutions.

• Enhance the service delivery and management performance of municipalities by providing training and technical assistance.

• Formulate urban land and housing policy and strategy so as to improve the supply of urban land and housing and create favourable conditions for the development of urban housing sector.

• Assist regions and city administrations to formulate suitable legal and institutional frameworks that ensure self-administration and the autonomy of municipalities.

• Create a conducive environment for municipalities to establish networking and co-operation amongst themselves to solve problems.

• Establish appropriate frameworks – legislative, administrative, fiscal and institutional – at the regional level for local governments.

• Prepare model/standard operational manuals to enhance the efficiency of municipalities for improved service delivery.

• Strengthen the capacity of federal and regional institutions with a view to providing efficient and adequate support to municipalities.

• Introduce computerised land management system for municipalities to systematically manage urban land and buildings, and raise revenue.

• Broaden the revenue base, raise rates and make arrangements for inter-governmental transfers such as tax sharing, grants and the like with a view to enhancing the capacity of municipalities for improved service delivery.

• Build the capacity of selected municipalities to deliver services in an efficient, accountable and financially sustainable manner through restructuring the existing institutions.

• Enhance the efficiency and effectiveness of sanitation service in selected urban centres.

• Restructure the financial system of municipalities so as to institute improved systems of revenue mobilisation and accounting system to enable them use resources efficiently and effectively.

• Streamline the organisational structure of selected municipalities with a view to instituting result-oriented performance.

• Train and equip staff of regional bureaux/zonal departments and phase one urban municipalities with basic knowledge and skills.
6.4 Major Components and Activities

The objectives enunciated above will be achieved by implementing the following components and activities.

(i) The formulation and/or adaptation of enabling policy frameworks for the improvement of urban services.
(ii) Deepening the process of decentralisation,
(iii) Restructuring and capacity building of the first phase urban-local governments.

While policies will be formulated under Component One, systems will be developed under Component Two. Component Three will focus on improving the capacity of phase one urban-local government agencies, from which only towns selected for intervention will benefit.

On the basis of the current urban reform processes that are underway the major regions, i.e., Amhara, Oromia, SNNPR and Tigray and the Addis Ababa city administration have launched a comprehensive urban reform programme during the past few years. This is because they have many municipalities which cannot be covered all at the same time at the initial stage. Therefore, only a limited number of urban local governments are selected to serve as models. Regarding the four emerging regions, i.e., Afar, Benishangul-Gumuz, Gambela, and Somali only the capital cities have been considered. In addition 10 sub-towns created following the restructuring undertaken in Addis Ababa City Administration have been included in the first phase. A list of 80 towns selected for the first phase reform is presented in the following table.
Table 2: Urban Management Sub-Programme
List of Reform Towns Selected for Phase One Intervention

<table>
<thead>
<tr>
<th>Addis Ababa</th>
<th>Afar</th>
<th>Amhara</th>
<th>Benishangul-Gumuz</th>
<th>Dire Dawa</th>
<th>Gambella</th>
<th>Harari</th>
<th>Oromia</th>
<th>Somali</th>
<th>SNNPR</th>
<th>Tigray</th>
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<tbody>
<tr>
<td>Addis Ababa</td>
<td>Aysaita</td>
<td>Bahr Dar</td>
<td>Asosa</td>
<td>Dire Dawa</td>
<td>Harari</td>
<td>Adama</td>
<td>Jigjiga</td>
<td>Awassa</td>
<td>Mekele</td>
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<tr>
<td>10 sub-cities</td>
<td>Gonder</td>
<td>Jimma</td>
<td>Arba Minch</td>
<td>Adigrat</td>
<td>Gonder</td>
<td>Bushooftuu</td>
<td>Soddo</td>
<td>Axum</td>
<td>Desie</td>
<td>Shashe-mane</td>
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<td>Kombolcha</td>
<td>Gimbi</td>
<td>Hosaena</td>
<td>Alamata</td>
<td>Debre Brihan</td>
<td>Nekemte</td>
<td>Yirgalem</td>
<td>Adwa</td>
<td>Debre Markos</td>
<td>Mettu</td>
<td>Butajira</td>
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<td>Debre Tabor</td>
<td>Ambo</td>
<td>Sawula</td>
<td>Korem</td>
<td>Wolodia</td>
<td>Holeta</td>
<td>Welkite</td>
<td>Wukro</td>
<td>Sekota</td>
<td>Sebeta</td>
<td>Alabakulito</td>
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<td>Kemisie</td>
<td>Woliso</td>
<td>Boditi</td>
<td>Sheraro</td>
<td>Injibarra</td>
<td>Fiche</td>
<td>Jinka</td>
<td>Abiyadi</td>
<td>Finote Selam</td>
<td>Zuway</td>
<td>Areka</td>
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<td>Asella</td>
<td>Yirgacheffe</td>
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<td>Chiro</td>
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<td>Robe</td>
<td>Bonga</td>
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<td>Negelle</td>
<td>Mizan/Aman</td>
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<td>Dukem</td>
<td>Teppi</td>
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<td>Yebelo</td>
<td>Durame</td>
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<td>Aweday</td>
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| 12 | 21 | 19 | 12 |
6.4.1 Formulation/Adaptation of Enabling Policy Framework

The formulation/adaptation of an enabling policy framework component essentially deals with filling policy gaps in the sector and aims to bring about positive impacts on future operations. Following are the major activities that will be undertaken to implement this component.

- Preparation of TORs.
- Appointment of consultant.
- Procurement of equipment.
- Conducting workshops.
- Training of executives and employees.

6.4.2 Deepening the Process of Decentralisation

Deepening the process of decentralisation including administrative and procedural manuals for implementation of policies and strategies already formulated under Component I is a major component. It also deals with training of the personnel of urban related institutions. Major activities include the following.

- Preparation of TORs.
- Appointment of consultants.
- Conducting studies on organisational structures.
- Procurement of equipment.
- Conducting training.

6.4.3 Restructuring and Enhancing the Capacity of Phase One Urban-Local Governments.

- Organisational restructuring and implementing staffing plan for municipalities.
- Procurement of equipment.
- Completion of operational manuals.
- Improving urban/municipal service delivery.
• Provision of training.
• Undertaking specific studies, etc.

6.5 Cross-cutting Issues

The urban management capacity building sub-programme will address cross-cutting issues such as urban poverty, gender, HIV/AIDS prevention and control, environmental protection and ICT. Included in the sub-programme are also ways and means of tackling environmental issues with the formulation of policy. Urban sanitation improvement is another area of intervention. The sub-programme is also assumed to contribute to the prevention and control of HIV/AIDS through establishing forums using municipal institutions and kebeles under them.

6.6 Prioritisation and Sequencing

Policy formulation and adaptation will be implemented prior to the execution of all other components. The formulation of the urban development and housing policy will be completed by the MFA during the first year. Urban land policy and strategy formulation, which has already been initiated by the MFA, is also planned to be completed in the first year. The MFA will provide training to orient stakeholders including regions on policies and strategies. While the MFA undertakes the formulation of policies, other institutions, i.e., UDCBO, NUPI and regional institutions will begin the preparation of operational manuals and undertake procurements as of the first year. The UDCBO will begin with the preparation of the most urgent manuals in the first year and complete the task of manual preparation during the second year. In addition to the preparation of manuals, UDCBO will orient regions on the standard manuals through training. During the first two years, NUPI will provide technical assistance to the four major regions so that they may establish and strengthen their regional urban planning units. Regional institutions will begin adapting the policies and manuals during the first and second years.

Implementation of activities planned under Component II, which is contingent on the formulation of policies, will follow the completion of component I. However, since policy formulation is planned for the first year, regions start adaptation beginning from the second half of the first year. The MFA will continue providing technical assistance and training to the regions throughout the plan period. The UDCBO will finalise the preparation of the main operational manuals, undertake procurement, and implement training.

Implementation of Component III comes after activities under Components I and II are substantially completed. This is so because Component III focuses on the improvement of service delivery, which sequentially comes after the preparation of operational manuals. In the implementation of this component, the important
roles that federal institutions play include the provision of training and procurement. Municipalities to be covered under the first phase will implement operational manuals and conduct organisational restructuring.
IV. PROGRAMME COST AND FINANCING

The total cost of PSCAP is estimated at Birr 3.3 billion during the period 2004/05-2008/09. While the actual cost is substantially larger, the consolidated PSCAP is constrained by the availability of resources which are allocated amongst federal and regional/city states in proportions of 20 per cent or Birr 0.66 billion amongst federal programmes and 80 per cent or Birr 2.64 billion amongst regions/city states: Tables 3 and 4 below show allocation of resources amongst regional and federal sub-programmes.

Table 3: Resource Allocation Amongst Regions/City-States:
2004/05 - 2008/09 (Million Birr)

<table>
<thead>
<tr>
<th>Region/City States</th>
<th>Allocation</th>
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<tr>
<td></td>
<td>Domestic</td>
<td>Foreign</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>38.3</td>
<td>76.6</td>
<td>114.8</td>
<td></td>
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<tr>
<td>Afar</td>
<td>29.8</td>
<td>59.7</td>
<td>89.5</td>
<td></td>
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<tr>
<td>Amhara</td>
<td>195.8</td>
<td>391.6</td>
<td>587.4</td>
<td></td>
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<tr>
<td>Benishangul-Gumuz</td>
<td>17</td>
<td>34</td>
<td>51</td>
<td></td>
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<tr>
<td>Gambela</td>
<td>13</td>
<td>26.1</td>
<td>39.1</td>
<td></td>
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<tr>
<td>Dire Dawa</td>
<td>15.7</td>
<td>31.3</td>
<td>47</td>
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<tr>
<td>Harari</td>
<td>9.8</td>
<td>19.5</td>
<td>29.3</td>
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<tr>
<td>Oromia</td>
<td>297.6</td>
<td>595.2</td>
<td>892.9</td>
<td></td>
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<tr>
<td>SNNPRS</td>
<td>153.2</td>
<td>306.4</td>
<td>459.6</td>
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<tr>
<td>Somali</td>
<td>55.5</td>
<td>111.1</td>
<td>166.6</td>
<td></td>
</tr>
<tr>
<td>Tigray</td>
<td>54.1</td>
<td>108.2</td>
<td>162.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>880</td>
<td>1,760</td>
<td>2,640</td>
<td></td>
</tr>
</tbody>
</table>

The above allocation is based on a version of existing grant formula. *Allocations amongst regions should by no means be considered as entitlement. Figures only show indicative drawing rights and are subject to periodic re-allocation across regions/city states depending on performance.*

The allocation of resources amongst federal sub-programmes (660 million birr) is shown in the following table.
Table 4: Allocation of Resources Amongst Federal Sub-Programmes
(Million Birr)

<table>
<thead>
<tr>
<th>Sub-Programmes</th>
<th>Proposed Costs</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRP</td>
<td>149</td>
<td>124</td>
</tr>
<tr>
<td>DLDIP</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>ICT</td>
<td>137</td>
<td>122</td>
</tr>
<tr>
<td>Justice Reform</td>
<td>407</td>
<td>155</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>524</td>
<td>160</td>
</tr>
<tr>
<td>Urban Management</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,316</strong></td>
<td><strong>660</strong></td>
</tr>
</tbody>
</table>

Table 5 below presents a summary of the costs of the various sub-programmes. This is on the basis of activities planned for implementation by the various agencies responsible for implementing their respective sub-programmes as set out in the Action Plan. As shown in the table, the lion’s share of PSCAP costs (about Birr 992 million or 31 per cent) goes to ICT. This is followed by justice reform which absorbs some Birr 733 million or 23 per cent. Next is civil service reform (Birr 540 million or 17 per cent), district-level decentralisation (Birr 417 million or 13 per cent), tax reform 302 Birr million or 9 per cent), and urban management (269 Birr million or 8 per cent).

Table 5: Public Sector Capacity Building Programme
Summary of Costs by Sub-Programmes: 2004/05-2008/09
(Birr ‘000)

<table>
<thead>
<tr>
<th>Sub-Programmes</th>
<th>Estimated Cost</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
<td>External</td>
</tr>
<tr>
<td>CSRP</td>
<td>359,700</td>
<td>179,905</td>
</tr>
<tr>
<td>DLDIP</td>
<td>125,687</td>
<td>291,973</td>
</tr>
<tr>
<td>ICT</td>
<td>327,269</td>
<td>664,455</td>
</tr>
<tr>
<td>Justice Reform</td>
<td>244,326</td>
<td>488,654</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>98,810</td>
<td>202,648</td>
</tr>
<tr>
<td>Urban Management</td>
<td>17,754</td>
<td>251,056</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,173,546</strong></td>
<td><strong>2,078,691</strong></td>
</tr>
</tbody>
</table>

Current market prices are used in cost estimation. Costs are spread over five years with disbursements expected to pick up gradually. Implementation of PSCAP in its initial years will be within the framework of the Sustainable Development and Poverty Reduction Programme. As pointed out earlier,
implementation of several components of PSCAP is already underway but progress has been slow mainly because of shortages of both domestic and external resources. Funding arrangements made in the context of this programme are expected to expedite implementation of projects at various stages of execution.

This chapter summarises the costs of the various sub-programmes, starting with civil service reform. Details of costs are shown in action plan matrices.

4.1 Civil Service Reform

The total financial requirement for the civil service reform is estimated at Birr 540 million of which about Birr 360 million (or about 67 per cent) is from domestic sources and 180 million (or 33 per cent) from external sources. The largest amount (Birr 169 million or about 31 per cent) is for improving performance and service delivery followed by improving governance of financial resources and control which amounts to about Birr 117 million or about 22 per cent. Accountability and Transparency accounts for about Birr 40 million (7 per cent). Strengthening top management systems accounts for Birr 72 million (13 per cent) and the remaining Birr 142 million is allocated to the remaining components of the sub-programme. Table 6 below shows a summary of costs by components.

<table>
<thead>
<tr>
<th>Components</th>
<th>Cost (Birr ‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic</td>
</tr>
<tr>
<td>Strengthening CSRP Co-ordinating Bodies</td>
<td>35,690</td>
</tr>
<tr>
<td>Improving Governance of Financial Resources and Control</td>
<td>77,996</td>
</tr>
<tr>
<td>Strengthening Governance of HRM and Control</td>
<td>49,427</td>
</tr>
<tr>
<td>Improving Performance and Service Delivery</td>
<td>112,375</td>
</tr>
<tr>
<td>Improving Accountability and Transparency</td>
<td>26,362</td>
</tr>
<tr>
<td>Strengthening Top Management Systems</td>
<td>48,102</td>
</tr>
<tr>
<td>Building the Capacity of Emerging Regions</td>
<td>8,387</td>
</tr>
<tr>
<td>Programme Management and Operation</td>
<td>1,361</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>359,700</td>
</tr>
</tbody>
</table>

Details of sub-programme costs by components and activities are shown in the action plan (pages 110-142).
4.2 District-level Decentralisation

The total financial requirement for implementing the district-level decentralisation sub-programme is estimated at Birr 417 million of which about Birr 126 million or 30 per cent is from domestic sources and Birr 292 million or 70 per cent is from external sources. The largest amount (Birr 158 million or 38 percent) of the total cost is for manning and training. The second largest share is for equipment support and takes up Birr 99 million or about 24 per cent of the total cost. About Birr 41 million is earmarked for grass-roots participation. The remaining amount is allocated for capacity building for woreda institutions/organisations, programme development, woreda fiscal transfer and own revenue enhancement, woreda planning expenditure management and control, minimum standard services and strengthening capacities of lead institutions. A breakdown of costs by sub-programme components and sources of financing is shown in Table 7 below.

Table 7: District-level Decentralisation Sub-Programme
Cost by Components and Sources of Finance

<table>
<thead>
<tr>
<th>Components</th>
<th>Domestic</th>
<th>External</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manning and Training</td>
<td>47,560</td>
<td>110,938</td>
<td>158,498</td>
</tr>
<tr>
<td>Grass-roots Participation</td>
<td>12,264</td>
<td>28,615</td>
<td>40,879</td>
</tr>
<tr>
<td>Woreda Institutions/Organisations</td>
<td>7,382</td>
<td>17,224</td>
<td>24,606</td>
</tr>
<tr>
<td>Programme Development</td>
<td>10,860</td>
<td>24,292</td>
<td>35,152</td>
</tr>
<tr>
<td>Woreda Fiscal Transfer &amp; Revenue Enhancement</td>
<td>4,417</td>
<td>10,305</td>
<td>14,722</td>
</tr>
<tr>
<td>Woreda Planning Expenditure Management &amp; Control</td>
<td>5,012</td>
<td>11,696</td>
<td>16,708</td>
</tr>
<tr>
<td>Minimum Standard Service</td>
<td>7,289</td>
<td>17,007</td>
<td>24,296</td>
</tr>
<tr>
<td>Equipment Support</td>
<td>29,797</td>
<td>69,526</td>
<td>99,323</td>
</tr>
<tr>
<td>Strengthening Capacities of Lead Institutions/Oromia</td>
<td>1,106</td>
<td>2,370</td>
<td>3,476</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>125,687</strong></td>
<td><strong>291,973</strong></td>
<td><strong>417,660</strong></td>
</tr>
</tbody>
</table>

More details of costs and financing by components, activities and cost items are presented in the action plan (pages 153-172).
4.3 Information and communications technology

The indicative financial requirement for ICT is estimated at Birr 991,724 million, as shown in the table below. ICT for human resources development for e-Government initiatives absorbs Birr 157,520 million or some 16 per cent of the total cost, followed by ICT for public service delivery and for good governance which absorbs Birr 336,429 million or 34 per cent. About Birr 289,127 million or 29 per cent goes to ICT application for sector institutions while the remaining Birr 208,648 million or 21 per cent is allocated for ICT for community-based information system and service.

Table 8: Information and communications technology
Summary of Costs by Components

<table>
<thead>
<tr>
<th>Components</th>
<th>Domestic</th>
<th>External</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT Human Resources Development for e-Government Initiatives</td>
<td>51,982</td>
<td>105,538</td>
<td>157,520</td>
</tr>
<tr>
<td>ICT for Public Service Delivery and Good Governance</td>
<td>111,022</td>
<td>225,407</td>
<td>336,429</td>
</tr>
<tr>
<td>ICT Application for Sector Institutions</td>
<td>95,412</td>
<td>193,715</td>
<td>289,127</td>
</tr>
<tr>
<td>ICT for Community-based Information System and Service</td>
<td>68,854</td>
<td>139,794</td>
<td>208,648</td>
</tr>
<tr>
<td>Total</td>
<td>327,270</td>
<td>664,454</td>
<td>991,724</td>
</tr>
</tbody>
</table>

Details of costs are shown in the action plan (pages 194-199).

4.4 Justice System Reform

The total cost of the justice system reform sub-programme is estimated at Birr 733 million constituting about Birr 244 million or 33 per cent in local resources and 67 per cent in external resources. Of the total amount Birr 392 million or just about 54 per cent is for law enforcement. Organs comprising the Ministry of Justice (Birr 102.4 million), federal and state police and regional bureaux of justice (Birr 203.2 million), federal and state police and federal and state penitentiary administration (Birr 86.4 million). About Birr 200 million or 27 per cent is allocated to the judiciary. The remaining Birr 142 million or 19 per cent is for the House of Peoples' Representatives/Parliament including Birr 13.8 million for the House of Peoples' Representatives, Birr 1Birr 4.3 million for the House of Federation and Birr 124 million for state councils. Table 9 below shows a breakdown of costs for justice system reform by components.
Table 9: Justice System Reform Sub-Programme  
Programme Cost and Financing by Components

<table>
<thead>
<tr>
<th>Components</th>
<th>Domestic</th>
<th>External</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Judiciary</td>
<td>66,375</td>
<td>132,751</td>
<td>199,126</td>
</tr>
<tr>
<td>Law Enforcement Organs</td>
<td>130,651</td>
<td>261,302</td>
<td>391,953</td>
</tr>
<tr>
<td>Law Enforcement &amp; Revision</td>
<td>47,300</td>
<td>94,601</td>
<td>141,901</td>
</tr>
<tr>
<td>Total</td>
<td>244,326</td>
<td>488,654</td>
<td>732,980</td>
</tr>
</tbody>
</table>

Details are presented in the action plan (pages 210-223)

4.5 Tax System Reform

As shown in the following table, the total cost of the tax reform sub-programme is estimated at Birr 302 million including about Birr 214 million for tax system reform and Birr 88 million for customs reform. Domestic sources account for about Birr 98 million (about 33 per cent) and external contribution for Birr 203 million (67 per cent) of total sub-programme cost. More details are shown in the action plan.
Table 10: Tax Reform Sub-Programme Costs and Financing by Components

<table>
<thead>
<tr>
<th>Components</th>
<th>Domestic</th>
<th>External</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax System</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy and Legislation</td>
<td>7,652</td>
<td>15,536</td>
<td>23,188</td>
</tr>
<tr>
<td>TIN</td>
<td>13,264</td>
<td>26,930</td>
<td>40,194</td>
</tr>
<tr>
<td>Presumptive Taxation</td>
<td>6,586</td>
<td>13,371</td>
<td>19,957</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>1,037</td>
<td>2,105</td>
<td>3,142</td>
</tr>
<tr>
<td><strong>Operational Programme</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systems &amp; Procedures</td>
<td>15,768</td>
<td>32,016</td>
<td>47,784</td>
</tr>
<tr>
<td>Organisation</td>
<td>20,030</td>
<td>40,667</td>
<td>60,697</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>6,434</td>
<td>13,062</td>
<td>19,496</td>
</tr>
<tr>
<td><strong>Tax Total</strong></td>
<td>70,771</td>
<td>143,687</td>
<td>214,458</td>
</tr>
<tr>
<td><strong>Customs Reform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customs Automation</td>
<td>2,155</td>
<td>4,374</td>
<td>6,529</td>
</tr>
<tr>
<td>Customs Reorganisation &amp; Mgt</td>
<td>10,368</td>
<td>21,050</td>
<td>31,418</td>
</tr>
<tr>
<td>Customs Enforcement</td>
<td>14,180</td>
<td>28,794</td>
<td>42,974</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>2,336</td>
<td>4,743</td>
<td>7,079</td>
</tr>
<tr>
<td><strong>Customs Total</strong></td>
<td>29,039</td>
<td>58,961</td>
<td>88,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>98,810</td>
<td>202,648</td>
<td>302,458</td>
</tr>
</tbody>
</table>

Much of the cost of the tax reform sub-programme takes the form of equipment, training and office buildings. Technical assistance comprises a major component of costs in both tax policy and administration, and customs reform. Technical assistance, amounting to some Birr 8 million, will be required to implement elements of the reform such as VAT.

4.6 Urban Management

The total cost of the urban management sub-programme is estimated at Birr 268 million. About 7 per cent of the cost will be covered from domestic sources and the remaining 93 per cent is expected from external sources. Policy development will
absorb about 13 per cent of the total cost and deepening the process of decentralisation about 44 per cent. About 40 per cent of the total cost will go to implementation of local government restructuring and capacity building of phase one urban-local governments (municipalities). About 3 per cent of the cost is for monitoring and evaluation.

Of the total amount, about Birr 68 million (25 per cent) will be required during the first year (2004/05), Birr 86 million (32 per cent) during the second year, Birr 59 million (22 per cent) during the third year, Birr 37 million (14 per cent) during the fourth year and Birr 18 (7 per cent) during the fifth year. A summary of the financial requirement is shown in Table 11 below.

**Table 11: Urban Management Sub-Programme**  
Summary of Cost by Implementing Agencies

<table>
<thead>
<tr>
<th>Implementing Agencies</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA</td>
<td>1,905</td>
<td>25,132</td>
<td>27,037</td>
</tr>
<tr>
<td>UDCBO</td>
<td>948</td>
<td>14,426</td>
<td>15,374</td>
</tr>
<tr>
<td>NUPI</td>
<td>190</td>
<td>6,164</td>
<td>6,354</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>3,043</td>
<td>45,722</td>
<td>48,765</td>
</tr>
<tr>
<td>Regions (including M &amp; E)</td>
<td>14,711</td>
<td>205,334</td>
<td>220,045</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,754</td>
<td>251,056</td>
<td>268,810</td>
</tr>
</tbody>
</table>

Details of costs by components and activities are shown in the action plan (pages 244-248).
V. IMPLEMENTATION ARRANGEMENTS, MONITORING AND EVALUATION

5.1 General

Monitoring and evaluation of national capacity building programmes, including PSCAP, is amongst the major tasks of the MCB which is mandated to supervise, co-ordinate and guide implementation of capacity building initiatives. PSCAP incorporates monitoring, evaluation and reporting frameworks that allow for appropriate intervention procedures and actions with clear guidelines on how and when these can be activated and by which agency or authority. Action plan and logical framework matrices, which are integral parts of the programme, will facilitate the monitoring and evaluation of PSCAP and the various sub-programmes.

A particular focus of the MCB is to build its own in-house capacity for monitoring and evaluating national capacity building programmes. The MCB fully recognises that this would require a systems approach with skilled staff, logistical resources, etc. functioning efficiently and effectively within a broader context of its organisational mandate, and as part of a broader system of the public service with which it has a shared mission and vision. This would be vital for organisational effectiveness aimed at implementing not only PSCAP but also a much larger national capacity building programme.

At present, The MCB is in the process of being firmly established with clearly defined organisational structure. It is in the process of developing effective techniques, systems and procedures aimed at providing feedback for adjusting both objectives and strategies of national capacity building plan in general and PSCAP in particular. For on-going programmes, it has already put in place a mechanism for progress reporting by concerned public bodies and agencies. Meetings are scheduled regularly where public agencies and institutions present progress reports on the status of their respective sub-programmes to the MCB, which then presents its own summary of findings and recommendations to the Federal Government. The MCB has established procedures setting out clearly the tasks and timing for each agency and institution.

PSCAP will have the particular advantage of benefiting from best practices obtained from implementation arrangements, procurement and financial administration in conjunction with the IDA-financed Capacity Building for Decentralised Service Delivery Project (CBDSD) whose implementation is presently underway. PSCAP itself is an expanded phase of the CBDSD, and those directly benefiting from the CBDSD such as civil service reform, urban management, and the MCB itself have already put in place nearly all the necessary arrangements for implementing the CBDSD, which could be adapted to the needs of PSCAP when the latter comes on stream. Those that do not
directly benefit from the CBDSD Project can readily make the necessary arrangements for expediting implementation of their respective sub-programmes.

The following paragraphs summarise Implementation arrangements, monitoring and evaluation in respect of each sub-programme starting with the CSRP.

5.2 Civil Service Reform

5.2.1 Approach and Strategy

The approach and strategy to effectively implement the CSRP will focus on the following:

- Ensuring strong and dedicated political leadership and demonstrated commitment for reform.
- Establishing proper linkage of reform measures with other capacity building programmes.
- Ensuring full involvement and participation of all stakeholders including federal and regional government institutions, the private sector, donors, civil servants and the public at large.
- Enhancing awareness of the public and rank and file civil servants regarding policies and programmes in general and those associated with the CSRP in particular.
- Developing the skills and competencies of civil service officials and staff to enable them effectively and efficiently manage and execute the legislative mandates of their respective institutions.
- Engaging efforts of local and foreign consultants as required and needed to fill gaps in skills and ensuring that they provide the best value for money and impart their skills to national counterparts.

5.2.2 Awareness Creation

Awareness creation will enable the civil service promote good governance, democratisation, result-based performance, client-oriented service delivery and the like. Because transformation is a dynamic, focused and relatively short-term process, civil service officials and employees will be sensitised on the vision, policy guidelines and programmes of the Government through a series of awareness creation programmes on a continuous basis. The purpose is to induce positive changes in attitude and instill performance culture for the fulfillment of the objectives of the CSRP.
The effectiveness of awareness creation programmes pursued over the past six years, that is since launching the CSRP’s development phase in 1997, have been limited due to lack of proper planning, co-ordination and integration. Successive awareness creation efforts will therefore be carried out regularly and systematically through various mechanisms including seminars, workshops and panel discussions, publications and printed materials and the media.

5.2.3 Training

Training is central to the realisation of the objectives of the CSRP. However, the responsibility for training does not lie exclusively with the Government or any one of its agencies. For this reason, the Government recognises that training institutions in the private sector, federal and regional management institutions and institutions of tertiary education as major stakeholders and partners in training. The Government sees itself as a body that plays a direct and active role in public sector capacity building including human resource development. Thus, action will be taken in terms of developing a comprehensive strategic policy framework to ensure that civil servants are enabled to reach their desired level of satisfaction and performance, and that institutions for which they work meet their goals. This means the framework will have as its purpose the development of an optimal fit between the needs of civil servants, civil service jobs, the civil service itself and the environment in general.

For the specific purpose of implementing planned civil service reform measures, attention will be given to targeted skill up-grading efforts in terms of training and re-training all civil servants from the most senior to the most junior employees as part of their professional life. Training to be given to senior and middle level managers will focus on policy-making and implementation issues, while that for rank and file employees will be linked to the Government’s new emphasis on clients and equitable and effective service delivery. Training for lower level civil servants will be complemented with efforts focused on rewriting job descriptions to clarify new requirements for improved performance. To this end, particular attention will be paid to training as a means of improving the relevance of training to specific work situations.

Poor planning, lack of co-ordination and integration has undermined the effectiveness of training. Therefore, remedial actions will be taken in terms of putting in place new arrangements whereby the Ethiopian Civil Service College (ECSC) and the federal and regional management institutions will be able to play more active roles. This will allow effective co-ordination to satisfactorily meet the skill development needs of the civil service. Complementary measures will also be undertaken in terms of restructuring the roles and organisational set ups of federal and regional management institutions and the ECSC, reformulating their curricula in line with their improved mandates and designing tailor-made courses based on assessed training needs, developing training manuals and strengthening institutional capacity for training and management.
5.2.4 Co-ordination

Co-ordination of the CSRP will take place at three levels: implementing agencies, the CSRP Office and the MCB as described below.

5.2.4.1 At the Level of Implementing Agencies

Implementing agencies are civil service institutions at all levels. Civil Service Reform Units established and to be established within these institutions will play a key role in ensuring effective implementation of the CSRP. As the technical arms of the institutions' top management, they will assist and co-ordinate efforts of line departments/units of their respective institutions in implementing the CSRP. Specifically, they will streamline and elaborate on measures, provide assistance in preparing specific implementation plans, processing implementation activities, and monitoring and evaluating progress and impacts.

5.2.4.2 At the CSRP Office Level

The newly restructured CSRP Office of the MCB is responsible for managing and co-ordinating the overall activities of the CSRP. The Office will ensure implementation of the CSRP is effectively co-ordinated by sequencing and prioritising implementation, developing guidelines for use by implementing agencies, and monitoring and evaluating progress and impacts.

5.2.4.3 At the MCB Level

The MCB has the overall responsibility of co-ordinating national capacity building plans and programmes of which the CSRP is an integral part. Capacity building programmes are closely interrelated. For example, the CSRP strongly interfaces with the DLDP, Urban Management Reform, the private sector, civil societies and non-governmental organisations (NGOs) and the justice system reform programme. Therefore, co-ordination at this level will primarily focus on policy matters and ensuring integration through proper planning, efficient mobilisation and utilisation of resources as well as close monitoring and evaluation.

5.2.5 Promotion of Ownership and Participation

The responsibility for implementing the CSRP rests with heads of institutions. Ownership of the CSRP by the leadership as well as employees of each institution is crucial for achieving the desired objectives. Ownership is closely linked with awareness, understanding and commitment. It is therefore important that management and employees of civil service institutions not only know what is expected of them but also internalise reform measures and believe that they are achievable. The overriding objective of the awareness creation and training strategy is to create a sense of ownership and commitment.
Ownership and commitment is further strengthened through participation. The objective of this strategy is to involve as many stakeholders as possible in the design, development and implementation of the CSRP. To this end, civil service institutions are expected to promote employee and service users participation in the implementation of reforms. Moreover, lead institutions will be represented in a Steering Committee and in the Inter-ministerial Working Group where strategic and technical issues are co-ordinated.

5.2.6 Management/Institutional Arrangement

The CSRP Office will play the leading role in the management of the CSRP. Besides, institutional arrangements comprising a Steering Committee and an Inter-ministerial Working Group will be established to ensure active participation and involvement of key lead institutions.

5.2.6.1 Steering Committee

The MCB is responsible for macro-level management of the programmes including he design of strategies, planning, providing technical support to regions and evaluating implementation of programmes. A high level Steering Committee composed of ministers and heads of lead federal institutions and regional governments as well as the State Ministers of Capacity Building and Programme Directors will be established to ensure effective co-ordination, participation in and overseeing implementation of the CSRP. The Steering Committee advises and assists the MCB in the following areas.

- Setting national policies, strategies and critical success factors.
- Formulating and co-ordinating short- and medium-term plans.
- Allocating resources.
- Approving performance improvement plans and requests for support-funding by federal and regional ministries, agencies, bureaus, etc.
- Evaluating performance.

The Committee meets at least every quarter under the chairmanship of the MCB.

5.2.6.2 Inter-Ministerial Working Group

At the level of the CSRP Office an Inter-Ministerial/Agency Working Group comprising heads of civil service reform units of lead institutions and department heads within the Office will be established to ensure technical co-ordination, evaluate performance against plan, and to review performance improvement
plans and request for funds submitted to it by federal and regional implementing agencies. The group meets once in a month. The Director of the CSRP Office chairs the meetings and reports through the State Minister responsible for the CSRP to the Steering Committee at least once every quarter. The Head of the Reform Implementation Follow-up and M&E Department of the Office will serve as a secretary to the Inter-Ministerial Working Group.

5.2.7 Implementation Arrangements at Regional Levels

Regional Capacity Building Bureaux are responsible not only for co-ordinating implementation of the CSRP, but also facilitating adaptation or adoption of federally prototyped systems and procedures, rolling them out to reforming institutions and having them implemented at all regional, zonal and woreda sectoral offices. In line with national directives, all tiers of the regional governments will work out annual action plans which normally derive from sectoral and/or institutional strategic plans. Performance is tracked through regular report, periodic review meetings and assessments.

Review of CSRP activities will be made at regular meetings to be held every quarter. Representatives of all the CSRP co-ordinating offices of regional capacity building bureaux will attend the review meetings. The CSRP Office will act as a secretariat for the forum. Plans of all regions regarding CSRP will be distributed, and monitoring and evaluation on the implementation will be carried out based on the approved plans. The forum will also serve as a platform for sharing of experiences and exchange of good practices.

5.3 District-level Decentralisation

5.3.1 Implementation

The Rural Woreda Capacity Building Programme Office under the Ministry of Capacity Building together with concerned institutions is responsible for implementing the decentralisation sub-programme at federal level by designing overall frameworks, guidelines and assessment mechanisms. It will have close links with capacity building bureaux and will collaborate with line agencies and other stakeholders including the private sector and non-governmental organisations to ensure successful implementation.

The Office will have permanent technical staff supported by external and internal teams. A technical team comprising core staff members, representatives of regional capacity building bureaux, supportive teams and consultants will facilitate the availability of resources and review implementation. The Programme Office provides technical assistance. Annual action plans will be prepared with the involvement of regional governments, the Programme Office and the Ministry of Federal Affairs.
Regional capacity building bureaux, as focal institutions at regional levels, will have units or co-ordinating bodies responsible for the design, co-ordination and execution of the sub-programme at the district level. They will have appropriate management and internal technical teams to carry out envisaged activities. Each bureau will make arrangements for consultation, participation and performance assessment with representatives from rural woreda offices and relevant sectoral bureaux.

Annual plans will be initiated and reviewed by institutions at rural woreda, federal and regional levels through consultation involving stakeholders at rural levels. Capacity building institutions at all levels will be the lead agencies responsible for co-ordination, and for facilitating and executing projects. Other implementing agencies will work out their own modalities for preparation, execution and follow-up of projects. All institutions involved in capacity building and other agencies will collaborate closely with full accountability.

5.3.2 Monitoring and Evaluation

At rural woreda and regional levels, co-ordinating units under the respective capacity building institutions will be responsible for facilitating and co-ordinating M&E functions. In rural woredas, where such institutions are not established, transitional arrangements will be made under the council of each administrative tier. Other implementing agencies involved as direct implementers or key focal institutions will prepare and submit reports to capacity building institutions at each level quarterly and annually.

The performance of the sub-programme will be monitored quarterly and annually through progress reports, by arranging review meetings, consultative forums and undertaking intermittent pilot assessments. Bottom-up, top-down and horizontal information feedback mechanisms will be developed for rural woredas. To this end, an efficient information exchange system will be designed to track implementation of the sub-programme. The MCB will carry out evaluation on overall implementation of activities jointly with the Bureaux of Capacity Building at least twice a year.

5.4 Information and communications technology

5.4.1 Implementation at Federal Level

Implementation of ICT at the federal level requires the involvement of different sector institutions that are responsible for executing ICT projects. For example, the Ministry of Agriculture is responsible for all projects undertaken to improve agricultural information management, to initiate their execution and follow-up progress.
5.4.2 Implementation at Regional Levels

At regional levels, there will be ICT co-ordinating offices under bureaux of capacity building. Regional ICT co-ordinating offices will be in place before start of the activities, and the required staff will be recruited in advance. Each unit will have specific responsibilities in implementing ICT projects in each region. For example, the System Development Unit will be responsible for supervising and advising implementation of sector specific information systems.

5.4.3 Monitoring and Evaluation

5.4.3.1 Monitoring Mechanism

Tools for monitoring and evaluation at all stages of implementation include progress reports, site inspection and workshops. Institutions in charge of executing projects will compile monthly reports on their performances, pointing out problems encountered and solutions sought. Quarterly reports will be prepared at the end of each calendar quarter for the Ethiopian Information Communication Technology Development Authority (EICTDA) as well as the Ministry of Capacity Building. A team of experts from the EICTDA, the Ministry of Capacity Building and top management of executing institutions will inspect progress biannually. Workshops will be organised annually by all stakeholders in order to assess progress and share experiences. The executing agency is responsible for organising workshops.

In order to assess the performance of projects, evaluation mechanisms such as review workshops and impact assessment will be used. Workshops involving stakeholders, development partners, donors, and professional societies will be organised to assess and evaluate performance and learn from experiences. Executing agencies are responsible for organising workshops at regional levels. Workshops will also be organised at the national level to share experiences among regions. EICTDA is responsible to organise national workshops. Surveys will be conducted at the end of each project. Executing agencies are responsible to undertake impact assessment.

5.5 Justice System Reform

5.5.1 Implementation Arrangements

Federal and regional steering committees have already been established for the preparation and implementation of the JSRP at the federal and regional levels. At the federal level, the committee comprises representatives from the justice sector with responsibilities to prepare and co-ordinate implementation of detailed annual work plans. Details of implementation arrangements both at federal and regional levels are presented below.
5.5.2 Federal Steering Committee

The Federal Steering Committee is composed of senior members (Ministers, State Ministers, Commissioners, etc.) of the federal government drawn from the MCB (chairing the committee), the Justice System Reform Programme (secretary), the Ministry of Justice, the Ministry of Federal Affairs, the Federal Parliament, the Institute of Legal Study and Research and federal courts.

The Federal Steering Committee is responsible for the following:

- Preparation of policy and strategy for justice system reform in general and PSCAP in particular.
- Formulation and co-ordination of short- and medium-term plans.
- Setting critical success factors.
- Allocation of resources.
- Review and approval of annual implementation work plans.
- Determining priority activities.
- Evaluating performance

5.5.3 Federal Technical Committee

The Technical Committee is composed of members drawn from each implementing sector with the following members.

- The MCB, Justice System Reform Programme.
- Federal Court.
- House of Federation.
- The Ministry of Justice.
- Federal Penitentiary.
- Professionals.
The Committee's responsibilities include the following:

- Co-ordinating and supervising activities.
- Preparing annual plan work plans and submitting them to the Justice System Reform Programme Office.
- Monitoring implementation of annual work plans.
- Preparing quarterly progress reports

5.5.4 Justice System Reform Programme Office

This Office is responsible for overall implementation of the justice reform sub-programme with the following specific functions.

- Co-ordinate the justice reform component of PSCAP.
- Monitor the preparation of annual work plans.
- Provide technical experts (consultants).
- Follow up and assist in implementation of annual plans.
- Issue guidelines and directives for an effective and efficient implementation of the sub-programme.
- Monitor and evaluate implementation of the various components of the sub-programme.
- Prepare and submit progress reports both to the Federal PSCAP Committee and Federal steering Committee.

5.5.5 Regional Steering Committee

Regional steering committees are composed of senior members of regional governments drawn from bureaux of capacity building (chairing committee meetings), regional councils, regional justice bureaux and regional courts and the Ministry of Federal Affairs. Regional Steering Committees are responsible for the following

- Co-ordination of the justice reform component of PSCAP.
- Based on the regional development directives, set regional polices and strategies and critical success factors.
Monitor the preparation of annual work plans.

Approve projects and programmes forwarded by implementing institutions.

Approve budgets allocations to each components and activities.

Submit work plans to Programme Office.

Follow up and assist in the implementing annual plans.

Issue guidelines and directives for an effective and efficient implementation of the sub-programme.

Monitor and evaluate implementation of the various sub-programme components.

Follow up preparation of progress reports and submit them to the Programme Office in due time.

5.5.6 Regional Technical Committees

Regional technical committees are composed of members drawn from the following institutions.

- Regional Councils.
- Capacity Building Bureaux.
- Regional Courts.
- Justice Bureaux.
- Regional Police Commissions.
- Federal Penitentiary.
- Professionals

Functions of regional technical committees include the following:

- Co-ordinating and supervising the preparation of action plans of implementing sectors as per the direction given by regional steering committees and PSCAP.
• Preparing annual work plans and submitting them to the regional steering committees for approval

• Following up and monitoring implementation of annual work plans.

• Preparing quarterly progress reports and submit to the JSR Programme Office

5.5.7 Monitoring and Evaluation

The Minister of Capacity Building will design and implement a strategy for monitoring and evaluating implementation of PSCAP both at the federal and regional levels. As far as the JSRP is concerned, more specific, quantitative and qualitative data collected at frequent intervals at the lowest levels will be sent to the Justice System Reform Programme Office. The performance of each sub-programme activity will be measured against indicators in the logical framework matrix for each component.

For monitoring purposes, financial and progress reports will be prepared quarterly and forwarded to the JSRP Office by each implementing unit for presentation to the Federal PSCAP Steering Committee (FSC). The JSRP Office will report quarterly to the FSC.

Each member of the Technical will be responsible for communications between his/her respective institution/organisation and all stakeholders.

The JSRP Office will review action plans submitted by each implementing institution/organisation. It will certify that plans are consistent with PSCAP and that they comply with all requirements (of Government and donors). The MCB is the final authority for approving all plans.

Funds will be released upon formal request made by the implementing institution/organisation to the JSRP Office. Funds will be advanced normally to the concerned institution/organisation through the MCB. The JSRP Office will compile reports received from all institutions/organisations and forward them to the Federal Steering Committee.

The JSRP Office will undertake regular monitoring visits to sites. Performance will be measured according to indicators against activities in PSCAP prepared and submitted by each institution/organisation. Monitoring reports will be prepared and submitted for evaluation by the MCB and donors mid-way in the course of PSCAP implementation. Any impact assessment, internal or external, may be initiated by the JSRP Office, federal or regional PSCAP committees or by the Federal Steering Committee when there are justifiable needs. The MCB/JSRP Office will work closely with regions and federal stakeholders to
establish data collection standards, performance measures and evaluation strategies.

5.6 Tax System Reform

5.6.1 Implementation

The Government has established a Task Force within the Ministry of Revenue to follow-up and guide implementation of the tax reform sub-programme, with specialized teams formed for the various sub-components. Its members include representatives of relevant departments in Government, regional and city administrations.

A Technical Committee comprising FIRA’s senior executives, the Ministry of Finance and Economic Development, the Customs Authority, Regional Finance Bureaux, Ethiopian Telecommunications Corporation and a representative from the Science and Technology Commission has been set up to follow-up implementation of TIN.

There is a forum for regular consultations with the Addis Chamber of Commerce aimed at finding solutions to problems that may arise in the course of implementing the sub-programme. Fora have also been established at regional levels for enforcing implementation of the customs sub-component in particular.

5.6.2 Monitoring

Monitoring will be through timetables, stakeholders meetings and systematic reporting during implementation. Monitoring bodies will be set up to overview implementation of the sub-programme with focus on the following:

- **Time Table**: For each tax policy and administration reform initiative, specific time frames have been established for deliverable and supporting activities.

- **Reports**: A reporting system has been organised whereby team leaders will regularly report progress against expectations at milestones to be established.

- **Evaluation**: The same organs of the Ministry of Revenue cited above will carry out evaluation which will take place at milestones to be established. There will be three formal evaluation reports: mid-term, terminal and ex-post as highlighted below for selected sub-components.

- **Revenue Accounting**
  
  ➢ Accurate and up-to-date information on all taxpayers.
- Accounts receivable control and reconciliation process.
- Timely notifications of taxpayers in arrears or those make no declarations.

**Receivables Management**
- Accurate and up-to-date reports on tax arrears and failure to declare taxes.
- Effective collection of arrears and securing outstanding declarations.
- Attainment of acceptable levels of tax arrears and outstanding declarations.

**Assessment and Audit**
- Improved revenue from assessments for additional taxes.
- Timely identification and action on taxpayer non-compliance.
- Improved taxpayer compliance with respect to maintenance of books and records, timely declarations and payments.
- Detection of understated or undisclosed income through more effective audit procedures and the use of third-party information.

**TIN, VAT and Integrated Tax Systems**
- Performance and functionality of the system in accordance with agreements with the contractors.
- Implementation of the system within expected time-frames
- Number of TIN's issued to taxpayers within expected time-frames.
- Computerisation regarding capacity building and operational Requirements.
- MIS department capable of supporting computerised systems

**Large Taxpayer Office**
- Improved compliance by taxpayers in this category.
• **Human Resource Management Process**
  - Organisational structure.
  - Accountability framework.
  - Employee performance measurement process.

Because of its far-reaching impact on revenues in particular and the economy in general the Government is fully committed to carrying out the tax reform sub-programme. As pointed out earlier implementation of some components has been completed with budgetary allocations from the Government's own resources; others are underway and the study phase of the remaining components has been completed or is nearing completion. As part of its efforts to promote capacity building in the area of tax reform, there will be no let up on the part of the Government in relentlessly pursuing complementary policies, reforms and regulations supporting tax reform.

5.7 **Urban Management**

5.7.1 **Implementation Strategy**

The MFA, NUPI, UDCBO, regional bureaux of urban development and urban local governments (selected municipalities) will be jointly responsible for implementing the urban development sub-programme. These institutions will integrate planned activities with their annual regular programmes. Other urban-related institutions will reorganise and strengthen their capacities to carry out the additional workload. It is likely that the implementation of the sub-programme will demand additional recurrent costs, which will be covered under their annual regular budgets.

The formulation of general policy frameworks, the provision of technical assistance to regions and monitoring and evaluation are the responsibilities of the MFA. Regions will adapt the frameworks to their specific contexts.

Since the MFA has delegated the provision of technical assistance to regions to the UDCBO, the preparation of various standard operational manuals and other software that are requested by different regions will be undertaken by the UDCBO. It also provides technical assistance in the implementation of training and procurements beyond a given thresholds, particularly those through international competitive bidding and national competitive bidding.

NUPI, as a technical arm of the MFA in assisting regions will be responsible for the provision of technical assistance to regions with regard to the establishment
and strengthening of urban planning units and the preparation of physical planning codes and standards.

At local government levels, phased approach is opted for implementation of the sub-programme particularly in reform towns. This is particularly because of the current limited capacity of both regional and local institutions.

5.7.2 Responsibilities of Implementing Institutions

The MFA, UDCBO, NUPI, Regional bureaux of urban development and selected municipalities are the responsible focal institutions for implementing the urban management capacity building sub-programme. The key roles of these institutions are described below:

5.7.2.1 MFA

The MFA is responsible for strengthening programmes planned by the Ministry and the formulation of policy frameworks that will be adapted and implemented by regions. It also oversees implementation of the sub-programme and provides technical assistance to regions wherever required.

5.7.2.2 UDCBO

The UDCBO shall be responsible for:

- Providing technical capacity building supports to regions in implementing procurement (both consultancy services and goods).
- Implementation of programmes designed to strengthen urban management activities.
- Preparation of operational manuals, and other studies for the use of the municipalities, and Implementation of training.

5.7.2.2 NUPI

NUPI’s responsibility will be enhancing the capacity of regional planning units by assisting them to establish urban planning units for the four major regions and training their manpower as well as developing/facilitating the development of urban physical planning codes and standards.

5.7.2.3 Regional Bureaux

Regional bureaux are responsible for the overall implementation of their specific components. These are the focal institutions at region levels. They co-ordinate and officially supervise implementation and evaluate impacts. They adapt the
federal policy frameworks to their respective regional contexts and develop implementation manuals that will be used by urban local governments and provide training. They also assist urban local governments to conduct local specific studies and implement when approved by the region.

5.7.2.4 Municipalities/Urban Local Governments

Urban local governments are the final beneficiaries of the sub-programme. They are responsible for implementing the restructuring and local capacity building component. Moreover, they also conduct specific studies at local levels.

5.7.2.5 Co-ordination and Facilitation

For effective implementation of the sub-programme, there is a need for co-ordination to ensure that activities are timely executed, to avoid duplication of efforts, waste of resources, as well as deciding on policy gaps on time. To facilitate effective implementation and co-ordination of the various activities carried out by the various urban related implementing institutions, consultative forums will be established at three levels, i.e., at federal, regional and municipalities or reform towns. The consultative forums will be composed of high-level decision makers who will meet quarterly and provide political leadership.

5.7.2.6 Federal Consultative Forum

A national consultative forum will be chaired by the Minister of Federal Affairs. Members will include heads of the regional industry and urban development bureaux. If necessary, heads of health, education, justice, infrastructure, water, industry, social affairs, agriculture and environment, etc. may be invited to participate in forum meetings. It will co-ordinate and manage implementation of the sub-programme in such a manner that resources are used efficiently in all regions.

5.7.2.7 Regional Consultative Forum

A regional consultative forum will also be established to assist in implementation of the sub-programme. It will be chaired by the head of the regional industry and urban development bureaux and will have the following members:

- Heads of the urban development/management support department of the bureaux.
- Heads of planning units.
- Representatives of major towns selected for phase one.
Regional consultative forums meet monthly; their responsibilities include but are not limited to the following:

- Co-ordinate implementation of the sub-programme.
- Facilitate participation of stakeholders at all levels.
- Approve project proposals.
- Approve budget applications.
- Evaluate performance.

5.7.2.8 Municipal Consultative Forum

Consultative forums will also be established at the municipal level. They will be composed of the mayor, the city manager and other members of the city leadership. They will meet every 15 days and will have the following responsibilities:

- Ensuring co-ordination and participation at the grass-roots level.
- Creating a sense of ownership.
- Supervision of performance, and reporting to regional consultative forums.

5.7.3 Monitoring and Evaluation

5.7.3.1 Monitoring

Monitoring will be carried out by all stakeholders at all stages. All implementing institutions at the federal, regional and municipal levels will supervise and monitor day-to-day activities.

Each implementing institution prepares and submits reports to the next higher as will be provided for in the evaluation operational manual. Municipalities will compile and submit reports on the day-to-day progress of activities to the municipal consultative forum which makes appropriate decisions aimed at accelerating performance and sends reports to the regional bureau of industry and urban development every month. After consolidating the reports of municipalities and the progress of activities assigned to them the bureaux deliberate on the reports and submit them to federal consultative forums every three months through the UDCBO.

Apart from reviewing monthly and quarterly reports, regions shall organise review meetings at least twice a year. The reports of the review meetings will be
submitted to the federal consultative forum for review. Such review meetings will be organised yearly at the federal level as well. The findings of the federal review meetings can be submitted to other concerned bodies.

5.7.3.2 Evaluation

Evaluation of the sub-programme will be made twice during the period – mid-term and post implementation. Mid-term evaluation will be carried out in June/July 2006. The main purpose is to review implementation to make the necessary revisions and adjustments for the remaining period. The final evaluation will be made in June 2008. The objective is to measure the achievement of the goals of the sub-programme and its overall impact in the context of PSCAP.

Various quantitative and qualitative methods including surveys may be used particularly during the final evaluation. All major stakeholders including the MCB, funding agencies (the World Bank and other donors), federal (MFA, UDCBO, NUPI), regional urban development bureaux, capacity building bureaux and local (municipal) institutions will be involved. At the federal level, the MFA/UDCBO and bureaux of industry and urban development at the regional level will be responsible for co-ordinating monitoring and evaluation.

5.7.4 Reporting

5.7.4.1 Municipalities/Reform Towns in Regions

Municipalities report to regions at the end of every month from the date of effectiveness of the sub-programme. The report of the preceding month will be received by regions on the last day of the following month. Formats for reporting will be developed and provided to regions and municipalities.

5.7.4.2 Region to Federal

Each region reports to the MFA through its implementing arm (UDCBO) every three months from the date of effectiveness. The report of the preceding quarter will be received on the last day of the first month from the date of ending quarter.
VI. CONCLUSION

The Ethiopian Government recognises that an integrative approach to capacity building requires a favourable macro environment which plays a crucial role for influencing the development of the right kinds of capacities both in the public and private sectors, the effective use of these capacities, efficient and effective organisations and institutions, procedures and processes, human resources, governance, transparency and accountability, etc. It is with this in mind that the Government's overall goal and strategy for socio-economic development has been framed around a supportive macro environment.

The Government also realises that human beings remain the centrepiece of the exercise in building capacity the ultimate aim being to develop individual capabilities, incentives and institutions so that they will perform efficiently and effectively in all their living and working environments. Focusing on the human aspects of capacity building is therefore critical. In the end, it is always people that make things work. A conducive macro environment makes it possible to create and retain the human resource that is so crucial to capacity building and, indeed, the very process of social and economic development.

The goal of capacity building initiative is to promote development while giving priority to its human aspects. Good governance and the human aspects of development are indivisible for eradicating poverty and attaining sustainable growth. This means that both men and women, particularly the poor, are at the forefront of national capacity building initiatives. Components of PSCAP such as urban management are intended to provide urban infrastructure and services which will result in better conditions for women by reducing the time spent on fetching water from distant places, gives them more time to be spent on income-generating activities, raises productivity and benefits the economy as a whole. So is decentralisation which brings the process of decision making to the door steps of the rural poor where both women and men have to work shoulder to shoulder in combating poverty and improving their livelihood.

Since the resource requirements of capacity building are substantial, prioritising and sequencing of interventions over an extended time frame to optimise strategic impact is crucially important. This would require that the international community should commit resources within the framework of the Government's holistic approach to national capacity building, for success can only be ensured if there is full commitment and unreserved support on their part. It is the contention of the Government that Ethiopia can achieve its goals of sustainable growth, rapid poverty reduction and good governance, with simultaneous and strategic intervention in all key areas of capacity building in collaboration with its development partners. It calls on its development partners to take up the challenge and mobilise resources concerning national capacity building and integrate on-going efforts into national programmes.
Donor efforts in building national capacity will go a long way in enabling the Government to respond more effectively to the economic, political, and social challenges facing the country. Indeed, the need for donor collaboration has never been so important. In the past, donor support for capacity building remained largely fragmented. The donor community is urged to make capacity building a more central theme of its assistance strategy and step up collaborative efforts, sharing experiences and insights from diverse capacity building situations in other parts of the world.

Donors can also assist in designing specific interventions along the various dimensions of capacity that are laid out in the strategy. Among the activities that can assist in designing and implementing capacity building initiatives include (a) helping the Government identify options for capacity building initiatives, (b) regularly review with the Government on-going initiatives to ensure that implementation of sub-programmes is on course, (c) provide focused assistance in implementing specific activities when required by adopting appropriate techniques and best practices, (d) support training and professional networking activities, (d) support training and professional networking activities, (e) support professional education in local universities and technical institutes, (f) support capacity building in management with emphasis on developing skills in problem-solving, financial and human resource management, communications, leadership, etc. The challenge for the donor community is to take a system-wide approach to capacity building alongside the Government and provide sustainable support for implementing Ethiopia’s current and future capacity building initiatives.

Finally, it needs to be stressed that the national capacity building plan in general and PSCAP in particular are country-owned, with donor and financing agencies providing funding support and technical assistance. This is in the context of the emerging consensus that donor agencies and development finance institutions should play supportive rather than directive roles in designing projects and programmes and in setting priorities.
ACTION PLAN AND LOGFRAME MATRICES