Full Length Research Paper

Does decentralization have a role in poverty reduction? The Ethiopian experience

Alene Agegnehu* and Worku Dibu

Department of Civic and Ethical Studies, Adigrat University, Ethiopia.

Received 13 October 2016; Accepted 14 December, 2016

This article reviews the actual impacts of decentralization on poverty reduction in Ethiopia after the inception of decentralization since 2000s. Secondary document analyses accompanied by interview with few government officials were employed. The objective of the article was to investigate the tangible impacts of decentralization on Ethiopian poverty reduction program. The goals of decentralization in Ethiopia are to reduce poverty through providing basic pro-poor services such as education, health, water and expanding rural gravel roads by mobilizing local residents and resources accompanied by participatory democracy. Pragmatically, however, meaningful changes are yet registered due to various interlinked factors such as weak institutional arrangement and inadequate empowerment of local government and inadequate autonomy to decide their own affairs. Moreover, insignificant change of poverty reduction was also occurring due to lack of financial autonomy and high dependence of local government on its nearby upper echelon of government. Demographic factors such as alarming rate of population growth and lethargic economic growth, heavy hand control and centralization tendency of the ruling regime, lack of technical and financial capacity of the regional and local governments, and lack of the culture of accountability, and transparency, etc. are also factors that make decentralization to have little impacts.

Key words: Decentralization, poverty reduction, Ethiopia.

INTRODUCTION

The word decentralization embraces multifaceted concepts; and different scholars and sources express it differently. Decentralization is usually understood as the reassigning of authority and responsibility for public functions from a higher echelon of government to lower orders of governments and/or the private sector. It also means that the devolution of resources, tasks and decision-making power to democratically elected lower-level authorities that are largely or wholly independent of central government (Boex et al., 2006; Rondinelli et al, 1989).

According to other sources, the meaning of decentralization also refers to the restructuring or reorganization of authority so that there is a system of co-
responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels (Bossuyt and Gould, 2000; UNDP, 1999). Decentralizing governance, from the center to regions, districts, local governments/authorities and local communities, can be an effective means of achieving critical objectives of improved access to services and employment, increased people participation in decisions affecting their lives. It involves the transfer of political, fiscal and administrative powers to sub national units of government. A government is not decentralized unless the country contains autonomous lower levels at least in some policy areas and expanding the resources and responsibilities of existing sub national governments. Decentralization could also be expected to contribute to key elements of good governance, such as increasing people’s opportunities for participation in economic, social and political decisions; assisting in increasing people’s capacities; and enhancing government responsiveness, transparency and accountability. The direct/indirect linkage of decentralization and poverty reduction can be determined by the types of decentralization the country has. Hence, it looks sound to discuss the types and form of decentralization to analyze whether decentralization has a linkage in poverty reduction.

Types of decentralization

Decentralization has many types and it includes political, administrative, fiscal and economic decentralization.

Political decentralization

Political decentralization aims to give citizens or their elected representatives more power in public decision making. It empowers citizens, to have a say in the formulation and realization of laws and policies in their particular area and thus is crucial for poverty reduction since the poor people can play a role in elections. When poverty is a local or regional phenomenon, the median or the average voter would be a poor person and the allocation of public goods and services demanded by the median voter will take into account the needs of the poor when the relative voting power of the poor gets strengthened by decentralization (Von Braun et al., nd). Hence, from this, we can see that political decentralization by increasing the influence of the poor can have a positive role in poverty reduction.

Political decentralization assumes that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The rationale for political decentralization is the strengthening of local government decision making power and the need to diffuse the monopolization of power that is held by central governments. It is critically important to ensure the existence of a system of multiple checks and balances on the exercise of political power through the creation of strong regional and local governments (UNDP, 1999; von Braun and Grote, 2000).

Administrative decentralization

Administrative decentralization means the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to subordinate units or levels of government, semi-autonomous public authorities, area-wide regional or functional authorities (Steiner, 2005). Since administrative decentralization make the elected representatives and the bureaucrats accountable to the citizenry, as a result, they serve better, the poor in particular and in turn reduces poverty in general.

Fiscal decentralization

This refers to decentralizing revenue raising and/or expenditure of money to a lower level of government to ensure financial responsibility. This makes local strategic planning possible and provides a financial maximum amount that makes such planning a meaningful exercise and an opportunity for local communities to take autonomous decisions on the use of limited resources (UNDP, 1999). So, it implies that local authorities become responsible for local revenue and expenditure assignments. If local governments are to carry out decentralized functions effectively, they would have an adequate level of revenues raised locally as well as the authority to make decisions about expenditures in their local needs.

Economic decentralization

Economic decentralization refers to the transfer of certain economic functions from the public to the private sector. It can be done only through privatization, of public owned functions and businesses to NGOs and other privat organizations and through deregulation- the abolition of restrictions on businesses competing with government services.

The link between decentralization and poverty reduction

The practical linkage between decentralization and poverty reduction remain debatable among scholars. Some argued that decentralization can have a positive impact on poverty reduction. To them, decentralization yields to efficiency enhancement. Centrally concentrated authorities usually lack the adequate time and necessary
knowledge to implement policies and programmes that reflect the actual needs and preferences of the people (Ostrom et al., 1993). According to Musgrave (1989) and UN (2004), decentralization is a means to advance allocative efficiency if it is appropriately planned and managed. Moreover, Jutting et al. (2004), also explored that decentralization can bring improved governance via increasing accountability and examining of government officials, by boosting citizen’s participation in politics and by discouraging opportunities for corrupt behavior.

However, such a positive impact of decentralization on poverty reduction is not inevitable. In other words, a simple existence of or a mere putting in place of decentralization does not have a role in assuring poverty reduction efforts. Hence, an empirical study on the relationship between decentralization and poverty reduction do not always show a positive correlation between the two. There are many instances of decentralization, which do not lead to poverty reduction.

On the contrary, some others argued that, decentralization may sometimes exacerbate poverty and destabilize macroeconomic. At a time when the assignment of revenue resources granted to local government is meager and if the central government has unequal share of revenue, even if it undertakes transfers to the sub-national level, decentralization leads to inefficiency in public services and bring no positive impact on poverty reduction. Unconstrained borrowing and unmanaged financial use of local government may destabilize macroeconomic stability. Inability of one region to repay indeed yields spillover effect on the other regions. Besides, in the absence of genuine decentralization but with deconcentration, delegation could not empower local people to have say in their local affairs and hence, it has insignificant role in poverty reduction efforts.

For decentralization to have a positive impact on poverty reduction, certain pre-conditions have to be fulfilled. According to World Development Report (2000), poverty may reduce when decentralization is set in such a way that; firstly, if it promotes the opportunities for the poor by providing access to employment, markets, financial services, social infrastructure and social services (education, health care, water, etc). Secondly, if it creates a favorable environment for the poor people to take part actively in policy and decision making process; and thirdly, if it reduces to an extent, the vulnerability of the poor from economic shocks, natural disasters, ill health, disability, personal violence, etc (World Bank, 2000).

DECENTRALIZATION AND POVERTY REDUCTION IN ETHIOPIA

A quick glance of decentralization in Ethiopia

Right after the fall of the Dergue regime, decentralization in Ethiopia took place in two waves: the 1990s first wave of decentralization which took place devolving power from the center to the regional states, and in the early 2000s the second phase which is termed “district level decentralization” that devolved power from the regional government to the district level. The first wave of decentralization in Ethiopia is politically driven, aimed at ensuring national stability by institutionalizing ethnic federalism as the central issues. The district level decentralization on the other hand has been directed more towards goals of local development and enhancing democratic culture (Van der Loop, 2002; Hashim, 2010). Currently, there are five administrative levels of government including, the federal government, state governments, zones (though act as intermediary role in majority region), districts and kebeles administrations.

The district level of government are supposed to render social services such as education, health (primary) and water supply, undertake local development and ensure transparent and accountable governance system at grassroots level by giving space for populace participation.

IMPACTS OF DECENTRALIZATION ON POVERTY REDUCTION IN ETHIOPIA POST 1991

One of the objectives of second wave of decentralization in Ethiopia which was launched since 2000s was to make poverty reduction its central agenda of the country’s development strategy. In order to realize the intended objective, Ethiopia has prepared a national anti-poverty program under Sustainable Development and Poverty Reduction Program (SDPRP) which was implemented from 2001-2006. The SDPRP has indicated that the strategy of poverty reduction in Ethiopia rests on four pillars: Agricultural Development Lead Industrialization (ADLI), Justice System and Civil Service Reform, Decentralization and Empowerment, and Capacity Building in Public and Private Sectors. The first SDPRP gave the way for the second SDPRP called PASDEP1 which further emphasizes on growth to reduce poverty and hence, acknowledges the initiatives of SDPRP I (PASDEP, 2005). Currently, the third strategy further consolidates the premises of its predecessors and seems more committed to end up poverty after successful implementation and completion of Growth and Transformation Plan (GTP)2.

Even though the initial motives of Ethiopian first wave decentralization do not have much association with  

---

1 A Plan for Accelerated and Sustainable Development to End Poverty, the second SDPRP, 2005.
2 Growth and Transformation Plan, third SDPRP, that has been implemented within five year (2010- 2015). GTP program was aimed to replace the existing agriculture led industry by industry. That means the industry sector can lead the industry by providing necessary technological products to uphold the majority sector, that is, the agricultural sector. It can be culminated in the current fiscal year.
poverty reduction, the process of decentralization was done by designing intentionally, although some say it is by default, especially the second wave of decentralization, many developmental issues have embraced and poverty reduction taken as part of the decentralization effort. Hence, local governments in Ethiopia are empowered to make local socio-economic developmental and poverty reduction policy (Meheret, 2006).

Moreover, decentralization can ensure a way for power share among various ethnic groups, thereby establishing grounds for political consensus and stability. In 1991 and more specifically from 2002 onward, there is a remarkable change of decentralization such as increased citizens’ participation and partly brought national stability. More importantly, citizens’ participation in governance system has increase and wholly addressed voicelessness of nations, nationalities and peoples of Ethiopia at least at local level. As a result, rural roads, primary health centers, primary education, etc are by large constructed and managed by the local people. New classes like milliner farmers, merchants and business persons, entrepreneurs, and citizens’ are emerging. Arguably, it also makes the local governments accountable to the citizenry and speed up public service delivery (Habte, 2012).

The 1995 FDRE constitution have theoretically guaranteed sub-national governments the right to raise funds and collect taxes. In addition, the federal government also transfers subsidies in the form of either conditional or block grant to fill their national gap and fund pro-poor social services. The regional governments also have constitutional power to levy and collect taxes and also generate revenues within their jurisdiction (FDRE, 1995, Art. 52 (2) (e) and Art. 98). This in turn enables them to render needy services at local level.

Legally speaking, similar to the federal government, the state governments have legislative, executive and judicial as well as administrative powers over its jurisdictions. The regional constitutions have been also granted the districts and kebele level governments the power for planning, administrating and partly financing their institutions. The mushrooming of micro and small scale enterprises has increased societal participation, creates good job opportunity for unemployed youth, and serve as additional sources of revenue and investment opportunities for the local communities.

A study done by Yuichi (2005) has shown that the rate of poverty in Ethiopia has slightly decreased (from 45.2 to 44.2%) between FY 1995/96 and 99/2000. However, this study remains fragment in a sense that in rural areas, the level of poverty decreased (from 47 to 45%), while in urban areas, it increased (from 33.3 to 37%). Other studies indicated that local governments have very limited added value in poverty reduction in Ethiopian context. And decentralization is not benefiting the local communities in terms of space for participation and designing improved poverty reduction strategy. Moreover, district and kebeles administrations are not truly operational due to the lack of autonomy, lack of viable participation of local residents, lack of accountability and representation, problem of resource mobilization and human capital constraints. Furthermore, the system does not provide population with a means of participation in policies to reduce poverty. Local governments do not have role in formulating poverty reduction strategies and as well as the agricultural extension and credit saving system do not assist the poorest sectors of the society (Tsegaye, 2006; Assefa and Tegegne, 2007; Dickovick and Tegegne, 2010).

Similarly, a study conducted by Jutting et al. (2004) show that Ethiopia has been grouped in those countries which registered negative impact of decentralization in which decentralization relatively brings little impact on poverty reduction. This is true because the objective of decentralization (in the first wave) is to ensure political stability and preserve national unity than addressing issues of poverty.

There is no clear pattern as to where decentralization has functioned better or worse at national or sub-national levels in Ethiopia. Rather, many scholars seem to characterize Ethiopian decentralization as a “big brush” meaning identifying its achievements or failures from a national perspective. Hence, there is confusion whether local decentralization is in place at present or whether it is hindered by the current structure of politics in which the EPDRF regime has undertaken decentralization for partisan purpose. The other important divergent is that there is a conflicting evidence on the extent of the expenditure autonomy of the local units of government. In one hand, the transferred revenues are granted to regional government in the form of block grants and on the other hand, there is a high dependence upon these funds for recurrent expenditures. In terms of fiscal decentralization, there is devolution of tax authority as relative to the intergovernmental transfers. Again, here the paradox, Ethiopia is quite fiscally decentralized with high levels of government expenditures taking place at the sub-national level and intergovernmental transfers providing resources for this. However, the country’s fiscal decentralization is limited by low levels of own-source revenue at sub-national levels; hence, they rely on the federal government.

According to Habte (2012: 41), the poverty-prone institutions such as micro and small scale enterprises, and credit and saving institutions do not work well as per the aims of the decentralization.

**Why decentralization yields less impact on poverty reduction in Ethiopia?**

As mentioned earlier, decentralization in Ethiopia has promised a lot to reduce poverty and bring some positive contribution much less than the intended goals; there are a number of factors that make it not to meet the intended goals.
**Imbalance population growth with economic growth**

In the current national census, Ethiopia has a population of nearly 100 million which made it second rank in Africa and fifteen in the world. Although, population growth merely is not a problem for a country if there is right policy, for Ethiopia, disproportional growth of population size and a sluggish economic growth accompanied by low level of income and widespread income inequalities across regions remain a big challenge (CSA, 2007).

**Firm control and centralization tendency by the EPRDF regime**

This is a principal constraining factor hence the ruling party enjoyed extreme dominance in all spheres of citizens’ life which enables a degree of continued central government control over regional, zonal, woreda and kebeles governments and officials. Local leaders are elected through partisan powers appointed by higher officials; hence, limits degree of attention of candidates to local populations. In light of this, what is more desired is upward accountability of local leaders to their masters than downward accountability of sub-national officials and civil servants to the citizenry. Put differently, the party disciple favors top-down management and substitution of upward accountability instead of downward accountability (Ässefa, 2006). More importantly, the espousal of top-down approach at country-wide development and poverty reduction policies like ADLI, PASDEP, GTP, etc proved that there is no genuine decentralization in Ethiopia.

**Lack of technical and financial capacity of the sub-national and local governments**

It jeopardizes the achievement of an anticipated goal of decentralization. More importantly, the regional states and district level governments are economically very weak, which is highly dependent on federal transfer in which the federal government has greater leverage. Even the federal funds are conditionally restricted and primarily allocated to recurrent expenditures, but assigned inadequate resources for capital budgeting, this severely constrained their role in poverty reduction process.

**Lack of sufficient and well trained man power**

Inexistence of conducive working environment at local levels; lack of accountability, transparency, responsiveness and commitment of the officials at decentralized institutions and acute shortage of budget allocated to local levels to render needy services, etc. are some of the hindering factors for decentralization not to yield positive impact as per the aim of decentralization in Ethiopia.

**CONCLUSION**

The relationship between decentralization and poverty reduction in Ethiopia context has divergent viewpoints. In spite of the fact that decentralization notably, the second waves of decentralization was aimed at alleviating poverty with the cumulative efforts of various stakeholders including the local government and population, at grass root level, they took the lion share of responsibility so as to ensure sustainable development. To realize these novel objectives, the government empowers lower echelons of government with adequate political and administrative power to plan, finance and evaluate local developmental activities. The practice that is now occurring however, is not as per the promise of decentralization. Local government, especially district level governments are not in a position to formulate and implement anti-poverty policy because of multitudes of problems such as shortage of financial and technical skills, limited resources available, heavy hand intervention of upper tier of government (including regional and federal) over local affairs making them an implementing agents of upper government policy, lack of the culture of accountability, transparency and commitment of local officials to the electorate but for upper officials among others, many impediment factors exist at the local level.

In addition, alarming rate of population growth, limited scope of literacy (little know-how of technology) and sluggish growth of economic development with high rate of inflation accompanied by high degree of corruption at all levels, insignificant infrastructure development (although now it shows some improvement), etc. are also factors responsible for decentralization not bringing positive impact on poverty reduction. Consequently, whatever the poverty reduction policy and strategies devised at national level, it could not help Ethiopia to rise from the poverty trap and hence, it remain one of the poorest country both in Africa and at world level. It is recommended that unless important policy, political measures and commitment are taken by the government as well as the people in Ethiopia as per the beliefs of the constitution in general and decentralization in particular, there might not be meaningful development in all aspects and hence impracticable to reduce the widespread poverty of the country.

**CONFlict OF INTERESTS**

The authors have not declared any conflict of interests.
REFERENCES


Citation


