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MA Thesis on:
Assessment of Fiscal Decentralization in Sibu Sire Woreda: The
Case Study of Selected Basic Sectors, East Wallaga Zone,
Oromia Regional State

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**Assessment of Fiscal Decentralization in Sibu Sire Woreda:
The Case Study of Selected Basic Sectors, East Wallaga
Zone, Oromia Regional State**

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Acronyms and abbreviations

DLDP: District Level Decentralization Program

ETB: Ethiopian Birr

FDRE: Federal Democratic Republic of Ethiopia

FGD: Focus Group Discussion

FTC: Farmers' Training Center

NGO: Non-Governmental Organization

OECD: Organization for Economic Cooperation and Development

ONRS: Oromia National Regional State

SNNPR: Southern Nations, Nationalities and Peoples Region

WOFED: Woreda Office of Finance and Economic Development

USAID: United States Agency for International Development

Abstract

This study paper describes the fiscal decentralization in Sibru Sire Woreda, East Wallaga Zone, Oromia Regional State with particular emphasis on the selected basic sectors i.e. Education, Health, Agriculture, Rural road and Rural Water. The thesis described the issue by employing primary and secondary sources of data. The study employed mixed approach and descriptive design. Probability and non-probability sampling are used to select respondents. Interview, FDG, Observation and open ended questionnaire were the methods of data collection for this study. The legal framework, revenue and expenditure trend of the Woreda and that of selected sectors; fiscal gap and challenges of the fiscal practice is described. The study also incorporates the selected sectors' performance in revenue collection and expenditure responsibilities as well as the imbalance among sectors. On the other hand sectors are selected to describe the revenue and expenditure autonomy of the woreda regarding the sectors in particular and then the paper generalize the issue under study at the Woreda level.

The finding of this paper revealed that the fiscal decentralization contributed to revenue generation and expenditure autonomy in the Woreda and increasing trend of expenditure needs with fluctuate own revenue trend in the Woreda as well as poor revenue generation at sectors' level. Presence of legal frameworks for the fiscal autonomy of the Woreda is not a guarantee for the real practice. Another fact emerged from the study is that centralization of capital expenditures and decentralization of some portion of recurrent expenditures, high dependency of the Woreda on the regional government, lack of capacity and low revenue sources and fiscal imbalances leads to lack of autonomy in the woreda. With respect to horizontal imbalance, previous studies regarding the issue, this paper revealed the imbalance among sectors in terms of budget share, revenue generation and human resource in the Woreda under discussion and the imbalance is one of the challenges that hinder the fiscal autonomy of the Woreda.

Key terms: Fiscal Decentralization, Basic sectors, revenue decentralization, expenditure decentralization, Fiscal Transfer

CHAPTER ONE

1.1. Introduction

As to Kwon (2002) decentralization has been advocated in both developed and developing countries. The reasons why decentralization is needed are classified as economic and non-economic reasons (Deribe, 2015). With regard to economic advantages efficiency in resource allocation, priority to local preferences, equity and poverty concerns, enhance tax efforts and sustainability of services provided, improve competition among sub-national units, and enhance access to service delivery are the most important. Among non-economic reasons political values, instrumental values, and indicator of good governance and a means of managing diversity are the most important reasons why decentralization is advocated worldwide (Helen D. 2010).

As stated in the work of Boschmann (2009) decentralization can be practiced in the form of de-concentration, delegation and devolution. In the first case decentralization is practiced in the way that merely shift authority and financial responsibility of the local administrations are under the control and supervision of the top government. In the case of delegation the top level of a government not fully controls the central units and empowered organizations. In the third case (devolution) lower governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions.

As indicated in the work of Abrham (2011) decentralization is refers to a the system of transferring power and responsibilities with respect to political, administrative, and fiscal from central government to lower levels of government. The author realizes that fiscal decentralization as one indispensable elements of decentralization assumed significance because in the absence of the proper implementation of the fiscally devolved powers and functions decentralization becomes incomplete and meaningless. As noted by Oommen (2008) fiscal decentralization relates to the transfer of functions or authority from central levels of government to local institutions regarding local decision making on the allocation of financial resources and the powers to levy local taxes. It is, one of the necessary forms of decentralization, which involves the devolution of taxing and spending powers from the control of the top (central) government authorities to government authorities at sub-national and sub-regional levels (Bird & Vaillancourt, 2008).

In the context of developing countries, it is stated in the work of Helen (2010) that there is a difference in the implementation of decentralization in general and fiscal decentralization in particular between developed and developing countries. Most empirical studies on the issue are limited to developed countries. Helen added, analysis with regard to fiscal activities of developing countries is incomplete because it does not require sufficient investigation of existing reality (Helen, 2010).

In the case of Ethiopia, while identity issue was/is one of the burning for many years, after the change of the government in 1991 becomes unique political landscape of ethnic federalism (Deresse, 2003). The FDRE constitution shared government powers between the Federal government and nine regional states as well as two city administrations. The regions are divided into Zones, Woredas/urban administrations, and Kebeles. The Zones in most Regions are considered as the arms of the Regional states of government whereas the Woredas are considered the key local government units in each region, with significant responsibilities for providing basic services (Deribe, 2015). As to World Bank document (2003) in Ethiopia the ruling party government has introduced constitutional, administrative and institutional reforms to deepen and broaden the decentralization process to local authorities (Woredas and Municipalities) through the program called District Level Decentralization Program (DLDP) in the year 2001. As literatures revealed the emergence of the program was based on enhancing functional efficiency, developing productivity, and promoting development plans from bottom to top (Kwon, 2002).

Fiscal decentralization encourages sub-national and sub-regional tier of governments to become autonomous in raising their revenue which helps them to deliver service effectively and efficiently. The 1995 Constitution of Ethiopia is a base for fiscal decentralization and autonomy of local governments in Ethiopia. Article 50(4) of the Ethiopian constitution requires the Regional states of government to grant adequate power to lowest level units of government. As to the constitution the federal units' Regions) has decentralized autonomy with respect to local revenue to its cities/towns or Woredas' on revenue raising and expenditure management. Efficient revenue collection and strong expenditure management leads to financial capability and ability to contribute for the efficiency of sectors (Melesu, 2014).

The Oromia Regional state constitution defined the duties and responsibilities of the Woreda administration and also given them the autonomy of revenue generation in addition to finance

given and expenditure prioritization while planning. As a result the Woredas have been empowered to deliver services like Education, Health, Agricultural extension, rural water Supply, Rural roads etc. within their respective jurisdictions. There is now a broad consensus that decentralizing power and authority to districts is the key for public service delivery improvement. However, the contribution of fiscal decentralization and challenges faced in the process are not properly assessed in the region. In general, very limited accounts are available about fiscal decentralization in lower governments in Ethiopia in general and in Oromia in particular. The area is in need of research that would fill knowledge gap and provide policy makers with adequate information about the extent of implementation and challenges of fiscal decentralization at the district level. This study is, therefore, intended to assess fiscal decentralization in Sibru Sire Woreda with particular emphasis on selected major sectors.

1.2. Statement of the problem

As stated earlier fiscal decentralization helps federal units and local powers to be autonomous and independently generate revenue sources and manage expenditures. This sharing of responsibilities between Regional and sub-regional level of a governments facilitates the performance of different sectors and promotes participation in service delivery. Any type of federal arrangement involves a division of functions among different levels of a government. As indicated earlier in Ethiopia, expenditure and revenue assignment are given to different layers of a government including the lower administrations. In the case of Oromia, district administrations are constitutionally empowered with fiscal power (Desalegn, 2015). However, mostly the problem with respect to gap between the spending needs and revenue capacity of at local tiers of a government matters (Assefa, 2007).

In Ethiopia, fiscal decentralization is implemented to promote social services and increase the income of local administrations. The positive consequence of fiscal decentralization on social services adds undeniable value for economic development. But there are different challenges. Formally, the Woreda level of administration is legally an independent local government authority and has been given powers and functions guaranteed by the regional state's constitution. In practice, however, it does not exercise sufficient local autonomy on budgetary matters related to economic and social affairs (Meselu, 2014). As a result, inadequacy of its administrative and personnel capacity to carry out socio-economic functions and a poor revenue

base are the main reasons for the continued dependence of the districts on the regional government (Kenea, 2006; World Bank, 2000).

As pointed out in the work of Melkamu (2004) and Tesfaye Abera (2015) the sub-national government and the Woreda administration capacity limitations in Ethiopia with centralization of productive revenue sources by the central government that results vertical imbalance. As indicated by Tesfaye the imbalances are being addressed through a system of federal transfers from the central to the regional governments and imbalances at district (woreda) level are being filled by regional transfers. On the other hand, there is inequality or disparities among major sectors at a Woreda tier of a government (Girma & M. Alam, 2017). The imbalances (vertical and horizontal) lead to ineffective implementation of fiscal decentralization at Regional, Zonal and Woreda level. The existence of these two imbalances is an obstacle for effective provision of social services.

As stated in the work of Abraham (2011) Woreda level decentralization in general and fiscal decentralization in particular faced different problems in the process of implementing the national program at grass root level: lack of an integrated system of procedure in service delivery, lack of efficient organizational structure, well-coordinated structure and locally adopted working system for planning and budgeting are among the constraints challenging the performance of Woreda fiscal decentralization in Ethiopia. Ibid (2011) added insufficient experiences in managing fiscal federalism, wide gap in administrative and institutional capacity, fiscal imbalances have posed serious challenges. For Mohammed (2006) most of the problems at Woreda level governments includes poor and inadequate revenue base to undertake meaningful local economic development, scarcity of skilled manpower in public service delivery. Review of related literature in the field suggest that studies are undertaken with respect to the issue of decentralization but the studies on assessment of fiscal decentralization at lower authorities are not adequately conducted. For instance, (Bessie, 2004), Helen Degemu (2010), Teshager (2010) Demelash Neda (2011), Fekadu Mekonnen (2011), Meselu, (2014), Deribe Asseffa (2015), and Ghebrehiwet Tesfai (2015) Girmachu Chuluke & Minhaja Alam (2017) discussed different points about fiscal decentralization. For instance, as findings indicated in the works of Helen (2010) and Deribe Asefa, there is a mismatch between expenditure and financial autonomy of sub-national as well as sub-regional governments in the devolution process, which in turn creates

vertical imbalances. They added that intergovernmental fiscal transfer is the major source of revenue for lower governments which implies heavy dependency syndrome on central government or on regional subsidy. What the researcher able to understand from above point is that implementation of fiscal decentralization in lower governments is facing a number of obstacles. This on the other hand shows that fiscal decentralization is not fully realized for major sectors which require higher expenditure for the inclusive provision of social services.

Deribe (2015) described achievements and challenges of fiscal decentralization in Ethiopia which is general not specific. I.e it is not specified to a given area. Because the implementations are different across jurisdictions. Teshager (2010) discussed the capacity of fiscal decentralization to raise the municipal revenue and poverty reduction in Oromia regional state. Tegegne (2007) discussed fiscal aspect or the impact of decentralization on development which is too general. Helen Degemu describes the fiscal autonomy of Addis Ababa City Government by examining the constitutional and legislative frameworks in order to determine whether they would create conducive environment for the city or not. Ghebrehiwet Tesfai (2015) discussed in his work about the practice of fiscal federalism by assessing from 1991-2012 at the national level. The other studies under-taken for instance by Melkamu (2004) and Demelash Neda (2011) focuses the assessment of fiscal decentralization at regional level giving little attention to woreda level.

As far the researchers' understanding is concerned the studies undertaken did not include a particular undertaken Woreda for investigation of the issue. Woreda level is different part of government or administration in the federal state structure and has constitutionally guaranteed autonomy to implement fiscal decentralization and has independent functions. Even if the fiscal decentralization is assessed at the Woreda level in Ethiopia there is an argument that implementation of fiscal decentralization significantly varies across jurisdictions (Meselu; 2014). This implies different jurisdiction have different performance regarding the issue under discussion and thus requires different investigation. As far as review of related literature is concerned none of the above studies investigate the issue under discussion by focusing on the horizontal imbalances among sectors. The studies above revealed the existence of horizontal imbalances among tiers of a government like Regions and Woredas. From the perspective this

study horizontal imbalance among sectors in the Woreda undermines the fiscal autonomy of the Woreda.

The imbalances (vertical and horizontal) lead to ineffective implementation of fiscal decentralization at Woreda level. The existence of these two imbalances is an obstacle for effective provision of social services. To fill the gap above studies this study mainly focused on the assessment of fiscal decentralization in Sibu Sire woreda with particular emphasis on selected major sectors and so that described the imbalances. For instance, sectors shows disparities in generating own revenues from available sources. This study focused on the limited areas of fiscal decentralization: revenue, expenditure and grants. The researcher mainly focused on whether the selected Woreda is implementing real fiscal decentralization and to investigate the challenges of the research area in practicing it in its jurisdictions. Therefore, by taking above listed problems in to consideration, this study is conducted on the assessment of fiscal decentralization of local governments in Sibu Sire Woreda by emphasizing on selected basic sectors. Furthermore the study focused on the data of five 5 consecutive years to describe the recent situation of the issue under discussion at Woreda level.

1.3. Objective of the study

1.3.1. General Objective

The general objective of this study is to assess fiscal decentralization in Sibu Sire Woreda with the case study of selected basic sectors: Health, Education, Water supply, Agricultural and Rural road sector

1.3.2. Specific Objectives

The other specific objectives of the study are the following:

- To describe the legal framework to implement the fiscal decentralization in the study area.
- To assess the contribution of fiscal decentralization in revenue raising and expenditure management.
- To describe the revenue and expenditure trend of of the woreda and selected sectors.
- To explore the challenges of the implementing the fiscal decentralization in the study area

- To analyze the extent of the gap between revenue and expenditure in the study area

1.4. Research Questions

In order to address the intended research objectives, the following basic research questions were answered in this research:

- What is legal framework to implement the fiscal decentralization in the study area?
- What are the contributions of fiscal decentralization revenue raising and expenditure management in the study area?
- What is the trend in revenue generation, expenditure and grants of the selected major sectors and of the woreda?
- What are the challenges of the implementation of fiscal decentralization in the selected Woreda?
- What is the extent of fiscal gap between revenue and expenditure in the study area?

1.5. Significance of the Study

This study has enormous implications in identifying the contributions and challenges of fiscal decentralization at Woreda level and in selected major sectors in lower level of governments in Ethiopia. In addition, it contributes to increase the awareness and understanding of all concerned bodies (e.g., policy makers, researchers) about the issue under discussion and give clear information about the recent implementation of fiscal decentralization in the districts. This study will be an input for other researchers that the issue under study needs assessment in almost all tiers of a government and at any tier of a government (Regional, Woreda and Kebele) because; the implementation of fiscal decentralization varies across jurisdictions. It also creates awareness that the obstacles of implementation of fiscal decentralization are not limited to the horizontal imbalance among Regional and Woredas but also among sectors at a given tier of a government.

1.6. Delimitation of the Study

The research covered the assessment of fiscal decentralization in Sibu Sire woreda with particular emphasis on selected major sectors. The major/basic sectors include health, education, rural roads, transportation, agricultural extension, water supply, civil service, justice sector etc. This research, however, focused on the first top five sectors in the selected Woreda in terms of

budget allocation. This is justified based on the argument that the sectors and their service delivery at local level are due to their main role in realizing national development objectives and requires real implementation of fiscal decentralization. Thus, the sectors under study are selected to describe the trend of their revenue budget allocation; to describe their imbalances; to investigate their own revenue generation at sector level, expenditure responsibilities and other related issues. The study focused on the selected major sectors to describe fiscal autonomy of the Woreda regarding the sectors and to show the imbalances among sectors as a challenge of the Woreda

This study mainly focused on investigating whether the Woreda is practicing real fiscal decentralization based on financial data five (5) consecutive years (2012 – 2016/17). The financial data helped the researcher to examine the recent performance of the research area in implementing the fiscal decentralization. To investigate both vertical and horizontal imbalances, it is further delimited to three areas of fiscal decentralization - revenue, expenditure and grants. Therefore, this research is delimited geographically to Sibu Sire Woreda in East Wallaga Zone, Oromia Regional state and primarily focused on the assessment of fiscal decentralization in the area of revenue, expenditure and grants to the selected sectors and to the selected Woreda in general.

1.7. Limitations of the Study

As in other social researches, this study faced certain limitations and challenges. The major limitations and challenges that the researcher faced were the following: In order to obtain better quality of data it is good to have the enumerators, those who have detail experience about the data collection and knowledgeable about conditions of the study area. But, they were too busy or not interested. This was also one of the challenges. However, the researcher reshuffled the schedule of his plan to collect data. On the other hand, lack of organized secondary data due to the absence of documentation in the selected sectors; lack of willingness of respondents to give primary data information and absence of officials and some experts from office during data collection.

Therefore, the study relied on a combination of different primary data collection mechanisms with special emphasis to in-depth interviews, questionnaire, focus group discussions and

personal observation. Despite the above constraints, necessary efforts were done to conduct the study in scientific manner. For instance, since the research area is accessible for the researcher he was able to get the key informants by going continuously to their respective offices. Another challenge was related simultaneous meeting of the officials. This limitation was minimized by making interview with some officials till the time of their meeting (mostly 8am to 9am morning at the morning) and after meeting (4pm to 5pm at after-noon) and most of them were committed to provide the information. The other challenge was instability in the research area like other parts of Oromia during the time of data collection. This instability was resolved and became normal after some time and so that the researcher was able to collect the required data.

1.8. Organization of the Study

This paper contains five chapters. The **First Chapter** contains background of the study, statement of the problem, objectives, research questions, significance of the study, delimitation and limitation of the study. **Chapter Two** presented conceptual, theoretical and empirical literature review and challenges of fiscal decentralization as well as conceptual framework. **Chapter three** presents research methodology; approach and design, sample size and sampling technique, data collection instruments, methods of data analysis as well as ethical considerations. **Chapter Four** presents the analysis, result and discussion of data gathered. Lastly, not the least **Chapter five** contains conclusion and recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Conceptual and Theoretical Framework

2.1.1. The concept of decentralization

Different peoples define the term decentralization in different ways. But there is a consensus between scholars that it refers to decentralization transfer of authority and responsibility from higher down to lower level government bodies and functionaries. According to Rondinelli and Nellis (1898) it is described as transfer of responsibilities for planning, management, and allocation of resources from the top government and to its units, semi-autonomous public authorities, regional authorities, or non-governmental, private or voluntary organization. (OECD, 2004; World Bank 2005; Falleti, 2005) stated that decentralization refers to transfer of functions and resources from higher to lower levels of government in the context of a specific type of state. Decentralization was also defined by Kassa (2015) as the transfer of legal and political authority from a central government down to sub national units of government in the process of making decisions and managing public functions.

The above discussion implies that scholars agree on the fact that decentralization refers to sharing power and functions down to the national units. It deals with the sharing of power to pass decisions on different issues and devolution of activities like planning, management and allocation, and prioritizing down to the local tier of governments. It is also possible to understand from the discussion above that decentralization is devolving power and duties to institutions like sectors for effective provision of quality services.

As to Cheema, G. and A. Rondinelli. (1983) the nature and scope of decentralization may not be the same but it varies from country to country in terms of scope and nature. It depends on the objectives behind the reform. As indicated in the introduction of this paper countries exercise de-concentration delegated and devolved form of decentralization. In the case of devolution, many countries have come to realize that strengthening local government through the devolution of discretionary power to elected forms of representative local government is an important element of advancing economic growth and governance at local level. In the decentralization by devolution local governments are provided with clear discretionary power to decide

independently over resources and to design and execute development plans and programs within broad national policy guidelines (Meselu, 2014).

This implies that the sharing of power between top tier of a government and regional/local tier of governments depends on the interest of the central government in different countries. Thus, not all federal state practices real decentralization (devolution) of power to their national units and from regional units to lower tier of governments. From the above dimensions of decentralization the devolution form results in creating strong local powers those are effective in realizing local transformations.

2.1.2. Types of Decentralization

As stated in the work of Kassa T. Alemu (2015) there are at least four types of decentralization. These includes; Political, Administrative, Market and Fiscal. As the author explained this division is based on their distinct characteristics like policy implications and condition for success. Political decentralization refers to the devolution of political power and authority to regional/lower government levels where elected and empowered sub-national government units exist. This type of decentralization is manifested in the way that elected and empowered sub-national as well as sub-national forms of government ranging from village councils to state level bodies. The creation of these elected bodies is best undertaken as a result of an overall strategic vision and usually involves a review of legal frameworks including constitutional reforms (Kassa T. Alemu, 2015).

This above discussion implies that political decentralization requires devolution of legislative body of a government (council) down to the local powers like woreda and kebele administrations and so that the devolution of passing decisions to lowers authorities those have constitutionally guaranteed duties and powers.

Administrative decentralization is another type of decentralization that deals with the transfer of responsibility for the planning, financing and management of certain public functions from the central government and to regional/local bodies like agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities. As to Falleti (2005) this type of decentralization seeks to redistribute

authority, responsibility and financial resources for providing public services among different levels of government.

The other type of decentralization is called fiscal decentralization that deals with the reallocation of resources or transfer of resource decisions to local governments to allow them to undertake their function properly. For Thakur & Newman (2000) factors such as interregional equity, availability of central and local resources and local fiscal management capacity determines the decision to allocate or transfer of resources. There must be adequate revenue sources to implement devolved duties down to the local authorities and organizations. The adequate level of revenues can be raised internally by local powers and/or transferred from the top tier of a government. Local tiers of a government must have also the authority to make decisions about expenditures. Lastly, the fourth type of decentralization is market decentralization which refers to decentralization of government services to private organizations or firms (Negalegn M., 2010). As discussed in the work of Kassa T. Alemu (2015) market decentralization is done in favor of non-public entities where planning and administrative responsibility or other public functions are transferred from government to voluntary, private, or nongovernmental institutions with clear benefits to and involvement of the public. Also as stated in the work of Meselu (2014) devolution or decentralization involves a number of dimensions, such as political, administrative or fiscal decentralization. From these dimensions it is recognized that for effective forms of fiscal decentralization to be established they will need to be accompanied by appropriate forms of political and administrative decentralization.

The above discussion implies real practice of fiscal decentralization as one type of decentralization requires local authorities and organization to have devolved enough revenue bases as well as full spending autonomy. It requires that organizations for instance sectors must have revenue sources that can be generated internally by the organizations/sectors themselves. There is an argument that not only the organizations, appointed/elected officials should be an autonomous body on fiscal resources. The discussion also implies that to enhance fiscal autonomy of local administration political autonomy and administrative autonomy is needed. Thus, some scholars categorize decentralization into four and others grouped into three by excluding market decentralization. On the other hand as to some authors for one type of decentralization the other type/dimension is useful. For instance Melesu (2014) and Helen (2010)

stated that for effective fiscal decentralization, political and administrative decentralization is an input. In line with this, this paper focused mainly on the assessment of fiscal decentralization in Sibu Sire Woreda by particularly emphasizing on selected five sectors and described the possible challenges of fiscal decentralization in the woreda under study.

2.1.3. Fiscal Decentralization

Under this topic the researcher discussed the theoretical arguments and empirical literatures regarding fiscal decentralization. Since the paper limited to fiscal decentralization as one forms/types of decentralization the researcher focused on fiscal decentralization.

2.1.3.1. Theoretical Arguments

Fiscal decentralization recently become a central concern, especially in developing and transition economies which try to find a way to manage the public side of their growth process. Different scholars forwarded their idea with respect to fiscal decentralization. For instance, the author called Bahil (2009) argued that the most important benefit of fiscal decentralization is the welfare gain that comes from devolving or making governance closer to the people. As pointed out in the work of Demelash Neda (2011) fiscal decentralization improves the efficiency of the public sector and promotes long- term economic development. Demelash supported his idea by stating the argument of Hehuijin (2005) that the local government is more effective than the central government in drawing up public policy. This idea is justified as the local government did not spend more cost to gather more information about local residents' preferences. Similarly Oates (1972) argued since local governments have better knowledge of local condition and preferences than the top level of a government. This is due local administrations' physical and institutional proximity and so that decentralization (fiscal) enhances economic efficiency than centralization of power and responsibilities.

This above discussion implies that drawing public policy for economic development should start from local people i.e. bottom - up approach. For this purpose, since local ties of a government are effective in identifying local needs; governance and power has to be devolved down to the local authorities. In addition, the above argument implies local administration like districts and kebeles are at better position to provide the required services for the local residents. On the other hand Woreda sectors are at better position to perform the required activities (expenditure

responsibilities) than sector bureaus at regional level. Fiscal decentralization (decentralization) requires devolvement of fiscal resources and functions down to local organizations and sectors.

Helen (2010) stated that several accepted theories provide strong rationale for decentralized decision making on the grounds of efficiency, accountability, manageability, and autonomy. As stated above decentralization in general and fiscal decentralization in particular has bulk of benefits for economic development. However, most of the time challenges of implementing decentralization matters mainly in developing countries. For instance, decentralization is meaningless if the central government centralized all (most of the revenue sources) revenue generated in the local economy as a result of local action this suggests a link between fiscal incentives of local government and local development which is a function of local government policy (Demelash;2011). This realizes the fact that for real implementation of fiscal decentralization local powers should have their own revenue bases to finance their expenses. The following are arguments (theory) are proposed for fiscal decentralization as presented in the work of Helen (2010) and quoted as follows:

A representative government works best the closer it is to the people; and people should have the right to vote for the kinds and amounts of public services they want. According to the corresponding theory principle, proposed by Oates (1972) the jurisdiction determining the level of provision of each public good should include precisely the set of individuals that consume it. According to the decentralization theorem, each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision. The principles of fiscal equivalency, from the literature of public choice, also propose equating the political jurisdiction with the benefit area.

The above quotes implies that governing body and service provider should not be far from the beneficiaries of services provided and decisions should be passed locally by local authorities and as well as the provision of social services must be by the body that know very well about the local situations and needs in the local residents. It results in effectiveness if the information and prioritization as well as decisions are from the bottom to top not vice versa.

As pointed out in the work of Demelash (2011) adopting decentralization is not a guarantee to bring economic transformation and failing to decentralize is not necessarily going to undermine development. The author substantiates it as follows:

The problem is to devise an appropriately structured system that mandates and provides incentives for responsible local government fiscal behavior and enables the creation of a climate conducive to private investment and to develop the skills of local government employees to meet the requirements of the system and the abilities of central government officials to assist local governments in the process of their evolution to greater autonomy.

This above information proves the fact that grasping the fruits of decentralization does not determined by sharing of powers and functions among different tiers of a government. Fiscal decentralization requires conducive environment, empowerment, capacity building, follow up and capability of the top level of a government to transform the lower authorities.

As to Weingast, B. (2006) furthermore fiscal decentralization places sub-national governments in competition with one another. Hence, pressure from inter-jurisdictional competition may motivate local governments to be innovative and accountable to their residents and to foster local economic prosperity rather than costly market intervention, service to interest groups, and corruption (Helen, 2010). In contrast to above arguments some scholars argue against the idea that fiscal decentralization can solve different problems of a country. Assignment of expenditure and financing responsibilities to local governments can adversely affect service delivery. A number factors like lack of capacity, lack of enough revenue base, lack of skilled man power, inadequate devolution of power and duties and political capture by local elites matters. Therefore, proper fiscal and political mechanisms needed (Falleti, 2005).

An author called Kwon indicate the theoretical arguments which stated decentralized provision of public goods will increase efficiency in resource allocation may not work in developing countries. The reason is that since they have non administrative capacity to carry out their own fiscal decisions; most developing countries do not meet arguments forwarded by fiscal decentralization theory. The author stated that without independent decision making capacity in determining the quantity and quality of public goods provided and sources of finance that

internalize the costs, decentralized provision local public goods may not increase efficiency (Kwon, 2002).

It is possible to understand from the argument against fiscal decentralization that it is difficult to grasp the fruit of fiscal decentralization (efficiency, effectiveness, transforming economy, manageability etc.) in the environment where there is no capacity, conducive environment, and adequate source of revenues. The above argument against the issue under study does not show that fiscal decentralization is totally negative for development rather the system is difficult in the situation where there is no conducive environment to practice.

Similarly, the other argument against fiscal decentralization is that it can reinforce inequities due to imbalances in resources and tax sources, and regional disparities in terms of infrastructure, education, health care, climate, culture differences, and distance from the center may be an obstacle to full use of production factors (Demelash, 2011). Helen (2010) also pointed out advanced regions and local authorities can have greater resources and dominance and backward/poorer localities and regions lack adequate resources needed for real implementation of devolved powers and functions. The facts stated by Helen (2010) realize that regions in Ethiopia cannot equally implement fiscal policies and strategies because of the challenges or reasons discussed above (inequities in powers, resource and capacity). Thus since region and local powers in Ethiopia are not equal in terms of human power, resources (revenue bases), and infrastructure, investment opportunities they vary in solving their respective local problems and to practice fiscal decentralization in real sense.

As world bank stated the real issue is probably not whether there should be fiscal decentralization-it is happening and will continue to happen in many countries; rather, the issue is how to structure an appropriate balance between local autonomy and central control that will allow regions and local powers to grasp the fruits of fiscal decentralization. It is best, therefore, to think the extent of decentralization as a continuum rather than an either-or proposition. Moving forward with fiscal decentralization requires considerable capacity (World Bank, 2001).

Therefore, this World Bank document implies that for real implementation of fiscal decentralization and to enhance economic development through the strategies of fiscal decentralization in developing countries (comparatively local powers in developing countries

needs capacity building), the local powers requires capacity building like training as well as empowerment to exercise fiscal autonomy; for instance to collect revenue effectively and manage their expenses. Thus, so the existing challenges in developing countries matters not the fiscal decentralization as system.

2.1.3.2. Fiscal Decentralization in Ethiopia

As pointed out in the work of Meselu (2014) definition of functions and responsibilities devolved to woreda governments is the primary issue that needs to be addressed in the design of fiscal decentralization. She stated that the definition of powers and duties down to woreda governments in Ethiopia is evolving and absence of legal framework that clearly define duties devolved to lower tier of a government matters. But the trend and experience across regions in the country is toward decentralizing basic service delivery functions to the woredas while assigning higher order functions to regional governments. Thomas Haile and Meheret Ayenew (2011) stated that National policies and standards as well as tertiary services remain the power and duties of federal government.

Literatures revealed that district level fiscal decentralization in Ethiopia is substantial by African standards, if one takes into account intergovernmental transfers. With the decentralization to local governments in 2002, a transparent formula based general purpose grant that gives autonomy to local governments was introduced in four regions: Amhara, Oromia, SNNPR, and Tigray. As to Dickovick and Tegegn, (2010) after 2002 in Ethiopia, to make block grant allocations from regions to woredas, regions were allocated grants to lower powers (woreda) on the basis of some criteria's like population, development level, and revenue collection effort. These three criteria/principles were used at the time for Federal block grant allocations to the regions. Other regions started to practice the same criteria and some regional powers have continued to employ it. One of the merits of decentralized system in Ethiopia is that regions are free to choose their own criteria for allocation of the block grant to the regions. But it has to be done in transparent way (Meselu, 2014). Accordingly, after 2003/2004 the formula is changed to unit cost approach (needs based approach). As Meselu indicated the formula was pioneered first by the Southern Ethiopia Nations, Nationalities and Peoples Region (SNNPR) and later followed by other regions and is recently/currently under consideration for the Federal block allocations to the regions.

As Meseret (2007) noted the authority and functions of lower power administration in Ethiopia with respect to the source of revenue is limited. Local powers like woreda governments do not have the power to decide on the rate and base of taxes. Their responsibility and authority is limited to collecting and using taxes and passing a designated portion of it to regional government. Regional governments have the primary saying in determining both the tax rates and bases (Meseret, 2007). As to Meseret this result in the mismatch between expenditure responsibilities and revenue needed to cover or discharge those responsibilities that is one of the typical distinctive characteristics of Ethiopian district level decentralization. Local powers at woreda level in Ethiopia are facing the limitations like lack of enough tax bases. As explained in the work of Meselu (2014) this limitation is the initial cause of the obstacles to the fiscal autonomy of Ethiopia's local governments. In the absence of low level of private economic activities the limitation with respect to tax base in woreda level especially in rural areas is exacerbated. This result in dependence of local levels of a government on the top level of a government i.e. leads to a heavy reliance on intergovernmental fiscal transfers to finance the bulk of expenditure responsibilities assigned to them (Tegegne, 2009). Tegegn indicated Woredas rely heavily on regional governments, with the high level of dependence on transfers from regions rising to over 80–90%.

This data shows that even after District Level Decentralization Program is launched in Ethiopia, still woreda or lower powers at district level are financing most of their expenses by the fiscal transfer from the top i.e. from the regional level. This again implies that having legal and constitutional framework of fiscal decentralization does not guarantee for the real implementation of fiscal decentralization at lower levels unless local powers have enough revenue sources or other conducive environment. The study undertaken by Tegegn shows dependency of Woredas is between 80% and 90%. However, in the recent year it is possible to understand from this paper that there are Woredas which are decreasing their extent of dependency because the dependency of Sibiu Sire Woreda from 2012/13 – 2016/17 is 75.7% on average (*See chapter four in the table 4.23*).

Other evidence that realize woredas are not practicing real fiscal decentralization is the maximum amounts of budgets transferred from the top are generally used for recurrent expenditure, rather than for capital expenditure. As pointed out in the work of Meseret (2007)

with nearly 91% of woreda budgets earmarked for administrative and operational expenditures. Therefore, most capital activities at the woreda level are financed from donors and aid agencies. On the other hand the capital expenditures are covered by revenue from specific purpose grants from the region. As to Meseret on these grants authorities at the lower level do not have much say. This undermines the fiscal autonomy of lower tier of governments and implies that even from the expenditure part only recurrent expenditure is decentralized while capital expenditure rests in the hand of central and regional government.

Additionally, different empirical literature on fiscal decentralizations in Ethiopia reveals same facts. As explained in work of Demelash (2011) though theoretical background and general principles of fiscal decentralization are useful in inter-governmental fiscal relations, practical experience shows that country specific factors have significant role to play. As stated above in this paper, the practice of fiscal decentralization is determined by conducive environment, capacity and adequate revenue bases. In Ethiopia, proclamation No.33/1992 is considered as important legal instrument in the fiscal decentralization. As to the proclamation sharing of revenues between the federal government and federal units are to enable the central government and central unit governments to carry out their functions and responsibilities; to help the National unit governments develop their own initiative and to narrow the gap in development and economic growth between regions as well as to encourage activities that are common interest to regions.

As pointed out by different studies this national target faces different challenges and the practice lag behind in the country. The balance between spending needs and revenue capacity is rarely achieved and so that either the center or the region is unable to cover its expenditure from its own fiscal resources (Eshetu, 1994). World Bank (2000) stated that the sub-national and sub-regional government capacity limitations in Ethiopia with respect to tax administration often coupled with centralization of productive revenue sources by the Central Government results in the emergence of vertical imbalance.

The study under taken by Fekadu Mokonnen (2011) reveals that high level of dependency of regions on central government and dependency of regional units (e.g woredas) on regional tier of a government resulted in efficiency problems. Fekadu reason out that the costs of public expenditure are not fully internalized by the regions and local authorities. Thus, they are

supported by transfers from other parts of the country. Fekadu added that since regions and local tiers of a government are not equal in terms of resources, ability to mobilize revenues, and in terms of unequal location of resources there is horizontal imbalance among them. Furthermore, the study undertaken by Girma Chuluke & Minhaj Alam (2017) indicated that the imbalances are not limited to horizontal imbalances among tiers of a government but also among sectors in a given tier of a government. For instance the budget allocation and utilization by the sectors is not uniform across the sectors. On the other hand it is noted by World Bank (1997) and argued by Abraham G/Sellassie that actors in fiscal decentralization include:

Appointed or elected officials, NGOs, Chiefs, powerful individuals or corporate bodies such as communities', cooperatives, and committees. Each of these actors is typically located in particular relations of accountability and has certain types of powers.

The discussion by World Bank and argument of Abraham implies that in local arena powerful individuals and appointed officials can exercise revenue generation and expenditure management. Accordingly, sector offices are encouraged to generate some revenue and cover some part of their expenditure needs rather than depending on the budget from woreda or from Regional bureaus.

It is simple to understand from the above studies that fiscal decentralization in Ethiopia is characterized by presence of imbalances (horizontal and vertical) and then this leads to loss of local administrations' autonomy since expenditures are dependent upon transferred resources. On the other hand individuals those have certain type of legal power can contribute in the efficient and effective realization of fiscal decentralization.

2.2. The Pillars of Fiscal Decentralization in Ethiopia

2.2.1. Expenditure Decentralization

Melkamu (2004) stated that the central issue in decentralization is the extent of function and power sharing among levels of a government. The practice is not same across countries. In Ethiopia, regions and local powers have constitutionally recognized power to prepare, approve and implement their own budgets; establish, direct and supervise social and economic development establishments or enterprises; administer, develop and protect natural resources; establish and direct regional security and police forces; own and transfer property; and perform

all other matters not reserved for the top government. The federal constitution stated that State Governments have powers and responsibilities to formulate and execute economic, social and development policies, strategies and plans of the State and to levy and collect taxes and duties on revenue sources reserved to the States and to draw up and administer the State budget.

As stated earlier in this paper after DLDP is launched in Ethiopia, Woredas have fiscal autonomy mainly with regard to expenditure management and revenue collection. The decentralized expenditure responsibilities to the Woredas level do not match with their power and capacity of revenue collection. Therefore, both sub-regional powers should have sufficient revenues under their control and be free from undue regional Government control, with flexibility in allocation of resources. Melkamu (2004) explained even-though it has some limitations expenditure decentralization is one of the approaches of measuring degree of fiscal decentralization. For instance greater expenditure ratio of regional governments to national government does not necessarily indicate regional governments' autonomy. Because, spending function may not always be consistent with tax assignments. This fact realizes the fact that the gap result in seeking more transfer for financing the local expenses. On the other hand Mello (2000) argued that though the devolved expenditure power of sub national governments in total government spending is not perfect measure of fiscal decentralization, in the absence of an appropriate indicator, it is being used as a representative of fiscal decentralization.

The above discussion implies that local powers are empowered to deal with bulky responsibilities. The functions cannot be done by empty pocket and so that adequate revenue and freedom of expenditure needed. Even though there are other additional measurements devolved expenditure responsibilities is one of the indicators fiscal decentralization down to lower authorities.

As stated by Demelash (2011) the federal government power and responsibilities in Ethiopia are more clearly defined. As explained by the author the functions and expenditure responsibilities with respect to services like defense, foreign policy, money/currency as well as infrastructure such as air, rail, water ways shipping, major roads and postal and communication services are under the responsibility of central government. On the hand federal/central government is responsible to formulate the countries polices in aspect of overall economic and social development. This does not mean that all other powers and functions are not devolved to regions.

The functions devolved to regions include substantial expenditure responsibility including anti-poverty reductions expenditure to the regions.

As noted by Tegegne (2007) regions are increasing their share of expenditure in both recurrent and capital budget though capital budget seem to be less decentralized than recurrent expenditure. In terms of sectors social services are more decentralized than economic services in both recurrent and capital budget. In line with this it is important to note that the relation between regions and regional units is characterized by centralization of more capital expenditure in the hand of regional government. The woreda under this study is a good example of the fact that capital budget are not fully decentralized to the woreda (*see table 4.16 in chapter four*).

In contrast to theoretical arguments for fiscal decentralization and to the principles of fiscal decentralization the practical evidence from lower administrations in Ethiopia shows local public expenditure are not truly decentralized to local officials for the benefit of local residents/citizens. For an author called Jorge, M. V. Vanguez (2011) efficient allocation of resources should be in a way that local administrations must be able to satisfy citizen's needs by adjusting the level and composition of local public expenditure. It is also required that local officials are elected and finally accountable to voters. One of the key arguments for fiscal decentralization as indicated in the work of Fekadu (2011) and Abraham (2011) is that local residents (the beneficiaries) will be able to influence on the local governments. This is for the reason that decision making bodies (local tier of a government) are near to the residents and physically available. The division of authority for budgetary management and preference matching is especially important in the ability of a district to improve the efficiency and effectiveness of service delivery through improved resource allocation. The authors added that for this purpose the local power's capability should be built and a conducive environment should be made to fulfill the assigned and decentralized responsibility.

Therefore it is observed from literatures and as revealed by this study the practice of fiscal decentralization in lower level of governments contradict with the values of the issue under study for the fact that expenditure responsibilities are not devolved in real sense. As indicated in chapter four of this study budgeting at the woreda level is influenced by the guide line sent from the region through the zonal level of a government. Since top level of a government is not suitable to know local needs it results in inefficiency.

2.2.2. Decentralization of Revenue Sources

One of the areas of fiscal decentralization is assignment of revenue or devolution revenue sources down to regional and sub-regional tier of governments. An author called Oates explained that who should get what resources is an integral part of fiscal decentralization. Thus, the expenditure responsibility assigned determines the assignment of revenue sources. Since inadequate funding sources may lead to failures in decentralization programs, genuine decentralization programs should try to clarify the fiscal relationship between tiers of a government. That is, adequate resources should be shared for top and lower units to perform their activities effectively (Oates, 2001).

As clearly discussed in the work of Helen Degemu (2010) decentralization of revenue sources like taxes are not done ideally between levels of government and there are some principles established in the theory of fiscal federalism. Helen further explained the principle as follows:

Taxes suitable for economic stabilization, progressive re-distributional taxes, personal taxes with progressive rates, and tax bases distributed highly unequally between jurisdictions should be levied by central government; local governments should tax revenue bases with low mobility between jurisdictions (such as land and real estate) in addition to applying user charges wherever possible; and benefit taxes and user charges may be appropriately used by both central and local government.

The above explanation implies that decentralization or assignment of revenue sources should be based on the respective responsibilities of tiers of government and the principle should consider which revenue base is appropriate for which level of government.

For authors like Bahl and Bird (2008) ideally internal source revenues should be enough and sufficient to enable at least the richest sub-national levels of a government. As to the authors the local tiers of a government should be able to finance their entire expenditure requirement of their respective local residents from their own resources. Surprisingly the authors added that, to the extent possible, local tier of governments' revenues should be on the shoulder of only local residents and to the extent possible, services provided by government should be financed by user charges and fees. As pointed out in the work of Helen (2010) it is both fair and efficient, in the sense of encouraging responsible use of the national economic resources.

In Ethiopian case, legal documents like the Transitional Government’s proclamation No. 33/1992 and the 1995 constitution of the Federal Democratic Republic of Ethiopia are important legal documents for revenue decentralization down to regional and local tier of governments. Article 95 of the 1995 constitution states that, the Federal Government and the states shall share revenue taking the federal arrangement into account. As to the documents (Proc. No. 1/1995) these are Federal power of taxation, State power of taxation, and concurrent power of taxation. Article 97 of FDRE constitution stated regional governments’ revenue sources as indicated in the table below.

In accordance with Proclamation No. 33 of the 1992 law of the provisional government and articles 95 to 98 of the FDRE constitution both the federal and regional governments have the responsibility of revenue raising responsibilities and the legal document stipulate that the source of Woreda revenues are determined by regional legislations. As outlined in the work of Tesfaye Abera (2015) the revenue sources for federal and federal units is presented in the table 2.1 below:

Central Government	Regional Government	Concurrent
1. Custom duties, taxes and other charges on imports and exports	1. Income taxes collected from employees of the regional government and of private enterprises	1. Profit, sales, excise and personal taxes collected from enterprises jointly owned
2. Income taxes on employees of the central government and international organizations	2. Fees on land use	2. Profit and dividend taxes from companies
3. Personal income tax, profit, sales and excise taxes on enterprises owned by the central government	3. Taxes collected from incomes of private farmers and farmers incorporated in associations	3. Taxes on incomes from large scale mining and all petroleum and gas operations and royalties
4. Taxes collected from national lottery and other games of chance	4. Profits and sales taxes from individual traders	
5. Taxes collected on income from air, rail and water transport activities	5. Taxes on income from water transport services	
6. Taxes collected from rent of houses and properties owned by the central government	6. Taxes from rent of houses and properties owned by regional government	
7. Fees and charges on licenses and services issued and rendered by central	7. Profit tax, income tax, and sales and excise taxes collected from enterprises owned by regional government	
	8. Income taxes derived from mining	

<p>government</p> <p>8. Taxes on central monopolies and stamp duties</p>	<p>activities, royalties and land rentals</p> <p>9. Fees and charges on use of forest resources, licenses and services issued and rendered by regional government</p>	
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Source: FDRE Constitution 1995 & Tesfaye Abera (2015; 143).

As indicated in the above table the source of revenue or the tax base federal units (regional states) in Ethiopia much narrower and weak. As indicated by USAID (2010) the narrow revenue base of local authorities results in the gap between the revenue capacity and expenditure responsibilities of local tier of governments. This gap is called vertical imbalance. To bridge this fiscal gap the intergovernmental fiscal transfers from the top level of a government are employed and also the transfer designed to fill the disparities in revenue generating capacities between the different federal units which is named as horizontal gap or imbalance. The imbalances are further discussed under the challenges of fiscal decentralization mainly at Woreda level.

2.3. Fiscal Decentralization at the District Level of a Government

As discussed earlier in this paper constitution is a legal frame work for decentralized in general and for fiscal decentralization in general. Article 50 sub-article (4) of FDRE constitution is the important legal base for decentralized governance system and for empowering the lowest tier of government like woredas and kebeles. As stated by Rajesh Kumar Pundhir (2015) the article presented as state governments shall establish other administrative units that is found to be important. The author added that adequate powers shall be devolved to the lowest unit of government to enable them to exercise autonomy with respect to revenue and expenditure. As stated above revenue generation in Ethiopia at the last paragraph source of Woreda revenues are determined by regional legislations. For instance article 77 (e) of Oromia National Regional State stipulated that Woreda administrations have decentralized power to raise revenue from land use taxes, agricultural products’ sales taxes and similar other taxes in the district. Article 77(f) of the regional constitution stated that the Woreda level of a government has a power to prepare and

approve plans with regard to social services, economic development and public administration of the district. With respect to functions and responsibilities, the Woreda level of governments are responsible to administer all government schools in the district; administer intermediate public health establishments; construct and maintain lower level feeder roads in the Woreda; preserve and administer basic agricultural services and natural resources (ONRS Constitution).

Other regions in Ethiopia have a decentralized expenditures and revenue assignment. As indicated by Tesfaye (2015) even though lack of detailed local governments' expenditure responsibilities in regional constitutions and decrees, the proportion of public expenditure exercised by Woredas have been growing since 2002 when regions began to make unconditional block grant allocations to Woredas and after DLDP is launched as national program in Ethiopia.

With respect to revenue assignment to Woreda level it was practiced in Oromia national regional state since 2002. As authors like Demelash (2011) noted devolution of revenue autonomy down to the Woredas is after the 2nd wave of decentralization in Ethiopia. In Oromia the revenue devolution/assignment to zonal and Woreda administration was based on the revised constitution of region (Article 77(e)) which states that district administrations shall collect revenue from assigned sources. So, the constitution is an important legal document that empower Woredas to have revenue sources in their own jurisdictions including income tax from employees of the District; income tax from employees of public enterprises under the Woreda, income tax from employees of private persons the district, land use and agricultural income tax and the like. Though the regional constitution and proclamation indicates the power of taxation of the Woreda level of a government it is not free from pressing obstacles like poor revenue bases, inefficiency in revenue collection and lack of commitment at the Woreda level (Desalegn, 2015).

As one of areas of fiscal decentralization, expenditure responsibilities in lower governments are not devolved as to the principles and arguments of fiscal decentralization. The budget utilization for expenditures at Woreda is in line with the priority areas indicated by the regional bureaus and so that it take the form of Woredas prioritizing their needs such us education, water, health, agriculture etc. (Meselu, 2014). As Desalegn (2015) explained in line with the constitution of Oromia Woredas have assigned expenditure responsibilities however limited practice.

Fiscal transfers (block grant) from the regional governments are the main revenue sources for the districts (Abdulahi, (2008), Helen, (2010), Meselu, (2014) and so that districts depend on top governments to finance their expenses. The authors work indicated there is a mismatch between revenue capacity and expenditure needs which is called vertical imbalance. To fill the gap regional governments transfer unconditional block grant for the districts. Under this study the revenue, expenditure and fiscal transfer are discussed in the chapter four.

2.4. Challenges of Fiscal Decentralization

Abdulahi Abdi (2008) stated that decentralizations in most of the developing countries face challenges and problems that make them to lag behind its expectation. As explained in the work of Abdulahi factors like lack of political will by the top level (central) government to share power and responsibilities; and lack of fiscal capacity are some of challenges that limits the effectiveness of decentralization in the developing countries.

An author called Nijenhuis, (2002) pointed out that sharing of power and responsibilities among tiers of a government can result in failure. To protect this chance of failure, adequate fund and enough revenue should be available to finance the increased expenditure. Because there is an argument that decentralization often increases public spending as it increases its areas of intervention and scope. Nijenhuis added that lack of local capacity in-terms of skilled human resource and shortage of basic infrastructures make decentralization (fiscal) in the developing countries not to be successful. As to McMinn & Welsh (1999) most decentralization reforms fail due to failure of political support by the involving parties and lack of capacity at local level. In addition, elite capture is another factor that limits the success of decentralization process at the local level.

Particularly in Ethiopia local governments and lower administrations are facing a number of challenges with respect to decentralization (fiscal) as revealed by different literatures. The following are some of the challenges in Ethiopia by emphasizing on the situation at local (Woreda) level.

2.4.1. Financial Challenges: Revenue and Expenditure

As stated in the work of Thomas Haile and Meheret A. (2010/11) local governments may lack clearly distinguished tax revenue sources. In Ethiopia, woredas have the power to levy certain tax rates and collect local taxes. This principal local government administration can levies,

mainly land use taxes, agricultural income taxes, sales taxes, and user fees. The Woreda administration has the power to make use of any revenue source within the Woreda which is not administered by the regional governments. Z. Ayele and Yonatan Tesfaye (2012) realize that adequate taxing power has not been devolved to local governments. This significantly results in financial problems that they are currently facing to manage their priorities.

On the other hand, the money from donors also does not directly go to local governments. As with the block grants that regional governments transfer to local governments, the financial assistance hardly covers the recurrent expenses of local governments, much less than the financing of capital investments. Similarly, Melesu (2014) explained that the block grant and the assignments of responsibilities to Woredas are mismatching, which indicates that the Woreda administrations faces the paradox. On the one hand, citizens demand better services in terms of both quality and quantity ever before. On the other hand, local governments lack necessary finance (tax source and block grants) to administer those services (Alemu Yimer, 2011). Adequate financial and staff resources of sub-regional powers is must for effective fiscal decentralization. Sub-national governments must have the legal and constitutionally recognized authority to raise revenue to support its expenditure requirements. Thus, the fiscal relationship between the top and lower-tiers of administrations must be clearly worked by taking into consideration factors like equity, fairness and justice (Abrham G/Selassie, 2011).

2.4.2. Lack of Autonomy

There is an argument that given a long tradition of centralized administrative experience, this has not helped Woredas and municipalities to be independent and responsible for many functions and responsibilities at the local level. It is explained by different scholars that in lower tiers of a government in Ethiopia, there is lack of independently fulfilling the discharged responsibilities. As stated by Abrham G/Selassie, (2011) in this regard, inadequate capacity in terms of trained personnel, financial resources and the absence of in-country training programs that local governments need cannot help the development of independent and viable local government administrations and municipalities. For instance, as indicated in the work Thomas Haile and Meheret A. (2010/11) in the administration of civil service, the authority of Woreda is overridden by zone. Woredas are under the influence of the top administration. In addition, as a result of a lack of explicit recognition in the constitution, the regional constitutions and statutes

maintain the old hierarchical relationship between regional states and local governments. The regional constitutions explicitly positioned that a Woreda, even if it has the power to decide on its internal affairs, remains a body under the control the region of regional tier of a government.

2.4.3. Lack of Capacity

One can understand from the above points about autonomy of local levels of a government in Ethiopia that lack of capacity in terms of skilled human power and lack of programmed training to empower the workers in local administration and in local sector offices leads to dependency of woredas on the top level (on zone and region) of a government. Thus lack of capacity is the cause for lack of autonomy. As discussed in the work of Smoke (2000) the level and quality of revenue collection, expenditure management and proper use of transferred finance as well as quality public service delivery is positively influenced by institutional capacity related issues. With this regard, there is a larger variation and gap across Woredas. The authors pointed out that Woredas in pastoralist areas are lagging behind in fiscal autonomy and Woredas in the highlands have better performance comparatively.

Literatures reveal that inadequate administrative personnel capacity, poor revenue base to carry out socio-economic functions for financial allocation as well as limited space for political competition and participation of civil society at the Woreda level. In different woredas in Ethiopia the kind of services provided to each Kebele is unbalanced and it differs from Kebele to Kebele due to the capacity of Kebele administrations in mobilizing human and financial resources. The work of Tilahun Meshesha (2014) also revealed that Woreda administrations, in regional states challenged by lack of legal and institutional framework, have poor inter-governmental relations and lack of strong coordination with stakeholders, upward accountability and absence of transparency in the operation of local authorities, shortage of resources, limited administrative, institutional and technical local capacities, weak budgeting and expenditure management.

2.4.4. Fiscal imbalances

Fiscal imbalance i.e. the gap between revenue and expenditure responsibilities of local level of a government is one of the major challenges of fiscal decentralization in Ethiopia. Tesfaye Abate (2015) indicated that all regions and local (Woreda) levels of a government in Ethiopia are characterized by the mismatch of their revenue capacity and the bulk of expenditure

responsibilities. As stated in the work of Melkamu (2004) centralization of productive revenue sources by the Central Government is one of the possible causes of the imbalances. The work of Melesu (2014) revealed that lack of capacity with respect to revenue generation and centralization of productive revenue sources by the top levels of a government lead to the emergence of vertical imbalance between local powers and their respective region. On the other hand which should be considered in fiscal decentralization is horizontal imbalance among local level of governments. As stated earlier in this paper horizontal imbalances also exist among sectors a Woredas. In the four chapter of this paper the existence of big horizontal imbalances is indicated. In addition to the imbalances and poor experience of sectors in own revenue generation is another pressing challenge of fiscal decentralization in the woreda under study.

With respect to vertical imbalances Woredas' internal revenue from internal sources provides only a relatively small share of the total resources required for their expenditure needs and so that they are heavily dependent on regional transfers. As stated in the work of Fekadu (2011) vertical fiscal imbalance is the gap between revenue bases and expenditure needs at various levels of government. As noted in the work of Girma Chuluke & Minhaj Alam (2017) vertical fiscal imbalance refers to the disparity between revenue generation capacity and expenditure needs of local tier of a governments well as it can be because of assignment of responsibilities than the resources available locally.

This above information implies that vertical imbalance is one of the factors that undermine the fiscal autonomy of local tiers of a government for the reason that since local powers are known by deficit of finance to cover part of their expenditure they are forced to depend on the regional/federal government. This makes local authorities to rarely practice fiscal decentralization. From the argument of this study internal problem of sectors like giving little attention to own revenue generation and horizontal imbalance among sectors hinders both autonomy of the sectors and that of woreda.

Thus as revealed by this study in addition to imbalances among regions and Woredas, the gap between sectors in a given tier of a government is a matter. As discussed earlier in this paper, the horizontal disparities among sub-national governments as well as the horizontal disparities among Woredas is related with factors like unequal location of revenue sources, capacity or

ability differences to generate revenues, differentiated expenditure needs and costs of service provision, and differentiated ability to provide these services.

From the perspectives of this study sectors vary in the implementation of plan and in the investigation of revenue sources to cover some of their expenditures. As indicated by this study in the chapter four the effort of sector offices in seeking revenue sources are very minimum and most of them consider that the revenue from the top should cover all the expenditure need of the sector. As argued by different authors and indicated earlier in this paper appointed officials can have autonomy on resources available at hand and in the generation of revenues in the principle of fiscal decentralization. However, it is absent or very minimum in the sector offices and they depend on the budget allocated from the top. Thus as argued by this study it is very crucial for the woreda as a level of a government if the sectors in it play their role in the revenue generation and expenditure management besides the effort of other responsible sector offices (Revenue office) which can transform the woreda from more dependency syndrome to cover part of its expenses from the own revenue generated including finance generated by the sectors. In short if sectors properly participate on revenue generation the imbalances among sectors can be minimized and it is an input for the woreda to preserve its autonomy.

2.5. Conceptual Framework

The components of the conceptual framework of this study are presented as follows: Fiscal decentralization, Decentralization of revenue, Decentralization expenditure and Regional fiscal transfers. The discussion of the components is as follows

Fiscal decentralization: As indicated by Martinez (2010) and Fekadu (2011) it is one of the areas of decentralization that gives legal power to local tier of governments to generate and collect revenue through taxes and expenditure responsibilities. It is also devolution of powers and functions to different organizations. As stated earlier in this paper there are four pillars of fiscal decentralization (fiscal autonomy) of local tiers of a government. These are revenue, expenditure, fiscal transfer (grants) and borrowing. This study mainly focused on the first three areas of the issue under discussion.

Revenue assignment/revenue decentralization: Refers to specifying and sharing of the sources of revenue like empowering local powers to levy and collect taxes to cover part of their expenses and also encouraging sectors in a given tier of a government to practice own revenue generation.

Expenditure assignment/ decentralization: can be defined as assigning or sharing the function and expenditure responsibilities for each level of government, central as well as local (Martinez, 1998). For this study it is specifying duties and expenditure responsibilities for woreda (district) and sectors. Districts (Woreda) in Oromia National Regional state have devolved expenditure responsibilities. As stated under literature review of this study the constitution the region defined woreda responsibilities which includes administration of primary (1 – 8th grade) and secondary education (9 up to 10th grade); primary health care (health post and health centers) construction and coordination of primary health care preventive and curative activities; construction and maintenance of Woreda rural roads and access roads to Kebele.

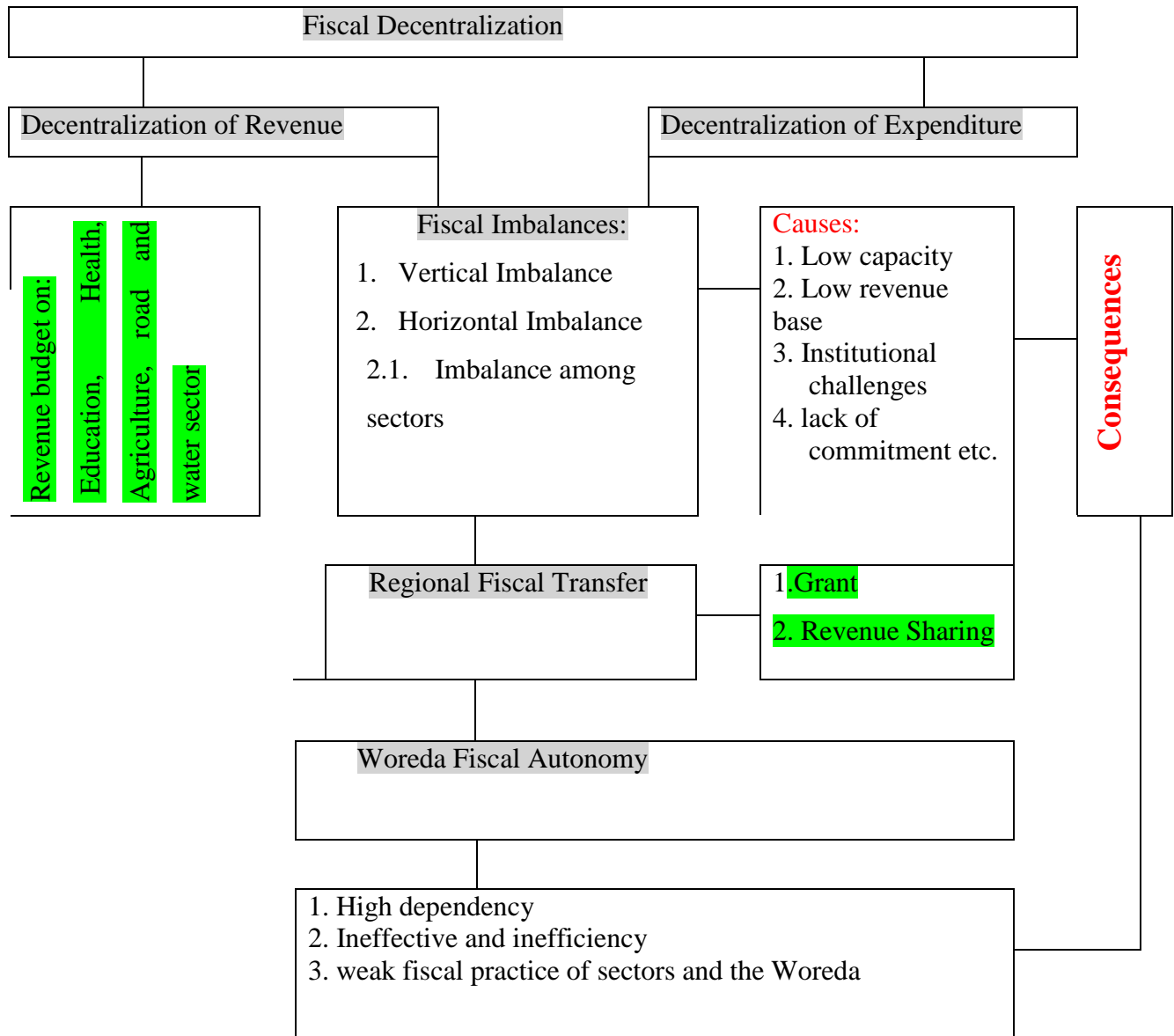
Regional Fiscal Transfer: Intergovernmental transfers (block grants) are the principal ways of dealing with fiscal gap and local government disparities as well as the major source of financing for basic social services at local level (Tsfaye Abera, 2015). The fiscal imbalances includes vertical and horizontal. Vertical imbalance occurs as a result of the mismatch between own revenue and expenditure needs of local government (ibid). On the other hand horizontal imbalance is the disparities among sectors in terms of budget allocation, revenue generation and expenditure responsibilities within a given tier of a government (Girma & Minhaj Alam, 2017).

Basic Sectors: Are sectors those needs more budget and plays crucial role in economic transformation and poverty reduction.

To deal with the responsibilities charged to woreda tier of a government in Ethiopia in general and in Oromia in particular, the local level of a government has constitutionally guaranteed powers to generate limited revenue which is not adequate to fulfill the responsibilities. As stated above in this chapter this leads to dependency of woredas on the regional level of a government. Another challenge of the local governments is the imbalance with respect to budget need, human resource, expenditure responsibilities and lack of adequate revenue resource in the sectors. This study emphasize on the selected five top sectors to in terms budget needs and in terms of their

role in development (poverty reduction) to show the disparities of among sectors which can be considered as one of the obstacles of fiscal decentralization at district level of government.

Figure: 2.1. Conceptual Framework of the Study



Source: Own Sketch, 2018

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Description of Research Area

The study is conducted in Sibru Sire woreda, East Wollega Zone of Oromia Regional State, Western Ethiopia. It is one of the districts in East Wollega Zone and is located 281Km in West from Addis Ababa and 50km East from Nekemte, the administration town of the Zone.

As to the data gathered the study area has a total population of 124,304 and from these urban dwellers male 6744 and female 6954, rural dwellers male 54,920 female 55,686. Sibru sire district has an estimated population density of 27.8 people per square kilometer. This district is bordered in the East by Gobu Seyo, in the West by WayuTuka, in South by Wama Hagalo and Billo Boshe and on the North by Gudeya Bila and Guto Gida.

Preliminary investigation by the researcher indicates that the implementations of decentralization in general and fiscal decentralization in particular have not been studied in East Wallaga Zone in general and in the Woreda under study in particular, one of the Woredas of west Ethiopia. In order to assess the fiscal decentralization in the Woreda, the Woreda level administration and sector offices are taken as units of analysis for the discussion.

The selection of the Woreda as a study area is justified based on the following arguments. First, it is difficult for the researcher to conduct a research in more Woredas because of time and finance limitation. The selected Woreda has been selected for reasons of convenience to the researcher in view of data collection due to its accessibility and proximity. The other justification is that Woreda level government structure was considered due to its relative closeness to the grassroots population and its being viable unit of government for meaningful socio-economic development in general and for effective service delivery in particular at the local level (Melesu, 2014; Tesfaye, 2015). Desalegn (2015) added that they districts are considered as a strategic unit of government for the implementation of the country's development strategies such as rural development, expansion of educational, water supply and health services, and sustainable development and poverty reduction.

3.2. Approach and Design of the Study

The study was designed in such a manner that incorporated qualitative and quantitative elements so that the Woreda fiscal decentralization would be touched adequately. As indicated by C.R. Kothari (2004) there are two basic approaches to research. These are quantitative approach and the qualitative approach. As noted by Suphat Sukamolson (2001) based on the information we sought research approach and data classified as quantitative and qualitative. In line with this, for this study the researcher sought data those are full of numbers and statistics with regard to expenditure, revenue and block grant in the Woreda and those data/information regarding revenue generation power and expenditure responsibilities of Sibbu Sire Woreda. In order to achieve the intended objectives of the study, to assess fiscal decentralization in the area under discussion, mixed method approach i.e. the researcher employed both qualitative and quantitative approach to answer the research question.

As stated in the work of Helen (2010) and Demelash (2011) to deal with statistics in expenditure, revenue, and grant and report those have full of numbers quantitative research is used. In line with this, this study employed quantitative dimension for the measurement of the share of Sibbu Sire Woreda and selected sectors' internally raised revenues to their total expenditure budget and other quantitatively analyzed and described of fiscal decentralization like trends of revenue and expenditure budget of the Woreda and the selected sectors; effectiveness of the Woreda in revenue collection within its respective jurisdictions. As noted in the work of Demelash (2011) since the quantitative dimension is not enough qualitative measurement is employed besides quantitative.

Qualitative dimensions of fiscal decentralization employed includes taxing power (revenue assignment), power and duties of the Woreda government like expenditure responsibilities, capacity related issues and the independence of officials and its impact on spending. As noted by Helen (2010) they are very important qualitative dimensions in the assessment of fiscal decentralization of local authorities. Helen and Meselu (2014) noted the statistics in expenditure, revenue, transfers and borrowing alone is not enough to identify the degree of lower governments' fiscal independence/autonomy, because it gives limited representation of fiscal decentralization. Accordingly, inclusion of qualitative approach is used for this research to describe constitutions, proclamations and legal bases of districts for fiscal decentralization of

Sibu Sire Woreda. It also employed to describe the response of the key informants, respondents of the questionnaire distributed and FGD discussants with respect to the issue under discussion.

To explore the data the descriptive design was used because descriptive research is used as a pre-requisite to quantitative research design and it incorporates qualitative elements. The descriptive design is employed if the researcher selects mixed it will have both quantitative and qualitative approaches with their respective instruments. It is employed to describe a given issue in statistical computations like averages, percentages and the like (Kothari, 2004). Accordingly it is employed for this study. Descriptive design is used to describe and interpret information/data with regard to implementation of fiscal decentralization in the research area. Besides, researcher used the secondary data to examine the gap between the revenue generation and expenditure needed by the level of a government and that of sectors and other related data.

3.3. Data Types and Sources

The data for this study was collected from both primary and secondary sources to obtain relevant information. The primary data is collected from in-depth interview of selected informants, questionnaire, focus group discussions and field observation. In-depth interviews were held with key informants using open-ended questionnaire whereas discussion guide or semi structured questionnaire was employed for FGD discussants. Secondary data was collected from published and unpublished materials which are available in the form of books, journal articles, proclamations, federal and regional constitutions, annual plans, performance reports, fiscal budget plans and reports.

As stated earlier, in this study both quantitative and qualitative data were gathered. All quantitative data regarding revenue and expenditure were obtained from office of the Woreda Revenue Office; Woreda Office of Finance and Economic Development data set, budget execution reports, etc. For expenditure, revenue and regional transfer for the Woreda under study and for the selected sectors under discussion five (5) years of data (2012/13 – 2016/17) from WOFED and Woreda office of revenue authority as well as from selected sectors were analyzed so that the issue could be demonstrated under border time- series perspective. Because, it is noted in the work of Helen (2010) and Fekadu (2011) that to undertake a study limiting the periods of years for the sake of time and resource is advisable. Accordingly, border time – series perspective is used for this study.

3.4. Sample Size and Sampling Technique

There are 33 sector offices in the Sibule Woreda. Of these, using purposive sampling technique, five sector offices: Agriculture, Education, Health, Rural road authority and Rural Water supply and Energy offices were selected for the reason that majority of the Woreda budget is allocated for them. Again the other reason is that the major sectors need real implementation of fiscal decentralization for the efficient provision of the social services and the challenges needs to be managed because there is an argument that the sectors play crucial role in development and poverty reduction. Thus, they are more prioritized while budget allocation by any level of a government in Ethiopia (Fekadu, 2011). This study aimed at investigating whether the Woreda is practicing real fiscal decentralization to run the above sectorial activities. i.e. the fiscal decentralization in the selected Woreda is checked by taking above sectors into consideration and then generalized about the issue at the Woreda level.

Woreda institutions (other sector offices) those have more relevant to the study due their nature and related institutions whose working relations is vital to the performances of the Woreda regarding the issue under study were included for the purpose of collecting related data. On the basis of this selection respondents were taken from each institution/sector offices whose activities are related to fiscal decentralization in the Woreda. As stated in the work of Fekadu (2011) and Desalegn (2015) Office of Finance and Economic Development of a Woreda deals with executing expenditure and allocation of budget for all sector bureaus in the Woreda. Thus, WOFED of the Woreda is selected for this study for above justifications. Woreda Revenue Office is selected for the reason the office deals with revenues collection of the Woreda. In addition to WOFED, the revenue office provided the researcher the data regarding revenue sources, the amount collected, planned and the actual revenue of the Woreda.

Woreda civil service office is selected for the reason that they play a crucial role in the conditions of employees. Lastly, not the least Woreda administration office is selected for the reason the office knows very well about political and administrative autonomy of the Woreda. That is if they have administrative autonomy that they can independently decide on their annual plan and budget as well as administer their fiscal resources.

The sample size of the respondents for this study is determined by considering the issue under the discussion. As indicated in the work of Demelash Neda (2011) we can consider different factors while deciding a number of our respondents and study population. Demelash and Yerasework (2010) noted that respondents for a given study mainly for interview and focus group discussion can be selected based on the specialized knowledge of the title under discussion. They added, in addition to above reason some other critical factors have to be considered. These include; the duty, responsibility and power they have regarding the issue under study and so that no need of randomly sampling to select the key informants.

Accordingly, the respondents for this study are selected in line with above justifications. Hence, the key informants of this study are selected as indicated in the table 3.1. below. The informants indicated in the table (especially heads and senior experts) are purposively sampled, because, they are very closer to the issue under discussion. They also know very well about the practice of fiscal decentralization in the Woreda comparatively than others and the informants are suitable to investigate whether the Woreda is practicing real fiscal decentralization and to indicate possible challenges. Therefore, the researcher strategically selected based on their specialized knowledge of the characteristics and their strategic positions in relation with the issue under study. Accordingly, 18 key informants were selected as indicated below.

Table 3.1. Key informants and their Offices

S/N.	Name of the offices	Number	Positions
1	Woreda Office of Finance and Economic Development	2	Office head, and expert
2	Woreda Education Office	2	Office head and expert
3	Woreda Administration Office	1	Woreda Administrator
4	Woreda Revenue Office	2	Office head, deputy head, expert
5	Woreda Health Office	2	Office head and expert
6	Woreda Water Resource office	2	Head office and expert
7	Woreda Civil Service office	1	Office head
8	Woreda road authority office	2	Head office and expert
9	Woreda agriculture office	2	Office head and expert
10	Zonal Revenue authority Office	1	Head of the office
11	ZOFED	1	Deputy head and expert
	Total		18 key informants

Source: Own sketch, 2018

Members of FGD were a mix of respondents from the five selected sectors and from WOFED as well as from the Office of Woreda Revenue authority. They were seven (7) in number and they are from planning unit of each sectors above. This means one (1) participant from each office.

On the other hand the open ended questionnaire was distributed to the members of the selected sector offices (staffs) and the sample size is determined by using Yamane formula (1967). After sample size is determined proportional distribution sample size for the sectors is computed. Then lottery method is employed to select the respondents. Accordingly, 96 respondents were selected for the questionnaire distributed. The staff members (like guards, secretaries) those are assumed to be not in a position to provide adequate information are deducted.

Yamane (1967) formula to determine sample size $n = N/1+N (e)^2$

Where: n = the desired sample size N = Universe population e = the level of precision

$$n = 183/1+183 (0.07)^2 = 96$$

Table 1: All staffs of the selected basic sector offices and sample size determined

S/N.	Name of the sectors	No. of staffs	Proportion sample size
1	Education Sector	31	16
2	Health Sectorr	29	15
3	Agricultural sector	31	16
4	Rural Road sector	9	5
5	Rural Water sector	13	7
6	WOFED sector	45	24
7	Revenue Office sector	25	13
8	Total	183	96

Source; Own Calculation from WOFED the data of case sectors' data of various years study, 2018 *note: Proportional Distribution of Sample size;*

$$n_i = \frac{\text{staff members of each sector } \times n}{\text{Total staff memebers of the selected sectors}}$$

3.5. Methods of Data Collection

As indicated above questionnaires, interviews, observations and focus group discussions were the main instruments of primary data collection for this study.

3.5.1. Questionnaire: 26 Questionnaire was distributed to the part of staff members of the selected sectors including WOFED and Woreda Revenue Authority office to cross check the data acquired by other instruments. The open ended questionnaire designed to collect qualitative type of data from the staff members. The instrument helped the researcher to collect the data regarding demographic characteristics like experience, age and level of education, possible challenges to practice fiscal decentralization; assignment of duties and powers; effectiveness and efficiency of the Woreda; autonomy of the Woreda in terms of revenue and expenditure including other related issues.

3.5.2. In-depth interviews: Were conducted with key informants (*annex 1*) who were from selected sector offices and other sector offices as indicated in the table 3.1, above. The data

generated through this instrument is mainly used in getting general information on political and administrative autonomy; the contribution of fiscal devolution; revenue sources of the both the Woreda and the selected sectors, the expenditure assignment, fiscal autonomy; the extent of fiscal devolution; the trend of revenue and budget expenditure; the possible challenges etc. The interview checklist also contains the issue of fiscal transfer from the region. It was more or less like targeted interview, as it only targeted those with the right information; or knowledge on issues of fiscal decentralization and its implementation at the Woreda level due to their experience, political position or professional capacity concerning the issue under study. These key informants (in table 3.1.) helped the researcher to come up with primary data to assess fiscal decentralization besides the secondary sources and data gathered by other instruments.

3.5.3. Focus Group Discussions: One focus group discussions was held in the selected Woreda with planning unit the sector offices (*annex 1*). In the FGD seven (7) members were included. The data generated through this instrument is mainly used in getting general information planning budgeting; performance of sectors in revenue generation and expenditure functions; the existing imbalances; priority issues; the trend of revenue generation and expenditure needs; the role of fiscal transfer and the like.

3.5.3. Observation: As stated in the work of Abraham G/Sellassie (2011) in contemporary field research, observation is the most important technique to collect original data. This is because sometimes the information that the researcher gather from the informants may contradict with that of the real situation. Therefore, observation is better to get first-hand information from the original sources. The researcher stayed in the selected research area at least for a month to collect the data and got the opportunity to watch, listen and communicate informally with the staff members of various sector offices at Woreda level. Accordingly, the researcher was able to gather information regarding working environment in the sectors, general performance on implementing the devolved responsibilities, the commitment of the staff members and the extent of dependency in the sectors/woreda as well as the awareness in the Woreda regarding the devolution of fiscal activities.

Besides the above instruments, in order to obtain better quality of data, the enumerators, those who have detail experience about the data collection and knowledgeable about conditions of the study Woreda was selected for the purpose. The supervision was be conducted by the researcher.

The major data's which collected through questionnaires, interviews and focus group discussions were prepared in English language and translated into Afan Oromo because the majority of the respondents were Afan Oromo speakers.

3.6. Method of Data Analysis

In order to answer the basic research questions stated earlier, the data which were gathered through questionnaire, interview, focus group discussion and observation were analyzed. The collected data were summarized and analyzed using the qualitative and quantitative data analysis. Data which collected through open questionnaire were analyzed and organized using qualitative method. Data which collected through structured interview and focus group discussion were analyzed by interpretation to give appropriate recommendation and conclusion to support qualitative data. The quantitative data were analyzed by simple descriptive statistics like percentage, average and the result was summarized in the form of tables.

3.7. Ethical considerations

Nicholas William (2006) stated that ethics are the rules of conduct in research. As to him you must know about ethics if you are required to do some research as part of your assessment. Thus, in this study respondents were informed that their participation in the study is voluntary and they will not be harmed as a result of their participation or non-participation in this research. They were assured that the source of data collected would remain confidential and will not be interrupted and framed towards only what a researcher want i.e only for academic purpose.

The researchers have an obligation to provide some information about their study to potential informants before data collection. This was helped them to decide whether or not they wish to participate in the study. N. William (2006) stated that researchers should be honest. For him the most offence against honesty is called plagiarism. Therefore, the researcher was not directly copied from someone else's work into his study/research which is unethical. Therefore he acknowledged the source and used the ideas of others. This study is conducted by considering above ethical principles.

CHAPTER FOUR

4. ANALYSIS, RESULT AND DISCUSSION

4.1. Introduction

As indicated earlier in this study and noted by Helen (2010) both qualitative and quantitative indicators are crucial to describe actual assessment of fiscal decentralization. Based on this justification, the assessment of fiscal decentralization and the possible challenges in Sibru Sire Woreda is described. To specify, the legal framework of fiscal decentralization, functions and responsibilities of the Woreda; the revenue and expenditure responsibilities of Sibru Sire Woreda and that of the selected major sectors; the extent of fiscal transfer (block grant) in the Woreda are discussed in this chapter. Furthermore, the discussion is from specific to general. That is, revenue budget and expenditure of the selected sectors are discussed first and then revenue budget and expenditure assignment of the Woreda are discussed. The study attempted to show the role of fiscal transfer (block grant) and described the extent of dependency of the selected sectors in particular and that of the Woreda in general.

4.2. Characteristics of the Respondents

As stated earlier in this study different instruments were employed to collect data. Of these, questionnaire is one of them. Open ended questionnaire were used to collect data with regard to the issue under discussion beside other instruments. The respondents were selected from Education, Health, Agriculture, Rural Road, Rural Water, Woreda Revenue Authority Office and WOFED sector offices in the woreda. The selection of these sectors is justified earlier in this paper.

The number of respondents was determined from above each sector offices and so that 96 respondents were considered for the study. The whole questionnaires were filled by the respondents. Hence, the study focused on the effectively responded 96 questionnaire with 23 females and 73 males. The distribution of the respondents is shown in the following table 4.1. below.

Table 4.1.: Characteristics of the Respondents for the Study

<i>Sectors/offices</i>	<i>Sex</i>		<i>Age</i>		<i>Service Year</i>	<i>Level of Education</i>		<i>Total</i>
	<i>M</i>	<i>F</i>	<i>Below 35</i>	<i>35 & above</i>	<i>Above 5</i>	<i>Diploma</i>	<i>BA/ BSC & above</i>	
Education	12	4	6	10	13	5	11	16
Health	11	4	6	9	11	6	9	15
Agricultural	13	3	4	12	12	4	12	16
Road	3	2	1	4	3	2	3	5
Water	7	-	2	5	5	3	4	7
WOFED	17	7	10	14	19	6	18	24
Revenue Office	10	3	5	8	8	6	7	13
Total	73	23	34	62	71	32	64	96

Source: Field Survey: 2018

As indicated earlier in chapter three part of this paper the researcher selected 96 respondents for questionnaire scientifically to get information from the members of all selected sectors and so that to cross check the data gathered by other instruments. The table 4.1 above shows the characteristics of the respondents in terms of sex, age, service year and level of education. Moreover, large numbers of respondents have 35 and above years of experience. Thus, it was suitable for the study that they provide more accurate data about fiscal decentralization in Woreda under study.

4.3. Constitutional and Legal Framework of Fiscal Decentralization

As justified earlier realization of fiscal decentralization of local governments require a clear constitutional, legal and institutional framework. As noted in the work of Helen (2010), the powers and functions of local governments are influenced by the frameworks. The provision of constitutional frameworks for Woreda administrations in Oromia (Ethiopia) and for Sibu Sire woreda administrations in particular promote their position and make local governments strong.

Like any other federal country in our world, the Ethiopian government after 1991, decentralized power and functions to sub-national governments in the country. Accordingly, the Constitution

of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995, states the power of self-administration. As to article 88 (1) of the Constitution, the Ethiopian government promote and support the peoples' self-rule at all tiers of government in the country. The regional governments have their own constitution and their own regional flag. As stated in this paper earlier regions have four levels of administrations i.e. Region, Zonal, Woreda and Kebele administrations. The regions in the country have the right to self – administration up to secession (Art. 39 of FDRE constitution). As to Helen it is believed that the intention behind the designation of federal state structure in Ethiopia is to settle different preferences coming from diverse nations.

This implies that there are different desires and needs at different local powers in Ethiopia. Even in a given Region and Zone there are different needs which are relative. Therefore, fiscal decentralization requires devolution of prioritization to the local powers which are close to the local residents. That is which activity or service should be prioritized is suitable if made locally by local powers, not providing ideas as an input for the top level of a government. The information above proves that the constitution is a base for any power and functions of all tiers of a government in the country.

Melesu (2014) noted that the national constitution of Ethiopia gives the issues of local tiers of a government to be handled by respective regional states. Melesu added, the Regional states are expected to govern local powers in such a manner that devolve adequate power of self-government. The adequate power and responsibilities include the power to raise revenue, manage expenditures and administer its staff. The Oromia National Regional State constitution stated the power and function of lower levels of a government in the region in general and so that Sibbu Sire Woreda has constitutionally guaranteed fiscal powers and functions. One of the power and responsibilities of the Woreda administrations is that to collect local taxes and levies, to administer fiscal resources in the woreda; to construct and monitor low-grade Woreda (District) level infra-structure of local service delivery; preparing as well as approving annual plan and budget (Art. 77 of O.N.R.S.). There is an argument that legal and constitutional basis that clearly assign appropriate power, functions, and responsibilities to Woreda tier of a government and other tier of a government is another important element that helps the realization of the implementation of fiscal decentralization objectives fruitfully (Helen, 2010).

Regional, Zonal, District and Kebele administrations are established by the Oromia National Regional revised constitution with legal, institutions and financial powers (Art. 45). The key informants of this study realize that the Woreda has constitutionally recognized political, administrative and fiscal autonomy but lack of capacity matters. As to the respondents using its autonomy the Woreda encourage sectors in the Woreda to generate internal revenue to strength revenue autonomy of the woreda. However, different challenges matter (*See challenges of fiscal decentralization in this chapter below*). Since the Oromia Regional State constitution and federal constitution recognizes the three branches of a government at local levels namely, the council, the executive, and judicial branch, Sibule Woreda administrations like other districts in the Region has its own respective organs of a government to perform their activities (Art.50 of FDRE constitution and Art. 41 of Oromia regional state constitution). These constitutional frameworks promote the local tiers of a government to be autonomous in their decisions and functions. As to the respondents for the questionnaire distributed the power and decision making activity of the Woreda is limited. For instance capital finance and projects which need capital budget are not under the authority the Woreda.

It is possible to understand from the respondents that even though the legal framework gave fiscal powers like expenditure responsibilities to the districts the real practice shows opposite or low implementation of fiscally devolved power and responsibilities.

The key informants from Sibule Woreda official realize that the Woreda has constitutionally recognized power to prepare annual plan, annual budget and approve it by the legislative organ ('*Mana Maree Aanaa*') of the Woreda. As to the informants, the Woreda is independently collecting revenue from the revenue basis under the Woreda control. Regarding this issue Helen (2010) and Demelash (2011) noted that legal and constitutional framework that recognizes devolution self- administration to local authorities in addition to fiscal powers is mandatory. They justify that the power to self-administration makes local powers like Woreda authorities to independently prioritize their fiscal demands. However, as to respondents of this study while planning the Woreda should follow the guide line sent from the top which emphasis on what the Woreda should focus while prioritizing.

The information from these informants shows that the constitutionally guaranteed power of the Woreda is undermined because the budget planning by the Woreda is in line with the targets set

by the Regional government, not fully in accordance with the needs of local residents. On the other hand it implies that though the local powers are constitutionally empowered with fiscal powers the Woreda under study is not practicing real fiscal activities like budgeting, planning and prioritization independently.

As observed from above any Woreda in Oromia in general and the selected research area in particular has constitutionally guaranteed duties and powers including revenue generation, expenditure responsibilities, administering fiscal transfers as well as preparing development programs, plan and budget. In line with this revenue assignment, expenditure decentralization, regional transfer as well as planning and budgeting of the Woreda under discussion are assessed.

4.4. Functions and Responsibilities of Sibbu Sire Woreda

Tesfaye (2015) noted that since the DLDP is launched, the power and responsibilities of the Woreda administration have been recognized in regional constitutions throughout Ethiopia. Many of the respondents and FGD discussants agreed there has been still a moderate degree of intervention by the regional governments on the affairs of the Woreda administrations. The key informants at Zonal level noted that the interventions would be a matter of time before the Woreda could become a more autonomous governing unit. As to the informants, the Woreda continue to grow in capacities and resources to plan and execute their own socio-economic development, the top level of a government will likely play only supporting and monitoring roles. All respondents from selected sector offices realize the existence of interventions by the top governments.

As indicated in the literature review of this paper, since 2002, the specific responsibility of the Woreda administrations have been stated in the revised Oromia National Regional State constitutions. Accordingly, the observation and the information from respondents realize that the Sibbu Sire Woreda is dealing with activities like prepare plan and budget; approve budget; collect assigned revenues; and implement plans and policies of national and regional levels of a government. In line with the constitution of the Region the Woreda has duties with respect to primary government schools, health centers and posts, rural roads and water as well as basic agricultural activities. As to the key informants the sectors are encouraged to collect internally from their own source and cover some part of their expenses. However, they are characterized by high dependence on Regional bureaus.

Different studies (Helen, 2010; Desalegn (2015) indicated that for real implementation of fiscal decentralization and for implementation assigned responsibilities the *political autonomy, the mandate to provide services and administrative autonomy* are some of the necessary conditions for fiscal decentralization. Thus, they are discussed as follows.

4.4.1. Political Authority

With regard to political authority it is noted in the work of Demelash (2011) that presence of representative and autonomous political authority determines the real implementation fiscal decentralization at local levels of a government. Demelash added, fiscal mechanism is ineffective if there is no an adequate degree of local political development and accountability. Regarding the study area the key informant official(s) realize that the Woreda's internal revenue (own revenue) is deducted from the total budget of the Woreda. This undermines incentives to collect local own source of revenue because it is done without considering capacity (institutional and political development) of the Woreda.

Decentralization of expenditure responsibilities to Woreda level like other local level needs a government which is elected popularly and democratically. As stated in the work of Helen Degemu (2010) budgetary choices should be made by local officials elected by local people who have to meet the full costs of their decisions through taxes from local residents. Oromia National Regional States' constitution (art. 74) indicated that districts in the region shall have a district council which comprises members or representatives of each kebele in the district. Article 76 of the constitution stated that members of the Woreda Council are elected by the residents of each Kebele in Woreda. In line with the constitution the key informants noted Sibule Woreda has a Woreda Council which is the highest legislative organ of the Woreda. The Council has power to enforce local laws, approve economic plan and budgets and pass decisions over its respective jurisdictions. Consistent with the regional constitution (Art. 76) the woreda council is responsible to their electorate, the executive committee of East wallaga zonal administration and through the zone administration to the executive committee Oromia regional state. The woreda has 19 rural and 4 urban kebeles as its sub-woreda tier of administrations to which it must transfer responsibilities and resources to promote decentralized governance in general and fiscal decentralization in particular. This is for the reason that the DLDP in Ethiopia focused on the devolution of power and responsibilities from the top level of government down to the Kebele

level which is the last tier of a government in Ethiopian federal system structure. In the research area the FGD discussants indicated the role of Kebeles is limited to implementing the assigned activities i.e. not empowered to plan and not trusted if planned.

The above discussion implies that revenue sources, expenditure responsibilities, budget related decisions like prioritization should be made by locally elected and empowered political body. This is to make decision making activity close to the beneficiaries. Thus, fiscally decided responsibilities at local level need locally empowered political body.

The Woreda has also locally appointed executive organ. Like any other local powers in Ethiopia in general and in Oromia regional state in particular Sibule Woreda has also judicial organ of a government. As to the head of agricultural sector and deputy chief administrator of the Woreda and also as stated on article 49 (3) (e) of ONRS Constitution the judicial organ of the Woreda is established by the regional council (*'Caffee Oromiyaa'*). It is recognized by the provisions of the revised constitution of Oromia National Regional State that there shall be locally elected Woreda Council and then executive organ of the Woreda. Accordingly, the Woreda key informant officials noted despite different challenges the Woreda has the power to pass decisions on its internal affairs like budget approval and implementation of plans, programs and policies. As to the informants even though the Woreda has decentralized legislative and executive functions, the fiscal power of the Woreda is limited and so that fiscal status of the woreda is low. For instance there is high dependency on the regional government. As stated by Melesu (2014) and Helen (2010) there is no real decentralization in general and fiscal decentralization in particular without relatively independent and politically responsible region or local government. Accordingly, political authority of the study area is high lightly described.

It is observed from the above fact that the presence of legal and constitutional framework is one of the element of fiscal autonomy, but not a guarantee for real practice of fiscal decentralization. The information from the key informant officials shows presence locally elected political body that deal with decision making activities. But the practice shows absence of the implementation in real sense. Data show presence of fiscal gaps and so that dependency of the Woreda on the top levels of the governments.

4.4.2. Mandate to Provide Services

Regarding mandate of the Woreda to provide services, as stated earlier in this paper, local or districts are at strategic position to know the needs of the residents and at best positions to provide services efficiently and effectively. For the provision of the wide range of services the local governments should get legally and constitutionally guaranteed assignment of functional responsibilities. As stated by the constitution of Oromia Regional State (Art.77) Woredas have different functions. Accordingly, the Sibru Sire Woreda as a lower level of a government it has a mandate to provide services like primary education, immediate health establishments, rural water, rural road, peace in the woreda etc. The respondents for this study indicated all powers and functions to provide service are not given expressly to the regional government alone rather devolved with narrow revenue bases. As authors like Tegegne (2010) indicated local authorities in Ethiopia faced the problem related inability to fully close the big gap between provision of wide services and revenue available. The heads (main head and deputy head) of WOFED of Sibru Sire Woreda and head of Revenue Office of the Woreda noted that the Woreda for narrowing the expenditure gap that may surface due to low revenue capacity the Woreda is also entitled to receive transfers from Oromia Regional State in the form of block grants since 2002.

As to the key informants, the aim of the grant is mainly targeted at offsetting the budgetary constraints in financing district expenditure needs. Therefore, the District Council has a responsibility to make budgetary decisions on the block grant it receives from the regional government and on the Districts' own revenue. The questionnaire distributed to the respondents indicated the sectors those need huge capital budget are under challenge of capital budget constraint to provide quality service. For example, weak revenue base and inadequacy of the block grant exacerbate the problem.

By considering the needs and situation of the local residents the Woreda is charged with responsibilities of prioritizing the services provided. The expert from the planning department of WOFED explained that prioritization activities of the Woreda are influenced by the guidelines sent from the regional tier of a government. However, the Woredas' budget, plans and programs are not expected to be prepared and approved by zonal and/regional level of a government. The Woreda has the constitutional power and function to collect land use taxes, agricultural product sales' tax and utilize revenues other than those than fall within the domain of the Oromia

National State and draw up its budget and so that helps the Woreda to provide services as to the respondents. In short, despite different challenges the Woreda has a mandate to provide services.

4.4.3. Administrative Authority

For real implementation of fiscal decentralization at a level of local government's adequate administrative authority and functions are required (Helen, 2010). Helen noted that administrative power of local tier of a government as an element of spending autonomy or as a necessary condition for fiscal decentralization would help to examine the degree of control the local authorities have over its internal affairs. Accordingly, like other districts in Oromia regional state in particular and in Ethiopia in general Sibule Woreda has an administrative power to issue its own internal regulations and administrative directives; collect internal revenues and utilize it; administer basic agricultural services and natural resources in its jurisdictions. Thus as to Demelash (2011) and Desalegn (2015) since the administrative powers of the Woreda are recognized constitutionally, then it is suitable for the fiscal activities of the Woreda.

There is an argument that autonomy of local levels of a government on the conditions of employees: on salaries, size, benefits and promotion of their employees is an essential element of fiscal decentralization. Melesu (2014) and Helen (2010) noted one of the discretionary powers of local governments is related with the issue of providing flexibility to local levels in determining wages and job requirements. With regard to the Woreda under study the respondents of this study noted the power and duty with respect to human power is centralized in the hand of zonal and regional government.

The other function and responsibility is regarding the budget of the Woreda which requires administrative authority of the Woreda because the approved budget should locally controlled and administered (*Budgeting process discussed below under planning & budgeting*). As indicated earlier in this paper, the Woreda and sectors have the functions to prepare a budget plan on capital expenditure and recurrent one. However, the budget allocated for the Woreda is limited especially capital budget is very minimum. As to the informants, this results in defect of sectorial activities. Another expert from WOFED explained that most of the capital budget is executed by Oromia regional bureaus and some limited amount of capital projects for example, rehabilitation of schools or health centers were delegated to the Woreda administration to

implement and report back to the regional bureaus. The recurrent budget was also identified by sectors but resources go through the finance line.

As to the Woreda key informant officials after DLDP i.e. after 2002, the Woreda has a decentralized powers and functions as indicated above. However, the actual practice in expenditure decentralization is with minimum capital expenditure and transfer of recurrent expenditure responsibilities to the Woreda. The informants realize that capital budget is not adequately decentralized and the Woreda is forced to lag behind to achieve its fiscal target in consecutive five years under discussion with regard to capital expenditure. The regional sector bureaus spend the capital budget on the behalf of the Woreda. The reasons explained by the East Wallaga Zone officials relate to the capacity problems of the Woredas to implement capital budgets. The Woreda officials' response to the researcher is not far from this. i.e capacity constraints. Studies like Melkamu (2004), Helen (2010), Fekadu (2011), Demelash (2011), Meselu (2014) Desalegn (2015) underlined that the implementation in the local powers in Ethiopia shows failure of real fiscal decentralization process. The same is true for Sibu Sire Woreda that table 4.23 and table 4.20 shows that the Woreda is dependent on the region for more part of its revenue and capital budget/responsibilities is not fully decentralized to Woreda respectively. Thus, it shows the Woreda is characterized by a dependency syndrome to fulfill its bulky functions and responsibilities. As a result of the challenges the Woreda rarely practice autonomy in fiscal and administrative issues. As stated earlier Woreda has a council (legislative body), which approve its budget subsidy from the region; the executive body, which implements the approved budget, and the judiciary organ, which plays judiciary roles within the Woredas' jurisdictions. As to the respondents the distributed questionnaire the Woreda is practicing the budget transfer from one sector to another.

The above discussion proves the fact that even though the Woreda has administrative authority it is not free from problems. Administrative autonomy is a component of expenditure responsibilities and autonomy as well as controlling revenue sources. But as discussed above expenditure autonomy of the Woreda is limited and so that the spending autonomy with respect to projects for education, health and other services rests in the hand of regional government. In addition all revenue sources are not under the control of the Woreda administration.

From the perspectives of this study it is not early to comment and criticize because it is about fifteen (15) years after DLDP is launched (2002) in Ethiopia. One of the components of the DLDP is fiscal autonomy of the Districts (Ermiyas, 2015). Next, this study focused and discussed the issue using the data of five consecutive years (2012/13 – 2016/17).

4.5. Revenue and Expenditure Responsibilities in the Selected Sectors and in the Woreda

In fact, Woreda levels of governments have constitutionally guaranteed revenue and expenditure assignment. The arguments and principles of fiscal decentralization requires the sectors to generate own revenue and exercise adequate expenditure responsibilities. In line with this the sectors in the Woreda under study are assumed to generate revenue internally to cover some portion of their expenses and on the other side to become backbone for the Woredas' autonomy. The primary data gathered from key informants, respondents and FDG participants clearly revealed that sectors performance in revenue collection enhances the autonomy of both sectors and the Woreda as well as promote service provision. As in indicated in the literature review there is an argument that financing the service provision should be by the beneficiaries themselves. There are sectors in the Woreda under study those incorporate a plan to collect revenue in their fiscal plan. But as revealed below in this chapter the practice is weak.

4.5.1. Expenditure Responsibilities and Revenue Assignment in the Selected Sectors

Studies like Winkler & Boon-Ling (2007) and Tesfaye (2015) noted that fiscal decision making autonomy in particular and decentralization in general should be devolved down to sectors, to elected or appointed organizational governing bodies. For instance, when fiscal power and autonomy is devolved to education sector then the sector itself, the school management committees, the school boards should exercise devolved responsibilities like expenditure responsibilities and revenue generation. As to the respondents, the sectors are assumed to have power and duties to generate revenue and so that in each year the sectors (though not all) plan to collect own revenue. As noted above sectors are expected to generate internal revenue and utilize the expenditure responsibilities however the questionnaire distributed shows limited effort. Comparatively from expenditure responsibilities and revenue assignment, the expenditure responsibility is more devolved to the sectors. Prioritizing and setting criteria at sector level is weak because of capacity problem and influence from the region through the zonal level. The key informant experts and respondents for the questionnaire distributed noted the revenue assignment and expenditure responsibilities down to the Woreda level of a government results in

manageability, efficiency and effectiveness. The low performance of the sectors in planning, revenue collection (characterized by fluctuation) and limited expenditure responsibilities implies rare practice of fiscal decentralization in the Woreda and in the sectors.

As to FGD discussants and key informants the revenue which is considered as internal revenue in sectors is the revenue that is continuous and declared as internal budget of the sector by the Council of the Woreda. The discussants explain this, to consider as internal revenue budget, first sectors should plan how much they can collect and it is declared as internal revenue budget of the sector. The key informants noted there is/are no clear revenue sources from which they can generate assigned revenue. It may be from different revenue sources from one year to another and from sector to sector. The questionnaire distributed to the respondents show that the attention given for the internal revenue generation in the sectors is less and projecting revenue for the sectors is near to null. The voluntary participation of the community is based on their commitment to what they promised to contribute. As to the respondents the sectors adapt dependency on the budget allocated from the government and the main source of revenue for the sectors is grant/transfer from Oromia National Regional state through the Woreda. To minimize the dependency the sectors are encouraged to improve their revenue generation and at the Woreda level the effort exerted to minimize dependency in recent years is low.

As observed from below revenue generation activities of the sectors there are sectors those have no internal revenue i.e if less revenue generation exists, it is not declared as the sectors' internal revenue. Despite the problems, sectors have devolved fiscal duties and power in the Woreda under study. There is an argument that limited local governments' own revenue resources and capacity plus lagging behind from the activity of revenue generation by sectors as well as the fiscal disparities entail that top governments continue to play crucial roles in providing additional funding and grants. This undermines sectorial and Woreda fiscal autonomy.

Key informants from WOFED noted that more expenditure responsibilities of the sectors are fall under responsibilities related to recurrent expenditures and more expenditure related to projects for the sectors in the Woreda is under the domination of regional bureaus. The questionnaire distributed also shows that the expenditure responsibilities of the woreda and sectors are more limited to recurrent expenditure responsibilities than project related responsibilities and so the both recurrent and capital did not devolved equally. To solve the problem the Woreda/sectors

seek other sources to finance the projects. Also setting criteria to deal with expenditure responsibilities is most of the time undermined by the target set by the regional and national government in the Woreda and in the sectors.

Another problem is that bottom-up arguing is poor rather taking what is targeted at the top. At the sector level what the respondents explained is that there is a limitation to allocate expenditure for different activities that meet local needs. Because, mostly sector run to achieve generally targeted activities at regional level and lack of capacity and confidence matters to reshuffle the guideline sent from the top. As to the key informants from the zonal level the guide line is sent to remind the prioritization related issues which on the other hand shows presence of influence and lack of capacity at the Woreda level. The budget expenditure allocated for the sectors indicated which expenditure responsibilities is more assigned to the sectors in real sense and it is discussed as follows.

4.5.1.1. Pattern of Budget Expenditure for Sectors under Discussion

As stated under scope of this study in chapter one, because of time limitations only five year data were selected (2012/13 – 2016/17) so that the budget allocated on the last five years (2012/13 – 2017/18) is the main source of data used for the study. As indicated in the previous chapters, the sectors for this study are also limited to five selected major sectors. Next, trend of the budget expenditure of the selected sectors are discussed.

4.5.1.1.1. Trend of Budget Expenditure in Education Sector

As indicated in the constitution of Oromia National Regional State (article 77) Woreda administration have a duties to provide primary education (up to 10th grade) services. Accordingly, the Woreda depend on different revenue sources like internally generated by the Woreda, by the sector itself and from others such as top government, non-government and community participation. In the 4.2 below budget expenditure for the education sector in terms of recurrent and capital is described.

Table 4.2. Pattern of Budget for Recurrent and Capital Expenditure of the Education Sector (ETB)

Year	Recurrent – i	Capital – ii	Total – iii	% of i	% of ii
2012/13	15,533,300	169,341	15,702,641	98.9	1.1
2013/14	16,348,755	–	16,348,755	100	0
2014/15	18,764,418	–	18,764,418	100	0
2015/16	27,112, 693	1,423,296	28,535,989	95	5
2016/17	28,318,719	886,883	29,205,602	97	3

Source: Own Calculation from the Case sectors’ Budget Data of Various Years and from WOFED; 2018 **Note: i=Recurrent budget ii=Capital budget iii= Total**

As it can be observed from table 4.2, above it shows the budget allocated for recurrent and capital expenditure for education sector in Sibru Sire Woreda from 2005 E.C.to 2009 E.C. The table shows average of 1.8% and 98.2% for capital expenditure budget and recurrent one respectively. Most of the budget expenditure of education sector goes to the recurrent expenditure type. As indicated by Fekadu Mokonnen (2011) regions in Ethiopia have a plan for the expansion of primary and secondary school at kebele level, which is also the national plan of a country. In contrary, the budget allocated for capital expenditure of Sibru sire Woreda is not adequate and difficult to meet the target by the amount of capital budget allocated for the sector during the years under discussion.

As to key informants of the Woreda the Woreda required the low level of expenditure on the capital formation due to the fact that the Woreda is almost achieving the national target of constructing one primary school of 1 to 4 in each Sub-kebeles (Gots) of the Woreda. As to the key informant experts the schools constructed lacks quality because they are constructed by community participation and with low capital finance as well as by local materials. The head of the sector added, the need for capital expenditure particularly for construction is not that much required from the Woreda tier of a government. This is because of the fact that in each Kebele there is at least one primary school (1 to 6/8) which is constructed mostly by community participation and low capital budget from the region. The key informant experts and the respondents from the questionnaire distributed as well as the FGD discussants agreed that this fact shows there is great attention on the quantity than quality of the schools. The Deputy Head of WOFED added that the sector is in need of more recurrent expenditure than capital

expenditure. For instance the sector requires teachers to be employed for newly constructed primary schools.

As to the key informants and also as observed in the 4.2, the proportion of capital expenditure on education sector of Sibu Sire Woreda significantly decreasing from time to time. Even in the year 2013/2006 and 2014/2007 E.C., there is no budget approved and allocated for capital expenditure. More budgets for education sector goes to recurrent expenditure by 98.2% on average throughout the period of years under discussion. The head of the sector office substantiated this by stating that there were schools were constructed before 2006 E.C. and the sector needs more employees for the schools. Then they gave more attention (100%) for recurrent expenditure in the 2006 and 2007 E.C.

In fact the constructed schools by community participation lacks quality because they are constructed for instance by mud and local low quality materials. In line with this issue authors like Tesfaye (2015) and Melesu (2014) explained centralization of capital responsibilities results in many problems like poor quality of the schools. They added that the projects those are run by the top governments on the behalf of local powers lacks sustainability for the reason that local peoples did not feel the project is their resource.

Table 4.3. Share of Education Budget out of the Total Woreda Budget (ETB)

Year	Woreda Budget	Education Budget	Education Budget Share
2012/13	34,938,739	15,702,641	45%
2013/14	42,620,752	16,348,755	38.4%
2014/15	58,801,002	18,764,418	32%
2015/16	78,968,275	28,535,989	36%
2016/17	82,943,317	29,205,602	35.2%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As observed from table 4.3, above the budget allocated for education takes the lion's share of Woredas' budget expenditure. This reflects the high priority that education occupies at the local

level of government. In line with this, studies under-taken by Tesfaye (2015) shows that Woredas in Ethiopia spent more expenditure in education than other sectors. From the total budget of the Woreda under study education sector takes big share on average 37.2% throughout the period of years under discussion. However, as indicated earlier, the financial discretion of the Woreda is constrained by limited financial resources available outside of the budget allocated for salaries and wages. The above table 4.3 shows that, the allocation of budget to education sector in the Woreda varies from 45% in 2012/13 to 35.2% in 2016/17. It implies that decreasing trend in the allocation of budget expenditure to education sector.

The key informants of this study explained that even-though the sector has more budgets comparatively, the share of capital budget is small, less than 2% (*see table 4.2*) and even from the recurrent budget more expenses goes to salary. They added that little is left non-salary recurrent expenditures such as in teaching materials and classroom equipment which are considered to be essential components to provide quality education. The office head noted that the lack of capital investment also puts a heavy burden on community contributions to complement the budget shortfalls for the schools. As indicated earlier in this paper schools constructed by community participation lacks quality. The questionnaire distributed to the respondents and FGD discussants indicated that the sector is facing budget shortage every year. As a result, some schools are not solving their problems with regard to human resource, school materials like desks, computer, library, etc. To minimize the problem to some extent very little revenue is generated at sector level which is encouraged by the Woreda level of a government. The administrator of the Woreda and deputy head of WOFED noted the revenue generated by sectors promotes the finance autonomy of the sectors in particular and that of woreda in general. However, own revenue generation is very less. In the table 4.4, below shows the own revenue generated by the education sector and its share (%) to budget expenditure of the education sector in the years from 2012/12 – 2016/17.

Table 4.4: Share of the Education Sectors' own Revenue Generated to its Total Budget

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total budget	15,702,641	16,348,755	18,764,418	28,535,989	29,205,602
Own revenue	310,566	297,969	1,170,000	200,000	201,730
Percentage (%)	2	1.8	6	0.7	0.7

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

Fekadu (2011) and Desalegn (2015) noted that the regional government of Oromia focuses on the expansion of education service as a precondition for the reduction and eradication of poverty illiteracy. The head and deputy head of education sector office of Sibu Sire Woreda pointed out that the target of the national and regional level of a government is stated in the vision and mission of the sector. As to the key informants one of the problems is that the sector has no autonomy to depend on its revenue to cover some part of its expenditure. In the table 4.4, above we can understand that the budget allocated for the sector is increasing even more than double from the year 2012/13 (15,702,641 birr) to 2016/17 (29,205,602 birr) because the sector need more budget for its fiscal responsibilities. However, to effectively manage its fiscal activities the sector depends on the budget from the regional bureau and/or from the woreda. On average the sector cover only 2.2% of its budget requirement and this implies the sector depend 97.8% averagely on the revenue from woreda and/or from regional bureau. Different studies like Melkamu (2004), Abdulahi (2008), Helen (2010), and others show that the challenges of fiscal decentralization related to imbalances between tiers of a government. However, additionally the imbalance exists between sectors' expenditure responsibilities and their own revenue generation which is very huge gap (*as indicated in table 4.4 above*) and so that can be considered as burden for the local government i.e. if sectors are able to generate own revenue it reduces the challenges (dependency) of the Woreda.

4.5.1.1.2. Trend of Budget Expenditure in Health Sector

As stated earlier under functions and responsibilities of Woreda level of a government, article 77 of the Oromial Regional State revised constitution indicated that Woreda administrations are responsible for the provision of health services for the local residents and construct health centers and posts as well as administer intermediate primary health establishments. Accordingly, Sibu

Sibu Woreda level of a government and the sector office in the Woreda is charged with above stated responsibilities and seek different source of revenue budget to fulfill the responsibilities. The table 4.5 below shows amount of recurrent and capital expenditure budget allocated for health sector of the Woreda under study from 2012/13 – 2016/17.

Table 4.5: Pattern of Budget for Recurrent and Capital Expenditure of the Health Sector (ETB)

Year	Recurrent – i	Capital – ii	Total – iii	% of i to iii	% of ii
2012/13	3,195,656	148,516	3,344,171	95.6	4.4%
2013/14	4,178,059	23,203	4,201,262	99.4	0.6%
2014/15	5,470,600	553,026	6,023,626	90.8	9.2%
2015/16	7,915,595	1,070,054	8,985,649	88.1	11.9%
2016/17	8,494,746	140,000	8,634,746	98.4	1.6%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018 **Note: i=Recurrent budget ii=Capital budget iii= Total**

As indicated in the above table 4.5 high percentage of the budget is allocated on recurrent expenditure for the health sector throughout the consecutive five years. The budget allocated for the capital expenditure of the sector is below 2,000,000 for the years from 2012/13 to 2016/17. In the table 4.5 it is observed average 94.5% of the budget is for recurrent expenditure of the sector and only 5.5% allocated for capital expenditure. The head of health sector office of the woreda realize that recurrent budget, mostly of administrative and salary expense, dominates lion share of the budget of the sector and the sector lacks adequate amount of capital budget. The respondents also realize that there is no enough funding for the construction and maintenance of health centers and post as well as to fulfill the required materials. They added that, the budget allocated for the health sector is below the budget required and requested by the sector.

Table 4.6: Share of Health Budget out of the Total Woreda Budget (ETB)

Year	Woreda Budget	Health Sector Budget	Health Sector Budget Share
2012/13	34, 938,739	3,344,171	9.8%
2013/14	42,620,752	4,201,262	9.9%
2014/15	58,801,002	6,023,626	10.2%
2015/16	78,968,275	8,985,649	11.4%
2016/17	82,943,317	8,634,746	10.4%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

From the table 4.6, above we can understand that throughout the consecutive five years under discussion the health has the average share of 10.3% from the total budget of the Woreda. Next to education sector, health sector takes more share of the woreda budget throughout the years under discussion. Thus, the share of education sector is 26.9% more than health sector which shows big gap between the two sectors. The possible reason as to the key informants is that high priority is given for education at local and higher levels of governments. The table 4.6 also indicated that in 2012/13 the share of health was 9.8% and shows an increased trend to reach 11.4% in 2015/16 which is not considered as high level over the years. In particular compared to education budget, health expenditure shows a consistent annual growth though showing a decreased allocation for the year 2016/17.

Table 4.7: Share of the Health sectors' own revenue generated to its total budget

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total budget	3,344,171	4,201,262	6,023,626	8,985,649	8,634,746
Own revenue	399,200	532,113	1,631,000	950,000	950,000
Percentage (%)	12	12.7	27.1	10.6	11

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As observed in the table 4.7 above, though the health sector shows better performance in revenue generation than education sector, dependency is common for both sectors. Health sector able to increase its generation of internal revenues from 399,200 in 2012/13 to 950,000 in 2015/16, however, it shows fluctuation in revenue generation. As to the respondents it is based on the performance of the health centers in generating revenue fiscally. On average the sector was able to collect revenue only 14.7% and depends 85.3% on other sources throughout the years under discussion.

4.5.1.1.3. Trend of budget Expenditure in Agricultural Sector

As stated in Oromia National Regional State constitution art. 77(d) woreda level of a government has responsibilities to preserve and administer basic agricultural services and natural resources in its jurisdictions and the sector office is responsible for the mandate. Thus, for activities and responsibilities assigned to it the Woreda under study allocate both capital and recurrent budget for agricultural activities in the Woreda. The table 4.8 below shows the budget allocated for agricultural sector in the Woreda in terms of recurrent and capital.

Table 4.8: Pattern of Budget for Recurrent and Capital Expenditure of the Agriculture Sector (ETB)

Year	Recurrent – i	Capital – ii	Total – iii	% of i of iii
2012/13	2,260,003	547,486	2,807,489	80.5
2013/14	3,151,884	634,510	3,789,394	83.2
2014/15	3,506,906	594,090	4,100,996	85.5
2015/16	5,338,564	1,012,444	6,351,008	84.1
2016/17	3,949,418	889,305	4,838,723	81.6

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018 **Note: i=Recurrent budget ii=Capital budget iii= Total**

As we can observe from the above table 4.8, similar to other sectors like education and health sector of the woreda, the capital expenditure budget for agricultural sector is low. The recurrent and capital budget allocated for the sector is on average 83% and 17% respectively which make the sector to lag behind in adopting projects for the improvement of the sector. Head of the sector office and the deputy administrator of the Woreda indicated that although huge amount of attention is given for this sector from national and regional government, the amount of budget

allocated to the woreda government is too small. As to the respondents if this continues like this it is difficult for the region in particular and for our country in general to transform the economy.

The respondents from the planning unit of the sector also replied that the budget allocated for the sector is not adequate enough to meet the targets of the national/regional policy or sector policy wise. They added that the budget allocated for the sector sometimes decrease from the previous year. For instance, the table 4.8 above it decreased from 6,351,008 in 2015/16 to 4,838,723 in 2016/17. As to the head of WOFED and key informant expert from agricultural sector of the Woreda it is occurred because of the budget deficit at the regional level in the year indicated. The key informants from the zonal level added that though budget should be increased from the previous year in principle, the budget shortage at the regional level resulted in the shortage of the budget for the sectors.

Table 4.9: Share of Agriculture Budget out of the Total Woreda Budget (ETB)

Year	Woreda Budget	Agriculture Budget	Agricultural Sector Budget Share
2012/13	34, 938,739	2,807,489	8%
2013/14	42,620,752	3,789,394	8.9%
2014/15	58,801,002	4,100, 996	7%
2015/16	78,968,275	6,351,008	8%
2016/17	82,943,317	4,838,723	5.0%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

This above table 4.9 above shows the share of agricultural sector from the Woredas' total budget from 2012/13 to 2016/17. As data from WOFED implies the sector is third among sectors of the Woreda in sharing of the budget throughout the years under discussion. As to the head of the sector office even-though the sector is suffering from budget shortfalls every year it takes more share comparatively (on average 7.4%) next to Health (10.3%) and Education (37.2%). Compared to education budget (shows decreasing trend) and Health (shows increasing trend), agricultural expenditure shows a similar trend and low budget in 2014/15 and 2016/17.

Table 4.10: Share of the Agricultural sectors' own revenue generated to its total budget

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total budget	2,807,489	3,789,394	4,100, 996	6,351,008	4,838,723
Own revenue	0	0	0	0	0
Percentage (%)	0%	0%	0%	0%	0%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

It is possible to understand from in the table 4.10 above that there are sectors in the Woreda under study those have no any internal revenue. One of the sectors is agricultural sector. The head of the sector office in the Woreda and a key informant expert from the Woreda noted that the sector has no revenue sources for internal revenue generation and there are some efforts in each Kebele where there are FTC centers and other sources. Some revenues are generated at the centers but utilized by the FTC itself. The key informants from the WOFED noted that there is no plan from the sector regarding own revenue generation and so that the finance sector consider them as the sector that has no own revenue. The revenue generated and utilized at FTC centers are reported to the agricultural sector however not in cash rather report contains what is done at the center which is not clear and pave the way for misuse of the resources. For this study, the revenue considered as internal revenue is which is planned by the sector and declared by the council of the Woreda.

As to key informants from the agricultural sector, not for the purpose of revenue generation, even the human resource in the sector is not adequate for the normal and routine activities of the sector. Thus, the data indicated in the table 4.10 and explanation of the key informants implies the sector depends 100% on the other sources of revenue for all of its finance need throughout the period of years under discussion. This on the other hand shows that there is a big gap among sectors of Sibule Woreda. That is even though it is very small, some sectors generated own revenue and the effort is absent in other sectors. In fact when sectors and organization depend 100% on other sources of finance like on Woreda or on other level of a government or on community itself it is burden for the government in particular and for the community in general.

As stated in the work of Abraham G/Sellassie (2011) appointed or elected officials, NGOs, Chiefs, powerful individuals or corporate bodies such as communities, cooperatives, and committees who exercise powers over resources can be actors in decentralization process. Decentralization requires devolution of functions and powers down to the organizations. This implies that sectors and appointed official as well as committees can act in revenue generation and spending activities accordingly. As to the World Bank (cited in Abraham, 2011) the above actors is typically located in particular relations of accountability and has certain types of powers. As a result the nature of decentralization in general and fiscal decentralization in particular depends to a significant degree upon who gets to exercise power and the accountability relations to which they are subject. Therefore, sectors have to exercise revenue generation autonomy as much as possible to cover at least some part of their expenditure. This is absent in agricultural sector of Sibu Sire woreda. The budget expenditure of the sector from 2012/13 to 2016/17 is almost doubled but no effort is exerted practically to generate revenue from internal sources.

4.5.1.1.4. Trend of Expenditure Budget in Road Sector

Decentralization involves the devolution of the provision of roads as part of responsibilities to local level of a government. In line with this fact, it is stated in the work of Fekadu (2011) and Desalegn Chala (2015) that provision of road in Ethiopia is ought to be a shared power and responsibility. They explained that the main factor of relevance in the assignment of expenditure to local authorities in Ethiopia is the scope of the benefits of the service. In the case of national highways, all travelers from across the nation benefit from the highway and they are the responsibility of central/federal government which exercised through federal road authority. On the other hand, local residents are the main beneficiaries of local roads and these local roads are the responsibility of local tiers of government. They also added that state highways and major roads are the responsibility of regional governments in Ethiopian context. Rural road (local) are the responsibilities of the districts and they exercise the activity through their respective sector offices. The key informants of this study prove that the road sector of the research area is charged with responsibility of providing the road service for the local residents especially in the rural areas.

As to the head of the road authority of the woreda the budget allocated for the purpose is mismatched with plan of the office and inadequate. The respondents for the questionnaire distributed explained that even though the sector requires more budgets for the expansion of rural roads, the budget allocated from the Woreda as well as from regional bureau is small. One of the key informant experts from the sector indicated as follows:

Allocated budget most of the time is less than 60% of the planned budget expenditure by the sector. For instance in the year 2015, the allocated budget expenditure for the sector was 2,466,138 and the sectors' planned budget was 4.5 million birr.

For this issue the head of the planning unit of the WOFED and a key informant official from executive committee of the Woreda reason out that the planned budget by the sectors is evaluated and subjected to discussion to check whether it considers the situation of the Woreda and the targets set at the regional level. Table 4.11 below shows the amount of budget allocated to carry out the responsibility of local road responsibilities assigned to the Woreda.

Table 4.11: Pattern of Budget for Recurrent and Capital Expenditure of the Road Sector (ETB)

Year	Recurrent – i	Capital – ii	Total - iii	% of ii to iii
2012/13	315,620	300,000	615,620	48.7
2013/14	355,420	912,434	1,267,854	72
2014/15	427,732	2,609,043	3,036,775	83.6
2015/16	666,138	1,800,000	2,466,138	73
2016/17	974,376	1,301,082	2,275,458	57.2

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018 *Note: i=Recurrent budget ii=Capital budget iii= Total*

This above table 4.11 indicates that the total amount of budget allocated for the consecutive five years is less than 10,000,000. The head of Sibru Sire Woreda Rural Road Authority office noted that the total budget allocated for the purpose of rural road construction in the Woreda is too small compared to the demand of the residents in the Woreda. He added that though more attention is given to the sector at national and regional level to connect rural farmers to the available local market, the budget allocated is not adequate for the purpose. This on the other hand shows that the reality on the ground regarding making rural road accessible to local

residents and the sector policy wise contradict with each other. The capital budget allocated for the sectors shows fluctuation.

Table 4.12: Share of Rural Road Budget out of the Total Woreda Budget (ETB)

Year	Woreda Budget	Road Budget	Road Sector Budget Share
2012/13	34,938,739	1,314,652	3.8%
2013/14	42,620,752	1,267,854	3%
2014/15	58,801,002	3,036,775	5.2%
2015/16	78,968,275	2,466,138	3.1%
2016/17	82,943,317	2,275,458	2.7%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

The table 4.12 above indicated that the share of road sector throughout the periods of years under discussion is less than 4% on average. The share of the sector shows fluctuation and only little improved in the year 2014/15. As to key informants from the sector, the budget share of the sector is very less to meet the targets set by the regional and national government i.e. making access the service of rural road to the respective residents. The table 4.12 also shows that the Rural road in the Woreda did not get more attention comparatively. Except in the 2012/13 the budget share of the sector in each year is not more than 3.8% and shows fluctuation.

Table 4.13: Share of the Rural Road sectors' own revenue generated to its total budget

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total budget	1,314,652	1,267,854	3,036,775	2,466,138	2,275,458
Own revenue	1,169,000	965,258	1,708,602	811,537	500,000
Percentage (%)	89%	76.1%	56%	33%	22%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

This table 4.13 above shows different facts from above cases of the sectors under discussion (Education, Health and Agriculture). That is, Rural Road sector generate its own revenue more than the three sectors above and on average the sectors cover 55% of its expenditure from its own revenue. On the other hand the revenue budget and the own revenue of the sector shows fluctuation. As to the key informants the possible reason is that; first the Woreda under study is suffering from budget shortage and minimize budget allocation for sectors. Second, low performance of the Woreda in collection of revenue from tax is another reason. This is because, every tax payer has to pay 100 (one hundred birr) for the internal revenue of the road sector and when the number tax payers decrease the contribution will decrease. The road sector was able to generate and cover more part of its expenditure from its own revenue in the year 2012/13 (89%) and it decreased to 22% in the year 2016/17. The possible reason for this as to the heads of the sector is that the revenue generation is based on the voluntary participation of the communities and the commitment to mobilize the community. Thus, in 2012/13 and 2014/14 communities actively participate on the project.

On the other hand the key informants noted that if there is plan to construct two rural roads in the same kebele the community participation can be shared and so that results in low finance mobilization for the projects. This means that if they actively participate on one project then they lag behind on another. This implies that the effort of finance mobilization is not continuous. For example, in the Kebele called Gombo Jalale there are two rural road constructions by local residents. They are named as the rural road from Jalale (from the main road from Addis to Asossa) to a place called Hangaro which is almost on finishing and rural road from a place called bake Boro (from the main road from Addis to Asossa) to the destination place called Hangaro which is at starting stage. Thus, the participation for the latter is less.

4.5.1.1.5. Trend of Expenditure Budget in Water and Energy Sector

One of the assigned responsibilities to the woreda is related with the provision of rural water supply for the local residents and needs adequate budget for the purpose. Budget allocation for the sector is presented as follows:

Table 4.14: Pattern of Budget for Recurrent and Capital Expenditure of the Water Sector (ETB)

Year	Recurrent – i	Capital – ii	Total - iii	% of ii to iii
2012/13	404,287	303,680	712,967	42.6
2013/14	457,908	317,059	774,967	41
2014/15	513,395	600,000	1,113,395	53.9
2015/16	712,345	400,660	1,113,005	36
2016/17	898,722	330,511	1,229,233	26.9

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As we can observe from the above table 4.14 above the budget allocation of water sector in Sibire Woreda is similar with that of other sectors in the Woreda. That is, the budget allocated for the sector is not adequate. The capital budget allocated for the sector is less than 5,000,000 throughout the years under discussion. The key informants explained that for the five consecutive years (2012/13 – 2016/17) the sector did not get the budget as they planned. The administrator of the Woreda indicated that since the Woreda depend for more finance on fiscal transfer including capital budget on the regional tier of a government, the plan of the sector is not fully considered. The table 4.14 above shows fluctuation of the budget allocated for the capital expenditure of the sector. With regard to the mismatch between expenditure requirements of the sector and the budget allocated, the head of the sector office's quote is presented as follows:

For instance in 2009 E.C. we are planned to develop 35 springs and we achieved only fifteen (15). Even from the 15 springs developed, only three were covered by the budget allocated for the sector. Three (3) by a fund from community participation plus support from the regional sector bureau and nine (9) by world Vision in the woreda were covered. Every year we are limited due to budget inadequacy.

This implies that the budget allocated for the sector especially for capital expenditure is very far from the plan and needs of the local residents. The Woreda officials noted that always the Woreda gives priority for education and health comparatively and so that other sectors' share are less.

Table 4.15: Share of Rural Water Budget out of the Total Woreda Budget (ETB)

Year	Woreda Budget	Water Budget			Water Sector Budget Share
		Recurrent	Capital	Total	
2012/13	34,938,739	404,287	303,680	712,967	2%
2013/14	42,620,752	457,908	317,059	774,967	1.8%
2014/15	58,801,002	513,395	600,000	1,113,395	1.9%
2015/16	78,968,275	712,345	400,660	1,113,005	1.4%
2016/17	82,943,317	898,722	330,511	1,229,233	1.5%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As indicated in the table 4.15 above water sector's share from the total budget of the Woreda is the least from the sectors under discussion and less than 2% on average throughout the five consecutive years (201/13 to 2016/17). As indicated in the above tables the share of education, health, agriculture, rural road and water supply on average is 37.2%, 10.3%, 7.4%, 3.2%, and 1.8% respectively. Budget share of water sector decreased from 2% in 2012/13 to 1.5 in 2016/17. The head of rural water supply office indicated that the share of the sector is less and the budget allocation is not as planned by the sector. The common problem for all is shortage of budget allocated for the Woreda and very minimum performance of sectors to generate own revenue. The FGD discussants from the planning unit of each sector explained that the problem of little effort of the sectors to generate revenue besides low budget allocated/transferred undermines the autonomy of sectors and make services provision poor especially regarding rural road and rural water supply.

Table 4.16: Share of the Water Sectors' Own Revenue Generated to its Total budget

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Total budget	712,967	774,967	1,113,395	1,113,005	1,229,233
Own revenue	0	0	0	0	0
Percentage (%)	0%	0%	0%	0%	0%

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As we can understand from the above table 4.16 the water sector has no its own revenue to cover some of its expenditure needs. As to key informants from the sector the source of internal revenue is for the sector is conditional. That is, it depends on the voluntariness of the finance suppliers (community and NGOs). So, the sector has no internal budget that can be declared by the council of the Woreda. The FGD discussants realize that absence of capacity (human resource and finance sources) of sectors to generate internal revenue undermines the sectors' autonomy in particular and that of Woreda in general.

4.5.1.2. Revenue Assignment in the Sectors under Study

As indicated earlier the performance of revenue collection by the sectors and adequate revenue sources adds undeniable value for the autonomy of sectors in particular and that of local level of governments in general. As to the researchers' observation there are no clear sources of revenues from which sectors can generate own revenue. The questionnaire distributed shows that sectors are encouraged by the Woreda to generate revenue and some revenue is assigned by considering the performance of the sector. However, the encouragement is not in the way that promotes the effort of sectors i.e. it is not incorporates training how to generate revenue. The revenue sources in the sectors are not clearly documented in the offices. The key informants and respondents to the questionnaire indicated some revenue sources. For example, the revenue sources for internal revenue in education sectors are the revenue generated by schools from farming, selling grasses, payment from students and community participation. The finance for the sector from other sources like NGOs is mainly focused on primary schools from 1 – 4 and they provide some school materials like computers. Internally generated revenues are not adequate to cover some part of the sectors' expense (*see table 4.4 above*).

The Health sector has a better performance in generating internal revenue than Education sector. The possible reason indicated by the respondents is that the sector has a revolving budget transferred from the region every year and so that the sector used it as its internal revenue. In addition in each Health centers in the Woreda, grasses and woods (if any) are some of the indicated the revenue sources by the respondents. The respondents noted that the attention given for the revenue generation and investigation of revenue sources at the sector level is poor. The resaerchers' observation shows not only the sources of internal revenue even the amount of revenue generated internally is not clearly documented.

In the agricultural sector revenue collected and declared as internal revenue of the sector by the Woreda Council is absent throughout the periods of years under discussion. The respondents explained that there are some revenues at the FTC and the revenue generated are informally utilized at the FTC. In each FTC in the Woreda there are lands which can be revenue sources for the sector. However, lack of commitment matters. In the Rural road sector the main source of revenue for internal revenue is Community participation next to fiscal transfer (block grant). The commitment to mobilize community for the purpose is weak in the sector. Similar to agricultural sector revenue generation in rural water and Energy sector is null (no budget declared by the Woreda Council as the sectors' internal revenue). The key informants' response is related with limited capacity to investigate revenue sources and poor encouragement by the woreda as well as by the regional goverment. Some sources as indicated by the respondents are NGOs (World vision in the Woreda) and community participation. Which are conditional and not considered as internal revenue rather reporting any project accomplished by any stakeholders (if done).

As indicated above the sectors under study have poor revenue sources, lack of commitment and capacity to harvest the existing revenue sources. Projecting for revenue generation by the sectors themselves is weak throughout the periods of years under discussion. The key informants of this study and the questionnaire distributed implies sectors should generate own revenue to promote autonomy of the sectors. However, they are not effectively collecting own revenue and so that they depend on the budget allocated by the Woreda to finance more part of their expenses. Thus, the revenue from the Regional level of a government (block grant) is the main source of revenue for all sectors under discussion in Sibiu Sire Woreda. The share of the fiscal transfer in the selected sectors is on average 97.8%, 85.3%, 100%, 45%, and 100%, for Education, Health,

Agriculture, Rural Road and Rural Water sector respectively. From the perspectives of this study the internal revenue generation in sectors should be applied to all sectors and so that it improves the autonomy of the sectors and the Woreda to finance part of the expenditure requirement of the sectors through internally collected revenues. Because the Woreda itself mainly seeks financial resources to meet the needs in the sectors.

4.5.2. Expenditure Assignment and Revenue Assignment in Sibru Sire Woreda

In the above discussion it is indicated that sectors under study are not autonomous and unable to cover some part of their expenditure from internal revenue in a real sense. In fact the challenges in the sectors are the challenge of the Woreda. That is if sectors cover part of their expenditure from their own generated revenue it makes the Woreda to minimize its dependency on the regional level of a government. It is not mistaken to conclude from the above facts that Sibru Sire woreda is under the challenge of horizontal imbalances among sectors with respect to budget allocation, expenditure needs, own revenue generation (even sectors are not adequately generating revenue from locally available sources at sector level); the capital responsibilities in selected sectors is centralized in the hand of regional government and commitment as well as capacity constraints observed from above discussion. The responses from the questionnaire distributed also realize the above pressing challenges. Therefore, the Woreda is not practicing fiscal decentralization in real sense mainly with regard to sectors under discussion. In conclusion to cover the expense of the selected sectors and to discharge the expenditure responsibility of the sectors the woreda is not independent enough and so that depends on the regional tier of a government. This dependency of the woreda is checked regarding the selected sectors. Next, fiscal decentralization of the Woreda is described by considering the overall revenue budget and expenditure assignment as well as the role of the block grant in the Woreda.

4.5.2.1. Expenditure Responsibilities of the Woreda

As discussed earlier Regional level sector bureaus play a dominant role in the decision of expenditures. The data gathered from also shows decisions of the Woreda or decision of sector offices at Woreda level on capital expenditures is less and this control of capital expenditure by the regional level of a government leads to poor quality of projects at the Woreda level. The key informants at zonal level and respondents for the questionnaire distributed added, even though assignment of expenditure responsibilities to local powers promotes the autonomy and enhances provision of services to local residents, lack of full assignment of expenditure responsibilities

matters especially autonomy of the district administration on projects. They also noted that though high expenditure centralization at the regional level, the Woreda government is practically engaged in social, economic and administrative affairs within its jurisdiction. As to the key informants and the respondents for the questionnaire distributed the bulky responsibilities, besides poor revenue generations by sectors in particular and Woreda in general lead to less degree of fiscal autonomy of the Woreda. As noted above, since it is difficult to finance more assigned expenditure responsibilities by low revenue generated the Woreda depends on the top level of a government.

4.5.2.1.1. Pattern of Expenditure Budget in Sibiu Sire Woreda

As indicated above the budget allocated for the sectors under study in Sibiu Sire Woreda implies that the Woreda is challenged by imbalance among sectors and the Woreda is dependent on fiscal transfer to finance the expenses of the selected sectors. The next discussion attempted to discuss the trends of budget expenditure at the Woreda level based the financial data of the the selected five consecutive years.

4.5.2.1.1.1. Budget for Recurrent and Capital Expenditure Budget of the Woreda

As explained by authors like Edson Mbedzi and Tendayi Gondo (2010) budget for the recurrent expenditure is to deal with the regular operation of services like purchase of short life equipment and stock, and the costs of routine repair, maintenance and salaries. On the other hand capital expenditure is normally concerned with the creation of long term assets. These include; construction of roads, schools, health centers and health posts as well as other infrastructural facilities. As explained by respondents of this study the budget allocated for expenditure responsibilities of the Woreda shows an increasing trend. However, budget allocation for projects are less throughout the periods of years under discussion and more percentage goes to recurrent budget expenditure. The table 4.17 below shows the budget expenditure allocated for recurrent and capital expenditure of the Woreda in general.

Table 4.17: Trends in the Woreda Level Government Expenditure Budget from 2012 – 2016 (ETB)

Year	Expenditure Budget				Total a + b
	Capital (a)	Recurrent(b)	% of (a)	% of (b)	
2012/13	1,771, 630	33,167,109	5.1	94.9	34, 938,739
2013/14	3, 438,521	39,182,231	8.1	91.9	42,620,752
2014/15	5,387,715	53,413,287	9.2	90.8	58,801,002
2015/16	9,311,577	69,656, 698	11.8	88.2	78,968,275
2016/17	8, 104,621	74, 838, 696	9.8	90.2	82,943,317

Source: Own Calculation from the WOFED's Data of Various Years, 2018

Note: a = Capital expenditure budget b= Recurrent expenditure budget

As indicated in the table 4.17 above expenditure budget of Sibu Sire Woreda has been increasing from year to year. The recurrent expenditure was raised from 33,167,109 birr to 74, 838, 696 birr in 2005 E.C. and 2009 E.C. respectively. In the table 4.17 it is also revealed that recurrent budget for the Woreda is continuously increasing but capital budget shows fluctuation. The respondents substantiated this fact that budget goes to recurrent expenditure because the number of employees increased from year to year. They added, most of the capital expenditures are covered by the Regional level of a government. For instance in the year 2013/14 and 2014/15 (*table 4.2, above*) the Woreda has no capital budget for Education sector to give more attention for the salaries of employees. Thus, while recurrent budget increases 91.2% percent on average, capital expenditure is 8.8% over the same period of years.

The response from questionnaire distributed revealed that unless adequate budget is allocated from the region, the Woreda cannot fill the gap of its capital needs even that of recurrent. As stated in the work of Melesu (2014) local governments in Ethiopia are forced to allocate more budgets for recurrent budget while local projects those need more finance are centralized in the hand of regional and/or federal government. It is also noted by Fekadu (2011) that budgeting at District/Woreda level it is legally the power and function of Woreda level of government. However, practically it is limited in the Woreda under study.

The all heads of selected sector offices in Sibru Sire Woreda indicated that large amount of revenue sources are required for capital expenditure to expand health centers and health posts, to construct and maintain primary (1-8) and first cycle high schools (9-10); to facilitate rural roads for local residents; to promote agricultural sector, and make clean water accessible to all. However, the Woreda has no adequate revenue source for capital expenditure. Different studies like Tegegn (2010) and Helen (2010) revealed that fiscal decentralization in Ethiopia is characterized by absence of adequate provision of financial resources (adequate revenue base) not only for capital expenditure also for recurrent expenditure. Thus, the key informants of this study realize that, Sibru Sire woreda as a local tier of government is limited to finance its capital expenditures as per the needs of the residents. They added, the expenditure requirements increases from year to year but revenue collection is inadequate. Thus, the Woreda highly depend on fiscal transfer. On the other hand the expenditure spent by the Woreda is discussed as follows to describe efficiency and effectiveness of the Woreda in utilization of the budget allocated.

Table 4.18: Total budget/planned expenditure and actual/utilized expenditure or analysis of expenditure management of the woreda (from 2012/13 – 2016/17).

Year	Total budget/Planned Expenditure	Actual expenditure	Percent
2012/13	34,938,739	33,471,312	95.8%
2013/14	42,620,752	42,109,303	98.8%
2014/15	58,801,002	53,685,314.8	91.3%
2015/16	78,968,275	75,335,734.4	95.4%
2016/17	82,943,317	82,777,430.4	99.8%
Total	298,272,085	287,379,095	96.3%

Source: Own Calculation from the WOFED's Data of Various Years, 2018

It is possible to observe and understand some facts from table 4.18 above. One of the facts is that expenditure of the Woreda spent lies between 91.3% and 99.8% in the selected five consecutive years. Moreover, out of the total of **298,272,085 birr**, it used **287,379,095 birr** which accounts

for 96.3 % of the total planned expenditure. Next, utilization of expenditure budget of the Woreda decreased in the year 2014 and 2015. However, throughout the whole five consecutive years under study the Sibule Woreda has more or less a more than moderate level of utilization which averages 96% for the five year period under analysis. The key informants at Zonal level noted that the Woreda has better performance in utilization of expenditure. This does not mean that the Woreda effectively and efficiently utilized its budget as planned and utilization of expenditure alone does not imply the Woreda is practicing fiscal decentralization in real sense. The other respondents noted the Woreda is not receiving budget as planned but has good performance in utilizing the allocated budget for the Woreda.

On the other hand as indicated in the table 4.18 there can be local levels of a government in Ethiopia in general and in Oromia in particular those are practicing expenditure management in a good performance in the recent years after the DLDP is launched in Ethiopia (after 2002). As studies by Melkamu (2004), Abdulahi Abdi (2008), Helen (2010), Aden Edson Mbedzi and Tendayi Gondo (2010), Mulugeta Debebe (2012) reveals local governments are not efficient in expenditure management because of poor expenditure control, inadequate accounting system, inadequacy in reporting of financial performance and weak linkage between planning budgets and implementing the budget. Though it is difficult to generalize it is logical to state that in the recent years (for instance, during the past five consecutive years) there can be local tier of a governments like districts and municipalities those shows good performance in expenditure management. A good example is the Woreda under this study.

The deputy head and key informants substantiated, this performance is due to fact that there were improvements of standards to control the expenditure. As to the key informants, the accounting system employed by the Woreda also designed in a way that enhances the expenditure control system. The responses from the key informants and the questionnaire distributed noted Woreda still lack enough expenditure control, adequate accounting system, adequacy in reporting of financial performance and the linkage between planning and budgeting requires improvement. Though the expenditure management shows good performance still there is fluctuation i.e. in the year 2014 and 2015. They added, decentralization can contribute to effective expenditure management because the costs are internalized by lower levels than top governments. But, Woreda is not fully (100%) efficient and effective in expenditure management.

In short, as we can observe and understand from above information it is difficult to conclude by saying the Woreda under study is fully efficient and effective in utilization of budgeted expenditure but good performance. All respondents also agreed with this fact. That is the total actual or utilization of the expenditure budget of the Woreda indicates 96.3%. For this performance of the Woreda, the key informant expert from the WOFED indicated the change of out dated organizational structure and staffing attracted some required manpower which plays its role in the utilization. In short, the Woreda shows good performance in efficiency (actual expenditure to allocated planned expenditure) and in effectiveness (the more utilized budget the more achieved targets of the Woreda).

4.5.2.2. Revenue Assignment of Sibule Woreda

Like other districts in Oromia Regional State, Sibule Woreda has constitutionally recognized revenue power and duties. The key informant noted revenue assignment down to the District results in effective and efficient revenue generation. However, it is the feature of fiscal decentralization in Ethiopia in general and in Oromia in particular that revenue sources of local governments is not clearly defined. In addition it is another feature of the country that revenue sources or bases of local tiers of governments are not adequate to finance their bulky expenditure responsibilities. As stated earlier in the literature part of this paper, the constitution of Oromia Regional State Art. 77 stated that Districts in the Region have the function and legal authority to generate internal revenue to finance part of their expenses. As to the respondents of this study the main source of revenue for the Woreda is a fiscal transfer from the regional level of a government.

As key informant from Zonal level argued it is suitable to generate revenue by local level of a government from local residents. Because they are near to the people who elect them and the level of trust and participation will be high and so that devolving revenue responsibility required. This leads to effectiveness and efficiency. To do this, effective expenditure responsibilities which can be covered by the generated revenue should be devolved i.e. covering part of expenditure at local level by locally generated revenue. The response for the questionnaire distributed is not contrary to the above contributions of revenue assignment i.e, efficiency (the cost to gather information by local authorities is less compared to the top) and effective; suitability and active participation.

As to Melkamu (2004) noted Regional and local authorities should generate adequate revenue to cope up with their wide range of expenses and service delivery. Melkamu clarify this by stating that the local and Regional tiers of a government are not expected to generate revenue equal to their expenditure needed rather they should generate part of their total revenue needed. Regarding the Woreda under study, informant experts from revenue office and WOFED indicated that the Woreda is a good position to generate adequate revenue from its internal sources, i. e. from tax and non-tax revenue sources. Despite the challenges, devolved revenue assignment to the Woreda increases the performance of the woreda in revenue generation comparatively with periods of years before DLDP program. As to the head office of revenue authority of the Woreda in the year 2001 and 2002 own revenue generated by the Woreda was not more than two (2) million for each year. As data shows, comparatively the own revenue generation of the woreda was increased from 1,230,089 to 8,033,816 in the year 1997 E.C, and 2005 E.C./2012 respectively (Data from the Woreda Revenue Authority Office).

As indicated in the chapter two of this paper, the expenditure responsibilities of regions and local authorities in mismatched with their own revenue potential. The above key informant experts added that the expenditure assignments of Sibru Sire Woreda are far greater than own revenue collection potential of the Woreda. Thus, the mismatch between expenses of the Woreda and its revenue potential to finance the expenses substantiated the extent of fiscal decentralization of local tiers of a government in the Region. The autonomy of the Woreda on revenue sources is limited. The quantitative data obtained from both WOFED and Woreda Revenue Office (see table 4.20) below shows that the contribution of internal revenue to total revenue requirement of the Woreda is small. This on the other hand proves that Sibru Sire Woreda is highly depends on the regional transfer.

Table 4.19: The Woreda Source of Revenue by Type (ETB)

<i>Year</i>	<i>Source of Revenue (Tax and Non - tax)</i>				
	<i>Tax</i>			<i>Non-tax(4)</i>	<i>Total (5) 3+4</i>
	<i>Direct (1)</i>	<i>Indirect(2)</i>	<i>Total - 3(1+2)</i>		
2012/13	5,754,079 (71.6%)	595,685 (7.4%)	6,349,764 (79%)	1,684,052 (21%)	8,033,816
2013/14	7,396,811.32 (72.5%)	798,261.06 (7.8%)	8,195,072.38 (80.3%)	2,011,211.62 (19.7%)	10,206,284
2014/15	11,978,968.16 (82%)	723,233.24 (5%)	12,702,201.4 (87%)	1,907,057.56 (13%)	14,609,259
2015/16	13,765,815.5 (74.74%)	757,336.32 (4.11%)	14,523,151.8 (78.85%)	3,894,555.19 (21.15%)	18,417,707
2016/17	14,334,567.56 (79.4%)	912,025.94 (5.1%)	15,246,593.5 (84.5)	2,796,974.5 (15.5%)	18,043,568
Average	76.1%	5.9%	82%	18%	

Source: Own Calculation from WOFED Budget Data of Various Years and from Woreda Revenue Office Authority; 2018

The table 4.19 above proves the fact that the Woreda has been able to raise a limited share of the revenue they need from their own source. The table 4.19 above shows that the contribution of direct tax to internal revenue of the Woreda is high (76%) when compared to indirect (5.9%) and non-tax revenue sources (18%). We can also observe from the table 4.19 total revenue collection of the Woreda was increased from 8,033,816 to 18,043,568 Ethiopian Birr for the period of year from 2012/13 and 2016/17 respectively. As stated above the contribution of direct tax to internal revenue of Sibule Woreda is high. The head and a key informant expert from the Woreda revenue office justify the issue that the high contribution of direct tax to own revenue generation of the Woreda is because of increased number of government employees in the Woreda. Different studies like Demelash (2011) reveal that increased number of government employees will increase the contribution of direct tax. The above key informants added following tax reform improved tax effort for increased direct tax to some extent and collection of the tax from government employees is simple compared to other revenue sources of the Woreda.

Despite the fluctuations, the revenue collection of performance of the woreda is increasing. Studies by Oates (1972), Eshetu (1994), Getachew (2001) and recently the work of Helen (2010) Demelash (2011), Fekadu (2011), and Melesu (2014) reveals that the revenue collection performance of local tiers of a government is increasing, but not adequate (poor) to cover the bulky of expenditure responsibilities. The studies on the other hand realize that still the revenue share of the local levels of a government is small (both to the top level of a government and to their expenditure needs). The possible reason for this is that the centralization of more revenue bases in the hand of central government. This implies that local governments depend on fiscal transfer to cover much of their expenditure. The same is true for the Woreda under study.

In addition to low revenue sources the other point related with low revenue generation is lack of capacity. The key informants from the Woreda revenue office realize the above possible causes. i.e. lack of adequate revenue base and lack of capacity. The head of revenue authority of the East Wallaga Zone indicated the Woreda under study is not effectively collecting the revenue expected from it. The key informant added, the Woreda is one of the Woredas of the Zone those have wide geographic areas and population size. One possible reason for low performance of the Woreda in covering its expenditure by own revenue generation is lack of commitment besides other factors mentioned above.

Table 4.20: Share of own revenue from the total revenue budget of the woreda (in birr)

<i>Year</i>	<i>Internal revenue budget of the woreda</i>	<i>Block Grant</i>	<i>Total revenue budget</i>	<i>% of own to total</i>	<i>Average</i>
2012/13	8,092,598	26,846,141	34,938,739	23.2	23.3%
2013/14	10,100,712	32,520,040	42,620,752	23.7	
2014/15	11,272,527	47,528,475	58,801,002	19.2	
2015/16	19,629,708	59,338,567	78,968,275	25	
2016/17	21,005,710	61,937,607	82,943,317	25.3	

Source: Own Calculation from the Case Woredas' Budget Data of Various Years

The table 4.20 above shows the own revenue budget and regional transfer revenue budget as well as total revenue budget of Sibru Sire Woreda from 2012/13 – 2016/17. It can be observed from

the table 4.20 that the Woredas' revenue collection represents an average of only 23.3%. This implies Sibule Woreda received an average of 76.7% of its revenue budget from the region during the period of years under study. As stated in the work of Melesu (2014), fiscal decentralization and autonomy with respect to revenue is often measured in terms of the share of internal revenue generated in the woreda compared to the total amount of revenue secured during the fiscal year in question. However, the revenue collection capacity of the Woreda under study is far less than the amount required by the Woreda. Thus to cover its expenditures it depends on the regional transfer. This in turn results in ineffective implementation of fiscal decentralization in the Woreda and then it cannot decide independently. In line with this, studies undertaken like Abraham (2011) and Tesfaye (2015) stated heavy dependency syndrome (reliance) on regional government transfers is related to the autonomy of Woreda administration. The key informants and response from questionnaire distributed shows that the block grant from the regional level of a government takes lion share the Woredas' revenue sources.

Table 4.21: Revenue Planned and Actually Collected in the Woreda

<i>Description</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>
Planned	8,092,598	10,100,712	11,272,527	19,629,708	21,005,710
Actual	8,033,816	10,206,284	14,609,259	18,417,707	18,043,568
Under/over	58,782	105,572	3,336,732	1,212,001	2,962,142
Percentage	99.3	101	129.6	93.8	85.9
Average	102%				

Source: Own Calculation from WOFED Budget Data of Various Years and from Woreda Revenue Office Authority; 2018

Edson Mbedzi and Tendayi Gondo (2010) stated that it possible to measure the revenue collection efficiency and effectiveness by using different methods. As to the authors, efficiency and effectiveness of local levels of a government in revenue collection can be measured in terms of ratio analysis. This includes actually collected to planned revenue. As observed from the table 4.21 above comparative of planned and actually collected revenue in the Woreda shows fluctuation from 2012/13 – 2016/17. In the years 2013/14 and 2014 /15 the Woreda able to collect 1% and 29.6% more than planned. The head of revenue office of the Woreda explained this by stating that the Woreda collect more than planned revenue in 2013/14 and 2014/15

because there were some revenues from contraband activities in the Woreda which was not considered during planning. From the table the average collection percentage of revenue was 102%.

During the five years under study, the percentage of revenue collection ranged between 129.6% and 86%. The table implies on average about 2% of the revenue collected more than planned in the Woreda from 2012/13 – 2016/17. The key informants and respondents of this study doubted to conclude that the Woreda is fully efficient and effective throughout the period of years under study. In the years 2015/16 and 2016/17 comparatively the gap between revenue planned and actually collected shows a significant difference from that of other years. As to the key informants of this study, this is because of the reason that the tax collected from government employers decreased following the decrease of the tax paid by the employers by the national government.

Though the Woreda was able to collect revenue above planned on average (102%) this does not mean that the Woreda is more efficient and effective in revenue collection. The informants explained that the Woreda can be considered as good in revenue collection in the years under discussion, however in the year 2013/14 and 2014/15 the unplanned revenue sources from workers of the road (highway) from Addis Ababa to Assosa which pass through the Woreda contribute for its revenue to increase. On the other hand, as indicated above revenue from punished contrabandists was another reason. This information from the key informants shows that the revenue collected above the planned revenue did not show full effectiveness of the Woreda. Because, some parts of the revenues were from unexpected sources not from the known sources and from the newly identified sources by the Woreda. The key informants from the Zonal level noted that extent of the revenue collection imposed on Woredas or planned by the Woredas in the Zone is not based on scientific research. It is arbitrary activity simply based on geographic area and number of residents/employers and the like.

The key informants as well as respondents argued that the Woreda under study has a potential to generate more revenue more than the planned revenue in each years under study. As a result the above revenue collection performance of Sibule Woreda is related with the problem of imposing by the region or planning by the woreda. In short, the planned revenue does not show the performance of the Woreda as the informants argued. i.e. the planned revenue is under

compared to the nature of the Woreda. The head of Revenue Authority Office at the Zonal level added that in recent years the revenue collection of Sibule Woreda is decreasing. By referring the reports of the Woreda even in this year means in 2010 E.C. at the end of May the Woreda has to collect 35% (7 million birr) of its planned revenue which is difficult in the coming one month. The possible reason forwarded by the informants is lack of commitment to generate revenue in efficient and effective manner. So, the data and information from the respondents implies the Woredas' effectiveness and efficiency in revenue collection is decreasing contrary to the data in the table 4.21.

To settle the dispute between the data in the table 4.21 above which shows efficiency of the Woreda on average and the response from the primary sources (interview, questionnaire, FGDs) the researcher is forced to collect quantitative data before the selected periods of years i.e. before 2012. Data of five years from 2000 E.C to 2004 was employed. This is only to collect with respect of effectiveness of the Woreda in revenue generation. The data shows that the average revenue collected by the Woreda was 118.79%. The percentage of actual revenue collected to planned revenue in each year from 2000 E.C. to 2004 E.C. was 141.4%, 123.10%, 113%, 114%, and 102.45% respectively (Data from The Woreda Revenue Authority Office). Therefore, the Woreda is effective in collecting the planned revenue. As to the respondents from WOFED the better revenue effort does not affect the grant from the region and so that it is declared as additional budget for the Woreda. In different years as indicated above, the Woreda was able to collect above 100%. It is crucial here to remember the idea and arguments from the key informants of the Zonal level. That is the revenue planned for/by the Woreda is not based on scientific investigation of the potential of the Woredas and so that the revenue planned does not show the real potential of the Woreda in terms of resources, population, and geographic area as the key informant argued.

4.6. Fiscal Transfer in Sibule Woreda

In the previous discussion the researcher attempted to discuss the expenditure and revenue practices of the selected sectors in particular and that of the woreda in general. It not difficult to understand from the attempt exerted above that limited expenditure responsibilities of sectors and dependency syndrome of sectors is related with the autonomy of the Woreda itself. Poor revenue collection by sectors and absence of clear (adequate) revenue sources at sectors' level as

well as very minimum attention given to the issue of own revenue generation in the sectors exacerbate the challenges of fiscal autonomy of sectors and the Woreda. All information gathered from key informants, questionnaire distributed and FGD discussants realizes this fact and so that leads to reliance of the woreda on the block grant given from the Regional government.

The data in the table 2.24 below shows that the selected sectors for this study highly depend on the fiscal revenue transferred from the Region and which go through the Woreda to the sectors. It is observed in the table that the Education sector, Health sector, Agricultural sector, Rural road and Rural Water and energy sector depends 97.8%, 85.3%, 45%, 100%, 100% on average respectively on the fiscal transfer. On the other hand Woreda in general shows high dependency syndrome. The data in the table 4.23 shows that throughout the periods of years under discussion Sibule Woreda depends 75.7% on the fiscal transfer (block grant) from the regional government. As noted by all respondents this implies low autonomy of the sectors and the Woreda.

4.7. Planning and Budgeting in the Woreda

The revised constitution of Oromia article 77 (f) and (j) stated the Districts have the power and duty to prepare and approve plan and programs of the Districts and draw up its budget. As indicated in the work of Ermiyas (2015) Woreda planning is considered as planning prepared by sectors in the Woreda. Because, when every sector in a given Woreda level of a government prepares their plan in terms of both capital and recurrent by considering the preferences in the local residents it is the Woreda planning. Thus, this discussion incorporates the planning and budgeting practice in the sectors.

The key informants of this study and FGD participants pointed out that Budget formulation starts when the Woreda is informed by the region through WOFED. The WOFED then informs the sectors of the Woreda to prepare budget and to submit to the office of planning unit of WOFED. Then prepared and revised budget presented to executive committee for further comments and discussion. The key informants added that after the comments and evaluation of the committee, the budget presented for the Woreda Council (*'Mana Maree Aanaa'*) and approved by the Council. The head of WOFED and administrator of the Woreda surprisingly noted that the budget presented for the council most of the time (almost all) did not fail i.e. approved as it is.

The possible reason is that the knowledge of the members is doubtful. They added that budget approved pass through the Zone but not subjected to approval at Zonal level of a government. In allocating capital budget, priority was given to ongoing projects and the new one based on the capital budget transferred from the top. In allocating recurrent budget, priority was given to salaries, wages and allowances, and operational activities.

Data gathered from the key informants and from FGD participants show that the Woreda under discussion prepared budgets without involvement of the top level of a governments (Zonal and Regional). The respondents of the questionnaire distributed and the response from FGD participants shows even though there is no direct involvement in the budget plan and allocation in the Woreda, there is a guideline sent from the Region through the Zonal level along with the fiscal transfer (block grant). The key informant at Zonal office noted that the purpose of the guideline is to inform the Woreda that prioritization should be given to sectors like Education, Health, Agriculture, Ruarl water and Energy and Rural Road (pro- poor sectors) and considered as a measure to fill skill (capacity) gap at lower level. This implies absence of real devolution of planning and budgeting in the Woreda. The respondents also noted that the decentralization of planning and budgeting in the Woreda rarely considers the local needs because it is practiced in line with the targets set at Regional level. Besides, the budget planning at the Woreda is constrained by inadequate revenue sources that cannot meet the existing preferences and lack of human resource problems. For example, the quote of the head of planning unit in education sector is presented as follows:

Our budget planning will be interesting if we have adequate skilled human resource in the planning department of our sector. The planning department of the sector office requires six (6) personnel and now only 2 exist.

4.8. Challenges of Fiscal decentralization in Sibiu Sire Woreda

Under this section the researcher attempted to present critical problems and challenges facing the implementation of fiscal decentralization in the Sibiu Sire Woreda. Similar to above discussions in the paper, interviews (in-depth interview) with Woreda officials (sector office heads at Woreda level and some key informants from Zonal level) and experts, focus group discussion with program planners; secondary data as well as the observation of the researcher are used as the major source of information for problem identification.

4.8.1. Inadequate Devolution of Power and Functions

As indicated earlier in this paper and explained in different studies (Abraham, 2011) the Woreda administrations are the lowest governments in the state structure which are very close to the local residents. Thus, they should be provided with sufficient decision-making autonomy, administrative competencies and adequate resources to address the demands and concerns of the local peoples. Although the constitution of Oromia Regional National State put the powers and duties of Districts/Woreda administrations, the data from respondents of this study implies that the powers of Sibule administration unit do not enjoy their decision making power on some duties (capital responsibilities) because power and duties are not devolved in the real sense.

All the respondents of the questionnaire distributed and FGD discussants explained that responsibilities with regard to projects and resources were not given for the Woreda to empower the Woreda and to practice to the needs and expectations of the residents. For instance, they indicate that peoples are suffering from lack of Rural road and adequate water supply. This is because the capital budget in particular and the budget for the sectors in general are not adequate. Furthermore since capital responsibilities rests in the hand of the Regional bureaus, the capital budget devolved is inadequate (*see table 4.11 and 4.14 above*). As to fact observed for all sectors including sectors under study power is not devolved fully on main issues like revenue generating, manpower recruitment and implementing capital projects. The key informant officials and FGD participants noted if sectors improve their performance in revenue generation within their respective responsibilities, it will be an input for the autonomy of the Woreda however the effort exerted to generate revenue is less and absent in some sectors.

Planning and budgeting in the Woreda is carried by sector offices but is still under the influence of Zonal and Regional bureaus. As to the FGD discussants and as indicated earlier in this study, while planning there is guide line sent from the region regarding the prioritization of activities at sectors. Despite this, the Woreda has the power to plan and approve its own budget as well as allocate to its sectors. All data of this study (primary and secondary) reveal that the Woreda under study is characterized by incomplete devolvement of power. As realized by Zonal key informants and the Woreda administrator, the Woreda government could not even practice the level of power already devolved due to capacity constraints. On the other hand the information gathered from Sibule woreda CSB shows that powers and duties with respect on human

resources also highly centralized to Regional offices. The Woreda is limited to decide on the issue like salary scale/positions of employers. Therefore, it not mistaken if this study argues that the constitutionally devolved fiscal activities and actual implementation in Sibu Sire Woreda is mismatched. In line with this Abraham G/Sellaisie (2011) explained about Woredas' autonomy constraints as follows:

Woredas are formally declared to be independent local authorities, but in reality there is a great deal of supervision and control by regional government over their affairs. For instance decision making powers on human resources and most of capital projects such as construction of schools, digging wells and health units have been carried out by the Regional sector bureaus in Ethiopia.

This above quote implies power and functions are not fully devolved down to the lower level of governments.

4.8.2. Lack of Capacity

As indicated in the literature review part of this study local government in Ethiopia lacks potential to generate required revenue and manage their expenses. Result of questionnaire and key informant interview show that the Woreda faces serious capacity problems in terms of technical as well as resources like manpower, office equipment and to investigate revenue sources. All sector offices are facing problems of shortage of skilled manpower. Besides, at the Woreda level there is vacancy of skilled personnel, presence turnover of experienced and skilled staffs and inappropriate placement of manpower. As to the respondents, poor leadership (now on improvement); lack of adequate equipment in the office; and the level of salary for the workers in the office are some of the possible reasons for the turnover of the staffs. The head of sector offices noted that lack of knowledge and commitment in the offices affects revenue generation and revenue management in the offices and the key informants added that staff members those are young and near to young are minimized as a result of turnover. The other problem forwarded by the respondents is that sectors faces lack of resource from which revenue can be generated. To finance the expenses, the Woreda/sectors depend on regional government and fiscal transfer/block grant is the main resource from which much of the finance is received. For their own revenue generation sectors like education, health, road and rural water mainly used land for farming (in schools), medicine selling, community participation and funds from NGOs

respectively. As to the respondents, NGOs focus on primary schools (providing school materials), health (laboratory materials) and rural water (developing springs). In the health sector the finance for the medicine is received from the regional government and used as revolving budget. The resources are not adequate unless other resources are investigated.

The Woreda cabinet and council members have limited skills to plan, implement and manage appropriate social and economic development projects in their respective areas. For instance, during approval plan like budget plan the debate and chance of the failure of the budget is rare. As to the administrator of the Woreda and respondents of the questionnaire distributed absence of debate during meeting of the council implies they have no adequate knowledge to forward adequate comment on the presented issue. That is why the budget allocation presented to the council approved as it is throughout the five consecutive years under discussion. On the other hand as respondents explained and as data of human resources from selected five sectors shows there is shortage of human resources in each sector which is one of the factors that result in the low capacity of the sectors. It is presented in the table 4.22 as follows in terms of required and available number of human resources by considering some characteristics like experience and education level.

Table 4.22: Human Resources Availability and Required in the Selected Sectors

<i>Sectors</i>	<i>Education level</i>				<i>Age</i>	<i>Total</i>	
	<i>Degree</i>		<i>Diploma</i>			<i>Above 35</i>	<i>Aval.</i>
	Avail.	Req.	Avail.	Req.			
Education	23	32	8	12	22	31	44
Health Sector	18	23	11	15	20	29	38
Agricultural Sector	26	31	5	9	21	31	40
Road Sector	6	9	3	6	4	9	15
Water Sector	9	23	4	10	9	13	33
Total	82	118	31	52	76	113	170

Sources: Field Survey; 2018

As indicated in the table 4.22 above all sectors under study have shortage of human resource. Thus, all the sectors are not practicing the required activities in real sense because the big

vacancy is observed in the sectors. To see the case in highlight, rural water sector needs 33 staff members to fulfill the responsibility of the sector in effective way. However, the head of the sector noted the sector has serious of human resource problem besides budget shortage. The above table 4.22 above also indicates that all selected sectors requires 57 additional human resource (170 -113). That means there is a vacancy of 57 personnel in Woreda regarding the sectors under discussion. Another fact in the table 4.22 is that more than half of the workers are more than 35 years old. As to FGD participants the case of turnover is related to other factors like salary difference within the office itself. Thus staffs in a given unit/department compete to work on another unit within the office. In the case of education sector for instance, there is a problem of high turnover within the sector office itself. That is staff members are competing to go from one department /unit to another in the office. As to the key informants from the education sector, planning unit has a serious shortage because others are changed to other units in the office where there is better salary. The researchers' observation shows that the sector offices are facing problems like lack office equipment, lack of motivation from the staff members of the offices and lack of conducive working environment. This results in high turnover of the workers.

4.8.3. Financial Challenges: Expenditure and Revenue

As indicated earlier in this paper. DLDP is first started by four regions in Ethiopia from which Oromia region is one of them i.e. Oromia, SNNPR, Amhara and Tigray national regional states. Accordingly, fiscal decentralization devolved down to the Woredas. However, challenges with respect to finance are yet a big pressing obstacle for the real practice fiscal decentralization in the Woreda under discussion. As clearly discussed above in this chapter the Woredas are highly dependent on regional transfers for their annual budgets throughout the periods of years under discussion (*see table 4.20*). All FGD discussants from the selected sectors agreed that the grant revenue received by the Woreda and allocated for sectors are inadequate to meet the increasing service demands and vast needs of the residents in the Woreda. They added, both internally generated revenue and the transfer are not matched with the needs at the Woreda level throughout the five years under discussion.

As indicated earlier in this chapter the poor revenue generating capacity by sectors; weak revenue generating powers and low tax bases in the Woreda itself; the high imbalance between

expenditure and finance capacity of the Woreda in general and that of sectors in particular are the main constraints beside above challenges to implement fiscal decentralization in real sense. On the other hand the more budget of the Woreda goes to recurrent one (which constituted more than 90% of the total budget of the Woreda) and this had left Woreda with little budget for capital/development projects and expansion of services. It is revealed in this study that (*table 4.24 and table 4.25 below*) there are great variations among sectors in revenue generation and in the allocation of budget which resulted in imbalances (horizontal) among sectors. The horizontal imbalance also exists in terms of human resources (*see in the table 4.22*).

The mismatch between expenditure needed and revenue available in each year in the Woreda and at sector level results in vertical fiscal imbalance. Thus the Woreda depend on the regional level of a government for its financial needs. On the other hand sectors heavily depend on the budget allocated from the Woreda. All key informant experts and the FGD discussants stated that if sectors improved their own revenue generation it reduces Woredas' dependency syndrome on the Region. As to them, poor revenue/income generation by sectors shows Woreda is approaching other sources of revenue to cover expenditures of the sectors. Thus, it is logical to argue that the poor own revenue collection in the sectors undermines the Woredas' fiscal autonomy and so that if sectors practice the revenue generation in real sense it adds undeniable value for the dependency of the Woreda on its internal capacity.

Table 4.23: Vertical Fiscal Imbalance of Sibule Woreda

Description	2012/13	2013/14	2014/15	2015/16	2016/17
Actual Revenue	8,033,816	10,206,284	14,609,259	18,417,707	18,043,568
Actual Expenditure	33,471,312	42,109,303	53,685,314.8	75,335,734.4	82,777,430.4
Share of own of revenue %	24	24.2	27.2	24.4	21.8
Imbalance (gap) %	76	75.8	72.8	75.6	78.2

Source: Own Calculation from the ORA and WOFED's Data of Various Years; 2018

Table 4.23 above shows the gap between budgets spent and own revenue generated by the Woreda. As indicated earlier in this paper, the zonal key informants noted that the Woreda under study is not increasing its effort to generate internal revenue in the recent years. The above table 4.23 also substantiated the fact provided by the informants. The trend shows the Woredas' actual internal revenue share to its actual expenditure is decreasing. The possible reason forwarded by the key informants and respondents for the questionnaire distributed is that lack of commitment and improper levy of taxes on tax payers as well as lack of proper investigation of tax payers. Throughout the periods of years under discussion the Woreda was able to cover only 24.3% (on average) of its expenditure and dependent 75.7% on the regional transfers to finance its district functions. As we can understand from the above fact in the table 4.23 if the Woredas' trend continues in same manner, the opportunity to fill the fiscal gap would be closed. The table on the other hand implies revenue assignment to the Woreda is not matched with the expenditure need of it. As stated earlier in this paper centralization of major revenue sources in the hand of top level of government causes inability of devolved revenue sources to finance part of local expenditures.

As discussed above the other challenge is the horizontal imbalance among sectors of the Woreda which shows that fiscal activity of sectors with regard to revenue generation and resource management is poor. On the other hand budget allocation budget for the sectors is far from one another as well as vary in human resource. Even their source revenue is not same and equal. In next table 4.24 it is observed that there is a disparities among sectors in revenue generation and in their dependency.

Table 4.24: The proportion of own revenue of sectors under study to their total budget (%)

Sectors	2012/13	2013/14	2014/15	2015/16	2016/17	Average
Education sector	2	1.8	6	0.7	0.7	2.2%
Health sector	12	12.7	27.1	10.6	11	14.7%
Road sector	89%	76.1%	56%	33%	22%	55 %
Agricultural sector	0	0	0	0	0	0
Water sector	0	0	0	0	0	0

Source: Own Calculation from the Case sectors' Budget Data of Various Years and from WOFED; 2018

As observed in the table 4.24 above it summarizes the fact that sectors are not properly generating revenue internally in real sense and in equal manner. The sectors under study are characterized by a dependency syndrome. Comparatively, as discussed above road sector generate internal revenue than other sectors. Next to Road sector Health sector was able generate revenue (14.7%) than other sectors during the period of years under discussion. When the five selected sectors in terms of revenue generation are compared the average revenue generated by sectors under study is 2.2%, 14.7%, 55%, 0%, 0% for Education sector, Health sector, Rural Road sector, Agricultural sector , and Rural water sector respectively.

This implies the Woreda under study is characterized by the presence of big horizontal imbalances among sectors in terms of revenue generation capacity which occur for instance because of the imbalances of revenue sources, commitment and capacity related factors among sectors. Additionally, the sectors in the Woreda shows horizontal imbalances in terms of budget need and budget allocated for the sectors. It is presented as follows in the table 4.25 below.

Table 4.25 Horizontal Imbalance among selected sectors of the woreda (ETB)

Sectors	2012/13	2013/14	2014/15	2015/16	2016/17	Share on woreda budget
Education	15,702,641	16,348,755	18,764,418	28,535,989	29,205,602	37.2%
Health	3,334,172	4,021,262	6,023,626	8,985,649	8,634,746	10.3%
Road	615,620	1,267,854	3,036,775	2,466,138	2,275,458,	3.2%
Agriculture	2,807,489	3,789,394	4,100,996	6,351,008	4,838,723	7.4%
Water	712,967	774,967	1,131,395	1,113,005	1,229,233	1.72%

Source: Own calculation form WOFED data of various years, 2018

It is possible to observe from the above table 4.25 above that one of the major problems related fiscal decentralization is the Woreda under discussion is horizontal imbalances among sectors of the Woreda in terms of budget allocation. The table 4.25 implies there is a big imbalance among selected sectors of the Woreda. For instance, in the year 2014 the budget for Education sector, Health sector, Road sector, Agricultural sector, and water sector increased by 3,061,777, 2,689,454, 2,421,155, 1,293,507 and 418,428 respectively from the year 2012/13. In addition in

the year 2016/17 the budget allocated for sectors under study decreased except the budget allocated for education sector and Water, mineral and energy sector.

The other fact observed from the table 4.25 above is that from social services education sector takes the lion's share of the total expenditure (37.2% on average) and followed by health sector (10.3%) on average. The average share of others like agricultural sector, road and water sector is 7.4%, 3.2% and 1.72% respectively.

As to the key informants from rural road sector and from rural water sector, in recent years investment on infrastructure mainly on rural roads and water have been increasing and becoming the focus of both regional and national government because they are a pre-requisite for local development. As to the informants however, the allocated budget was much smaller compared with other sectors. The table above also shows the average share of Rural road and Rural water from total budget of the woreda is only 3.2% and 1.72% throughout the recent fiscal years (2012/13 – 2016/17) respectively. On the other hand, Education and Health has got better consideration in terms of resource allocation in the period of years mentioned above. In short, as to the respondents sectors as an institution are not practicing real fiscal autonomy because of the imbalances among sectors (horizontal) as one of the challenges. To fill the gap the Woreda deals with the activity of budget transfer from one sector to another which mainly used to minimize budget deficit.

4.8.4. Lack of Autonomy

DLDP is launched in Ethiopia to devolve power and responsibilities down to the Districts and so that they are expected to be independent in terms of responsibilities like expenditure responsibilities and revenue generation responsibilities. It is possible to understand from the discussion earlier in this paper that fiscal decentralization implemented in real sense if local levels of a governments are independent. However, the data gathered from different sources reveal that Sibule Woreda lack autonomy and the selected sectors are also dependent. The key informants and respondents for the questionnaire distributed indicated that poor revenue sources, lack of human resources, lack of commitment, mismatch between expenditure and revenue results in the dependency of the Woreda on others to cover parts of its bulky expenditure responsibilities. Besides this, poor revenue generation by sectors; horizontal imbalance among

sectors; knowledge gap in planning and expenditure management in the sectors exacerbate the dependency of the Woreda in general and undermines the autonomy of sectors in particular.

The respondents also noted that the Woreda is not independent enough in the administration of civil servants. Regarding this the authority of Woreda is overridden by the Zone. As stated in the literature review part of this study as challenges of local tiers of a government, the Woreda is under the control of the Zonal level. The possible reason forwarded by the zonal key informant is that to reduce the level of nepotism at the local level and so that the issue of employing workers is not fully devolved. Researchers' observation of the research area indicated that some Woreda officials and respondents have no awareness of the devolution of power and responsibility and do not struggle when their autonomy is overridden by the top level of a government. This in turn shows lack of awareness about the issue under study and this undermines dependency of the Woreda.

Chapter Five

5. Conclusion and Recommendation

5.1. Conclusion

Sibu Sire Woreda is one of the Districts of the East Wallaga Zone in Oromia National Regional state and established by the revised Constitution of the region. The fiscal powers and functions of the Woreda Government are defined by the revised Constitution. For the realization of self-rule the Woreda has constitutionally guaranteed self-administration right. It has locally elected Woreda council which is the highest legislative organ of the Woreda; the executive organ and judiciary organ to deal with respective functions within the jurisdictions of the Woreda. The Woreda has a mandate to provide services and limited spending autonomy which is one of the characteristic features of fiscal decentralization in lower levels of a government in Ethiopia. Woreda Council which has a power to approve and decide on budgetary issues of the Woreda is not free from problems. The autonomy of the Woreda in prioritization issue is limited. I.e. the guideline from the region and the targets set at the national and regional level influences the Woreda in prioritization of budgetary allocation to provide services.

The budget expenditure of the Woreda shows significant increments. The financial data of the Woreda budget expenditure from 2012/13 to 2016/17 shows recurrent expenditure is decentralized than capital expenditure to the Woreda. The budget expenditure of selected sectors shows the same fact. Thus, it is not difficult to conclude that, the Woredas' responsibility with respects to projects is dominated in the hand of the regional level of a government. The data shows the capital budget allocated is only 8.8% of the total budget of the woreda. The data of the selected sectors also shows the centralization of project related responsibilities. For instance the capital budget for Education and Health sector throughout the five consecutive years (2012/13 to 2016/17) is 1.8% and 5.5% respectively. On the other hand the Woreda shows good performance in efficiency and effectiveness of expenditure management i.e more than 90% of the planned budget is utilized. Thus, this study revealed incomplete decentralization of expenditure responsibility in Sibu Sire Woreda.

Regarding the revenue sources, main source of the Woreda is the fiscal transfer (block grant) from the Region to discharge the bulky responsibility of the Woreda. As already noted earlier the Woreda has constitutionally guaranteed powers and duties like the duty to implement socio-

economic plan and programs; provide primary government schools; intermediate health services; rural road and rural water supplies as well as to administer basic agricultural services and natural resources. It is one of the characteristic features of local governments in Ethiopia that the Woreda shows dependency syndrome to finance the above responsibilities. Though, the woreda has internal sources of revenue like tax revenue sources and non-tax revenues it is not adequate. It has no better capacity to mobilize the existing revenue sources so that lack of autonomy matter in the Woreda. The Woreda covers only 23.3% of its total revenue budget and depends 76.7% on the regional government.

As argued by this study, the poor performance of sectors in revenue generation undermines the fiscal independence of the Woreda. Accordingly, the Woreda is forced to highly rely on the regional government for its major revenue source. The data regarding the selected sectors implies sectors are weak in own revenue generation and in harvesting the existing the revenue sources at sector level. The selected sectors depend on the Woreda for more revenue and this makes the woreda to depend on the region to seek more finance for the sectors. Education sector, Health sector, Agriculture sector, rural road; Rural water and energy sector generate only 2.2%, 14.7%, 0%, 55%, 0% respectively throughout the five consecutive yeas.

The selected sectors were taken as a unit of analysis to describe the autonomy of the Woreda regarding the sectors and to show the imbalances among the sectors as one of the pressing challenges of the Woreda. Like other local authorities in Oromia, Sibiu Sire Woreda has enabling environment such as legal frameworks to exercise fiscal autonomy. But, the performance of the Woreda shows absence of real practice of fiscal decentralization. The fiscal decentralization in the Woreda lacks most of the theoretical principles and conditions that are necessary (e.g. devolved functions and powers down to sectors to generate revenue and manage expenditure) to create a firmer foundation on which the system (fiscal decentralization); to provide a change to welfare improvement of the residents in the woreda. Thus, the assumptions of DLDP in general and fiscal decentralization in particular are violated in the Woreda under study. Previous studies on fiscal decentralization indicate horizontal imbalances among Woredas and regions as one of the challenges of fiscal decenatralization in Ethiopia. But, this study reaveled the imbalance among sectors which shows dependency syndrome of the Woreda under discussion.

On the other hand vertical imbalance of the Woreda is the mismatch between own revenue and expenditure needs of the Woreda. To fill the gap the Woreda level of a government highly depends on the regional fiscal transfer. Inadequate revenue bases, lack of capacity, and the fiscal imbalances leads to dependency of the Woreda. In addition as indicated in this paper lack of clear revenue sources at sector level, lack of adequate attention regarding revenue generation by sectors at Woreda level as well as disparities among sectors in revenue generation implies presence of pressing obstacles for the woreda to realize fiscal decentralization.

5.2. Recommendation

Fiscal decentralization mainly deals with the extent of the powers and duties with respect to financial resources and expenditure devolved to lower tier of a governments and organizations. This does not mean that all powers are devolved down to the lower administrations. If there is high centralization of revenue sources and expenditure responsibilities, sectors at lower level cannot efficiently provide service. On the other hand if highly decentralized the lower level of a government will unable to manage because of capacity related factors. This fact in observed in Ethiopian since lower tier of a government has no adequate capacity. Accordingly, in this case the policy at Regional and national level should focus on maintaining the balance and formulated in a way that meet the preferences of the local residents.

Additionally, investigating the revenue sources only at Woreda level or assigning revenue to Woreda level of a government alone cannot promote autonomy of the Woreda. Thus, sectors at Woreda level should have clear revenue sources and needs capacity building as well as awareness how to generate own rvenue at sector level. Revenue generation at Woreda level plus revenue generation in each sector at Woreda level enhances Woredas' fiscal autonomy from the perspective of this research. Thus, needs all concerned bodies attention.

The constitution of Oromia National Regional State devolved powers and duties down to the District level of a government. However, the fact in the Woreda under study (Sibu Sire Woreda) indicated that the practice of fiscal decentralization in the woreda is not as designed by regional and national government. That is the Woreda has limited expenditure responsibilities and weak revenue sources. Additionally, as indicated in this paper above, sectors' poor performance in revenue collection and limited fiscal activities shows Woreda' practice of fiscal decentralization is not in a real sense till this recent year i.e. after DLDP is launched in the country. Therefore,

District/Woreda tier of a government should have adequately devolved expenditure responsibilities mainly capital expenditure responsibilities as well as adequate revenue sources to minimize dependency on the fiscal transfer. The other thing which should get attention is revenue collection and expenditure responsibility of sectors that they should practice own revenue collection to finance some part of their expenses; to promote their own autonomy and autonomy the Woredas. Because, if sectors finance some part of their expenses by revenue generated at sector level it will decrease the Woredas dependency on the Regional level of a government. Fiscal decentralization should be in a way that autonomous Woredas' and sectors' sufficient decision-making power on their affairs.

As one of the Woreda administrations in Oromia Region, Sibulire Woreda is constrained by lack of adequate human resources in sectors and capacity related factors. Therefore, the top government (s) should first capacitate the Woredas' and sectors' fiscal practices; create strong institution (system) that struggle against misuse of resources at lower level of governments. Real implementation of fiscal decentralization requires adequate financial capacities at Woreda and sector level. However, the Woreda and sectors under study experienced low finance due to weak revenue sources and low attention given by sector offices to internal revenue generation besides other challenges like human resources. Thus, measures to increase revenue bases of the Woreda and to encourage (awareness creation) sectors to generate internal revenue should be emphasized by the government including the government at lower level.

Fiscal imbalances like horizontal imbalances among sectors (though not given attention by previous studies) and vertical imbalances are the main challenges of Sibulire Woreda. The attention given by the government should incorporate the imbalances among sectors besides other imbalances. Measures should be given by stakeholders to enhance the revenue effort of the sectors by identifying more adequate bases. The same measure is advisable and important for the Woreda and also the existing revenue sources in Woredas as well as in sectors should be adequately harvested. To fill the gap of the human resource in the Woreda, the top governments should adequately devolve the power with respect to the issue with a strong body that control nepotism (corruption) at the Woreda levels. Besides transferring fiscal transfer the regional government should provide training how to generate more revenue in the Woreda and at sector

level. The guide line sent from the top should be minimized and budget planning/allocation should be in a way that meets the local preferences.

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Appendices

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Annex 1: Interview, Focus Group Discussion and Questionnaire

Title of the Thesis: *Assessment of Fiscal Decentralization in Sibu Sire Woreda: The Case Study of Selected Basic Sectors, East Wallaga Zone, Oromia Regional State*

Dear Woreda Officials, Sector Office heads, Experts and staff members of sector offices of Sibbu Sire Woreda and offices heads of East Wallaga Revenue and Finance offices. The purpose of this work is to assess the practice of fiscal decentralization and problems encountered as well as to indicate possible recommendations. Thus you are kindly requested to give full and genuine response which helps the researcher to come up with sound and relevant findings that in turn helps the stakeholders (government) and the literature gap in the area.

The researcher would like to assure you that the entire data gathered will be used only for academic purpose and it's strictly confidential.

Thus, the genuine of the study depends on your full and accurate response in which you are kindly requested to respond objectively and frankly to those questions that go along with your duties and experience in the area.

Note: The respondents name is not required

Thank you in Advance!

1. Interview Questions

A) Woreda level key Informants

i) Woreda Chief Administrator/s

1. Could you have the understanding of decentralization of revenue and expenditure responsibilities?
2. Could you explain your political and administrative autonomy to decide on your own affairs?
3. Could you explain the policy and legal framework that defines the fiscal autonomy of local governments?
4. Can you explain the fiscal status of the woreda?
5. Do you think that your woreda has a power to prioritize while preparing budget plan?

ii) Woreda Finance and Economic Development

1. Could you explain the criteria to allocate budget for sectors in your woreda?
2. Could you explain the degree of expenditure autonomy of your woreda?
3. Do you think that sectors should generate revenue from internal sources?
4. Do you your woreda's sectors are mobilizing internal revenue to cover part of their expenses?
5. Do you think that fiscal decentralization can contribute to effective expenditure management?
6. Do you think that your woreda is efficient and effective in expenditure management?
7. Could you explain revenue and expenditure trends in your woreda?
8. Where woreda does receives lion share of its revenue source?
9. Do you think that there are fiscal imbalances in your woreda like imbalances among sectors?
10. Which sector/s reflect higher trend of expenditure since the implementation of fiscal decentralization? Why?
11. Could you explain the challenges of the implementing the revenue and expenditure decentralization in the Woreda?
12. Do you have any further important information on fiscal autonomy/expenditure/ autonomy of your woreda?

iii) The Woreda Office of Revenue

1. Do you think that woreda level is legally empowered to collect revenue?
2. Do you think that fiscal decentralization can contribute to effective revenue raising?
3. Could you explain the degree of revenue autonomy of your woreda?
6. What are the major revenue sources of your woreda?
7. Do you think that your woreda is efficient and effective in local revenue collection?
8. Could you explain the increasing revenue trends in your woreda?
9. Could you explain the revenue generation practices of the sectors in the woreda?
10. Could you explain the challenges of the implementing the revenue decentralization in the Woreda?
11. Do you have any further important information on fiscal autonomy/revenue autonomy of your woreda? At end what are recommendations you want to forward?

iv) Head/deputy/expert key informants from selected sectors

1. Could you explain the main source of revenue for your sector?
2. Do you think that your sectors' revenue match with your expenditure?
3. Could you explain the extent of recurrent and capital budget allocated to your sector?
4. Do your sector is autonomous to prepare plan and implement allocated budget?
5. What are the challenges to meet your sectorial target with regard to finance?
6. Do you generate adequate revenue from internal/by your sector/ to cover some of your expenses?

v) The Woreda Civil Service Office

1. Does the woreda has a power to hire and fire employees in it?
2. Could you explain the status of your woreda to employ workers?
3. Could you explain the possible challenges to employ workers at woreda level?

B) Zonal level key Informants?

i) Zonal Office of Finance and Economic Development

1. Do you think that sibu sire woreda woreda is effective in revenue generation and expenditure management?

2. Why woredas are unable to raise revenue and manage expenditure effectively and efficiently?
4. Do you explain the performance of Sibu sire Woreda in implementation of fiscal decentralization?
5. Could you explain the criteria employed to allocate budget for woredas in the zone?
6. Could you explain the role of expenditure assignments to local authorities?

ii) Zonal Revenue Office

1. Do you think that woredas in the zone are efficient and effective in revenue generation?
2. Could you explain the role devolution of revenue collection assignments to local authorities?
3. What do you think regarding revenue generation of Sibu Sire Woreda comparatively?
4. Could you explain the challenges of the woredas to collect revenues effectively?

2. List of Questionnaire for the Selected Staff Members in the Selected Sector Offices.

1. Demographic information: Age _____ Sex A) Male _____ B) Female _____

Educational background: A) MA/MSC B) BA/BSC C) Diploma D) Certificate E. other

Work experience A) Below 35 _____ 35 and above _____

2. Do the following challenges exist in your sector office?
 - A. Lack of office equipment such as furniture, computer, ICT
 - B. Lack of human resources
 - C. Turnover of the employees
 - D. Others.
3. In which sector/office you are working now?

A. Education	D. WOFED	G. Agriculture
B. Health	E. Revenue office	H. Water office
C. Road		
4. What are your duties and responsibilities in the office?

A. planning officer	C. auditor and inspector
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B. monitoring and evaluation expert D. other _____

5. Are these the main responsibility assigned to your woreda/sector by the regional/top government?

A. Mobilizing internal revenue

B. Expenditure management including passing decisions on your sector expenses

6. Which component of fiscal decentralization is allocated or decentralized?

A. Expenditure assignment C. Both

B. Revenue assignment

7. Does your sector have the right and capacity to prioritize as well as to set criteria to deal with the activities related to expenditure in your organization/woreda? If not why?

8. What are the challenges in your sector office to allocate expenditure assignment for different activities?

9. Does your organization/woreda have its own internal capacity to raise revenue and manage expenditure? If not why?

10. Do you think that fiscal decentralization can contribute to revenue raising and expenditure management for local governments? If yes? What are those tangible contributions?

11. Do you think that sector offices and their workers have an understanding of the above contributions of fiscal autonomy of local powers and sectors? If no, why?

12. Do you think that your woreda/sector is effective in revenue collection and expenditure management?

➤ If yes:

- How much revenue is mobilized from own resources in your woreda/sector?
- What is actual collection to planned revenue?

13. If sectors generate revenue from their own sources of revenue what it implies for the autonomy of the woreda?

14. What are the main sources of revenue in the woreda?

- A. Tax rates
- B. Block grants
- C. Others

15. Does your sector office/organization is practicing real fiscal decentralization?
i.e. revenue collection, planning, expenditure responsibilities

16. Do you have the right and capacity to project revenue for your sector?

If yes,

- How do you project revenue?

- How successful is your revenue projection methodology?
- Can you tell me how the projected and actual revenue for the past few years?

If you make special revenue effort, does this affect the grants you receive from higher level i.e. from regional government?

17. What percentage of your resource is allocated or used for recurrent budget? Why?

18. How the performance of actual spending as compared to planned in the woreda?

19. What are the criteria or principles used to allocate the available resources (revenue raised and transfers from government)?

20. Do you think that there is horizontal fiscal imbalance among sectors of the woreda?

If yes, what are causes of its occurrences and what intervenntions taken by the woreda?

21. Does your sector/organization have access to sufficient aggregate resource to meet their basic responsibility? If yes,

- What is your resource to finance the sector activities that are required to finance?

- If no, what are the causes for the occurrence revenue deficiency and is there any effort or measures taken to overcome this problem of your sector?

22. Do you think that the main source of revenue for your woreda/sector is the transfer from top level of a government?

If yes, what efforts are exerted to minimize the dependency of the woreda/sector on the top tier of a government?

23. Do you think that the top level transfer to your woreda/sector has a lion share of your total revenue?

- A. What is the extent of the transfer to the woreda?
- B. Which types of grants are block grants or specific grants?

24. Do you explain the integration of the woreda/sectors with higher level of a government in a decentralization of planning and budgeting process in the woreda/sectors?

25. Do you think that your sector/woreda is dependent on the regional government in planning and budgeting process? If yes, what is the cause?

26. Do you think that your woreda/sector is effective in doing the following activities?

A. Planning and budgeting

A1. Budget preparation time and budget allocation

A2. Adequacy on the budget transfer from the top

3. Questions for FGD

1. Could you explain the planning and budgeting in your sector and the possible challenges?
2. Do you think that your sector has efficient revenue base?
3. Does your sector have a potential to practice real fiscal decentralization?
4. What are the principles and criteria's used in the assignment of revenue and expenditure to different sectors of your woreda?
5. Could you explain the fiscal imbalances in your woreda?
6. Is there a horizontal imbalance among sectors in the woreda? If so, what are the reasons?
7. What interventions made to minimize the above horizontal imbalances?

8. Could you explain the extent of fiscal transfer for your sector/woreda from the top tier of the government?
9. As an expert do you think that there are some other causes even for the challenges of the practice of fiscal autonomy in sector offices as well as in woreda?
10. What are the merits of revenue generation by the sectors for the autonomy of the woreda?
11. Do you have any other explanation about practice of fiscal decentralization in your sector office or in your woreda and what is your corrective recommendation?

4. Observation Guideline

1. Presence of conducive environment
2. Awareness regarding fiscal devolution
3. Condition of staff members (commitment)

Yuunivarsiitii Jimmaa

Kolleejjii Seeraa fi Bulchinsaatti Muummee Bulchinsaa fi Qorannoo Misoomaa

Annex 2: Tariiba Aaf -gaaffii, Bar-gaaffii fi Marii Gareen taasifamu

Mata Muree Qo'annichaa: *Assessment of Fiscal Decentralization in Sibu Sire Woreda: The Case Study of Selected Basic Sectors, East Wallaga Zone, Oromia Regional State*

Kabajamtoota abbootii aangoo Aanaa Sibu Siree, itti gafamtoota sectarootaa, ogeessota fi miseensota sectaroota qorannichaaf filamanii akkasumas kabajamtoota itti gaafamtoota biiroo galii fi faayinaansii godina Wallagga Bahaa kaayyoon hojii kanaa qoqqooddaan aangoo kan akka galii sassaabuu fi baasii to'achuu mootummaa naannoo fi aanaa jiduutti ta'e (heeraa fi seeraan) illachisee qorannoo fi qo'annoo taasisuu fi dha. Akkasumas raakkoowwan jiran adda baasuu fi yaada fuurmaata ta'u lafa kaa'uuf kan hojjetamu dha. Kanaaf, deebii guutuu fi rakkoon isin ibsitan nama qo'annicha gaggeessuu kana waan qabatamaa irra akka gahu kan gargaaru dha. Akkasumas qaama dhimmi isaa ilaaluu galtee fi barreeffamoota jiran hanqina isaanii kan guutuu dha. Kun hundi isaa deebii isin eyyamaa fi yeroo keessan kennuun deebistan irratti hundaa'a.

Qo'atichis odeeffannoon kennamu hundi kaayyoo barumsaa qofaaf kan oolu dha. Iccitii dhas. Kanaaf maqaa barreessuun himuunis hin barbaachisu.

Galatoomaa!

1. Gaaffilee Aaf-gaaffiiif Dhiyaatan

A) Sadarkaa aanichaatti

ii) Bulchaa Aanaaf

1. Angoon galii fi baasii aanaaf kennamuu isaa hubannoo qabduu/beektuu?
2. Dhimma aanaa kessanii irrartii murteessuuf aangoo siyaasaa fi bulchinsaa qabduu?
3. Waa'ee qoodamuu aangoo baasii fi galii aanolee kan dubbatu imaammata ykn seera/heera ibsuu dandeessuu?
4. Hanqinni bara bajetaa keessatti isin mudatu maal fakkaata?

5. Yeroo karoora ofii keesan hojii dursa kennuu ni qabduu? (hojii hojjetamuuf)

ii) Waajjira Mallaqaa fi Misooma Aanaaf

1. Qoqoddaa bajataaf ulagaan maali?
2. Aangoon aanaan baasii irratti qabu maal fakkaata?
3. Sectaroonni galii in sassaabuu?
4. Aanaan keessan galii keessoo ni sassaabaa?
5. Aangoo baasii aanaaf kennuun baasii haalan to'achuuf ni gargaaraa?
6. Baasii haalaan fayyadamuu keessatti aanaan kessan gahaa fi milkaa'aa dhaa?
7. Akkataan bajata baasii fi galii kan waggaa shaman (2005 – 2009) maal fakkaata?
8. Maddi bajata kessanii inni guddan maali?
9. Walcaalmaan aanaa keessanii maal fakkaata?
10. Anngoon hanga sadarkaa gadiitti erga diriire sectarri bajatni baasii isaa dabalaa dhufe kami maaliif?
11. Angoo baasii fi galii haalaan akka hin fayyadamneef rakkoon jiru maali dha?
12. Yaada dabalataa yoo qabataan?

iii) Waajjira Abbaa Taayitaa Galii Aanaaf

1. Galii sassabuuf aangoo seeraan qabduu?
2. Aangoon galii irratti qabdan fayidaa galii guddisuu qabaa?
3. Galiin of danda'uun keessan hangami?
4. Maddi galii aanaa kessani maal fa'i?
5. Galii sassaabuu keessatti milkaa'inni keessan maal fakkaata?
6. Galii keessoo saassabuu sectarootaa ibsuu dandeessuu?
7. Angoo galii irrattii aanaaf kenname akka haalaan hin fayyaadamneef rakkoon jiru maali?
8. Yaada dabalataa qabduu?

iv) Dura Bu'aa/I/A/ Dura Bu'aa/Ogeessota Sectaroota Filaman Keessaa

1. Maddi galii sectara keessanii maali dha?
2. Galiin keessan baasii keessan waliin walsimaa?

3. Bajatni kaappitaalaa fi marmaartuu sectara keessaniif ramadamu maal fakkaata?
4. Of dandeessani karoora qopheessitanii bajata hojii irraa ni oolchituu?
5. Kaayyoo sectara keessanii galmaan gahuuf maaltu gufuu isinitii ta'a?
6. Akka sectara keessaniittii galii ni maddisiistuu?

v) Siivil Sarviisii Aanaaf

1. Hojeetaa ramaduu fi arii'uu irratti aangoo akkamii qabduu?
2. Angoon keessaniin hojjetaa sadarkaa kamii ramaduu dandeessu?

B) Aaf – gaaffii Namoota Sadarkaa Godinaaf Dhiyaate

i) Biiroo Mallaqaa fi Misoma Godinaa

1. Aanaan S/siree galii sassaabuu fi baasii haalaan gargaaramuu irratti maal fakkaata?
2. Aanoleen galii haala gaariin maaliif hin sassaabaan, baasiis haalan maaliif itti hin fayyadaman?
3. Aangoo kennemeef fayyadamuu ilaachisee Aanaan S/siree maal fakkata?
4. Aanooleef bajatni yeroo qadamu ulaagaan qooddii maali dha?
5. Faayidaan aangoo baasii hanga aanaatti diriirsuu maali dha?

ii) Biiroo Abbaa Taayitaa Galii Kan Godinaa

1. Aannoleen galii fi baasii irratti gahoo fi milkaa'oo dhaa?
2. Aangoo galii sassaabuu hanga aanaatti diriirsuun maal fayyada/
3. Galii sassabuuf aanolee maaltu gufuu itti taha?

2) Bar-gaaffii hojjetoota sectaroota keessaa filamaniif

1. Odeeffannoo waa'ee hojjetichaa: A) Umrii _____ B) Saala C) Sadarkaa barnootaa Ca) Digrii 2ffaaa, Cb) Digrii 1ffaa Cc) Dippiloomaa Cd) kan biro D) Muuxannoo hojii
2. Kan armaan gadii keessaa rakoo isa kamtu sectara keessan keessatti mudata?
 - A. Rakkoo meeshaalee biiroo C. hojii gadhiisuu hojjetaa
 - B. Rakkoo human namaaa D. Kan biro
3. Sektara kam keessa hojjettuu?

- | | | |
|-------------|-----------------|----------------------|
| A. Fayyaa | C. Faayinaansii | E. Bishaan baadiyyaa |
| B. Barnoota | D. Galii | F. Daandii |
| | | G. Qonnaa |

4. Gaheen hojii keessanii maali?

- | | |
|-----------------------|-------------|
| A. Karoora | C. odiitara |
| B. To'ataa fi qorataa | D. Kan biro |

5. Aangoo fi hojiin armaan gadii waajjira keessaniif kennamaniiruu?

- A. Galii maddisiisuu
B. Baasii irratti murtee dabarsuu

6. Waajjira/aanaa keessan keessatti hoji baasii barbaachisan ofii keessan/waajjira keessaniin dursa hojii kamiif akka kennitan murteessuuf aangoo ykn dandeettii qabduu? Yoo hin qabaanne maaliif?

7. Baasii qoqqoduuf maaltu isin rakkisa?

8. Aanaan/sektarri keessan galii maddisiisuuf akkasumas baasii haalan fayyadamuuf dandeettii qabaa? Hin qabu yoo tahe maaliif?

9. Aangoo garaa garaa kan akka galii maddissisuu fi baasii aanaaf kennuuun ykn gara sectarootaatti diriirsuun bu'aa qabatamaa akkamii qaba? Tarreessi.

10. Aanaan/sektarri galii halaan ni sassaabaa? Fakkenyaaf akka karoorette. Aannanis tahe sectroonni galii keessoo guddaa moo muraasa sassaabu? Yoo hin taane maaliif?

11. Maddi galii keessan maal maal irraati?

A. Gibira B. Bilook giraantii C) kan biroo

12. Aanaan keessanis tahe waajiiraaleen/sectaroonni haala gaarii taheen aangoo armaan olitti qaban itti fayyadamaa jiru jettanii yaadduu? Akka sectara keessaniitti galii argachuuf pirojectoota diriirsitan qabduu?

13. Sectaroonni galii yoo haalaan sassaban aanaa kessanif bu'aa maalii buusa? Qabatamaan fayidaa isaan dandeetti aanaa irratti qaban maal fa'a?

14. Galii haalaan yoo sassaabdan gargaarsa naannoo irraa dhufu ni miidhaa ykn ni hir'isaa?

15. Kanneen armaan gadii irratti of dandeessani murteessuu ni dandeessuu?

A. Baasii/baajeta marmaartuu

B. Baasii/baajeta kaappitalaa

16. Baajetni/qabeenyi gara hojii marmaartuu ykn idileef raamadamu hangami jittanii yaaddu?
Maaliif?

17. Aanaa keessan keessatti ykn sectara keessan keessatti bajetni/baasiin akka karoorfameen hojii irra ni oolaa? Maaliif

18. Bajata qoqqooduuf ulaagaa maalitti fayyadamtuu?

19. Walcaalmaan garagaraa sectaroota gidduutti ni uumamaa? Maaliif? Rakkicha hiikuuf aanaan maal faayadama?

20. Hojiiwwan gurguddoo raawwachuuf madda galii/maallaqaa/gahaa qabduu? Yoo deebiin keessan eeyyee tahe:

A. Maddota akkamii irraa/qabeenyi qabadan yoo jiraate?

B. Maddi galii/galiin keessan akka hir'uu tahu maaltu godha? Sirreeffamni fudhatamu hoo?

21. Maddi galii keessani inni guddaan bilook giraantii yoo tahe, bilook giraantii irratti hirkachuu dhiisuuf maaltu taasifama/me?

22. Galii guddaan aanaa ykn sectara keessanii bilook giraantii dha yoo tahe hamma isaa ibsuun ni dandeessuu?

23. Karoorsuu fi bajata qoqqooduu keessatti hariiroo isin mootummaa naannoo ykn godina waliin qabdan maal fakkaata?

24. Hojii gaaffii 22 ffaa irraa jiruuf godina/naannoo irratti ni hirkattuu? Maaliif?

25. Kanneen armaan gadii ilaalchisee aanaan keessan ykn sectarri keessan maal faakkata?

A. Yeroon bajata qopheessuu fi qoqqooduu

B. Gahumsa bajata isiniif ramadamuu?

3) Aaf-gaaffii Namoota/hojjetoota Marii Garee Irratti Hirmataniif Qophaahe

1. Karoora bajataa qopeessuu fi itti fayyadamuu akkasumas rakkinoonni akka sektaraatti jiran maal fa'a jettanii yaaddu?
2. Faayidaan aangoo kan akka karoora qopheessuu, galii ofiin sassaabuu akkasumas baasii ofiin to'achuu fi kkf gara anaatti diriirsuu/qooduu maali dha?

3. Sectaroonni maddi galii gahaa qabuu? Aangoo armaan oliis haalaan hojiitti jijjiiruuf gahumsa qabuu?
4. Sectarootaaf aangoon galii sassaabuu ni kannamaafii? Kan baasii hoo? Maal irratti hundahuun (ulaagaa)?
5. Sadarkaa aanaatti hir'inni waggaatti isin mudatu maal fakkaata? Fkn. Baasiin madda galii ol tahuu
6. Wal caalmaan sectaroota jidduutti ni uumamaa? Maaliif?
7. Wal caalmaa armaan olii hir'suuf tarkaanfii akkamiitu fudhatama?
8. Bilook giraantiin naannoo irraa dhufu hamma isaa akkamiin ibsuun ni danda'ama?
9. Angoo kennameef akka itti hin fayyadamneef rakkooleen jiran maal fa'a?
10. Sectaroonni galii sassabuun ykn haalaan galii sassabuu dhiisuun isaanii Aanaa irratti maal fida jettanii yaadduu?
11. Yaada dabalataa yoo qabbattan (keessumaa fayidaa galii sassabuun sectarootaa dandeettii of dandahu aanaa irratti qabu ilaalchisee)

Annex 3: Summary of Responses from Interviews, Questionnaires, FGD and observation

1. Summary of Responses from Woreda level interview

There is limited understanding in the woreda and sector offices that they have independent expenditure and revenue responsibilities. Despite challenges, the woreda has legally recognized autonomies i.e. political, administrative and fiscal. Because of different challenges fiscal status of the Woreda is low. For example, planning at the woreda is influenced by the regional targets.

In the allocation of budget the woreda mainly focus on the sectors those reduce poverty and on the plan of the sectors. In addition to revenue generated at the woreda level some sectors are practicing own revenue generation. Since 2002, the revenue generation and expenditure management in the woreda is on improvement. Expenditure requirements and own revenue generation in the woreda is increasing with some fluctuation in revenue generation. However, since there is mismatch between internal revenue and the

preferences the Woreda shows dependency syndrome. Imbalances, capacity related issues and knowledge gap in the woreda are some of the challenges.

With regard to sectors specifically, there are no adequate and clear revenue sources in the sectors. Recurrent expenditure is more decentralized than expenditure with respect to projects which is dominated by sectors at Regional bureaus. Sectors are not fully independent in planning. Inadequate budget, poor own revenue collections by sectors are some of the challenges. The woredas' responsibility with regard to fulfilling manpower is limited.

2. Summary of Responses from Zonal level interview

Sibu sire Woreda is not adequately collecting revenue as to its potential but the woreda has good performance in utilizing the planned budget expenditure. Poor revenue bases, lack of commitment, lack of capacity are some of the possible challenges in the Woreda. The unit cost approach is employed while allocating budget for the Woredas. Assigning revenue and expenditure results in efficiency, manageability and empowerment of local authorities.

3. Summary of Responses to Questionnaire distributed

The expenditure and revenue responsibilities are not fully devolved down to both the woreda and the sectors. Comparatively expenditure responsibilities are decentralized than the functions related to revenue. Influence from the region, lack of human resources, lack of office equipments and capacity related issues are some of the pressing challenges to collect revenue and manage the expenditure. Devolving revenue generation has different merits like provision of quality service. At sector level the contribution to the devolution of revenue and expenditure is not clearly internalized. Revenue collection at Woreda level is very weak and it is one of the challenges of the woreda. At woreda level if the woreda is able to collect more revenue it is used as additional budget for the Woreda.

More budget is allocated for recurrent expenditure from the total budget and the performance of the sectors in poverty reduction is considered during budget allocation in the woreda. There are imbalances among sectors and the Woreda deals with budget

transfer to reduce the gap. The block grant from the region is the major source of revenue and every year the budget allocated is not adequate. Minimum efforts exerted to minimize the dependency. Along with the block grant the guideline sent from the region through the Zonal level of a government. In short there is absence of real fiscal autonomy in the Woreda in general and in the sectors in particular.

4. Summary of Responses the FGD discussion

Planning and budgeting at Woreda and sector level has different limitations. Budgets allocated are not adequate or cannot meet the planned activities. At woreda level budget is prepared and approved. But prioritization considers the targets set at regional level. Sectors are not internalized the contribution of fiscal devolution to the woreda and to the Woreda. The sectors have no clearly assigned revenue sources and so that inefficient and inefficient in revenue collection and expenditure management. Vertical imbalance and the horizontal imbalance exist in the Woreda. In terms of human resource, budget allocated and own revenue collection sectors are known by horizontal imbalance. With respect to revenue generation the awareness and commitment to generate revenue matters at sector level. Sectors generated revenue means that the woredas' autonomy is enhanced. Planning and budgeting is influenced by the regional government through the guideline sent to remind the prioritization related issues.

5. Observation of the Researcher

The understanding of the respondents regarding fiscal devolution down to the lower level of a government is weak. The Woreda and sector offices are under the challenge of human resource, lack of conducive working environment, absence and weak commitment regarding own revenue generation by sectors and the habit of seeking more revenue from the top. The planning in the woreda has lack of considering the existing potentials in the Woreda.