

Implementing Federalism in a Developing Country: The Case of Ethiopia, 1995-2020

Bizuneh Getachew Yimenu

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Supervisors: Dr Paolo Dardanelli and Dr Ben Seyd

School of Politics and International Relations

University of Kent

Canterbury, United Kingdom

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Abstract

This thesis assesses the implementation of federalism in a developing country by taking Ethiopia as a case. The thesis took the notion that in federations like Ethiopia, marked by developing economies, dominant party regimes, authoritarian tendencies and ethnic diversity, there are gaps between the constitution and the practice of regional autonomy. As such, the thesis systematically explores the gap between *de jure* and *de facto* by measuring regional autonomy and explaining the main drivers and instruments of de/centralisation. Regional autonomy is disaggregated into legislative, administrative and fiscal autonomy. Then, regional autonomy on two policy areas and five fiscal categories is systematically measured. The thesis reveals that the Ethiopian federation experienced centralisation over time in defiance of the constitution. The thesis shows that one of the features of Ethiopian federalism is limited regional own-source revenues. Further, centralisation of concurrent revenues and undesigned revenue powers, lack of tax autonomy, and regional lack of freedom to domestic borrowing derailed regional fiscal powers. Thus, regions are hugely dependent on federal grants. Conditional grants introduced in 2011 further eroded regional autonomy. In the spheres of policy, a range of regional policy competencies became exclusively federal in defiance of the constitution. The centralisation of land administration is a prominent example of federal encroachment on regional prerogatives.

The dominant party's structure, ideologies, and internal decision-making norms are at the core of the centralisation dynamics. The thesis shows that other factors such as regional capacity shortage, economic factors, state-building, and corruption and state capture drove centralisation over time. The thesis also reveals a *de facto* autonomy asymmetry across regions associated with regional development, national development priorities, peripherality, marginalisation, and ethnic diversity. Spatial and temporal de/centralisation recorded was without a formal constitutional basis through an informal constitutional amendment, proclamations, delegated legislation, organisational restructuring, and coercion. The thesis discusses that the nature of Ethiopia's second chamber and generic constitutional clauses facilitated centralisation. The thesis argues that a dominant party regime is ill-fitted for building a robust federal system as the same party controls the two tiers of government. In such a regime, though regional parties may exist, they cannot be a genuine agent of regional

autonomy because of the inherent lack of independence from the federal party. In such a system, the party structure works parallel to the constitution, often circumventing the constitutional division of powers; thus, implementation of federalism is highly influenced by the party decisions. Methodologically, this implies that assessing federalism and regional autonomy in such states should go beyond the constitutional text.

Insights from Ethiopia suggest that new federations and states embracing federalism need to improve regional capacity to build effective federalism. Besides, in the long run, building a genuine multiparty system and institutions of democracy is needed for effective federalism. Federalism has unintended consequences of decentralising conflict in multi-ethnic states because elites representing different groups fight to control regional and subregional powers. Hence, new federations need to consider a mix of approaches to tackle such unintended consequences of federalism in ethnically diverse states. Lastly, moving away from a centralised legacy requires a complete political-cultural change to implement federalism effectively.

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List of Acronyms

AAPO	All-Amhara Peoples' Organisation
ADLI	Agricultural Development Led Industrialisation
ADP	Amhara Democratic Party
ANDP	Afar National Democratic Party
AISD	Agricultural Investment Support Directorate
AIT	Agricultural Income Tax
BBC	British Broadcasting Corporate
BGPDP	Benshangul-Gumuz People's Democratic Party
BIT	Business Income Tax
BPLM	Benishangul Peoples Liberation Movement
CC	Central Committee
CCI	Council of Constitutional Inquiry
CM	Council of Ministers
CPI	Corruption Perceptions Index
CoR	Council of Representatives
CSA	Central Statistical Agency
DC	Democratic Centralism
EAILAA	Ethiopian Agricultural Investment Land Administration Agency
EC	Executive Committee
EIC	Ethiopia Investment Commission
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
EPLF	Eritrean People's Liberation Front
ESDP	Education Sector Development Program
ETB	Ethiopian Birr
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FIRA	Federal Inland Revenue Authority

GDP	Gross Domestic Product
GECFDD	General Education Curriculum Framework Development Department
GPDM	Gambela People's Democratic Movement
HNL	Harari National League
HoF	House of Federation
HPR	House of Peoples' Representatives
IDEA	Association for the Development of Education in Africa
IFLO	Islamic Front for the Liberation of Oromia
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
MDGs	Millennium Development Goals
MEFF	Macro-Economic and Fiscal Framework
MoARD	Ministry of Agriculture and Rural Development
MoE	Ministry of Education
MoEDC	Ministry of Economic Development and Cooperation
MoFEC	Ministry of Finance and Economic Cooperation
MoFED	Ministry of Finance and Economic Development
NCF	National Curriculum Framework
NNP	Nations, Nationalities and Peoples
ODP	Oromo Democratic Party
OLF	Oromo Liberation Front
OPDO	Oromo People's Democratic Organisation
OSR	Own-source Revenues
PAP	Programme Action Plan
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PC	Party Congress
PM	Prime Minister
PIM	Programme Implementation Manual
PLC	Private Limited Company
PMO	Prime Minister Office
RDPS	Rural Development Policy and Strategies

RD	Revolutionary Democracy
RLUT	Rural Land Use Tax
RTA	Regional Tax Autonomy
SC	Share Company
SDGs	Sustainable Development Goals
ESPPD	Ethiopian Somali People's Democratic Party
SDPRP	Sustainable Development and Poverty Reduction Program
SNNP	Southern Nations Nationalities and Peoples
SNNPR	Southern Nations, Nationalities and Peoples Region
SEPDM	Southern Ethiopian People's Democratic Movement
TGE	Transitional Government of Ethiopia
TIN	Tax Identification Number
TOT	Turnover Tax
TPLF	Tigray People's Liberation Front
TVET	Technical, Vocational and Education Training
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Emergency Fund
VAT	Value-Added Tax
WB	World Bank
WTO	World Trade Organisation
WWI	World War First
WWII	World War Second

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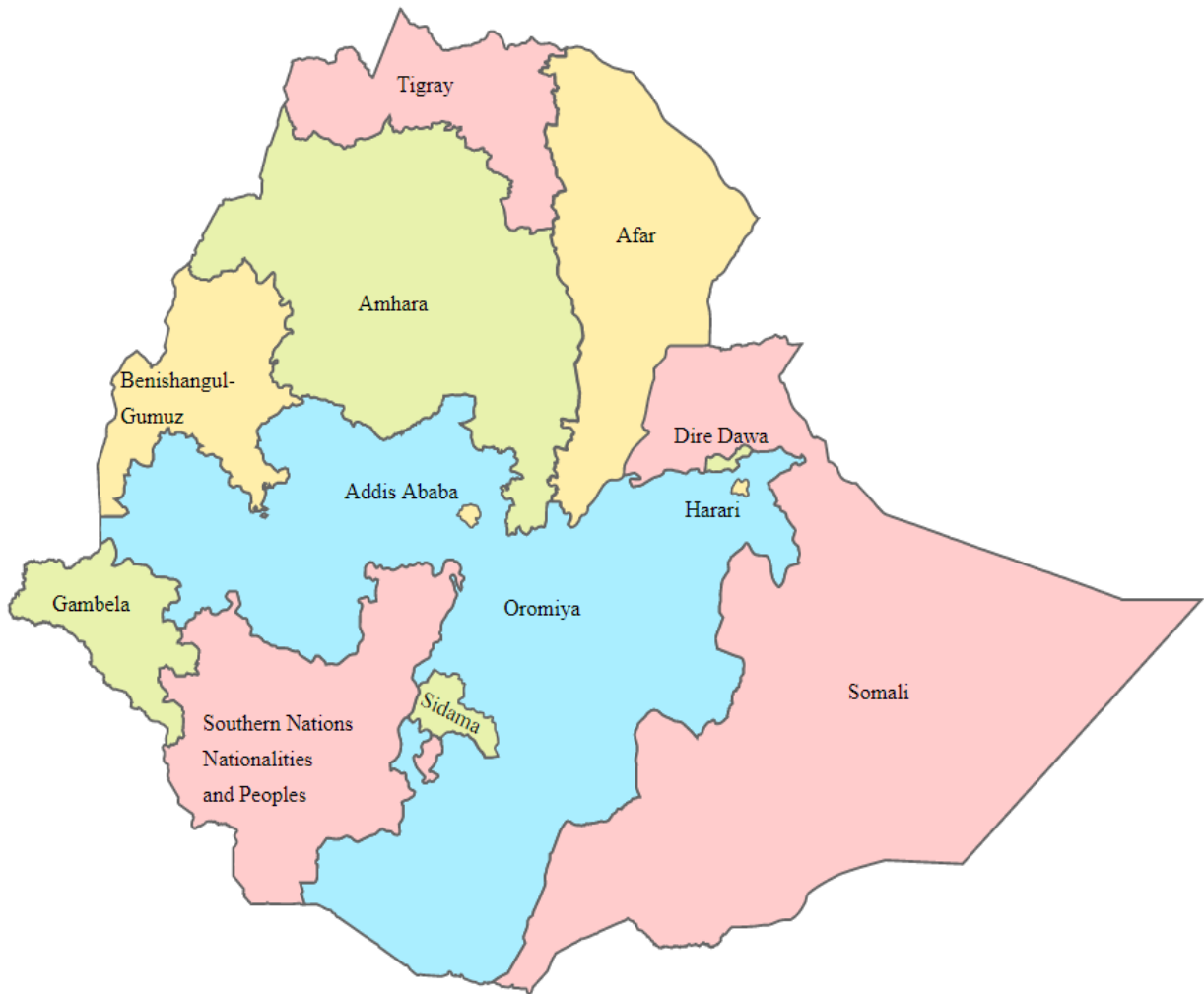
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Author's Declaration

I declare that this thesis is my own work.

Map of the Regions and Chartered Cities of the FDRE



Source: Wikipedia. https://findatwiki.com/Regions_of_Ethiopia (accessed 05 September 2021).

Chapter One: Introduction

1.1 Background of the Study

Federalism broadly entails a political system based on self-rule and shared-rule principles. These two principles imply that federalism is a political system in which constituent units rule the Union together while exercising autonomy over some issues (Elazar 1987, 12). While states such as the United States of America, Switzerland, Canada, and Australia are classic federations established more than a century ago, many states implemented federalism after World War II. The values and objectives of forming a federal system vary from polity to polity (Stepan 1999). Some states embraced federalism to accommodate diversity, reduce tensions and conflicts in multi-ethnic states. In such countries, federalism is taken as a mechanism of resolving ethnically organised political demands.

In Africa, only Nigeria, Ethiopia, and Somalia are formally self-proclaimed as federal states (Steytler 2019, 175). However, the constitutions of South Africa (1994), the Union of Comoros (1996, 2001), Democratic Republic of Congo (2005), Sudan (2005), Kenya (2010), and South Sudan (2011) incorporate some of the main features of federalism (Adem¹ 2013, 54; Steytler and Zemelak 2020, 104). These states adopted federalism or a quasi-federal order to accommodate diversity and resolve conflicts.

Theoretically, federalism helps hold states together by granting autonomy to territorial communities so that groups drop the desire for secession. Authors, such as Ghai (2000, 525), Kymlicka (2005, 273–76) and Gardner (2013, 4), postulate that federalism is a constitutional compromise between fragmentation and centralised state structure that helps to create a strong national government and autonomous subnational units simultaneously.

Practically, however, the effectiveness of federalism in accommodating diversity and enhancing self-rule varies across federations. In developed and democratic counties like Canada and Switzerland, federalism enabled the states to stay unified and democratic despite

¹ Ethiopian authors are cited by their first names because Ethiopian second names are not family names, as it is in the European custom, but the first name of the person's father.

the diversity, and constituent units in such federations exercise significant powers (Dardanelli and Mueller 2019; Lecours 2019). In less developed federations whose experience of democratic elections is not deep-rooted, such as Ethiopia, Malaysia and Nigeria, the outcomes of the federal arrangement are mixed. Though federalism appears to help manage ethnic diversity to some extent, constituent units in such states tend to lack the autonomy to exercise their constitutional prerogatives (Dickovick 2014; Hutchinson 2014). Such mixed results concerning the implementation of federalism imply that embracing federalism or formal vertical distribution of competencies *per se* is not sufficient to ensure the constituent units' self-rule.

Federations constitutionally grant regional autonomy through formal division of competencies between the federal and regional governments. However, the constitutional devolution of powers only shows the political settlement at a certain point in time; and it cannot define changes in the vertical distribution of competencies occurring in the implementation of federalism. Studying the classic federations, Wheare (1946, 252–53) asserted that federations generally became more centralised over time. Recently, Dardanelli et al. (2019b) demonstrated that the vertical distribution of competencies in democratic federations changed over time due to different factors.

Regarding non-western federations, although constitutionally devolved powers characterise the states, the regions' constitutional powers and the political practice in developing federations under non-democratic regimes tend to mismatch. That means there are discrepancies between the constitutionally proclaimed norms and the practice that can only be detected by moving beyond the constitution. Though a growing literature on decentralisation has contributed to our understanding of regional autonomy, little systematic inquiry has been conducted to show the implementation of federalism and the gap between the constitution and practice, particularly in developing countries that embraced federalism.

Such inquiry is vital because adopting a federal constitution can only set the platform for implementing federalism and will not identify post-constitution political dynamics. Practically, the implementation of federalism and the exercise of regional autonomy, particularly in developing countries under non-democratic regimes, are not only governed by the constitution but also by post-constitution proclamations, bargaining between the two-level

parties, unilateral actions of the federal government and informal practice stemming from the governing party norms. Such trends generate changes in the vertical distribution of powers over time. Thus, regions can exercise more power or less power than what one could infer from the constitution.

Federations with developing economies and a dominant regime are marked with formal devolution and informal centralisation of powers. States such as Ethiopia, Malaysia, Mexico, Nigeria, Russia, and South Africa exhibit a propensity of official devolution and informal centralisation in defiance of the constitution (e.g., Dickovick 2014; Suberu 2013; Hutchinson 2014; Tsakhirmaa 2020). Consequently, there is a gulf between the formal norms and informal practices that needs to be systematically uncovered by moving beyond the constitution and tracing the practice. This thesis aims to augment existing literature by examining the aspect that has been hardly explored systematically: measuring and explaining the gap between *de jure* and *de facto* regional autonomy.

On the other hand, though federations try to treat all constituent units equally, practically, this is impossible because cross-regional variation in wealth, development and other factors can lead to autonomy asymmetry. For instance, if we take estate tax, though all regions may have equal formal powers, constituent units with expensive property will collect much higher taxes than remote rural regions. Similarly, the attitude and behaviour of politicians at the federal and regional levels, which vary across time and regions, determine dynamic decentralisation. Besides, cross-regional differences such as peripherality can generate *de facto* autonomy variation across regions that needs to be systematically measured.

Such changes can be temporary or permanent. The changes can happen through formal procedures or out of an informal arrangement. However, in any case, the changes defy the constitution, creating gaps between constitutional text and the practice. Such informal autonomy or *de facto* autonomy variation in a federation is a challenge for the federal system's sustainability and may lead to conflicts. Significant works have been conducted to study federalism. However, temporal and spatial autonomy variations emerging in implementing federalism in developing countries have not been systematically investigated. Thus, the extent of regional autonomy in practice needs to be rigorously examined to measure the gap between *de jure* and *de facto* and account for temporal and spatial autonomy variation.

This thesis seeks to contribute to our understanding regarding the implementation of federalism in developing countries under authoritarian regimes by taking the Federal Democratic Republic of Ethiopia (FDRE), shortly Ethiopia, as a case. Ethiopia adopted federalism *de facto* in 1991 and *de jure* since 1995. The FDRE is constituted by ten regions named after the majority of ethnic groups in the units.² The 1995 Ethiopia's constitution is remarkable in explicitly recognising ethnonational diversity and their right to self-determination, including secession (Art. 39, FDRE Constitution 1995). The constitutional recognition of diversity emanated from the practical necessity to respond to ethnonationalities' demands for self-rule and hold the state on the verge of breakup together (e.g., Fasil 1997; Kidane 1997). Ethiopia is the most prominent example of the late twentieth-century adoption of federalism; hence can offer lessons for other cases and contribute to the literature.

The regions are accorded a range of powers, including residual competencies by the federal constitution. Nonetheless, little has been examined systematically how far the regions exercise the constitutionally proclaimed competencies. The Ethiopian federalism literature agrees that there have been differences between constitutionally promised regional autonomy and the day-to-day practice of federalism in the country. Knowing the existence of discrepancies between the formal and the reality is essential but not sufficient because we need to understand the extent of the disparity. Hence, rather than assessing regional autonomy based on the constitution, this thesis measures the *de jure* and *de facto* gap and seeks to account for it.

Furthermore, we need to take stock of federalism in a developing country noted by ethnic diversity and dominant party regime and map changes in vertical power distribution over time. Dardanelli et al. (2019) observe the changing nature of power distribution in federations and note centralisation and decentralisation as a scale rather than a dichotomy. Accordingly, instead of assuming federalism and regional autonomy as a static and timeless subject, this thesis seeks to depict the overall and specific process evolving vis-à-vis constitutionally proclaimed regional autonomy. Different factors can cause changes in the vertical distribution

² The number of the regions grew from nine to ten following the Sidama referendum conducted in November 2019.

of competencies. However, existing federalism studies in non-democratic developing federations such as Ethiopia tend to take the dominant party as the sole cause of centralisation. Beyond the dominant party system, this thesis identifies other endogenous factors such as nation-building and development and exogenous factors that drive de/centralisation in such states by taking Ethiopia as a case. It will also discuss the implications of insights from the country to similar federations.

Ethiopian regions are marked by their diversity, such as ethnic, geographic, development, economic structure, and territorial and population size. While some regions have one territorial group, others host extremely diverse ethnic groups. Geographically, the constituent units vary from central highland to peripheral lowland. Some regions are urbanising and relatively developed, while others lag in development. Further, the constituent units range from a small city-state with less than 1 per cent of the entire country's population to a large region with about 35 per cent of the federation population. The economic structure of the regions also varies from industrialising regions to pastoralism. Despite the de facto variation, the regions have equal status and powers under the constitution.

Such variations across regions are ideal for testing existing theories or developing new hypotheses regarding factors defining *de facto* regional autonomy asymmetry. This thesis seeks to address what such cross-regional variation implies to the implementation of federalism and the exercise of regional autonomy. There is hardly a systematised investigation regarding the impacts of such asymmetry on regional autonomy and federal operation. A couple of studies assessed autonomy variation within a federation; for instance, Libman (2016) and Tsakhirmaa (2020) assessed informal autonomy and cross-regional autonomy asymmetry in the Russian federation. This thesis will augment such studies by mapping autonomy asymmetry within a constitutionally symmetric federation and identifying the main factors associated with spatial autonomy variation.

The thesis has the following four interconnected objectives:

- 1) To systematically measure regional legislative, administrative and fiscal autonomy in the Ethiopian federation.

- 2) To identify and explain the main drivers, facilitators, and instruments of de/centralisation in the Ethiopian federation.
- 3) To identify critical factors explaining *de facto* autonomy asymmetry in the constitutionally symmetric federation of Ethiopia.
- 4) To theorise the implications of insights from Ethiopia for similar federations and to the broader field of comparative federalism.

In attempting to address the thesis objectives, the study seeks to go beyond constitutional setup and uncover the workings of federalism and the politics of regional autonomy. By taking the constitution as a benchmark in measuring the gap between *de jure* and *de facto* regional autonomy, the thesis focuses on discrepancies between the codified rules and uncoded practices. Nonetheless, it is not the constitution that takes the central stage in this thesis. Instead, what guides the thesis is the changes in vertical power distribution and extra-constitutional factors driving and facilitating such changes.

What is needed to achieve the interrelated thesis's objectives were measuring regional autonomy, illustrating the gap between *de jure* and *de facto*, mapping changes over time and showing cross-regional autonomy asymmetry. However, there was no data readily available to be used to address the thesis objectives. Hence, the study required a lot of fieldwork to generate original data from different sources that reveal the current situation as well as the evolution of Ethiopian federalism. Therefore, a systematic assessment of regional legislative and administrative autonomy on two policy fields and regional autonomy on five fiscal categories is conducted. And latter, interpretation of changes is undertaken by identifying explanatory factors for temporal and spatial variation.

Ethiopia is a critical case in its own rights, with a 115 million population, the second-largest in Africa, and remarkable economic growth over the past fifteen years preceding 2018 (World Bank 2020b). More importantly, the country is a prominent example of the late twentieth-century adoption of federalism. Hence, Ethiopia's experience with federalism will have broader implications, both theoretical and practical. The country is the only federation that constitutionally grants the unconditional right to self-determination, including secession to Nations, Nationalities and Peoples. It is consequently fascinating to explore the practice of such formally generous autonomy.

Different views are held regarding Ethiopia's ethnic federalism. One of the views is that such arrangements play a pivotal role in reducing ethnic tensions and conflicts (e.g., Fasil 1997; Kidane 1997; Tewfik 2010). Others argue that ethnic federalism and constitutionally granted secession right could increase inter-ethnic conflicts and lead to disintegration (e.g., Abbink 1997; Alemante 2003). Recent evaluations of the practice of Ethiopia's ethnic federalism explained Ethiopian federalism has successes and failures (Assefa 2012; Asnake 2013; Van der Beken 2015). However, the debate over ethnic federalism in Ethiopia is beyond the scope of this thesis as the topic has been quite extensively discussed in the literature.

Most studies in federalism and decentralisation focus on developed and democratic federations, and illustrations of experiences from continents such as Africa are scanty. Thus, the Ethiopian case that assesses regional autonomy and factors that shape the process in states with developing economies, dominant party regimes, and ethnic diversity can be relevant for broadening our understanding of the field and refining existing theory or developing a new theory. Insights from Ethiopia, particularly regarding how formal institutions operate under the influences of uncodified factors in authoritarian regimes, will potentially contribute to comparative federalism. Further, this thesis will deepen understanding of the implementation of federalism in a developing country with different socio-economic factors incentivising centralisation. For example, the thesis explores how economic objectives such as poverty reduction, employment creation and development influence federalism and regional autonomy.

Another contribution of this thesis is a theorisation of cross-regional autonomy variation it provides. It examines the nexus between marginalisation, regional capacity, ethnic diversity and peripherality on one side and regional autonomy on the other side. Such an assessment is crucial because the existing literature mainly focuses on explanations of cross-country and temporal autonomy variations; within state de/centralisation asymmetry received insufficient attention from scholars. Hence, this thesis theorises factors defining *de facto* autonomy variation across constituent units in a formally symmetric federation.

This thesis's practical or policy implication relates to the design of federal arrangements and their implementation in new federations. Ethiopia's federalism experience can have broader importance for states embracing federalism such as Nepal, Somalia and South Sudan and

states such as Indonesia, Myanmar and Sri Lanka that institutionalised power-sharing arrangements. Insights from Ethiopia show that asymmetries across regions, such as development and capacity, have influenced federalism's implementation and regional autonomy's exercise. Thus, the thesis sheds light on the challenges new and young federations should anticipate and consider building robust federations.

1.2 Structure of the Thesis

The remainder of this thesis is structured into ten chapters as follows. Chapter two is the literature review, followed by chapter three, which is an introduction to the Ethiopian federation. In chapter four, the conceptual and theoretical framework of the thesis is presented. Chapter five presents the methodology of the thesis. Chapter six measures regional legislative and administrative autonomy in Ethiopia by taking the education and land policies. In chapter seven, regional fiscal autonomy is measured on five fiscal dimensions and analyses of the practice of concurrent and undesignated revenue sources is made. Chapter eight identifies and discusses the main drivers and facilitators of centralisation in Ethiopia. Chapter nine identifies and discusses the main factors accounting for cross-regional autonomy variation. Chapter ten discusses the findings of the thesis, considering the existing Ethiopian federalism literature and a comparative study of the federal system. The final part, chapter eleven, concludes by highlighting the main implications of the thesis, considering what young and new federations learn from Ethiopia.

Chapter Two: Literature Review

2.1 Introduction

Different countries worldwide adopted federalism for economic benefits, military and security advantages, demand for accommodation of diversity, and a quest for maintaining unity (e.g., Riker 1964; Elazar 1987; Suberu 2009; Dickovick 2014). The federal system has been supported by many to maintain unity by granting autonomy to subnational units. Such support is based on either the experiences of democratic federations or the presumption that formal decentralisation grants constituent units genuine autonomy (Dickovick 2014, 553–55). Practically, however, federations vary significantly regarding the powers the regional governments exercise. Scholars in the field have undertaken significant works showing that regional autonomy changes over time and across federations.

This chapter is structured as follows. The first section provides a general overview of federalism, followed by section two, which reviews subnational autonomy in federal systems. Third, a review of the federal process is embarked on to highlight the nexus between the federal process and regional autonomy. In section four, symmetry-asymmetry in federations is reviewed. The fifth portion is a review of centralising factors in federations. In section six, a critical review of the study of Ethiopian federalism is made. The final part provides a conclusion.

2.2 Overview of Federalism

Federal systems have been adopted widely as a panacea for all social, political, and economic problems (e.g., Elazar 1987, 6; Watts 2011, 14–15). Offering a generally accepted definition of federalism is challenging because its domain is vast, and the concept is value-driven and multifaceted (Elazar 1987, 16). Besides, its meaning is highly contextual and diverse, leading to misconceptions (King 1982, 71; Burgess 2006, 1–3). However, it is vital to have some degree of convention regarding the notion of federalism before delving into detailed discussions. Otherwise, what we decipher might be impaired by confusing federations with other forms of polity.

Federalism became one of those good echo words such as democracy and justice and often associated with an effective combination of unity with diversity which offers a system of

government whose structures and operations vary (Duchaceck 1987, 191–93). The term “federal” is sketched from the Latin word “*foedus*”, which means covenant. It denotes agreement, cooperation, partnership, and negotiation (Elazar 1987, 5). On the other hand, federalism and federation are very related terms, but they have different meanings. While the former is various political ideologies, culture or spirit, the latter is a political system (King 1982, 75; Elazar 1987, 12; Gagnon 2010, 3).

A federal system is based on the constitutional distribution of competencies between the general government, which has power over the entire territory, and constituent units which rule their jurisdiction with some level of autonomy (Duchaceck 1987, 191–93; Watts 2015). Besides, a written constitution, bicameralism, the constituent units’ representation in the second chamber, the units’ participation in amending the federal constitution, and a decentralised government are the main features of a federal order (e.g., Riker 1964, 5; Lijphart 1985, 4–5; Duchaceck 1987, 192; Watts 2005, 12; Hueglin and Fenna 2015, 16–17).

Elazar (1987, 5 and 12) coined two federal principles, “self-rule” and “shared rule”, to explain the idea of a federal arrangement. He articulated that the indispensable quality of a federal order is a partnership based on an agreement and fixed on sharing sovereignty to foster unity. However, federalism provides varieties of political arrangements that can be instituted in line with the federal principles of shared-rule and self-rule (Elazar 1987, 12–13; Watts 1999, 6–7; Lepine 2015, 31). Federation is thus a type of federalism that encompasses the simultaneous exercise of self-rule and shared rule over the same territory based on a division of powers between at least two tiers of government.

Stepan (1999) theorised that federations are born in three ways: “coming-together”, “holding together”, or “putting together”. For instance, a coming together federation, such as the US, is formed through bargaining between autonomous units to come together because of fear, perceived threat, or economic purposes (Riker 1964). Conversely, holding-together federations like Belgium and India are created mainly to accommodate diversities or provide autonomy for constituent units by restructuring unitary states. A “putting-together” federal system, such as the former USSR, is formed through a coercive effort of the central government by placing together multinational states or previously independent countries.

However, coercion is not just observed in the case of “putting-together” but also in “holding-together” as well as “coming-together” (Taylor 2007, 422–24).

Though the birth of federations varies, states used federalism as an appealing solution for different problems, implying two main points: the elasticity of the concept itself and its contestability (Clarke 2007, 55). Some states applied federal ideas due to practical necessities such as accommodating diversity or decentralising powers (e.g., Elazar 1987, 10). The literature shows that federal systems can be a valuable means of managing diversity as they provide expression and safeguard differences (e.g., Tarlton 1965; Stepan 1999; Kymlicka 2005). However, Tarlton warned that the accommodative merits of federalism have a limit as diversity may not be managed even by adopting federalism. The main reason is that to have a properly functioning federation, elements commonly shared by the members should predominate over the deep-rooted cleavages (Tarlton 1965, 73–74).

Further, a federal arrangement is viewed as suitable in the transition to democracy, particularly in post-centralisation and post-conflict regimes. Such absence of a single prescription regarding the desirability of the federal arrangement reveals that federalism has been employed for a variety of motives (Clarke 2007, 242–44), though it cannot solve the whole range of socio-political problems (King 1982, 74–75). Federalism is not a panacea for every socio-political problem because the federal arrangements are less flexible than their proponents claim. For instance, it is too complex to adopt asymmetric federations to respond to varying demands for autonomy (Kymlicka 2005, 273). Such limitation suggests that the federal system is unfit to address the inequalities within and across regions within the same polity (Hueglin and Fenna 2015, 27).

Though various studies maintain that federalism is an essential resource in resolving different problems states face, the outcomes are mixed. In some cases, the story is a success, while in others, observers noted that it simply failed (Elazar 1987, 12). This begs the question of why a federal system fails. Franck argued that federations that do not have leaders and people who embrace federal principles as the most important political value and political life would have a significant probability to fail (Franck 1968, 173). Similarly, Elazar (1987, 12) notes that one of the causes for the federal failure is the absence of “thinking federal”. According to Elazar, thinking federal denotes “approaching the problem of organising political relationships from

a federalist rather than a monist or centralist perspective”. Equally, federations formed reluctantly, or with some ends without ideological commitment or federations lacking a strong motive for partnership have a great chance of failure (e.g., Hicks 1978, 11; Rodden 2004, 489). Evaluation of the success or failure of a federal system can be made by assessing to what extent the federation remained serving values for which it was designed at the outset (Burgess 2011, 194–204).

A federal arrangement offers ethnonational groups the chance to exercise cultural uniqueness and self-rule (e.g., Kymlicka 2005, 269). This means a federal system is an appealing alternative for territorially organised groups to improve their status within the existing state by providing the groups with some level of autonomy over their political, cultural, economic, and social lives (e.g., Agranoff 2004, 27; Anderson 2004, 89–92; Malloy 2015). For instance, states constituting diverse groups, such as India, adopted a federal system to accommodate diversity and reduce secessionism through constitutionally decentralising powers (e.g., Stepan 1999). Such scenarios indicate that autonomy is a balance between secession and a highly centralised unitary state (e.g., Livingston 1952, 89–92; Ghai 2000, 525; Kymlicka 2005, 273–76). Nonetheless, the impact of federalism in reducing secession is not conclusive because writers such as Kymlicka (1998) argue that autonomy increases secessionist groups aspiration for independence.

Overall, federal arrangements are promoted by many as a suitable form of a state structure to maintain unity by giving some powers to territorially organised groups. Theoretically, constituent units in federations have the autonomy to make decisions on subjects in their jurisdiction. Nevertheless, autonomy is not an issue exclusive to a certain kind of state structure or levels as it could exist in a unitary or federal system and at a regional or local level (Loughlin 2000, 12; Agranoff 2004, 27). Besides, a formal granting of competencies may not be enough in ensuring regional autonomy. Instead, the federal process remarked by negotiations and commitments to the federal pact determines the institutions’ subsequent operations. The following section will shed light on the federal process, which is vital for implementing federalism.

2.3 The Federal Process

A theory-driven empirical study of federalism in federations undergoing the democratisation process and in authoritarian regimes poses a challenge to the scholars of the field. Because, on the one hand, theories of federalism have been developed based on the experiences from other regions of the world with matured democracy. On the other hand, the theories suppose decentralised political power (Dickovick 2014, 553–55). However, centralising forces, such as the party system, put the constitutionally envisioned regional autonomy in a precarious situation (Dickovick 2014; Hutchinson 2014).

Livingston (1952, 87–88) asserted that whether a constitutionally federal state is federal in practice depends on the institutional structure and how the institutions operate. This is because institutions created to serve a federal system may work as if they were designed to serve unitary purposes through time. According to Livingstone, it might be challenging to know the precise nature of the federal state by just analysing the institutions or constitutions of the state. Instead, appropriately assessing the implementation of the federal pact and how the institutions function is vital. Likewise, Watts (2015:12) states that the political setting and process are crucial as federations' constitutional and structural features. Such a scenario implies that the critical quality of a federal system is not just the existence of specific combinations of institutions or constitutional division of powers.

From a constitutional viewpoint, constituent units in a federation are not subordinate to the centre, and the latter cannot deprive them of their competencies. However, according to Elazar, this is not always the case in states where the “federal process” is missing. The elements of a federal process include “a sense of partnership among the parties to the federal compact, manifested through cooperation on issues and programs and based on a commitment to open bargaining between all parties” (Elazar 1987, 67–68). The federal process, among other things, involves negotiation and bargaining in the policy process (e.g., Hueglin and Fenna 2015, 35). Thus, the federal-state structure is meaningful only in a system where the intergovernmental process aligns with the federal principle. Elazar explicitly states that “many polities with federal structures are not federal in practice that the structures mask a centralised concentration of power that stands in direct contradiction to the federal principle”

(Elazar 1987, 67). Overall, authentic federalism, and regional autonomy, requires federal structure and corresponding federal process.

2.4 Symmetry vis-à-vis Asymmetry in Federations

Watts distinguishes between constitutional (*de jure*) asymmetry and political (*de facto*) asymmetry that may affect the operations of a federation (Watts 1999, 63). *De jure* asymmetry refers to differences among the units pertinent to their status or constitutionally assigned powers (Watts 2008, 127). Constitutional asymmetry manifests in three main ways: asymmetry in autonomy, jurisdiction and powers; asymmetry in financial arrangements and fiscal powers; and asymmetry in the representation of the units in the second chamber. Most federal constitutions, including Ethiopia, symmetrically devolve legislative and executive powers to subnational units. However, states such as Canada, Belgium, India, and Malaysia, have constitutional provisions for differential treatment of the constituent units due to various factors (Watts 2005, 3–5).

According to Watts (2008, 127–28), *de jure* asymmetry can be created in three approaches. The first is reducing the autonomy of some regions for certain specified functions. The second is increasing the conventional authority of some constituent units. In this approach, certain matters that were the federal government’s jurisdiction become regional subjects or concurrent. The third approach allocates similar powers to all members but includes special provisions in the constitution to allow some regions to have the option to opt-out. Such arrangements are often adopted to address demands arising from *de facto* asymmetry.

De facto asymmetry, on the other hand, is the differences in actual relationships and operations of the federation originating from the differences in culture, economy, political setup, interests, and psychological makeup among the members (e.g., Tarlton 1965, 869; Agranoff 1999, 16; Watts 2005, 2). Such variation among the constituent units can affect the units’ relationship among themselves and with the federal government and may also make the identifications of common interest tricky (Tarlton 1965; Watts 2008). When *de facto* dissimilarities are considered and constitutionally accommodated, the federation becomes constitutionally asymmetric.

Federations adopt *de jure* asymmetry to entertain the units' inherent differences, such as accommodating diversities, variation in capacity and the differences in political and historical demands for autonomy. And by doing so, they hold multinational states together by assigning different competencies to regions with diverse cultural, religious, ethnicity and political needs. Such differences are often deep-rooted, making them difficult to manage except constitutionally recognised asymmetric power distribution. Stepan (1999, 28) notes that all multinational democratic federations are asymmetrical, except Switzerland.

2.5 Determinants of De/centralisation in Federations

The previous sections discussed that the constitutional and institutional features of a federation *per se* could not help us understand the implementation of federalism and the extent of regional autonomy in federations. Though formal structures and constitutional assignment of powers are essential, the execution of federalism and the practice of regional autonomy are defined by various interrelated factors. The literature identifies different de/centralising elements. Some of the pieces trace the factors from the inception of a federation. Others count the factors from the federal process or its operation.

This section aims to guide the selection of the key factors that should be focused on in assessing the factors shaping the practice of regional autonomy in Ethiopia. Both theoretical and empirical issues and experiences from developed and developing federations are reviewed because theories of federalism are essentially the same whether developed or developing countries. Besides, it is essential to have a broader perspective, though specific socio-cultural, political and economic dynamics determine the functioning of federalism in a country. Nonetheless, more emphasis is given to the cases of federalism in countries with developing economies, ethnic diversity and dominant party regimes. The factors and processes driving de/centralisation in federations are reviewed below.

Patterns of Federation Formation

One strand of work asserts that the federal formation pattern is a key determinant factor that shapes the autonomy of constituent units at the outset. Elazar (1987) argues that the formation pattern determines the constituent units' powers and freedom. According to this perspective, subnational units in federations formed through coming together have more regional

autonomy than units in unions formed through holding together (Watts 2008, 65). An empirical study covering six prominent federations by Dardanelli et al. (2019b, 204) shows that federations formed through federal bargain are less centralised initially.

Riker (1964, 12) noted that the federal bargain arises from common problems constituent units face that induce them to come together for common goals. However, the classical Riker's theory may not help explain federations such as Ethiopia because the federal bargain theory is mainly associated with the US experience, which is a coming together federation. Most "holding-together federations" did not emerge from the federal deal (Stepan 1999). The same is true for federations such as Ethiopia and Nigeria and systems such as South Africa (Dickovick 2014). Though Riker's theory regarding the federation formations may not fit holding-together federations, his notions about the roles of political parties in the federal process, as discussed below, are essential. Based on Riker's assertion concerning the federation formation, such holding-together federations should be more centralised at birth than the coming-together federations because of the absence of bargaining.

Party System

Political parties are the principal political actors in modern states in general. The nexus between federalism and the party system is critical as federalism creates multiple levels filled through elections. That means parties have an indispensable impact on the operation of federations. Riker (1964) uphold that parties are a general indicator of the structure of a federal system as their structures and integrations determine the autonomy of constituent units in federations. Among other things, parties play crucial roles in federations by shaping intergovernmental relations and fiscal transfer. National parties influence the degree of freedom subnational parties have in adjusting national policies to local conditions (e.g., Filippov, Ordeshook, and Shvetsova 2004, 178–80; Gordin 2004; Thorlakson 2009, 158). Moreover, political parties are considered as drivers of national integration, decentralisation, or agents of territorial conflict (Detterbeck and Renzsch 2015, 1). There is a centralisation of power in a system where the party ruling the national government controls the constituent units' parties.

Concerning this, Riker stated that:

“The federal relationship is centralised according to the degree to which the parties organised to operate the central government control the parties organised to operate the constituent governments. This amounts to the assertion that the proximate cause of variations in the degree of centralisation (or peripheralisation) in the constitutional structure of federalism is the variation in the degree of party centralisation” (Riker 1964, 129).

Riker’s work suggests that constituent units’ autonomy is primarily a function of whether the same party rules the federation and the units and how a party at the centre controls the region’s party leaders (Riker 1964, 130–31). For Riker, a decentralised party structure was essential for preventing federal intrusion on constituent units. His conclusion suggests empirical evidence supporting the notion that party correspondence between the centre and the units is associated with less regional autonomy. Likewise, Elazar had also concluded that a non-centralised party system is the most important single element in maintaining non-centralisation in federations (Elazar 1987, 178).

In his book *“Federalism and Federation”*, King (1982, 21) states that federation denotes a critical reaction to divergent demands for the diffusion and concentration of powers. He analysed the views of different scholars on federalism in which he identified three different mobilisation orientations, what he calls “federal ideologies”, in federal systems: centralist, decentralist and balanced (King 1982, 17–56). His analysis implies that the tendency to decentralise, centralise, or maintain a balance in a federal system is a matter of the party’s ideology.

Recent literature also suggests that some party ideologies are pro-decentralisation while others are not (e.g., Doring and Schnellenbach 2011, 92–93; Detterbeck and Renzsch 2015, 8). For instance, in the US, the parties in the left-wing tend to oppose decentralisation while the right parties tend to favour decentralisation (Doring and Schnellenbach 2011, 93). A more recent project by Dardanelli et al. (2019a, 206–7) reveals that centralisation is weakly associated with the left party, but “ideology seems to matter more in rhetoric than in action”.

The existing works concerning the party system conducive to regional autonomy, particularly in non-democratic or authoritarian regimes, reveal the impacts of the dominant party regime in federal operation. Dickovick (2014), regarding three African states, Ethiopia, Nigeria, and

South Africa, notes that these countries emerged federal, though South Africa is not formally federal, following conflicts and civil wars. These federations have in common, among other things, low subnational autonomy manifested by fiscal dependence, federal control, and a highly centralised dominant party that rules from the national to local levels. Dickovick's work seems to confirm that a centralised party system generates a centralised federation.

Africa's oldest and largest federation, Nigeria, exhibits all the standard features of federalism. However, the practice is contradictory, and the country resembles a federal-unitary hybrid primary explained by the dominance of the federation by one party. For instance, rather than promoting democratic federalism, Nigeria's dominant party regime manipulated elections, coercively removed oppositions from state-level and increased the number of states under its control (Suberu 2009, 79–80; 2013). Mexico is another federation that shows the impact of a dominant party on the federal operation. The 1917 constitution and its earlier version stated that Mexico was a federation. Nonetheless, until post-1980s reforms, the state had a history of remarkable centralism because of its dominant authoritarian party. The relationship between the federal, state, and local governments has been highly determined by inter-party relationships, producing informal practices in transferring federal grants in the country (Wuhs 2013).

Studies indicate that the primary prerequisite to have viable self-rule is a genuine willingness to share power and work with the opposition parties. Irrespective of this, the major parties controlling the federal government have not been willing to make power-sharing adjustments with minor regional parties in dominant party regimes worldwide. In such states, the federal ruling parties use whatever powers at their disposal to diminish regional autonomy (e.g., Agranoff 2004, 59; Burgess 2006, 153–54; Hutchinson 2014; Ostwald 2017).

The federal ruling parties in such states consolidate powers through different mechanisms without changing the formal power distribution. Regarding such informal centralisation, Malaysia's experience is instructive. The federal ruling party centralised powers through the following three tactics without notably changing the constitution. 1) Assigning officials loyal to the federal ruling party to crucial positions and state posts to secure control of institutions (Hutchinson 2014, 6). 2) Strategically modifying formal rules and institutions to prevent political challenges for centralisation. For instance, the dominant party systematically

weakened the legislative role of the second chamber and the representation of the states in the house. Similarly, different policies passed, such as privatisation law and rolling development plans, brought local level policies under the federal domain and expanded the federal ministries competence by side-lining state governments. 3) Creating alternative agencies controlled by the centre, for instance, the State Economic Development Corporations, which are empowered to coordinate economic development within states, have limited the states' policy competencies (Ostwald 2017, 492–93).

Another prominent federation in the literature, arguably a point of reference for the Ethiopian federalism framers, is the former Soviet Union. The Union had most of the structural features of a federal system. However, as the political process lacked the federal process, the Union was not federal in practice (Elazar 1987, 68-71). Though Lenin favoured self-determination of ethnonationalities to the extent that it would facilitate the disintegration of the Russian empire, none of the founders of the Soviet Union preferred federalism as an organising principle, but they were compelled to adopt a federal system without a commitment to its principles. Even though the Union was formally federal, the ruling communist party that possessed the real power was strictly unitary. Consequently, while federalism in the Union was intended to manage diversity, the system was super-centralised (Sakwa 2010, 202-204).

Overall, federal experiences from states discussed above reveal the adverse effects of a one-party dominance on constituent units' autonomy and the implementation of federalism. Though these states have formally decentralised federal state structures, subnational autonomy is systematically constrained by a range of mechanisms employed by the dominant party regime. Such experiences strengthen the argument that formal institutional arrangements are an unreliable indicator in assessing a political system. Though states discussed above have formally decentralised federal-political systems, this has not prevented power consolidation in practice primarily due to a lack of a genuine multiparty system and democracy.

Democracy

Scholars also link the operation of a federal system with democracy. For instance, Wheare noted that dictatorship, with its one-party system, does not fit federations' working because it

does not allow free elections (Wheare 1946, 48). Dardanelli examined the Swiss federation where democracy and federalism intimately intertwined and precisely states that “if democracy can exist without federalism, the latter cannot really flourish without the former, as the historical experience of the communist federations amply demonstrate” (Dardanelli 2010, 142). Such assertions imply that putting the federal constitution into practice is determined by the level of democracy in the federation.

Empirical works from federations lacking democracy reveal that the federal constitution *per se* can do little apart from dividing competencies and setting the game’s rules. This is because the level of democracy significantly affects the implementation of federalism and regional autonomy. For instance, Hutchinson (2014, 427–28) notes that Malaysia’s dominant ruling party enacted several repressive laws that infringed states and suppressed opposition. Similarly, the lack of democracy and the resultant electoral corruption resulted in extraordinary political centralisation in Nigeria (Suberu 2010, 470). Authoritarian federalism, marked by excessive presidential involvement in state affairs through meta-constitutional practices, which existed in Mexico before the mid-1990s, is another case that solidifies the importance of democracy for constituent units’ autonomy and effective implementation of federalism. One of the reasons why genuine federalism might not be possible in a non-democratic regime is the absence of an independent judiciary capable enough to enforce the terms of the federal pact (Barracca 2007, 174–79).

Another effect of the lack of democracy on the implementation of federalism and regional autonomy can be seen from the politicisation of federal grants in non-democratic federations. Federal grants can be politicised in non-democratic regimes to punish states ruled by oppositions, for instance, as occurred during the second half of the 20th century in Mexico under the Institutional Revolutionary Party (PRI) (Diaz-Cayeros et al. 2003). In Ethiopia, in contrast, Ishiyama (2012) observed that the post-2005 election federal fiscal disbursement was targeted to buy off election constituencies that voted in opposition in the 2005 election. Nigeria also experienced such problems during its Second Republic (1979-1983). The national government controlled by the National Party of Nigeria manipulated fiscal allocation and encroached on the residual competence of states ruled by the opposition (Suberu 2009, 78).

The ruling parties encroachment on states ruled by oppositions, for instance, in Kelantan and Sabah in the 1990s, is another remarkable experience from Malaysia (Ostwald 2017, 494). The federal ruling party used fiscal manipulation to weaken opposition-ruled states' fiscal position, such as terminating federal grants and cutting development allocations, while increasing grants in states controlled by the federal ruling party. Simultaneously, special grants given to swing constituencies is notable fiscal manoeuvring in dominant party federations known by lack of democracy (Loh 1996; 2010). Such scenarios reveal that the fiscal transfers approach of the centre can also generate *de facto* autonomy differences across constituent units.

Intergovernmental Relations

Intergovernmental Relations (IGRs) exist in all systems where two governments interact. However, IGRs are vital in federations because of the interdependence between the federal and constituent units (Howitt 1984, 1–5; Walker 2000, 20). Agranoff (2004, 29) states that IGRs involve transactional and interactional activities that shape the reality of shared rule and self-rule. IGRs encompass interdependence, among other things, in the areas of fiscal and policy (e.g., Howitt 1984; Walker 2000, 19–20).

The institutions of IGRs, conventionally known by the name of commission, board, Council and many more, play critical roles in channelling the relationships between federal and constituent unit governments and the working of regional autonomy. As IGRs are practice-driven, they are hardly regulated by constitutions. Consequently, IGRs often take informal communications between government officials at different levels or formal institutions structured to facilitate intergovernmental relations, taking standing or ad hoc meetings. They can range from an informal phone call between officials to a formally binding intergovernmental agreement (Watts 1999, 57–58; Poirier 2002, 24). Because IGRs take both formal and informal approaches, studies reveal that the model of IGRs that prevails in a federation reflects the fundamental political culture in the Union (Steytler 2011, 414).

The primary function of IGRs is facilitating the implementation of policies. Nonetheless, IGRs in dominant party regimes are highly structured and work coercively to monitor the constituent unit governments. Besides, the formal IGRs institutions are absent in federations

such Ethiopia and Mexico systems (Agranoff 2007, 42). In both cases, the central government maintains a monopoly in the relationships between the two-level governments and shapes the regional policy or political agendas (Agranoff 2004, 58). As the centre dominates the institutions of coercive IGRs, the predominant institutions of IGRs play a controlling role, hinder constituent units' autonomy, and foster subnational accountability to the centre rather than to its people (Steitler 2011).

Economic System and Central Governments' role

Another trend is the nexus between de/centralisation and states' economic systems. The assertion is that federalism creates better autonomy to constituent units if a federation has a free-market economy with private sectors and subnational government initiatives (Duchacek 1987, 311–13; Kincaid 2011, 246–47). A nonmarket economy challenges regional autonomy because the former requires central planning, limiting constituent units' policy prerogative. For instance, the increasing roles of the national government in economic planning, welfare service and interstate commerce limits subnational units' policy scope.

By a similar token, Kincaid (2011, 246) states that “if the central government is the main owner of land and capital or command economic institutions, there is a greater possibility that the same will be the main political actor with more interest to centralise”. Conversely, Scharpf (1996, 361–63) argues that the spread of a free market economy in the European Union constrained regional autonomy by giving the national governments the power to implement free trade treaties across subnational jurisdictions. Dardanelli et al. (2019b, 206) note that the increased responsibilities of government in wealth redistribution and economic stabilisation since the nineteenth century has resulted in a rise of citizens expectations concerning the federal governments' role, which triggered centralisation over time.

Such an increased role of the national government is not observed in developed federations only. For instance, post-independence Malaysia was faced with the demand of ensuring rapid economic development and improvements in living conditions. During that period, it was stressed that a strong and centralised state guiding development from above was the most effective vehicle for development. With the banner of coordinating development initiatives in Malaysia, the federal government created new agencies and responsibilities for economic

planning were consolidated under the Prime Minister Department. Such arrangements enabled the Prime Minister Department to play unprecedented social, economic, and development roles across the states (Ostwald 2017, 490–91).

The issue of poverty reduction, development and state-building were almost what most post-independence countries faced. Mkandawire (2001a, 295) notes that many newly independent African countries had to deal with the need for a relatively centralised government to facilitate rapid economic growth. Given the absence of a private sector that could provide goods and services, the new states had to shoulder extensive development tasks through pursuing a developmental state model. Mkandawire (2001a, 292) argues that a developmental state became more prominent after the structural adjustment programme failure compelled the Bretton Woods institutions to appreciate that the state can play active roles in development instead of acting as a “night watchman”. Consequently, central states became the dominant actor in the economy. Seen from a federalism perspective, the increasing state role may generate centralisation.

2.6 Critical Review of the Studies of Ethiopian Federalism

Different scholars have conducted substantial studies concerning Ethiopian federalism. One strand of studies of Ethiopia analysed federalism considering democracy and elections. The studies assert that the constitutionally promised democracy has not been realised because elections became ceremonial practices for regime legitimation (e.g., Aalen and Tronvoll 2009; Abbink 2009; Merera 2011; Arriola and Lyons 2016).

Samatar (2004) examines the relationship between the federal government and the Somali region. He claims that despite federalism’s positive outcomes for the Somali communities, regional autonomy is limited because of federal interference. Similarly, Dejen (2015) assesses decentralised governance in the Tigray region and argues that the dominant party’s decisions significantly impact federalism. More recently, Assefa (2019) analyses the interface between federalism and development and notes that the centralised policy-making regime of the ruling party affected regional policy competencies. These studies are essential, but they do not help to understand differences across regions or over time as they are not comparative in approach. Besides, they are not systematised to enable comparison.

Another strand of literature focuses on examining the gains of decentralisation reforms in Ethiopia (e.g., Tesfay 2015; Sintayo and Meheret 2017; Assefa 2020; Faguet, Khan, and Kanth 2020). These studies note that decentralisation has improved service delivery, but its implementation has been affected by the centralising culture of the dominant party and the weak capacity in the regions.

Academic works more relevant to this thesis are focused on Ethiopia's fiscal federalism. Aalen (2002) noted that Ethiopian regions are highly dependent on the federal transfer because of the constitutional centralisation of revenue sources and lack of regional capacity. Keller's (2002) study centres mainly on revenue sharing strategy between the federal and regional governments during the initial decade of federalism in the country. Ishiyama (2012) examines federal fiscal transfers using rigorous quantitative methods by focusing on the politics of post-2005 election³ federal financial disbursements. Ishiyama notes that the federal government grants allocations target was to buy off election constituencies that voted in opposition in the 2005 election rather than considering subnational governments fiscal needs. Ishiyama shows that the appeasement hypothesis best explains financial disbursement to local governments in Ethiopia. Both Keller and Ishiyama did not assess regional own-source revenues and tax autonomy in practice.

Another critical study by Paulos (2007a) compares expenditures and revenues devolution in the Amhara, Benshangul-Gumuz, and Tigray regions. Paulos comparatively examines the three regions' revenue and expenditure assignment in the education, health, and agriculture sectors. Nonetheless, his research comprises fiscal data until 2001/02, which means the study may not reflect the current condition. Though this research assessed regional participation in the three sectors, it did not measure regional autonomy over these sectors, which means the study paid no attention to systematically evaluating the gap between constitution and the practice of self-rule. However, it is possible to take Paulos's work as a forerunner of comparative fiscal federalism study in Ethiopia.

³ The 2005 general election was the most highly contested election in Ethiopia's election history. Election debates and campaigning were democratic, and opposition parties won many federal and regional parliament seats. However, it turned out to be bloodshed as both government and the oppositions claimed victory.

Previous studies generally identify key challenges and factors that affect the implementation of federalism in Ethiopia. Comprehensively examining the early years of federalism in Ethiopia, Aalen (2002) noted the federal ruling party's decisive roles in influencing the implementation of federalism and creating discrepancies between the constitution and the practice. Tsegaye (2004, 6) pondered some of the difficulties the Ethiopian federation faces, including managing extreme cross-regional imbalances, state-building in peripheral and marginalised regions, and the effects of increasing centralisation on maintaining regional autonomy.

Scholars, for instance, Aalen (2006, 251), noted the significant impact the ruling party has on the operation of federalism by blurring the boundary between the party and state bureaucracy. Similarly, Adem (2013, 60) stated that “the one-party dominance has led to the centralisation of power despite the clear constitutional intention to decentralise power to the states”. Besides, intraparty politics that links federal party officials with regional party leaders via patronage network plays an essential role in defining the day-to-day operation of Ethiopian federalism. Further, national development programmes coordinated by the dominant party and implemented across the state become one of the defining features of the Ethiopian federation (Erk 2017, 221–22; Assefa 2019b).

Nigussie (2015) emphasises intergovernmental relations (IGRs) between the two levels of government and claims that the IGRs in Ethiopia is top-down. Nonetheless, the study does not explain its impacts on regional autonomy. Nigussie argues that the lack of an independent institution empowered to coordinate IGRs has created problems such as lack of regular interaction and ineffectiveness of relationships between the two-level governments. In addition, lack of administrative, infrastructural, and personnel capacity also affected federalism, particularly in peripheral regions (Assefa 2012, 449). Concerning the impact of constitution-design on the implementation of Ethiopian federalism, Assefa and Zemelak (2017, 250) pointed to the lack of specificity in constitutionally allocating competencies as one of the causes for the dominant roles of the federal government in the policy process.

In general, existing studies have contributed a lot in advancing understanding about Ethiopian federalism from different dimensions. However, they left several gaps, which this thesis strives to fill. First, most of the studies focus on the formal description of the federation rather

than analysing the practice and vertical power distribution changes over time. Second, the researchers mainly employed a qualitative approach and were not well systematised to enable comparison. Third, no systematic inquiry, except a couple of studies in fiscal areas, has been made to measure regional autonomy across policies and fiscal dimensions. Fourth, no study has been conducted to show changes in power distribution over time and autonomy variation across regions, and explanations of causes for such changes have been missing.

2.7 Conclusion

This chapter reviewed that several countries have adopted federalism for several reasons. After WWII, different countries embraced federalism to manage ethnic diversity by granting self-rule to distinct groups. Federalism theoretically offers some degree of autonomy to constituent units to make decisions in their jurisdiction. Practically, however, this is not the case always because some federations are decentralised over time because of different factors. Regarding the pattern of federation formation, federations born out of federal bargain are theorised to be more decentralised than other types of federations. This chapter also reviewed that the party system is a vital force determining dynamic decentralisation in federations. Empirical works reveal that dominant party regimes in states such as Ethiopia, Malaysia and Mexico have massive roles in implementing federalism and exercising regional autonomy. Scholars also argue that intergovernmental relations are a crucial factor determining the degree of decentralisation in federations.

While the increased role of a national government is generally accepted as triggering centralisation, the centralising role of a free-market economy is non-conclusive. Some argue that a non-market economy challenges regional autonomy because it requires central planning, limiting constituent units' policy prerogative. In contrast, others claim that a free-market economy causes centralisation by allowing the federal government to implement trade treaties across constituent units. Concerning the Ethiopian federation, writers assert that the dominant party system in Ethiopia is the principal force influencing the implementation of federalism and limiting the practice of regional autonomy.

Chapter Three: Introduction to Federalism in Ethiopia

3.1 Introduction

To properly understand Ethiopia's current federal system, it is essential to know its genesis and historical-political contexts. The reason is that the historical-political contexts from which the Ethiopian federation emerged are noteworthy as they shape the current relationships between the actors and groups. Besides, this chapter outlines the vertical distribution of powers and different institutions vital in the Ethiopian federation. This chapter is structured as follows. The first section provides a glimpse of the political-historical context of the Ethiopian state-building. Part two presents Ethiopia's transition to a federation. Section three gives an overview of the Ethiopian federation, followed by part four which discusses the institutionalisation of Ethiopia's second chamber. Section five examines the vertical division of powers under the federal constitution. The sixth section provides an overview of the structure of the federation. Section seven presents regional autonomy as enshrined in the federal constitution, while part eight assesses the politics of the dominant party system in Ethiopia. The final part provides a summary of the chapter.

3.2 Overview of the Ethiopian State-building

The state of Ethiopia got its modern shape during the time of Emperor Menelik (1889-1913). Emperor Menelik conducted various wars against kingdoms in Southern, Western and Eastern Ethiopia to expand his territory. Menelik, aided by modern weapons gained from the European colonisers in neighbouring countries, controlled the modern-day Oromia, SNNP, Somali, Benshangul-Gumuz, Gambela and Afar regions. During the Menelik regime, peacefully subjugated regional lords were allowed to administer their respective areas as long as they made timely tribute payments to the Emperor. In contrast, those who resisted Menelik's rule were strictly controlled (Bahru 1991; 2001; Marcus 1994).

Menelik's era is identified by the violent incorporation and subjugation of groups (Marcus 1995, 67). His regime is also notable for the first cabinet introduced. Power delegation made by the Ministry of Justice to the appellate courts in the provinces in 1907 is also noteworthy (Bahru 2001). This delegation of power denotes the first institutionalised attempt to

decentralisation in the modern Ethiopian state. However, conquered groups remained subjugated and marginalised (Marcus 1994).

Following Menelik's death, *Lij Eyasu* (Menelik's grandson) took the throne. Eyasu spent most of his time moving across the country to strengthen ties between the centre and the newly incorporated areas. By effectively exploiting *Lij Eyasu's* absence from the country's capital, in 1931, Teferi Mekonnen crowned Haile Selassie, the Emperor of Ethiopia. Emperor Haile Selassie ruled the country for nearly half a century (1930-1974), and he is well-known for producing the first written constitution, which consolidated the Emperor's powers. During Emperor Haile Selassie's regime, the groups violently conquered by Menelik's force were kept in check, and the emperor consolidated powers (Marcus 1994, 112–13).

The reign of Haile Selassie came to an end when the *Derg* (meaning committee or Council in Amharic) came to power following the Ethiopian Student Movement (Marcus 1994). The *Derg* was constituted of military personnel of various ranks and led the country for seventeen years. It was an era of civil war, famine, and youth exposure to compulsory military services. The *Derg* was also infamous for its Red Terror, a period of intense political and inter-communal violence in Ethiopia that erupted two years after the revolution of 1974. The struggle was about the roadmap and ownership of the revolution. The opposition groups of the radical left fiercely resisted the *Derge* that promulgated Marxist-Leninist language and heavily used armed force to suppress dissent. Much of the bloodshed was conducted by government security, but the local militias and armed citizens were also involved in the Red Terror (Pankhurst 2002). During the *Derg* years, political and administrative powers were consolidated by the Communist government led by Mengistu Haile Mariam. Mengistu was the chief of the army, party leader and the president of the People's Democratic Republic of Ethiopia (PDRE) (Bahru 2001).

The *Derg* era was marked by "land-to-the tiller" and the nationalisation of rural lands and urban houses. The Ethiopian revolution during the *Derg* ushered in a fundamental agrarian land reform that profoundly altered the rural landholding system. The *Derg* and its followers believed that the root of Ethiopia's problem was the economic exploitation of the public. Besides, the *Derg* attempted to adopt cultures and languages other than the dominant Amhara,

which was entirely a new phenomenon in Ethiopia. An institute of nationality was established in 1983 to study the identities and boundaries of nationalities. However, the *Derg* only allowed cultural, but not political, expressions of ethnic diversity. Though it embraced cultural diversity, the *Derg* refused to accept any demand for power-sharing and instead fought for power consolidation (Clapham 1988; Marcus 1994; Bahru 2001).

As a result, different resistance groups raised arms and fought a brutal and prolonged war to get recognition of identities, self-rule, and democratisation. The resistance movements, dominated by the Eritrean People's Liberation Front (EPLF), the Oromo Liberation Front (OLF), and the Tigray People's Liberation Front (TPLF), brought the downfall of *Derg* in 1991 (Brietzke 1995). These forces were ethnonational groups that launched the armed struggle to liberate their respective ethnonationality. Battles between central and regional powers have been at the centre of Ethiopian politics, and the victory of ethnonational blocs means the defeat of the centralist force (Aalen 2002, 2–6).

Menelik's political administration of Ethiopia was a feudal state structure that was highly relied on nobilities (Bahru 1991). However, during Emperor Haile Selassie (1930–1974), regional nobilities' powers were reduced through dependence on bureaucracy (Young 1998, 192; Vaughan 2011, 621). During the *Derg* era (1974–1991), a vast consolidation of powers was attempted but faced ethnonational-based political resistance and movements instead of the regional nobility common during pre-*Derg* periods (Aalen 2002, 2).

Menelik, Haile Selassie and the *Derg* regimes attempted to impose cultural, linguistic, and political hegemony through centralised state-building projects. These regimes tried to portray Ethiopia as a unified Amharic-speaking state with no consideration for diversity. The emperors carried out nation-building by imposing Amhara's cultural and political hegemony on the newly conquered and autonomous areas of the present Southern, South-Western, and Eastern Ethiopia. At the centre of the emperors' nation-building project was centralisation and suppression of diversity (Teshale 1995). And ethnolinguistic heterogeneity was seen as a crime by the hegemonic groups. Consequently, peoples in the dominated areas felt the impact of centralisation in weakening the authority of their traditional regional rulers and the imposition of the Amhara's cultural, political, and linguistic hegemony (Young 1998, 192).

In the 1960s, such domination and violent process of nation-building led to the emergence of different forces organised along with identity, mainly with the name of “National Liberation Front”, to fight for equality, accommodation of diversity, autonomy, and some cases, independence. The various ethnonational liberation movements⁴ fought hard against conquering and suppressing their respective peoples by the Amhara elites (Rock 1996, 93). In 1991, the downfall of the *Derg* and the stepping into the power of the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) brought the promise of accommodation of diversity, self-rule, and democracy to Ethiopia. The EPRDF is a coalition of ethnically organised political parties formed in 1989 with at its core the TPLF. The EPRDF claimed that the root cause of the problems and crises in Ethiopia was the subjugation and repression of diversities and imposition of political, language, and cultural hegemony, which also resulted in the economic exploitation of the Nations, Nationalities, and Peoples (NNPs) of Ethiopia.

Article 39(5) of the Ethiopian constitution defines NNPs as a group of people “who have or share large measure of a common culture or similar customs, mutual intelligibility of language, belief in a common or related identity, a common psychological makeup, and who inhabit an identifiable, predominantly contiguous territory”. The constitution does not differentiate among NNP, and there is no difference of substance if a group is called a nation, nationality, or people. The EPRDF leaders and other liberation movement chiefs believed that Ethiopia’s problems must be addressed by formally recognising the diversities through adopting a federal system. Such development opened a four-year (1991-1994) transition period to set the foundations of the federation.

3.3 Transition to Federation

After the EPRDF stepped into power in 1991, the main task was to reorganise the country based on the federal principle (Alem 2004; Asnake 2013). Post-*Derg* political developments in Ethiopia can be broadly divided into two periods. The first is the transitional period from

⁴ Liberation movements such as the EPLF, the OLF, and the TPLF, started armed movements with secession as an objective. While the EPLF was able to realise an independent Eritrean state through a referendum conducted in 1993 and the TPLF overwhelmingly ruled Ethiopia since 1991, the OLF’s demand for an independent Oromia had not had the chance to be decided through a referendum like Eritrea.

1991 to 1994, during which the EPRDF restructured the state into fourteen regions. The second period is post-1994, during which the country formally started exercising federalism based on a federal constitution. This section focuses on critical political trajectories and developments during the transition period; the rest of the chapter covers post-1994.

In June 1991, the leader of the EPRDF and the TPLF, Meles Zenawi, arrived in Addis Ababa after attending the American brokered London Peace Conference. He held a press conference and clarified that his party, the EPRDF, would restore peace and stability (Merera 2011, 167; Zemelak 2011, 10). Meles promised a new epoch of peace and democracy and pledged to convene a conference by July to form a Transitional Government of Ethiopia (TGE) that led the country until an election.

The conference convened in July 1991 discussed and approved a Transitional Period Charter of Ethiopia that laid down the rules that govern the transitional government and principles for the transitional period (TGE 1991). The Charter was a quasi-constitution to serve the transitional period until a new constitution would be promulgated (Rock 1996, 93). Thus, the transitional period charter laid the groundwork for the to-be-established federation of Ethiopia (Samatar 2004, 1134). The Charter assured the rights to self-determination and self-rule of the Ethiopian NNPs (Art. 2, TGE 1991). It also promised to address the historical grievances of different ethnic groups (Merera 2011, 667). Based on the Charter adopted after a National Conference attended by ethnonational organised groups and parties, the TGE was installed in July 1991 (Young 1998, 194). Twenty-seven political and armed groups participated at the National Conference (Rock 1996, 93; Aalen 2002, 7; Tewfik 2010, 10).

The TGE was composed of a Council of Ministers and a non-elected Council of Representatives (CoR). The CoR was mainly composed of representatives of national liberation movements to make up 87 members empowered to exercise legislative powers and oversee the Council of Ministers (Art. 7-9, TGE 1991). While the EPRDF dominated the Council by controlling 32 seats, the OLF had 12, the largest after EPRDF. The remaining 43 seats were distributed to different ethnonational based parties (Kassahun 1995, 130; Rock 1996, 93; Young 1998, 194). Meles Zenawi, the TPLF and EPRDF leader, became president of the TGE (Lyons 1996, 123; Young 1998, 194). While the EPRDF seized vital positions

such as defence and foreign ministers, OLF held four minor cabinet posts (Lyons 1996, 123). In January 1992, based on the Charter, 14 regions⁵ were created (Art. 3, Proclamation No. 7/1992). The trajectories during the transition period offered the EPRDF multifaceted leverage to consolidate power and control the shaping of the country's future.

Another exciting development, probably a critical turning point in Ethiopia's transition period and subsequent political dynamics, was the 1992 regional elections. Pertinent to this, a prominent University Professor and main opposition party leader, Merera, states, "the regional elections of 1992 became the first major test for the new regime's decentralisation initiative" (Merera 2011, 668). As the election approached, the tension between the EPRDF and the OLF escalated from bickering in the CoR to becoming public when a military confrontation began (Lyons 1996, 125–26). Consequently, the OLF, the main challenge to EPRDF, withdrew from the election and transitional government (Samatar 2004, 1134; Merera 2011, 668). Other parties such as the Islamic Front for the Liberation of Oromia (IFLO), the All-Amhara Peoples' Organisation (AAPO) and the Southern Ethiopian groups boycotted the elections (Kassahun 1995, 131; Merera 2011, 668).

Despite the boycott, regional elections were conducted in June 1992. The rationales for the election were decentralising power and providing regional governments with a popular mandate (Aalen 2002, 7). The polls were also aimed to legitimise the EPRDF's rule and ensure local autonomy (Merera 2011, 668). By capitalising its military capacity and assigning loyal administrators by creating Peoples Democratic Organisations (PDOs) across the country, the TPLF-led EPRDF controlled most of the country (Lyons 1996, 127). The withdrawal of the OLF and the electoral victory of EPRDF/OPDO in the Oromia region was seen by many as sowing the seeds for many problems the region faced subsequently (Samatar 2004, 1134). Due to the OLF and other competing parties boycott, only the EPRDF and its affiliates appeared on the ballot (Lyons 1996, 127).

⁵ When the federal constitution was adopted in 1995, the number of regions was reduced to 9 following the amalgamation of regions 7, 8, 9, 10 and 11 to form the SNNPR.

Leaving the election controversies aside, the TGE were entrusted with ensuring peace and stability, completing the new constitution, facilitating the requirements for elections, and leading the country towards full democracy (Rock 1996). More than 100 parties emerged during the transitional period. By pushing popular parties such as the OLF to leave the interim election and constituent assembly, the EPRDF dominated the platform to reconstruct the country on a federal basis (Samatar, 2004). Later, in 1993 the Council of Representatives formed the Constitution Drafting Commission to draft a new constitution (Kassahun 1995, 130; Rock 1996, 94). Accordingly, the federal constitution drafted by the Commission was approved in December 1994 and came to effect in August 1995.

Scholars criticised the conference and the transitional period for different reasons. First, none of the groups who participated in the forum, except for OLF, had their political agenda, and most of them were weak (Merera 2011, 667). Some of them were small ethnic parties newly organised under the EPRDF instruction (Lyons 1996, 123). Second, the conference was discriminatory as the participants were hand-picked by the TPLF-led EPRDF (Kassahun 1995, 131). Third, despite a wide array of ethnonational parties' participation, the TPLF-led EPRDF dominated the conference (Lyons 1996, 121; Samatar 2004, 1134). The EPRDF exploited the transition period to consolidate power rather than leading the country to a democratic federal order. By depending on its military power, and organisational and leadership capacity, the TPLF-led EPRDF dominated agenda setting and rules of political competition. Fourth, the Ethiopian Election Commission favoured the EPRDF (Lyons 1996, 121–27).

The TPLF-EPRDF's dominance during the transition period and throughout should be seen in connection with the party's understanding of democracy as 'revolutionary democracy', not liberal democracy, where the vanguard party would be in charge of the democratisation process and lead the masses. Revolutionary democracy believes that a vanguard party should rule because it represents the people. It has a preference to categorise society into classes and understands its main challenger to be free-market capitalism (Paulos 2007b, 277). The ideology reiterates the Marxist-Leninism notion of national questions and conceives democracy, quite divergently from the Western model, based on communal collective participation and representation based on consensus (Aregawi 2009, 190). Consequently, the

conception of democracy is shaped partly by ideological habituation and partly by historical experience, blending class theory with ethnicity (Vaughan and Tronvoll 2003, 116–17); thus, it aims to protect both individual and group rights (Medhane and Young 2003, 392). At the core of the functioning of democracy is mass mobilisation around ethnicity, particularly the organisation of the peasants.

Studies noted that the hallmark of constitution-making, such as bargaining, negotiation and compromise, was not adequately observed as TPLF-led EPRDF dominated the process. One observer made a conclusion that “whilst the 1991 conference may not have resulted in a one-party government its convention reflects, to a large degree, a one-party dynamic” (Vaughan 1994, 60). This implies that the EPRDF controlled the transitional charter, the conference and generally the transitional period.

No matter the process of crafting the constitution, a federal system was adopted because it was perceived as the only way to maintain Ethiopia’s unity. The federal idea was taken as the best way to constitutionally address identity-question by granting self-determination rights to groups conquered violently and subjugated under the previous Ethiopian regimes (Assefa 2007, 1; Tewfik 2010, 5). Since federalism was introduced after a long centralisation era, both hope and uncertainty followed (Aalen 2002, 1). While federalism was generally welcomed by many nations, nationalities, and peoples of Ethiopia as the constitution grants the right to self-determination, including secession, others feared it would lead to disintegration.

3.4 Overview of Ethiopian Federation

The transition period ended when a constitution adopted in 1995 established the Federal Democratic Republic of Ethiopia (FDRE), a federation of nine states, commonly known as regions. Constituent units of the Ethiopian federation are the following: 1) the state of Tigray 2) the state of Afar 3) the state of Amhara 4) the state of Oromia 5) the state of Somalia 6) the state of Benshangul-Gumuz 7) the state of the SNNP 8) the state of the Gambela 9) the state

of the Harari (Art. 47 FDRE Constitution 1995). In 2019, the Sidama region became the tenth constituent unit of the federation.⁶

The FDRE has a parliamentary form of government with a Prime Minister elected from among members of the House of Peoples' Representatives (HPR). Like other parliamentary governments, the parliament selects the Prime Minister from a political party or a coalition of political parties that constitutes a majority in the HPR. The Prime Minister is a powerful head of the government, serving for five years, but can be reappointed as necessary and vested with the highest executive authority (Art. 72-74, FDRE Constitution 1995). The FDRE also has a nominal president, the head of state, elected by two-thirds of the two Houses' joint assembly. The constitution lays down that "the term of office of the President shall be six years. No person shall be elected President for more than two terms" (Art. 70(4), FDRE Constitution 1995). The federal parliament has two federal houses: the House of Peoples' Representative (HPR) and the House of the Federation (HoF). The HPR, the lower house, comprises 547 members directly elected by the people to serve for five years as a law-making body of the federal government. Further, the constitution states that "members of the house shall be elected from candidates in each electoral district by a plurality of the votes cast" (Art. 54(1-2), FDRE Constitution 1995).

3.5 The House of Federation: The Second Chamber of Ethiopia

3.5.1 Representation in the HoF

One of the major puzzles in federations is how to represent constituent units in the second chamber. Maintaining a balanced representation between larger and smaller units is crucial to ensure that the formers cannot override smaller members' interests. It appears that there are generally two trends in many federations pertinent to representation in the second chamber.

⁶ The administrative-territorial structure of Ethiopia includes two special cities: Addis Ababa and Dire Dawa. These cities are not equal to the regions but have special status. Addis Ababa is the capital city of Ethiopia and enjoys self-government (Art. 49, FDRE Constitution). Regarding Dire Dawa, at the beginning of the transitional period, the city was claimed by both the Oromia and Somali regions. Both regions were unable to agree on the status of the city. Thus, the city was placed under federal government control. *De jure* autonomy of the two cities is more limited than the regions' constitutional autonomy because the cities are accountable to the federal government while regions are not.

The first is equal representation for the member states. States are equally represented in the second chamber in federations such as Argentina, Australia, Brazil, Nigeria, and the US. The second is the asymmetric representation of constituent units in the second chamber. In federations such as Austria, Germany, India, Malaysia and Switzerland, constituent units' representation in the upper house is asymmetrical (Watts 2005). However, most federations follow different procedures to counterbalance the influence of larger units and increase the representation of smaller units in the second chamber.

The federation of Ethiopia is unique in this case. The second chamber, known as the House of Federation in Ethiopia, explicitly represents individuals and groups designated as "Nations, Nationalities and Peoples" rather than the constituent units (Art. 61, FDRE Constitution 1995). A closer look into another provision reveals that the constitution is a pact among Nations, Nationalities and Peoples, rather than the regions. The preamble of the constitution states that: "we, the Nations, Nationalities and Peoples of Ethiopia, strongly committed, in the full and free exercise of our right to self-determination...". Another clause of the constitution, article 8, declares that "all sovereign power resides in the Nations, Nationalities and Peoples of Ethiopia", and "this constitution is an expression of their sovereignty". Constitutionally, federalism in Ethiopia appears as a coming-together of Nations, Nationalities and Peoples (NNPs) instead of a holding-together of the constituent units. Thus, it should not be surprising to see a second chamber representing groups designated as "nations, nationalities and peoples" instead of constituent units. The difficulty is that each nation and nationality does not have its region. Regarding representation in the upper house, Ethiopia appears to be distinctive from other federations.

On the other hand, the representation formula in the house is a mixture of equal representation and proportional representation. Article 61(2) of the constitution states that:

"each Nation, Nationality and People shall be represented in the House of the Federation by at least one member. Each Nation or Nationality shall be represented by one additional representative for each one million of its population".

According to article 61(2), each group with less than a million population is represented by one individual in the house, denoting equal representation. Whereas groups with more than

one million have an additional representative for every million of their population, suggesting proportional representation.

Table 1: Representation in the HoF by Region

Region	Population in % (2015)	First-term Representation (1995-2000)			Fifth-term Representation (2015-2020)		
		NNPs	No. of Reps.	%	NNPs	No. of Reps.	%
Tigray	5.83	3	6	5.6	3	8	5.22
Afar	1.99	1	2	1.8	1	2	1.30
Amhara	23.53	3	18	16.8	6	29	18.95
Oromia	38.87	1	17	15.8	1	31	20.26
Somali	6.29	1	4	3.7	1	6	3.92
Harari	0.27	1	1	0.9	1	1	0.65
B-G	1.16	5	5	4.6	5	5	3.26
Gambela	0.47	4	4	3.7	4	4	2.6
SNNPR	21.08	39	50	46.7	55	67	43.79
Total	100	58	107	100	76	153	100

Source: Compiled from FDRE House of Federation, 2020.

Note: NNP=Nations, Nationalities and Peoples; BG=Benshangul-Gumuz

Constitutionally, all nations, nationalities, and peoples of Ethiopia, rather than the nine regions, are represented in the second chamber. Such institutionalisation has various implications. The first is that heterogeneous and populous regions have more representation in the second chamber than homogeneous and less populated regions. This means diverse regions can be overly represented in the house regardless of their population. The second is that representation in the second chamber requires a periodic revision following at least demographic changes.

Third, Ethiopia's set-up implies that ethnonational recognition is made through granting representation in the house. This is understood by looking at the number of NNPs represented in the first and fifth terms. The number of NNPs represented in the second chamber increased from 58 to 76. The number of NNPs embodied in the House increased by 16 and 3 in SNNPR and Amhara, respectively (Table 1). Other regions recorded no change in the number of NNPs represented in the House since 1995.

The proclamation that established national/regional self-government in the transition period acknowledges 64 nations and nationalities (Art.3, Proclamation No 7/1992). However, the

representation of NNPs in the first term appears arbitrary because some ethnic groups were left out. NNPs' representation during the fifth term also seems random as it does not correspond to other government reports. For instance, 85 ethnic groups were acknowledged in the 2007 National Population and Housing Census of the Central Statistical Agency's (CSA) report (CSA 2007, 90–91). The group's ability to coherently assert its representation right and push its demand to higher political bodies appear to determine its representation in the House.

The constituent units are sharply asymmetrical in terms of population size and diversity. Regarding population, the asymmetry ranges from Oromia (38.87 per cent) to Harari (0.27 per cent). In terms of ethnic diversity, the constituent units vary from a highly diverse SNNP (55 NNPs) to homogeneous regions such as Afar, Harari, Oromia and Somali. Each has one representative as a group in the house. Likewise, there is an overwhelming variation among units regarding representation in the upper house caused by differences in ethnic diversity and population. 67 (43.7 per cent) members represent the SNNP region. The top two populous regions, Oromia and Amhara, are represented by 31 (20.2 per cent) and 29 (18.9 per cent) members, respectively. In contrast, a small city-state, Harari, has only 1 (0.65 per cent) representative in the house.

In Afar, Oromia, Somali and Harari regions, one group forms the majority, and the units have no territorial minority to justify representation as ethnonationality in the house. In comparison, other units have identified territorial minorities recognised in their respective regional constitution. While Amhara and Tigray have a single majority group, they also have territorially based minorities represented in the upper house. In Benshangul-Gumuz, Gambela and the SNNP regions, no single group forms a majority, and the regions are thus represented in the house by delegates of different NPPs. The representation of NNPs is as follows: Benshangul-Gumuz (5), Gambela (4) and the SNNPR (55). The range of representation as a unit in the house is 1:67, whereas the range of representation as a group is 1:55, illustrating a considerable variation (Table 1).

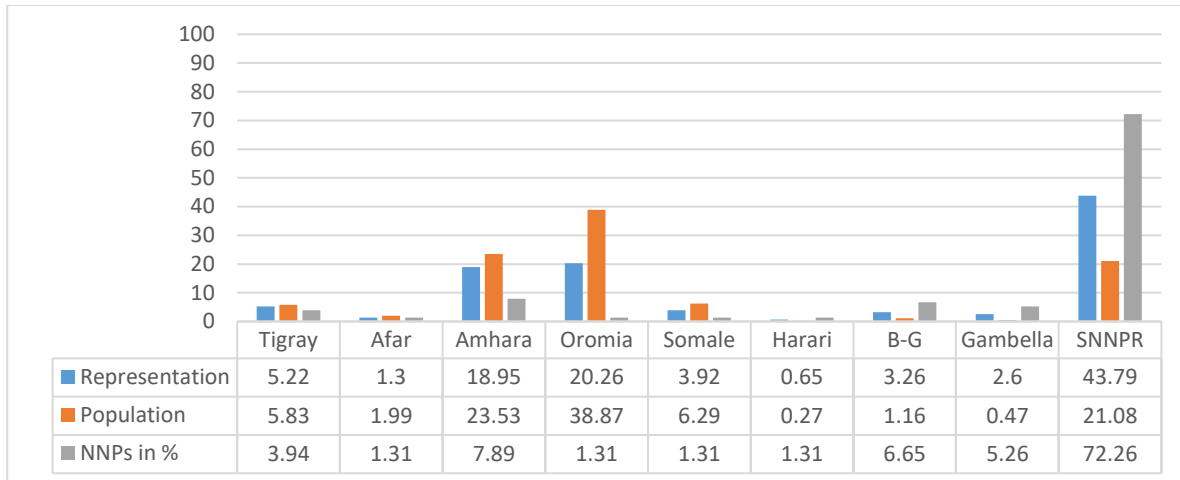


Figure 1: Representation, Population and NNPs

Source: table 1

The formula of representation neither absolutely favours populous regions nor heterogeneous units. If the population were the only criterion in determining representation, Oromia would have the highest (38.87 per cent) representation, followed by Amhara (23.53 per cent), SNNPR (21.08 per cent), Somali (6.29 per cent), and Tigray (5.22 per cent). However, the most heterogeneous and relatively less populated SNNPR has more representation in the House than highly populated regions such as Oromia and Amhara. This disproportional representation is due to the ethnic diversity in the SNNPR. While heterogeneous SNNPR controls closer to a majority seat (43.79 per cent), populous Oromia holds only one-fifth (20.26 per cent) of the seats in the house. Nonetheless, representation in the house does not entirely favour ethnic diversity. If ethnic diversity were the sole criterion, the rank of regional representation would be as follows: 1st SNNPR, 2nd Amhara, 3rd Benshangul-Gumuz, 4th Gambela, 5th Tigray and the remaining units equally. The two populous regions, Oromia, and Amhara cannot balance the SNNPR in the house due to a tremendous ethnonational diversity in the SNNPR. The two units' combined representation is 39.21 per cent, while that of SNNPR is 43.79 per cent. Thus, representation in Ethiopia's second chamber favours heterogeneity rather than population.

3.5.2 Elections of Members of the HoF

Another puzzle pertinent to the second chamber is the elections of members of the house. In federations such as Argentina, Australia, Brazil, Nigeria, Switzerland, and the United States, the second chamber members are elected directly by citizens. In federations such as Austria, India, and the United States (from 1789 to 1912), they are elected indirectly by the units' legislatures. Yet, there are additional arrangements. For instance, in Germany, the members of the *Bundesrat* are delegates of their *Land* cabinets; in Canada, all the senators are appointed by the federal prime minister; in federations such as Malaysia, Mexico and Russia, the second chambers have a diverse membership (Watts 2010, 4–5). In Ethiopia, members of the second chamber can be both directly and indirectly elected. Article 61(3) of the Constitution provides that:

“members of the house of the federation shall be elected by the state councils. The state councils may themselves elect representatives to the house of the federation, or they may hold elections to have the representatives elected by the people directly”.

However, the practice shows that members are elected indirectly by state councils, and there has been no time when the people directly elect the members. The regional council, a regional legislative body, selects individuals from among its members to represent the region in the house. Unlike the HPR, the HoF does not meet frequently; the house “shall hold at least two sessions annually”. Nonetheless, like the HoF, “the term of mandate of the house of the federation shall be five years” (Art. 67, FDRE Constitution 1995).

3.5.3 Powers of the House of Federation

The HoF: a Second Chamber that Lacks Legislative Competence

The legislative powers assigned by the constitution to the second chambers considerably vary from one federation to another. Nonetheless, all federal second chambers participate in law-making to a certain extent (Watts 2008, 153–54; Gamper 2018, 120). Ethiopia's second chamber appears different from other upper houses in other federations as it has no legislative power. The constitution neither empowers the members to sit with the lower house to make laws nor legislate unilaterally. The house can only decide civil matters necessary “to establish and sustain one economic community” (Art. 55(6), FDRE Constitution 1995); and refer the

matter to the federal parliament for actual legislation (Art. 34(1-3), Proclamation No. 251/ 2001). However, the house has the following crucial non-legislative competencies pertinent to 1) NNPs' rights to self-determination, including secession; 2) disputes that may arise between regions; 3) authorising the federal government intervention in the regions; 4) take part in the election of the President of the federation; 5) determination of electoral constituencies, and 6) amending the constitution (Art. 62, FDRE Constitution 1995; Proclamation No. 251/ 2001).

The HoF: An Institution of Intergovernmental Fiscal Relations

The house's role in intergovernmental fiscal transfers and revenue sharing is a comparatively vital role in protecting the members' interests. The HoF is authorised to “determine the division of revenues derived from joint federal and state tax sources and the subsidies that the federal government may provide to the States” (Art. 62(7), FDRE Constitution 1995). In this case, the house has a crucial role as its decisions have huge implications on the size of federal grants that go to each region. The issues pertinent to fiscal transfers are discussed in chapter six in detail.

Another power the house plays in fiscal federalism is its authority to assign undesignated taxes. The constitution assigns powers not given expressly to the federal government alone or concurrently to the federal and regional governments to the regions (Art. 52(1), FDRE Constitution 1995). This means the units have residual powers. However, the constitution follows a different approach in dividing undesignated revenue sources in taxation. The house plays a role as it jointly sits with the HPR to make decisions pertinent to the assignment of undesignated revenue sources. But as the size of the HoF is only 153 in contrast to the size of HPR (548), the former has a slight chance of influencing the final decision.

The House of Federation: An Adjudicator

The second chamber is also vested with a crucial adjudicative power to interpret the federal constitution. The power of constitutional interpretation is assigned to ordinary courts in federations such as Australia, Canada and the US and constitutional courts in federations such as Belgium and Germany (Tushnet 2014, 41). In Ethiopia, such crucial power is vested in the HoF. Allocating such power to the house is not surprising considering the constitution. The

primary rationale justifying non-judicial interpretation is that the constitution is a pact among the NNPs, and sovereign power is vested in them. Consequently, the delegates of NNPs should be authorised to interpret their agreement so that their right to self-determination does not get risked by the judiciary, whose loyalty is to the law (Assefa 2007).

Some members of the constitutional drafting commission raised the option of instituting constitutional court or assigning constitutional issues to the courts. However, the alternative was not accepted by the EPRDF, the dominant party in drafting the constitution (TGE 1994). Consequently, courts are effectively excluded from constitutional adjudication or interpretation in Ethiopia.

The house is empowered to “organise the Council of Constitutional Inquiry” to assist the chamber in interpreting the constitution (Art. 62, FDRE Constitution 1995). The Constitutional Inquiry (CCI)⁷ is an auxiliary body composed of lawyers and ex-officio to assist the HoF in interpreting the constitution. The house accepts cases submitted to it for interpretation and forward them to CCI for the latter to propose decisions. The CCI “investigate constitutional disputes and should the council, upon consideration of the matter, find it necessary to interpret the constitution, it shall submit its recommendations thereon to the HoF” (Art. 6, Proclamation No.250/ 2001). CCI can also reject constitutional interpretation cases if it believes that the issue does not require interpretation (Art. 7, *Ibid*).

3.6 Vertical Distribution of Powers under the FDRE Constitution

Articles 51 and 52 of the federal constitution divide powers between the federation and regions. Under article 51, the federal government has exclusive powers over nation-wide policies, national standards, national security and national defence, federal police force, national financial regulations, the national bank, money printing and borrowing, minting coins, regulating foreign exchange, foreign policy, international agreements, postal and

⁷ The CCI has the following eleven members: the president and vice president of the federal Supreme Court; six legal experts appointed by the president of the republic on a recommendation by the HPR; and three persons designated by the HoF from among its members. While the president and vice presidents of the federal Supreme Court are respectively a chairperson and deputy chairperson of the CCI, the rest are members.

telecom services, inter-regional transportation and trade, federal taxation, foreign commerce, nationality issues, political parties and elections, immigration, state of emergency, possession and bearing of arms, and patent and copyrights.

The constitution entrusts residual powers to the regions. Besides, regions have the authority to establish a regional administration that best advances self-government, enact their constitutions and other laws, design and implement regional economic, social and development policies. Further, regions have the competencies to administer land and other natural resources; levy and collect taxes on revenue sources reserved for them [which are not many]; enact and implement laws on regional civil service and establish and administer regional police force. Moreover, constituent units have the power to declare a region-wide state of emergency should a natural disaster or an epidemic occur (See articles 52 and 93, FDRE Constitution 1995).

The constitution also provides that all constituent units of the federation “shall have equal rights and powers” (See articles 47,52 and 93, FDRE Constitution 1995). Further, the constitution stipulates mutual non-interference in each other’s affairs. It states that the regions “shall respect the powers of the federal government and the federal government shall likewise respect the powers of the states” (Art. 50(8), FDRE Constitution 1995).

Regarding the court structure, the federation has a devolved judicial system. The constitution establishes the Federal Supreme Court, the Federal High Court, and the Federal First-Instance Court at the federal level. Similarly, regions are empowered to establish State Supreme, High and First-Instance Courts. Further, the constitution delegates the jurisdictions of the Federal High Court and the First-Instance Courts to the regional courts (Art.78, FDRE Constitution 1995).

3.6.1 Division of Policy Powers

In federations, in which at least two levels of government are involved in policy legislation and administration, the federal constitution lays down the legal framework guiding the relationships between different levels of governments in discharging assigned duties. Regarding this, Ethiopia's constitution states that the federal government “shall formulate and implement the country’s policies, strategies, and plans in respect of overall economic, social,

and development matters’’. It concurrently empowers the regions ‘‘to formulate and execute economic, social and development policies, strategies and plans of the State’’ (Articles 51 and 52, FDRE Constitution 1995).

There is no explicit supremacy clause in the constitution. Consequently, it is unclear whose policy should prevail if there is a conflict between the federal and regional governments policies; such overlapping of powers can generate a conflict of jurisdictions. Nevertheless, a closer look into other constitutional provisions implies that the federal government is empowered to enact overall policies. At the same time, the constitution authorises the regions to adopt region-specific policies and strategies. But the constitution does not enumerate which matters are regarded as country-wide economic, social and development policies and which issues are regional matters. The impacts of such overlapping competencies in shifting the federal-regional balance of powers over time are highlighted in chapters six, seven and eight when relevant.

The constitution entrusts the federal government with the power to ‘‘establish and implement national standards and basic policy criteria for public health, education, science and technology, and the protection and preservation of cultural and historical legacies’’ (Art. 51, FDRE Constitution 1995). However, this is not equivalent to making and implementing specific policies for these sectors. Instead, it means the central government lays down standards and benchmarks for the regions in sectoral policy legislation and implementation.

The constitution authorises both federal and regional governments to regulate their civil service. Besides, it asserts that a region is empowered to enact and enforce laws on the regional ‘‘civil service and their condition of work; in implementing this responsibility, it shall ensure that educational, training and experience requirements for any job, title or position approximate national standards’’ (Art. 52, FDRE Constitution 1995). This means subnational civil service laws must comply with the federal government’s civil service framework laws. Such constitutional clauses form framework legislative concurrency covering a wide range of areas. Regarding civil service, the constitution implies that regions have legislative and administrative powers over civil service and their work conditions in their jurisdiction if such laws do not fundamentally depart from the national criteria.

Furthermore, having authorised the central government to enact “laws for the utilization and conservation of land and other natural resources, historical sites and objects”, the constitution empowers the regions to “administer land and other natural resources under federal laws”(Articles 51 and 52, FDRE Constitution 1995). In this case, the federal pact creates separation between legislative and administrative powers by assigning the former to the federal government while leaving the latter to the regions, thus producing power concurrency.

Besides, the federal government is commended with powers over loosely defined criminal and civil matters. The constitution states that the HPR “shall enact civil laws which the House of the Federation deems necessary to establish and sustain one economic community” (Art. 55, FDRE Constitution 1995). However, those necessary matters to form and sustain one economic community are not defined in the constitution but left to be determined by the HoF. Such generic clauses can provide the federal government with a loophole to slip into matters that form exclusive prerogatives of the regions. Assefa and Zemelak (2017, 255) claim that such articles are either carefully worded or judicially scrutinised in many federations to safeguard constituent units from undue federal interference. However, the framers of the Ethiopian constitution have not done this.

The constitution reserves powers not given expressly to the centre alone or concurrently to the regions, which means constituent units have residual powers. Besides, the federal pact provides that the federal government may delegate its powers and function to the subnational units when necessary (Articles 50 and 52, FDRE Constitution 1995). As residual powers are assigned to the regions, and the federal government can also delegate its powers to member states, the members may exercise more power than predicted in the constitution. Constituent units may also exercise fewer powers than constitutionally envisioned due to different factors that undermine regional authority. In examining *de facto* regional powers in Ethiopia, the thesis systematically measures and explains education and land policies in chapter six.

3.6.2 Division of Fiscal Powers

The constitution stipulates that both tiers of government bear the financial responsibilities required to discharge their respective duties. It also requires that the delegating party bear the financial expenditures needed to perform any delegated function by a region. Under article 94

of the constitution, the federal government may also provide emergency funds and assistance to the constituent units. Thus, the former is empowered to audit and inspect a balanced development of the units. Based on article 96, the federal government has exclusive taxation competencies on import and exports; employment income tax on federal government employees and international organisations; income, profit, sales, and excise taxes on enterprises owned by the federal government; and income of lotteries and other games. Besides, taxes from income of air, rail, and sea transport services; income of houses and properties owned by the federal government are federal competence. The federal government shall also tax monopolies; and levy and collect federal stamp duties.

In contrast, regions are authorised to levy and collect taxes on the regional government employees, private enterprises' employment income, usufructuary land rights, and the incomes of private and farmers incorporated in cooperative associations. Besides, individual traders carrying out a business within their territory; revenue from transport services rendered on waters within their territory; income derived from private houses and other properties within the region; profit, sales, excise and personal income taxes on income of enterprises owned by the units; income derived from mining operations, and royalties and land rentals on such operations; and royalty for the use of forest resources are regional subjects (Art. 97, FDRE Constitution 1995).

The federal government and the regions have three lists of concurrent taxation powers. These include the authority to levy and collect taxes on jointly established enterprises, competence on companies' profits and dividends due to shareholders and prerogatives on incomes derived from large-scale mining and all petroleum and gas operations and royalties on such operations. Concerning undesignated revenue sources, instead of leaving residual powers to the regions as on other matters, the constitution pronounces that the HoF and the HPR “shall, in a joint session, determine by a two-thirds majority vote on the exercise of powers of taxation which have not been specifically provided for in the constitution” (Art. 99, FDRE Constitution 1995).

To sum up, the constitution assigns enumerated powers to the federal government while leaving residual competencies to the regions regarding powers and responsibilities other than

taxation. Pertinent to tax powers, the constitution does not assign undesignated sources to the constituent units; instead, it is decided by the two Houses joint session. Except for policy areas such as the land, the federation follows the principles of duality. In the field of land policy, legislative power is assigned to the centre, while administrative authority is bestowed upon the units. Constituent units have legislative, executive, and judicial powers on matters falling under their jurisdiction. Irrespective of striking variation among the units, the federation members have equal rights and powers (Articles 47 and 51, FDRE Constitution 1995).

3.7 Structure of the Federation

Ethiopia is a federation with two-tier governments, federal and regional. The constitution puts regions are “delimited based on the settlement patterns, language, identity and consent of the peoples concerned”(Art. 46, FDRE Constitution 1995). The federation is organised based on a territorial division of powers between the federal government and the nations, nationalities and peoples that form the majority in their regions. This is marked by the fact that most constituent units derived their names after the dominant ethnonationalities that comprise the majority in their respective region. Other than the Harari, SNNP and Gambela regions, the naming of the regions reflects one or two ethnonationality that dominate the unit. Regarding the Harari region, although the Harari people are a minority in the area, the region derived its name after the group. In the SNNPR and Gambela regions, no one single ethnic group is a majority.

While nations and nationalities such as Afar, Amhara, Harari, Oromo, Somali, and Tigray could form their respective regions, others were not. The formula and the justifications in granting such rights at the birth of the federation are not clear. Consequently, it has been contentious and a source of conflicts as other ethnonationalities have demanded regional status. For instance, more than ten ethnonationalities in the SNNP region have filed their application to form their respective region. The Sidama, one of the nations in the SNNPR that has been very vigorous to establish its regional government, became the tenth region of Ethiopia through a referendum held on November 20, 2019 (Addis Standard 2019).

Regarding the branches of the regional government, the law-making power, the state council, also known as the regional council⁸, is vested with legislative powers. The council is the highest organ of the regional government and is responsible for the region's population (Art. 50, FDRE Constitution 1995). The regional president, the head of the regional government, leads the executive organ. A political party or coalition of parties who form a majority in the council can assume the regional presidency. The president appoints and runs the regional executive body called the regional cabinet, whose appointment is approved by the regional council. The term of office of the president corresponds with that of the council.

The Ethiopian regions have a unicameral parliament except the Harari and SNNP regions. In the bicameral SNNP and Harari, the first chamber is called the regional council. The second chamber that constitutes representatives of ethnonationalities in SNNPR is known as the Council of Nationalities. The Harari's second chamber that constitutes 14 representatives of the Harari nationality is known as the Harari National Council. The members of the Harari National Council are directly elected from among the members of the Harari nationality living in Ethiopia. The National Council is empowered to preserve, nurture and develop the Harari nationality, language, culture and history. In the Harari region, the Harari nationality constitutes less than 10 per cent of the region's population, despite the region's name. Other ethnic groups combined could dominate regional politics. It appears that the framers of the Harari region constitution considered such a scenario and included key provisions preventing the numerical minority Harari from becoming a political minority in the region named after them.

In SNNPR, the inherent nature of ethnic diversity in the region practically necessitates the bicameral arrangement. The functions of the second chamber in SNNPR are similar to the HoF. Like the HoF, each nationality is represented by at least one member and one additional representative for each million of its population. The Council of Nationalities in the SNNPR is also authorised to interpret the regional constitution (SNNPR 2001). Observing the

⁸ The regional council is known by different names in different regions. For example, in Oromia, it is called “*Caffee*”, and in the SNNPR, Amhara and others, it is known as “*Ye Kilil Mikirbet*”.

arrangement in the SNNPR, Vaughan and Tronvoll (2003, 84) described the region as “a federation in a federation”. The unicameral regions have a particular institution known as the Constitutional Interpretation Council accorded with constitutional interpretation power.

Structurally, regions are divided into administrative Zones and *Woredas* (called Municipalities in urban areas). Amhara and SNNPR have Nationality Zones, for instance, the Oromo Nationality Zone in the Amhara region. A nationality Zone grants territorial ethnonationalities in the region the right to self-rule as enshrined in the federal constitution. Likewise, *Liyu* (special) *woredas*, found in the regions such as Amhara and SNNP, are meant to provide autonomy for such ethnonationalities. *Liyu Woreda* is for communities whose status may not qualify for Nationality Zone, though the criteria are unclear. The difference between Nationality Zone and *Liyu Woreda* is that the former is larger than the latter and can constitute two or more *Woredas*. Further, contrary to *Woreda*, *Liyu Woredas* do not report to the Zones. Instead, they directly report to the regions. Below the Zones, town administrations, often known as municipality or city administration, are established in urban areas and a *woreda* administration in rural areas. According to article 50 of the FDRE Constitution, forming local governments is constitutionally vested in the regions. The federal compact only provides that regions establish appropriate local governments to enhance public participation, and adequate powers shall be decentralised to the local units.

3.8 Regional Autonomy under the Federal Constitution

There are some key provisions in the federal Constitution pertinent to regional autonomy. The foundation of regional autonomy in Ethiopia should be article 39 of the constitution, which grants the rights to self-determination. Article 39 states that “every Nation, Nationality and People in Ethiopia has an unconditional right to self-determination, including the right to secession”. It might be perplexing why the framers sought to explicitly entertain the right to secession by laying down clear procedures in the Ethiopian case. Theoretically, constitutionally pledging secession in multinational federations would have in practice reverse effects than those destructive effects for which they are commonly ascribed (Weinstock 2001; Norman 2008). On the contrary, others challenge that such explicit inclusion of secession clause in a federal pact makes a union a confederation than a federation

(Duchaceck 1987, 207; Filippov, Ordeshook, and Shvetsova 2004, 107). The Ethiopian secession clause appears to be guided by the country's general reality before the federation formation. As briefly discussed at the beginning of this chapter, the Ethiopian state formation was based on the Amhara elites' conquest and subjugation of different NNPs. Thus, various groups battled very hard and pronged to restructure the Ethiopian state on the federal idea so that groups get the right to self-rule. This can be noted from the preamble of the federal constitution, which states that:

“we, the Nations, Nationalities and Peoples of Ethiopia: strongly committed, in the full and free exercise of our right to self-determination, to building a political community.....fully cognizant that our common destiny can best be served by rectifying historically unjust relationships and by further promoting our shared interests.....convinced that to live as one economic community is necessary.....determined to consolidate, as a lasting legacy, the peace and the prospect of a democratic order which our struggles and sacrifices have brought”.

The right to secession seems to be ratification and guarantee of the voluntary nature of the federation formed by the consent of the NNPs. Leaving the theoretical debate aside, Ethiopia is now the only federation with a constitution that explicitly grants the right to secession and stipulates withdrawal procedures.⁹

The Ethiopian approach attracted scholars worldwide and generated both critiques and applause. Some argued that the Ethiopian model, which constitutionally grants secession, is a novel approach to resolve ethnic conflicts and increase the country's unity (Kidane 1997). This group argues that the secession of Eritrea¹⁰ from Ethiopia in 1993 during the transition period using the Transitional Charter that granted the right to secession indicates the

⁹ Article 39 (4) of the FDRE constitution states that the right to self-determination, including secession, shall come into effect: “(a) When a demand for secession has been approved by a two-thirds majority of the members of the legislative council of the nation, nationality or people concerned; (b) When the federal government has organized a referendum which must take place within three years from the time it received the concerned council’s decision for secession; (c) When the demand for secession is supported by majority vote in the referendum; (d) When the federal government will have transferred its powers to the council of the nation, nationality or people who has voted to secede; and (e) When the division of assets is effected in a manner prescribed by law”.

¹⁰ Ethiopia and Eritrea had a short-lived federation, which was formed in 1950 and terminated due to the “violation of the terms and conditions of the federal act” by Emperor Haile Selassie. The federation culminated as Eritrea was “forcibly annexed by Ethiopia to become one of its provinces” in 1962 (Haile 1987).

impossibility of forging unity by force without the voluntary alliance with an assurance of the right to self-determination (Fasil 1997, 157). Others contend that including the secession clause in the federal constitution is an unwise decision, fuels inter-ethnic conflict, and may lead to the country's disintegration (e.g., Abbink 1997; Alemante 2003). However, the journey of the Ethiopian federation shows both views are not entirely accurate. Because federalism neither resolved inter-ethnic conflicts nor Ethiopia has disintegrated as speculated. This might imply that federalism *per se* could not be a cause or a solution for inter-ethnic conflicts.

The Marxist-Leninist notions inspired Ethiopian federalism, and the framers of the constitution used the former Soviet model as a frame of reference concerning nationality questions. The indicators are the insertion of the secession clause in the federal constitution, drawing the boundary of the constituent unit based on ethnicity and language, and assuming ethnicity as fixed, but that could be marshalled and shaped by a strong vanguard party. Overall, the EPRDF was convinced that the Marxist-Leninist notion of nationalities' self-determination would neutralise ethnonationalism sentiment as the unconditional right to self-determination assures the Ethiopian union's voluntary nature and thus enhances national integration and unity (Vaughan 2003, 170-171).

Besides secession, article 39 of the constitution grants that:

“Every Nation, Nationality and People in Ethiopia has the right to a full measure of self-government which includes the right to establish institutions of government in the territory that it inhabits and to equitable representation in state and Federal governments”.

This means the constitution grants internal self-determination to NNPs, i.e., the right to form their own region by seceding from an existing constituent unit. Thus, the federal pact grants both internal and external self-determination. In general, the constituent units have constitutional powers ranging from enacting laws to secession. The units have their respective constitution, working language, clearly defined boundaries, flags, regional anthem, and regional police.

3.9 The Dominant Party Politics in Ethiopia

The Ethiopian People's Revolutionary Democratic Front (EPRDF), a coalition of four ethnically and regionally organized parties formed in 1989, dominated Ethiopian politics until it was dissolved in 2019. The EPRDF constituted the Amhara Democratic Party (ADP), the Oromo Democratic Party (ODP), and the Southern Ethiopian People's Democratic Movement (SEPDM) and the Tigray People's Liberation Front (TPLF). The four parties had dominated the four relatively strong and developed regions: ADP in Amhara, ODP in Oromia, SEPDM in SNNPR and TPLF in Tigray. They also run the federal government together, though they have unequal powers and influences. The TPLF was the main party in charge of critical decisions taken by the EPRDF. The dominant roles it played in creating the three subservient parties and the coalition made the TPLF superior (Young 1999, 321; Aalen 2006, 250; Merera 2011, 667–69). To put it differently, TPLF was the creator of the other three parties and had been the dominant core within the dominant coalition.

The TPLF adopted a different strategy regarding the parties of the peripheral units. Instead of including them in the ruling coalition, it simply made them “allies”. These parties are the Afar National Democratic Party (ANDP) in the Afar region, the Ethiopian Somali People's Democratic Party (ESPDP) in the Somali region, the Harari National League (HNL) in the Harari region¹¹, Benshangul-Gumuz People's Democratic Party (BGPDP) in Benshangul-Gumuz, and the Gambela People's Democratic Movement (GPDM) in Gambela region.

The party's organisational structure illustrates the strong ties between the EPRDF and its members that formed the ruling coalition. Affiliate parties ruled Afar, Benshangul-Gumuz, Gambela and Somali regions, constituent units officially designated as “developing” regions. Consequently, the federal government delivered different capacity building programmes to developing regions. The parties in the peripheral regions have looser organisational links with the EPRDF (Vaughan and Tronvoll 2003).

¹¹ The HNL and OPDO administered the Harar region as part of a coalition government.

The internal organisational structure of the EPRDF is pyramidal. The coalition has a chairman and deputy chairman elected in a secret ballot by the Central Committee (CC) at the party's top. Below the chairman is the Executive Committee (EC), composed of 36 members, 9 delegates from each party in the coalition. Below EC, the main body is CC, composed of 180 members. Forty-five members in the CC equally represent each member of the coalition. The EC is a key organ that takes care of the daily works of the party and gives direction for the country's actions and policies. The Party Congress (PC), which constitutes 1000 members coming equally from the four parties, meets every two years to adopt programmes of the party prepared by EC.

The EPRDF members have striking differences, such as the size of the population the member parties represent and the number of seats the member parties control in the parliament, to deserve asymmetric votes in decision making. For example, out of 548 total seats of the federal parliament fourth-term (2010-2015), OPDO, APDM, SPDM, and TPLF respectively controlled 32.4, 25, 22.2 and 6.5 per cent of the federal parliament while affiliate parties held the rest. The share of OPDO, APDM, SPDM and TPLF out of the seats controlled by the EPRDF was 37.4, 28.8, 25.6 and 8 per cent, respectively. Strikingly, OPDO could attain the majority required to form a government if it allied with another party in the coalition except for the TPLF. Oddly the minority TPLF dominated the coalition by holding a vital position of the party and government, the EPRDF chairman, Premiership, Foreign Minister, National Intelligence and Security and Chief of Staff of the Ethiopian army.

The numerical majority OPDO never attained the status of chairman or deputy until the Oromo protests forced the coalition to elect a new leader in 2018. The protest led to the fracture of the EPRDF and the emergence of solid regional figures such as Lemma Megersa (then-Chairman of OPDO and the Oromia region president). Lemma took advantage of the dissent to form a tactical alliance with the ANDM to claim the EPRDF leadership post for the OPDO. The waves of the protests led to the unprecedented resignation of PM Hilemariam, both from party chairmanship and Premiership. Then the EPRDF was obliged to elect a new chairperson and eventually a new PM to save the country from collapsing and the party from total disintegration. Thus, Abiy Ahmed (OPDO) was selected as a Chairperson of the EPRDF and soon sworn in as PM (Aljazeera 2018).

One year after assuming power, Abiy brought to a table the idea of transforming the EPRDF into a national party by including affiliates. The State Media widely touted the benefits of one national party. In 2019 Abiy abruptly dissolved the EPRDF to form a nationalised party, Prosperity Party (PP), through merging all regional ruling parties except the TPLF, the Tigray region's ruling party, that refused to join PP. The TPLF officially opposed Abiy's move, refused to join the PP and accused the PM of threatening the multinational federal system and the federal Constitution, which the TPLF itself exploited during its preeminence (Bizuneh 2020). Later in September 2020, Tigray conducted a regional election in unprecedented defiance of the federal government that postponed the elections due to the COVID-19 pandemic. The TPLF and the federal government rhetoric confrontation escalated into war in November 2020 (Walsh and Dahir 2020). As a result of the war, the TPLF left the Tigray region capital Mekelle, but the conflict continued.

Since the impact of the EPRDF dissolution and the war is still unfolding, the thesis cannot go deeply into analysing these dynamics. Though it is difficult to conclude with certainty, the dissolution of regional parties and the PP's formation can be seen as an anti-regional autonomy move aimed at power consolidation because the PM, PP's President, has *inter alia*, direct control over key regional posts as regional parties officially cease to exist.

3.10 Conclusion

Pre-EPRDF Ethiopian regimes carried out the state-building project through subjugation and assimilation of ethnonational diversity. The EPRDF adopted the federal idea to respond to identity questions and complete the state-building. The Ethiopian regions are drawn based on ethnonationality that have constitutionally asserted self-determination rights, including secession. The constitution assigns critical powers conventionally given to the centre to the federal government while leaving residual powers to the regions, except taxation. However, the constitution is not clear enough in dividing powers as it confers economic and development policy competencies to the two tiers of government. Thus, it can be a source of conflict as it is unclear whose policies prevail if regional and federal policies disagree.

Certain constitutional features mark Ethiopian federalism as having a strong central government. The federal government's power over lucrative tax sources, central governments

emergency power, the second House's exclusion from legislation, and the weak representation of constituent units in the second chamber signals that the dominant force that framed the constitution wanted a strong national government. On the contrary, the constitution created a substantial domain for the units by granting the rights to self-determination, including secession, and allocating residual powers, except taxation.

The constitutional assignment of lucrative tax sources to the centre and the lack of residuality in the fiscal domain means regions should depend on the federal transfers to discharge their mandates. Though regions have the constitutional power to make region-specific development and social policies, the centre's competence regarding overall economic, social and development matters can provide greater scope for the federal government over any issues, enabling centralisation. This means elites that dominated the federal formation had to grant the rights to self-rule, including secession to ethnonationalities but should put certain traps to restrict the units from going apart. Avoiding the risk of going apart would require a strong central government that navigates the operation of Ethiopian federalism. This implies that the constitution framers preferred a strong central government with the necessary prerogatives to intervene in regional affairs by simultaneously giving some room for the units to exercise self-rule.

However, the constitution fundamentally moved away from the centralised Ethiopian state legacy in meaningful ways. The constitutional entrenchment of regional autonomy up to secession is expected to offer an authoritative mechanism for the regions to pursue their own policies or resist federal encroachment. Finally, the dominant party seed sowed during the transition period, and the party structure planted since then appear to provide centralisation dynamics to the federation. The ubiquitous role of the federal ruling party reviewed earlier suggests that party politics should be at the centre of analysing federalism in Ethiopia.

Chapter Four: Conceptualisation and Theoretical Framework

4.1 Introduction

The federal system has been supported by many to maintain unity by granting some degree of autonomy to constituent units. In long-serving democratic federations, institutions and laws safeguard the federal constitution and units' autonomy. In this regard, scholars, for instance, Wheare (1946, 48), Watts (2008, 18), and Dardanelli (2010, 142), note that federalism is more effective in democratic countries than in non-democratic states.

Ethiopia is an authoritarian federal system marked by the government's repression of the media, opposition and other sources of dissent and the court system operate under political influences (Freedom House 2018). Regional autonomy is always precarious in a federation such as Ethiopia, where the opposition and civil society organisations that would counterbalance the ruling party are hardly visible. The problem is more complicated because the judiciary is subject to political interference, which means institutions that could settle power disputes and restrain the central government are hardly independent.

In federations where institutions do not safeguard the federal constitution, a gap between the constitutionally proclaimed constituent units' powers and the practice becomes normal. In such systems, wide-ranging factors define the autonomy of the constituent units besides the formal division of competencies. Consequently, assessing the extent to which the formal power distribution and the practice match is crucial. Identifying factors causing temporal changes in the vertical distribution of power is also essential. This chapter presents the conceptualisation and theoretical framework of the thesis. It is structured as follows. The first section conceptualises regional autonomy. In the second part, the chapter operationalises the concepts to enable empirical assessment. The final portion theorises centralising factors causing changes in power distribution over time.

4.2 Conceptualising Regional Autonomy

The constitution of Ethiopia calls the constituent units of the federation 'states'. However, legal documents and literature use regions to identify the units. Therefore, to be consistent

with the literature, laws and day-to-day usage, a “region” means a constituent unit of the Ethiopian federation. It is important to note that autonomy arrangements may exist in unitary as well as federal states. Autonomy in a unitary system is given by decentralising authority from the national government to subnational units through legislation (Loughlin 2000, 12; Cohen and Peterson 2002; Agranoff 2004, 27). This kind of autonomy is practised mainly in devolved unitary states. In contrast, autonomy in a federal system, which is the focus of this study, is an arrangement in which constituent units of a federation get powers over some issues through a constitutional division of powers between the centre and the constituent units. In differentiating autonomy in federal and unitary state structures, Dardanelli (2019, 278) states that “in a federal system regional units, as constituent units of the federation, also enjoy autonomy in at least one policy field while this is not the case in a unitary system”.

Autonomy covers a broad spectrum ranging from control over some aspects of local administration to control over most policy areas. It goes from slight devolution of political powers to becoming a fully autonomous region, except upholding the existing state name. It often denotes ethnonational government at the subnational level in multi-ethnic states (Connor 1994, 83; Anderson 2004, 90). Autonomy may vary from one autonomous unit to another due to: 1) constitutional status of the unit; 2) due to differences in political competencies, capacity to control institutions, capacity to form foreign contacts, and financial and other resources such as personnel, level of experts, its institutional capacity and so forth (Loughlin 2000, 12).

The first scenario is autonomy variation due to the constitutional position of the units, which is *de jure* autonomy asymmetry. The second scenario is autonomy variation according to differences among regions, such as capacity and resources, which denotes *de facto* autonomy variation. Regarding this, all regions in Ethiopia have equal constitutional status and competence. Nonetheless, like other federations, Ethiopia’s constituent units are strikingly different in capacity, size, population, and economic structure. This thesis will explore if the *de facto* variation has caused *de facto* autonomy variation.

One of the indispensable features of federalism is shared rule and self-rule (Elazar 1987, 12). Nevertheless, this thesis mainly focuses on the self-rule aspect of federalism because regional

autonomy is more concerned with self-rule than a shared rule. It is also vital to note the difference between formal authority and real authority. Formal authority is the right to make decisions, while real authority is the practice of these rights (Aghion and Tirole 1997, 2–3). The implication is that the regions may have legal authority, *de jure*, to decide within their jurisdiction but may be hindered to make decisions, *de facto*, due to different factors. This thesis tries to measure both *de facto* and *de jure* autonomy in Ethiopia and identify the major factors that can explain the gap between *de jure* and *de facto*.

The conceptualisation of regional autonomy is a very challenging task (e.g., Watts 2013, 31). The difficulty increases when our assessment focuses on a political system with potential discrepancies between the formal distribution of powers and the practices. Nonetheless, for instance, scholars of the field, Hooghe (2016) and Dardanelli et al. (2019a), adopted systematised approaches and made vital progress in advancing the field. Works aimed at defining and distinguishing the different dimensions of autonomy in federal states start from decentralisation.

Dardanelli et al. (2019a, 8–11) distinguish between dynamic and static decentralisation and conceptualise centralisation and decentralisation as a range rather than a dichotomy. They employed de/centralisation to refer to both terms. They define static de/centralisation as the distribution of powers between the governments of the central and constituent units' institutions of a federation at a certain point in time. In contrast, dynamic de/centralisation entails the changing nature of power distribution in federations. This means constituent units competence may expand or shrink over time due to social, economic, and political factors.

Watts (1999, 71–72) sees decentralisation from two angles. While the first angle is the scope of jurisdiction of subnational governments, the second is the degree of autonomy of the units. The latter is essential as it reveals the subnational units' freedom from federal control. Dardanelli et al. (2019, 8–9) differentiate regional autonomy into policy and fiscal dimensions. While they define the former as constituent units' ability to decide on the different policy areas, the latter is the units' power to generate own-source revenues and decide on their expenditures. Broadly, decentralisation can have fiscal, policy, and political/institutional dimensions. Nonetheless, most of the studies aimed at assessing decentralisation

concentrated mainly on fiscal autonomy due to the challenges associated with measuring political and policy autonomy (Rodden 2004, 482–86). Such a challenge is a long-existing problem (Duchaceck 1987, 143).

Building on previous works and considering the challenges and problems mentioned, this thesis classifies regional autonomy into policy and fiscal dimensions. The institutional/political aspect is not separately measured for two reasons. First, except for election interruption in the Somali region during the first decade of federalism, the regions have elected governments. Second, encapsulating the institutional aspect in explaining fiscal and policy autonomy is methodologically better than measuring it in isolation.

Policy autonomy

Building on Watts (1999, 72–72) and Dardanelli et al. (2019), policy autonomy is conceptualised as the regions' *de jure* and *de facto* powers to shape the policies in their domain uncontrolled by the central government and the regions' freedom in implementing both regionally and federally legislated policies. Policy autonomy has legislative and administrative dimensions. While the former refers to individual regions' power in making legislation in policy areas in its jurisdiction, the latter is the unit's autonomy in implementing policies. Thus, policy autonomy ultimately examines the policy areas over which the regions have legislative or implementation powers, *de jure* and *de facto*.

Measuring *de facto* policy autonomy is needed because the federal government or vice versa can practically control the policy areas constitutionally assigned to the other government. Besides, *de jure* regional powers may become *de facto* concurrent due to multiple factors, making the official distribution of powers misleading. In other cases, regions may not use their constitutional prerogatives or federal government informal rules govern regional affairs or vice versa, as was the case in Russia in the 1990s (Libman 2016, 22). In most cases, the federal government has strong inducements to creep onto the regional competencies. The two tiers of government may also try to avoid their mandates, making the other level of government take it over (Bednar 2009). On the other hand, some unforeseen policy areas may emerge, or the importance of existing policy fields may increase over time, triggering the federal government to pursue centralisation. For instance, Döring and Schnellenbach (2011)

noted that the shift of importance of different policies was among the prominent causes of centralisation in some federations, including the US.

This thesis assesses policy autonomy by measuring regional legislative and implementation powers over education and land policies in Ethiopia. By slightly modifying the operationalisation made by Dardanelli et al. (2019, 9), this thesis developed a coding scheme and regions were coded on a five-point scale ranging from 0 to 4 on both legislative and administrative indices. The coding outline and policy selection justification are presented in the methodology chapter. Besides, a qualitative assessment is conducted to evaluate how regional policies are shaped and how constituent units implement federally made policies. The latter is essential as it allows the units to adapt federally legislated policies according to regional conditions (Dardanelli et al. 2019, 9).

For example, in Germany, constituent units have the mandate to collect taxes imposed by the centre. Though the constituent units cannot change tax rates, they can influence tax assessment and punishment on tax evasion. That means the units can use such a room to attract investors as businesses look for areas where tax assessment is not so tight and punishments are not so harsh. Hence, though tax laws are uniform, the actual policies differ across regions (Stöwhase and Traxler 2005). However, such an opportunity depends on the specificity of the federal programmes and the regional policy implementation freedom.

Fiscal Autonomy

The decentralisation of policy alone cannot make a region an autonomous unit unless reinforced by financial resources to fund its expenses. Fiscal autonomy is vital because federalism encompasses the distribution of functions and the assignment of the necessary fiscal tools to carry out these tasks (Oates 1999, 5). Following Watts (1999, 74–79) and Dardanelli et al. (2019, 9–10), this thesis conceptualises fiscal autonomy as the power a regional government has over its fiscal sources and the degree to which the federal grants are conditional.

Fiscal autonomy is disaggregated into five dimensions. 1) Regional own-source revenues are the proportion of individual regions' own-source revenues out of total revenues. The greater the proportion of own-source revenues is, the greater is fiscal autonomy 2) Federal grants,

which shows the extent of regional dependence on federal transfers. The larger the proportion of the transfers compared to own-source revenues, the lower the regional autonomy is. 3) Conditional grants show the character of federal transfer, i.e., earmarked grants out of the total federal transfers to the regions. The more federal grants are attached to conditions, the less regional autonomy is. 4) Tax autonomy shows the degree to which regional governments have the power to determine the base and rates of taxes within their jurisdiction. The greater the controls regions have over their taxes, the better the autonomy is. 5) Borrowing autonomy encompasses the legal and practical freedoms regions have regarding public sector borrowing from domestic and foreign sources. The fewer legal and other restrictions on regional borrowing, the better regional borrowing autonomy is.

Spending power or regional expenditure is deliberately excluded from analysis because expenditure is a poor guide in measuring fiscal autonomy. Because regional expenditure neither shows the source of the spending nor spending freedom (Rodden 2004; Hooghe, Marks, and Schakel 2008, 157). The first three fiscal dimensions are measured on a seven-point scale (0-6), whereas tax autonomy is measured five-point scale (0-4). Borrowing autonomy is assessed on a three-point scale ranging from 0-2 (see chapter five).

4.3 Theorising Determinants of Regional Autonomy

One of the fundamental principles of federalism is the constitutional division of powers between the federal and regional governments. Formally, a federal arrangement gives constituent units some degree of autonomy to decide in their jurisdiction unconstrained by the central government. However, the formal power distribution can only show the regions' competencies at the outset or a certain point and may not show regional autonomy change over time. Nonetheless, as the constitution defines regional autonomy on the onset, this thesis takes the formal distribution of powers as a foundation in measuring the gap between *de jure* and *de facto*.

Though the constitutional division of powers is important, relying on the constitution alone can be misleading because different factors can modify the exercise of formally declared regional competencies. Hence, this thesis theorises that several factors determine the practice of regional autonomy besides the formal division of powers in federations such as Ethiopia

marked by developing economies, dominant party regimes and ethnic diversity. Consequently, this thesis proposes the need for considering extra-constitutional factors determining regional autonomy in general and generating autonomy variation among regions.

Table 2 presents extra-constitutional factors likely to determine regional autonomy in young federations such as Ethiopia, known by dominant party regimes, authoritarian tendency, ethnic diversity, and developing economies. The factors are not grand theories but interconnected explanations of issues systematically explored by taking the Ethiopian federation as a case. Besides, the explanatory power of the factors originates from their interaction at a given period. It is noteworthy that the theorisation of determinants of *de facto* autonomy variation across regions is dealt with in the next section.

Table 2: Theoretical Framework

Drivers	Facilitators	Instruments	Autonomy
<p><i>Party System</i> -Dominant Party System -Vertical Party Integration -Party Ideology</p> <p><i>Socio-economic factors</i> -Economic Factors -Regional Capacity -Ethnonational Diversity</p>	<p>-Generic Constitutional Clauses -The nature of the Second Chamber -Intergovernmental Relations</p>	<p>-Constitutional Amendment -Proclamations -Coercion</p>	<p><i>Fiscal Autonomy</i> -Own-source Revenues -Tax Autonomy -Federal Fiscal Transfers -Conditional Grant -Borrowing Autonomy</p> <p><i>Policy Autonomy</i> -Legislative Autonomy -Administrative Autonomy</p>

Even though regional autonomy factors are diverse and complex, this thesis focuses on the primary extra-constitutional factors that may explain regional autonomy in federations such as Ethiopia. Three categories of factors hypothesised to determine regional autonomy are constitution, party system, and socioeconomic factors. Generic constitutional clauses, the federal second chamber and the prevailing intergovernmental relations facilitate the drivers/factors. Facilitators aid the drivers/main factors to produce instruments of de/centralisation such as constitutional amendment, legislation, and coercion. Regional fiscal and policy autonomy are dependent variables that the main factors or drivers define.

4.3.1 Party System

The party system, structure, and ideologies influence the autonomy of subnational units in federal systems (e.g., Filippov, Ordeshook, and Shvetsova 2004; Gordin 2004). Two defining features of the governing party in Ethiopia, the dominant party system and vertical party integration, are hypothesised to determine regional autonomy. The explanatory power of the two essential aspects of the ruling party in Ethiopia rests on their interaction, as theorised below.

Dominant Party System

Not all federal states have a dominant party; however, in states such as Malaysia, South Africa, and Nigeria, a single party dominance is a reality (e.g., Southall 2005; Dickovick 2014; Hutchinson 2014; Ostwald 2017). Similarly, Ethiopia has uninterruptedly been governed by one party since 1991. What is of interest here is theorising the impact of the dominant party system on the practice of regional autonomy. There are two competing views concerning dominant parties. The first is that dominant parties are not a problem for democracy as they allow other parties to compete and thus, contributes to stability (Arian and Barnes 1974; Suttner 2006). Others contend that dominant parties challenge creating a democratic federal system and decentralisation (Southall 2005; Dejen 2015).

Dominant parties *per se* might not be a problem if their ascendancy is based on free and competitive elections. In a federal system, however, the case of the dominant party seeks particular attention as there are multiple-level elections, IGRs, and jurisdictional conflict between the federal and constituent governments that can be affected by party dominance. A multi-party system is desirable in a federal state so that different interests and opinions can get due attention (e.g., Wheare 1946, 86–87). In federations such as Ethiopia, a dominant party can affect regional autonomy because of several reasons. First, a dominant party controls federal and regional legislatures, giving the party an absolute majority to adopt centralistic legislation. Second, although opposition parties might exist in dominant party regimes, oppositions might not win elections and control legislatures, and thus there could be no obstacle to power consolidation. Therefore, in contrast to the multiparty system, dominant parties are theoretically expected to infringe on regional autonomy.

A dominant party appears to be against the very nature of federalism. The contradiction is that federalism is based on the notion of entertaining diversified interests by representing groups in decision-making. Conversely, a dominant party engages in controlling every decision-making level because it considers itself a vanguard party with an ideological platform representing the general interests of the society (e.g., Angle 2005, 527). Ethiopia is a relevant case to explore the impact of a dominant party on regional autonomy because the EPRDF has tremendously dominated the federation since its birth, making the federation an ideal case.

It is vital to have a framework that would guide us to know whether a party is dominant or not. Arian and Barnes (1974, 594–95) noted that dominant parties control politics and government over a long period. Most dominant parties are known to create the constitutional and political orders they came to dominate. Huo (2005, 746) identifies two main dimensions of dominance: *electoral dominance* (electorally dominant to get majority votes and seats) and *governmental dominance* (dominate the government for a long time and be able to have a coalition bargaining strength).

Party Congruence and Integration

Another set-up theorised to affect regional autonomy is when the same party rules the federal and constituent unit governments or when the party at the centre controls the regional parties (Riker 1964, 129). The assertion is that a vertically integrated party structure cannot nurture a decentralised federation. Vertical integration denotes a strong alignment between the political parties ruling the national and constituent unit governments. This kind of integration and cohesion can result in interdependences between the two-level parties.

Vertical integration encourages upward accountability because power balance usually favours the federal party. Consequently, regional parties might not have the ability to devise strategies that can help accommodate local demands. Besides, the vertically integrated party discipline might be tight that regional party leaders should stick to federal party leaders' decisions. This allows the federal officials to control the nomination of candidates for the regional elections and key regional appointments.

The theoretical expectation is that the more the two-level parties are integrated, the less regional autonomy is. Empirical evidence from Malaysia shows that vertical party integration

deepens centralisation (Hutchinson 2014; Ostwald 2017). Like Malaysia, Ethiopia has a dominant party coalition, which rules the federation and regional parties that govern their respective unit. Some regional parties are formally integrated into the ruling coalition, marked by common membership and leadership, while others are not. Hence party congruence and integration is expected to generate *de facto* autonomy variation among regions. Expectation regarding this is theorised in section 4.4 below.

However, studying whether constituent autonomy varies according to party structure needs a careful examination as it involves a range of interrelated issues. Following Thorlakson (2009, 160–62), this thesis explores the dynamics by looking into *vertical integration* and *autonomy*. *Vertical integration* defines the organisational and strategic relations that connect federal and constituent unit parties. It can result from common party membership, shared finances, and a common governance structure. *Autonomy* measures the freedom of a regional party to manage its affairs, such as programme development, campaign, candidate and leader selections, internal structure, and discipline, without federal party interference. Party autonomy refers to the freedom of the regional parties from the central party discipline and interventions, which could be formally stipulated in the party statute or practically prevails. The theoretical argument, in this case, is that constituent unit party autonomy enables policy diversity among units in a federation. From a regional autonomy perspective, vertical integration and regional party autonomy are crucial in determining *de facto* autonomy variation across the constituent units in a federation.

Further, the dynamics between federal and constituent unit parties will be vital to explore the *internal decision-making process*. Detterbeck and Renzsch (2015, 7–8) proposed five ideal models of the ways political parties influence federal operations. 1) a *hegemonic model*: a federal system in which the dominant party controls policy processes at both levels. 2) a *cooperative model*: a vertically integrated party in which negotiations are the chief policy way; however, the model is skewed towards centralisation. 3) a *competitive model*: a federal system where centrifugal regional parties confront a centripetal national party. 4) a *decentralised model*: a federal system in which regional autonomy is the tenet of the party system. The last is a *bifurcated model* federal system in which the vertical integration of political parties is missing, and intergovernmental relations take executive federalism.

Accordingly, as we move from model one to model five, constituent unit parties decision-making freedom seems to increase.

Party Ideology

Party ideology is an essential factor determining decentralisation (e.g., King 1982, 21; Doring and Schnellenbach 2011, 93; Detterbeck and Renzsch 2015, 8). The Ethiopian federal ruling party, EPRDF, has two ideological pillars. The first is “Revolutionary Democracy” (RD), which is the foundation of the party. The underpinnings of RD are very similar to that of Marxism–Leninism; as discussed in chapter three, RD believes that a vanguard party should rule because it represents the mass. RD has a preference to categorize society into classes such as the peasantry, the bourgeoisie, and the masses. Besides, RD understands its main challenger to be imperialism, which is free-market capitalist states (Paulos 2007, 277; Aregawi 2009, 190).

The EPRDF conceives democracy as communal collective participation, based on consensus forged through a discussion led by vanguard party instead of individual participation and plural representation based on the plurality of liberal interest and views (Vaughan and Tronvoll 2003, 19). This means RD is based on the notion that democracy should be through collective participation of ethnic groups with self-determination rights, including secession, in decision making. Consequently, the EPRDF narrates that the vanguard party that mobilises the mass and moulds the process is always needed to lead communal participation towards national integration. The party’s understanding of democracy as collective partaking and representation whose process is shaped by a vanguard party, rather than individual participation and representation based on a plurality of interest, should have impacted the implementation of federalism and regional autonomy in Ethiopia. This is because a party that considers itself as a vanguard is not expected to allow opposition parties to flourish and is likely to dominate constituent unit parties even if they get the chance to rule the units.

The second ideological pillar is the Leninism principle of “*Democratic Centralism*” (DC), which guides the party’s internal rule and decision making (e.g., Aalen 2002, 83; Merera 2011). DC fundamentally presumes centralism in all fundamental questions in which a general leadership is given from the centre (Churchward 1975, 158). This dogma gives party officials

the right to discuss issues before making decisions. However, the officials must show complete compliance in implementing the decisions even if they have different views (Angle 2005, 525–26). Thus, the expectation is that the party's internal decision-making doctrine should have restricted regional party officials' freedom in making decisions regarding their region-specific demands and consequently weakened regional autonomy. Hence, the thesis explores the nexus between the ideologies of the ruling party and regional autonomy.

4.3.2 Socio-economic Factors

Economic Factors

One of the prominent factors theorised to derive de/centralisation is known as *modernisation*, which includes, among others, free-market, and economic integration. For instance, standardisation, interdependence, and nationwide unification due to modernisation make centralism inevitable in federations (Beer 1973, 56). Similarly, a free-market economy and globalisation weaken subnational powers by expanding central governments' authority (e.g., Scharpf 1996, 361–63; Lazar, Hamish, and Watts 2003, 4). Nevertheless, recent empirical work shows that modernisation, though important, does not make centralisation inevitable (Dardanelli et al. 2019b, 205).

However, such a free market, economic integration and globalisation scenarios are less observed in regions such as Africa, which have not been economically well-integrated up to the extent of putting pressure on regional autonomy. Central governments in African states play dominant roles in economic planning and national development (Mkandawire 2001a; Fisher and Anderson 2015). Rather than globalisation and market integration, the central government's leading roles in the economy can influence constituent units' autonomy by triggering the centralisation of policy prerogatives.

In this case, a “Developmental State Model” in Ethiopia is vital. The fundamental idea of a developmental state is that the state should play a dominant role in socio-economic development through policy interventions in the market and economy. A developmental state is a typical political economy model that combines some fundamentals of the market and plan, involving a mixed economy and a political-ideological approach that combines authoritarian technocracy (Radice 2008, 1154). The model articulates that the neoliberal paradigm of

development is unsuitable to the developing states' political economy as the states lack sufficient infrastructure and the private sector that can shoulder the development need. It argues that poverty can only be overcome through concerted political actions as the market cannot sufficiently supply the accumulation of social capital required to achieve development.

The philosophical underpinning of the developmental state is that the neoliberal model's night-watchman state is insufficient to overcome the bottlenecks in developing countries and speed up development (Meles 2012). Contrary to the neoliberal paradigm that has a central premise of limiting the role of government in the economy to protect individual and property rights, a developmental state is founded on the notion that the government should play a key role in the development (Clapham 2018). The model has two components: *ideological* and *structural*, and it is the nexus between these components that defines and distinguishes it from other states. Ideologically, accelerated development is its mission and source of legitimacy. Structurally, it is capable of executing policy effectively, which is the result of a combination of political, institutional, and technical factors (Mkandawire 2001; Meles 2012, 29–30).

Besides, the single-minded pursuit of accelerated development, autonomous state, and the development project's hegemonic character are the essential features of a developmental state. An autonomous state, in this case, is a state that makes decisions independently based on its development plan without surrendering to the competing private sector's interests. The autonomy of a developmental state is marked by its ability to make and effectively implement development policies irrespective of the private sector's views on the issue (Edigheji 2010). "Autonomous state" of the developmental state is contrary to the "subordinate state" in the market-driven economy that executes decisions by rearranging private sectors' interests. The developmental state model asserts that the state should guide the economy independent of the private sector. Though the developmental state acknowledges the private sector's role in the economy, it tries to moderate their behaviour and decision making using state power and through a set of incentives and disincentives (Woo-Cumings 1999; Meles 2012, 29–31).

The hegemonic element of the developmental state claims that the development plan must achieve strong support, is broadly shared in the country and must be dominant in the state's political and social context. The model demands specific appropriate behaviour from millions

of individuals for a development plan to be hegemonic (Mkandawire 2001). Hegemonic development agenda is based on the development of social capital through civic engagement in jointly valuable horizontal networks. The proponent of the Ethiopian developmental state model, the late PM of Ethiopia, Meles, argues that developmental states can be “either democratic or undemocratic, and this does not determine whether they are developmental states or not”(Meles 2012, 31-32).

The developmental State model entails an activist state that aggressively leads the economy by crafting and executing policies to eradicate poverty and achieve economic growth. It emphasises that development is firstly a political process and an economic and social process secondly. The state should set a conducive political set-up to accelerate development. State intervention in the economy through centrally designed development policies is seen as vital in the development process (Assefa 2019b, 175).

The underpinnings of the developmental state are strongly linked to the overall ideological thinking of the EPRDF as a vanguard in politics, implying that the party aspires to be a vanguard in politics and the economy. Though the developmental state model might be conceptually and theoretically separate from federalism, it has been the prefix and at the core of every development initiative undertaken in Ethiopia, and the federal government is the primary actor in such development initiatives. Ostensibly, the supremacy of central government and its vanguard role in the making and execution of policies, economic planning, and market regulations is likely to affect regional autonomy.

Capacity

Capacity is another factor that can affect subnational autonomy in states such as Ethiopia. Regarding capacity, Ziblatt (2004) argues that regional infrastructural capacity is the critical factor determining whether states are organised as a federation or unitary. Ziblatt compares state-building in Germany and Italy and concludes that federalism was possible in Germany because its units had the infrastructural capacity required to form a federation. In contrast, Italy did not become a federation because its subnational units had lacked the needed capacity.

Concerning what capacity constitutes, Ziblatt argues that highly institutionalised state-society relations, developed governance structures, and infrastructure are the building blocks of

federalisation because they provide the capacity needed to deliver public goods. Capacity also includes the modernisation of regional public administration, also called organisational capacity, which is rooted in classic public bureaucracy (Weber 1946, 196), regional ability to control its territory, and regional economic diversity, which determines, among others, regional tax revenue.

Although federalism is celebrated for its territorial distribution of powers, the system struggles to deliver its promises of greater efficiency and democratic responsiveness (Beramendi 2007); because the insufficient capacity to perform core tasks weakens regional governments' abilities to deliver services (Dasgupta and Kapur 2020). Hence, centralisation emerges as a proposed alternative to redress regional disparities in service delivery (Kettl 2020).

Overall, the constituent units of a federation should be capable of doing the work of modern public administration. Urbanisation, civil servants expertise and skill, administrative and bureaucratic experience, resources, and infrastructure required to deliver public services such as roads, water, electricity, and telecommunication are key for the regional government to discharge constitutional duties. Regions should have the capacity needed to do the work of governance in the federal system, and the lack of capacity in the subnational units may trigger centralisation.

One of the defining features of sub-national units in Ethiopia is the lack of capacity (e.g., Paulos 2007b; Assefa 2019b). This thesis expands Ziblatt's theory to examine the relationship between regional lack of capacity and centralisation in Ethiopia. Regional capacity might not determine only whether a state can be organised as a federation or not but also whether a formally federal system functions as a federation. Lack of capacity in the units can instigate the federal government to expand its areas of responsibility into regional domains where the regions cannot discharge their mandates.

Ethnonational Diversity

Federations with territorial-based linguistic diversity are theorised to experience decentralisation, whereas federations with homogeneous language undergo centralism. This is because language became an important vehicle that provides democratic space in Western democracies (Erk and Koning 2010). For instance, cultural and linguistic diversity caused

decentralisation in Canada (Lecours 2019, 70). Dardanelli et al. (2019) also support the theoretical expectation that mono-national federations experience power consolidation over time compared to multinational federal states.

These theoretical postulations are based on the context of primarily Western democracies. However, they are crucial in assessing the link between ethnic diversity and decentralisation in federations from other parts of the world. Accordingly, this thesis expects diversity in Ethiopia to play a significant role in driving decentralisation for several reasons. The first reason is the deep-rooted ethnonational diversity in Ethiopia, a home for more than 76 ethnonational groups. Second, the ethnonational parties' crucial roles in creating Ethiopia's multinational federation (e.g., Brietzke 1995; Fasil 1997; Aalen 2002). Third, the overlapping of ethnicity with the constituent units' boundary. And, finally, the fact that an ethnonational party rules each region. Such reasons can create pressure for decentralisation or at least restrain centralisation.

4.4 Determinants of Autonomy Variation Across Regions

The focus of this section is synthesising factors determining *de facto* regional autonomy variation in a *de jure* asymmetric federation such as Ethiopia. Regional autonomy can vary due to the constitutional position of the units, which is *de jure* autonomy asymmetry. Besides, autonomy variation can also occur according to region-specific differences such as capacity and resources, which is *de facto* autonomy asymmetry. This section sets a framework of factors that produce *de facto* autonomy variation in constitutionally symmetrical federations like Ethiopia. The framework will guide the selection of sample regions to examine *de facto* autonomy variation and identify the major factors associated with regional autonomy asymmetry.

Regional Party

As discussed in the previous section under the party system, party integration and congruence can influence federalism's implementation and lead to de/centralisation in defiance of the constitution. As discussed in chapter three and theorised under 4.3.1, regional parties in the federal ruling coalition may lack autonomy and thus are not expected to resist centralisation. Conversely, parties not in the federal coalition are anticipated to have relative freedom and

resist power encroachment. Thus, while the regions ruled by a party in the federal-ruling coalition may face more federal interference and centralisation, constituent units ruled by parties different from the national party can enjoy relative autonomy.

Variation in Wealth

Constitutionally symmetrical federations try to treat all constituent units equally; however, some regions are more autonomous than others in practice. Causes of regional *de facto* autonomy variation are many. Some of the causes can be straightforward, but others are too complex. For instance, if we consider property tax, though all regions may have equal constitutional powers, some regions will collect more estate taxes than others because of locational advantages, producing *de facto* fiscal autonomy asymmetry. Similarly, developed and wealthy regions can have more revenue autonomy than poor regions in a symmetrical federation. Thus, asymmetry in wealth or resource endowment is one of the key factors causing the difference in autonomy among regions. Wealth also determines the regions' relation with the centre because fiscal coercion can incentivise poor regions to comply with federal policies than wealthy units, ultimately leading to informal autonomy variation among regions. But it is not all one way. The central government may also rely on resources from some regions, as the case in Brazil, offering the states *de facto* powers to influence national policies (Hagopian 1996).

Regional Capacity Variation

The previous section also theorised that capacity is a vital factor driving decentralisation in a developing country like Ethiopia. As discussed in chapter three, constituent units in Ethiopia are divided into two based on their relative capacity: developed and developing. The former includes the Amhara, Oromia, Tigray and SNNP regions, whereas the latter constitutes the Afar, Benshangul-Gumuz, Gambela and Somali regions. Hence, regional autonomy can vary according to regional capacity. Thus, developing regions are expected to experience more centralisation vis-à-vis developed regions.

Population and Territory

A considerable difference in the population and territory among constituent units also results in variation in power and influence. Thus, one or two regions can dominate the federation. For instance, in terms of population, Ontario and Quebec are notable in Canada, similarly Oromia and Amhara in Ethiopia (Agranoff 1999, 50–51; Watts 2008, 25–26). Consequently, small regions might be left to be relatively powerless, for instance, Gambella, Harari and Benishangul-Gumuz in Ethiopia. Watts (2008, 26–27) argues that such asymmetries have two types of political implications. First, such differences influence the capacity of the units to exercise their constitutional prerogatives. Second, asymmetries limit the units' influence in the federal government institutions where constituent units' representation is based on population size.

Whether real or not, power asymmetry has two types of adverse effects on the functioning of a federal system. First, the perception of power asymmetry may lead powerful, wealthy and developed units to feel that they are making an excessive contribution to the federation through funding weak and poor units without getting a differential constitutional treatment such as more autonomy and powers (Duchaceck 1987, 280–86; Agranoff 1999, 51). Such impact can be more noticeable where some units perceive that they contribute too much without a proportionate representation in federal institutions. Thus, resentment such as no bigger contribution without greater representation might develop, affecting the implementation of federalism.

The second adverse effect of power asymmetry is that small and weak units may fear big, wealthy, and influential members dominating the federation. Duchaceck (1987, 280–86) warns that if ethnic, linguistic and religious diversities coincide with territorial power asymmetry, the union become more volatile. The differences theorised to generate *de facto* autonomy variation are not easy to measure, making cross-national study a very challenging task, though not impossible. However, region-specific differences are suitable for regional autonomy variation assessment in a country (Libman 2016, 23–27).

4.5 Facilitators

Facilitators are the constitutional and institutional matters that enable power consolidation. The facilitators are not the actual drivers; instead, they provide a fertile environment for centralisation. This study theorises that generic constitutional clauses, the second chamber, and Intergovernmental Relations (IGRs) are the main facilitators of centralisation in the Ethiopian federation.

4.5.1 Generic Constitutional Clauses

Generic constitutional clauses are constitutional provisions sufficiently broad to be interpreted differently by different bodies. The impact of constitutional clauses on regional autonomy can be seen from at least two angles. The first is the impact of the generic clauses such as “good governance” “peace”, and “national interest” on regional autonomy. Generic clauses may provide federal governments with certain national emergency powers to overrule the regions. For example, in Malaysia, the difficulty of objectively defining such phrases has provided a leeway for the federal government to encroach upon state powers (Ostwald 2017, 495).

Second, lack of specificity of the constitution or failure to adequately delineate competencies, i.e., lack of “watertight compartments” in assigning responsibilities, can cause federal encroachment. As federal constitutions are instruments of power divisions, they should unequivocally stipulate the allocation of powers. In practice, however, constitutions are never precise and can be a source of ambiguities and conflicts. Such ambiguities and power conflicts are not peculiar to a particular type of federation. Generic constitutional texts primarily affect constituent units rather than the national government because such provisions habitually offer the latter the power to overrule the former (Duchaceck 1987, 264–68; Watts 2008, 90; Hueglin and Fenna 2015, 29–30). For instance, federal governments in India, Malaysia and South Africa used generic provisions to overrule the constituent units (Watts 2008, 90). This thesis also expects generic clauses such as “economic and political union”, “development” and “public purpose” in the constitution of Ethiopia to enable centralisation by providing a loophole for the federal government to expand its powers in the regional jurisdiction.

4.5.2 The Nature of the Second Chamber

One of the building blocks of federal arrangements is an entity that acts as a referee in settling power disputes (e.g., Watts 2011, 16). A federal referee is required because constitutional provisions can be ambiguous, and conflicts of jurisdiction may arise between the national and subnational units. The need to adjust and accommodate the unforeseen and the natural imprecision in the constitutions' language also dictate interpretation and a proper entity (Brudney 2003). In a federal system, constitutional issues and power disputes are adjudicated by ordinary courts, for instance, in the USA or by separate constitutional courts, for example, in Germany (Assefa 2007, 6).

A body empowered to adjudicate power conflicts plays essential roles in federations by either facilitating or restraining de/centralisation. For instance, courts' interpretation role modified the constitution in Australia, Canada, Germany, India, and Nigeria (Yonatan and Kirkby 2008, 262; Fenna 2012, 583; Dardanelli et al. 2019, 202–3). Ethiopia is unusual because the House of Federation (HoF), the second chamber, is empowered to settle constitutional disputes and interpret the federal pact. Courts have no power in constitutional adjudication in Ethiopia. Such an arrangement effectively blocks the chance of bringing power disputes to courts like in other federations. Besides, as discussed in chapter three, the constituent units are not explicitly and directly represented in the chamber, but the house decides on matters of regional interest. Thus, the HoF can, among other things, be expected to affect the autonomy of the regions in its constitutional interpretation.

4.5.3 Intergovernmental Relations

Intergovernmental Relations (IGRs) evolve from time to time and indicate the dominant form of governmental interactions that prevails at a certain point in time. The impact of IGRs on the autonomy of the regions in a federal system is multifaceted. Among other things, IGRs play critical roles in public policy and fiscal transfers (e.g., Agranoff 2004; 2007; Steytler 2011). Concerning regional autonomy, *coercive* and *non-institutionalised* IGRs are expected to distress regional autonomy by facilitating centralisation. In coercive IGRs, the federal executives dominate the interaction between two-tier governments. The expectation is that the more the IGRs are coercive, the less the governmental interactions are based on equality

and the less the region's autonomy. Non-institutionalized IGRs denotes intergovernmental interactions that lack a formally established body or formal rules to facilitate or regulate the relationships between the two-tier governments. This thesis postulates that institutionalised and non-coercive IGRs nurture subnational autonomy. Conversely, non-institutionalised and coercive IGRs weakens regional autonomy. There is no IGRs policy framework and a permanent entity to facilitate and regulate intergovernmental interactions in Ethiopia (Agranoff 2004; Nigussie 2015). Thus, IGRs prevailing in Ethiopia should have facilitated power consolidation and federal interference rather than supporting constituent units' autonomy.

4.6 Instruments

Federal governments implement de/centralisation through different instruments. A constitutional amendment, court ruling, and framework legislation are the principal instruments of de/centralisation in democratic federations (e.g., Dardanelli et al. 2019). Similarly, this thesis expects these instruments to be instruments of de/centralisation in Ethiopia. Nonetheless, considering Ethiopia is an authoritarian state (Freedom House 2018), and a dominant party regime has been ruling the federation, coercion should also be one of the main instruments for modifying vertical power distribution. Coercion can be fiscal or nonfiscal, such as political coercion, which helps the federal government snatch the regions' competence.

4.7 Conclusion

This chapter presented conceptualisation and the theoretical framework guiding the thesis. It conceptualised regional autonomy as having the policy and fiscal dimensions that can be explored empirically using indexes. The chapter argues that decentralisation is dynamic and static by nature. Therefore, it can change over time and from one region to another. This chapter also asserted that constitutional division of powers only shows formal autonomy and does not reveal the actual autonomy. The chapter argues that there is a gap between regional constitutional autonomy and the practice in a federation like Ethiopia marked with developing economies, a dominant party system, and ethnic diversity. Thus, there will be autonomy variation over time and across regions.

The chapter proposed that party system and socio-economic factors determine regional autonomy by driving dynamic decentralisation. The chapter also argues that such drivers are facilitated by generic constitutional clauses, IGRs, and the federal upper house. Dynamic decentralisation is thus driven by the drivers, enabled by facilitators, and executed by instruments such as constitution amendment, proclamation, and coercion. The chapter finally presented that region-specific factors such as regional party, wealth, capacity and population and territory can produce de facto regional autonomy variation in a constitutionally asymmetrical federation like Ethiopia.

Chapter Five: Methodology

5.1 Introduction

This chapter presents the methodology of the thesis. As the research is a comparative case study, the researcher followed different steps and adopted different methods in selecting cases, generating data, conducting analysis, and ensuring the validity and reliability of the finding. This chapter presents these crucial topics in detail. The chapter is structured as follows. It starts by presenting the research design before discussing the steps and methods followed in selecting sample regions and policy areas. After that, types and sources of data are presented. Then, different methods employed to generate the data used in measuring and explaining regional autonomy is presented. The chapter presents the coding scheme before presenting the limitations of the research. The final section is the conclusion of the chapter.

5.2 Research Design

This thesis is a comparative case study in its design. The benefit of the case study is the detail and depth of information it provides, which helps us understand the dynamics of Ethiopian federalism. Besides, the thesis adopted a comparative approach in examining cross-regional and temporal autonomy variation by taking three constituent units in Ethiopia. In doing so, a systematic measurement of the three cases' autonomy was conducted, followed by an explanation of the main drivers, enablers, and instruments of de/centralisation.

The thesis employed a mixed method of data generation and analyses because the nature of the study required the use of both qualitative and quantitative data generated through methods such as interviews, document reviews and questionnaires. Besides, a hybrid approach is preferred for triangulation and cross-validation of data, contributing to the validity of the results (Toshkov 2016, 310). Coding allowed the researcher to obtain quantitative indicators from qualitative sources such as the federal constitution, proclamations, policy documents, and interviews. Quantitative data generated are presented in tables, graphs, and charts. Qualitative data were extracted from official records, interviews and other secondary sources and analysed through qualitative content analysis. Quotations, examples, and narratives were

used as a means of qualitative data presentation to help explain the day-to-day operation of federalism in Ethiopia.

Tracing the evolution of autonomy through an in-depth study of each case was conducted through qualitative analysis. Factors theorised to produce autonomy variation in the previous chapter, such as socio-economic trends, party system, ethnic diversity, and capacity, were qualitatively explored to interpret their impact on regional autonomy. This enabled understanding de/centralisation evolution and explaining how different factors might have produced spatial and temporal autonomy variation.

Validity is a fundamental issue in any research (Johnson, Reynolds, and Mycoff 2016, 296). Civil servants who participated in coding and interviews were purposely selected in consultation with bureau heads and senior officials. The main consideration was the participants' knowledge about the issues under investigation. Policy coding passed through a two-step validation process to enhance validity. The first step validation was done by bringing together the civil servants and officials to validate the coding as they assigned scores based on individual judgements, and thus, there were some differences among the participants' coding of regional legislative and administrative autonomy. The validation at this stage was conducted in civil servants' offices at times convenient for them based on a prior schedule. At the end of this validation stage, the participants were agreed on the coding and key justifications. Latter, the researcher conducted a second step validation based on outputs of the fieldwork and review of relevant documents. The second step validation enabled measuring the gap between *de jure* and *de facto* powers and thus mapping variation over time and across the sample regions. Finally, regions were coded to generate regional policy legislation and administration scores.

Policy coding was based on qualitative evaluation, but quantitative data were also used when available. Fiscal coding was primarily based on objective quantitative data. A structured comparison of the three regions, Benshnagul-Gumuz, Oromia and SNNP, was made to enhance internal validity. Further, attempts were made to discuss the Ethiopian case in contrast to other federations. The researcher took maximum care to be free from predisposed evidence by cross-checking potentially subjective sources and confirming the documents'

authenticity, credibility, and representativeness. Concerning the study participants, the researcher respected their consent, privacy and maintained confidentiality in interviews.

5.3 Case Selection

There were no compiled data concerning regional autonomy in Ethiopia. Besides, Ethiopia is not covered by Regional Authority Index's dataset. Hence, the researcher had to generate original data through extensive fieldwork. Time and research consideration meant that I had to select three regions instead of all. A comparative study of a few cases, such as this, has the advantage of generating in-depth knowledge, and generating new theories and refining existing theories, and discovering deviant cases (Peters 2013, 74–75; Halperin and Heath 2017, 154). Considering such theoretical advantages and a lack of compiled data, the researcher selected three regions out of nine as cases.¹² The number of Ethiopian regions increased to ten after the fieldwork was conducted.

Factors such as party system, territorial size, population size, socio-economic development status, ethnic diversity and peripherality were considered in selecting Benshangul-Gumuz, Oromia, and the Southern Nations, Nationalities and Peoples' (SNNP) regions as a sample. As discussed in previous chapters, these variables are vital in determining regional autonomy and can also cause *de facto* autonomy variation across time and regions. The overall target was to achieve two purposes.

The first purpose is to choose regions that differ on most of these dimensions to represent the whole regions to enable drawing inferences to the entire country, thus helping us understand Ethiopian federalism. When we pick cases divergent on essential variables, representativeness increases, and the logic of comparison will be maximised (Burnham et al. 2008, 73). Second, these factors are vital because they are theorised to determine *de facto* regional autonomy in federations. This means selecting the cases that differ on these variables helps explore the

¹² During the fieldwork, January-September 2019, the number of Ethiopian regions was nine. Later it grew to ten following the Sidama referendum in November 2019.

nexus between the variables and constituent units' autonomy. The summary of the sample regions is as follows.

Table 3: Summary of the Cases

<i>Region</i>	<i>Variables/key factors</i>					
	<i>Regional party</i>	<i>Population</i>	<i>Territory</i>	<i>Devevelopment</i>	<i>Diversity</i>	<i>Centre-periphery</i>
Oromia	OPDO	Large	Large	Developed	Homogeneous	Centre
SNNP	SEPDM	Medium	Medium	Developed	Highly diverse	Peripheral
B-G	BPDP	Small	Small	Developing	Moderate	Peripheral

Note: B-G=Benshangul-Gumuz

The cases vary on politically, economically, and socially vital factors. One of the relevant factors theorised to influence autonomy is the decentralisation of the party system (Riker 1964). Oromia and SNNPR are ruled by political parties that are members of the federal ruling coalition. In contrast, the regional ruling party in Benshangul-Gumuz is not in the national ruling bloc. In terms of population and territorial size, with 38.8 per cent of Ethiopia's population and vast land size, Oromia is the largest region, followed by SNNPR (21.1 per cent) and Benshangul-Gumuz (1.1 per cent) (HoF 2017, 80).

Regarding relative development, the Amhara, Oromia, SNNP and Tigray regions are officially designated as developed regions, while the rest are known as developing regions. Accordingly, while Oromia and SNNPR are developed regions, Benshangul-Gumuz is a developing constituent unit. Pertinent to diversity, a vital factor that shapes decentralisation in federations (Elazar 1987, 202; Erk and Koning 2010; Tsakhirmaa 2020), while SNNPR is highly diverse (55 ethnic groups), Benshangul-Gumuz is moderately diverse (5 ethnic groups). On the contrary, Oromia is a homogeneous region with no legally recognised distinct territorial group. Ethnic diversity in this regard refers to the existence of legally recognised territorial groups that have some form of self-rule in the regions. The main indicator of the existence of such a group is its representation in the HoF (see table 1). Peripherality is also among the key factor defining the extent of regional autonomy (Safran 1999, 21; Ackrén 2009, 63–67). Looking into centre-periphery, we can note that while Oromia is central, the other two units are peripheral.

Regional autonomy in two policy areas (education and land) and five fiscal categories is measured. The two policy areas were selected considering the massive expenditure they have attracted, their importance in Ethiopia's political economy, and the powers constituent units exercise in these fields. Education policy was selected because education in Ethiopia has been used as a key instrument of domination, assimilation and nation-building during the imperial and the *Derg* regimes (Smith 2008). Such historical issues might perpetuate to affect the exercise of powers in education. As discussed in chapter three, regions have crucial constitutional competence in the education sector, and self-determination, identity and language rights asserted in the federal constitution is highly linked to education, making the sector a relevant area to be studied. Further, education is a key sector in Ethiopia's development, noted by the vast budget allocation and great attention given to it since Ethiopia became a federation. For instance, 25.2 per cent of the country's budget in 2015/16 was allocated to education (UNICEF 2017, 8).

The land is a crucial and controversial asset at the core of the successive regimes of Ethiopia's power struggle and state-building. Besides, the land issue is highly connected to Ethiopian life because about 80 per cent of the population depends on agriculture (Rahmato 1984; Lavers 2012b; 2016; Emmenegger 2016). Through examining land policy powers, the thesis sheds light on agricultural investment as the two are connected, increasing the relevance of the assessment of land policy. From a constitutional perspective, legislative power in the land is exclusively federal while its administration is solely a regional subject. Considering that land is a vital resource that both government levels want to control, assessing the exercise of such concurrent powers is relevant. The relevance of the fiscal dimension is less debatable as it is an essential competence that determines the level of regional autonomy because most powers are meaningless if the constituent units have no fiscal independence (e.g., Oates 1999, 5; Watts 2008, 104).

5.4 Types and Sources of Data

Data Types

The nature of the study necessitates both quantitative and qualitative types of data. Quantitative data constituted the measurement of regional legislative, administrative and

fiscal autonomy. Qualitative data are mainly related to drivers, facilitators, centralisation instruments, and factors for cross-regional and cross-temporal autonomy variation. Besides, qualitative data include formulas, laws and practices related to taxation, federal transfers and regional borrowing.

Data Sources

This thesis generated data from primary and secondary sources through fieldwork from January to September 2019. Primary sources of data were interviews with civil servants working in different offices such as the Ministry of Finance and Economic Cooperation, Ministry of Education; the Ministry of Revenues, the Ministry of Federal and Pastoralists Affairs, the HPR, the HoF, and political party offices at the federal level and equivalent bodies in the regions including the office of the Presidents, Land Administration Bureaus and Investment Commissions (see annex 9 for a complete list of offices and interviewees). Accordingly, the primary fiscal data sources were revenues, expenditures and federal grants reports of the national and regional agencies and the World Bank. Besides, policy documents, experts' views, and media reports were analysed to generate primary data. Secondary data sources mainly included scholarly studies relevant to each policy and fiscal category. Secondary data were vital as they allowed a comparison over time, which could not be possible by relying on interviews only.

5.5 Methods

During the fieldwork from January to September 2019, the researcher travelled to the regions to contact relevant offices to access documents, conduct interviews, and administer questionnaires. The research relied on mixed data generation methods, including document analysis, interviews, and questionnaires discussed below.

Document Review

Document analysis gives researchers a reliable data source because political research may not be possible by focusing only on the present (Burnham et al. 2008). Besides, document review broadens the scope of fieldwork beyond what the researcher could cover personally (Halperin and Heath 2017). Accordingly, the researcher reviewed relevant legal and policy documents,

reports of different organisations, and several years' fiscal data such as revenue reports, federal grants, borrowings, and budgets. Unfortunately, only a few of these documents are available online. Consequently, the researcher collected most of them by going from one office to another in the three regions and federal agencies during the nine-month fieldwork in Ethiopia.

The researcher systematically reviewed the documents to get evidence concerning regional autonomy and de/centralisation. The researcher conducted a qualitative content analysis of the federal constitution to analyse the formal division powers. Policy documents, proclamations and executive decrees related to fiscal federalism, taxation, financial administration, education, land, and agricultural investment were purposely selected and reviewed. Besides, the minutes of the HoF and the HPR relevant for the issue was carefully chosen and reviewed based on advice from regional and federal officials. Finally, the researcher analysed media reports, television and radio interviews, expert opinions, and officials' speeches to substantiate data from other sources. This enabled the researcher to identify the main drivers, facilitators and instruments causing cross-regional and temporal autonomy variation in Ethiopia.

Questionnaires

Questionnaires were administered to get civil servants' and officials' evaluation of the level of regional autonomy on the selected policies. Policy autonomy is measured on a five-point scale on legislative and administrative dimensions (see chapter four for the details of operationalisation). Officials and civil servants were asked to rate regional autonomy on these dimensions on a scale ranging from 0-4. The researcher then used the information about the rating and proceeded to interviews for validation, cross-checking, and generating more qualitative data to justify the coding.

Semi-structured Interviews

Semi-structured interviews were used to generate detailed information about the topic. The interviews were conducted to generate data on the federal government's motives, interests, and incentives in pursuing de/centralisation. Besides, the research relied on interviews to generate data regarding centralisation instruments, facilitators, and regional reactions to

power consolidation. Further, interviews helped to get information on why some regions experienced more centralisation than others. Furthermore, discussions with officials were crucial in understanding policy-making practices, IGRs, federal-regional ruling parties' relationships, the politics of fiscal federalism, and the evolution of regional autonomy in Ethiopia. The researcher used interview guides in conducting interviews that enabled the creation of reliable and comparable qualitative data. A total of 64 interviews were conducted in Ethiopia during the fieldwork (see annex 9 for a list of interviewees).

Table 4: Number of Interviewees by Category

<i>Interviewees' categories</i>	<i>Number of interviewees</i>
Benshangul-Gumuz	12
Oromia	21
SNNP	15
Federal	12
Ex-legislatures and officials	4
Total	64

Most of the interviews were conducted face-to-face in the offices of civil servants and officials based on prior schedules. Further, the researcher conducted some interviewees by attending events such as conferences. Finally, a few telephone interviews were done after the officials cancelled several scheduled meetings due to inconvenience. Purposive and convenience sampling methods were used in selecting interviewees. The judgment of the researcher, relying on theories and practice, backed up by civil servants and government officials' advice, were the primary justifications in purposively generating sample respondents. The overarching criteria were selecting respondents with first-hand information about the topic and collecting their views and experiences.

Nevertheless, the interviewees' availability, accessibility, and willingness were also crucial in conveniently picking respondents. The convenience of the respondents was critical as the topic is, to a certain extent, politically sensitive, and the country was undergoing political reform following the resignation of the Prime Minister due to popular protests. This means the researcher was also required to rely on personal networks to access respondents. The

researcher used individual social networks to contact former civil servants and officials as they are not in offices.

The researcher adopted strategies to minimise the social desirability bias of the answers of the semi-structured interviewees. The researcher conducted one-on-one interviews with the officials and civil servants at a time and place convenient to them. Interviewees were also informed that the research output was only for academic purposes, and their responses would be anonymous. Further, the researcher avoided guiding respondents to answer in particular ways but created a frame to explore their experiences, values and knowledge about the topics under investigation and encouraged them to use narratives and exploratory evidence to support their views. These strategies blended offered confidence that social desirability bias could be reduced.

As the researcher relied on social networks to pass the bureaucratic gate of government offices and access the respondents, the participants felt confident in their relationship with the researcher. This enabled to build the required trust among the interviewees; as a result, they were free to answer what they genuinely felt about the issue at hand. The fact that Ethiopia was undergoing political reform and there was relative relaxation of political space following the coming to power of Abiy Ahmed was also enabled the participants to relax in sharing their views and experience. Nevertheless, the interviewees adapted their answers to avoid providing information that could put them into trouble. For example, most participants avoided mentioning the names of top regional officials who made certain decisions; they rather preferred to mention the office name than the official name.

Method of Explanation

The data collected were sorted to assign scores to regional legislative, administrative and fiscal autonomy categories. Such efforts produced original descriptive data set from 1995-2020 concerning changes in the vertical distribution of competencies over time and across regions. The next vital step was accounting for the changes in scores over time and across regions. This required collecting and reviewing both published and unpublished materials that show de/centralising steps taken. After key de/centralising steps were identified, the next task was tracing the motives and drivers for the actions taken.

In order to carry out these crucial activities, different legal and policy documents, academic works, media reports, and various organisations' reports were reviewed. Further, as some of the steps taken were informal and were not adequately documented, the researcher relied on interviews to trace the federal government's motives in taking de/centralising steps often in defiance of the constitution. The researcher attempted to support evidence collected through interviews by data from other sources whenever possible and available. The overall benefits of such endeavour were to justify the coding, trace steps taken or instruments of de/centralisation and identify the drivers or motives.

However, it should be noted that some factors, for instance, the party system and lack of democracy, are cross-cutting over time and region that it is difficult to certainly mark their de/centralising effect at a particular time or space. The number of regions covered and the number of policies studied was few. Besides, there were no quantitative data regarding policy autonomy in Ethiopia to conduct a rigorous statistical test concerning the relationship between the factors and regional autonomy. Hence, it is noteworthy that the attempt is to offer an interpretation of the coding and factors associated with *de facto* regional autonomy variation using the best available qualitative and quantitative evidence rather than an explanation of a statistically tested cause and effect relationship. Hence, the explanation offered should be taken as a systematised interpretive explanation.

5.6 Coding

Regional policy and fiscal autonomy were measured based on qualitative and quantitative data. Policy autonomy coding was primarily based on qualitative assessment but supported with quantitative data where available. Analysis of the constitution and other relevant laws was the main method used to code regional policy autonomy at the birth of the federation. Besides the officials' and civil servants' ratings of regional autonomy, the researcher examined relevant post-constitution policy documents, laws, and official reports in coding regional legislative and administrative control on the two policies.

Policy autonomy is operationalised into legislative and administrative autonomy dimensions. Then, the researcher systematically disaggregated the two dimensions into sub-areas based on a review of relevant policy documents and consultation with senior civil servants and officials.

After that, the researcher developed a 5-point scale that ranges from 0-4. The coding indicates the following situations: 0=exclusively controlled by the federal government; 1=largely controlled by the federal government; 2=control shared equally by the federal and the regional governments; 3=largely controlled by the regional government, and 4=exclusively controlled by the regional government. Then, based on the coding scheme developed, questionnaires were administered to the regional civil servants, and civil servants assigned scores. Later, a two-step validation was carried out.

Fiscal autonomy coding was based on objective and official fiscal data, except for the regional borrowing index, which was estimated based on qualitative reviews. This contributes to making the coding scheme objective and a reliable measure. Fiscal autonomy coding is highlighted as follows.

- a) *Regional own-source revenue* was coded by calculating the proportion of regional own-source incomes from the total regional revenues. Scores ranging from 0-6 are as follows: 0= [0%-15%]; 1= (15%-30%]; 2= (30%-45%]; 3= (45-60%]; 4= (60-75%]; 5= (75-90%]; and 6= (90%=100%]. The smaller the regional own-source revenue, the lower the score is and vice-versa. A lower own-source revenue score indicates lower regional autonomy.
- b) *Federal subsidies* as a proportion of the total regional government revenues measures regional dependence on federal transfers. Scores, which ranges from 6-0, are as follows: 6= [0%-15%]; 5= (15%-30%]; 4= (30%-45%]; 3= (45-60%]; 2= (60-75%]; 1= (75-90%]; and 0= (90%=100%]. The less the region is dependent on federal transfers, the higher the score is and vice-versa.
- c) *Conditional grant* was measured by calculating conditional grant as a percentage of the total grant. Conditional grants were identified from federal government budget proclamation and reports. These documents explicitly categorise conditional grants as MDGs and SDGs subsidies. Scores ranging from 0-6 were assigned to conditional grant. The coding is as follows: 6= [0%-15%]; 5= (15%-30%]; 4= (30%-45%]; 3= (45-60%]; 2= (60-75%]; 1= (75-90%]; and 0= (90%=100%]. The smaller the proportion of the conditional grant is, the higher the score is and vice-versa. A higher score indicates relative regional spending freedom.

- d) *Tax autonomy* score ranges from 0-4. The coding is as follows: 0=the rates and bases of major regional taxes are exclusively decided by the federal government; 1= the rates and bases of major regional taxes are largely decided by the federal government; 2= the rates and bases of major regional taxes are equally decided by the federal and regional governments; 3= the rates and bases of major regional taxes are largely decided by the regional governments, and 4= the rates and bases of major regional taxes are exclusively decided by the federal government. The higher the score is, the higher the tax autonomy is and vice-versa.
- e) *Borrowing autonomy* was coded considering the constituent units' legal and practical freedoms regarding borrowing from internal and external sources. The scores ranging from 0-2 were assigned. The coding is as follows: 0=regions have no authority to borrow; 1=regions have the authority to borrow but with the federal government restrictions; 2=regions have the authority to borrow, and there are no restrictions. The higher the score is, the higher the borrowing autonomy is and vice-versa.

5.7 Research Limitations

There were different limitations when conducting the study. The first limitation of the research was regarding data availability. In collecting secondary data, the researcher encountered problems such as accessing data, lacking compiled data, and missing and fragmented data. The researcher attempted to overcome such limitations by using personal networks to access data, though obtaining data required many visits to government agencies. Besides, the researcher did painstaking work to construct original data set by drawing on various official data sources and cross-checking. For instance, while revenue data from 2008/09-2017/18 were obtained from regional finance bureaus, pre-2008/09 regional revenue data were unavailable. Consequently, the researcher relied on other official sources such as World Bank to build pre-2008/09 regional revenue data. Nonetheless, revenue data from 1998/99 to 2007/08 are missing. Despite that, the data set constructed adequately shows the fiscal federalism trend in Ethiopia from 1995 to 2018. Besides, the data set is systematised, and the limitations have no severe impact on the validity of the findings.

The second type of research limitation concerns regional policy autonomy. Most studies of Ethiopian federalism focus on political and fiscal dimensions, and systematic assessment of

regional policy autonomy was missing. Therefore, there was no systematised data showing changes in vertical policy power distribution over time. Besides, global data set like Regional Authority Index does not cover Ethiopia. Consequently, the researcher had to start from scratch in systematically measuring and mapping regional policy autonomy. That means extensive fieldwork was needed to generate systematised data set, and the number of policies and regions covered had to be few.

The third type of research limitation concerns the sensitivity of the political topic in Ethiopia. As the issue is political, the respondents were not interested in being taped, although the country's political situation was relatively relaxed following the 2018 reform. This was due to safety concerns and the fear of prosecution, arrest, and removal from their position. Consequently, the researcher took notes to capture the respondents' views and answers and informed them that their profiles would be anonymous to ensure their safety. Nonetheless, some officials declined to participate in the research, while others made multiple schedules and cancelled agreed interview appointments. Therefore, the researcher relied on personal social networks to access key informants. Relying on social networks helped the researcher easily pass the bureaucratic bottleneck of accessing officials and build the required trust among participants to share their views without fear.

5.8 Conclusion

The methodology chapter resented above covers key steps taken and methods used in conducting the study. It illustrated that the research is a comparative study of a few cases. The chapter discussed that the thesis relied on a mixed method of data generation and analyses. Thus questionnaires, interviews and document analysis were used as methods of data generated during the extensive fieldwork in Ethiopia. The chapter presented that three regions out of nine were purposely selected. The main criteria used in choosing the regions were party system, population, territory, development, peripherality and ethnic diversity. The chapter argues that basing case selection on these factors enabled the researcher to achieve two purposes: selecting the representative cases and selecting cases that are very on these factors, thus helping examine the nexus between regional autonomy and the factors.

Two policy areas considering their importance in the Ethiopian political economy were selected. Further, five fiscal dimensions were examined. The chapter also presented the systematised methods and steps followed in assigning codes to measure regional autonomy. Two-step validation was followed to ensure the validity of the policy coding. Regarding fiscal dimensions, the coding was made based on official quantitative data. Finally, the chapter presented that data accessibility, lack of compiled data, missing and fragmentation of data, accessibility of interviewees and sensitivity of the topic have constrained the research.

Chapter Six: Regional Policy Autonomy in Ethiopia

6.1 Introduction

This chapter measures regional legislative and administrative autonomy from 1995 to 2020 by taking the education and land policies as cases. The chapter is structured into three main parts. The *first part* presents the results of fieldwork regarding education policy. This section gives an overview of Ethiopia's education policy, followed by an assessment of regional legislative and administrative autonomy in education. The final section of part one summarises autonomy scores in the domain of education. *Part two* of this chapter covers land policy. It starts by highlighting land policies in Ethiopia. After that, the measurement of regional legislative and administrative autonomy in the field of land policy is presented. The last section of part two synthesises temporal and spatial legislative and administrative autonomy variation in the land domain. *Part three* of the chapter provides a comparative conclusion on regional legislative and administrative autonomy regarding the two policies.

6.2 Overview of Ethiopian Education Policy

Education is a crucial policy area and is highly related to nation-building as it conveys the state's history, national pride, shared identities, and vision. Governing elites use curriculum and textbooks to transfer ideas and guide the generation towards the envisioned state, employing education as an important homogenising and unifying tool. For example, during imperial Ethiopia, the ruling elites utilised education as a coercive tool of assimilation to establish an Amharanised Ethiopia. Further, education expansion was directed to privileged provinces, higher education access favoured hegemonic groups, and literature in a language other than Amharic was banned (Bandyopadhyay and Green 2008:6). Teaching selective history, which praised only the dominant group during imperial Ethiopia, is another illustration of how the ruling elites use education for assimilation, domination and nation-building (Teshome 1979; Messay, 2006). The *Derg* also utilised education to indoctrinate Marxist-Leninist ideology and boost unification (Tekeste 2006).

Language plays a key role in the politics of multiethnic and multilingual societies in general (Kymlicka and Patten, 2003). In the Ethiopian context, for example, education language is

political in that it has both structured and symbolised the nation-building project. The imperial and *Derg* regimes favoured the Amharic language, benefiting native Amharic speakers disproportionately. And Ethiopian-ness was synonymous with Amharic speaking ability (Smith 2008, 209–10). Thus, the reinterpretation of Ethiopian citizenship through the use of other languages following the adoption of federalism naturally causes tensions between the privileged hegemonic groups and formerly disfranchised ethnic regions as the formers consider such a shift a threat.

Further, ethnonationalism was the key factor that brought federalism in Ethiopia, which means ethnic regions have a huge interest in controlling education, among others, determining the language of education and curriculum. Besides, ethnic regions will be interested in controlling textbooks' content to narrate and convey their history, culture, language, and geography and mould the generation towards boosting ethnic identity. While the centre strives to control education to use it as a tool of national integration and building common identity, regions want to shape education to develop their language, culture, and history, which were subjugated during the pre-federalism era. Thus, there might be tension and competition between the federal and regional governments in exercising powers in education.

Regarding the division of powers over education, the federal constitution states that the federal government “shall establish and implement national standards and basic policy criteria for public health, education, science and technology” (Art. 51 FDRE Constitution 1995). The 1994 education policy, which was adopted a few months before the constitution, covered overall and specific issues such as operational strategies; levels of education; curriculum; teachers training; education measurement and evaluation, the medium of instruction, production and distribution of education inputs, and education finance. In terms of the overall strategy, the policy stated that “the curriculum developed and textbooks prepared at central and regional levels should be based on sound pedagogical principles and are up to international standards, giving due attention to concrete local conditions” (FDRE 1994, 12–13). The policy implied that regions were allowed to prepare curriculum and textbooks. The policy noted that teachers training institutes and universities would function autonomously with the necessary authority (FDRE 1994, 21–22).

The medium of instruction is one of the critical components in a curriculum. The policy was clear on this matter. It stated that “cognizant of the pedagogical advantage of the child in learning in mother tongue and the rights of nationalities to promote the use of their languages, primary education will be given in nationality languages” (FDRE 1994, 23). This means the policy was consistent with the constitution that grants language rights to Ethiopian nations, nationalities and peoples. As the right to write and develop one’s language cannot be practised unless the language is included in the curriculums, multilingual education policy puts the language rights enumerated in the constitution into practice.

The policy included provisions regarding the medium of instructions. It stipulated that “Amharic shall be taught as a language of countrywide communication; English will be the medium of instruction for secondary and higher education; students can choose and learn at least one nationality language and one foreign language, and English will be taught as a subject starting from grade one” (FDRE 1994, 16–24). This provision implied that regions might include different languages in the primary education curriculum if they adhere to the policy’s intent. Besides, the policy dictated that “the language of teacher training for kindergarten and primary education will be the nationality language used in the area” (FDRE 1994, 23). Moreover, the policy promised a decentralised production and distribution of educational materials. Likewise, pertinent to the organisation and management of education, the document laid down decentralised education management. It stated that “educational management will be decentralised to create the necessary condition to expand, enrich and improve accessibility and equity of education and training”. The policy also ambitiously promised, among other things, democratic educational governance and autonomous educational institutions run by a democratic leadership (FDRE 1994, 27–30).

As the implementation of any policy requires finance, the education policy declared that the priority of the education budget should be the completion of general secondary education (grade 10) and related training. It assured special financial support for “developing regions” to increase participation in education. It is not clear how the “special financial support” is implemented. However, based on the situations of the regions targeted, allocation of more budget for these regions relative to the others is expected.

6.3 Measuring Regional Autonomy over Education Policy

In this section, the autonomy of the regional governments over the legislation and administration of education policy is measured. Based on the coding obtained from fieldwork, the data presented measure regional autonomy in education at five-year intervals (1995-2020). First, legislative autonomy is measured, followed by administrative autonomy.

6.3.1 Legislative Autonomy

The data presented below measure regional autonomy over the education policy legislation at five-year intervals (1995-2020) in four levels of education. Except for temporal variation, no deviation has been recorded pertinent to legislative scores across the regions. As the mean scores of the three cases and the scores of each region overlap, only the mean scores on the four education levels are presented graphically.

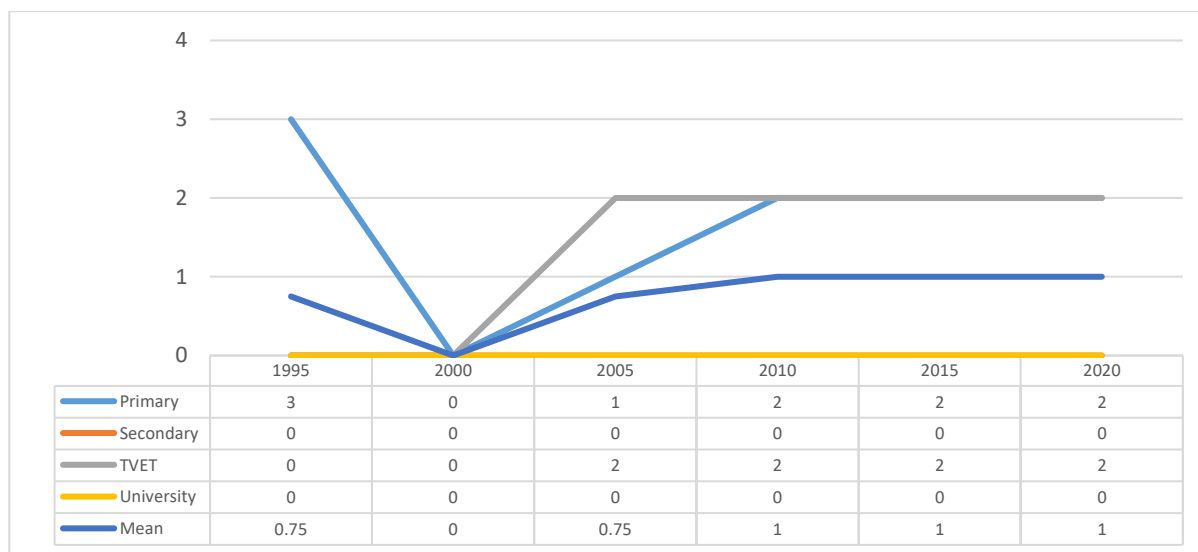


Figure 2: Legislative Scores-Education Policy

Source: annex 4

Legislative Autonomy at the Outset (1995)

Article 51 of the constitution states that the federal government “shall establish and implement national standards and basic policy criteria for public health, education, science and technology”. A federal law adopted the same year as the constitution, proclamation No. 4/1995, empowered the Ministry of Education (MoE) to “determine the educational

curriculum offered at the level of senior secondary schools, higher education institutions and training institutions of a similar status; and the type and standard of certificates to be awarded to students, and assist regional governments in the preparation of educational curriculum for elementary and junior secondary schools''. The federal government was also responsible for training secondary school and higher education teachers and other personnel and determining the qualification required for teaching in secondary schools (Art. 21(3-4), Proclamation No. 4/ 1995). Consistent with the constitution, the proclamation reiterates the federal government's power of establishing national standards and fundamental policy criteria enshrined in the federal constitution pertinent to education.

Based on the constitution and proclamation No. 4/1995, the central government was entrusted with exclusive legislative power over secondary education, TVET and higher education. At the outset, the key areas such as curriculums, textbooks, examinations, determination of medium of instructions, teachers training, and qualifications were assigned to the MoE. Hence, the regions had no legislative competence over these education levels. Consequently, the regions were coded 0 on secondary, TVET and higher education legislation at the outset. While secondary and higher education levels remained centralised throughout, TVET evolved differently, as discussed later in this section (Figure 2).

Based on the constitutional division of powers and proclamation No. 4/1995, the regions had powers to enact primary education laws and plans at the outset. Among others, constituent units were authorised to prepare primary (grade 1-6) and junior secondary (grade 7-8) education curriculums (Art. 21, Proclamation No. 4/ 1995). However, as the federal framework policies and standards put some level of constraints, the regions are not expected to have had a maximum level of autonomy (4) in primary education legislation at the outset. Hence, based on the constitution and subsidiary law, the regions were coded 3 on primary education legislation at the beginning (Figure 2). The coding shows that primary education was decentralised, but it was not exclusively regional because both the constitution and subsidiary law said the centre could set national standards. In general, primary education legislation was decentralised, whereas secondary, TVET and higher education legislation was highly centralised at the outset. Besides, all units had equal status and power by the constitution and the relevant law (Figure 2).

Post-constitution Development in Primary Education

Following the constitution's ratification, between 1995 and 2000 (*period one*), the federal government passed and implemented several policies and programmes that limited regional education competencies in primary education. First, the 1994 education policy, implemented starting from 1995, was highly centralised, and the regions had no meaningful role in its preparation. The regions' role was only participating in consultation forums¹³ conducted after the draft policy was prepared (IDEA 2000, 63). Second, the Education Master Plan, which would guide education in Ethiopia for 20 years, was solely formulated by the MoE in 1995 (IDEA 2000, 5). Third, a mid-term programme (1997/98-2000/01), known as the "Education Sector Development Program (ESDP-I)," was prepared by the federal government and implemented by the regions. The ESDP-I was very detailed and left no room for the regional governments. The ESDP includes Programme Action Plan (PAP) and Programme Implementation Manual (PIM), containing detailed operational level guidelines prepared by the MoE. The federal government bodies such as the Prime Minister Office (PMO) and the MoE dominated the preparation of these policies (IDEA 2000, 22–37).

Consequently, the regions lost legislative powers on education as the federal government expanded its mandate using framework policies. Thus, regions are coded 0 on primary education legislation in 2000, a move towards centralisation (Figure 2). The regions' score on primary education would be 3 if the constitution and relevant law were followed.

Between 2000 and 2005 (*period two*), the central government's role was still significant. The PMO played substantial roles in preparing the ESDP-II, which had three years lifespan (2002/03-2004/05). The PMO set the regional budget ceilings; after the MoE communicated the budget maxima to the regions (IDEA 2000, 37). The federal government also prepared primary education textbooks, although the regions could translate them into their instruction languages (MoE 2002, 46). However, during period two, the regions had already started

¹³ A report published by the MoE states that "a task force was formed under the prime minister's office to coordinate and oversee the study. Once a draft of the study was completed, various discussion forums were organised for criticism and for compiling comments on the study" (Ministry of Education 2002, 5).

preparing and executing education plans, programmes, and primary education curriculums (Tekeste 2006; UNESCO 2006; JICA 2012, 9). Further, the federal government ceased directing regions in preparing primary education curriculum and thus medium of instructions varied across constituent units (MoE 2002, 41). Period two was when regional governments started making decisions regarding the medium of instruction in primary schools (Tekeste 2006, 31). In 2002, for instance, the SNNPR began teaching more than ten indigenous languages in primary schools (MoE 2002, 39). More than 51 local languages are currently operational in Ethiopia's education system (Yeweyinhareg 2017). Overall, regional control over primary education legislation started to revive in period two. Hence, regions were coded 1 in 2005 (Figure 2). Though regional competence improved compared to period one, there was still a gap between the constitution and the practice.

Between 2005 and 2010 (*period three*), regional competence was improved. Nevertheless, a National Curriculum Framework (NCF), adopted in 2009, reduced regional control over education. The regions were allowed to contextualise the NCF. However, the framework covered details such as subjects to be taught and timetable (MoE 2009). Besides, regions were required to adopt textbooks developed by the General Education Curriculum Framework Development Department (GECFDD) of the MoE (Roach 2018). Such developments imply that though regions had some legislative powers in primary education, the framework policies constrained their competence. Overall, in period three, the constituent units started exercising their competence in preparing education plans, programmes and primary education curriculum based on national policy (UNESCO 2006; JICA 2012, 9). Consequently, the regions were coded 2 in 2010, implying equal control over primary education legislation (Figure 2).

Between 2010 and 2015 (*period four*), the regions retained the competencies they had acquired in period three. However, the regional legislative competence was restricted by the framework policies such as ESDP and NCF. Besides, the regions were obliged to adopt books prepared by the GECFDD of the MoE. On the positive side, the regions could decide the medium of instruction, prepare primary education plans, curriculum, and textbooks. Hence, the regions were coded 2 in 2015, though the score would have been 3 if the constitution were correctly applied (Figure 2).

Between 2015-2020 (*period five*), there was no development leading to a score change. However, one development is worth noting before moving to the next section. Following a similar approach to the ESDP preparation discussed earlier, in 2018, the federal government tabled a controversial document called “Ethiopian Education Development Roadmap (2018-30)”. The roadmap sparked opposition from regional governments (Gizaw 2018). The roadmap prescribed the structure of the primary school curriculum, languages to be taught in schools, and the stage at which regions should give region-wide examinations. Besides, the roadmap proposed the nationalisation of the grade 8 primary school leaving examinations (MoE 2018, 18–19).

These matters have been regional mandates, which was enough cause for the regional leaders to oppose the document. Expressing his discontent with the proposed education roadmap, Shimelis Abdissa, President of Oromia Region, said that “No negotiation over the Oromo language, the recommendation for students to take the federal working language as a subject in primary school is just ridiculous” (Capital 2019). The Tigray region also rejected the roadmap arguing that it threatens the Federal System and the constitution. Bahita W/Michael, Head of Tigray Education Bureau, said that “We will not teach Amharic from grade one on as it creates confusion with the students in differentiating the sounds because both Amharic and Tigrigna language use the same letters”. Cognisant of the unprecedented opposition encountered, the MoE stated that “The issue of teaching languages is a regional mandate, but the road map recommends teaching Amharic, the federal language from grade one on, adding that the roadmap is just a recommendation” (Capital 2019).

As the federal government’s attempt has not affected regional powers, no change of code was recorded. Hence, the regions were coded 2, showing that the constituent units were short of the level of legislative autonomy they had at birth (Figure 2). Overall, there have always been gaps between *de jure* and *de facto* regional competence in primary education legislation. The gap was high (-3) in 2000. Since 2010, the regions’ scores have been 2, showing that constituent units always scored below the level of legislative autonomy they were intended to have under the constitution.

Post-constitution Development in TVET

As discussed earlier, the constitution and proclamation initially assigned legislative power over TVET exclusively to the central government (Art. 21(4), Proclamation No. 4/ 1995). Between 1995 and 2000 (*period one*), no law or framework policy was passed to change vertical power distribution in TVET. Hence, the regions were coded 0 in 2000 (Figure 2).

However, between 2000 and 2005 (*period two*), the federation evolved towards decentralisation following the adoption of proclamation No. 391/2004, which empowered regional legislation in the areas of middle-level TVET. While the federal TVET agency was empowered to develop model curricula and set overall training standards, the corresponding agencies at the regional level were empowered to tailor the curricula to accommodate local needs (Interviewee 1). The proclamation stated that the regions should determine “the language in which Basic Vocational Training may be provided” (Art. 7(1) Proclamation No. 391/ 2004). Further, the law entrusted the regions with power over decisions such as areas and duration of TVET training.¹⁴ This development reveals that TVET legislation was partially moved to the regions. Hence, the regions were coded 2 in 2005.

In *periods three, four and five*, no law or framework policy was passed to change regional competence. Proclamation No. 954/2016 reaffirmed regional prerogatives, and no law that favoured the centre has been passed in the field of TVET since 2004. Consequently, constituent units retained legislative competencies provided by proclamation No. 391/2004. Thus, the regions were coded 2 for legislative autonomy from 2005 onwards (Figure 2). This means the regions recorded a higher level (two points up) of autonomy than they were intended to have under the constitution.

¹⁴ Article 9 of the proclamation states that “areas of training provided under Junior Technical and Vocational Training Program shall be selected by the state considering the country's development strategy and the local needs for trained manpower”. Besides, article 11 declares that “the number of hours required for and the length of duration of the training shall be determined by the states based on the level of skill required”.

6.3.2 Administrative Autonomy

This section measures the administrative autonomy of the regional governments in education considering the Constitution, relevant proclamations, and education and training policy discussed above. Like the legislative sphere, administrative autonomy scores were assigned across 6-time points-from 1995 to 2020-at five-year intervals. First, administrative scores of the three regions over primary education are presented, followed by an illustration of secondary education and TVET. Regional scores for higher education administration are not presented as this field has exclusively been in the federal government's hands.

Administrative Autonomy at the Outset

The constitution lays down that the federal government shall establish and implement national education “standards and basic policy criteria and administer and expand all federally funded institutions that provide services to two or more states” (Art. 51, FDRE Constitution 1995). Article 21 of Proclamation No. 4/1995 empowered the MoE to “devise and facilitate the implementation of means of extending education throughout the country; cause the preparation and of national examination; establish higher education institutions, determine their internal administrative organisations, and the criteria for admission to higher education institutions; license private higher education; assist regions in establishing their education mass media, and supervise educational and training institutions run by the federal organ”.

Proclamation No. 4/1995 stipulated that the administration of education levels other than higher education is a regional mandate. At the outset, TVET was classified as higher education because it provides services to more than one region though the regions allocate the TVET budget. Thus, the MoE was equally involved in the administration of TVET (Interviewee 2). There was no restriction imposed on the regions in administering primary and secondary education in their jurisdiction at the outset. Thus, at the outset, the regions were coded 4 on primary and secondary education administration and 2 on TVET (Figures 3, 4 and 5). The coding shows that the administration of primary and secondary education was highly devolved at the birth of the federation. In contrast, the TVET administration was equally shared between the federal and regional governments.

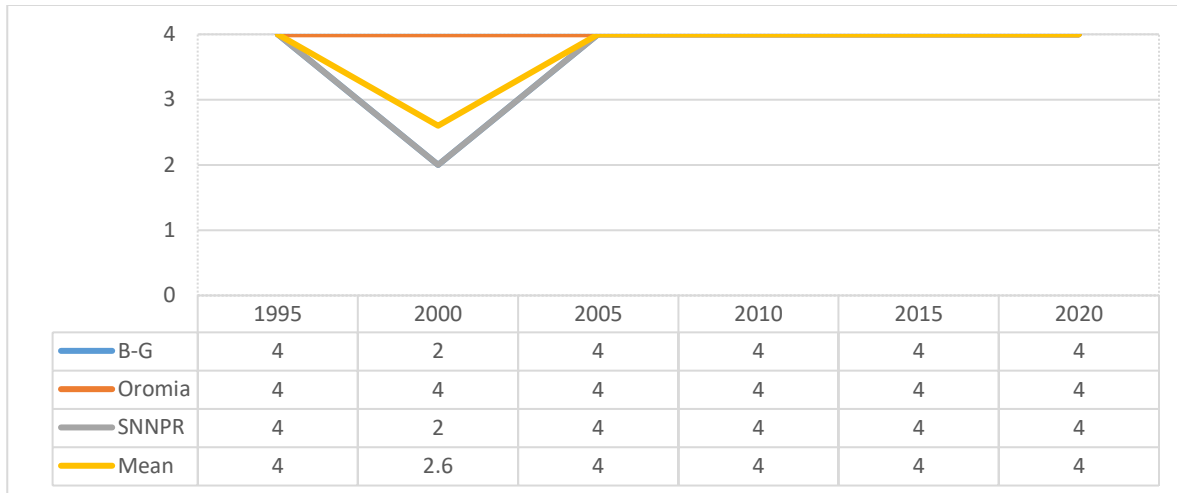


Figure 3: Administrative Scores-Primary Education

Source: annex 2

Post-constitution Developments in Primary Education

Between 1995 and 2000 (*period one*), some regions could not carry out their mandates (Young 1999, 342; Keller and Smith 2005; Paulos 2007b, 422). This necessitated the central government’s involvement in the administrative activities of the region, which eventually reduced regional autonomy, at least for a short period (Interviewee 3). The federal government took over some regional responsibilities, such as making Grade 8 examinations (MoE 2002, 43). For example, in Benshangul-Gumuz and SNNPR, the National Educational Assessment and Examinations Agency prepared such exams, a competency that was formally regional (Interviewees 1 and 4). Further, the two regions relied on the federal government in preparing textbooks and translating them into local languages (Young 1999, 342; Smith 2008, 226).

Such problems were not federal government deficiency; they were regional problems. Nonetheless, they imply that these regions were not in complete control of the administration of primary education in their jurisdiction, while relatively developed regions such as Oromia and Amhara were in control of their formal mandates. Thus, on primary administration, Oromia was coded 4, whereas Benshangul-Gumuz and the SNNPR were coded 2 in 2000. This means the two regions’ autonomy was two points less than what they were intended to have under the constitution (Figure 3).

In *period two* (2000-2005), the regions started discharging the complete tasks of local government. During this period, the federal government had no significant role in administering primary education as regions were in complete control of their constitutional mandate in this field. Hence, all regions were coded 4 on the administrative index in 2005, showing no gap between formal distribution of competencies and the practice.

In periods three (2005-2010), four (2010-2015) and five (2015-2010), no issue could affect regional competence in primary education. Consequently, post-2005 all regions have been enjoying the highest level of autonomy in the administration of primary education. Except for the drop in 2000, the mean of the three cases has been 4, and administrative scores have been symmetrical across the regions (Figure 3). This implies that since 2005 there has been no gap between *de jure* and *de facto* autonomy regarding primary education administration.

Post-constitution Development in Secondary Education

Regarding the administration of secondary education, we can observe a trend like primary education. Nonetheless, between 1995 and 2000 (*period one*), all regions could not carry out essential activities such as building secondary schools, teacher training and recruitment, printing, and distributing textbooks (Interviewee 5). Therefore, the federal government took charge of these tasks though they were formally regional mandates. In this case, better off regions such as Oromia could build schools themselves while others transferred such duties to the federal government (Interviewee 6). Hence, Oromia was coded 3, while the other two regions scored 2 in 2000. The gap between *de jure* and *de facto* autonomy in 2000 was two points less in Benshangul-Gumuz and SNNP, while the gap was one point lower in Oromia. The mean score of the three constituent units was 2.3 at the time (Figure 4).

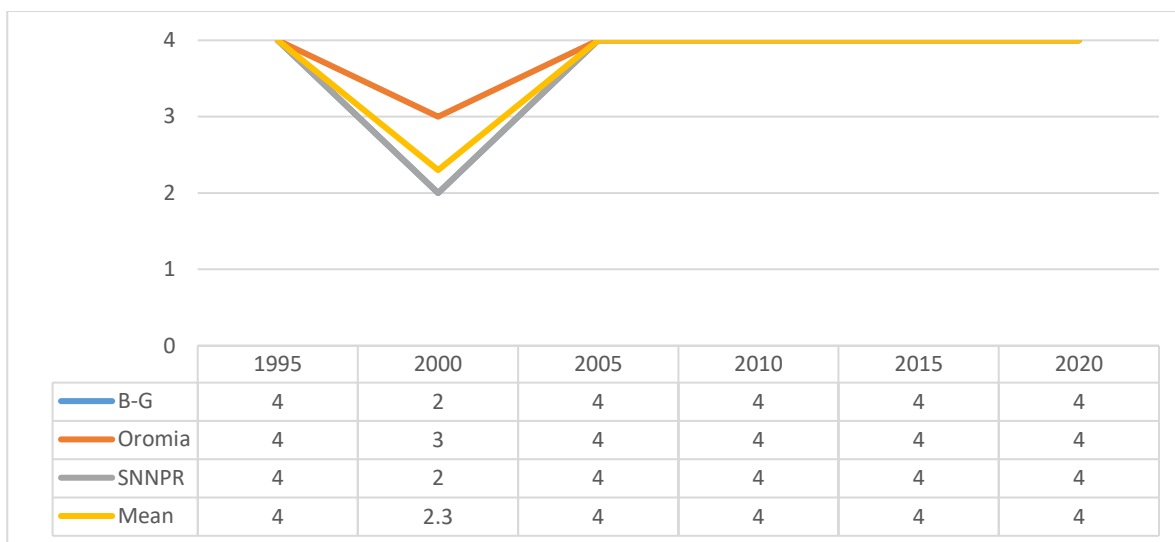


Figure 4: Administrative Scores-Secondary Education

Source: annex 2

Between 2000 and 2005 (*period two*), regional control over secondary education expanded. Among other things, the regions started to build secondary schools, recruit secondary school teachers and administer secondary education in their jurisdiction (UNESCO 2006). Consequently, from 2005 onwards, all regions regained the administrative competence they were entitled to have constitutionally. Thus, the three regions were coded 4 in 2005. Like primary education, no development that weakens regional competence was noted since 2005. Consequently, all regions were coded 4 in periods three (2005-2010), four (2010-2015) and five (2015-2020). Since 2005, the mean score of the three cases has been 4 (Figure 4). Post-2005, the secondary education administration has been exclusively regional, as it was intended under the constitution.

Post-constitution Development in TVET

In the domains of TVET, we can observe a different evolution. Regional scores in the spheres of TVET administration have been uniform throughout.

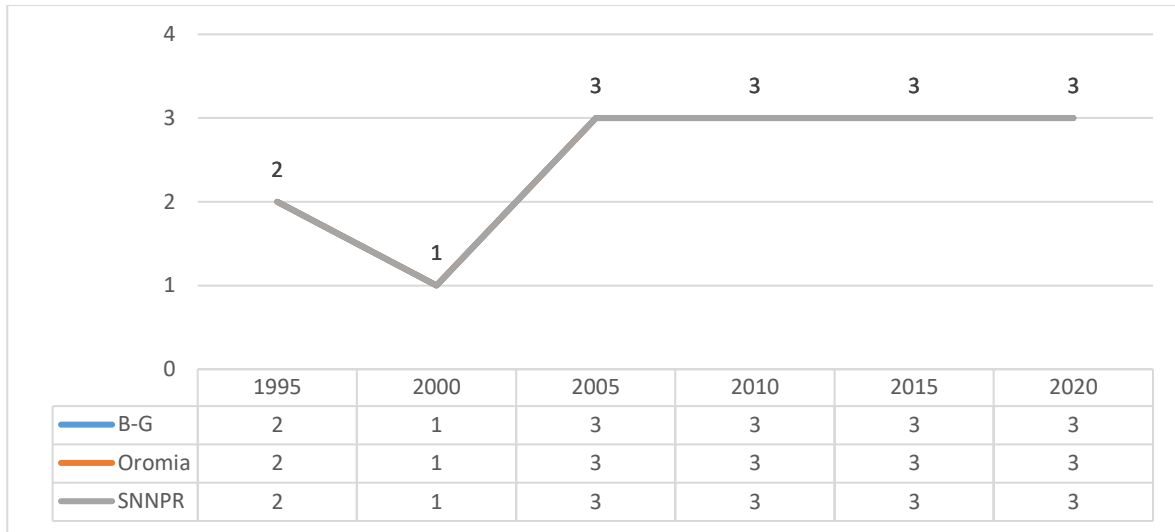


Figure 5: Administrative Scores-TVET

Source: annex 2

In *period one* (1995-2000), the lack of capacity that limited regional competencies in primary and secondary education had also limited regional control in TVET. Hence, the federal government took charge of administrative activities such as building TVET centres, training and recruiting TVET teachers and purchasing training equipment (Interviewees 1,4 and 7). Hence, the three regions score dropped to 1 in 2000, a one-point less than *de jure* authority.

Between 2000 and 2005 (*period two*), two developments are worth noting. The first is improved regional capacity and experience in education administration. The second and vital development is the adoption of a TVET law, Proclamation No. 391/2004. Article 26 of the proclamation stated that both the federal and regional governments could establish TVETs. At the regional level, TVETs are administered by TVET Agencies, TVET Commissions, and Education Bureaus of the respective region (Interviewee 8).

The decree empowered the regions to design the TVET curriculum, determine the language of instruction for junior TVET, establish a training institute and provide accreditation to private TVET training institutes (Articles 26 and 32, Proclamation No. 391/ 2004). However, the administration of TVET is not exclusively regional since a federal TVET agency conducts quality control, determines TVET teachers' qualifications, trains TVET teachers, and set standards to be followed by the regions in administering TVETs in their domain (Interviewees 9 and 10). Such arrangements limit regional competence to some extent. Hence, the three

cases were coded 3 in 2005. No proclamation expanding or limiting regional competence in TVET has been passed since 2005. Thus, all regions retained the same level of autonomy they had in 2005 (Figure 5). This implies the administration of TVET has primarily been in the hands of the units. Since 2005, the regions have maintained a higher administrative competence than at the outset.

6.3.3 Summarising Autonomy Changes: Education Policy

In this section, the mean score of the three cases is illustrated to help us obtain the frequency, direction, and degree of changes by disaggregating the scores across regions and levels of education. At birth, while education legislation was mainly under the federal government, its administration was somewhat decentralised. The legislative mean was 0.75, illustrating that legislation of education policies was almost exclusively in the federal government's hands at birth. On the other hand, the administrative aggregate mean was 2.5, implying that most education levels were under the domain of the regions (Figure 6).

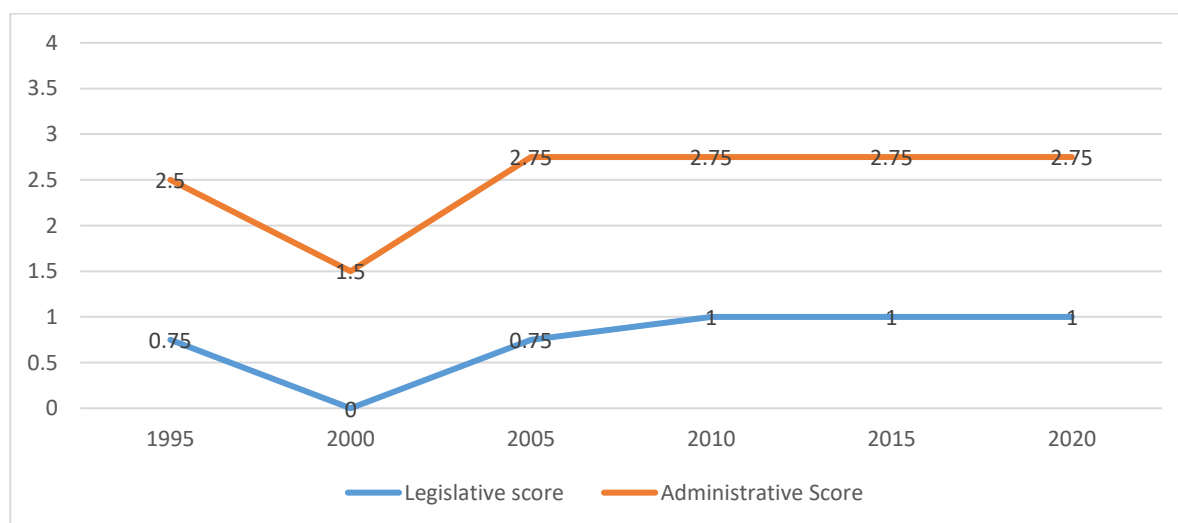


Figure 6: Mean Autonomy Scores-Education Policy

Source: annexes 1 and 2

In 2000 administrative decentralisation dropped by 1 point, from 2.5 to 1.5. At the same time, legislative decentralisation was entirely eroded, from 0.75 to 0. Post-2000, a minimal degree of decentralisation (0.25) was registered administratively and legislatively (Figure 6). From 1995 to 2020, a total of five mean score changes (i.e., 3 on legislative and 2 on the

administrative index) were recorded in education policy at the aggregate level (Figure 6). This evolution implies that there was almost a change in education autonomy every five years. While two of the five changes were towards decentralisation, the remaining changes were toward centralisation. This trend appears to suggest that the direction of change has been more towards centralisation. However, looking at the aggregate level, the units in the federation experienced a net decentralisation of a minimal magnitude, 0.25 (Figure 6). When we look at disaggregate legislative scores across the different education levels, the frequency has been highest in primary education, followed by TVET (Table 5).

Table 5: Frequency of L-Change by the Level of Education and Region

<i>Education level</i>	<i>Benshangul-Gumuz</i>	<i>Oromia</i>	<i>SNNPR</i>	<i>Total</i>
Primary	3(-)	3(-)	3(-)	9(-)
Secondary	0(*)	0(*)	0(*)	0(*)
TVET	1(+)	1(+)	1(+)	3(+)
University	0(*)	0(*)	0(*)	0(*)

Source: annex 1

Note: L-change: legislative change ; (-) =centralisation ; (+) =decentralisation ; (*) =no change

When we look at the frequency of change across the regions, we note that legislative changes were uniform. At a disaggregated level, the three cases experienced simultaneous and equal scores changes. The total frequency of change was 9 in the primary and 3 in TVET. No change was recorded in the legislation of secondary and higher education (Table 5). Administratively, asymmetric changes have been registered only in the field of primary education (Table 6). Administrative score changes were more frequent in TVET, followed by secondary and primary education. Score change was absent in the domain of higher education administration.

Table 6: Frequency of A-Change by the Level of Education and Region

<i>Education level</i>	<i>B-G</i>	<i>Oromia</i>	<i>SNNPR</i>	<i>Total</i>
Primary	1(-)	0(*)	1(-)	2(-)
Secondary	1(-)	1(-)	1(-)	3(-)
TVET	2(+/-)	2(+/-)	2(+/-)	6(+/-)
University	0(*)	0(*)	0(*)	0(*)

Source: annex 2

Note: A-change=administrative change; (-) =centralisation; (+) =decentralisation; (*) =no change; (+/-) =both centralisation and decentralisation.

A total of 6 changes in TVET, 3 in secondary education, and 2 in primary education were registered across the three cases. Administratively, except for higher education, in which change was absent, changes were recorded in all levels of education (Table 6). Let us look at the legislative and administrative changes across the levels of education. Score change was more frequent (9) legislatively than administratively (2) in primary education. On the contrary, in secondary and TVET education, the administrative change was more recurrent than the legislative score change. We observe that 3 legislative changes vis-à-vis 6 administrative changes were recorded in TVET education across the three cases. Whereas in secondary education, 0 legislative changes vis-à-vis 3 administrative changes were documented (Tables 5 and 6).

Generally, irrespective of the variations across regions and levels of education, some general tendencies are noted. Compared to its legislation, education policy in the Ethiopian federation has administratively been more decentralised. Regional legislative and administrative control over the education policy was low during the early years of the federation, but autonomy has improved after a decade and plateaued since 2005 (Figure 6). Legislative decentralisation is spatially symmetrical, while there have been cross-regional variations of small magnitude in the administrative domain. During the first decade of federalism in Ethiopia, some regions lagged in exercising complete control over primary and secondary education administration in their jurisdiction.

On the legislative index, secondary education and higher education are the most centralised level of education. On the contrary, primary education and TVET are relatively decentralised. Legislative power in the domain of TVET evolved from an “exclusively federal” to “equally shared” authority. On the other hand, primary education law-making power developed from “largely regional” control to an “equally shared” supremacy.

On the administrative index, higher education was highly centralised at birth and remained so. On the contrary, primary, and secondary education was highly decentralised or exclusively under regional control and remained so except the centralisation recorded in 2000. The administration of TVET evolved from “equally shared control” to “largely regional control”. At the aggregate level, the federation generally grew towards centralisation during

the first decade of federalism. Nevertheless, after a decade, the country started to progress in decentralisation and plateaued since 2005.

6.4 Land Policy in Ethiopia: A Crucial and Controversial Issue

The land is a crucial asset in general and for Ethiopians in particular. In rural areas of Ethiopia, the land is the primary source, most often the only source of income and life sustenance. Thus it was said that “in the agrarian society of Ethiopia to have rights over land is to be human” (Dunning 1971, 271). Such high importance of land is due to the massive dependence of Ethiopian society on agriculture (FAO 2011). This means the land has been a principal means of livelihood in Ethiopia. Nonetheless, land policies and their implementation have never been smooth and free of complexities- they have been sources of violent conflicts between governments and people under different regimes.

During the imperial regime of Haile Selassie (1931-1974), the land was owned by the political supporters of the Emperor based on a feudal system in which tenants operated on land held by absentee landlords (Rahmato 1984). The feudal system contributed to the widespread resentment and revolution, which led to the downfall of the imperial regime in 1974. The slogan of the uprising, “Land-to-the Tiller”, was the basis for the 1975’s Nationalization of Rural Lands Proclamation and successive reforms during the Communist *Derg* regime (1974-1991). This was the first land policy uniformly imposed on the country by the unitary government (Crewett, Ayalneh, and Korf 2008, 12). The 1975’s land proclamation was the key success of the *Derg* regime; among other things, it swiftly abolished landlordism, provided a base for the distribution of land to peasants and made all rural land public property. Nonetheless, both Haile Selassie and the *Derg* adopted centralised and uniform land policies and reforms by ignoring customs across the country. Land reforms were also used as an instrument of power consolidation in the broad banner of national unity and development (Rahmato 1984; Crewett, Ayalneh, and Korf 2008).

In post-communist Ethiopia, many observers expected that the country would move towards privatisation of land ownership (Crewett and Korf 2008, 203). During the transition period (1991-1994), when the constitution was drafted, two contending views were brought to the discussion-making land private property or keeping the state control introduced by the *Derg*.

However, the Constitution's framers rejected the former view justifying that privatising land would lead to inequalities in land allocation (Crewett, Ayalneh, and Korf 2008, 1). Though the TGE declared that it would be committed to liberalism, it justified that land ownership cannot be liberalised for the sake of guaranteeing social and historical justice based on two views: while the first emanates from the concept of egalitarianism-granting every peasant the rights to access and use the land; the second is to correct historical injustices-to grant farmers land-use rights security that they had been deprived of during imperial regime (Crewett, Ayalneh, and Korf 2008, 1).

The two views remained controversial, and some opposition parties made privatisation of land their top political agenda. Nonetheless, the government remained critical of land privatisation by further reasoning that privatisation of landholding would lead to concentration of land in the hands of few wealthy people and the eventual dispossession of small-scale poor farmers and greater inequality (Crewett and Korf 2008, 204; Lavers 2012a, 109; Chinigò 2015, 195; Mekonnen 2018, 1068). Generally, it is essential to note that political interests overwhelmingly shaped Ethiopia's land policies and reforms (Lavers 2012a, 109). The land still acts as the cement of the social contract (Lefort 2016). Ethiopians have a profound notion that land is everything, and they are highly attached to the land. Moreover, the land remains a crucial and controversial means of livelihood; the land issue remains at the core of state-society relationships and is highly attached to identity questions in Ethiopia.

6.4.1 Legislative Autonomy

This section presents regional legislative autonomy over the land policy. The data presented measure the legislative powers of the region in Ethiopia from 1995-2020. Like the education policy discussed in the preceding section, the land policy autonomy coding was made across 6-time points-from 1995 to 2020-at five-year intervals. Scores range from 0 to 4, 0 being the lowest autonomy, while 4 indicates the highest autonomy a region can have. Like education policy legislation, the regional score on the legislative index overlaps with the mean of the three cases. On the legislative index, no variation across units was registered at all.

Legislative Autonomy at the Outset (1995)

The framers of the constitution sought to make the land law-making power exclusively the federal prerogative. The constitution states that the federal government “shall enact laws for the utilization and conservation of land and other natural resources, historical sites and objects” (Art. 51, FDRE Constitution 1995). Furthermore, it assigns the regions the power to “administer land and other natural resources in accordance with federal laws” (Art. 52, FDRE Constitution 1995). This means the constitution separates legislative and administrative powers regarding land. Such assignment of authority created a concurrency of functions between the central and regional governments. In light of the constitution, the centre was empowered to enact framework legislation pertinent to land, whereas regions were bestowed with administrative competence. Hence, regions were coded 0 on the legislation land at the outset (Figure 7).

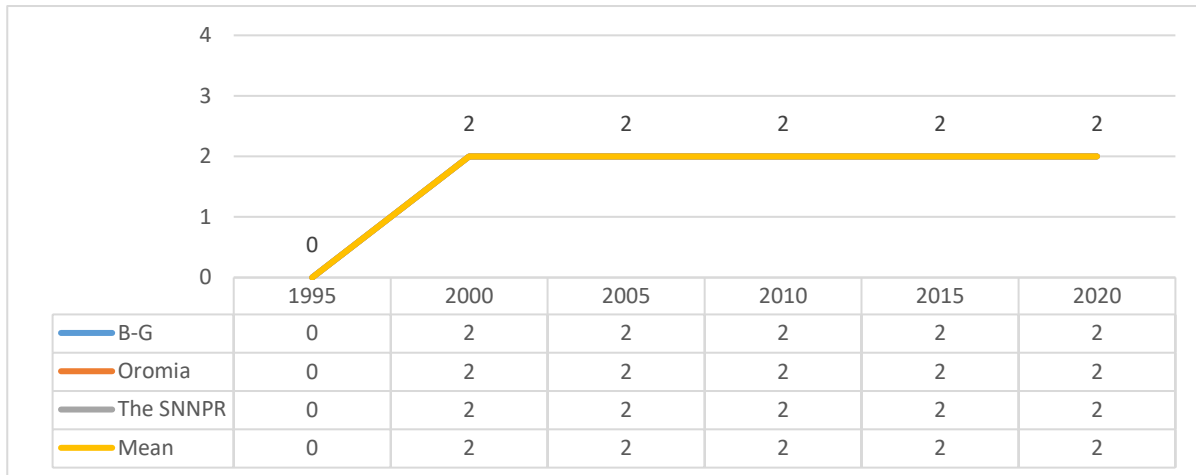


Figure 7: Legislative Scores-Land Policy

Source: annex 3

Post-constitution Legislative Development

In *period one* (1995-2000), by invoking Article 51(5) as its source of authority, the federal government enacted Proclamation No. 89/in 1997. Article 5 of the proclamation stated that “each regional council shall enact a law on land administration. The land administration law of a region shall be in conformity with the provisions of laws on environmental protection and shall observe the federal land utilization policies”.

After stipulating the broad issues that the regional land administration laws should ensure, the proclamation laid down that the regions can “make provisions, not inconsistent with this proclamation, for other general or particular matters as found necessary under the peculiar circumstances of the locality” (Art. 6, Proclamation No. 89/ 1997). This provision enabled the regions to enact laws in the administration of land. Even though land legislation is constitutionally a federal subject, following Proclamation No. 89/1997, regions were devolved key policy choices (World Bank 2012b, 104). And the preamble of the proclamation also suggested that the law aimed to provide the legal framework for all regional governments to enact their respective rules.

Following the proclamation, all regions enacted their respective land laws. Laws enacted by the regions covered vital aspects of land policy, such as land acquisition, transfer of land use rights, redistribution of land, conditions for losing holding rights, compensation for expropriation, and land-use fees. Some of the provisions of regional laws slightly differ from federal law. Besides, specific provisions of regional laws vary from one region to another.¹⁵ Such differences reveal the regions' freedom to include provisions that consider regional-specific conditions. Such variation of statutes across the cases shows that subnational legislatures have some level of legislative autonomy. Hence, regions were coded 2 in 2000 on land legislation (Figure 7).

In *period two* (200-2005), the federal government repealed proclamation No. 89/1997 by enacting proclamation No. 456/ 2005. Article 17 (1) of Proclamation No. 456/2005 reaffirmed that regions should enact land administration laws. It states that “each regional council shall enact rural land administration and land use law, which consists of detailed provisions necessary to implement this proclamation”. Besides, article 20 (2) lays down that “no law, regulation, directive or practise shall, in so far as it is inconsistent with this proclamation, be applicable with respect to matters provided for in this proclamation”. This proclamation maintained the legislative competence the regions gained by proclamation No. 89/1997. As

¹⁵ See the Benshangul-Gumuz region proclamation No. 85/2010; the Oromia region proclamation No. 130/2007 article 5(1) and the SNNP region proclamation No. 110/2007.

the law did not expand or weaken regional legislative competence, the regions were coded 2 in 2005.

In periods three (2005-2010), four (2010-2015) and five (2015-2020), the federal government passed no law that affected regional competence in the land legislation. Thus, regions maintained their score (2) throughout (Figure 7). The two proclamations enabled the regions to get a level of competence greater than they were intended to have at birth. Overall, regional autonomy moved two points up on the autonomy scale. Though regions had no legislative competence under the constitution, post-constitution proclamations empowered regional legislation.

6.4.2 Administrative Autonomy

As discussed in the earlier section, which covered the land policy legal framework, the administration of land policy was constitutionally vested in the regions. Before we delve into measuring administrative autonomy in this section, it is crucial to briefly outline agricultural investment because it is highly linked to administrative de/centralisation dynamics in the sphere of land in Ethiopia.

Agriculture is a crucial sector in Ethiopia's economy, with more than 80 per cent of the population engaged in agri-business and related industries and contributing about 46 per cent to the national GDP (EIC 2017, 13). Thus, agricultural investment land occupies a central position in the development strategy of the government of Ethiopia. The country is also a critical case in the global debate of large-scale agricultural land acquisition since Ethiopia has been one of the countries at the top in attracting agricultural investors (Keeley et al. 2014, 4–10). The investment was driven by different policy initiatives undertaken by the government to attract Foreign Direct Investment (FDI). Irrespective of the outcome of large-scale agriculture as a development strategy, the administration of agricultural investment land has several consequences, thus generating political dynamics (Chinigò 2015, 194). Consequently, the issue of agricultural investment is a crucial concern for both the federal and regional governments.

Administrative Autonomy at the Outset (1995)

The constitution authorises the regions “to administer land and other natural resources in accordance with federal laws” (Art. 52, FDRE Constitution 1995). Based on this provision, the regions had exclusive competence over the administration of land at the onset. Administrative powers, *inter alia*, distribution, redistribution, transfer, leasing, land-use fee collection, land conflict adjudication and other aspects of land administration constitutionally regional subjects. Hence, the regions were coded 4 over the administrative index at birth, implying that Ethiopia was a highly devolved system pertinent to land administration (Figure 8). There was no autonomy variation across the regions because constituent units of the federation had equal status and power at birth.

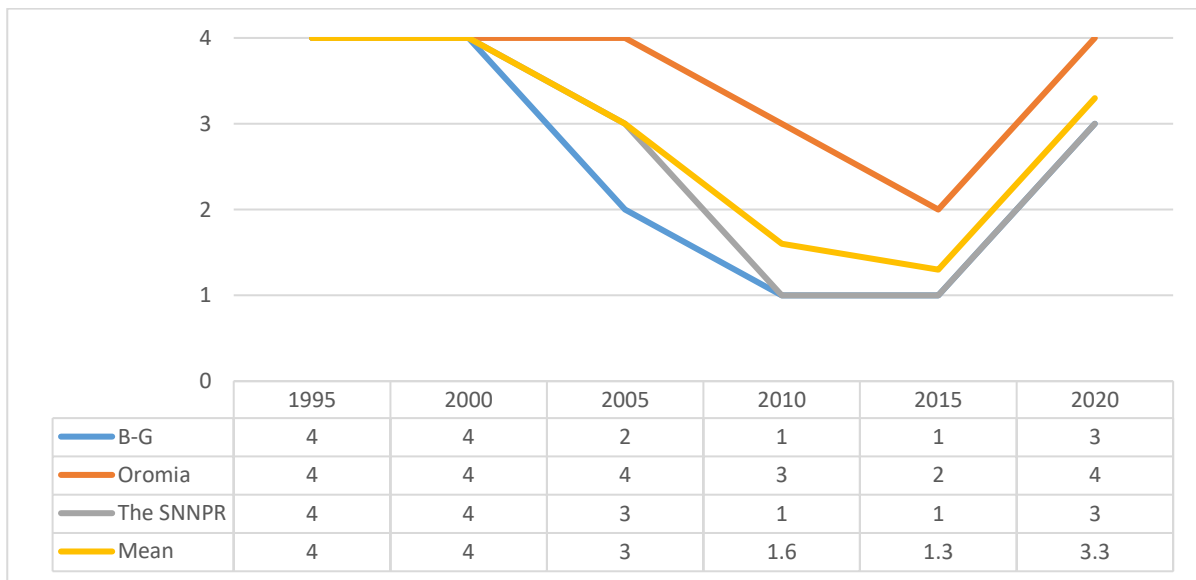


Figure 8: Administrative Scores-Land Policy

Source: annex 3

Post-constitution Developments in Land Administration

In *period one* (1995-2000), a major development was enacting proclamation No. 89/1997. However, it had no provision that limited regional competence in land administration. Hence, all regions were coded 4 on administrative autonomy in 2000. In *period two* (2000-2005), there were three major developments. 1) Proclamation No. 272/2002 was enacted to govern the allocation of urban land on a lease basis for “public purposes”. The law broadly defines

“public purposes” and specifies the period and renewal of a lease, among other things (Proclamation No. 272/ 2002). 2) Proclamation No. 455/2005, a framework law guiding the expropriation of land holdings for public purposes and payment of compensation.¹⁶ These two legal developments did not affect regional administrative competence because they were framework laws to guide land expropriation for public purposes. 3) the federal government’s policy declaration that lowland regions such as Benshangul-Gumuz, Gambela and parts of the SNNPR are “unused” or “marginally used” where abundant land is available for commercial farming (MoFED 2003; Keeley et al. 2014, 13).

Following such an official declaration, the federal government coerced such regions to transfer “unused” land to the “federal land bank” (Fana 2016, 16). SNNPR could retain significant administrative powers over investment lands (Interviewees 46 and 53), whereas Benshangul-Gumuz had made a partial transfer of administrative responsibilities related to investment land (Interviewees 11 and 50). As figure 8 illustrated, in 2005, Benshangul-Gumuz and the SNNPR were coded 2 and 3, respectively. Oromia was coded 4 in 2005 as the region made no transfer of land administration (Interviewees 12, 45 and 49).

In *period three* (2005-2010), two major developments disrupted regional administrative competence. 1) in 2008, the federal government presented the idea of upward delegation (Tilahun 2018, 351); and issued a directive demanding the regional governments hand over their negotiation rights to the federal government for any land above 1000 hectares (Abbink 2011, 517). 2) in 2009/10, a new federal government agency, known as the Agricultural Investment Support Directorate (AISD), entrusted with the administration of all agricultural investment land above 5000 ha., was established under the federal government’s Ministry of Agriculture and Rural Development (MoARD) (Oakland Institute 2011, 28; Dessalegn 2014, 29).

Benshangul-Gumuz and SNNPR quickly identified “unused lands” and transferred the administration of large-scale agricultural investment land to AISD (Interviewee 13). In

¹⁶ See expropriation of Land Holdings for Public Purposes and Payment of Compensation Proclamation No. 455/ 2005.

contrast, regions such as Oromia and Amhara transferred only the data of land ready for agricultural investment and licensing of foreign investors (Lavers 2012b, 804; 2016, 1087; Tilahun 2018, 351). As a result, regional governments such as Benshangul-Gumuz were left with the authority of administering less than 5,000 hectares of land only (Getnet 2011, 15). The federal government consolidated all activities pertinent to large-scale land administration. And the roles of the regions that handed over land administration regional became only demarcating and transferring the land to investors upon receiving a letter from the federal MoARD (Maru 2011, 11). Consequently, in 2010 Benshangul-Gumuz and the SNNPR each was coded 1, while Oromia scored 3 (Figure 8). The two regions administrative autonomy dropped by 3 points while the Oromia's fall was 1 point. If the constitution were followed correctly, each region score would be 4.

Regarding the main instruments used to implement centralisation during period three, informants reported that the federal agencies such as the Ministry of Agriculture and Investment Commission sent letters and circulars calling for the regions to abandon some of their responsibilities. Though circulars and letters are not like decrees of the parliament, conventionally, they are binding upon the regions. The norm seems: “because the federal agencies said so” (Interviewees 47 and 63).

In *period four* (2010-2015), the federal government took several measures to centralise land administration further. *First*, in 2013 the Council of Ministers Regulation No. 283/2013 was enacted to establish the Ethiopian Agricultural Investment Land Administration Agency (EAILAA). Article 5 (1) of the regulation stated that the EAILAA was established to “administer agricultural investment lands entrusted to the federal government on the basis of the power of delegation obtained from regional states”. This piece of federal law entrusted the EAILAA with the power over the administration of agricultural investment lands in every corner of the country, provided that the land is suitable for agricultural investment (Regulation No. 283/ 2013).

The regions were made to consolidate land data and transfer to what was known as the “Federal Land Bank” from which the EAILAA allocates land to investors (Interviewee 14). The regulation is exceptionally invasive of the regions' competence. Its article 2 (2) states

that “agricultural investment land means a stretched and adjacent agricultural investment land above 5,000 hectares or less but deemed feasible and administered by the federal government”. The federal government started licensing investors, implementing hefty investment, gaining land lease sums, and coercing the regional governments (Abbink 2011b, 527). While regions such as Benshangul-Gumuz and Gambela complied with the law, regions such as Oromia, Amhara and Tigray were again reluctant to transfer the actual administration (Keeley et al. 2014, 25–26; Lavers 2016, 1087). Oromia transferred only the administration of land needed by foreign investors while keeping others under its domain (Interviewees 15, 52 and 54).

Second, the federal government passed a proclamation that would regulate the registration of urban land. The law explicitly defined land registration procedures, the powers of regional urban land registering institutions and makes the institutions directly accountable to the federal government Urban Real Property Registration Information Authority (Proclamation No. 818/2014). This law made the division of legislative and administrative powers so blurred by allowing the federal government to play executive roles in the spheres of urban land.

Third, the national government enacted the Industrial Park Proclamation No. 886/2015, which worsened the erosion of regional administrative powers in the land domain. The law instituted a Federal Investment Board, which the Prime Minister chaired and empowered, among other things, to allocate lands to industrial park developers. The law instructed the board to take over land administration in the regions if the parcel is essential for industrial park development (Proclamation No. 886/2015). Consequently, the federal government allocated land to Chinese firms to construct five industrial zones hosting 15 industrial parks. Such a plan resulted in widespread anger as it led to the takeover of farmers from their land with little say of the concerned regions (Gardner 2018).

Based on these legal developments that consolidated administrative powers and restricted regional freedom in administering land and the fieldwork results, in 2015, Oromia was coded 2, registering its lowest administrative score. The score of the other Benshangul-Gumuz and SNNPR was 1 because they had already transferred most administrative powers to the federal government (Figure 8). In 2015, the gap between *de jure* and *de facto* regional competence

became big. During *period four*, delegated legislation was the primary instrument employed to centralise land administration. An informant said that by invoking delegated legislative powers, federal agencies pass regulations, directives and procedures that are binding in nature on the regions, which systematically expanded the central government's roles in subjects falling under the regional domain (Interview 15).

In *period five* (2015-2020), key political developments happened in the country. The first was the Oromo protests started in 2015. “We want genuine self-rule”, and “Oromia is not for sale” were among the famous slogans during the Oromo protests (Lefort 2016). Second, following the spread of the rally in other regions such as Amhara, in March 2016, the federal government announced the relinquishment of land administration (Merkato 2016). Later, Prime Minister Abiy Ahmed took power in April 2018 after Haile Mariam Desalegn resigned. Abiy carried out several notable reforms, *inter alia*, dissolved the AILAA established by Regulation No. 283/2013, thus restoring land administration powers to the regions.

Oromia had already recovered its administrative powers. The then president of the region and the chairman of the regional ruling party, OPDO, Lemma Megersa, capitalised on the protest to claim adequate regional power (Interviewee 16). Benshangul-Gumuz and SNNPR were yet to eliminate the EPRDF's centralisation legacy (Interviewee 17). As a result, while Oromia quickly regained the highest score (4), the other two regions were coded 3 in 2020 (Figure 8).

6.4.3 Summarising Autonomy Changes: Land Policy

This section summarises the coding in terms of mean, direction, and degree on the legislative and administrative indexes. Legislation of land policy was highly centralised at birth; the mean of the three cases was 0 in 1995. Nevertheless, a few years later, the federation partly decentralised land legislation, due to which the legislative mean increased to 2 in 2000 (Figure 9). Such a move created a gap between the constitution and the practice, favouring the regions. As a result, the regions started exercising legislative competence they were not intended to have under the constitution. No legislative change has been registered since 2000.

In contrast, the administration of land policy was highly decentralised at birth; thus, the mean of the three cases was 4 in 1995. However, the regions recorded administrative centralisation starting from 2005. In 2005, 2010, 2015 and 2020, the administrative means were 3, 1.6 and

1.3, respectively (Figure 9). This shows that post-2000, there have been gaps between *de jure* and *de facto* regional competence. The gaps were as follows: 1 (2005), 2.4 (2010), 2.7 (2015) and 0.7 (2020), all showing a reduction of regional autonomy compared to the constitution.

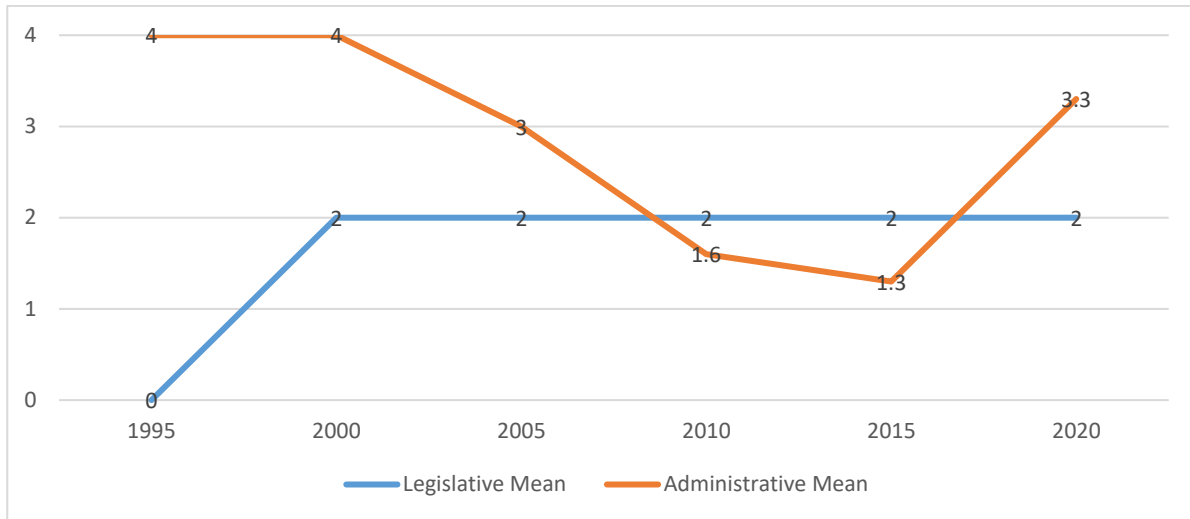


Figure 9: Mean Scores-Land Policy

Source: annex 3

Comparing administrative and legislative de/centralisation, we can observe that administrative scores fall below the legislative score at two points in time. Regarding the frequency of change, 5 mean score changes, 4 in administrative and 1 in the legislative index, were recorded from 1995-2020 (Figure 9). This indicates instability of the regions' administrative power pertinent to land policy. The direction of change in the legislative sphere has been towards decentralisation. In contrast, no unit has registered a net administrative decentralisation.

Looking at the magnitude of change, we note that regions recorded a legislative decentralisation of equal magnitude and simultaneous, 2 points up on the autonomy index (Figure 9). In contrast, the magnitude of administrative changes varies across the units. Benshangul-Gumuz and the SNNPR recorded a very high degree of administrative centralisation, up to 3 points down on the autonomy index. Oromia recorded a high degree of centralisation, up 2 points down on the index (Annex 3).

Three main periods can be marked in administrative spheres. The first period is between 1995 and 2005, which was the heyday of regional administrative autonomy. The second period is post-2005 to 2015, which was the period of consolidation of regional administrative powers. The third period is post-2015, the revitalisation of regional authority evidenced by a remarkable increase in the regional score on the administrative index (Figure 9). Currently, the administration of land policy is principally under regional control. That means regional administrative competence in land administration has significantly been improved, but there is still a gap between the constitution and the practice. Today's (2020) administrative score is 3.3, whereas the score would be 4 if the constitution were respected. Similarly, today's legislative score is 2, but it would be 0 as per the constitution.

6.5 Comparative Conclusion: Education and Land

This chapter presented the measurement of regional autonomy on education and land policies since the birth of the federation (1995 to 2020). Some trends can be noted concerning regional autonomy in the two policy areas. At the outset, education policy legislation was mainly under federal government control while its administration was relatively decentralised. On the other hand, the legislation of land policy was the central government's exclusive mandate, whereas its administration was an exclusively regional mandate. Comparing the two policies, we can observe that land legislation was more centralised than education law-making, whereas land administration was more decentralised than education at the outset (Figure 10).

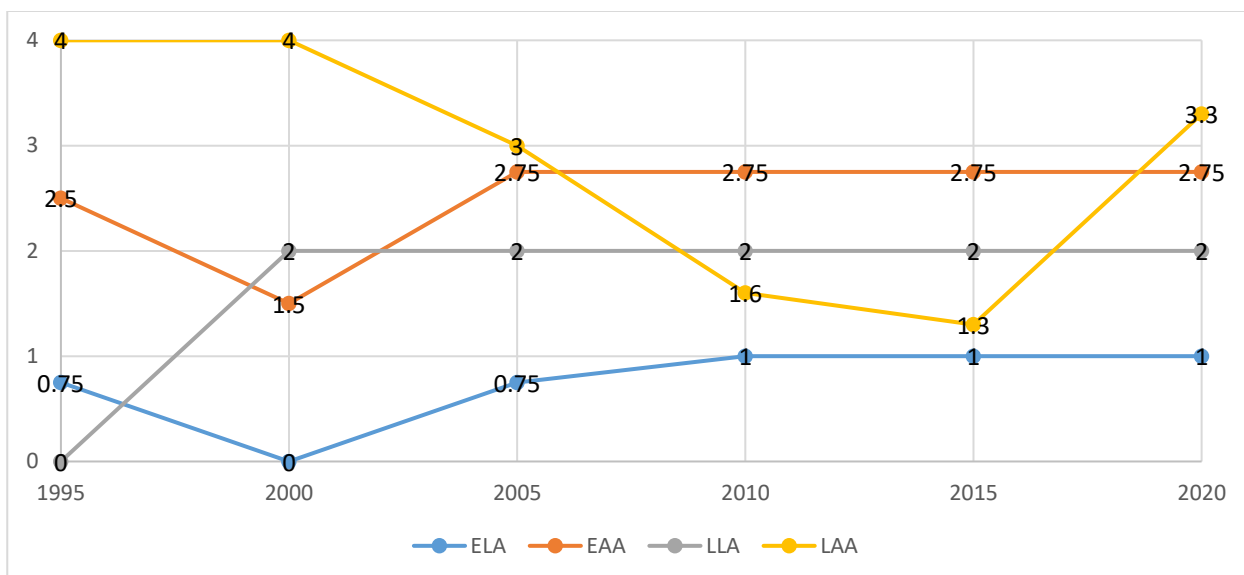


Figure 10: Policy Autonomy Scores

Source: annexes 1, 2 and 3

Note: ELA: Education Legislative Autonomy; EAA: Education Administrative Autonomy; LLA: Land Legislative Autonomy; LAA: Land Administrative Autonomy.

After the constitution's promulgation, the federation underwent education centralisation both legislatively and administratively. During the first decade, while there was no change in the administration of land policy, its legislation advanced into decentralisation. Regional control over the education policy, both legislative and administrative, has improved since 2005. In the sphere of land policy, the country moved towards legislative decentralisation. Administratively, however, the movement is towards centralisation (Figure 10).

Today's situation is that education legislation is principally under the federal government's jurisdiction; regions have an almost similar level of competence under the constitution. The administration of education, except universities, is mainly under regional control. In the domain of land policy, land administration is primarily a regional subject today. Nonetheless, a significant gap between the constitution and the practice is noted in the field of land in general compared to education. If the constitution were correctly followed, the regions would have complete administrative control in the land domain. But this has never been the case in practice since 2005; the regions consistently recorded a lower level of administrative autonomy they were intended to have under the constitution. Conversely, the regions have been exercising a higher legislative competence compared to the constitution.

Chapter Seven: Regional Fiscal Autonomy in Ethiopia

7.1 Introduction

Fiscal issues are vital for constituent units because devolved policy powers will have little meaning if the units have no fiscal powers. The reason is that regions cannot be autonomous unless policy prerogatives are accompanied by financial resources to fund their expenses and carry out tasks. One of the consequences of adopting federalism in Ethiopia is a formal implementation of fiscal federalism. This chapter focuses on the essential pillars of regional fiscal autonomy: regional revenue, tax autonomy, intergovernmental fiscal transfers, and regional borrowing. The chapter is organised into six main sections.

The *first section* offers an overview of Ethiopia's legal framework for revenue assignment. *Section two* presents federal and regional revenues collection in practice. *Section three* measures regional revenues autonomy by taking the three sample regions. *Section four* examines tax autonomy in Ethiopia. The *fifth section* discusses the practice of tax assignment by taking the case of concurrent and undesignated taxes. *Section six* discusses intergovernmental fiscal transfers. This section is structured into six sub-sections: a) a discussion of the legal framework that forms the foundation of intergovernmental fiscal transfers; b) a brief exploration of the practice of determining the transfers pool; c) determination of subsidies formulas; d) administration of subsidies; e) measuring subsidies as a proportion the federal budget and f) measuring regional dependence on federal transfers. *Section seven* measures conditional grants; and analyses the principal strings of conditional transfers and how they affect regional fiscal autonomy. *Section eight* of the chapter analyses regional borrowing autonomy. The final section is the conclusion of the chapter

7.2 Revenue Assignment in Ethiopia: An Overview of Legal Framework

Revenue assignment is a constitutional division of powers over revenue sources and decision-making authority between the federal and regional governments (Sham 2007). The main document that forms the foundation of revenue assignment is the federal constitution. Nonetheless, tax laws are essential in analysing regional taxation powers, the degree of revenue de/centralisation, and fiscal autonomy. Based on the dual federal principle, the constitution declares that “the federal government and the states shall respectively bear all

financial expenditures necessary to carry out all responsibilities and functions assigned to them by law. Unless otherwise agreed upon, the financial expenditures required to carry out any delegated function by a State shall be borne by the delegating party” (Art. 94, FDRE Constitution 1995). Further, the constitution stipulates that the delegating party shall cover financial expenses incurred for discharging delegated duties. To that effect, it distributes taxation powers between the federation and the regions. It provides some exclusively federal taxation powers, solely regional taxation prerogatives, and shared tax sources (Articles 96-98, FDRE Constitution 1995).

The centre has exclusive taxation powers on custom duties; imports and exports; income tax on employees of the federal government and international organisations; enterprises owned by the federal government; income and winnings of national lotteries and other games of chance; air, rail and sea transport services; income of houses and properties owned by the federal government; monopolies; fees relating to licenses issued and services rendered by organs of the federal government; taxes on monopolies; and federal stamp duties (Art. 96, FDRE Constitution 1995)

The constitution authorises the regions to levy and collect taxes on employees of the region and of private enterprises; fees for land use rights; incomes of private farmers and farmers combined in cooperative associations; profit and sales taxes on individual traders within their jurisdiction; income from transport services rendered on waters within their territory; income derived from private houses; income of enterprises owned by the region; income derived from mining, royalties and land rentals on such operations; fees relating to licenses issued and services rendered by regional organs; and royalty for the use of forest resources (Art. 97, FDRE Constitution 1995).

The conventional fiscal federalism theories give some prescription. 1) taxes that are highly progressive, re-distributional, suitable for economic stabilization, and requiring economies of scale in tax administration, and revenue sources dispersed unevenly across constituent units should be assigned to the centre. 2) taxes with relatively immobile tax bases, such as local real estate, water, and sewerage services, should be assigned to the constituent units (Oates 1999; Boadway 2011; Boadway and Shah 2011). The constitution assigns highly progressive taxes, redistributive in nature and economic stabiliser to the federal government while it

accords constituent units local and relatively immobile taxes. Nonetheless, tax assignment in Ethiopia is somewhat strange as tax competence allocation is based on taxpayers category than types of business. Besides, the regional exclusive tax domain is taxes with small proceeds (World Bank 2000, 16; 2010, 19).

Another noteworthy is that the federal constitution has no list of concurrent functional competencies. Concerning taxation, however, it contains a separate list of concurrent powers. It enumerates concurrent taxation powers on three tax bases. These are: 1) the power to levy and collect profit, sales, excise and employee income taxes from enterprises jointly owned; 2) the power to impose and collect taxes on the proceeds of enterprises and dividends payable to shareholders; 3) taxes on incomes derived from large-scale mining, all petroleum and gas operations, as well as royalties on such operations (Art. 98, FDRE Constitution 1995).

The constitution envisions the emergence of new revenue sources not enumerated in the federal pact. Consequently, article 99 of the federal constitution dictates that “the HoF and the HPR shall, in a joint session, determine by a two-thirds majority vote on the exercise of powers of taxation which have not been specifically provided for in the constitution”. This means an undesignated tax may become exclusively federal, exclusively regional, or concurrent upon the outcome of a joint session of the two houses. Further, according to article 94, the centre may give the regions financial support, assistance, and loans. Moreover, article 62(7) of the constitution states that the HoF “shall determine the division of revenues derived from joint federal and state tax sources and the subsidies that the federal government may provide to the states”.

7.3 Federal and Regional Revenue Collection in Practice

Regional governments have a formal competence to impose and collect taxes from revenue sources reserved for them. The regions are also constitutionally entitled to get their shares from shared revenue sources. This section presents the federal and regional governments' revenue share. The trend shows that the federal government collects the lion's share of revenues from domestic sources. The following chart shows the central and combined regional governments' domestic revenue shares from 1994/95 to 2016/17. Revenue data from 2000/01 to 2008/09 are missing.

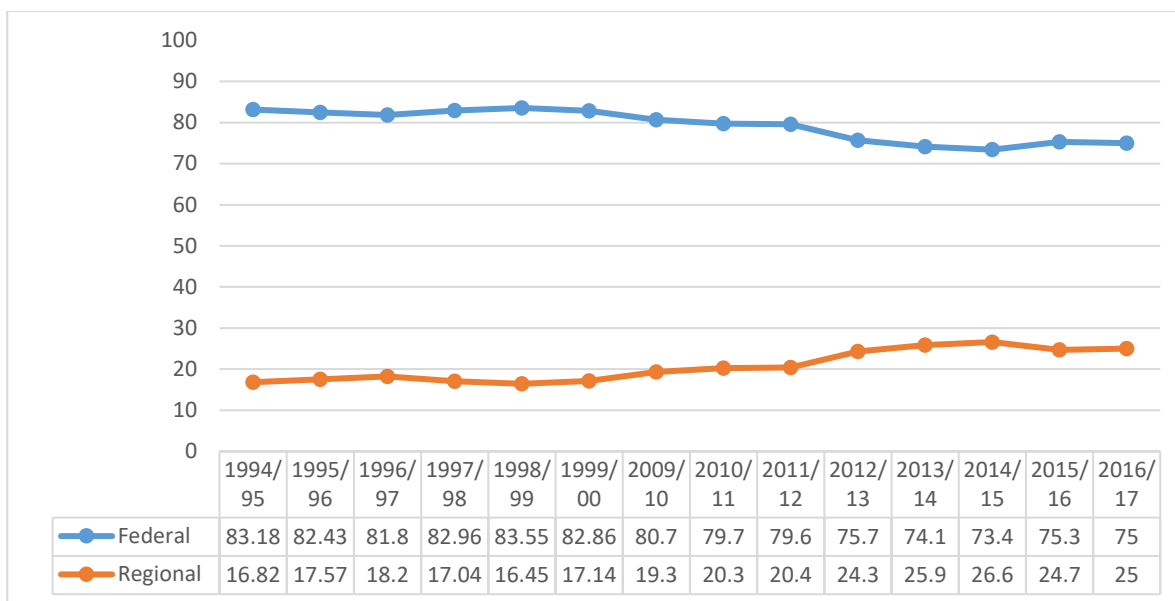


Figure 11: Federal and Regional Revenues Share

Source: annex 4

The overall picture of federal and regional revenues collection share is that the central government collects three-fourths of the total domestic revenues, which means revenue collection is highly tilted to the centre. The mean revenue share of the federal government from 1994/95 to 2016/17 is 79.3 per cent, whereas the mean revenue share of the regions is around 20.6 per cent (see annex 4). However, regional revenue share gradually increased to 25 per cent in 2016/17 from 16.82 per cent in 1994/95 (Figure 11). One of the causes of the growth of regional revenues is the improved performance of subnational governments in collecting tax revenues (MoFEC 2018, 69). This implies that the steady rise in constituent units' proceeds is due to enhanced regional capacity than revenue decentralisation. That supports the point that capacity is essential for regional autonomy.

The contributions of different taxes to the federal and regional governments revenue share varies. For instance, in 2016/17, while direct taxes contributed 38.6 per cent, import duty and taxes and domestic indirect taxes contributed 31.4 and 30 per cent to the federal revenues, respectively (MoFEC 2018, 58–59). On the other hand, direct and indirect taxes contributed 52.4 and 22.6 per cent to the regional tax revenues, respectively. Regional governments have no competence over import duty and taxes because they are exclusively a federal power (Art. 96, FDRE Constitution 1995). Considerable subnational direct tax revenues are from

employment income tax (36.5 per cent) and business income tax (12.7 per cent) (HoF 2017, 15).

Revenue is one of the crucial pillars of regional autonomy. As illustrated above, revenue collection in Ethiopia is highly centralised. On the contrary, constituent units governments' expenditure share has risen from 39.7 per cent in 2000/01 to 58.3 per cent in 2016/17, which means regions rely on federal transfer to fill the deficit (MoFEC 2018, 70). Regional revenue has shown a slight increase over time. However, the shift in the expenditure pattern is significant. The trend is the decentralisation of expenditure without corresponding devolution of tax powers.

The primary cause for the centralised revenue system is the constitutional assignment of lucrative taxes to the federal government. Besides, the fiscal imbalance in the regions seems to be guided by the central government intentions. The Ministry of Finance document states that:

“The revenue assignment of regional governments is not enough to finance their expenditures, as most pertinent tax bases are allocated to the federal government. A conversely considerable level of expenditure power is given to the regional governments. This deliberate action allows the federal government to control the public financing system and narrow both the vertical and horizontal imbalances. It allows the federal government to redistribute tax revenues to regional governments” (MoFEC 2018, 70).

The same document notes that the increased share of regional expenditure is due to fiscal transfers from the federal government. Fiscal transfers can narrow horizontal fiscal imbalance. However, it is unclear how revenue centralisation can bridge vertical fiscal imbalance; instead, it can lead to the opposite.

Though vertical fiscal imbalance is common in many federations, the inequality in Ethiopia is high, though not the highest. According to Watts (2008, 102), some federations have a centralised revenue collection; for instance, Nigeria (98 per cent), Mexico (91.3 per cent), Russia (91 per cent), and Malaysia (86.9 per cent). Others have a less centralised revenue collection; for instance, Switzerland (40 per cent), Canada (47.2 per cent) and the US (54.2 per cent). With 79.3 per cent, Ethiopia's revenue centralisation is comparable with South Africa (82 per cent), Australia (74.8 per cent) and Belgium (71 per cent). A vertical fiscal

imbalance in Ethiopia denotes that the regions must rely on federal transfers to fund their expenses. Regions' dependence on grants varies because of remarkable variations in revenue capacity among the components, which is the focus of the following section.

7.4 Measuring Regional Revenue Autonomy

Revenue autonomy is measured by computing the proportion of own-source revenues out of the total regional revenues. Regional own source revenue broadly includes tax revenues and non-tax revenues. The primary tax revenue sources are agricultural income tax, land-use fees, payroll tax, Value-Added Tax (VAT), business income tax, and turnover tax. Non-tax revenue sources mainly include administrative fees, public goods and services sales, capital revenues, and government investment incomes. The following figure presents the proportion of own-source revenues (OSR) of the three cases from 1994/95 to 2017/18. Revenue data from 1998/99 to 2007/08 are missing.

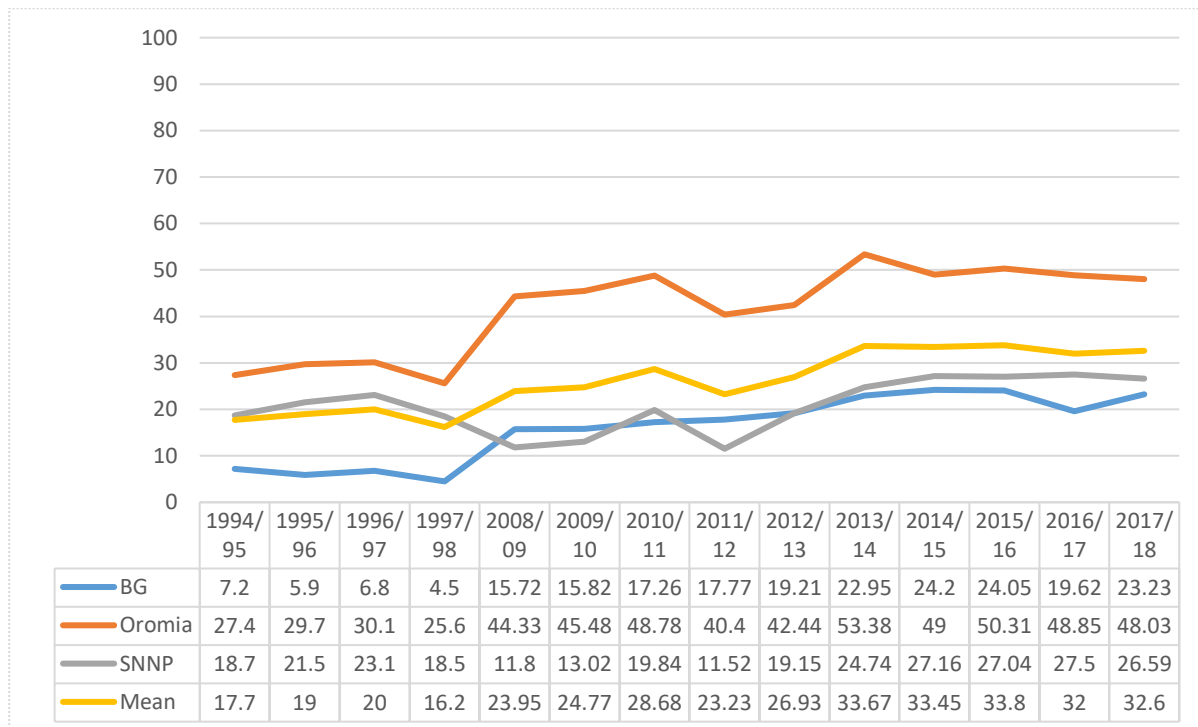


Figure 12: Proportion of Regional Own-source Revenues

Source: annex 5

The proportion of own-source revenues is small though increasing over time in all cases. Figure 12 shows a considerable variation of own-source revenue among the units. From

1994/95 to 2017/18, the average own-source revenue of the three cases is 41.7 per cent (Oromia), 16 per cent (Benshangul-Gumuz) and 20.7 per cent(SNNP) (see annex 5). Accordingly, while Oromia was coded 2 for revenue autonomy, Benshangul-Gumuz and the SNNPR were coded 1 (see chapter 5 for coding). Since 2008/09, the Benshangul-Gumuz and SNNP regions own-source revenues have consistently been below the average of the three cases (Figure 12). Small own-source revenue denotes huge dependence on federal subsidies and less fiscal autonomy.

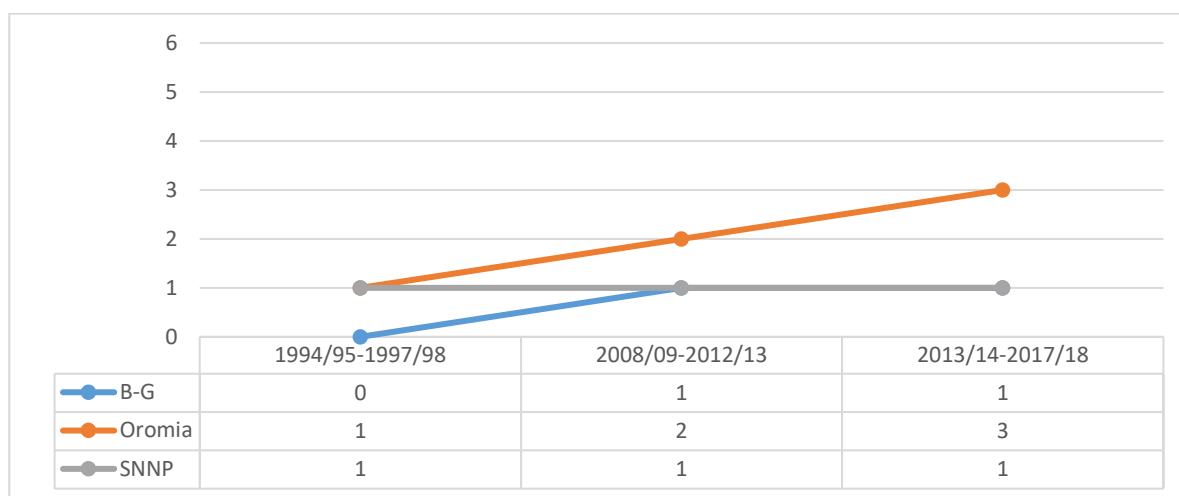


Figure 13: Regional Own-source Revenues Scores

Source: annex 5

Note: B-G= Benshangul-Gumuz

Looking at the above figure, we can note variation over time in the three cases. If we take data from 1994/95 to 1997/98, the average own-source revenue of Oromia was about 28 per cent, whereas that of SNNP and Benshangul-Gumuz was 20 and 6 per cent, respectively. Consequently, while Oromia and SNNP were coded 1, Benshangul-Gumuz was coded 0 between 1994/95 and 1997/98. Between 2008/09 and 2012/13, the average own-source revenue increased to 44 and 17 per cent in Oromia and Benshangul-Gumuz, respectively. During the same period, SNNP’s average own-source income was about 15 per cent. Consequently, while Benshangul-Gumuz and SNNP were coded 1, Oromia was coded 2 between 2008/09 and 2012/13. Between 2013/14 and 2017/18, the average own-source revenue was about 50, 26, and 23 per cent in Oromia, SNNP and Benishngul-Gumuz,

respectively. Thus, Oromia's score increased to 3, while the other two cases' score remained 1 (Figure 13).

Generally, temporal score variation is higher in Oromia and moderate in Benshangul-Gumuz. No score variation is recorded in SNNP though the region improved the proportion of its own-source revenue over time. Compared to the first decade, regions' own-source revenue has increased in Ethiopia's second decade of federalism. However, such a change does not suggest a significant reduction of the federal government's dominance in revenue collection.

7.5 Regional Tax Autonomy

Regional Tax Autonomy (RTA) is an essential component of constituent unit autonomy. The term "tax autonomy" encompasses different aspects of sub-central governments' freedom over taxes in their jurisdiction. It includes units' autonomy to introduce or eliminate a tax, set tax rates and bases, and grant tax allowances or holidays to individuals and businesses (Blöchliger and King 2006). This begs the question of whether the regional governments in Ethiopia have the power, both *de jure* and *de facto*, to unilaterally determine their bases and rates of major taxes in their jurisdiction?

Regions have constitutionally such prerogatives. In practice, however, since the formation of the federation, constituent units used the federal tax laws as a source of authority to levy and collect regional taxes (Taddese 2010, 43). Consequently, tax rates and tax bases are similar across regions, particularly during the formative stage of the federation (Interviewee 18). Later, however, regional governments started enacting their tax laws. Some of the areas over which regions exercised their power of taxation are agricultural income tax and land-use taxes. Unlike other taxes, the rates and assessments of agricultural income tax and land-use taxes vary across the regions.

In Oromia, the rate of rural land use and agricultural income tax is progressive; and different rates are applied depending on land size, type of owners, and location (Proclamation No. 130/2007). While Benshangul-Gumuz follows an almost similar approach to Oromia, in the

SNNPR, it is based on land size with a higher rate applied for land used for Khat¹⁷ and coffee farming. In comparison, a lower rate is imposed in food-insecure areas of the region (HoF 2007). Such differences across the regions somehow demonstrate how the units can exercise their authority without federal harmonisation.

However, this should not mislead us for several reasons. First, the contributions of the two taxes, Agricultural Income Tax (AIT) and Rural Land Use Tax (RLUT), to the total own-source revenues is only 1.7 and 1.5 per cent, respectively (HoF 2017, 15). Second, regions adopted centrally decreed uniform tax rates for main taxes despite having formal powers to determine tax rates and tax bases within their domain. Let us examine regional *de jure* and *de facto* powers over key taxes.

Table 7: *De jure* and *De facto* Powers over Major Regional Taxes

Major Taxes	Contribution to Own-source Revenues in per cent	Determination of tax base & tax rate	
		<i>De jure</i>	<i>De facto</i>
Payroll Tax	36.5	Regional	Federal
Value-Added Tax	17.2	Regional	Federal
Business Income Tax	12.7	Regional	Federal
Turnover Tax	5.4	Regional	Federal
Agricultural Income Tax	1.7	Regional	Regional
Rural Land-use Tax	1.5	Regional	Regional

Source: HoF (2017, 15)

Contrary to the regional tax autonomy promised in the constitution, the federal government determines the rates of major taxes such as Payroll Tax, VAT, Business Income Tax (BIT) and Turnover Tax (TOT). These revenue sources contribute 36.5, 17.2, 12.7 and 5.4 per cent to the total regional own-source revenues, respectively (Table 7). These taxes combined constitute more than 70 per cent of the regional own-source revenue.¹⁸

¹⁷ Khat is a plant widely found in Ethiopia and the Horn of Africa, which is chewed as a stimulant. It is common to chew Khat in Ethiopia, and it serves as a source of income for both the federal and regional governments.

¹⁸ The tax base for VAT is businesses whose total annual value of a taxable transaction is more than 500,000 Ethiopian Birr (ETB). The tax base for BIT is the profit of firms in industrial and service sectors operating in the regions; it does not include those having legal status of Private Limited Company (PLC) and Share Company (SC). PLCs and SCs pay profit taxes to the federal government. The applicable tax rate is that the income tax rate is under the federal income tax rule, which is uniform across regions. The tax base for TOT is the sales

Regional governments consistently used federal tax laws to levy and collect main tax revenues falling, *de jure*, in their jurisdictions (Interviewees 19, 20 and 21). Tax experts unanimously mentioned that regional governments translate federal tax laws into their respective working languages, and no region dared to adopt tax laws to its need. For instance, in an earlier study, Paulos (2007b, 179) states that “all decisions regarding tax rates come from the centre and the regions are only implementers”. The trend shows the federal government sets the bases and rates for major subnational taxes. Accordingly, regions were coded 1 on the tax autonomy index, meaning that the centre primarily decides the rates and bases of major regional taxes (see chapter 5 for coding).

Constituent units use guidance and framework prepared by the federal government in determining their tax rates (Interviewee 20). Guidance and framework are essentially only to help decision-making and should not be binding. In Ethiopia, however, regional tax authorities consider them ‘statutory’. Regions translate the federal tax laws into their respective working languages and approve them by their respective legislatures. The federal authorities have been strong to ensure uniform tax rates across the country regardless of regional differences that justify different taxation experiments (Interviewee 22).

It is essential to translate into English a statement the Oromia region president made on the BBC Afaan Oromo regarding regional tax autonomy. The president mentioned that the federal authorities collected most revenues generated from regional jurisdictions until recently. He added that some regional cities were directly transferring billions of money they gathered to the federal government against the promises of the federal pact. As a result, regions were denied the autonomy to decide on their resources (BBC 2019). An official in the Oromia Region Revenues Authority stated that the regional government explored own-source revenues in its jurisdiction and levied taxes such as *Jebena* coffee and loading-unloading. Nonetheless, the regions find it very hard to make crucial taxation decisions without the consent of the federal party leaders (Interviewee 23).

revenue of businesses operating in the regions with annual sales below 500,000 ETB. TOT is uniform across regions (HoF 2017).

7.6 Assignment of Taxation Powers in Practice

Regional governments have formal competencies to impose and collect taxes from revenue sources reserved for a region. A region is also constitutionally entitled to get its shares from shared revenue sources. However, as there can be discrepancies between the constitution and the practice, a formal division of taxation powers may not be sufficient to show the actual fiscal autonomy regions enjoy. In light of this, selected tax laws and cases illustrating the practice of revenue assignment and centralising environments are analysed below. First, the practice of revenue assignment from concurrent sources is presented, followed by the case of undesignated taxes.

7.6.1 Assignment of Concurrent Taxes in Practice

In a multi-level government system, taxes are often not assigned to one specific tier of government; instead, they are concurrent to both levels of government. Such concurrency prevents a single-tier from controlling tax rates and bases, and hence, the two governments may negotiate the revenue sharing formula (Blöchliger and King 2006). Similarly, the Ethiopian constitution comprises a list of concurrent taxation powers to levy, collect and share revenues from shared sources (Art. 98, FDRE Constitution 1995).

However, article 98 of the constitution states that the federal and regional governments shall “... jointly levy and collect taxes”, which appears controversial to some degree. The controversy is that does “jointly” mean that the federal and each regional government decide tax rates, tax bases, and sharing of proceeds on a one-to-one basis, or does “jointly” imply the federal and regional governments collectively negotiate? Nevertheless, the practice of concurrent taxes indicates that the second scenario predominates.

On the other hand, though the constitution enumerates concurrent taxation powers, it does not specify a formula of sharing revenues from shared sources. Instead, it empowers the HoF to decide on the division of incomes from joint taxes (Art. 62, FDRE Constitution 1995). Surprisingly, in 1996, the Federal Ministry of Finance proposed an amendment to the constitution's provision that enumerate joint taxation powers. The ministry proposed that concurrent taxation powers should be made exclusively federal. The ministry's justification was that making the power solely federal would eliminate logistic challenges of bringing the

two-level legislative bodies together to enact a law on joint revenue sources. Besides, the ministry defended that the centralisation of concurrent tax would ease implementing the harmonised and standardised tax system (FDRE 1997). Simultaneously, the Ministry proposed a formula for sharing revenues from joint sources (Paulos 2007a; Wollela and Krever 2018). In 1997, the two houses' joint session informally amended the provision of the constitution that deals with concurrent taxation. As a result, concurrent taxes became exclusively federal (Interviewee 24). In the same year, the HoF decided that incomes from such taxes be divided between the federal government and the region from whose jurisdiction the taxes are collected (FDRE 1997).

The amendment is unconstitutional for the following reasons. First, article 71(2) of the constitution states that the president, the head of state, “shall proclaim in the *Negarit Gazeta* laws and international agreements approved by the HPR in accordance with the constitution”. Practically, all other bills are proclaimed officially in *Negarit Gazeta*. The change has never been declared as a law in *Negarit Gazet*, and the constitution still read the original text.

The second reason is regarding the procedure followed to amend the provision. The constitution declares that provisions such as concurrent taxes can be amended only in the following procedures. 1) when “the HPR and the HoF, in a joint session, approve a proposed amendment by a two-thirds majority vote”. 2) when “two-thirds of the Councils of the member states of the federation approve the proposed amendment by majority votes” (Art. 105, FDRE Constitution 1995). Further, article 104 states that amendment initiation “shall be submitted for discussion and decision to the general public and to those whom the amendment of the constitution concerns”. The amendment to concurrent tax provision fulfilled the first procedure. However, it has not fulfilled the second condition because the regional councils were not involved in modifying concurrent tax powers (Paulos 2007b, 174). Besides, the amendment was not presented to the general public for discussion (Zelalem 2015, 68).

It is unclear why the constitutional amendment was neither officially proclaimed nor followed a formal procedure. However, the minute of the joint session of the two federal houses that amended the constitution confirms that article 98 of the constitution has been amended, and concurrent taxes are made an exclusively federal subject (FDRE 1997). Practically, the power

division has been altered as per the amendment. Though the federal government share revenues from concurrent sources to the regions, among other things, the amendment reduced the concept of concurrent tax powers to a revenue-sharing arrangement. As a result of the centralisation of shared taxes, regions collect taxes as agents of the centre and receive their respective shares per a formula prepared by the HoF. The formula for sharing revenues from concurrent sources is presented below.

Table 8: Formula for Sharing Revenues from Concurrent Sources (1997-2020)

Tax types	Federal share (%)	Regional share (%)
Enterprises jointly established		
Business profit tax	Per contribution	Per contribution
Sales and excise taxes from jointly owned enterprises	70	30
Employee income tax from jointly owned enterprises	50	50
Private companies		
Taxes on profits of private companies	50	50
Sales tax* and excise tax of private companies	70	30
Taxes on dividends of shareholders of private companies	50	50
Large scale mining, all petroleum and gas operations		
Taxes on profits of mining, petroleum, and gas operations	50	50
Royalties from mining, petroleum, and gas operations	60	40

Source: FDRE (1997, 76-80).

*Sales tax has been replaced by VAT since 2003

Based on the formula, while the federal government takes 70 per cent of sales taxes and excise taxes from jointly owned enterprises and private companies, the rest goes to the concerned regional government. On the other hand, revenues from employee income taxes paid by jointly owned enterprises, taxes on profits and dividends of private companies, and taxes on earnings of large-scale mining, petroleum and gas operations are equally shared. Whereas the centre takes 60 per cent of royalties from large-scale mining, petroleum and gas operations, the rest flows to a region where the mine is located (Table 8).

The implementation of the revenue sharing formula was also problematic for several reasons. First, the federal government did not set the actual procedure of sharing revenues from such sources though the joint session approved the formula. Besides, some regions did not receive their share during the early stage of centralisation of concurrent taxes (World Bank 2000, vi).

Overall, regions were not happy with the practices of the federal authorities. An official from the Oromia region stated as follows.

“The main challenge we face in autonomously exercising our constitutional powers is the lack of control over concurrent taxation. The federal government controls concurrent taxes and give us subsidies. The federal government does not report on where the taxes are collected from, how much and no audit is undertaken” (Interviewee 23).

From the regional government's point of view, centralising revenue powers on concurrent sources is against the principle of the constitution, which confers the power to decide on shared taxes on both federal and regional governments (Interviewee 25). A close examination of this case implies that regions have surrendered their prerogatives on concurrent taxes due to the financial administration proclamation that instructed the units to harmonise and standardise their tax bases in line with the centre (Proclamation No 57/1996).¹⁹ Such a proclamation eroded exclusive regional legislative powers over taxes as its provision decrees the need for tax harmonisation (see chapter eight). The financial administration proclamation No. 57/1996 was the federal executive's primary legal instrument to initiate the centralisation and persuade the regions to accept the ministry's proposal (Interviewee 26).

Regions complained about the revenue sharing formula and requested the HoF to revise it in favour of the units. In 2019, the HoF changed the formula that had been in use since 1997. The revised joint revenue allocation formula improved regional shares. According to the new formula, VAT and excise tax are equally shared between the federal and regional governments. On the other hand, regions take 50 per cent of royalties from large-scale mining, petroleum, and gas operations. The federal government takes 25 per cent of royalties, whereas all units share the remaining 25 per cent. The new formula has also changed the division of revenues from enterprises jointly owned by the federal and regional governments. Accordingly, profits from jointly owned companies are equally divided, while the region where the enterprise is found takes 100 per cent of employment income tax. Consequently,

¹⁹Article 58 of Proclamation No. 57/1996 states that “tax systems at the federal and regional levels shall have harmonised and standardised tax bases and the ministry [Ministry of Finance], through research and administrative support, shall facilitate such harmonization and standardization”.

regional share from concurrent sources increased by an average of 700 per cent because of the revision of the formula (The Reporter 2020).

Bahru Awol, head of the revenue accounts administration directorate at the Ministry of Revenues, states that “the past system lacked transparency and accountability. The new proclamation will allow for a transparent information transfer and create a sense of accountability” (Fortune News 2021). The Ministry conventionally allocates the appropriate proceeds to the regions within a month of collecting taxes. However, Bahru mentioned that there was no system to hold the Ministry accountable if a regional government did not get its share. Furthermore, there was no well-established auditing mechanism in the previous design. The new arrangement stipulates that the Ministry of Revenues will form an auditing system in cooperation with regional governments. The system would allow the federal and regional governments to conduct auditing together or separately (Fortune News 2021).

7.6.2 Assignment of Undesignated Taxes in Practice

Constitutions cannot usually lay down all taxation powers because some taxes emerge after the federal pacts. Ethiopia is not an exception in this case. Nonetheless, it anticipated new taxes and thus granted the power to decide over undesignated taxes to the two Houses joint session (see art. 99, FDRE Constitution 1995). Since the constitution pre-dates the introduction of VAT, it does not have a provision for the division of power over VAT. The two houses jointly met in 2002 to decide which government should control the new tax, VAT. The outcome of the joint meeting was the assignment of powers of imposing and collecting VAT revenues exclusively to the federal government (Wollela and Krever 2018, 14). The problem is that VAT is a tax that replaced sales tax, which had been assigned to both the federal and regional governments by the constitution (see articles 96 and 97, FDRE Constitution 1995).

The federal government passed the VAT proclamation in 2002, and its implementation started in 2003 (Proclamation No. 285/2002). The replacement of sales tax with VAT significantly changed the fiscal structure in Ethiopia (Wollela and Krever 2018, 15). There are several reasons for this. First, constitutionally the regions had previously exclusive powers to levy, collect and retain profit and sales taxes on individual traders or sole proprietors doing business

within their territory (see art. 97(4), FDRE Constitution 1995). Second, before VAT, the regions had a constitutional power to collect 100 per cent of sales tax paid by companies owned by a regional government (see art. 97(7), FDRE Constitution 1995). Third, the constitution gave both governments the authority to impose, collect, and use sales tax from private companies (see articles 97 and 98, FDRE Constitution 1995). This implies replacing sales tax with VAT modified the constitutional division of powers, which might have changed the revenue capacity of central and constituent unit governments. It eroded the regions' legislative powers over sales tax as legislative powers over VAT became exclusively federal. However, this thesis could not quantitatively show the impact of such developments on regional fiscal capacity because of a lack of relevant data.

Going back to the discussions pertinent to the decision of the two houses, representatives in both houses expected that VAT would be divided in the same fashion as sales tax. Aside from their expectation, the Federal Inland Revenue Authority (FIRA) initially allocated 70 per cent of all VAT revenues to the federal government and the remaining 30 per cent to the regions. However, one year after launching VAT, FIRA delegated its responsibility of collecting VAT from sole traders to the regional governments because it could not collect VAT across the country. The delegation of VAT administration to regional government is superficial and politically motivated as the regions have no autonomy over the base and rate of VAT (Wollela 2008, 160). Later, FIRA publicised that the regions shall retain 100 per cent of VAT revenue from sole traders (Wollela and Krever 2018, 15–16).

The decision of the FIRA illustrates several points about the practice of fiscal federalism in Ethiopia. It reveals that Ethiopian fiscal federalism is considerably affected by the decisions of federal ministries. Besides, it shows the federal government's decisions modify the constitutional division of revenue sources. The development also indicates that regions have a minimal capacity to defend their tax autonomy. Finally, it underscores that federal-region negotiations and bargaining are not the norms in Ethiopian fiscal federalism. From a legal point of view, the decision of the Ministry of Finance lacks solid constitutional justification. When the federal ministry unilaterally decides such critical fiscal issues, regional fiscal autonomy is precarious. Regional competencies were centralised over time despite the

constitutional separation of tax powers, resulting in a discrepancy between *de jure* and *de facto*.

Another remarkable development in connection to VAT is the determination of the source of tax. During the “Sales Tax Regime”, the source of sales was defined as the location of a seller. However, when VAT was introduced, the tax source became where the Tax Identification Number (TIN) was issued. Concerning this, Wollela and Krever (2018, 24–25) claim that no other federation divides responsibility based on the legal form of a business or uses the place of supply based on TIN issuance as the foundation for revenue division. They add that no other federal government with VAT enacting power assigned by law solely to the central government allocates revenue partly to states outside of any explicit legislative base directing it to do so.

Some argue that such a change emanated from the challenges encountered in the administration of the tax. According to Yesegat and Krever (2018), this decision reveals the difficulty of determining the contribution of each branch operating in different regions to the total VAT payable by an entire business. From the central authorities’ point of view, the change is justifiable. An official in the Ministry of Revenues said that large corporations and most Private Limited Companies (PLCs) get TIN registration in Addis Ababa due to service efficiency and infrastructure (Interviewee 27). However, “this is a façade”, as officials in the Oromia region revenue authority puts. Most PLCs and large companies receive licenses from the federal government and Addis Ababa city though they operate in the regions. The federal law that defines the source of VAT as the TIN issuance place was a method of snatching regional powers. The informant added that the “Oromia region is affected by this law more than any other region. Therefore, the government of the region submitted a complaint to the HoF. However, the central government does not want to transfer the power of collecting taxes from such companies, though they are constitutionally regional mandate” (Interviewee 23).

The VAT revenues allocation is based on where the companies are registered rather than where they operate. Consequently, the tax-sharing scheme does not consider the actual jurisdiction where the businesses made income (Interviewee 28). This means replacing the sales tax with VAT means subsidising the federal government by a region where the actual

production and consumption are undertaken. Based on the shared tax revenue sharing formula, 30 per cent of tax revenues paid by PLC and corporations are transferred to all regions irrespective of the proceeds sources. It seems that such a feeling of unfair treatment caused the prolonged protest, known as the Oromo protest, in Oromia (Interviewee 23).

In conclusion, it is essential to remark that regional autonomy over tax legislation has been weakened partly due to replacing the sales tax regime with the VAT regime that confers exclusive legislative authority to the centre. And regions became the federal government delegate in the administration of tax. The federal executive plays a determinant role in altering the constitutional division of revenue sources and their subsequent practice. A classic illustration of this is the roles played by the federal ministry of revenue. Certain aspects of fiscal federalism in Ethiopia work without a clear and adequate law. A clear and robust legal framework governing fiscal federalism, which is among the pillars of a federal system, is missing. Such developments underscore the absence of strong regional governments that can challenge such practices and the ineffectiveness of the federal umpire in protecting constituent units' interests.

7.7 Intergovernmental Fiscal Transfers

Intergovernmental fiscal transfer, classically known as a federal grant, is among the defining features of federal and non-federal multi-level governments. Theoretically, two-level governments in a federation have some level of financial independence and separate jurisdictions. In reality, however, the federal government may collect more revenues than it needs and transfer some of the proceeds to subnational units (Oates 1999, 1124; Boadway 2011). Besides, taxes assigned to the constituent units may not yield enough revenues to finance the units' expenses (McLure 1999). Consequently, intergovernmental transfers become important to bridge fiscal gaps. They take two general forms: general-purpose or unconditional grant and specific-purpose or conditional grant (Oates 1999). The former offers freedom of spending. On the contrary, the latter limits regional autonomy because it comes with conditions and limits spending choices.

The design and practice of intergovernmental fiscal transfers are among the challenging tasks in public finance and fiscal federalism since it requires policy and institutional arrangements

and should also consider the social, political, economic, and historical issues. On the other hand, in a system where subnational governments' own-source revenues are minimal, regional autonomy is primarily defined by fiscal transfers. The transfer also limits the magnitude and composition of expenditure at subnational units. Below, Ethiopia's legal framework for intergovernmental fiscal transfers is discussed, followed by the assessment of its practice.

7.7.1 Legal Framework for Intergovernmental Fiscal Transfers

One of the consequences of federalism in Ethiopia is the division of fiscal powers between federal and regional governments. Except for laying down the broad division of responsibilities and functions, the federal constitution has no separate provision for the assignment of expenditure responsibilities. Instead, article 94 (1) of the pact provides that both governments shall "bear all financial expenditures necessary to carry out all responsibilities and functions assigned to them by law". Besides, article 94 (1) states that unless agreed upon, "the financial expenditures required for the carrying out any delegated function by a State shall be borne by the delegating party". This means the constitution precludes unfunded burdens of any delegated functions.

Article 92 (2) of the constitution declares "the federal government may grant to states emergency, rehabilitation and development assistance and loans". The central government provides such supports in the form of federal grants to the regions. The federal funding aims to achieve different purposes envisioned in the constitution.²⁰ Additionally, as discussed in the preceding section, revenues are highly centralised while spending responsibilities are not. A high degree of expenditure decentralisation and revenue centralisation means a significant vertical fiscal gap in the regions, necessitating federal transfers. Notwithstanding that, financial transfers are also crucial to address horizontal fiscal gaps caused by variations among units in revenue generation, level of development and capacity.

²⁰ For instance, article 41(3) states, "every Ethiopian national has the right to equal access to publicly funded social services". Further, article 89(2) declares that the "government has the duty to ensure that all Ethiopians get equal opportunity to improve their economic conditions and to promote equitable distribution of wealth among them". Furthermore, article 89(4) states that "government shall provide special assistance to NNPs least advantaged in economic and social development".

The constitution confers the power to determine regional subsidies upon the HoF.²¹ However, two years after the constitution was adopted, in 1997, the same power was given to the MoFEC by a regulation enacted by the Council of Ministers (Regulation No. 17/ 1997).²² Later in 2001, the HPR passed a law that restored the powers of the HoF regarding subsidies (Proclamation No. 251/2001).²³ Taking away the House's constitutional power by a law enacted by the federal cabinet is remarkable. This can tell several points. First, the federal government executive was powerful enough to disrupt power distribution unilaterally by a law enacted by the federal cabinet. Second, it tells that such changes were made without amending the constitution. Besides, no objection was recorded from the HoF or the regions when the federal government snatched the HoF's power. Above all, the change contradicts the constitution.

The legal framework also included issues about the administration of regional subsidies, including notification, reporting and audit. The Council of Ministers Regulation No. 17/1997 instructed the federal government to prepare and notify the regions of their subsidies on time. Further, proclamation No.648/2009 empowered the centre to audit the utilisation of grants by the regions.²⁴ On the other hand, article 94(2) of the constitution states that “the federal government shall have the power to audit and inspect the proportionate development” of the regions.

The discussion of the legal framework shows four key issues. First, the regional subsidies system aimed to bring horizontal fiscal equalisation. Second, according to the laws regarding subsidies, such as Regulation No. 17/1997 and Proclamation No. 648/2009, the role of the regions was limited to serving as information sources. Third, the federal ministry of finance

²¹ Article 62(2) states that the HoF “shall determine the division of revenues derived from joint Federal and State tax sources and the subsidies that the Federal Government may provide to the States [regions]”.

²² Article 4(4) of Regulation No.17/1997 states that the MoFEC is responsible for the “preparation of estimates of regional subsidies”.

²³ Article 35 (1) of the proclamation states that “the house shall set a reliable and an ongoing improvement in the formula of subsidies which the federal government may provide to the states, based on the information it secures from relevant executive organs”.

²⁴ Article 68(2) of proclamation No.648/2009 stated that “the federal government shall have the power to audit and inspect the proper utilization of subsidies it grants to the regional government”.

played a dominant role in the determination, allocation and administration of subsidies during the formative stage of the federation. Fourth, the roles of the HoF in subsidies determination and distribution among regions was improved after proclamation No. 251/2001 was passed to define the powers of the house.

7.7.2 The Practice of Determining the Transfer Pool

Fiscal transfers are pretty common in modern states (Boadway and Shah 2011; Sham 2007). Nevertheless, states follow different approaches in designing and allocating intergovernmental fiscal transfers. In many federations, the federal government is solely responsible for intergovernmental fiscal transfers. A potential problem of this approach is that the centre can be overly involved in subnational units, and the method may affect regional autonomy. To deal with such challenges, federations such as Brazil provided constitutional safeguards against federal interference. However, if intergovernmental grants are decided solely by the federal government, they may limit regional autonomy (Sham 2007, 35–36).

Alternatively, an independent entity or a body composed of both tiers' representatives can design and enforce the fiscal arrangements. Some federations also rely on a quasi-independent body such as a grant commission in Australia. Federations such as Germany and Canada adopt the intergovernmental forum to negotiate fiscal transfer conditions and systems (Sham 2007, 36–37). Each approach has inherent advantages and disadvantages in terms of data requirements, regional autonomy, and the observance of the basic principles and provisions of the federal pact.

In Ethiopia, the federal government determines the total transfer pool, which means the size of the grants is discretionary. Paulos (2007b, 215) described the practice of deciding subsidies pool during the first decade of federalism as follows. First, in consultation with the Economic Affairs Department of the PMO, the Ministry of Finance and Economic Development (MoFED) drafts the distribution pool proposal. Then, a special committee in the Council of Ministers (CM), chaired by the PM, gives the final approval. After that, the full session of the CM rubber stamps the proposal. Finally, the HPR authorises it during its annual budget approval session.

Currently, MoFEC prepares the total pool and presents it to the parliament for approval at the beginning of every fiscal year. The total amount of the grants is not based on a pre-decided formula. It is neither based on ratio nor negotiation; instead, it is based on the federal government's will. An informant notes that:

“After MoFEC prepares the subsidy, the heads of the regional bureau of Finance and Economic Cooperation and regional Revenues Authority usually attend meetings steered by the ministry to discuss the subsidies. However, the regional participation is only informative as the regions have no chances of modifying the proposal of the Ministry” (Interviewee 29).

Except for their participation in meetings aimed at the regional briefing, regions have no role in determining the subsidies amount. Deciding the transfer pool is solely carried out by the federal government. The region's role in determining the size of subsidies is limited to serving as sources of information. After the MoFEC determines the transfer pool, its allocation among the regions passes through the two houses. First, the HoF allocates the subsidy among the regions based on the subsidy distribution formula. Second, the parliament approves the total amount of the grant and the amount that goes to each unit. The pool approval and its allocation among the regions are done along with the endorsement of the federal budget.

7.7.3 Determination of Subsidies Formulas

The territorial distribution of regional subsidies in Ethiopia is formula-driven. The HoF prepares transfer formulas. The Revenue and Budgets Standing Committee of the house plays a leading role in preparing and revising transfer formulas (Herald 2017). The house adopted different formulas by using various factors. An official in the Oromia Region Bureau of Finance and Economic Cooperation stated that “Regions are consulted in the transfer formula approval through representatives of NNPs in the HoF. Besides, as regional presidents are members of the HoF, they can let their concerns heard regarding subsidies formula, not transfer pool, on the House’s sessions. The sessions sometimes entertain debates as some members raise issues regarding the weights attached to the variables employed in determining regional subsidies” (Interviewee 29). Such practices indicate that regions have a better opportunity in influencing the determination of subsidy allocation formula than the transfer pool.

There is no fixed time set in Ethiopia to conduct revisions of the transfer formula; however, the practice shows that amendments are made on average every three years. The formula has been revised eight times since the formation of the federation in 1995. The main reasons for the irregularity of the time frame for formula revision are lack of quality data, lack of skilled and experienced workforce, and a viable and independent body to do the task (World Bank 2010, 43).

Two crucial developments in the practices of determination of subsidy formula are noteworthy. First, during the formative stage of the federation, the Federal Ministry of Finance was the main entity responsible for designing and executing the transfer formula (World Bank 2000, 30; 2010, 43). Second, though the role of the House has improved over time (World Bank 2010, 43), its mandate often was taken away through the CM Regulation No.17/1997, which stretched the Ministry of Finance’s authority. Different variables were employed in framing subsidy formulas until 2007. Starting from 2007, differences in potential revenue-raising capacity and expenditure needs became the key determinants of the size of subsidy allocated to regions. The variables and their weights under formula regimes are presented as follows.

Table 9: Variables and Weights in the Subsidies Formulas (1995-2020)

Variable	Weight in per cent				
	1995	1997	1998	2000	2004-2007
Population Size	30	33.33	60	55	65
Level of Development	25	33.33	15	20	25
Revenue Raising Effort	20	33.33	15	15	10
Preceding Year Capital Budget	15	0	0	0	0
Territorial Size	10	0	10	0	0
Poverty Index	0	0	0	10	0

Source: HoF (2007, 6).

We can observe that the number of variables used to frame the subsidy formula varied from 3 to 6, and the weights given to the variables altered significantly. For instance, the importance attached to “population size” fluctuated from 30 per cent in 1995 to 65 per cent in 2004. Contrary to this, the weights of “preceding year capital budget” and “territorial size” respectively decreased from 15 per cent and 10 per cent to 0 per cent (Table 9). Generally, population size has given a colossal weight, followed by development and revenue-raising

effort. Considering the high dependence of the regions on fiscal transfers, the frequent changes in the number of variables and weights attached to them have adverse effects on regional planning and budgeting. Thus, it is vital to see whether such changes had any notable impact on the size of subsidies received by each region at a different period. The share of each region from the total federal grants under different formula regimes is presented below.

Table 10: Regional Share of Federal Subsidies (1995-2017)

Region	Regional Share Under Different Formula Regimes in %									
	1995	1997	1998	2000	2004	2007	2012	2017	Population in % (2015)	Development Status
Tigray	10.5	11.39	9.52	7.61	7.68	6.38	7.18	6.03	5.83	Developed
Afar	4.92	3.29	4.88	6.85	4.72	2.51	3.15	3.02	1.99	Developing
Amhara	20.09	24.56	24	21.8	21.58	26.49	23.17	21.6	23.53	Developed
Oromia	32.25	28.12	29.01	27.34	30.14	33.72	32.5	34.46	38.87	Developed
Somali	3.09	2.79	5.04	9	7.33	6.68	8.14	9.98	6.29	Developing
B-G	3.39	1.47	3.86	4.76	3.68	1.42	2.1	1.83	1.16	Developing
SNNPR	15.85	20.51	18.58	16.07	17.95	20.72	20.1	20.11	21.08	Developed
Gambela	2.77	2.46	2.54	3.97	2.80	0.92	1.5	1.33	0.47	Developing
Harari	0.83	1.33	1.69	1.76	1.49	0.5	1	0.76	0.27	Developed

Source: own computation from various years formula

Note: B-G=Benshangul-Gumuz

The revision of the subsidies formula corresponds to considerable variations in subsidies shares of most regions. First, except Tigray, the shares of the developed regions have increased since 1995. Second, except Somali region, the shares of all developing regions have fallen from what it was in 1995. Third, Tigray’s stake notably declined (from 10.5 per cent in 1995 to 6.03 per cent in 2017), whereas Somali’s share has increased threefold (3.09 per cent in 1995 to 9.98 per cent in 2017) (Table 10). Considering population and development, the share of the Tigray region was high at the beginning. This might be due to the TPLF’s dominant role in Ethiopia (Clapham 2009; Abbink 2011a; Merera 2011; Solomon 2015).

In 2007 a shift in the allocation method of federal subsidies across the regions was observed when the new formula was adopted, which was used until 2011/12. The document states that “the subjective nature of the variables used, and the weights assigned to these variables to estimate the expenditure needs of regions” was one of the shortcomings of the formula used until 2007 (HoF 2007, 7). The document also asserts that the previous procedure “fails to consider the potential revenue-raising capacity of regions. Therefore, it is impossible to

identify the difference between the actual revenue collection and the potential revenue-raising capacity of the regions’’ (*Ibid*). The World Bank (2010, 23-24) claims that the approach is similar to the Australian Commonwealth Grant Commission system, and the formula avoids subjectivity and minimises unnecessary lobbying. Accordingly, since 2007, differences in potential revenue-raising capacity and expenditure needs have become the key determinants of the size of subsidies allocated to regions. The previous formula gave weight to the actual revenue-raising effort made by the regions instead of the potential revenue-raising capacity (Table 10).

From 2012-2017 another formula was used to distribute subsidies across regions. Currently, a new formula adopted in 2017 is in use. The new budget general-purpose grant distribution document stated that the revised federal transfer formula was aimed at incorporating the changes in population size, development level, revenue generation capacities and poverty levels across the regions. Estimation of representative revenues and expenditures were the two main criteria employed in designing the current formula. Estimation of regional revenues was made by selecting the main regional own-source revenues.²⁵

On the other hand, the estimation of regional expenditure was made by identifying the primary regional spending.²⁶ Regardless, the stake of each region from the total block grants remained similar. Instead, the formula introduced a new approach of making an allowance for regional variation in development. Accordingly, 1 per cent of the total subsidies flow to the developing regions. This arrangement is a differential treatment to bring about cross-regional equality in development.

²⁵ The main tax revenue sources used to estimate revenue generation capacity includes agricultural income tax, land use fee, payroll tax, business income tax, turnover tax, and value added tax. In the previous formula, in addition to these tax sources, livestock tax was included to estimate revenue generation capacity of each region (HoF 2017).

²⁶ The main expenditure categories included in calculating the expenditure of each region are general services and administration, primary and secondary education, TVET, public health, agriculture and rural development, drinking water development, rural road construction and maintenance, urban development, and micro and small-scale enterprises (HoF 2017).

Notwithstanding this, the new formula brought unintended consequences for three developing regions and one city administration. The stake of the Benshangul-Gumuz, Gambela and Harari regions declined in absolute terms compared to what they were getting based on the previous formula. However, to increase the share of these regions, deductions were made from those whose share would increase. For that reason, 0.92, 0.3, and 0.3 per cent were reduced from Oromia, Somali, and SNNPR regions, respectively. Officially, the adjustment was based on a political negotiation and cooperation of regional governments that forgo their share to bear the burden of the developing regions (HoF 2017, 83).

Nevertheless, informants expressed that the adjustment was made due to the federal party leaders' pressure on members of the HoF through the ruling party's chain of command as per the direction by the EPRDF central committee (Interviewee 55 and 62). Important decisions are made in a party assembly and come before the parliament for approval. Such practice suggests that the ruling party's vital roles in Ethiopian federalism and the weakness of federal institutions. Given the constituent units heterogeneity, the new formula should have produced proportions that reflect such assortment and should not be subject to political influence. Political manipulations induced some regions to sacrifice their share for others, making the new formula pointless.

7.7.4 Administration of Subsidies

Different federations follow different procedures in the administration of intergovernmental fiscal transfers. The administration of federal transfers, be it conditional or unconditional, has significant consequences on the fiscal management of subnational governments and how resources flow to lower government levels. Preparation and approval, notification and disbursement, reporting, and auditing are the main issues that constitute subsidy administration in Ethiopia.

The preparation of the federal government budget is steered by the Macro-Economic and Fiscal Framework (MEFF), a document prepared by MoFEC.²⁷ Both formulation and approval of regional subsidies are integrated with the federal budget since grants are considered one element of the federal government expenditures (Art. 18, Proclamation No. 648/2009). As per the grants distribution formula and the MEFF, MoFEC formulates a continuing three-year estimate of subsidies to each region and notify them by February every year (MoFEC 2018). The grants are, therefore, to some extent predictable as the units are advised of their draft subsidies for the coming three years. Then, the draft subsidies are presented to the Council of Ministers before the HPR approves them. Later, in early July, annually, the actual disbursement of the grants to the regions is made (UNICEF 2017). The actual allotment of subsidies is made based on cash requirements submitted by a regional government as per its programmes (Interviewee 30).

Pertinent to the usage of subsidies, some rules should be adhered to by a recipient regional government. The MoFEC enters into a contractual agreement with the regional governments, requiring them to provide timely information on their financial operations in general and on the usage of federal subsidies granted to them in particular (Art. 56(2), Regulation No.190/2010). From the central government's point of view, a contractual relationship with the regions is necessary to improve effective and efficient fiscal management and improve accountability in public money usage (Interviewee 30). However, an official in the Benshangul-Gumuz Region Bureau of Finance and Economic Development mentioned that as the federal body prepares the contracts, and the regions have no power to influence the conditions and contents of the pacts, the contractual agreement is utilised to control the regions tightly (Interviewee 31). Thus, the regulation is a limitation to regional autonomy as it introduced contractual-based subsidies. The federal government audits and inspects the utilisation of grants by the regions. Consequently, each regional government should establish

²⁷ Article 19 (1) of proclamation No. 648/2009 states that the MEFF mainly consists of the coming three-year projection of federal revenues, estimates of expenditures segregated by sector, and estimates of federal subsidies going to regions.

financial management and reporting system in line with the centre (Art. 68, Proclamation No. 648/ 2009).

7.7.5 Measuring Subsidies

This section presents the volume of subsidies as a percentage of national expenditure.

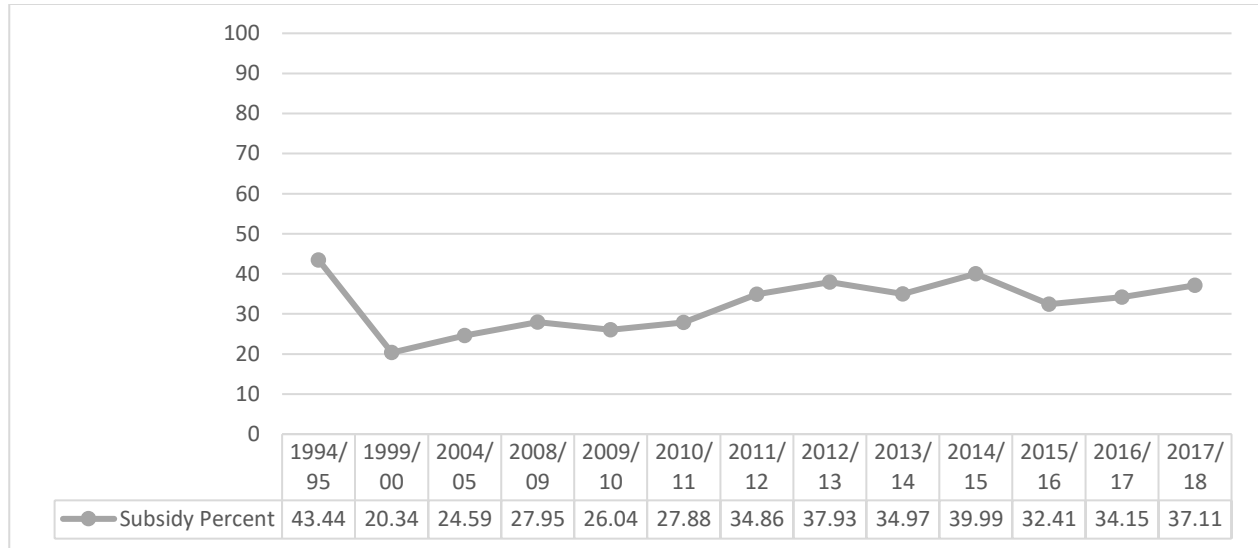


Figure 14: Subsidies as a Proportion of the Total Federal Budget

Source: annex 6

A review of regional subsidies reveals that grants constitute a significant part of the federal government expenditure. On average, it represents about 33 per cent of the federal government budget (see annex 6). Regional subsidies increased over time (both in absolute and relative terms), with a notable fluctuation but no sign of decline since 2015/16. From the regions’ perspective, however, the volume of the subsidies should be more. The regional officials justify their views by mentioning the centralisation of lucrative revenue sources and decentralisation expenditures (Interviewees 24, 25, and 31). More dependence on federal transfers means less regional autonomy; however, they are vital for bridging the vertical fiscal imbalance.

7.7.6 Measuring Regional Dependence on Subsidies

This section looks at the size of federal subsidies as a proportion of regional revenues. This will help us illustrate the extent of regional dependence on federal grants and identify variations among the regions.

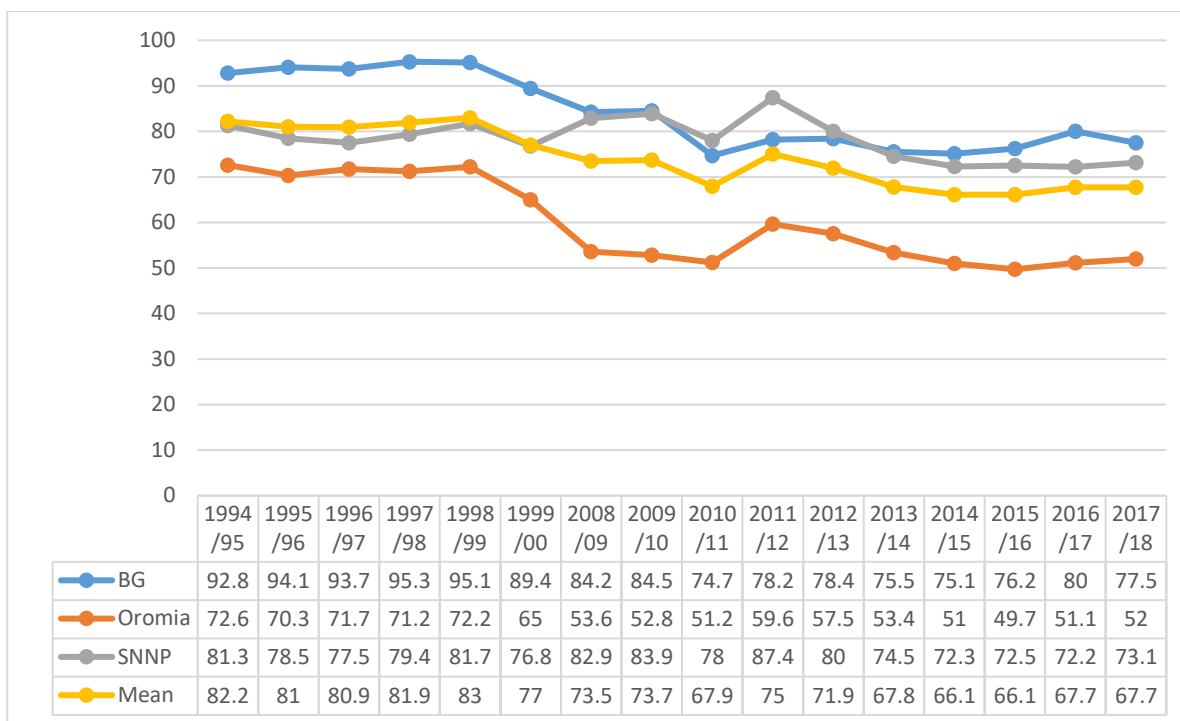


Figure 15: Regional Dependence on Subsidies

Source: annex 7

The big picture emerging out of the figure is that federal fiscal transfers are the principal source of regional finance. Subsidies constitute about 74 per cent of the revenue of the three cases (see annex 7). Another observation is a considerable variation across regions regarding dependence on subsidies. With an average proportion of around 60 per cent of its total regional revenue, Oromia is relatively less dependent on federal transfers (see annex 7). In contrast, subsidies form 84 and 78 per cent of revenues of the Benshangul-Gumuz and the SNNPR regions, respectively. From 1994/95 to 2017/18, while Oromia scores 3, Benshangul-Gumuz and the SNNPR each score 1 on the index of regional dependence on subsidy (see Annex 7). This means that the two regions have less fiscal autonomy compared to Oromia (see chapter 5 for coding).

There are also considerable temporal variations. If we compute the pre-2008/09 mean, Oromia's dependence on subsidy would be about 70 per cent while SNNP and Benshangul-Gumuz would be about 79 and 93 per cent, respectively. The score of the region would be 2 (Oromia), 1 (SNNP) and 0 (Benshangul-Gumuz). If we compute the mean of the last 10-years, Oromia would be about 53 per cent, while the SNNP and Benshangul-Gumuz are about

78 per cent each. The score of Oromia would be 3, while SNNP and Benshangul-Gumuz would be 1. If we compare pre-2008/09 with post-2008/09, while Oromia and Benshangul-Gumuz would see a score change, SNNP would see no change (Figure 15).

The general trend is a decline of regions' dependence on federal transfers; the mean of the three cases dropped from 82 per cent in 1994/95 to 67 per cent in 2017/18 (Figure 15). Nonetheless, the regions are still dependent on the federal government as the primary source of revenues. Even a wealthy region, Oromia, cannot fully cover its expenses without subsidies. This is due to the inherent vertical fiscal gap in Ethiopia. Evidently, in a federation where more than 75 per cent of revenues are centralised, it is not surprising to see substantial regional dependence on federal grants, which is a constraint for the regions, not a source of autonomy.

7.8 Conditional Grants: Constraints to Regional Autonomy

In most federations, vertical fiscal gaps are bridged by money transfers from the federal government in block grants or conditional grants (Sham 2007). In the former fiscal transfers are not attached to conditions, while in the latter, various restrictions are linked to their usage by the recipient governments (Oates 1999). For several years, regional subsidies in Ethiopia had been entirely a block grant, known as the “Federal General-Purpose Grant”, which comes with no string conditions. Such grants contribute to autonomy as the regional governments have relative freedom of spending.

However, starting from the 2011/12 fiscal year, the federal government introduced conditional transfers, known as “Specific-purpose Grants”. These grants were aimed at funding regional capital expenditures in specific sectors. They were targeted to meet the Millennium Development Goals (MDGs) until 2015 and the Sustainable Development Goals (SDGs) since 2015. The targets were sectors such as education, health, roads and agriculture (UNICEF 2017).

There are some similarities between a conditional grant and the block grant discussed in the previous section. First, like the block grant, the amount of conditional transfer is discretionary. Second, its preparation and approval also pass through the same process. Third, the allocation of the specific-purpose grant is also based on a formula. Finally, and connected to the third

one, the same procedure for allocating the block grant is used for spatial allocation of specific-purpose transfers (World Bank 2016a). The main difference is that after the centre transfers block grants, the regions have freedom of spending; however, that is not the case in conditional grants.

7.8.1 Measuring Conditional Grants

The autonomy of subnational units is affected not only by the size of federal transfers out of the total units' revenues but also by whether the proportion of conditional transfers is high or not. A high proportion of conditional grants weakens regional autonomy (Watts 2008, 106). First, to measure conditional grants, computation of the ratio of conditional funding out of the total subsidy is made. Then, the proportion of conditional grants of each case was computed, and scores were assigned based on the mean of the three regions.

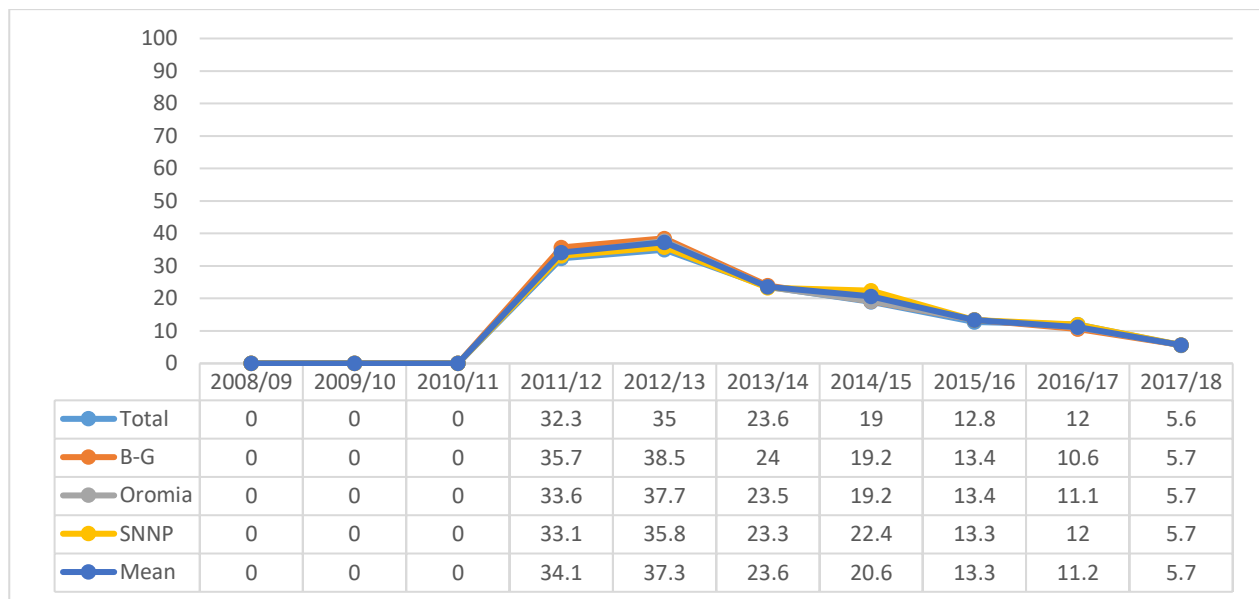


Figure 16: Proportion of Conditional Grants

Source: annex 8

Until the 2011/12 fiscal year, fiscal transfers to the regions were unconditional, meaning constituent units enjoyed spending autonomy. Conditional subsidies represented about one-third of the total transfers during the first three years of their introduction. However, the proportion of conditional grants has strikingly declined since 2014/15 (Figure 16). The movement is in the direction of greater regional autonomy. The decline is due to the end of

MDGs that were priorities of the federal government and donor agencies (Interviewee 30). No remarkable variation is noted among regions concerning the ratio of conditional grants. The mean of the three cases, as detailed in annex 8, is around 21 per cent, their score is 5 (see chapter 5 for coding). Furthermore, the fractions of conditional grants in the three regions correspond to the fraction of conditional transfers for the whole federation. This is because the conditional grants allocation was based on the same formula used for block grant allocation.

7.8.2 Strings of Conditional Grants in Ethiopia

The general earmark of conditional grants was mainly meeting specific targets of the MDGs and, to a lesser extent, SDGs. Nonetheless, it is essential to identify the specific conditions attached to the grants. This is important, at least for two main reasons. First, all conditions attached to subsidies may not constrain regional autonomy. This is because some conditions can be for efficiency, effectiveness and accountability purposes. Second, not all strings are equally strict in restricting the exercise of spending autonomy. Thus, it is vital to identify the main constraints of conditional grants and analyse how they deter autonomy.

Conditional grants in Ethiopia unveils six main features. These are (1) the federal government determines their amount; (2) their allocation among the regions is formula-driven; (3) their disbursement is ear-marked; (4) their usage is monitored by the central government on a project by project basis; (5) they are accompanied by rigorous reporting; and (6) regional governments play vital roles (World Bank 2016b, 13). It is not uncertain that, *inter alia*, features from numbers 3-5 impose some degree of constraints on the regional governments using the money as analysed below.

I. Ear-marked Grants: Two conditions attached to the grants are earmarking. First, the fund is used only for financing capital expenditures. Thus, a region cannot spend the money on recurrent spending other than well-known physical projects categorised as capital expenditure. Second, the grant is spendable only for capital projects in six sectors. The sectors are rural roads, water (drinking water and irrigation), health, education, agriculture, and small and medium enterprise development. Regardless, regions have the discretion to allocate funds in a way they like, provided that the projects fall within the six sectors.

Restrictions not to use the grants for recurrent expenditure was to promote investments in key sectors such as health, water and education. A key informant in the federal MoFEC states, “before the introduction of specific-purpose grants; regional government expenditures were overemphasizing recurrent expenditures, risking the investments on capital projects” (Interviewee 30). In fact, before 2011, capital expenditure formed only one-fourth of the total regional spending in Ethiopia (World Bank 2016b). However, it is essential to note that a completed capital project requires a recurrent budget to provide services. This means today’s capital expenditures generate tomorrow’s recurrent expenses. Thus, maintaining a balance between the two is essential.

II. Monitoring Project by Project: The federal government has tight monitoring on a project-by-project basis. As discussed earlier, regions prepare a list of projects in the six sectors to be financed by the conditional grant and present it to the MoFEC for the latter’s approval. Once approved, regions have no discretion in replacing a project in a sector with another project in another sector. There is no doubt that such federal power, complemented by tight monitoring and reviewing the grants’ execution, restricts regional autonomy. Furthermore, the grant requires the regions to plan expenditures yearly as if projects are initiated and finished in a fiscal year. However, this is not the case in reality, as projects usually require more than a fiscal year (World Bank 2016b). Such a practice is a very constraining rule applied to the regions in utilising conditional grants.

III. Rigorous Reporting: Reporting is based on the principle of project-by-project monitoring and reporting, which is cumbersome and time consuming for the regions. Generally, the regional financial reporting system must align with the federal government’s (Regulation No.190/ 2010). Thus, constituent units have no competence to decide their financial reporting system. According to article 51(3-5) of Regulation No 190/2010, regional governments are obliged to provide quarterly, semi-annual, and annual financial reports to the federal government as per the format required by the centre. More cumbersome is regions should include details of their revenues and expenditures, including outstanding debts.

The World Bank described the reporting requirements of the conditional grants in Ethiopia as follows:

“Quarterly reports present physical and financial information ..., they are not mere statistical documents. On the contrary, they command the disbursement by MoFEC of payments to regions. No report, no money. In that sense, the grant is often described as “performance-based”: funding is not released before the performance but after. The disbursement is an effective transfer, conditional upon the production of timely and satisfactory quarterly reports” (World Bank 2016b, 14).

Any region that acquires specific purpose grants should make a quarterly report to the federal authority. Funds are transferred to the regional governments, provided that they send quarterly reports to the concerned federal body. This means the process takes time and generates delays for subnational governments.

As conditional grants in Ethiopia come with such string conditions, they do not offer usage preferences, limiting regional autonomy as the regions cannot use the subsidies for their priorities. An informant from the SNNP Region Bureau of Finance and Economic Development reported that conditional grants, coupled with limited own-source revenues, became a big problem. The informant added that since policies funded by federal grants are centrally designed with little or no input from the regions, the regions remained the federal government agent rather than executing their priorities (Interviewee 32).

Another issue about conditional grants is the predictability of the funds. The amount of specific-purpose fundings in Ethiopia fluctuated over time. While it rose following the year of its introduction, the overall trend is a significant decline, both in absolute and relative terms (see annex 6). From a regional autonomy point of view, the decrease in the proportion of conditional grants is an enabling evolution to exercise fiscal powers. However, from the regional governments’ long-term planning perspective, such irregularity is an issue of concern in itself.

An official from the Oromia region stated that:

“The region planned several projects based on the first two years grants and the federal priorities. However, the federal government terminated the MDGs’ funding and told the regional government to finish the ongoing projects from its sources. Thus, we had to shift budget from other projects to finish the MDGs’ projects initiated based on priorities set by the centre” (Interviewee 33).

Unpredictability and fluctuation make regional planning complicated. This means the unpredictability of the federal government behaviour constrained the regions in making policies and plans. Volatile grants allocation and the spontaneous shift of the national government priorities hinder the already financially unstable constituent units.

7.9 Regional Borrowing Autonomy

In a situation of fiscal imbalance, the constituent units in federations could bridge their fiscal deficits through borrowing from domestic or foreign sources. In essence, most subnational borrowings are to fund their capital projects. Federal constitutions, such as Brazil’s, grant constituent units the autonomy to borrow (Rezende 2007, 92). Article 51(7) of the FDRE constitution states that the federal government “shall administer the National Bank, print and borrow money, mint coins, regulate foreign exchange and money in circulation; it shall determine by law the conditions and terms under which states can borrow money from internal sources”. Thus, regions were coded 1 on internal borrowing, which means the regions are constitutionally allowed to borrow from domestic sources but with federal government restrictions. On the foreign borrowing index, regions were coded 0, which means the regions have no power on foreign borrowing (see chapter 5 for coding).

Table 11: Regional Borrowing Autonomy

Borrowing competence	Domestic borrowing	Foreign borrowing
<i>De jure</i>	1	0
<i>De facto</i>	1	0

Source: legal document review and interviews, 2019

Complementary laws to the constitution imposed restrictions on regional governments’ ability to borrow. For instance, the federal financial regulation states that “the source of finance of regional governments shall consist of the revenue they generate, and the budgetary subsidy granted to them” (Art. 52(1), Regulation No.190/2010). This article implies that the federal government does not consider borrowing as a source of regional finance.

Further, article 65 of Proclamation No. 648/2009 stated that the MoFED:

“shall determine the amounts to be borrowed by the individual regional government taking into account the national fiscal policy and macro-economic policy. Regional governments shall provide the Ministry with all information required to allow it carry out such responsibilities” (Proclamation No. 648/ 2009).

The laws imply that regional borrowing is non-negotiable, and decisions pertinent to borrowing are in the hands of the federal authority. As fiscal deficits are unavoidable, the centre allows loans to be deducted from the region's subsidies in the following year. Article 52 (2) regulation No.190/2010 stated that “where a [regional] government experience budget shortfall in any fiscal year, the government may give them loans in the form of advance to be charged to their budgetary subsidy of the following year”.

Practically, regions can borrow only against future grants, i.e., the federal authority deducts the loan amount from grants the region would receive in the future; the repayment and duration of the loan are decided by the centre (Interviewee 34). In other words, revenues from regional borrowing are offset in the allocation of subsidies. Some regions made public sector borrowings to provide credits for farmers with the federal ministry of finance consent. For instance, out of the total agricultural credit scheme provided by the Commercial Bank of Ethiopia and the Development Bank of Ethiopia in 1996/97, the borrowing share of Oromia was the highest (56 per cent) followed by Amhara (23 per cent) and SNNP (18 per cent) (World Bank 2000, 33–34).

In recent years, the Oromia region enterprises have borrowed from the federal government banks to purchase fertilisers, seeds, pesticides, and other agricultural inputs to distribute for farmers on a credit basis. Such borrowings were made using the regional budget as collateral, with the regional bureau of finance and economic cooperation becoming a guarantor for the lenders. Top-level regional executives make such borrowing decisions after getting a green light from their centre (Interviewee 29). Even relatively financially viable and developed regions such as Oromia do not decide to borrow unilaterally. Since 2016, the federal government has adopted a more restrictive stance on government borrowing (IMF 2018). Current practice and reforms show that regional borrowing became very tight to avoid the risk of macroeconomic instability.

Pertinent to foreign borrowing, regions have no authority, both *de jure* and *de facto*, to borrow from external sources because foreign currency and foreign exchange decisions are exclusively federal subjects (Art. 51 (7), FDRE Constitution 1995). Subsidiary laws also confirm that the management of foreign currency is the exclusive power of the federal government. The role of the regions is limited to providing information regarding their foreign currency needs (see Proclamation No. 648/2009 and Regulation No. 190/2010).

Generally, foreign currency needs should be approved and endorsed by the federal authority for the National Bank to release the money. However, access to foreign currency is nearly impossible for regions such as Benshangul-Gumuz and the SNNPR. Officials from these regions reported facing serious challenges in getting foreign currency because the federal authorities do not endorse foreign currency requests or take too long to grant the authorisation (Interviewees 35 and 36). It is difficult to provide a detailed quantitative analysis of the practice of regional borrowing in Ethiopia in this study. Much cannot be said, mainly due to limited subnational borrowing and a lack of comparable statistics. However, some observations can be made based on interviews and discussions of laws made above.

First, while regions have no competence in borrowing from external sources, regional borrowing from domestic sources is constrained by technical and political limitations imposed by the centre for economic stability. Second, financially viable regions such as Oromia have no incentive to borrow. They want to finance their capital projects within their budget limit to avoid defaults. Such regions interest to borrow is only in the areas such as funding agricultural inputs and employment creation. Third, regarding Benshangul–Gumuz and the SNNPR, mixed observations can be made. In the former, the primary concern is the lack of technical capacity to design projects and a limited number of domestic financial institutions willing to lend money. In the SNNPR, cumbersome procedures and risk of default loan are the main reasons indicated.

7.10 Conclusion

This chapter assessed federal-regional revenue collection, regional revenue, regional tax autonomy, intergovernmental fiscal transfers, and regional borrowing. The chapter discussed that the constitutional distribution of fiscal power was informally changed in favour of the

centre, and the federal government executive plays a decisive role in Ethiopia's fiscal federalism. The chapter illustrated that one of the typical features of Ethiopia's fiscal federalism is revenue centralisation. Though vertical fiscal imbalance is quite common in many federations, the inequality in Ethiopia is among the highest as the federal government collects about 79 per cent of revenues.

Regional fiscal autonomy varies over time, noted by the gradual improvement of regional own-source revenues and regional revenue collection vis-à-vis the centre. Despite progress, constituent units are hugely dependent on federal grants to cover most of their expenditures. Consequently, the regional fiscal condition in Ethiopia is best described as “a federally funded type” associated with less fiscal autonomy. The chapter illustrated that own-source revenues vary across regions, highest in Oromia, followed by SNNP and Benshangul-Gumuz. Such variation in regional revenue capacity produced asymmetry in constitutionally symmetrical Ethiopia. Regarding tax autonomy, regions rely on centrally enacted tax rates and tax bases in legislating and administering major taxes despite having formal powers to decide on such matters, illustrating a vast gap between *de jure* and *de facto*.

The chapter also revealed that regional borrowing is very restricted by the national government to avoid economic instability. While developing regions have limited capacity and access to loans, financially viable regions have a slight interest in borrowing because of the risk of default. On top of this, the federal government's cumbersome technical, political, and legal procedures discourage regional borrowing. Consequently, federal grants have been the primary revenue source for subnational units in Ethiopia. For several years, subsidies in Ethiopia came with no condition. However, starting from the 2011/12 fiscal year, the federal government introduced conditional transfers, which affected the regions' spending freedom and planning because of the unpredictable nature of the grants. Nevertheless, the proportion of conditional grants declined recently, implying more spending freedom for the regions. The determination of transfers pool is discretionary to the federal government, while grants disbursements are formula-driven, though the formulas are politically guided. As the federal government solely rules the determination of the transfer pool, regions have a minimal role in fixing the amount of the fund. Regarding borrowing, the general trend is that the federal government is against borrowing to avoid macroeconomic crises.

Chapter Eight: Explaining the Regional Autonomy Gap

8.1 Introduction

This chapter offers an interpretation of the coding that revealed the gap between the constitution and the practice discussed in the previous two chapters. The chapter attempts to identify the drivers and facilitators of centralisation. It looks beyond historical institutional accounts of Ethiopian federalism in identifying a range of factors associated with de/centralisation. The intention is to extend the explanation beyond the institutional design of the federation by identifying other factors for the accretion of powers at the centre. The chapter accounts for centralisation in Ethiopia primarily on the basis of endogenous factors. The first section of the chapter seeks to explain de/centralisation at the birth of the federation. Section two and three explain the drivers of centralisation from 1995-2020. Part four briefly sheds light on the main centralisation facilitators. The last section provides the conclusion of the chapter.

8.2 Explaining Static De/centralisation

The federation of Ethiopia is not a product of a “federal bargain” (Riker 1964) in a strict sense for two different reasons discussed in chapter three. The federation is a holding-together type though the constitution's preamble gives the impression of a coming-together type.²⁸ Theories suggest that federations formed after WWI (Dardanelli et al. 2019b, 204–5); those that did not emerge out of a “federal bargain” (Riker 1964, 12–16) and those that are holding-together type (Watts 2008, 65) are more centralised at birth vis-à-vis other types of federations. Ethiopia fulfils these theoretical criteria to be a relatively centralised federation at birth. The federation was formed after WWI (in 1995); the union is not the result of a federal bargain, and it is a holding-together type. Nonetheless, in light of the constitutional text and responsibilities assigned to the regions other than taxation, the federation was not as

²⁸ The preamble of the constitution states that “we, the nations, nationalities and peoples of Ethiopia...strongly committed, in full and free exercise of our right to self-determination, to building a political community... convinced that to live as one economic community”(FDRE Constitution 1995).

centralised as the theories suggest. Contrary to theoretical expectations, Ethiopia was comparatively decentralised at birth. Three main factors can explain why this was the case.

1. Moderate bargaining preceding the birth of the federation: though there was top-down piloting of the units, there was some level of bargaining and negotiation during the transition period (Lyons 1996, 123; Aalen 2002, 39–40; Samatar 2004, 1133–34). The negotiations and bargaining were among different ethno-regional parties representing distinct nations and nationalities that claim to have a territorial homeland in Ethiopia (Kassahun 1995, 130; Rock 1996, 93; Young 1998, 194). However, this does not mean that there was Riker’s federal bargain in a strict sense. It does not also mean that the birth of the federation was fundamentally different from other holding-together federations.

2. Secession movements preceding the birth of federation: there was intense pressure from ethnonational parties such as the Oromo Liberation Front (OLF) and the Ogaden National Liberation Front (ONLF) for independence preceding the birth of the federation (Alemante 2003, 62–63). Particularly the OLF, the main party that represented the largest ethnic group (Oromo) in Ethiopia and the second dominant party during the transition period, had a vision of an independent Oromia. Further, the OLF was one of the key players in drafting the transitional charter, which became the federal constitution with some modifications (Vaughan 1994, 35–37). Thus, only decentralisation and constitutionally granted autonomy, including secession, could satisfy parties such as the OLF and the ONLF to drop the secessionist agenda.

In this case, the leading player and architect of the Ethiopian federalism, the Tigray People’s Liberation Front (TPLF), also had the vision of realising an Independent Republic of Tigray in its manifesto (Aregawi 2004, 591). The TPLF elites, which were the key player during the transition period, seemed to be convinced that, as a minority group that experienced repression in the previous regimes, constitutionally granted rights to self-rule could only protect the people of Tigray from “tyranny of the majority”. Consequently, the TPLF favoured a decentralised federation that assures the right to self-determination.

3. The need to accommodate diversity. Federalism in Ethiopia was designed to enhance unity through constitutionally accommodating diversity (Tewfik 2010, 5; Assefa 2019b). Ethno-linguistic diversity and identity questions have been the main agenda in Ethiopian politics

since the 1960s. Such demands led the country to the verge of disintegration in the late 1980s. Consequently, when Ethiopia adopted federalism after 17 years of civil war, the key actors believed that the unity of Ethiopia would only be possible by explicitly recognizing ethnic, linguistic, religious and cultural diversities (Kidane 1997). The constitution's framers claimed that only autonomy would sustain the country as a unified state (Ishiyama 2012, 7).

One may expect further decentralisation or constraints to power consolidation because of pro-autonomy parties such as the OLF and the ONLF discussed above. However, the primary contender of the TPLF/EPRDF and a party that had widespread support, the OLF, was forced to withdraw from the transitional government and elections (Samatar 2004, 1134; Merera 2011, 668). And, its leadership was exiled, and its members were “persecuted by the government, and many of them live underground” (Aalen 2002, 30). Other contending parties such as the Islamic Front for the Liberation of Oromia (IFLO), the All-Amhara Peoples’ Organisation (AAPO) and the Southern Ethiopian groups also left the political arena during the transition period (Kassahun 1995, 131; Merera 2011, 668).

The withdrawal of these parties from regional and national elections at the early stage of the federation reflects the start of the dominant party system in Ethiopia (Assefa 2019a, 8). Parties with strong public support, such as the OLF and the ONLF, were forced to start an armed struggle. As a result, the EPRDF remained the dominant political force in running the federation and governing the regions through its members and affiliate parties, which means EPRDF faces no challenge in achieving power centralisation. Ethiopia's centralisation dynamics would have been different if these parties had not been eliminated from peaceful political activities.

Aalen and Muriaas (2018), in their book ‘Manipulating political decentralisation: Africa’s inclusive autocrats’, argue that the parties who are in a secure position after coming into power and have high confidence in winning elections introduce decentralisation governance but utilise decentralisation for diffusing competition to sub-national level and broaden grassroots participation as a means of mobilising support and controlling the electorate. National governments use different strategies to manipulate the political outcome of decentralisation. For example, though the EPRDF was committed to decentralisation, it used electoral

processes to splint opposition and neutralise them as a threat. Strong ethnic-based rebellion forces such as the OLF that ousted the *Derg* were diffused as the EPRDF established a new loyal party such as OPDO in every region (Aalen and Muriaas 2018, 74-75).

The OLF and the ONLF were declared “terrorist movements” by the Ethiopian parliament in 2008. In 2018, however, when PM Abiy Ahmed came to power following years of protests in the Oromia and Amhara regions, the law was repealed. These parties were invited to come back to Ethiopia from exile and join peaceful political activities (Reuters 2018). As no election has been held after their return and reregistration, the actual influence of the reappearance of these opposition parties on regional autonomy is yet to be seen. Currently, increasing regional autonomy is the main agenda of the majority of political parties in Ethiopia. As of January 2021, 34 of 51 political parties registered for the 2021 elections in Ethiopia are regional parties (Girmachew 2021).

Table 12: Dynamic De/centralisation Model

<i>Causal Factor/Driver</i>	<i>Causal Mechanism</i>	<i>Main Instrument</i>	<i>Facilitator/Enabler</i>
Party system	-Ideologies of the dominant party prescribe a centralised policy regime -Vertical integration between federal and regional ruling parties causes power consolidation as subnational parties cannot challenge centralisation due to the lack of independence from the central party	-Vertical party relations -Coercion	-Generic clauses -HoF -Vertical party relations
Capacity	-The centre takes over regional responsibilities as the regions cannot carry out their mandates due to lack of capacity. -The regions invite the federal government to take over some of their tasks or give up their mandates because they cannot do due to capacity-deficit	-Legislation -Coercion	-Generic clause -HoF -Vertical party relations
Economic development	-The central government's desire to achieve sustained economic development leads to the expansion of the federal government's role -The economic objectives such as revenue-raising, foreign currency, and equitable regional development leads to centralism	-Legislation -Coercion -Constitutional amendment -Organisational restructuring	-Generic clauses -HoF -Vertical party relations
State-building	-Centralisation is pursued to integrate peripheral and lately incorporated areas into the central state -For the sake of harmonisation and standardisation aimed at the political and economic union, the centre extends its powers into the units' jurisdiction	-Coercion -Legislation	-Generic clauses -HoF -Vertical party relations
Corruption and state capture	-Central officials' private interests to control resources lead to the centralisation of subnational prerogatives	-Coercion	-Vertical party relations

8.3 Drivers of Centralisation

In this section, drivers of centralisation in the Ethiopian federation are identified. The drivers are motives, interests, and incentives that cause the central government to consolidate powers at different times since the birth of the federation. Although most drivers are associated with the federal government, some are linked to the situation in the regions. Generally, the majority of the drivers are endogenous factors of centralisation.

8.3.1 The Dominant Party System: Structure, Democracy and Ideologies

Structural Issues

At the core of the analysis of Ethiopian federalism should be the roles the dominant party plays in power consolidation. Ethiopia has a formally decentralised party structure. While a coalition of four regional parties ruled the federation, the EPRDF, the regions were ruled by regional parties who were either members of the EPRDF or affiliates. The EPRDF dominated Ethiopian politics until Abiy Ahmed abruptly dissolved it in 2019 to form a nationalised party, Prosperity Party (PP), by merging all regional incumbent parties except the TPLF, who refused to merge into PP. The four coalition members dominated the relatively developed Amhara, Oromia, SNNPR and Tigray regions. The remaining five regions were ruled by parties that were not members of the coalition.

The members of the federal ruling coalition controlled the federal government together, *albeit* had asymmetric powers and influence. The TPLF was the creator of the other three subservient parties and was preeminent since the formation of the coalition (Young 1999, 321; Aalen 2006, 250; Merera 2011, 667–69). To put it differently, TPLF was the dominant core within the dominant coalition. It adopted a different strategy regarding the peripheral regions' parties. Instead of including them in the block, the TPLF made them “affiliates”. Affiliate parties govern the peripheral regions officially designated as “developing regions” (Vaughan and Tronvoll 2003, 49). The EPRDF has long been claiming that affiliate parties do not fulfil the criteria for membership. The first Speaker of the HPR (1995-2005) once stated that “we are a revolutionary democratic party and apply strict criteria for those organisations that want to become members of our coalition. So far they have not reached this stage. An example is the Afar and Somali parties, which because of their Muslim dominance,

have not been able to fulfil the criteria of gender equality’’ (Dawit Yohannes quoted in Aalen 2002, 83).

Though affiliate parties have looser organisational ties with the EPRDF (Vaughan and Tronvoll 2003, 123), the ruling coalition was involved in the parties internal politics (Young 1999; Assefa 2012, 450; Asnake 2013, 98–100). During the first decade of federalism in Ethiopia, the TPLF-led EPRDF was directly represented on regional councils such as Benshangul-Gumuz without legal basis justifying such arrangement (Young 1999, 343; Vaughan and Tronvoll 2003, 51). Additional mechanisms the federal ruling party used to influence the regions governed by affiliate parties were taking disciplinary measures, firing unwanted regional leaders and directly controlling the units by dispatching federal police in the name of maintaining regional stability (Vaughan and Tronvoll 2003, 134). Strong central executive and structural conduit linking the federal with regional parties enabled the central party to influence regional executives, contributing to power consolidation (Aalen 2006, 250–51). Further, the nomination and appointment of key posts in the regions not formally members of the coalition were performed within the EPRDF centralised party structure (Assefa 2019b, 169).

The critical leadership role the TPLF played during the fight against the *Derg*, its military superiority and the dominance it built during the transition period (1991-1994) enabled the TPLF to command the whole country (Aalen 2006, 250). Monopolising key federal positions and its role in creating all regional parties have also offered the TPLF the required tool to impose its dominance on regional parties and guarantee regional leaders’ loyalty. Regional parties primarily extend central command into the lowest administrative units through party structure. As a result, regional parties were messengers of the TPLF-led EPRDF, not genuine autonomy agents (Merera 2011, 667).

As discussed in chapter three, the EPRDF had a pyramidal internal organisational structure. Hence, the EC is a key organ that makes crucial decisions and directs the country's actions and policies (Interviewee 37). Consequently, policymaking was highly centralised, and the party chairman gave vital policy directions. A former member of federal parliament said that EC members could raise concerns or argue during meetings, but in the end, what the

chairman-who is the PM by default- says is accepted. Decisions and programmes made by the EC and CC are presented to the parliament for formal approval and become government policy. There was no time when the parliament rejected or challenged the party's proposals (Interviewee 38).

Another typical feature of the Ethiopian federation is the fusion of the party and the government. As the party and state are welded, the party structure and decision-making process overshadowed the government institutions. One of the manifestations of the alignment between party and government institution is the concurrent happening of crises in governance every time problems happen in the party (Assefa 2019b, 169). Though regions are formally autonomous units, they have dual structures, and they remained “under the tutelage of the federal government and the ruling party” (Abbink 2009, 13). Because party and state are fused, and regional parties are inferior to the national party, regional autonomy is also subordinated to the wishes of the hegemonic party-state than the principles of the constitution. Observing this setup, some scholars, for instance, Clapham (2009, 191), argued that if the ruling party loses power, the federal order's fate will be uncertain.

Lack of Democracy

The various centralising steps taken in the field of land administration starting from 2005 discussed in chapter six might be associated with the party's shock by unexpected outcomes of the 2005 elections and its interest in tightly controlling every power site. The lack of competitive and free elections, partly because of an absence of political will on the side of the incumbent party and partly because of fragmentation of opposition parties, eliminated alternatives to the dominant EPRDF. The exception was the 2005 general election when positive conduct of campaign and polling was shown and when opposition parties nearly won a third of the seats in the federal parliament (Arriola and Lyons 2016, 77). However, the aftermath of the 2005 election was an excessive crackdown on dissent, enactment of repressive decrees, and expansion of control structure down the local level. The repercussion of the 2005 election abolished the hope of having opposition parties in both national and subnational assemblies (Aalen and Tronvoll 2009, 194; Abbink 2009, 11). Following election

shock, the EPRDF took aggressive actions to rebuild the party and monopolise powers (Vaughan 2011, 620).

In the 2010 elections, the EPRDF secured 99.6 per cent of the federal parliament seats through its member and affiliate parties. Regarding the nine regional assemblies, in the 2010 elections, the EPRDF won 1903 while oppositions won just one seat in Benshangul-Gumuz (Tronvoll 2010, 130). In the 2015 elections, the EPRDF and its affiliates “won” all seats in federal and regional assemblies. Since Ethiopia became a federation, not one opposition member sits in the parliament (Arriola and Lyons 2016). Though dozens of opposition parties formally registered, the country became a *de facto* one-party state, making the Ethiopian parliament the house of one party. The Economist’s 2017 Democracy Index categorises Ethiopia as an “authoritarian regime” with a score of 3.42 and a rank of 129 out of 167 states. The authoritarian one-party system in Ethiopia largely excludes the public from any genuine and autonomous political participation (Freedom House 2018).

Ideologies

Initially, the ideology of TPLF-led-EPRDF was Marxism-Leninism (Aregawi 2009). Later, Marxism-Leninism was replaced by “*Revolutionary Democracy*” (RD) because the international situation had changed following the dissolution of the former Soviet Union in 1991 (Aalen 2002, 83). However, the foundations of RD are very similar to Marxism–Leninism. RD can be taken as the modern version of Leninism built on democratic centralism and a strong cadre structure founded on upward accountability (Abbink 2009, 16). Because of its ideology, RD, the party’s conception of democracy became divergent from the Western understanding of democracy, which is based on a plurality of views. RD instead perceives democracy based on collective participation and decision making under the leadership of a vanguard party, a party that self-proclaims as the only legitimate representative of the mass and monopolises powers (Vaughan and Tronvoll 2003, 116–17; Assefa 2019b, 169).

The EPRDF ideology had a strongly centralising conception of decision-making that has affected the day-to-day practice of federalism. The party discipline and its internal decision-making principle, “*Democratic Centralism (DC)*”, which requires unconditional accountability of lower-level party officials to the higher level (Aalen 2006, 250), is also

against the building blocks of federalism, which are negotiation and bargaining in making decisions. Merera (2011, 666) describes DC as “anti-thesis of liberal democracy” that is based on accepting and executing higher bodies’ decisions by lower bodies without any meaningful discussion. Thus, it narrows regional policy powers and fosters centralisation. As critical decisions are made closed-door in the party structure, conflicts between the two-level governments are absent (e.g., Aalen 2002, 83; Vaughan and Tronvoll 2003, 120; Assefa 2012, 459).

The implication is that the dominant party structure coupled with democratic centralism has weakened regional self-rule and subordinated regional governments. Further, the fusion of party and state led to a disregard for the formal division of competence because the party structure and chain of command dictate the day-to-day function of the government. Each lower-level party official is, first and foremost, accountable to the higher body than the electorate. The lower-level administrators strive to fulfil what they perceive as liked and supported by higher party officials than discharging their constitutional responsibility.

8.3.2 Regional Capacity-deficit

Policy administration requires institutional and human resource capacities. However, some of the constituent units of Ethiopia lacked the institutional, human, infrastructural and material capability. Capacity shortage in the regions appears to be among the reasons why the federal government centralises regional prerogatives (Assefa and Zemelak 2017, 250). When the federal constitution was adopted in 1995, regional governments barely had sufficient administrative capacity (Assefa 2019a, 13). Shortage of capacity has been an acute and a big problem for the developing and lowland regions such as Afar, Benshangul-Gumuz, Gambela and Somali (MoFED 2003; Keller and Smith 2005; Tigistu 2011, 10). In lowland regions, “low educational attainment at every level from the political leadership through the administrative staff, and down to the general population” was the main obstacle (Young 1999, 341). Lack of capacity has constrained the regions in exercising their *de jure* policy competence. This forced the centre or provided the federal government with an opportunity to expand its responsibilities into regional subjects (Assefa and Zemelak 2017, 250).

Particularly during the first decade of federalism in Ethiopia, regions such as Benshangul-Gumuz and Gambela suffered from a lack of administrative capacity to exercise autonomy. It was challenging to attract qualified teachers; the number of schools was limited; the medium of instruction in schools was Amharic because of the lack of experts who could translate textbooks in indigenous languages in lowland regions (Young 1999, 341–42). Lack of capacity in curriculum development, teacher training, textbook preparation and examination was the main challenge in Afar, Benshangul-Gumuz, Gambela and Somali regions (IDEA 2000, 15; Keller and Smith 2005).

Likewise, capacity was the primary problem the education bureau of the SNNPR faced during the first decade. For instance, there was only one nationality language expert in SNNPR responsible for developing different ethnic groups language to be a medium of instruction (Smith 2008, 226). As a result, federal government agencies took over some regional mandates in the education sector (Interviewee 40). Such a capacity deficit caused these regions to face a relative centralisation recorded between 1995 and 2005 (see chapter six, figures 2 and 3).

In line with their capacity, the reactions of the regions varied. Central and relatively strong members such as Oromia were enthusiastic about exercising autonomy and building their administrative capacity. In contrast, peripheral and weak regions such as Benshangul-Gumuz and Gambela were happy to transfer some of their responsibilities to the federal government. The federal government supported the regions that were not yet capable of discharging the complete tasks of local government (Young 1999, 342-344). A case in point is the first decade of federalism in Ethiopia.

For example, in Benishangul-Gumuz, between 1995/96 and 1999/00, the number of first-degree graduates grew from 127 to 361. During the same period, the number of second-degree holders grew from 0 to 39 in the region (Paulos 2007b, 422). Besides, the region had started attracting professionals following improved security and appointing bureau heads from developed regions where qualified local candidates are not available (Young 1999, 338). Different capacity building interventions implemented by the federal government enhanced regional capacity, and regional control over education policy was improved post-2005 (MoE

2005, 21; World Bank 2010, 38). Such development shows that there was some support for decentralisation. As figures 2 and 3 illustrated in chapter six, regional control over education improved, and the three cases score on the education legislative and administrative index has been equal since 2005.

The implication is that the practical limitations in the regions modified the framers' intentions and the constitutional divisions of powers. This means that capacity-deficient regions surrendered their prerogatives not because the centre sought centralisation but because the units lacked the capability required to administer education policy. During the formative ages of the federation, problems inherent to the regions stand out to be the primary driver of centralisation recorded in Ethiopia's education field.

It is vital to clarify one point regarding the centralisation recorded during the formative stage of the federation. In the domain of education, lack of capacity in the regions did not expand the central government's formal authority but its practical responsibilities. The reason is that the centre assumed specific roles that were formally under regional jurisdiction, but no centralist law was officially passed to centralise regional powers over education. With improved capacity, while subnational governments started exercising their authority, the national government's practical responsibility started to shrink. That means the regional governments relinquished some of their duties because they lacked capacity, and the federal government expanded its tasks to these areas without having formal authority. The absence of federal involvement would have left open the vacuum created by the lack of regional capacity. However, in the spheres of land, "capacity deficiency" contributed to a decline in the formal authority of the regions as administrative power was officially centralised through a law enacted by the Council of Ministers.

In the spheres of land policy, regional lack of capacity manifested through the inefficient and ineffective land allocation process to investors was one of the causes for administrative centralisation (Lavers 2012a, 118). The centralisation of land administration from 2005 through 2015 was partly caused by the lack of administrative capacity in the regions (see chapter 6, figure 8). The federal government claimed that the regions delegated it because large-scale agricultural investors needed centrally managed land administration service since

regional governments did not have the required capacity (Fana 2016, 15–16; Assefa 2019b, 167). The World Bank document confirms that the Afar, Benshangul-Gumuz, Gambela and Somali regions delegated large-scale farmland administration to the federal government in defiance of the constitutional division of powers due to practical issues (World Bank 2010, 17).

An official in the Ministry of Agriculture stated that “the need to increase the efficiency of land allocation to investors, which was very slow particularly in developing regions, was the main reason to centralise land administration” (Interviewee 39). Such justification in centralising powers amounts to labelling the regions as irresponsible and paternalism, preventing the regions from improving their capacity through time. As we observe from figure 8 of chapter six, the administrative score of Benshangul-Gumuz and SNNP dropped starting from 2005 to 2015 because of such developments. Relatively capable Oromia maintained its administrative competence until 2010 (see chapter six, figure 8).

The developing regions ruling party’s top leadership made the decision to delegate land administration to the centre (Fana 2016, 16; Tilahun 2018, 252; Assefa 2019b, 167). An informant from Benshangul-Gumuz reported that a large-scale land administration delegation was made by a letter written by the region’s President (Interviewee 64). Relatively strong regions such as Amhara and Oromia challenged the decision and were reluctant in abandoning their administrative powers (Lavers 2012a, 116–17; 2016). An official in the Oromia Region Land Administration and Use Bureau stated that “Oromia covertly resisted, though not firmly, transferring power by creating policy deadlock. As such, we only shared the data of large-scale agricultural investment land that were ready for investment instead of abandoning its administration” (Interviewee 12).

Three factors explain the absence of a strong reaction from the regions. The first is the vertical integration between the two levels of parties’ leaders and the party discipline that instructs acceptance of a higher political leaders’ decision as a norm (Paulos 2007b; Merera 2011; Asnake 2013). Second, relatively developing regions such as Benshangul-Gumuz was short of administrative capacity and infrastructure, making administrative centralisation a viable option (Assefa and Zemelak 2017, 250). The final explanation is the “securitisation of

development’’ in Ethiopia (Fana 2016, 21). As poverty was identified by the party as an existential threat, opposing development policy was considered a threat to the state's existence (Assefa 2019b, 163).

The federal government’s claim of the centralisation of land administration associated with the capacity problem and efficiency in the regions is debatable for several reasons. *First*, theoretically, decentralisation can improve efficiency and effectiveness (Oates 1999). Nonetheless, if the unit to which powers are devolved does not possess the required capacity to exercise authority, the potential benefits of decentralisation cannot be realised. And thus, the prerogatives may move back to their origin. *Second*, centralisation occurred at a period when regional capacity was relatively better. *Third*, relatively developed regions, such as Amhara and Oromia, known to have a relative capacity, were also ordered to abandon their administrative mandates. Such regions would not have been instructed to surrender their prerogatives if capacity was the main reason. These regions questioned the constitutionality of the arrangement and opposed the centralisation of land administration (Interviewee 55). *Finally*, the termination of the federal government’s land administration mandate, in 2016, based on “evaluation which showed the futility of centralised land administration’’ reinforces these reasons and increases the dubiousness of the central government’s justification (Merkato 2016).

In the fiscal domain, the constitutional centralisation of lucrative taxes such as foreign trade taxes, corporate taxes, and stumps duties is the main cause for revenues centralisation in Ethiopia (World Bank 2000, v). Regardless, capacity problems in the regions appear to be among the primary causes for small regional own-source revenues. A report by World Bank (2016b, 8–9) notes a sharp distinction between federal and regional taxation trends in Ethiopia. From 2005/06 to 2014/15, while the federal taxation increased less than GDP (elasticity to GDP of 0.8), regional taxation increased nearly twice as fast as GDP (elasticity to GDP of 2.0). Similarly, this thesis demonstrated that the proportion of own-source revenue in the three regions increased from 17.7 per cent in 1994/95 to 32.6 per cent in 2017/18 (see chapter seven, figure 12).

The World Bank (2016b, 9) identifies four possible causes for the growth of regional tax revenues in Ethiopia: introduction of new tax bases, growth in tax bases, increased tax rates, and enhanced tax collection efforts. The regions did not introduce new taxes, tax rates were not increased, and no evidence suggesting growth in tax bases. Thus, improvement in tax collection efforts and administration efficiency must have played a key role, possibly the dominant role. The regional governments had every incentive to collect taxes more effectively because they could spend revenues collected, and the initial efficiency was relatively low. Some of the activities conducted to enhance regional revenue collection were improving tax administration, introducing new tools, and strengthening public tax education (*ibid*).

8.3.3 State-building

The need for harmonisation and standardisation to contribute to the state-building project have played significant centralising roles in the fiscal and education spheres. The federal government took four actions for harmonisation and standardisation in the fiscal areas, whose ultimate goals are the economic and political union. First, it instructed the regions to harmonise and standardise their tax bases according to the centre.

Article 58(1) of Proclamation No. 57/1997 stated that:

“tax systems at the federal and regional levels shall have harmonized and standardized tax bases. And the ministry [Ministry of Finance], through research and administrative support, shall facilitate such harmonisation and standardisation”.

Similarly, article 77 of Regulation No. 17/1997 stated that the relationship between the federal and regional governments regarding taxation should be coordinated. The article dictated that consultation between the national and regional governments must be conducted on all new or changed taxes at both levels to ensure harmonisation and standardisation. It appears that such developments aimed at facilitating the country's economic and political union were the reason why the regions consistently used federal tax laws to levy and collect main regional taxes (see chapter seven, table 7).

Second, the centralisation of concurrent tax sources in 1997 can also be seen from the objective of nation-building. The Federal Ministry of Finance justified that concurrent tax centralisation could facilitate harmonised and standardised tax system, leading to economic

union. Besides, it would eliminate logistic challenges of bringing the two-level legislative bodies together to enact laws on joint revenues (FDRE 1997).

Third, harmonisation seems to have played a role in causing the centralisation of undesignated tax and VAT discussed in the previous chapter. If VAT were assigned to the regions, the regions might adopt different tax bases and rates, creating obstacles to tax harmonisation. Paulos (2007b, 177–78) mentioned that the Amhara and Tigray regions were unhappy about the centralisation of undesignated taxes and VAT. They resisted handing over financial records of firms eligible for VAT to the federal government, but finally, they were instructed to surrender through the party structure. The main reasons for the resistance from the regions were that they distrusted the centre regarding revenue sharing, and they suspected that the centralisation of VAT was to sustain regional dependence on the centre. Further, the units had no participation in the VAT decision, and they were not sure that the federal government could manage VAT across the country (Paulos 2007b, 177–78).

Fourth, Proclamation No. 286/2002 and Regulations No. 78/2002 appear to harmonise the tax system across the jurisdiction. Both laws expanded federal jurisdiction by covering regional tax bases, such as small businesses known as “category C taxpayers” (see art. 19, Proclamation No. 286/2002). Unless organised as private companies, these businesses are regional subjects per article 97(4) of the federal constitution. Because of the laws, the regions are compelled to adopt centrally enacted uniform tax rates for regional taxes, which constitute more than 70 per cent of own-source revenues (Interviewee 56) (see also chapter seven, table 7).

Regarding tax harmonisation, it is crucial to quote a statement from the federal government document as follows:

“Even though the federal constitution has granted revenue and expenditure powers to both federal and regional governments...pursuing a harmonized tax policy across the country ensures macroeconomic stability. Under such developments, the tax policy-making process in the past years successfully placed uniform tax principles, procedures, and implementation across the country, albeit some gaps remain in the tax administration and harmonization that will need to be addressed” (MoFEC 2018, 5).

The document hints that the federation wants further consolidation of tax powers for the sake of harmonisation. These developments show that the federal government intended to harmonise taxation and financial administration across jurisdictions. In general, federal tax and fiscal laws oblige the federal and regional governments to have integrated and coordinated tax systems. Tax harmonisation was not conducted per the principles of the federal constitution. Instead, tax harmonisation was done based on the decisions of the federal government (Ghebrehiwet 2015, 250). However, the practice did not generate much opposition from regional parties because regional ruling parties are either members or allies of the federal ruling coalition (Interviewee 57). Besides, adopting the federal harmonised tax law did not generate opposition from the taxpayers (Taddese 2010, 43).

In the education sphere, the need for a harmonised and standardised curriculum and education system to realise the nation-building project and foster the political union of the country should have played a role in centralising regional prerogatives. The education policy, the Education Master Plan, ESDP-I, and National Curriculum Framework (NCF), discussed in chapter six, are examples of the federal government's key steps to harmonise the education system across the country by expanding its role into a constitutionally regional domain.

For instance, the NCF stipulates that students start learning Amharic in Grade 3 (MoE 2009, 14). While regions largely followed the framework, they did not adopt the teaching of Amharic, the federal working language, starting from grade 3. Oromia resisted teaching Amharic starting from lower classes in primary schools as the constituency see this as an extension of the hegemonic Amhara domination (Assefa 2019b, 161). As figure 2 illustrated in chapter six, regional *de facto* competence in primary education has always been less than their constitutional powers. In addition to the lack of capacity discussed earlier, it appears that the principal cause for the centralism recorded in primary education legislation has been education harmonisation, whose ultimate goal is realising the state-building project. The recent Education Roadmap, rejected by the regions unprecedentedly, was also aimed at fostering uniform education across the regions (Capital 2019).

The centralisation in the land domain is also connected to the project of Ethiopian state-building. This thesis sees the Ethiopian state-building in connection with the land policy

regime because the latter is not just a means of distributing and governing resources. Land policy regime entails an instrument through which states reach local areas and project their powers to the lowest state apparatus. Ethiopia has been undergoing state-building for more than a century, which is not completed yet as some parts of the country are still not well integrated into the central state (Markakis 2013; Chinigò 2015). Central involvement in land administration enables the federal government to redirect private investment and state-sponsored projects in the regions and infrastructurally integrate the peripheral areas to the centre (Erk 2017, 221–22).

In Afar, Benshangul-Gumuz, Gambela, Somali, and lowland parts of the SNNP, the presence of the central state has been minimal. The regions are not well connected to the centre because of their peripheral location, marginalisation from the central politics, and vast low land areas not accessible due to lack of infrastructure (Vaughan and Tronvoll 2003, 70; Markakis 2013). Central interference has been used in these regions to project the national state power and bring these areas under federal control. Hence, land administration means opening peripheral areas for the central state and increasing their incorporation (Chinigò 2015, 176–77). In addition to economic motives, administrative centralisation helps to extend central state control to peripheral areas and facilitate national integration.

8.3.4 Economic Development

Centralisation recorded in land policy and fiscal fields in Ethiopia can also be explained in the context of economic development objectives. Economic factors identified as causing centralisation should be seen in connection with the developmental state model pursued by the ruling party. The proponent of the Ethiopian developmental state model, the late PM of Ethiopia, Meles (2012), asserted that the neoliberal paradigm of development is ill-fitted to the African political economy because the continent lacks infrastructure and private sector that shoulder development needs. As discussed in chapter four, the developmental state model claims that the market is insufficient to alleviate the mass from deep-rooted poverty, and thus government should play an irreplaceable role in transforming the country (Meles 2012; Clapham 2018).

The developmental model as practised in Ethiopia entails centralised policymaking and politicised policy implementation under the leadership of the party officials. The EPRDF branded development as a survival issue against which all resources must be mobilised (Fana 2016, 6; Assefa 2019b, 163). The developmental approach became prominent following the unexpected outcome of the 2005 elections and post-election political crises in Ethiopia. Following the elections, as a mechanism of regaining legitimacy, the ruling party rebranded itself as a “developmental state”, and it started centrally making and aggressively implementing policies across the country (Lefort 2012; Dessalegn, 2014; Assefa 2019b, 162). The party declared that Ethiopia had no option except to adjust itself to how the global economy operates by conducting structural reforms (Lefort 2012, 682). Hence, the party asserted it was taking the path of the developmental state. The government conducted different economic sector reforms modelled after East Asian countries that recorded fast economic growth.

The main change the developmental state model brought was a policy priority shift to large-scale agricultural investment. Such a policy shift had already taken the path when the federal government adopted strategies such as Sustainable Development and Poverty Reduction Program (SDPRP) and Rural Development Policy and Strategies (RDPS) in 2002 and 2003, respectively. These policies signalled the state’s goal of achieving accelerated development by utilising the county’s cheap labour and abundant land (MoFED 2002; 2003). The policies were modelled from East Asian development success and stressed the value of using the available land and labour in “working towards market-led agricultural development” (MoFED 2002, 67)

The country’s major development policy shift was the 2005 Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (MoFED 2005). PASDEP made clear that an accelerated growth strategy is possible only by attracting private agricultural investments and supporting the expansion and commercialisation of agriculture. Such policy shifts had the economic objectives of generating the hard currency needed for promoting industrialisation, technology transfer, transitioning farmers to modern techniques, achieving food self-sufficiency and employment creation (Oakland Institute 2011, 20; Fana 2016, 11). The policy shift coincided with the increased demand for agricultural land that emerged with the 2008/09

international food security discourse, which made Ethiopia one among the hubs for what is referred to by many, “land grab” (Abbink 2011b, 516; Elias 2011, 515; Chinigò 2015, 194; Lavers 2016, 1086).

Consequently, the federal government's focus became an expansion of agricultural investment. Before 2009 the federal governments’ role in agricultural investment was limited to issuing investment licenses for foreign investors. In order to capitalise on the global demand for agricultural land, the administration of agricultural investment land was transferred to the federal Agricultural Investment Support Directorate (AISD). The justification was to facilitate land allocation for the growing number of investors (Interviewee 41). The implication is that the global demand for agricultural land met with national economic objectives accelerated economic development to instigate administrative centralisation recorded in the field of land.

As many investors saw Ethiopia as a source of agricultural land, the government wanted to use the opportunity to collect foreign currency through Foreign Direct Investment (FDI). Thus, the federal government touted that administrative centralisation helps closely monitor FDI (Fana 2016, 11; Lavers 2012a, 112). The flow of FDI, in which agriculture takes the lion’s share, increased from USD 960 Million in 2009/10 to USD 4.2 Billion in 2016/17, making Ethiopia one of the top ten receipts of FDI in Africa (EIC 2017, 33). As discussed in chapter six of this thesis, such economic drivers of centralisation caused the gap between the constitution and the practice regarding regional administrative competence in the field of land from 2005 to 2015 (see chapter six, figure 8).

In the fiscal sphere, the federal government’s aim to bridge horizontal fiscal imbalance and narrow development differences across regions must have played a role in centralising Concurrent tax powers and lucrative taxes such as VAT. The centralisation of taxes, such as VAT that are unevenly distributed across regions, could enable redistribution of revenues through subsidy, thus bridging the gap between developed and developing regions. The logic aligns with fiscal federalism theories that argue for centralising unevenly distributed tax sources (Oates 1999; Boadway and Shah 2011).

However, fiscally better off regions’ officials are unhappy about this because they feel that they are subsidising poor regions at the expense of their development priorities (Interviewee

23). From the federal government's perspective, centralising such revenue sources is vital to realise the constitutionally envisaged economic union and balanced development, leading to citizens' equal access to public services regardless of where they live (Interviewee 30). Though the idea of equitable development is not bad essentially, regular subsidisation of poor regions by revenues from the wealthy units can have the repercussion of discouraging revenue-raising effort in the latter and may lead to dependence syndrome in the former.

Two crucial developments connected to the federal government's economic motives pertinent to federal grants had centralising effects. The first was the enactment of regulation No.190/2010 that requires the units to enter into a contractual agreement with the centre and provide regular reports on the usage of federal subsidies (Art. 56(2), Regulation No.190/2010). From the central government's point of view, contractual based subsidies have economic objectives. An official in the Ministry of Finance and Economic Cooperation stated that the aim was to improve fiscal management and ensure accountability in the usage of public money (Interviewee 42). However, regional governments believe that the centre introduced the contractual agreement to control the regions tightly (Interviewees 34 and 43). There is no doubt that such arrangements are a restriction of regional autonomy.

The second was the introduction of a conditional grant, known as "specific-purpose grants", in 2011/12. The overall aims of conditional grants were meeting the Millennium Development Goals (MDGs) and the Sustainable Development Goals (SDGs) (UNICEF 2017). According to the World Bank (2016b, 11–12) report, the federal government introduced conditional grants for the following two interrelated objectives: 1) To enhance investments in vital sectors such as education, health, roads, and water 2) The need to redirect regional spending from recurrent to capital expenditures. Regarding the second objective, it is noteworthy that regions' capital expenditures jumped from 25 per cent to 40 per cent after introducing the conditional grants (World Bank 2016b, 27).

However, it is essential to remember that a completed capital project requires a recurrent budget to provide services. As today's capital expenditures generate tomorrow's recurrent expenses, maintaining a balance between the two is essential. As presented in chapter seven, conditional grants constituted about one-fourth of the total fiscal transfers during the first

three years of their introduction. However, they significantly dropped following the MDGs' end (see chapter 7, figure 15). Conditional grants were effective tools to achieve the two purposes mentioned above. The logic appears simple: giving more money to the regions with capital and sectoral strings attached. One may argue that money with more duties can be more attractive than no money and no conditions. However, conditional grants were not additional money. Instead, the funds were tied grants accompanied by a drop in block grants (World Bank 2016b, 31–33).

The constitution states that regions can borrow from domestic sources under conditions set by the federal government; however, delegated legislation and proclamations restrict regional borrowing. For instance, Proclamation No 648/2009 empowered the Ministry of Finance to determine the amounts borrowed by the individual regions considering the national economic policy. The federal leaders' conviction of not risking economic stability by allowing subnational borrowing and ensuring macro-economic stability seem the main reason for passing restrictive laws preventing the regions from borrowing unilaterally. Since 2016, the federal government has adopted a more restrictive government borrowing policy (IMF 2018).

Economic motives not facilitated only power consolidation but also inspired decentralisation in the field of education. A case in point is TVET education which has registered legislative decentralisation since 2005. The 2004 and 2011 TVET proclamations provided some leeway for regional education bureaux and TVET agencies to accommodate regional industry needs. The main motive of decentralising TVET to the regional level is to provide demand-driven education and training that matches the local economic market and employment opportunities (Interviewee 44). Such economic purposes have resulted in the rise of regional TVET legislative and administrative scores recorded in 2005 (see chapter six figures 2 and 5).

In light of economic development, Ethiopia has achieved astonishing economic growth since 2005. Covering Ethiopia's progress, Time magazine published an article titled “Forget BRIC; Meet the PINEs,” an acronym for the fastest growing economies of the Philippines, Indonesia, Nigeria, and Ethiopia. The magazine informs Ethiopia's progress in reducing the poverty rate (Time Magazine 2014). Similarly, global development agencies recognised Ethiopia's

remarkable economic growth over the past fifteen years (World Bank 2020b). The country sustained economic growth and achieved six of the eight MDGs (World Bank 2016b).

However, such achievements and the general desire to attain the country's vision of becoming a middle-income country by 2025 (MoFED 2016) were not without challenge, particularly in light of implementing federalism in the country. Economic development objectives under the banner of developmental state pursued by the dominant party, which claims that legitimacy should be gained through delivering sustained socio-economic development and the government should be the main development actor, has fused party and state. Thus, the party's vanguard role in politics is also replicated in the economy. Such practice ultimately resulted in the federal government's dominance in the policy process and abandoning the constitutional promises of the division of powers between the two levels of government.

8.3.5 Corruption and State Capture

Corruption and state capture, a situation in which officials' private interests considerably guide the state's decision-making, explain administrative centralisation in the spheres of land, but not so in fiscal and education. This is related to the fact that land is the primary source of livelihood and wealth in Ethiopia (Dunning 1971, 271). The land is also the most valuable asset; thus, it should not be surprising to see officials having vested interests in centralising land administration. An official in the Benshangul-Gumuz Region Office of the President said that central government officials seek to control this precious asset to gain income through corruption and benefit people around them through a personalised network (Interviewee 58). Exploitation could be easy if the administration of land, which includes its distribution, is centralised (Interviewee 45). However, corruption in land deals is not an exclusively federal government problem; it is also prevalent in the regions.

Generally, Ethiopia ranked 107 out of 180 states on Transparency International's 2017 Corruption Perceptions Index (CPI) (Transparency International 2018). Specifically, land-related corruption and state capture are severe in the country. Ethiopia's Ethics and Anti-Corruption Commission report indicates that 28 of the 63 cases investigated during the 2007/08 fiscal year were land administration and development related (World Bank 2012b). In Ethiopia, lands are often used as a political tool by the elite and allocated based on political

and private considerations. It is common to see officials give lands to themselves and people affiliated with them. For instance, following the 2005 election, a highly contested election in Ethiopia's history, a significant amount of land was allocated based on political loyalties (World Bank 2012a). And the ruling party officials have special and preferential access to land and credits (Lindner 2014).

With the increased importance of large-scale agricultural investment in Ethiopia, it should not be surprising that corrupted officials intensified the effort to allocate land to the people connected to the ruling party elites. The TPLF elite, a minority group that was the dominant force in Ethiopia until PM Abiy Ahmed came to power in 2018, used state powers to distribute land for individuals of their ethnic group. Observing land-related corruption, Abbink (2011b, 515) stated that "main investors were ruling party-affiliated companies and individuals". According to the Oakland Institute's report, "the granting of land-based assets to the Tigray and other urban elites who offer support for the EPRDF" suggests that there was unofficial desire to benefit from land administration centralisation (Oakland Institute 2011, 20). Such practice eventually affected the implementation of the constitutional division of powers and resulted in excessive interference of the federal ruling elites in regional subjects. Above all, it undermined trust in the constitution and Ethiopian federalism.

Lemma Megersa's speech in Amharic made in April 2017 regarding federal ministries undue interference in regional affairs is roughly translated as follows. Lemma, then-president of the Oromia region, stated that some officials write letters to some ministers requesting the latter to take measures on Oromia region officials and make a carbon copy of the letter to me; bear in mind the federal officials carbon copy me about my cabinets. The federal ministers often forget that they have powers limited by the constitution and we all have limited power, and I am the one who decides on matters falling in my jurisdiction. I do not care about such letters; I rip and throw them in a bin (Lemma 2017).

Officials interviewed in the sample region reported the prevalence of a similar practice. An official in the SNNP region Land Administration and Use Bureau stated that "there were practices in which the federal government officials were directly sending letters ordering the regional land bureau to allocate land to certain investors without passing through the formal

investment procedures. We could not even check the profile of the investors, and we could not also supervise their projects as the investors disregard regional authorities mentioning that their relationship is with the federal government only” (Interviewee 46). Another official in Benshangul-Gumuz corroborated that “the profile of investors who get land in Benshangul-Gumuz indicates that more than 90 per cent of them are from one ethnic group, Tigray. Most of the investors were ineffective, and some never showed up; they received a loan from the Development Bank of Ethiopia by making the land collateral” (Interviewee 47). The Oakland Institutes report published in 2011 indicates that 75 per cent of the domestic investors engaged in agricultural investment in Gambela were from Tigray (Oakland Institute 2011, 23).

The land is used to reward loyal supporters and ruling party members. The ruling party distributes land to its members and political supporters to benefit them economically in return for political loyalty. Distributing land to buy political support and commitment is a tradition in Ethiopia’s political economy (Clapham 1988, 161–62). Two points worth restating pertinent to why the federal officials were interested in centralising land administration. 1) To get financial benefits from investors through corruption when making land deals. 2) To benefit the Tigrayan elites and members of other ethnic groups attached to them (Interviewee 48). This was the case across all regions noted by the fact that Tigrayan, though making up about 6 per cent of the country’s population, dominated most economic activities. However, their dominance has been reduced after Abiy Ahmed purged the TPLF officials from the preeminent central position starting from 2018.

One can expect that regional leaders fight to keep land administration under their control, but that was not the case. Several factors can explain why there was no overt resistance from the regional leaders. Informants from the Oromia and SNNPR reported that federal and regional leaders are highly connected through an informal network built for the sake of getting financial benefits and political power distributions. They added that if regional leaders resist orders from federal officials, regional leaders will eventually be removed (Interviewees 14 and 46). This implies the patron-client relationship between the federal ruling elites and their regional equivalent, albeit a relationship between unequal partners. The federal elite serves as a patron by offering positions because important regional positions cannot be held without

the central government elites' blessings (Paulos 2007b, 263; Assefa 2019b, 169). And regional elites became clients by providing support and loyalty to their patrons.

Such a client-patron relationship is established informally within the framework of party structure and party discipline that demands implementing every decision made at the top without resistance. Clientelism in Ethiopia is known to sustain upward accountability of regional leaders to the federal officials than constituencies (Paulos 2007, 261). This is compounded by the hierarchical relationship between powerful central party officials and weak regional party leaders discussed earlier in this chapter. The land issue is further complicated because land administration is sometimes defined by unpublished administrative directives that frequently change without public announcement (World Bank 2012b, 96).

The land administration centralisation between 2000 to 2015 is highly associated with the patron-client relationships between federal and regional officials. The logic is that central leaders want to control rent and economic benefits in the units. While federal officials are the primary beneficiaries of centralisation, they also allow rents to trickle down to the regional leaders to make them secondary beneficiaries. Regional leaders could resist centralisation to increase gains or monopolise the benefits of land deals. However, defiance is unlikely because of the hierarchical relationship between central and regional party elites created by the dominant party ideology, discipline, and structure. This means resistance from the regional leaders cannot entirely stop centralisation. Nevertheless, it can have consequences depending on the strength of the regional leader and the overall status of the region.

Suppose there are strong leadership and a robust social base on the side of the resistant region. In that case, the central officials are bound to increase the regional leaders share and concede to regional demands. On the contrary, if a resistant region has weak leadership and lacks a solid social base, the consequences for the regional leaders will be removal, arrest or fleeing out of the country and replacement with loyal officials. A senior official in the Oromia Region Office of the President stated that federal party leaders worked through the party channel to remove several regional presidents for resisting or not entirely staying faithful to the central government officials (Interviewee 49).

However, since 2016 some regional leaders have started to pose real threats to the central officials by overtly and covertly resisting federal interference. For instance, Oromia region leaders such as Lemma Megerssa opposed the federal government interference and supported the Oromo protest (De Wadla 2018). The protest forced the federal government to cancel a plan initiated by the central government to expand the federal capital into Oromia (Pinaud and Raleigh 2017). The Oromo protests culminated in the resignation of PM Hailemariam Desalegn in February 2018 and the selection of Abiy Ahmed as the first Oromo PM from the Oromia region (Aljazeera 2018). Since TPLF officials are purged from key federal posts following the coming to power of Abiy Ahamed, most of the land deals made under the TPLF regime have been cancelled because the deals did not follow formal procedures (Borkena 2020).

8.4 Facilitators of Centralisation

Constitutional and institutional issues are the legal, political, and institutional factors that enable or facilitates centralisation. Enablers are central to understanding the dynamics of Ethiopian federalism as they accelerate centralisation. For instance, generic constitutional clauses can be taken as a facilitator of centralisation as they provided a loophole for the federal government to expand its powers. The nature of the HoF also played an important role. This section explains constitutional and institutional issues that facilitated power consolidation.

8.4.1 Generic Constitutional Clauses

The framers of the constitution envisaged a decentralised federation, noted by granting regional autonomy, including secession. Nevertheless, they can still be criticised for not specifying the generic constitutional clauses that eventually the centre abused to expand its powers, or the HoF interpreted generously favouring the centre. The federal government used generic clauses as an excuse for centralisation. Generic clauses of the constitution, such as “economic union”, “one political community” and “national interest”, appear to have created a loophole for the centre to grab regional powers by invoking these phrases as sources of its authority. Idioms such as “development” has been a pretext for most, if not all, policy initiatives in the country.

For instance, the constitution's provision that envisages “the formation of economic union” was at the core of the centralisation of concurrent tax powers (FDRE 1997). In the sphere of land policy, “development” was among the justifications for administrative centralisation (Fana 2014). Pertinent to sustaining the economic union of the country, article 55(6) of the constitution states that the federal government “shall enact civil laws which the House of the Federation deems necessary to establish and sustain one economic community”. The puzzle is that the constitution has not listed those issues that can be considered imperative for forming the economic union the framers envisaged. It instead left such issues to be determined by the HoF. An economic union, a broad concept that can include any activity, appears to have facilitated centralism in this case. Building one economic and political community was at the core of the federation creation but still encourages centralism (see preamble of the constitution).

Further, constitutional clauses such as “national standard” stipulated under article 51 of the constitution allowed the central government to centralise education policymaking. Policy scopes of the federal and regional governments in social and economic development areas are also not unambiguously stipulated in the constitution. Article 51(2) empowers the federal government to “formulate and implement the country’s policies, strategies and plans in respect of overall economic, social and development matters”. Similarly, article 52 (2-c) authorises the regions to “formulate and execute economic, social and development policies, strategies and plans”. As the constitution does not specify the limits of federal legislative powers on these matters, it is unclear which matters are regional subjects. Such a lack of watertight division of competencies and generic clauses enabled the centre to enact framework legislation that narrows regional legislative autonomy.

8.4.2 The House of Federation: Ethiopia's Second Chamber

The institutionalisation of Ethiopia’s second chamber, HoF, produces a centralizing arrangement. The problem can be seen from two perspectives: composition and competence. From the composition point of view, not explicitly and appropriately representing the constituent units in the House left the regions without appropriate representation and denied regions a platform in defending their interests. From a competence perspective, the House has

no legislative competence (see chapter three). As bills do not need to pass through the second chamber to become law, there is no venue for the regions to participate in shared law-making and challenge the passage of centralistic laws. Consequently, instead of serving as the guardian of the constituent units, as is the case in other federations, the composition and competence of the HoF generated an environment suitable for power consolidation. It is hard to imagine a federation with a second chamber that neither explicitly represent the units nor play legislative roles.²⁹

In the sphere of fiscal federalism, the house more readily has a crucial competence because it is empowered to determine the division of revenues from joint sources and regional subsidies (Art. 62, FDRE Constitution 1995). In this case, the roles of the House are fundamental as its decisions have huge implications on the amount of federal grant that goes to each region. The House joins with the HPR to make decisions pertinent to the assignment of undesignated revenue sources.

Another aspect of the house's competence is its constitutional interpretation power. The house is assisted by an advisory body, the CCI, in interpreting the constitution. Article 5(1) of the Proclamation No. 251/ 2001 states that "the House shall make the final decision upon draft proposal of constitutional interpretation submitted to it by the CCI". This means the CCI's role is limited to providing recommendations to the house, and the final judgment is made by the Chamber, a purely political body.

Most of the cases submitted to the CCI were rejected, and consequently, the HoF decided on a few cases (Gedion and Abduletif 2017, 182). In most instances, when power disputes are submitted to the house or interpretations of generic clauses were sought, the outcomes have always favoured the centre. For example, proclamation No. 818/2014, which regulates lands in urban centres, was referred to the house for interpretation as some of its provisions cover administrative matters that are regional subjects. Regardless, the house endorsed it, mentioning that though the law takes over regional prerogatives, it is essential for sustaining

²⁹ Surprisingly, a proclamation that established the CCI, a body that assists the HoF in interpreting the constitution, was enacted by the HPR (Proclamation No.250/2001).

the economic union of the federation (see HoF 2013). This case illustrates that the house facilitated power consolidation by expansively interpreting generic constitutional clauses such as “economic union” when referred to it for clarification.

Such an exceptional assignment of adjudicative powers to the second chamber is problematic in many aspects. First, the House does not appropriately and explicitly represent the regions but decides on matters of regional interest. Second, constituted of politicians, the House lacks the necessary expertise to carry out a constitutional interpretation that requires complex legal knowledge. Though assisted by CCI to fill the expertise deficit, the House is not just an institution that serves as a rubber stamp for the Council's findings. It should deliberate on the recommendations of the CCI before passing a final verdict. This means the members need legal knowledge and expertise of constitutional principles that are often competing and conflicting. Third, the impartiality of the House is a critical issue in Ethiopia as the chamber has been overwhelmingly dominated by the dominant party that designed and controlled the federation. The fact that the House members are appointed by the governing party and structured by strict party discipline, although article 61 of the constitution lays down direct elections as an option, made the house flawed.

However, the HoF should not be blamed for all centralisations recorded for many reasons. First, the house is not the one that initiated the processes of centralisation, but it simply executed through endorsing the parliament to enact expansive laws. Second, the house does not explicitly represent constituent units. Third, members of the house are not directly elected even though the constitution stipulates the alternative of direct election. Consequently, its institutionalisation, functional competence and political environment have made it very difficult and unsuitable, if not impossible, to safeguard regional autonomy and promote the principle of shared rule.

Theoretically, this does not mean that the federal umpire could not put a brake on centralisation if it could not block it. Notwithstanding, the House’s ability to restrain centralism depends on its independence and the level of determination of the federal officials to pursue centralisation. From this perspective, as the federal government was determined and

the House has been dominated by one party, the umpire has never imposed checks on centralisation initiatives.

The constitution framers did not institutionalise the house to offer a legal (judicial) interpretation of the federal pact. What they envisaged seems to be a political interpretation of the constitution. The indicator is allocating constitutional interpretation to a political body rather than a judiciary, a common practice in other systems. The inference is that the writers of the federal constitution sought a political safeguarding of regional interests rather than legal protection. Consequently, the house follows a politically pragmatic approach rather than a purely legal approach in doing its job.

Instead, the actors who dominated the constitution's design needed the House to play more roles in resolving identity and self-determination demands. The house has been doing relatively effective jobs in addressing such questions. The house is effective in dealing with such issues. For example, it resolved self-determination questions like the Sidama referendum, which produced the Sidama region in 2019, the Silte case that produced the Silte zone, the Yem people's nationality questions that resulted in Yem special *Woreda*, and the Oromo-Somali identity and border reconciliation (Interviewee 62).

Considering the performance of the chamber so far, interpretation of the constitution is more of a federal government dominated political decision than experts ruled legal adjudication. In this case, it should not be surprising to see the house dominated by just the same party serving as a rubber stamp of the federal incumbent's decisions. Because of the institutional and political flaws discussed above, the house never defended regional autonomy even when centralisation was in the areas of exclusive regional competence such as administration of land or when the concurrent tax powers were informally amended to become exclusively federal. By not upholding regional autonomy, as is the case in other federations, the house facilitated centralisation.

8.5 Conclusion

In seeking to explain how regional autonomy evolved in Ethiopia, this chapter looked beyond historical institutional accounts of Ethiopian federalism. The chapter extended the explanation beyond the institutional design of the federation by identifying other factors that appear to

have determined the dynamics of de/centralisation and regional autonomy. Contrary to theoretical expectations, the Ethiopian federation was moderately decentralised at birth. However, it experienced relative centralisation due to the lack of capacity in the regions, state-building, economic factors, and state capture and corruption. The chapter argued that decentralisation of the party system in Ethiopia had not prevented federal interference because regional parties do not have the independence required to resist centralism.

The chapter discussed that centralisation was not caused only by the central government's motive, but region-specific issues such as capacity deficit necessitated the federal takeover of specific regional mandates. Economic motives such as poverty reduction, foreign currency need, and national integration project instigated the central government to expand its competence in land administration in defiance of the constitution. Furthermore, the desires to shift regional budget structure and promote investment in key public sectors were also among the factors causing fiscal centralisation. The chapter also explained that the nature of the second chamber and generic constitutional clauses generated centralising environment. While the federal government used generic provisions to expand its authority, Ethiopia's upper house, a body empowered to adjudicate power disputes and interpret the constitution, facilitated centralisation rather than defending regional interests.

Chapter Nine: Explaining Cross-regional Autonomy Variation

9.1 Introduction

Comparative federalism studies have predominantly focused on comparing de/centralisation across federations with little attempt to explain *de facto* autonomy variations across the units in a state. De/centralisation theories should explain both temporal and spatial variation within federal systems. This explanation is fundamental to understanding why federations become centralised over time and why there is an intra-federation de/centralisation or autonomy variation.

Intra-federation autonomy variation explanation is vital because some laws have asymmetric impacts on some regions more deeply than others due to different exogenous and endogenous factors. For instance, lowland regions such as Benshangul-Gumuz and Gambela, which possess vast tracts of land suitable for large scale farming, lack capacity and, relatively developing, tend to have less autonomy compared to other regions. *Endogenous or region-specific* factors appear to be the primary causes of cross-regional autonomy variation, but *exogenous factors* such as the centre's approaches toward some regions are also important. However, the latter is considerably shaped by the former, making a region-specific situation a chief factor. This chapter sought to discuss factors accounting for cross-regional autonomy variation.

9.2 Development Status

A striking difference in development status and the resultant capacity variation among constituent units resulted in asymmetric *de facto* centralisation despite symmetric centralist laws. Developing regions in Ethiopia consists of subnational units where governance institutions were new and regional governments are weak, thus needing central support (Lavers 2016, 1085; Assefa and Zemelak 2017, 250). Although relatively developed regions have also received support at times, the federal government frequently interferes in the regions known to possess a low administrative capacity compared to other constituent units. While relatively developed regions, such as Oromia, strove to defend their autonomy by improving their capability, developing regions such as Benshangul-Gumuz and Gambela welcomed federal government support as they could not shoulder administrative tasks (Young 1999,

344). As the coding illustrated in chapters six and seven, developing regions scored consistently less than developed regions on the three autonomy dimensions.

During the formative stages of the federation, developing regions of Afar, Benshangul-Gumuz, Gambela and Somali were placed under the Prime Minister Office's supervision (Young 1999, 344). And in these regions, a body called the Regional Affairs Department was officially established to facilitate the relationship between the federal and regional governments and advise the Prime Minister pertinent to the regions (Aalen 2002, 85). Two kinds of advisors, *technical* and *political*, were assigned to these regions from the federal government. While technical advisors were sent from the centre to instruct regional sectoral bureaus, political advisors were appointed to advise regional executive wings (Vaughan and Tronvoll 2003, 19).

Although advisors were expected to offer expert assistance, they took part in regional council meetings and were directly involved in regional matters. Aalen noted that advisors were sent to the four developing regions; however, subnational governments such as Afar and Somali were hostile towards officials assigned from the centre because these regions wanted to rely on a clan system rather than external assistants. However, the roles of centrally appointed officials in Benshangul-Gumuz and Gambela were very significant (Aalen 2002, 86). Advisors assigned from the federal government used to give direction and approve regional mid-term plans in Benshangul-Gumuz (Paulos 2007a, 373).

Later, this arrangement was upgraded and developing regions such as Benshangul-Gumuz were directly put under the Ministry of Federal Affairs (Asnake 2013; Keeley et al. 2014). Until recent years two federal government officials were stationed in Benshangul-Gumuz, formally to support the region, but practically they were involved in the day-to-day decisions of the regional government (Interviewees 50 and 59). Similarly, cadres sent from the federal ruling party bureau played vital roles in SNNPR, and regional administrators depended on them to stay in their position (Aalen 2002, 85–87). Such informal arrangements can explain the difference between developed and developing regions in autonomy score illustrated in chapter six regarding land administration. It appears that coercing developing regions to hand

over their land administrative competence to the federal government was easy and swift because of such arrangement.

These arrangements are in contradiction to the constitution. The paradox is that regions are constitutionally autonomous units with legislative, executive, and judicial powers, and there is no law allowing the federal officials direct involvement in regional administration. It is important to note that such practices have been effectively channelled through the party machinery, producing a blurred line between the state and the party.

In some cases, developing regions themselves recognise their capacity gap. For instance, the Somali region recognised it did not have the capacity to implement some of its programmes, such as water projects, and temporarily delegated it to the agriculture's ministry. The ministry helped the region by transferring enough expertise, and the region had been enabled to take things back into its own hands (World Bank 2016b, 20). The same document mentioned that Ethiopian regions are not very unequal in per capita income terms. However, they are very different and do not have access to similar infrastructure and public service provision levels. For instance, Eastern regions such as Somali and Afar, or smaller regions like Gambela or Benshangul-Gumuz, may have per capita income levels comparable to average regional income levels. Nonetheless, they are, and feel, different. This could threaten the very coherence of the Ethiopian state (World Bank 2016b, 11).

In the fiscal spheres, capacity differences generated autonomy asymmetry because tax administration requires adequate institutional and human capacities. A region that lacks sufficient capacity has small own-source revenues and, consequently, less fiscal autonomy, making regional capacity one of the main determinants of subnational government's fiscal independence. Lack of capacity is a big problem for the developing regions, such Benshangul-Gumuz and Gambela (Young 1999, 344; Keller and Smith 2005; Tigistu 2011, 10; Assefa 2012; Assefa and Zemelak 2017, 250). For instance, a shortage of trained staff and staff turnover have hindered these regions' revenue administration (World Bank 2016a, 4–5). In terms of investment, most investors who received a licence to invest in the developing regions in 2016/17 did not start operation because the regions lacked qualified personnel to conduct follow-up and supervision (MoFEC 2018, 55).

Such regions have been fiscally less autonomous partly due to the lack of capacity to boost regional revenue sources and exercise their taxation authority. Thus, they became hugely reliant on federal grants to cover most of their expenses. Concerning public sector borrowing, while regions with better capacity, such as Oromia and Amhara, could borrow from domestic sources, less capable regions such as Afar, Benshangul-Gumuz and Gambela struggle. This is because, for instance, Benshangul-Gumuz lacks the required expertise to design feasible projects on the one side and financial institutions' reluctance to lend money because of the concern of default loans (Interviewee 51).

Oromia has been known for striving to exercise its constitutional authority and assuming new roles, thus introducing some level of asymmetry into the federation. The only regional university, the Oromia State University, established by the region is a classic illustration (Interviewee 6). In the domain of land policy, Oromia largely retained its land administrative competence until a centralist law formally passed in 2013, while the other two cases transferred administrative powers through coercive delegation justified by the lack of capacity. Besides capacity, it appears that Oromo nationalism and strong regional leadership have been instrumental in resisting centralisation and strengthening regional autonomy (Interviewee 52). This implies that while the federal government's coercive actions against Benshangul-Gumuz and SNNPR were effective, coercion was not practical in forcing Oromia to transfer land administration.

Based on these observations, it is possible to hypothesise that other things being equal, a region with low capacity, marked by lack of trained personnel, finance and infrastructure, and material resources, tend to experience a relative centralisation vis-à-vis a capable region. This is due to two primary reasons. First, capacity-deficit units are often willing to surrender their power or even call for the federal government to take over regional mandates because they cannot shoulder administrative responsibilities and lack the finance to cover capital projects. Second, the region's lack of capacity in legislating and executing policies and fiscal nonviability can trigger the centre to take over regional responsibilities.

The socio-economic development level is the most important factor determining the regional government's capacity to shoulder constitutional responsibilities and exercise self-rule.

Though data are scanty, it is possible to look at the differences among the three cases using selected socio-economic indicators. In terms of urbanisation, for instance, at the birth of the federation in 1995, most urban centres concentrated in the relatively developed four regions. The number of urban centres was 373 (Oromia), 203 (Amhara), 149 (SNNPR) and 74 (Tigray) (World Bank 2000, 41). Similarly, though the gap is small, there was a difference in the percentage of the urban population between developed and developing regions; the percentage was 11.1 in Oromia, 7.3 in Benshangul-Gumuz, and 7.2 in SNNPR (World Bank 2000, 70).

Table 13: Selected Regional Socio-economic Indicators

<i>Indicator</i>	<i>Region</i>		
	BG	Oromia	SNNP
Percentage of urban population (2000)	7.3	11.1	7.2
Poverty rate (%) (1996, 2000, 2016)	46.8, 54.0, 26.5	34.0, 39.9, 23.9	55.9, 50.9, 20.7
Road density in 1000s of KM ²	8.6	28.6	38.6
Percentage of own source-revenue (1996/97)	6.8	30.1	23.1
Percentage of licenced investment (2016/17)	0.7	20.8	5.1
Licenced investment conversion rate (2016/17)	0	21.4	19.4

Source: compiled from MoEDC (1998); MoFEC (2018), and World Bank (2000; 2015; 2020a).

Comparing the three regions' road networks (road density in 1000s of KM²), we can note that the SNNPR, Oromia, and Benishangul Gumuz road densities were 38.2, 28.6, 8.6 per cent, respectively (MoEDC 1998, 44). This means a low infrastructure level was an additional obstacle for Benshangul-Gumuz in discharging their constitutional responsibilities. Besides, the poverty rate was also higher in Benshangul-Gumuz (26.5per cent), followed by Oromia (23.9 per cent) and SNNPR (20.7 per cent). In this case, the poverty rate in Benshangul-Gumuz was also slightly higher than the national poverty rate, which was 23.5 per cent in 2016 (World Bank 2020a, 8). Poverty rates differed greatly between regions during the first decade of federalism. In 1996 poverty rates in Benishangul-Gumuz, Oromia and SNNP regions were 46.8, 34.0, and 55.9 per cent, respectively. In 2000, the rates were 54.0, 39.9 and 50.9 per cent, respectively (World Bank 2015, 4).

Geographically, Oromia is at the federation's core and has the unparalleled advantage of attracting businesses because of its location. The capital city of Oromia, Addis Ababa

(Finfinne³⁰), which is also the federal capital, offers another advantage for the region.³¹ Further, there are differences between developed and developing regions regarding the distribution of businesses and investments. Companies and investments are dominantly concentrated in Addis Ababa, Oromia and Amhara, whereas Afar, Benshangul-Gumuz, Gambela, and Somali have neither industries nor high tax-paying companies (MoFEC 2018). These differences are crucial as they reflect the extent of economic activity that determines the revenue base. Other things being equal, a broad revenue base is associated with higher own-source revenues.

Regional own-source revenues remarkably differ during the formative stage of the federation. For instance, in 1996/97, while Oromia and SNNPR respectively covered 30.1 per cent and 23.1 per cent of their expenditures from own-source revenues, Benishangul-Gumuz covered only 6.8 per cent of its expenses from own-source (World Bank 2000, 26). Their current revenues potential also significantly varies. In 2017, for instance, while the share of Amhara, Oromia and SNNPR out of the total regional revenues' potential was 36.3, 21.9 and 18.8 per cent, respectively; the share of Afar, Benshangul-Gumuz, Gambela, and Somali was only 1.7, 1.2, 1.1, and 3.1 per cent, respectively (HoF 2017, 36). Many variables determine the revenue share of a region. Nonetheless, huge variation in revenue share shows a remarkable cross-regional revenues capacity variation caused by a low level of socio-economic development which eventually means small own-source revenue and, thus, high dependence on federal subsidies. This ultimately leads to reduced fiscal autonomy as federal grants are often attached to conditions that offer little freedom of spending.

Regarding the investment distribution, 45.1 per cent of the total private investment projects licenced in 2016/17 was in Addis Ababa, the federal and Oromia's capital. The share of

³⁰ Finfinnee is an indigenous Oromo name for Addis Ababa, the capital city of Ethiopia and the Oromia region. Oromia region officially calls the city Finfinnee instead of Addis Ababa. The latter was imposed on the people by emperor Menilik when his forces occupied the area in the late 19th century.

³¹ Regarding Addis Ababa (Finfinne), the constitution states that “the special interest of the State of Oromia in Addis Ababa, regarding the provision of social services or the utilization of natural resources and other similar matters, as well as joint administrative matters arising from the location of Addis Ababa within the State of Oromia, shall be respected. Particulars shall be determined by law” (see Art. 49(5), FDRE Constitution 1995).

Oromia, Tigray and Amhara were 20.8, 11.2, and 9.9 per cent, respectively. In contrast, the share of Afar, Gambela, SNNPR and Benshangul-Gumuz were 2.1, 0.3, 5.1 and 0.7 per cent, respectively (MoFEC 2018, 53). Concerning converting licenced investment projects, the performance of the four developing regions was zero. In contrast, about 22 per cent and 19 per cent of investment projects in Oromia and SNNPR, respectively, were transformed to operation in 2016/17 (MoFEC 2018, 55).

This shows a severe lack of capacity and constraints in translating licenced investments into a reality in developing regions. Benshangul-Gumuz, where there is a lack of roads and vehicles, it was challenging to visit investment sites regularly. In Oromia, investors near the regional government offices in Addis Ababa were more likely to be seen than parts of the more remote region (Keeley et al. 2014, 20). Such differences in capacity among subnational units significantly contributed to autonomy variation.

Chapters six and seven, which measured regional policy and fiscal autonomy, presented that Oromia recorded higher policy and fiscal autonomy scores. While the mean administrative score of Oromia in the field of land from 1995-2020 is 3.5, the mean score of Benshangul-Gumuz and SNNPR is 2.5 and 2.6, respectively. Fiscally, Oromia is also better off than the other two regions. Oromia's mean own-source revenue is 41.7 per cent, whereas that of SNNPR and Benshangul-Gumuz are 20.7 and 16 per cent, respectively (annex 3 and annex 5). Relative differences in selected socio-economic development indicators shown above also reveal that Oromia is better off in most indicators followed by SNNPR.

9.3 National Development Priorities

The second explanation for cross-regional autonomy variation has to do with the national development agenda. This explanation situates regional autonomy within the broader development agenda of Ethiopia's ruling party. Development policies are more than the expression of the government's socio-economic development objectives. Policies reflect the priorities of the government about the way the socio-economic life of the people should evolve. Governments enact and execute strategies to shape and change different communities' lifestyles within the state's territory. Likewise, development policy priorities pursued by the

government of Ethiopia have implications on regional autonomy, and the actual impact differs spatially.

For instance, in the domain of land policy, during the early years of federalism in Ethiopia, the government's agricultural policy was focused on small-holder farming. Agricultural Development Led Industrialisation (ADLI), the first development policy of the EPRDF that entailed a development strategy based on smallholder agriculture aimed at improving small-scale productivity, achieving national food self-sufficiency and transformation of the economy towards industry (Lefort 2012, 681–82). The policy stressed that peasant farmers and pastoralists are the building block of Ethiopia's development. The policy's priority was improving the productivity of smallholder farming (FDRE 1993).

Since 2005, however, policy priorities changed to large-scale farming and commercial agriculture (Fana 2016, 11). The rationals for such shift were the increasing importance of FDI, employment creation, technology transfer and achieving food security unrealised by ADLI (Oakland Institute 2011, 20). Instead of small-holder agriculture, the centre prioritised policies to transform the pastoralist peoples' livelihood into sedentary agriculture (MoFED 2003; MoARD 2010; MoFED 2010). The target of the federal government's agricultural investment policy became developing-lowland-peripheral regions. For instance, the country's recent five years Growth and Transformation Plan-I, implemented from 2010 to 2015, also underscored that the government would implement large-scale commercial agriculture in lowland regions of Ethiopia (MoFED 2010, 23).

Policies since 2005 articulated that the achievement of development would be possible only through capturing private investment and the promotion of large-scale commercial agriculture (Chinigò 2015, 178; Clapham 2018, 1158–59). Such policy shifts targeted lowland regions for large scale commercial farming as “there are abundant lands” suitable for mechanised agriculture. It is not the suitability of the areas for commercial agriculture that exposed lowland regions to a relative administrative centralisation; it is instead a shift in policy priority towards large-scale farming, although the regional governments could have implemented this.

A related development agenda that can explain cross-regional autonomy variation is the national government policy priority to transform the pastoralist livelihood into sedentary and

semi-agrarian. Though respected by the constitution, most federal government policies do not appreciate pastoralism (Interviewee 60). The policies portray pastoralism and subsistence farming as “backwards and lacking scale, skill and technology” (Abbink 2011b, 518). The federal State Minister for MoARD, Aberra Deresa, stated that:

“We are not really appreciating pastoralists remaining as they are. We have to improve their livelihood by creating job opportunities. Pastoralism, as it is, is not sustainable. We want to change the environment” (BBC 2010).

As the federal government narrated the pastoralist way of life as resource wastage, the national government policies priorities became the alteration of nomadism to a sedentary life (MoFED 2002; 2003). Otherwise, the centre taunted that development could not reach these regions. Such shifts in national development policy priorities explain administrative centralisation recorded post-2005 in the domain of land policies. The federal government solely initiated and implemented different policies to transform pastoralism without consulting the concerned regional governments (The Reporter 2016). These policies had a centralising effect on regions with large pastoralist communities, producing asymmetric centralisation across regions.

The measurement of land autonomy presented in chapter six reveals that regions such as Benshangul-Gumuz and SNNPR consistently scored less on administrative autonomy than Oromia. The implication is that regions such as Benshangul-Gumuz and Gambela have experienced greater administrative centralisation in land policy than other regions. The reason is the central government carried out different programmes to transform pastoralism in these regions by ignoring the constitutional division of powers, generating differential treatment between developing lowland regions and developed highland regions.

Based on data from the CSA of Ethiopia, Lavers (2012b, 802) estimated that about 42 per cent of the surface area of Gambela and 14 per cent of Benshangul-Gumuz were marked for commercial agriculture. And that means the federal government took the responsibility of that much size of the regions’ surface area. Other data, Keeley et al. (2014, 25–27), shows that about 80 per cent of all land leased out in Ethiopia is in lowland regions, mainly Benshangul-Gumuz, Gambela and SNNPR. And all land allocated by the federal government to private investors were in these lowland regions. The share of each region out of the total land transferred to the federal government was 53 per cent (Gambela), 26 per cent (Benshangul-

Gumuz), 18 per cent (SNNP) and 3 per cent (Amhara). According to the study, relatively developed regions such as Oromia and Tigray did not transfer land administration to the federal government because they do not have developing status, and their capacity is much higher.

9.4 State-building

The third factor that can explain autonomy variation is connected to state-building. For instance, in the land domain, the historical dynamics of Ethiopian state formation have been highly tied to the issue of and questions of land (Rahmato 1984; Markakis 2013; Chinigò 2015). At the core of successive governments' state-building projects are attempts to bring land administration under the close control of the central state apparatus (Markakis 2013; Chinigò 2015). However, the project was ineffective; lowland areas were not well integrated into the centre (Lavers 2016, 1092). Most lands in developing and pastoralist regions remained under the community governance system instead of the state (Markakis 2013; Mekonnen 2018).

Since the early 1990s, however, the EPRDF pursued a radical approach to state-building by adopting the federalism ideology. Such a radical shift in the state-building policy resulted in two critical changes in peripheral and developing regions. The first is that federalism provided opportunities for ethnic groups to establish their own administrative units and exercise some level of self-rule (Kidane 1997; Aalen 2006; Van der Beken 2016). The second is that it profoundly increased the central government's presence, and thus formerly semi-autonomous groups are now more integrated into state structure (Abbink 2000; Lavers 2012b). The point implies that governing elite preferred federalising to address identity and self-rule questions and at the same time seek to centralise to integrate peripheral units into the central state.

Therefore, the politics of centralisation should be examined in connection to the state-building project. It is also important to note that the central government's presence in the regions varies considerably. For instance, the central state's authority was relatively low in lately incorporated regions such as Afar, Benshangul-Gumuz, Gambela, Somali and the lowland areas of the SNNPR. This means power consolidation was needed to make the lately incorporated communities more governable by bringing them under the central state structure.

Though federalism grants them a formal authority to self-rule, powers were informally centralised to integrate these areas to the central state and eventually complete the state-building project. The logic is that the federal government's involvement, for instance, in land administration, opens new space for the centre to be more involved in the region's politics and administration.

With the arrival of agricultural investment, Benshangul-Gumuz and Gambela got more attention and became strategically important (Keeley et al. 2014, 27). The central state has been more engaged in the development planning and large projects such as highway, irrigation dam and industrial park developments in these regions than core regions such as Oromia, Amhara and Tigray. Infrastructure gradually increased in developing regions though not only due to federal involvement and agricultural investment (Interviewee 61). In this case, federal involvement in regional domains means integrating peripheral regions through building infrastructure. Previous work also confirmed this development. Vaughan (2011, 634) notes that between 1991-2008, the EPRDF largely depended on local proxies, political liaison officers and increasing federal government presence to control the peripheral regions. Starting from 2008, however, the centres' motive of transforming the periphery has increased. The EPRDF intensified state-building projects in the periphery areas. The strategy of controlling the periphery through "coalition with proxies" changed to the model of a direct "coalition with the people" since 2008.

9.5 Historical-political Marginalisation

Autonomy variation within the federation can also be discussed from historical-political trajectories. More specifically, centralisation is a political expression of power relations. Groups with historical-political hegemony have accumulated political capital at their disposal for directly and indirectly dictating historically marginalised groups. Agenda setting, a vital issue in policymaking, is mainly dominated by the hegemonic group because of the accumulated hegemonic political and economic capital that offers hegemonic groups huge advantages.

For instance, entrusting the so-called "unused" land to the federal government through upward delegation was due to the political marginalisation of ethnic groups in a particular

region rather than the technicality of the land use plan or the will to delegate (Fana 2016). However, it is important to note that the political vitality of the region or whether the region is threatening or not mediate the causal effect of marginalisation on federal encroachment. Areas that do not pose severe threats to the centre, i.e., politically less vital subnational units, experienced a relative power encroachment in the sphere of land compared to threatening units. In this regard, Keely et al. (2014, 26–28) argue that the federal government was not very serious towards regions such as Afar and Somali in centralising land administration due to a high risk of conflict with pastoralists clans. Similarly, Oromia has not transferred land administration competence to the federal government despite possessing a significant amount of land suitable for irrigation and commercial farming. The SNNP region is officially designated as developed, but it is the home for diverse and historically voiceless groups (Abbink 2000, 531–32), which appears to be why it did not escape centralisation.

In Afar, the clan leaders play vital roles in land administration until recently. Investors dealt directly with clan leaders, and the responsibility of federal and regional bodies was absent. Agreements were between clan leaders and investors, and the contracts had legal status in court. However, since 2011, following the establishment of the Land Administration Bureau, the regional government in Afar started playing some roles in land administration (Keeley et al. 2014, 19).

Ethiopia's power relations are built on superior-subordinate relationships between the highlanders (central and northern regions) and historically politically marginalised lowland and southern regions such as Benshangul-Gumuz, Gambela and the SNNPR (Young 1999, 322; Erk 2017, 224). Historically-politically marginalised regions remained side-lined despite adopting a federal system that offered them the right to express and develop their identity. One of the indicators of their marginalisation is the direct membership of the EPRDF representative on the regional council in Benshangul-Gumuz and the active involvement of federally assigned officials in the politics of the SNNPR during the formative stage of the federal arrangement (Young 1998, 196–97). During the first decade of federalism in Ethiopia, though the SNNPR have had its elected government, top EPRDF officials were based in the region (Aalen 2002, 91). The Oakland Institute's report shows that such a systematic and informal way of dominating lowland regions persisted. The report states that:

“There is also a perception that Tigrayans are being given land across the lowlands to crowd out indigenous populations, build EPRDF support in the rural areas and eventually dominate regional government offices. In many of the regional government offices that we visited in the lowlands, Tigrayans held most of the positions. In those regions, most of the businesses are owned by the Tigrayans (and other Highlanders to a lesser degree), and almost all of the domestic agricultural investment lands are held by the Tigrayans” (Oakland Institute 2011, 23).

Developing regions such as Benshangul-Gumuz and Gambela that host minority ethnic groups whose livelihood and culture are different from those in highland Ethiopia were partly administered by the Ministry of Federal Affairs from Addis Ababa. And the federal government perceive land in these areas as unused and free land. In contrast with Oromia and Amhara, where most lands are farmed by the indigenous groups of the respective regions, in Benshangul-Gumuz and Gambela, no key investor is a member of ethnic groups from the area. Despite possessing land suitable for commercial farming, except SNNPR, all developed regions did not transfer land administration to the federal agency (Keeley et al. 2014, 27).

Besides, federal government policies also alienate historically-politically marginalised groups. For instance, the current land policy thinking and practices share many features with the historical highland and central domination and predisposition towards low-land areas (Markakis 2013; Emmenegger 2016, 263; Fana 2016, 10). Marginalisation did not affect only regional self-rule, but also the participation of the regions in the shared rule is comparatively low. Though it is common to see regional political officials promoted to federal posts, officials from the Benshangul-Gumuz and Gambela have never attained a cabinet position at the federal government. In contrast, officials from peer regions such as Afar and Somali have held ministerial positions. For instance, officials from the Afar and Somali regions held vital posts such as the Ministry of Defence and Finance.

As practised in Ethiopia, federalism illustrates historically politically marginalised regions that have been peripheral to central politics experienced a higher degree of centralisation than other regions. Further, the participation of such regions in the central government is low, which means that the centre effortlessly passes laws and policies unfavourable to regional autonomy. Furthermore, federal interferences rarely face resistance because such regions have

long been ruled by officials sent from the central state, not to mention that they cannot resist federal encroachment because of the lack of capacity.

9.6 Regional Politics and Ethnic Cohesion

The final factor that can explain asymmetric power centralisation is regional politics and ethnic cohesion. Political and ethnic contexts that offer a relative strength to defend federal encroachment to ethnically homogeneous Oromia appear to be absent in Benshangul-Gumuz and the SNNPR that respectively host 5 and 56 ethnic groups (see table 1, chapter three). Particularly in regions such as Benshangul-Gumuz and Gambela, federalism that devolved powers brought the unintended consequence of inter-ethnic competition and conflict, inviting the EPRDF intervention to amalgamate rival ethnic-based parties (Asnake 2013, 92–95; Lavers 2016, 1090–91). The dispute in Benshangul-Gumuz was primarily within the Benishangul Peoples Liberation Movement (BPLM), a coalition of an ethnically organised party that was in control of the regional government. As a result of internal dispute, BPLM fractured into three factions (Young 1999, 333–34; Asnake 2013, 93–98).

In this case, disputes between Berta and Gumuz, the two major ethnic groups in the territory and the major political forces in Benshangul-Gumuz, over the regional presidency and other key regional posts during the formative stage of the federation provided opportunities for the federal government to interfere in the regional politics (Asnake 2013, 95–99). This negatively impacted the exercise of self-rule compounded with lack of administrative experience, lack of educated staffing to fill devolved posts, internal and external conflicts, and the incumbents lack of party discipline (Aalen 2002, 74; Asnake 2013, 94). In particular, intense competition among ethnically organised groups to control regional and local powers led to a faction within the regional ruling party, which opened a loophole for the federal ruling party to quickly obtain loyalty from the bloc in the regional power in return for political backup (Asnake 2013, 95–99).

There have been ethnic rivalries and conflicts in SNNPR, though it differs in degree compared to Benshangul-Gumuz and Gambela. The merger of five regions into one after the transition period, the language issues, demands for self-rule institutions, and the inherent ethnic diversity in the region appear to have generated tensions and conflicts that resulted in a lack

of ethnic cohesion and federal interference. For instance, protests by Wolaita ethnic group demanding zonal status and language matters invited federal interference from 1998 through 2000 (Aalen 2002, 97). The Sidama demand for statehood and suppression by the government was a constant issue until 2019. A protest by the Konso people demanding constitutional self-determination in 2016 was another case in SNNPR (Abate 2016). Another prominent example is a constantly tense relationship and conflict between the Wolaita and the Sidama (Ambaye 2019). Besides, there has always been internal competition among main ethnic groups such as Sidama, Wolaita, Guraghe and Hadiya for regional dominance.

Regarding SNNPR, Vaughan and Tronvoll noted that federalism harnessed the enthusiasm of many populations for self-rule and recognition of identity. However, the situation in the region is more “complicated by an underlying dynamic of competition between groups for influence at the regional level” (Vaughan and Tronvoll 2003, 125–26). Observing Tigray and SNNP regions, Aalen (2002, 98) stated that “the ethnical and political homogeneity of the region contributes to a strong regional government” in Tigray. Rather than forming unity to defend regional autonomy, ethnonationalities in SNNP fly solo to create their own regional government.

Observing the diversity and ethnic groups self-rule demands in SNNPR, Aalen (2002, 98) accurately predicted that there would be more demands for self-rule in the region. One of the ethnic zones in SNNPR, the Sidama zone, became the tenth region in the Ethiopian federation following a referendum conducted in November 2019 (Addis Standard 2019). Other ethnic zones in SNNPR, such as Gamo, Gurage, Hadiya, Kaffa, Kembata, Silte, South Omo and Wolaita, demanded regional status, which means internal secession (Ezega News 2019). In October 2020, the HoF unanimously approved a demand of five zones and one district³² combined to form a South Western People of Ethiopia region (Borkena 2020).

As explained earlier, the Afar and Somali regions have robust clan systems tangled with religion that appear to give them relative protection. Further, these two regions have no

³² The five zones and one district in the SNNPR agreed to form a region are Kaffa, Sheka, Bench Sheko, Dawuro and West Omo Zones, and Konta Special district.

competing territorial group other than the dominant nation after whom the regions received their names. Furthermore, the two regions are strategic frontiers, which might have offered them the capacity to negotiate with the centre. Somali region borders Somalia, the fragile state where a terrorist group such as *Alshabab* operate. Afar borders Eritrea, the country that was at war with Ethiopia and still has an unresolved border issue. Besides, Afar is a region through which the Addis Ababa-Djibouti main road, the main route for Ethiopia's foreign trade, passes.

Such region-specific issues and strategic location might suggest that the central government cannot be heavy-handed towards these regions, offering them relative safeguards from federal invasion, even though they are peripheral to Ethiopian politics. Nonetheless, the Afar and Somali regions also have experienced federal encroachment in security and political aspects. However, they were not as vulnerable as Benishangul-Gumuz and Gambella in facing the federal government policy imposition and coercive upward delegation of their land administration mandates.

In contrast to the ethnically diverse regions discussed above, there is no territorial group other than Oromo in the Oromia region, which was the primary cause of inter-ethnic competition and clash in these regions. Besides, Oromo Nationalism appears to be playing some role in Oromia (Asafa 1993). The Oromo public value not just federalism but multinational federalism robust enough to protect regional autonomy. Besides, they aspire to greater autonomy and resent government intrusion in regional affairs (Global Observatory 2017). For instance, protests by the youth in Oromia forced the federal government to scrap two politically crucial programmes that could affect the region. The first was relocating the Oromia capital from Addis Ababa to Adama (Davison 2014), and the second was Master Plan that aimed at expanding the federal capital in Oromia's territory (Endalk 2016).

The rise to the importance of the previously subordinate OPDO within the EPRDF, particularly after the death of Meles Zenawi, appears to have provided additional momentum for Oromia to have relative regional autonomy. In Oromia, the single most significant region of Ethiopia, when there is an attempt to infringe on the regional power, a unified resistance became a norm, especially since the Oromo protest started in 2015 (Lefort 2016). Post-2015

protests in Oromia that forced Haile Mariam to resign as premier is a recent example of united political action in the region. The existence of relatively strong opposition parties in the region appears to offer additional audacity for the regional ruling party. For instance, in the third state council “*Caffee*” term (2005-2010), the opposition parties won 150 out of 537 regional parliament seats (Solomon 2015, 187). The existence of popular opposition means the incumbent OPDO had to strive to safeguard regional autonomy to win the heart of the constituency and flag that it genuinely stands for the regional interest.

9.7 Conclusion

This chapter explained that interrelated factors caused the cross-regional autonomy variation in Ethiopia. These factors are primarily region-specific and might reinforce each other in shaping the actual autonomy of the regions. Differences in development status and the associated capacity variation generated asymmetric centralisation. Accordingly, relatively developed regions with better capacity have relative policy and fiscal autonomy. Further, the shift in national development priorities and the federal government’s approaches towards developing regions caused relative centralisation in these units. The chapter also argued that historically-politically marginalised regions such as Benshangul-Gumuz and Gambela face more federal encroachment vis-à-vis regions such as Oromia and Amhara that are relatively core to Ethiopian politics. Power consolidation has been used to complete state-building; due to this, geographically and politically peripheral regions which are not fully integrated into the central state experienced more centralisation than other regions. Finally, regional politics and ethnic cohesion appear to have generated cross-regional autonomy variation in a constitutionally symmetrical federation of Ethiopia. Regions with territorial diversity faced more federal encroachment than ethnically homogeneous regions.

Chapter Ten: Discussion and Reflection

10.1 Introduction

This chapter discusses the findings of this thesis, considering what we already know regarding Ethiopian federalism and the comparative study of federal systems in general. By highlighting the main findings of the thesis, this chapter discusses insights from Ethiopia in the context of comparative federalism literature discussed in the theoretical chapter. This chapter proceeds by first discussing the results considering the previous studies of Ethiopian federalism. The second section examines the findings in light of the broader literature on federalism and comparative politics. The final section is where conclusions are made, considering the general understanding of the research problem.

10.2 New Insights into the Study of Federalism in Ethiopian

This thesis sought to go beyond constitutional setup and institutions in assessing regional competence to examine *de facto* regional autonomy and the implementation of federalism by taking Ethiopia as a case. The thesis made a systematic measurement of regional autonomy across legislative, administrative, and fiscal dimensions, which was missing in the previous studies of Ethiopian federalism. Besides, based on the data generated and presented in the previous chapters, the thesis offers an interpretation of the dynamics of Ethiopian federalism by identifying the main factors that determined the gap between constitutionally proclaimed powers and the practice.

Previous studies generally agree that the policy process and fiscal federalism are centralised, and regions lack autonomy compared to what the constitution says (e.g., Keller 2002; Paulos 2007b; Solomon 2015; Assefa and Zemelak 2017; Assefa 2019b). This thesis validates that centralisation has become the defining feature of Ethiopian federalism. However, this thesis demonstrates that the country experienced centralisation and decentralisation, for instance, in terms of legislative powers in the field of land in defiance of the constitution. Further, the thesis brings new insight into the debate by illustrating that regional autonomy varies across policies, over time and across regions by generating empirical evidence. For instance, if we take education policy, its legislation was centralised while its administration was initially decentralised. However, regional control over education policy weakened during the first

decade of federalism in Ethiopia. Post-2005, regional autonomy in the sphere of education has notably improved.

The legislation of land policy was highly centralised at birth because the constitution assigned such powers exclusively to the federal government. However, ensuing the constitution, the regions were granted legislative competence. The administration of land was decentralised at the birth of the federation. However, regional administrative competencies were centralised from 2005 to 2015. Post-2018, regions largely regained their constitutional competencies in the domain of land administration (see chapter 6, figures 7 and 8).

In the fiscal domain, Aalen (2002) and Paulos (2007a) demonstrated that revenue collection in Ethiopia was very centralised during the formative stage of the federation. This thesis complements such findings using original data covering 1995-2016/17. During this period, the federal government controlled about 80 per cent of domestic incomes. Beyond complementing the previous work, the thesis shows that revenues centralisation varies over time and across regions. Compared to the formative stage of the federation, regional revenue share vis-à-vis the centre has slowly improved over time (see figure 11). Regarding cross-regional fiscal autonomy variation, this thesis shows that own-source revenues are very small in developing regions compared to developed regions. Regional own-source revenues of both developed and developing regions generally improved over time, but the gap between the former and the latter persisted (see figure 12).

Another remarkable development in fiscal federalism in Ethiopia is the centralisation of concurrent revenue sources in 1997 through an informal constitutional amendment. Though the regions receive incomes from concurrent sources based on the revenue sharing formula prepared by the HoF, the amendment changed the concurrent taxes into a revenue-sharing scheme. This move created a gap between the constitution and the practice and has strengthened the federal government fiscal competence in defiance of the constitution.

This thesis reveals that conditional grants introduced in 2011/12 have affected regional spending autonomy for at least three reasons. First, conditional grants constituted a significant part of federal transfers, about 25 per cent during the first three years of their introduction. Second, the funds were highly unpredictable as the federal government priorities frequently

changed. Third, the grants were not additional money to block transfers; instead, they were subsidies accompanied by a drop in block grants. The big picture is that the federation evolved towards a slight fiscal decentralisation noted by a gradual rise in regional own-source revenues; and, recently, a fall in the proportion of conditional grants. Further, the revision of the shared sources revenue division formula in 2019 also increased regional share by an average of 700 per cent.

Overall, using empirical evidence, this thesis illustrates temporal, sectoral and spatial centralisation variation in Ethiopia. Above all, it shows gaps between the constitutionally proclaimed regional competencies and the practice. Though regions were accorded land administrative competence under the constitution, such matters were centralised in disobedience of the constitution. Land legislative decentralisation was also made without revising the constitution's provision that gives exclusive legislative power to the centre. The thesis demonstrates that the *de jure* and *de facto* gap is generally higher in the land policy than in education. Fiscally, the gap between *de jure* and *de facto* is observed in concurrent revenue sources and tax autonomy. Regarding spatial autonomy variation, relatively developing regions have consistently recorded lower autonomy on most autonomy dimensions.

Strikingly, the autonomy variations recorded across policies, regions, and time were without a formal constitutional basis. Endogenous socio-economic and historical-political factors can explain the spatial and temporal autonomy variations discussed above. This thesis validates general claims, e.g., Merera (2011, 668), Dejen (2015) and Assefa and Zemelak (2017, 250–51) made that the federation became centralised because of the dominant party regime. This thesis corroborates that the dominant party's ideologies, “democratic centralism” and the “developmental state” model, drove centralisation because the party tenets contradict the very principle of federalism and regional autonomy.

The party's “democratic centralism” model prescribes a strict party discipline, centralised decision-making, and hierarchical relationship between the federal and regional parties. These modes are replicated in government institutions and have produced a centralised policy regime. As party structure runs parallel to state structure and party and state are fused, the

ruling party's decision swiftly became government programme. Besides, a “developmental state” model, non-liberal thinking of development based on active state intervention in the economy and a centrally steered policy-making and execution, has limited regional policy competencies.

Through identifying poverty as the enemy of the state, the party securitised development, and regional self-rule became secondary. These two ideological pillars became the overriding state beliefs by side-lining the very principles of the constitution, such as regional autonomy. Though constituent units were constitutionally envisioned to make policies accommodating regional conditions within the national framework, this is not the case in practice because the dogmas of the party nurtured a centralised policy regime where a few central governing elites define the country's problems and solutions.

Analysts of Ethiopian federalism primarily focus on the party in explaining centralisation in Ethiopia. The focus on the party has overshadowed the examination of other factors that affect the vertical distribution of power over time. The party system is not the sole factor driving centralisation because actors in the central government pursue centralisation when there are incentives making power consolidation attractive over adhering to the formal division of powers. Besides, the federal government pursues centralisation when there are compelling reasons and realities on the ground justify centralism.

Studies have made a general assertion that lack of capacity in the regions might be one of the causes for centralised policymaking in Ethiopia (Lavers 2012a, 118; Assefa and Zemelak 2017, 250; Assefa 2019b, 167). This thesis provided quantitative and qualitative evidence supporting the claim. The evidence shows that regional autonomy varies per regional capacity. The impact of capacity in driving centralisation is primarily observed in education during Ethiopia's first decade of federalism. Fiscally as well, enhanced own-source revenues were associated with improved regional capacity. But the nexus between capacity and centralisation is inconclusive in land administration because other factors appear to be more important in driving power consolidation in this domain.

The thesis's evidence shows that ambitious plans for achieving food self-sufficiency, poverty reduction and the desire to amass foreign currency were the main socio-economic factors that

stimulated the federal government to pursue administrative centralisation in the land domain. Because the country has been dominantly dependent on agriculture, the government looked for private investment in agriculture as a strategy to achieve food self-sufficiency, collect hard currency through FDI and agricultural export, and poverty reduction through increasing agricultural production and job creation. Such national economic interests coincided with global demand for agricultural investment land, giving the federal government additional incentives to pursue centralisation. However, the centralising impact of such economic motives was moderated by other factors, generating spatially asymmetric centralisation.

Paulos (2007a) affirms that fiscal federalism in Ethiopia can be explained by clientelism. This thesis complements Paulos's claim regarding the importance of clientelism in Ethiopian politics. This thesis, however, contends that clientelism in the form of corruption and state capture has a more notable centralising effect in the domain of expensive natural resources such as land than fiscal federalism in Ethiopia. Clientelism is more prevalent in the sphere of land because land administration in Ethiopia is a highly corrupted sector. Besides, the legal framework governing land administration lacks clarity and frequently changes without public awareness, opening a door for corruption (World Bank 2012a; 2012b; Lindner 2014). In contrast, fiscal federalism is largely guided by more formal and robust institutions. There are financial procedures and requirements such as reporting and auditing, limiting the chance of clientelism to flourish.

The causal mechanism between clientelism and centralisation in the land domain is as follows. The federal government officials' interests in controlling land management and allocating it to their relatives, people in their ethnic groups, buying political supports, reward loyal patrons and people related to the party officials lead to centralisation. Corruption and state capture network is built informally around party structure bolstered by the patron-client relationship between the federal and regional officials.

This thesis substantiates the assertion Lavers (2016) made regarding the role of agricultural investment in Ethiopian state-building. State-building is one of the objectives of directing agricultural investments more towards the developing peripheral regions than the developed core constituent units. Such state-directed investment has contributed to state-building and

integration by expanding infrastructures in the peripheral regions. However, such achievements should be subjected to critical analysis as the gains are at the expense of peripheral regions' autonomy and violation of the constitutional division of powers. Ethiopia's politically mediated investment decisions generated autonomy asymmetry among developing and developed regions.

Besides, centralisation in the land domain has the political aim of controlling pastoralist communities. The consolidation of land administration power and the associated expansion of agricultural investment and villagisation in the peripheral regions have made pastoralist communities more controllable than before. Hence, administrative centralisation helps the central government to bring peripheral communities under the central state machinery. The central state power is expanded into regional and subregional levels through the dominant ruling party structure to ensure obedience. On the other hand, this thesis develops Lavers's claim by offering new insights that state-building or national integration objectives have caused centralisation not just in the land but also in the education and fiscal domains. Both harmonised curriculum in primary education and harmonised tax system and financial administration discussed in chapter eight have national union and integration motives.

Previous studies, Aalen (2002), Keller (2002; 2005), and Paulos (2007a) observed the striking development and fiscal capacity gaps between highland and lowland regions. This thesis used the best available development indicators to corroborate and expand the discussion regarding regional capacity. This thesis shows that the striking development gaps engendered autonomy variation and affected the implementation of federalism in the country. Developing regions disadvantaged in previous regimes, marked by low infrastructure, literacy, and access to social services, still fall behind in many development indicators.

Consequently, the central government directly executed different development programmes in lagging regions by often disregarding formal authority for the sake of tapering the development gap and transforming pastoralism into an agricultural economy. Because developing regions lack the capacity required to execute large projects, the federal government became the main actor in most development schemes in such areas. Rather than seeing federalism as a mechanism of ensuring the rights of different groups to self-rule, central

elites believe that federal interference is inevitable for improving the livelihood of the pastoralist community.

This thesis substantiates that capacity asymmetry affects the legislative and administrative autonomy of the developing regions. Compared to developing regions, developed regions have comparative policy autonomy and advantages in their relationship with the central government. Conversely, as developing units are fiscally highly dependent on the centre, have fragile internal politics, and lack administrative capacity, federal government officials use fiscal and coercive levers to control the developing regions' administration. The problem is complicated because of the multifaceted marginalisation the developing regions experienced under the imperial and the *Derg* regimes. Consequently, rather than experimenting with their policy urgencies, they remained subservient to the federal government programmes.

Studies such as Markakis (2013), Young (1999; 1998), and Erk (2017) underscore that the Ethiopian state was built on the violent subjugation and marginalisation of the present-day SNNP, Benshagul-Gumuz, Gambela, Oromia, and Somali regions by the Amhara ruling elites. This thesis considers that such domination and predisposition created a hierarchical relationship between the highland elites who dominated the central state and the peripheral lowland regions. Such hierarchical relationship perpetuates and drove centralisation after adopting the federal constitution that gives equal status and powers to all constituent units.

Even if federalism has provided many benefits to communities in lowland regions, the current federal government policy thinking and practices share many features with the historical-central ascendancy and prejudice towards lowland areas. Ignoring historically marginalised lowland regions persisted because the practice of federalism in Ethiopia has not been based on federal thinking, and federalism as an overriding ideology has not been entrenched in federal elites' thinking. Developing region leaders also have a propensity to perceive constitutionally devolved powers as a delegation. Consequently, regional leaders show no resistance when encountering federal interference and power grab. The lack of resistance is partly because of the historical-political marginalisation of peripheral regions during the *Derg* and imperial Ethiopia, the centralised legacy of the state, and the issue of power balance, which always favours the federal government.

Previous works such as Young (1999, 33–34), Asnake (2013, 92–98), and Lavers (2016, 1090–91) noted the ethnically mobilised conflicts among different parties in the Benshangul-Gumuz and Gambela regions during the first decades of federalism in Ethiopia. Similarly, Aalen (2002, 98) and Vaughan and Tronvoll (2003, 125–26) noted the tendency of competition among ethnic groups in the SNNP region. This thesis sought to offer a new understanding of the link between ethnic cohesion and political capital on one side and regional autonomy on the other side. Ethnically homogeneous regions in the Ethiopian federation, such as Oromia, appear to have a relative unity and political capital that offer a backup for regional leaders to resist centralisation. For instance, as discussed in the previous chapters, a unified resistance in Oromia forced the federal government to scrap a crucial programme, the Addis Ababa Master Plan, a plan aimed at expanding the city into Oromia’s administrative boundaries. In contrast, regions with entrenched territorial-based ethnic diversity, such as Benshangul-Gumuz, Gambela and SNNP, are relatively prone to centralisation partly because of lack of ethnic cohesion due to inter-ethnic power competition.

As federalism brings economic and political resources at regional and sub-regional levels, inter-group competition seems inevitable because the creation of constituent units with some fiscal and political powers is attractive for subnational elites. Rather than working in unity to defend autonomy, ethnic parties in ethnically diverse regions compete and fight each other to control regional and sub-regional posts and resources, opening a loophole for federal interference. Particularly in a federation such as Ethiopia, where both formal and informal rules operate in parallel, and ethnicity is the primary basis of political mobilisation, ethnic cohesion and regional political capital are vital to resist centralisation.

10.3 Insights from the Ethiopian Case in Light of Broader Theories of Federalism

Insights from the case of Ethiopia have broader implications for the study of federalism and regional autonomy. One of the implications of this thesis is related to the role of the party system in de/centralisation. The theory of “federal bargaining” (Riker 1964, 12–13) cannot effectively explain federations like Ethiopia that were not born out of coming-together of formerly autonomous constituent units through a negotiated political settlement. Nevertheless, if we relax Riker’s theory, the Ethiopian federation exhibited some of his

assumptions at birth. Among other things, there was bargaining between ethnonational parties rather than existing autonomous units, as Riker would say, representing potential regions of the prospective Ethiopian federation.

Coming-together federations and unions born out of federal bargaining are theorised to be more decentralised at birth vis-à-vis other types of federations (Riker 1964, 12–16; Watts 2008, 65). Even if the Ethiopian federation is neither a coming-together nor strictly born out of federal bargaining, the constitution assigns a wide range of responsibilities, though not fiscally, including secession to the nations, nationalities, and peoples constitutionally embodied by the regions. Thus, in light of the constitution, Ethiopia manifests a good sign of decentralisation. Nationalism, secessionist threats, and the need to accommodate ethnonational cleavages were the main factors that brought a federal order that recognises ethnic diversity and stipulates the right to self-determination, including internal and external secession.

Federations such as Nigeria and India also adopted federalism to manage diversities (Harneit-Sievers 2003; Bhattacharyya 2019). Similarly, states such as Nepal embraced federalism to address diversity and secessionist risk through institutionally accommodating the demands of minority ethnic groups (Breen 2017). When placed in the international context, federalism in Ethiopia is a bid to accommodate ethnonational diversity rather than an association formed for common objectives, as is the case in the classic federations. However, the accommodation of diversity through federalism in such states is entangled with the nation-and state-building projects; in other words, federalism is taken as a new path to complete nation-and state-building. That means the implementation of federalism in such a state should be seen in the context of such objectives as federalism influences and is influenced by the project of national integration.

Regarding institutions of federalism, the nature of Ethiopia's second chamber set the country apart from other federations, which might be noteworthy and relevant for understanding varieties of institutions of federalism. As discussed in chapters three and eight, the house's competence and composition deviate from one of the core principles of federalism, "shared rule" (Elazar 1987, 12). As Ethiopia's primary intention in adopting federalism was to manage

diversity, the framers of the constitution seemed to want to configure the second chamber to reflect its ethnonational diversity rather than represent the constituent units and defend regional autonomy. The nature of the chamber reveals the real motives of adopting federalism in Ethiopia.

The Party System and Regional Autonomy

The practice of federalism in Ethiopia effectively demonstrates the inherent gap between the formal division of powers and the practice, a trend that appears common in non-democratic federations. Insights from Ethiopia reveal that the actual power constituent units in non-democratic federations exercise are more of a function of the ruling party's wishes than the codified rules of the game.

Regarding the party system, Riker's (1964) notion of the impact of a non-centralised party system in preventing centralisation is corroborated in Ethiopia. Insights from the Ethiopian case show that the ruling party is the central force that defines the implementation of federalism and regional autonomy. The day-to-day operation of Ethiopian federalism is primarily regulated by the dominant party's norms and decisions that often undermine codified rules. In this regard, the country validates a general tendency in authoritarian and hybrid federations where the actual powers of constituent units are defined mainly by the nature and interest of the ruling regime than the federal pact (Burgess and Gagnon 2010, 3–7).

Following Riker's (1964) theory, one may expect that regions ruled by a party that is not a member of the federal ruling coalition would have relative autonomy or resist centralisation vis-à-vis other regions in Ethiopia. However, the findings suggest a contrary evolution. The contradiction is not because the theory is proved false. Instead, the party system is misleadingly decentralised only on paper, and regional parties are only nominally independent and have no freedom to assert autonomy for their regions. The decentralised party system in Ethiopia is a façade. It has neither empowered the regions to assert autonomy nor defy power consolidation because regional parties are not genuinely independent of the federal ruling party. Regional parties are essentially wings of the federal ruling bloc. Without any formal basis, the federal party officials were involved in the affairs of the regions ruled by parties

that were not formally in the federal coalition. Such party practices and norms gradually became normal and acceptable and resulted in the regions accepting federal supremacy, contrary to the essence of the constitution. Such practice reveals how political traditions slowly consolidate to be taken as a precedent.

The roles of the dominant party in the Ethiopian federation can be comparable with the dominant party regimes in Malaysia (Hutchinson 2014; Ostwald 2017) and Nigeria and states such as South Africa (Agranoff 2004, 57; Dickovick 2014, 557–59). These federations are characterised by dominant parties that overshadow subnational politics and subvert regional autonomy despite formal party non-congruence between the centre and units.

Such a phenomenon has conceptual and methodological implications. The conceptual implication is that a decentralised party system serves regional autonomy if regional parties are ideologically and structurally independent from the national party. For a decentralised party system to be a genuine agent of regional autonomy, the regional parties should be truly independent. Methodologically, the assessment of the party system should go beyond a review of party statutes and formal structures and rules, which Thorlakson (2009, 160–62) suggested (see chapter four). The assessment should focus on the interactions between the two-level parties and the process of decision making in the parties. Besides, emphasis should also be given to historical backdrops of the parties, such as their formation, evolution, and original goal, as historical issues generate unwritten rules that influence interactions between federal and regional parties. This means an assessment of the parties' written and unwritten rules is more important than a conventional assessment of party congruence to get a clear picture of the impact of the party system on regional autonomy.

In Ethiopia, federalism was preferred because the previous imperial and centralised unitary regimes forged neither unity nor accommodated diversity. That means groups' demand for autonomy has met with state- and nation-building concerns. When both centripetal and centrifugal forces are active, the question of which one would emerge victoriously is a matter of power and strategy. The governing elites strategically codified the federal pact by inserting the secession clause in the constitution, giving the impression that the federation is a coming together of groups that can go apart any time they wish. However, the elites limited its exercise

through the dominant and centralised party regime and passing restrictive laws in defiance of the constitution.

Such a scenario implies that post-conflict and post-centralisation governing elites encountering both centrifugal and centripetal aspirations might strategically codify autonomy to appease centrifugal actors but tactically constrain its exercise through legal and quasi-legal methods to accommodate centripetal objectives. Unless it is well balanced, such an approach is problematic as it can hinder the prospects of federalism in offering both accommodative mechanisms and state-building. Further, it brings the importance of federalism for accommodation and nation-building into question because both opportunities of federalism might be missed due to a powerful centripetal party system.

Ethiopia is a classic illustration of the impacts dominant party and party congruence presents to constituent units' autonomy. Formally, regions in Ethiopia have elected governments. Evaluation of the practice shows that all elected officials are members or affiliates of the federal ruling party and thus primarily serve as agents of central elites whom they perceive as superior. Considering experiences of similar states, for instance, the resistance that provinces led by the oppositions in South Africa presented to the national government's sneak into provincial tax prerogatives (Yonatan and Kirkby 2008, 263), centralisation in Ethiopia would not have been so easy had opposition parties ruled the regions. This indicates that constitutionally embedded autonomy, though important, is insufficient in preventing federal interferences. These trends suggest that authoritarian regimes and dominant parties might be ill-fitted to deliver a conducive political environment for federalism to operate effectively, strengthening the claims, for instance, Dardanelli (2010, 142) made regarding the vitality of democracy for federalism.

Ethiopia's experience illustrates that a formal federal arrangement cannot guarantee self-rule without a deep-rooted federal thinking and ideological commitment to federalism. Thus, it supports the previous assertion, e.g., Elazar (1987, 67–68) and Watts (2015, 12), that a formal decentralisation and federal structure *per se* may not ensure the effective implementation of federalism. More importantly, the finding suggests the need to critically analyse the

importance of institutions of federalism in federations where the idea of federalism is not culturally embedded.

Its dominant party system brings Ethiopia closer to India, Nigeria, Mexico, Malaysia, and South Africa. However, Ethiopia has additional defining features such as politicised ethnicity, vertical subordination of party system, a defective second chamber, and overlapping ethnicity and constituent unit boundaries, making comparative studies involving Ethiopia challenging, though not impossible. Observing such issues, Erk (2017, 222) notes that assessing how the constitution and political patterns interact over the long term enables us to see the big picture of Ethiopian federalism. Methodologically, Ethiopian federalism implies that institutions and formal structures might be misleading in understanding the functioning of federations, particularly in authoritarian and hybrid regimes. Hence, observing the working of federalism is crucial rather than confining only to formal indicators as the latter will miss out on how party politics and other factors trump the formal division of powers and thus portray a misleading picture about the state.

Socio-Economic Factors and Regional Autonomy

Theoretically, free-market economy and globalisation drive centralisation by giving central governments the authority to implement trade treaties across jurisdictions (Scharpf 1996, 361–63). The theoretical impact of globalisation and Europeanisation on constituent units autonomy is empirically confirmed in developed federations such as Switzerland (Dardanelli and Mueller 2019, 153) and Germany (Kaiser and Vogel 2019, 100). In developing economies, for instance, India, membership in global organisations such as the World Trade Organisation (WTO) and the World Bank (WB) has similarly triggered centralisation (Singh 2019, 128).

Ethiopia validates such empirical works because mobile capital/investment, or what is known as FDI, have driven centralisation by encouraging the federal government to pursue centralism. In this regard, the global demand for large-scale agricultural investment land starting from the late 2000s made Ethiopia one of the hubs of agricultural investors, thus triggering the federal government to expand its competence in the regional domains. Apart from this, however, dynamic de/centralisation in Ethiopia is owed to local factors. Insights

from the country might suggest that globalisation may possibly have no significant role in driving centralisation in federations where regional economic integration is fragile and states are not integrated into the global infrastructure.

Notwithstanding, the objectives of realising national economic union triggers both fiscal and policy centralisation. For instance, harmonisation of the tax system and financial administrations aimed at regional equalisation and the national economic union generated power consolidation in the fiscal spheres. In this case, Ethiopia is comparable to Malaysia, where the economic objectives of eradicating poverty, ensuring economic equality and privatisation caused centralisation (Hutchinson 2014, 428–32). Similarly, motives for harmonised and standardised curriculum, which have been aimed at realising the project of building one political community, have prompted legislative centralisation in the field of education in Ethiopia.

In a similar manner to the effect of the objective of the national economic union, this thesis illustrates that the push to complete the state-building project aimed at integrating geographically and politically peripheral regions into the central state engendered administrative centralisation. This finding might suggest that a similar phenomenon can be noted in other federal systems with constituent units that are not strongly unified to the national state or in young federations with great regional inequalities because of historical-political discrimination.

Ethnolinguistic Diversity and Decentralisation

Considering the diversity in Ethiopia, with 76 officially recognised ethnonational groups, it is theoretically expected that such diversity makes decentralisation inevitable. In the beginning, ethnonational diversity was the main force in creating the Ethiopian federation and still is the foundation of Ethiopian federalism. However, insights from Ethiopia challenges the suggestion of Erk and Koning (2010) regarding the influence of ethnolinguistic heterogeneity on centralisation. Except for a few decentralising roles it played in primary education, ethnic diversity has not generated dynamic decentralisation as far as the education, land and fiscal dimensions are concerned. However, Ethiopia is not unique in this regard. Multilingualism in Switzerland has not prevented dynamic centralisation from taking place in

the federation (Dardanelli and Mueller 2019, 153). Equally, the diversity in India has little impact in causing decentralisation over time (Singh 2019, 128).

Though it was challenging to get objective data, citizens' identification with the Ethiopian state also appears to play no role in de/centralisation because national identity seems not strong enough to cause power consolidation. Identification with the ethnonational regions was high at the birth of the federation, and it remained so or even stronger currently. One of the indications of the growing identification with ethnicity is the rising demands by ethnonationalities for regional status in areas they form a majority. A significant proportion of ethnonational and regional parties with regional autonomy as the leading party programme is a further indicator. About 67 per cent of political parties registered for 2021 elections in Ethiopia are regionally based (Girmachew 2021).

The overlapping of ethnic identity with the boundaries of the regions can explain ethnonationalism in Ethiopia. Six out of ten constituent units have one dominant ethnonationality after whom they derive their names.³³ Communities in these regions have clear homeland territory declared in their respective regional constitutions, one language, shared history, and collective psychological makeup sufficient to nurture identification with their respective regions rather than the hegemonic Ethiopian identity. Besides, the building block of the federation, the right to self-determination, including secession, might also be one of the factors encouraging identification with the units than the federation, not to mention the politicisation of ethnicity in Ethiopia.

Like findings from classic federations such as Switzerland and unions such as India discussed above, Ethiopia challenges the theoretical anticipation that multi-lingual federations experience dynamic decentralisation. This observation suggests several points regarding the decentralising impacts of cultural and linguistic plurality. First, it suggests that the decentralising effects of ethnonational and linguistic diversity might be powerful only at the outset. Second, it indicates that other centripetal forces may well moderate the effects of

³³ These are the Afar, Amhara, Oromia, Sidama, Somali, and Tigray regions. The names of the regions are derived from the single majority ethnic group in each territory.

diversity on decentralisation. In this case, it is important to remember the centripetal roles played by centralist-dominant parties in Ethiopia, Nigeria, South Africa (Dickovick 2014), and Malaysia (Hutchinson 2014; Ostwald 2017). Third, it might imply that the actual impact of diversity on vertical power distribution can entail several decades to be observed. Fourth, it may imply that ethnic diversity that does not overlap with regional boundaries can either do little to drive decentralisation or even contributes to centralisation if (ethnic) regional conflicts require central intervention. Nonetheless, the above suggestions should be seen against backdrops of regime type as the tendency to accommodate diversity differ between democratic and non-democratic regimes.

Facilitators

Besides the nature of Ethiopia's second chamber discussed earlier, centralisation in Ethiopia was facilitated by generic clauses and IGRs. Generic constitutional clauses are theorised to facilitate centralisation (e.g., Duchaceck 1987, 264–68; Watts 2008, 90; Hueglin and Fenna 2015, 29–30). Findings from Ethiopia support such theoretical expectations that generic constitutional phrases such as “development”, “economic union” and “public purposes” can be exploited by the centre to pass expansive legislation, particularly in areas where there is power concurrency. For illustration, the federal government capitalised on its exclusive legislative power to enact extensive laws in the name of “development” and “public purpose”.

Comparably, constitutional phrases such as “national interest” and to ensure “uniformity of laws” had enabled the national government to defy state powers in Malaysia (Hutchinson 2014, 426). Similarly, “President’s Rule”, a clause allowing the centre to halt elected state institutions and place states under the national rule, was exploited in India to encroach on states (Harbers et al., 2019, 1155). Besides, the lack of clarity of the constitution in distributing competencies has offered the centre a loophole to encroach on regional competence. Overall, federal governments in such federations appear to define vague constitutional clauses in the broadest definition possible to grab regional competence.

The country also supports the theoretical postulates asserting that institutionalised and noncoercive IGRs facilitate regional autonomy (Agranoff 2004; 2007; Steytler 2011). This

thesis's findings confirm that noninstitutionalised and coercive IGRs accelerate power consolidation by making regional governments a subservient body to the federal authority. When IGRs are neither stipulated in the federal constitution nor other laws, as is the case in Ethiopia, the federal officials can use financial and non-financial powers to leverage the advantage of the centre rather than working together with regional governments based on equality. Such arrangements create vertical subordination of constituent units to the federation.

Instruments

Another relevant and noteworthy experience from the Ethiopian federation is pertinent to instruments of centralisation. Like other federations, legislation and coercion are among the centralisation tools in Ethiopia. However, most de/centralisation occur outside constitutional amendment. Nonetheless, oddly, the constitution was unconstitutionally amended, resulting in the centralisation of concurrent revenue sources. The Ethiopian experience reflects the danger a dominant party presents to constituent units' autonomy. Power consolidation is likely to happen when two federal houses are controlled by just one centralist party because there will be no brake to centralism. Further, where democratic institutions are not strong enough to safeguard the constitution, the ruling party will have additional incentives to consolidate powers. Above all, such a phenomenon shows that federalism remains on paper if democracy and democratic institutions are not deep-rooted.

10.4 Theorising Factors of Cross-regional Autonomy Asymmetry in a Federation

Existing literature, for instance, Behrend (2011) and Harbers et al. (2019), addressed why some regions in a given country are less democratic than others. Similarly, McMann et al. (2021) theorise why some countries are more prone to subnational regime variation than others. In contrast, this thesis seeks to theorise factors defining autonomy variation across constituent units in a federation based on insights from Ethiopia. Asymmetric centralisation can occur in federations because some laws have asymmetric impacts on some regions more deeply than others due to different exogenous (beyond-region) and endogenous (region-specific) factors. Such an explanation is crucial because existing de/centralisation literature is dominated by an explanation of cross-federation and cross-time autonomy variations. Thus,

identifying causes of cross-regional autonomy variation has a theoretical contribution in broadening our understanding of de/centralisation within a federation. Practically, it can have implications for emerging federations or young federations as cross-regional de/centralisation asymmetry creates challenges in building robust federations.

This thesis identifies four main factors that can lead to asymmetric centralisation in a constitutionally symmetric federation. The explanatory powers of the factors lie on their interface, meaning a factor might likely produce asymmetric autonomy or centralisation across regions in combination with other factor/s. Besides, the explanatory power of the factors might make more sense in developing and non-democratic countries that adopted federalism to accommodate territorial diversity. This section theorises that developing, ethnically diverse, historically-politically marginalised, and peripheral regions are prone to centralisation vis-à-vis other regions in a federation. The model below depicts the causal chain between the factors and regional autonomy.

Table 14: Inter-regional Autonomy Asymmetry Model

<i>Key factors</i>	<i>Causal mechanisms</i>	<i>Possible impact on</i>
Development status	-A region with a low development status and capacity faces relative centralisation because it invites or welcomes federal take-over. -Less capable regions abandon their mandate, and thus the centre jump in regional prerogatives.	Policy Autonomy Fiscal Autonomy
Ethnic cohesion	-Inter-ethnic struggle and contests lead to disputes and instigate central interference to maintain peace and security in the unit. -Intergroup conflicts caused by ethnic cleavage weaken the social and political capital required to defend regional autonomy.	Policy Autonomy Political Autonomy
Historical-political marginalisation	-The centre passes policies and laws unfavourable to the autonomy of a marginalised unit because the unit's participation in the central government is low due to historical injustices. -As the marginalised group's participation in the shared rule is low, hegemonic elites dominate policymaking, and hence, the units implement centrally crafted policies rather than pursuing regional policy experimentation.	Policy Autonomy Political Autonomy
Peripherality	-A peripheral region not well integrated into the central state faces relative centralisation because power consolidation is inevitable to complete state-building and achieve national integration.	Policy Autonomy Political Autonomy

Development Status and Regional Autonomy

Concerning capacity, Ziblatt (2004) hypothesises the impact of subnational capacity in determining state structure. Erk (2017, 225) notes that some peripheral, small, and underprivileged regions in Ethiopia lack the administrative and infrastructural capacity needed to fulfil their constitutional responsibilities. Shair-Rosenfield, Marks, and Hooghe (2014) observed a somewhat similar tendency in the Malaysian federation and states with a power-sharing arrangement, such as Indonesia. This thesis offers new insights that regional capacity determines whether a constitutionally federal system operates as a federation or not. The previous chapters of the thesis revealed that centralisations across regions differ in line with the variation of administrative capacity of the constituent units in Ethiopia. While lack of regional capacity drives centralisation, an improved capability is associated with decentralisation.

A capacity deficit in the unit causes centralisation in two ways. *First*, a region lacking capacity abandons its powers or even calls for the federal government to take over its mandates because it cannot shoulder administrative responsibilities and lacks the finance to cover expenses. Regional officials may also invite the federal government to minimise pressures from constituencies in a lack of robust administration or to avoid accountability. *Second*, the unit's lack of capacity to enact and execute policies and regional fiscal nonviability triggers the centre to take over regional responsibilities. In this case, central officials may justify that a federal takeover is needed to ensure citizens equal access to public service and ensure a balanced development among the regions. Hence, other things being similar, a region with low capacity evidenced by lack of trained personnel, finance and material resources, and infrastructure, experience a relative centralisation or exercise less autonomy vis-à-vis a capable constituent unit.

It is important to note that the unit's socio-economic development level defines the unit's capacity, implying a relationship between socio-economic development and regional autonomy. The nexus is that the more socio-economic development in the region, the better the regional government's ability is and the higher its independence is for two reasons. *First*, a region with better socio-economic development has relatively fewer incentives to invite or

welcome federal takeover because of having enough economic and infrastructural development to carry out constitutionally assigned tasks. *Second*, the federal government lacks sufficient impetus or justification to jump into the regional areas of responsibility. Regional development also influences autonomy by providing the resource needed to increase ethnonational mobilisation and thus improve regional bargaining power (Jalali and Lipset 1992, 596).

Concerning a regional disparity in wealth and capacity and its impact on the implementation of federalism, there is theoretical evidence suggesting that such gaps affect a federal system. Sham (2007, 37) postulates that typically rich regions also have better educated and better-skilled labour than do poor regions, which caused the gulf between the former and the latter to increase. Large regional disparities represent serious threats in federal countries as the inability of the government to deal with such inequalities creates a potential for conflict and, in extreme cases, for disintegration.

Capacity variation and associated autonomy asymmetry across regions in a federation discussed in this thesis have implications. First, it implies that centralisation can also be caused by fundamental problems in constituent units besides the central governments' motives. The second implication is that extra-constitutional issues and matters beyond federal design determine the operation of federalism. Third, it suggests that effective federalism requires capacity building at the regional level.

Though federalism is taken as good for policy experimentation, if the federated units lack the capacity needed to make and implement policies, the theoretical advantages of federalism cannot be realised, and centralisation becomes inevitable. Such formal decentralisation through federalism and *de facto* centralisation because of capacity shortage in the regions makes federalism remain on paper.

Ethnic Cohesion and Regional Autonomy

Ethnicity is considered one of the most critical factors in autonomy because states with ethnic diversity distinctiveness tend to be decentralised. That being the general case; however, within-region ethnic diversity or its absence can lead to autonomy asymmetry across the regions. Tsakhirmaa comparatively examines three republics of Russia to identify the main

factors explaining autonomy variations across the republics. Accordingly, Tsakhirmaa argues that higher inter-ethnic integration can contribute to titular elites' bargaining capacity with the centre, leading to greater autonomy outcomes for the ethnic republic (Tsakhirmaa 2020, 891).

This thesis offers additional insights from Ethiopia regarding the influence of within region ethnic diversity on regional autonomy. Within-region ethnic diversity plays a role in producing asymmetric power centralisation in a constitutionally symmetric federation. As federalism decentralises political powers and resources, contests and conflicts among elites and parties representing different ethnic groups in ethnically heterogeneous regions are inescapable. Young (1999) and Asnake (2013) observe that such interethnic conflicts were driven by a desire to control regional political offices in Ethiopia.

It is essential to ask the nexus between within-region ethnic contests and conflicts and regional autonomy. Inter-ethnic conflicts have repercussions on regional autonomy and centralisation. Particularly in regimes where both formal and informal arrangements operate in parallel and ethnicity is taken as a key political mobilisation tool, ethnonational cleavages generate inter-group competitions and tensions. Inter-ethnic competitions and conflicts can contribute to centralisation in two ways.

One, inter-ethnic/clan struggle and contests lead to disputes and instigate central interference to maintain peace and security in the region. Two, intergroup conflicts caused by ethnic cleavage undermine the social and political capital required to defend regional autonomy. In this case, it is vital to note that social cohesion and political capital play a crucial role in determining regional leadership unity and defiance to centralisation. The issue becomes more complex when differentiations are made between titular groups and settlers, as is the case under the principle of 'federal character', favouring titular ethnic groups in distributing jobs and resources in Nigerian states (Dent 2000, 163). Such observations have implications for states that embraced federalism, such as Nepal, South Sudan, and Somalia (see the conclusion chapter).

Historical-political Marginalisation and Regional Autonomy

Insights from Ethiopia show that other factors remain equal; historically-politically marginalised units in a federation have a greater chance of facing centralisation vis-à-vis other regions. This is possible due to the following interrelated reasons. 1) marginalised region's participation in the central government agencies is low due to their historical injustices, which means the centre can quickly pass laws unfavourable to the autonomy of such regions. 2) federal interferences rarely face resistance because such regions have a legacy of centrally appointed administrators, not to mention the fundamental problem of capacity and lack of administrative experience. 3) marginalised groups' participation in the shared policy-making is low, which means hegemonic elites dominate the country's development policies' framing. Hence, national policies can side-line marginalised groups' interests, because of which these regions implement centrally crafted policies rather than pursuing their own policy experimentation. 4) marginalised units are also disfranchised in their relationship with the centre because of fiscal and coercive powers favouring the federal government, thus limiting the regions bargaining capacity.

Such a phenomenon might be observed in post-conflict federations and unions that adopted federalism as a means of addressing historical injustices of domination and discrimination. Federalism gives the groups some control over local issues; however, its implementation is influenced by centralised legacies of regimes preceding the federal order. Perpetuation of centralised legacy might not be surprising as decades or even centuries of marginalisation cannot be eliminated swiftly after adopting federalism that grants self-rule to marginalised groups. Consequently, such units remain dominated and marginalised even after formally adopting federalism. Hence, centralised policy legislation and execution continue to be the principal policy approach.

Peripherality and Regional Autonomy

At first glance, peripheral regions may look less reachable by central government agencies because of their remoteness (Ackrén 2009, 63–67). Such a case can be true for areas detached from the hinterland, such as islands and enclaves, because detached regions present a barrier for the central government to exercise control over the disconnected areas (Safran 1999;

Olausson 2008, 84). However, when the peripheral regions are geographically connected to the hinterland but infrastructurally and politically not integrated into the central state, national governing elites have strong incentives to extend control to peripheral units.

Ethiopia shows that in a federation where some units are not infrastructurally and politically integrated into the central state, the federal government actively participates in different development projects in such regions. The centre implements big infrastructural projects, poverty alleviation programmes, and large-scale investments in poorer and peripheral regions of Ethiopia (Erk 2017, 222). Though such initiatives are to expand infrastructure and integrate peripheral regions into the central state, integration comes at the expense of regional and subregional actors' autonomy. Exploiting natural resources in the peripheral areas is also an additional economic incentive for the federal government in pursuing centralisation in peripheral regions. Besides, active federal involvement in regional development opens new space for the centre to be more involved in the region's politics and administration.

The implication is that centralisation becomes inevitable to foster the integration of peripheral regions and thus complete state-building. However, this creates horizontal autonomy asymmetry besides making the federal government more powerful than the constitution suggests as the centre jumps into regional matters in implementing integrative projects. Hence, other things being equal, units lately unified into a central state and peripheral regions not infrastructurally well integrated to the centre might experience more power consolidation vis-à-vis other units. This phenomenon might be more notable, particularly in a holding-together type of federations with significant geographic, economic, and infrastructural disparities among constituent units.

10.5 Conclusion

Most academic works in federalism and decentralisation focus on developed and democratic federations, and illustrations of experiences from other regions of the world such as Africa are scanty. With its 25 years of federalism experience, Ethiopia offers lessons that can have implications for the broader study of comparative federalism. Besides, insights from Ethiopia can have wider implications for states embracing federalism such as Nepal, South Sudan, and

Somalia and countries such as Indonesia, Myanmar and Sri Lanka that have institutionalised power-sharing arrangements.

Ethiopia's experience reveals that where federal institutions are weak to safeguard the constitution, federalism will be based on informal settlements between the federal and regional elites. Such developments cultivate a federal system based on neopatrimonialism, a federal order with fewer prospects of delivering constitutional promises rather than serving the ruling elites' interests. The country also illustrates that the political tradition of centralism in young federations leads to the supremacy of central elites' interests unless an ideological commitment to federalism accompanies its institutionalisation. Furthermore, building an effective federation can be difficult in young federal systems where democracy is infant, institutions of federalism are flawed, regional capacity is low, the economy is not developed, and state-building is not completed. Then it should not be surprising to see a gulf between the federal constitution and the practice in such states.

Ethiopia also offers a good illustration that effective implementation of federalism requires both ideological orientation and commitment. We can understand the states' ideological orientation by looking into their constitutions because they set a framework for power distribution, state structure and policy process. However, ideological orientation to be meaningful should be augmented by an ideological commitment from actors, such as governing elites and political parties. Ethiopia's experience shows that ideological commitment and political willingness is as important as, if not more, constitutional ideological orientation. When the constitutional ideological orientation does not fit with the governing elites' preferences and the country's prevailing situation, the ruling elites will have limited interest to maintain an ideological commitment to the constitution.

Methodologically, insights from Ethiopia confirms previous works' assertion that constitutional texts cannot reveal much about a federation because gaps exist between the formal and the practice. Though such a gap may exist in democratic federations as well, discrepancies between *de jure* and *de facto* appear to be a norm in federations undergoing socio-economic development under authoritarian regimes, where federal institutions are weak. Assessment based merely on the constitution depicts a distorted picture of federations

like Ethiopia, where both codified and uncodified rules operate parallel. In such federations, codified power distribution can be altered informally without amending the constitution through letters written by federal agencies, minutes of the ruling party and the parliament, and agreements between the federal and regional ruling party officials. Such changes might not even be publicised, and the public may not have awareness. Hence, scholarly works of federalism in such states, characterised by a dominant party and developing economies, should focus on investigating the workings of federalism, assess the gap between formal and uncodified, and identify a range of factors intercepting the process of putting the constitution in practice.

Chapter Eleven: Conclusions

This thesis examined the implementation of federalism and regional autonomy in developing countries by taking Ethiopia as a case. It moved beyond a formalistic assessment of regional autonomy to measure changes in power distribution over time. Such an approach is preferred because the constitutional division of powers can generate a misleading picture of the operation of federalism as different factors drive de/centralisation over time. The thesis sought to draw generalisable patterns from Ethiopia's federalism experience that might have broader implications. This chapter provides conclusions emerging from Ethiopia and other federations discussed in previous chapters.

Post-conflict federations governing elites may grant wide-ranging powers to the constituent units when enacting federal constitutions. Still, federal ruling regimes put certain traps to restrict the units from fully exercising their prerogatives. Such tactical restriction of regional autonomy might help curtail the risk of going apart where there are secessionist insurgencies. However, such an approach of tactically restricting the practice of constitutional autonomy is problematic as it affects the implementation of federalism and contributes to jurisdictional conflict.

Theoretically, the constitutional entrenchment of regional autonomy in the federal system offers an authoritative mechanism for the regions to pursue their own policies or resist federal encroachment. Nevertheless, this research reveals that *de jure* and *de facto* autonomy rarely correspond in states under dominant party regimes. Though constitutionally declared rights to self-rule can lead to the accommodation of diversity and augment the sense of ethnic identity, regions in developing federations under dominant party regimes are practically not as autonomous as constitutionally envisioned. Several factors cause de/centralisation, often in defiance of the federal constitution. Such factors can be economic, political, historical, and social. The drivers can also be endogenous or exogenous. However, the impact of the drivers can vary across regions, generating informal autonomy variation within a constitutionally symmetric federation.

The party system, parties' internal decision-making process, and structure are central to federalism in developing countries such as Ethiopia. In such federations, though regional parties exist, they struggle to operate outside the narrow framework set by the federal ruling party. Under such arrangement, decisions taken by the federal ruling party are cascaded down to the ladder for implementation; and regional parties seldom question federal decisions as regional parties are nominally independent. Therefore, regional autonomy is primarily, but not solely, became the function of the federal officials' interest and the country's pragmatic situation than what the constitution dictates. This implies that though federalism promises decentralisation and veto players, a federation under a dominant party regime, where democracy is lacking, cannot accomplish such promises. Therefore, states embracing federalism should also equally cultivate a genuine multi-party system and invest in building democratic institutions as they are vital for building a robust federation.

Nonetheless, the party system is not the only factor determining the implementation of federalism and the practice of regional autonomy. For example, in developing countries undergoing socio-economic and political transformation, the lack of capacity in the regions, the state-building project, national integration, and economic development objectives incentivise the centre to ignore the formal rule of the game. The federal officials in developing federations appear to assume that regional autonomy and formal rules of federalism are secondary to achieving development and poverty reduction. Thus, although the constitution is a base in studying regional autonomy, relying merely on codified laws can be misleading because both codified and uncodified rules determine federalism, or the latter sometimes overrules the former in dominant party regimes such as Ethiopia.

Another major emphasis of this chapter is synthesising what the implementation of federalism requires, particularly in developing countries embracing federalism, based on Ethiopia's experience and other federations discussed in previous chapters. One of the key issues in implementing federalism is a political-cultural change. As federalism comes with a new political settlement of rules of the game, institutions, officials at two tiers of government, and the public should adopt the new arrangement to deliver constitutional promises. A sharp break away from a centralised state structure to a devolved federal system requires an equivalent amount of shift in officials' thinking and adapting to the new way of running the state. The

two levels of government should internalise that both tiers of government are empowered by the constitution, and regions are not subordinate to the centre.

Such a shift in thinking and *modus operandi* is, in fact, not straightforward and may not be swiftly attained as centralised legacies require several years to fade away. Thus, countries embracing federalism should anticipate that moving from a centralised legacy to federalism might face challenges. On the one hand, the central government officials might be reluctant to adhere to the constitutional division of powers in implementing federalism. They tend to undermine regional autonomy as they assume constituent units are the federal government's creation. Hence, federal officials might be reluctant to surrender the powers they used to exercise preceding federalism.

On the other hand, regional officials tend to admit that regions are subordinate to the centre. Consequently, they accept the federal government decisions regardless of their constitutionality and might not resist when the centre impinges on the regions. Instead of actively participating in shared policy-making and responding to their policy priorities, constituent units remain the federal government's agents. Thus, policy experimentation at a subnational level, a theoretical opportunity the federal system offers, will not be realised.

Consequently, political-cultural shifts from both federal and regional level officials are vital in facilitating the implementation of federalism and achieving the objectives for which the federal order was adopted in the first place. Above all, thinking-federal plays a crucial role in intergovernmental relations, cooperation, and consultation between two tiers of government in the policy process and fiscal federalism that the implementation of federalism crucially requires.

Regional fiscal competence is as vital as policy and other forms of decentralisation. One of the defining features of constituent units in federations such as Ethiopia is limited own-source revenues because of the constitutional centralisation of lucrative revenue sources, subtle centralisation of shared revenues sources and lack of regional capacity. Hence, regions are fiscally hugely reliant on the centre. This is problematic for federalism implementation and regional autonomy. Centralisation of certain revenue sources has some economic objectives. Nonetheless, revenues should not be so centralised that the federal government determines

the sustainability of the constituent units. Such tendency calls for devising an appropriate strategy in striking a delicate balance between revenues de/centralisation in new federations.

Another challenge that developing countries might face in implementing federalism is the lack of capacity in the constituent units. Federalism requires constituent units with a capacity sufficient to discharge their constitutional mandates. In post-conflict settings, subnational units typically do not have the capacity needed to deliver decentralised public services. Similarly, in developing countries, constituent units lack the infrastructural, staffing, and economic capacity required for the effective implementation of federalism. Such lack of capacity can be the problem of all regions or more severe in some constituent units than others.

New federations and states considering federalism should anticipate the issue of regional capacity and take appropriate approaches when designing a federal constitution and implementing federalism. One approach to dealing with such a challenge is considering capacity when constitutionally allocating competencies between the centre and the constituent units. This is crucial because if the regions are assigned competencies that they cannot shoulder, devolution remains on paper and the federal government remains the leading actor in regional service delivery, generating resentment and jurisdictional conflict. That means if regional and sub-regional units lack the essentials required to run their affairs, federalism cannot bring the government closer to the people. Therefore, development and capacity differences across the regions should be considered when designing the federal constitution. Particularly, when differences among the units are huge, it will lead to informal centralisation asymmetry, contributing to conflict as less capable regions face more federal takeover than other constituent units.

The implication is that young federations with constituent units that strikingly vary in development and capacity might need to go through a transition period to build capacity in the regions before embarking on full-scale federalism. The transition period can help to establish administrative departments in the regions, deliver capacity building programmes, and work together with the federal government to transfer competencies to newly created regional agencies so that regions can deliver service to the constituencies effectively. Rather than suddenly devolving authorities to the constituent units lacking administrative and bureaucratic experience and capacity, step-by-step transfer of competencies accompanied by

capacity building help implement federalism. However, the transition period should also be taken prudently as some groups can dominate the process to strengthen their grip on power. During Ethiopia's transition period, such a problem was observed that a dominant party was implanted, which impacted the federal process subsequently.

Regarding building regional capacity, insights from Ethiopia is relevant for young federations. The country created different departments such as the Regional Affairs Department, Ministry of Federal Affairs, and Ministry of Capacity Building to improve regional capacity. Besides, reform packages and affirmative actions were implemented to strengthen the expertise of civil servants of relatively developing regions. However, such issues should be carefully taken with clear objectives and formal procedures as the federal government often use such arrangements to extend its control into the regions. Moreover, the federal ruling party could dominate the arrangement to expand its power monopoly down the local level administration. Overall, arrangements aimed at building regional capacity should be formalised, have a clear legal framework and timeline, and capacity building should not be politicised.

It is not easy to give a complete list of new federations' challenges in implementing federalism. It is also impossible to prescribe how to tackle the problems as all is contextual. Nonetheless, anticipating the possible tests contributes to the successful implementation of federalism and the very stability of the states. Among others, drawing constituent units' boundaries or restructuring the state into federal order should anticipate the implementation of the constitutions. Ethiopia offers many lessons regarding such issues. Ethiopia's transition period helped redraw regional boundaries, during which the number of regions reduced from fourteen to nine before full-scale federalism implementation. In 2019, a new region was created, and an additional one is in the making. Such changes were possible because the procedures of making such amendments are included in the federal constitution, offering the flexibility needed to address demands emerging following the official adoption of federalism. Thus, new federations should anticipate such crucial issues before unpacking the federal constitution. Failure to do so can be daunting for implementing federalism and could generate tensions and conflicts.

Another necessary arrangement for proper implementation of federalism and exercise of regional autonomy is intergovernmental relations because federalism requires collaboration and consultation between levels of government. IGRs institutions should be established, and there should be a clear legal framework to facilitate the relationship between the federal and regional governments. Lack of a clear legal framework governing such issues can have several consequences.

It can affect the implementation of federalism and regional autonomy by making the ruling party structure the main conduit linking the two levels of government and thus leads to fusion of party and government. It may also enable the federal government to dominate the IGRs, generating hierarchical relationships between the two tiers of government. As a result, regions hold a subordinate position in the process rather than acting as a partner in public policy. Further, it may generate an informal relationship between federal and regional officials, fostering neopatrimonialism and clientelism.

The impacts of constitutional words, such as generic clauses and vague provisions, also influence the implementation of federalism. Such generic phrases should be carefully crafted for several reasons. One, they create confusion and conflict in implementing federalism and thus generate tensions and policy deadlock. Two, they are often manipulated by the federal government for expanding its control in the regional jurisdiction, leading to centralisation without formal constitutional modification. Though lack of constitutional precision is common in federations, such an issue deserves special consideration in young federations as courts and similar institutions that could resolve power conflicts operate under political influence.

Federalism is an ideal political system in accommodating diversity by allowing self-rule. Though granting self-rule is important for territorial groups in ethnically diverse states, distributing political, economic, and public offices based only on ethnicity can have repercussions of decentralising conflicts, not just powers, to regional and subregional levels. This is because ethnically based power allocation can generate tensions and conflicts among elites representing different groups as they fight each other to control regional and subregional powers. Ethnically diverse states embracing federalism should anticipate such challenges and adopt various approaches to tackle such unintended consequences of federalism.

Democratisation, meritocracy, and office distribution schemes that cut across ethnicity/clan can be among the methods. Another approach can be forming cross-ethnic parties at the regional level by incorporating diverse members from different ethnic groups to re-channel inter-ethnic and inter-party conflict into an intra-party personal competition. Besides, informal power-sharing arrangements can augment this approach. Informal power-sharing is attractive as it is extra-constitutional and flexible and can avoid ethnic gridlock and antagonism.

Though federations may attempt to treat all regions equally, practically, there might be spatial autonomy variation caused by the amalgamation of socio-economic and historical-political factors. This means region-specific situations can enhance or weaken the exercise of regional autonomy. Hence, without understanding the challenges stemming from the regional level, it can be tricky to comprehensively explain the reasons for the success or failure of implementing federalism in young federations. In light of federalism studies, variations across regions provide important conditions for testing existing theories or developing new notions. This thesis used the best available evidence to theorise the nexus between regional autonomy and region-specific factors such as development, ethnic diversity, peripherality and marginalisation. Relatively developing, ethnically diverse, peripheral, and historically marginalised regions tend to have lower *de facto* autonomy than other regions in the Ethiopian federation. Such a phenomenon can also be observed in new federations with remarkable differences across constituent units. Such a scenario calls for future research that can generate objective quantitative data to validate and test the statistical significance of this argument to a larger sample.

Annexes

Annex 1: Legislative Scores-Education Policy

Year	Primary Education			Secondary Education			TVET			University			Mean	Mode
	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR		
1995	3	3	3	0	0	0	0	0	0	0	0	0	0.75	0
2000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005	1	1	1	0	0	0	2	2	2	0	0	0	0.75	1&2
2010	2	2	2	0	0	0	2	2	2	0	0	0	1	2
2015	2	2	2	0	0	0	2	2	2	0	0	0	1	2
2020	2	2	2	0	0	0	2	2	2	0	0	0	1	2

Source: computed based on fieldwork, 2020

Note: B-G=Benshangul-Gumuz

Annex 2: Administrative Scores-Education Policy

Year	Primary Education			Secondary Education			TVET			University			Mean	Mode
	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR	B-G	Oromia	SNNPR		
1995	4	4	4	4	4	4	2	2	2	0	0	0	2.5	4
2000	2	4	2	2	3	2	1	1	1	0	0	0	1.5	2
2005	4	4	4	4	4	4	3	3	3	0	0	0	2.75	4
2010	4	4	4	4	4	4	3	3	3	0	0	0	2.75	4
2015	4	4	4	4	4	4	3	3	3	0	0	0	2.75	4
2020	4	4	4	4	4	4	3	3	3	0	0	0	2.75	4

Source: computed based on fieldwork, 2020

B-G=Benshangul-Gumuz

Annex 3: Autonomy Scores- Land Policy

Year	Legislative					Administrative				
	B-G	Oromia	SNNPR	Mean	Mode	B-G	Oromia	SNNPR	Mean	Mode
1995	0	0	0	0	0	4	4	4	4	4
2000	2	2	2	2	2	4	4	4	4	4
2005	2	2	2	2	2	2	4	3	3	2/3
2010	2	2	2	2	2	1	3	1	1.6	1
2015	2	2	2	2	2	1	2	1	1.3	1
2020	2	2	2	2	2	3	4	3	3.3	3
Mean	1.6	1.6	1.6	1.6		2.5	3.5	2.6	2.8	

Source: computed based on fieldwork, 2020

B-G=Benshangul-Gumuz

Annex 4: Federal and Combined Regional Revenue Share

Revenue Share	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Federal	83.18	82.43	81.8	82.96	83.55	82.86	80.7	79.7	79.6	75.7	74.1	73.4	75.3	75
Regional	16.82	17.57	18.2	17.04	16.45	17.14	19.3	20.3	20.4	24.3	25.9	26.6	24.7	25

Source: 2009/10-2016/17 compiled from MoFEC's various years' data; 1994/95&1997/98 (World Bank 2000, 21); 1998/99&1999/00(Paulos 2007a, 369)

Annex 5: Proportion of Regional Own-source Revenues

Revenue	1994/95	1995/96	1996/97	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Mean
B-G	7.2	5.9	6.8	15.72	15.82	17.26	17.77	19.21	22.95	24.2	24.05	19.62	16
Oromia	27.4	29.7	30.1	44.33	45.48	48.78	40.4	42.44	53.38	49	50.31	48.85	41.7
SNNP	18.7	21.5	23.1	11.8	13.02	19.84	11.52	19.15	24.74	27.16	27.04	27.5	20.7
Mean	17.76	19	20	23.95	24.77	28.68	23.23	26.93	33.67	33.45	33.8	32	26.1

Source: 2008/09-2017/2018 computed from the regional budget; 1994/95-1996/97 (World Bank 2000, 26).

Note: B-G: Benshangul-Gumuz

Annex 6: Federal Subsidies as a Percentage of National Expenditure (1994/95-2017/18)

Year	Federal Budget (in ETB)	Federal Subsidies (in ETB)	Subsidies Percentage
1994/95	10,578,754,757	4,595,796,955	43.44
1999/00	17,915,926,731	3,645,636,199	20.34
2004/05	25,878,611,017	6,364,553,053	24.59
2008/09	59,215,836,539	16,556,119,104	27.95
2009/10	75,093,285,068	19,556,104,808	26.04
2010/11	91,657,292,652	25,556,136,661	27.88
2011/12	133,055,334,100	46,393,787,455	34.86
2012/13	150,630,492,061	57,140,603,211	37.93
2013/14	162,457,531,882	56,812,403,693	34.97
2014/15	194,996,945,841	77,993,653,563	39.99
2015/16	271,900,777,535	88,141,323,961	32.41
2016/17	292,373,200,000	99,871,700,000	34.15
2017/18	334,803,602,160	124,260,432,137	37.11
Mean			33.32

Source: compiled from MoFEC's Various Years Data, 2019

Note: only selected years' data are presented between 1994/95 and 2008/09 as they show a similar trend.

ETB-Ethiopian Birr. In May 2021, 1 ETB is equivalent to 0.017 GBP

Annex 7: Federal Subsidies as a Percentage of Regional Revenues

<i>Year</i>	<i>Benshangul-Gumuz</i>	<i>Oromia</i>	<i>SNNP</i>	<i>Mean</i>
1994/95	92.8	72.6	81.3	82.2
1995/96	94.16	70.35	78.49	81
1996/97	93.7	71.72	77.48	80.96
1997/98	95.3	71.2	79.4	81.96
1998/99	95.1	72.2	81.7	83
1999/00	89.4	65	76.8	77.06
2008/09	84.2	53.6	82.9	73.5
2009/10	84.5	52.8	83.9	73.7
2010/11	74.7	51.2	78	67.9
2011/12	78.2	59.6	87.4	75
2012/13	78.4	57.5	80	71.9
2013/14	75.5	53.4	74.5	67.8
2014/15	75.1	51	72.3	66.1
2015/16	76.2	49.7	72.5	66.1
2016/17	80	51.1	72.2	67.7
2017/18	77.5	52	73.1	67.7

Source: 2008/09-2017/18 computed from MoFEC's data; 1994/95-1999/00 (Paulos 2007b, 368).

Annex 8: Conditional Grants as a Proportion of the Total Grants

Year	The whole Federation		Benshangul-Gumuz		Oromia		SNNP	
	<i>Total Grants</i>	<i>PCG*</i>	<i>Total Subsidies</i>	<i>PCG</i>	<i>Total Subsidies</i>	<i>PCG</i>	<i>Total Subsidies</i>	<i>PCG</i>
2008/09	16,556,119,104	0	271,524,335	0	5,660,017,115	0	3,301,460,000	0
2009/10	19,556,104,808	0	383,752,417	0	6,484,301,352	0	3,929,620,000	0
2010/11	25,556,136,661	0	508,437,965	0	8,450,509,132	0	4,684,549,984	0
2011/12	46,393,787,455	32.3	880,397,820	35.7	14,488,045,589	33.6	9,100,040,000	33.1
2012/13	57,140,603,212	35	1,090,961,030	38.5	17,220,060,576	37.7	11,207,946,135	35.8
2013/14	56,812,403,693	23.6	1,173,488,875	24	18,562,625,229	23.5	11,536,706,812	23.3
2014/15	77,993,653,563	19	1,617,667,594	19.2	24,948,115,334	19.2	13,267,287,787	22.4
2015/16	88,141,323,961	12.8	1,770,073,625	13.4	27,450,570,248	13.4	17,069,413,391	13.3
2016/17	99,871,700,000	12	2,358,118,221	10.6	35,086,806,420	11.1	19,996,071,413	12
2017/18	124,260,432,137	5.6	2,222,798,548	5.7	41,632,921,958	5.7	24,572,207,587	5.7

Source: compiled from MoFEC's various years' data, 2019.

Note: * proportion of conditional grants.

Annex 9: List of Interviewees

- Interviewee 1: An official in the SNNPR Education Bureau, May 2019, Hawassa.
- Interviewee 2: A senior official in the Ministry of Education, April 2019, Addis Ababa.
- Interviewee 3: A senior official in the SNNPR Education Bureau, May 2019, Hawassa.
- Interviewee 4: An official in the Benshangul-Gumuz Region Education Bureau, July 2019, Asosa.
- Interviewee 5: A senior official in the Ministry of Education, June 2019, Addis Ababa.
- Interviewee 6: An official in the Oromia Region Education Bureau, March 2019, Addis Ababa.
- Interviewee 7: A senior official in the Oromia Region Education Bureau, March 2019, Addis Ababa.
- Interviewee 8: An expert in the Oromia Region Education Bureau, April 2019, Addis Ababa.
- Interviewee 9: A TVET Department Head in Oromia Region, April 2019, Addis Ababa.
- Interviewee 10: A senior official in the SNNPR Education Bureau, May 2019, Hawassa.
- Interviewee 11: An official in the Ministry of Agriculture, May 2019, Addis Ababa.
- Interviewee 12: An official in the Oromia Region Land Administration and Use Bureau, April 2019, Addis Ababa.
- Interviewee 13: An official in the Ministry of Agriculture, May 2019, Addis Ababa.
- Interviewee 14: An official in the Oromia Region Investment Commission, April 2019, Addis Ababa.
- Interviewee 15: An official in the Oromia Region Land Administration and Use Bureau, March 2019, Addis Ababa.
- Interviewee 16: A senior Official in the Oromia Region Office of the President, March 2019, Addis Ababa.
- Interviewee 17: A senior Official in the Benshangul-Gumuz Region Land Administration Bureau, August 2019, telephone interview.
- Interviewee 18: An official in the Federal Ministry of Revenues, July 2019, Addis Ababa.
- Interviewee 19: An expert in the Oromia Region Revenues Authority, April 2019, Addis Ababa.
- Interviewee 20, Expert in the SNNPR Revenue Authority, May 2019, Hawassa.
- Interviewee 21: An official in Benshangul-Gumuz Revenues Authority, July 2019, Asosa.
- Interviewee 22: An official in the SNNPR Revenue Authority, May 2019, Hawassa.
- Interviewee 23: An official in the Oromia Region Revenues Authority, April 2019, Addis Ababa.
- Interviewee 24: An official in the Oromia Region Bureau of Finance and Economic Development, March 2019, Addis Ababa.

Interviewee 25: An official in the SNNPR Bureau of Finance and Economic Cooperation, May 2019, Hawassa.

Interviewee 26: A member of the ODP Central Committee, March 2019, Addis Ababa, Addis Ababa.

Interviewee 27: An official in the Ministry of Revenues, May 2019, Addis Ababa.

Interviewee 28: An official in the Oromia Region Revenues Authority March 2019, Addis Ababa.

Interviewee 29: A Director of Finance and Administration in the Oromia Region Bureau of Finance and Economic Cooperation, April 2019, Addis Ababa.

Interviewee 30: An Official in the Ministry of Finance and Economic Cooperation, April 2019, Addis Ababa.

Interviewee 31: An official in the Benshangul-Gumuz Region Bureau of Finance and Economic Development, July 2019, Asosa.

Interviewee 32: A Director of Budget Administration in the SNNPR Region Bureau of Finance and Economic Development, May 2019, Hawassa.

Interviewee 33: A Director of Budget Administration in the Oromia Region Bureau of Finance and Economic Cooperation, April 2019, Addis Ababa.

Interviewee 34: An Expert in Oromia Region Bureau of Finance and Economic Cooperation, February 2019, Addis Ababa.

Interviewee 35: An expert in the Benshangul-Gumuz Region Bureau of Finance and Economic Development, July 2019, Asosa.

Interviewee 36: An Expert in the SNNPR Bureau of Finance and Economic Development, May 2019, Hawassa.

Interviewee 37: A member of the EPRDF Central Committee, March 2019, Addis Ababa.

Interviewee 38: A former member of Federal Parliament (2000-2005), March 2019, Addis Ababa.

Interviewee 39: An official in the Ministry of Agriculture, March 2019, Addis Ababa.

Interviewee 40: An official in the Federal Ministry of Education, April 2019, Addis Ababa.

Interviewee 41: A senior official in the Ministry of Agriculture, May 2019, Addis Ababa.

Interviewee 42: An official in the Ministry of Finance and Economic Cooperation, May 2019, Addis Ababa.

Interviewee 43: An Official in the Benshangul-Gumuz Region Bureau of Finance and Economic Development, July 2019, Asosa.

Interviewee 44: A senior official in the Federal TVET agency, March 2019, Addis Ababa.

Interviewee 45: An official in the Oromia Region Land Administration and Use Bureau, April 2019, Addis Ababa.

Interviewee 46: An official in the SNNPR Land Administration and Use Directorate, May 2019, Hawassa.

Interviewee 47: An Official in the Benshangul-Gumuz Region Investment Bureau, July 2019, Asosa.

Interviewee 48: A senior official in the Oromia Region Investment Commission, April 2019, Addis Ababa.

Interviewee 49: A senior official in the Oromia Region Office of the President, March 2019, Addis Ababa.

Interviewee 50: An official in the Benshangul-Gumuz Region Land Administration and Use Bureau, July 2019, Asosa.

Interviewee 51: An official in the Benshangul-Gumuz Region Bureau of Finance and Economic Development, July 2019, Asosa.

Interviewee 52: An official in the Oromia Region Office of the President, March 2019, Addis Ababa.

Interviewee 53: A senior official in the SNNPR Land Administration and Use Directorate, May 2019, Hawassa.

Interviewee 54: An official in the Oromia Region Investment Commission, April 2019, Addis Ababa.

Interviewee 55: An official in the Oromia Region Office of the President, March 2019, Addis Ababa.

Interviewee 56: An official in the SNNPR Revenues Authority, May 2019, Hawassa.

Interviewee 57: An official in the SNNPR Office of the President, May 2019, Hawassa.

Interviewee 58: An official in the Benshangul-Gumuz Region Office of the President, July 2019, Telephone Interview.

Interviewee 59: Ex-official in the Ministry of Capacity Building, April 2019, Addis Ababa.

Interviewee 60: An official in the SNNPR Bureau of Finance and Economic Development, May 2019, Hawassa.

Interviewee 61: An official in the Benshangul-Gumuz Bureau of Finance and Economic Development, July 2019, Asosa.

Interviewee 62: A member of HoF from SNNPR, April 2019, Hawassa.

Interviewee 63: A senior official in the SNNPR Land Administration and Use Directorate, May 2019, Hawassa.

Interviewee 64: A senior official in the Benshangul Gumuz Region Land Administration and Use Bureau, July 2019, Asosa.

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