

Committees in Ethiopian financial environment, based on the study's finding it is concluded that the ensuing serious lack of parliamentary oversight over public resources has resulted in a state of affairs which defeated the deterrent role that such an oversight would have played. This would include the role it could play in fortifying accounting officers against the temptation to stray from the path of financial regularity and budgetary prudence. It is, therefore, strongly recommended that Parliamentary Committees and public accounts committees be set up with the commensurate autonomy and with the 'legal teeth'. There is also the need for a strong cooperative interface between these committees and supreme audit institutions towards a coalition that can make a real difference in bringing about overall budgetary discipline;

- The other dimension of the quest for Value for Money is the need for making an aggressive search for new sources of revenue. By way of a recommendation, one potential area along these lines is the operation of lotteries by local authorities where a wide range of systems involving both agencies and direct operation are available. Attention should be paid to the potential of operating a lottery that is not already done and then to the most economic and fruitful method of doing so;
- Another new approach to mobilizing sources of income and which has scored considerable results in some countries and is highly recommended here is what is known as Budgeting for Results. This budgeting approach, among other things, would allow internal markets to be established within the public sector through the introduction of Inter-Departmental Charging (IDC). The mechanism allows government departments to charge each other for selected support services that were previously provided for free, and to require the provider departments to earn their operating expenses through these charges. The fundamental merit of this mechanism is that it discourages any tendency for over-consumption by user departments while forcing provider departments to be responsive to the needs and expectations of its 'customers' just like in a private company;
- Closely related to the search for new sources of revenue, this study has made the conclusion that there is a need for fully utilizing already existing income sources; tax and rent arrears in the areas covered by the study have reached staggering levels. Therefore, it is recommended that a credit and debt collection framework have to be installed so that records of debtor and receivable accounts are properly kept and updated and proper follow-ups made on defaulters. In this connection, officers should get hold of the opportunity and be keen enough to explore the reasons behind the reluctance to pay, or the outright desire to evade payments on the part of tax and

ratepayers. Supposedly, this is an indication of public protest against the apparent lack of rationality in fixing charges and assessing and levying taxes, and may even lead to an eventual revision of the latter;

- From the findings with regard to transport and vehicles, it is recommended that gradual standardization be done to the unnecessarily wide range of vehicle types and supplies in order to achieve better fleet discounts and lower spares inventories. Similarly, we advise the authorities covered by the study to consider the possibility of employing mechanic- drivers that could somehow reduce the maintenance and repair costs of minor technical hitches; and
- Most importantly, local authorities in Ethiopia are strongly recommended to seriously consider the possibility of inter-authority pooling arrangements where vehicles as well as drivers and mechanics by neighbouring or closely related authorities are jointly used. This arrangement has proved to be an area of significant cost saving in various contexts in other parts of the world.

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The Municipal Development Partnership for Sub Saharan Africa was launched in 1991 as a multi year partnership between municipal governments and associated institutions and bilateral and multilateral donors. The Partnership was designed to be an alternative model of development assistance, operating regionally and nationally, dedicated to building local institutional effectiveness in Sub Saharan Africa. The Partnership is organized in two units both of which share the same objectives and methodologies. The Eastern and Southern Africa unit covers 25 countries and is based in Harare, Zimbabwe. The Western and Central Africa unit covers 22 countries and is based in Cotonou Benin.

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Viability Strategies for Achieving Value for Money towards Improving the Service Delivery Capacity of Local Government Systems in Ethiopia: The Case of the Kemmissie Municipality and the Dire Dawa Council

By S. Tsegaye and T. Gedif

Background

Nowadays, public reluctance worldwide to continually pour money into municipal systems that it considers to be grossly inefficient has mandated attention to the improvement of operations, the achievement of greater productivity, and the elimination of waste. The necessity of introducing mechanisms for achieving Value for Money is further accentuated by the overwhelming consciousness of financial pressure as well as the eternal gap between the cost of ambitions and the money available to finance them.

The demand for many of the services and programs provided by the public sector is increasing steadily due to economic and social trends over which organizations have little control. For this and other reasons, the elimination of waste and inefficiencies has become the slogan in current governments that are struggling to make ends meet in an economy of limited public funds and budgetary strain. This situation is more vividly manifest in local governments, given not only the limited resource generating and managing capacity at this level of government but also the absence in these local government systems of sound structures of control. The recent measures of decentralization and the Poverty Reduction Strategy Program in Ethiopia require local governments to become increasingly involved in the delivery of quality services. Implicit in these roles, local governments are responsible and will be held accountable for the critical decisions affecting social services as well as the resources they acquire and utilize.

Committed steps, therefore, towards reducing waste and achieving Value for Money in local service delivery and rationalization in resource allocations towards setting priorities on areas having greater capacity to reduce poverty have, more than ever, become matters of local government priority. The level of center-local fiscal relations has also to be grounded on the mutual understanding of all parties involved towards creating a healthy and efficient financial environment.

The Research Problem

The constant public outcry for increased Value for Money in local government service delivery has necessitated the need to put a sound system of control towards achieving

cost-reduction and minimizing incidences of fraud and corruption. Audit results and management reports reveal that, given the widespread inefficiency in local government, a good deal of improved housekeeping and thrift can still be achieved in the management of resources at this level of government in Ethiopia. In Article 24 of the directives issued by the former Minister of Finance, it is stipulated that departmental managers should pay proper regard to the need for Value for Money in the use of all the resources for which each departmental manager is responsible.

Even though the pronouncement indicates that there is a will and a general awareness on the need for Value for Money in the delivery of public services, specific and feasible strategies through which such a lofty goal is achieved are not explicitly given. The search into, and the attempt to come up with, viable systematic and pragmatic interventions to achieving local resource efficiency has remained to be an outstanding problem for a long time now. This is what this study was set to achieve to a large extent.

Research Objectives

With the above issues in view, this study had the prime objective of identifying potential areas of cost-reduction and improved Value for Money in local level resource management in Ethiopia. To that end, the financial practices in the municipal/council systems covered by the study with respect to Value for Money were examined from the perspectives of both systematic and pragmatic considerations to cost-reduction. The study's accompanying specific objectives were to:

- Examine the mechanisms, if any, that have so far been in use in these systems of local government to set expenditure priorities towards targeting the most needy;

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- Examine the role in the quest for Value for Money of the internal control/audit function within Ethiopian local government systems; and
- Explore extent to which and the ways in which the nature and level of centre-local fiscal relations in Ethiopia affected local level spending behaviour in terms of the efficient utilization of available resources.

Research Methodology

With regard to methodology, a descriptive case study method was employed to explore the current behavior of local government systems in seeking Value for Money and probe into its implications to poverty reduction. The study had a highly participatory orientation and indulged into an in-depth and down-to-earth examination of otherwise complex events in order to make stakeholders part of the evaluation process and provoke a sense of spending efficiency awareness among the stakeholders.

In conducting the study, extensive interviews and consultative discussion sessions were held with officials, employees, auditors, and the general public. The latter included employees (the self employed, private employees and government employees), the unemployed, people with disabilities, street people, retired employees, aged people, and housewives. In addition, the gender, educational level, and employment status of each of these groups were taken into account in selecting the samples of the discussants and in examining the effects of these variables in limiting or enhancing their access to participation in resource use prioritization.

A detailed examination and evaluation of the organizational structure, control procedures, financial, statistical and personnel records as well as information systems of the authorities were carried out; results of past audit engagements conducted in the respective authorities were also reviewed. Thus were identified both the attempts that are being made, and the barriers, to an improved Value for Money and the problems associated with setting expenditure priorities towards targeting the most needy. In addition, the study was deeply enriched by the national and regional workshop deliberations as well as by the extensive review of local and international literature that was done before and after the fieldwork. Two systems of local administration namely, the city of Dire Dawa and the town of Kemmissie were subjected to the study.

Research Findings

The major research findings of this study can be broken down into two major categories of the systematic and pragmatic consideration types

Systematic Considerations

- The findings under systematic considerations covered issues surrounding financial/budgetary and income generating approaches as well as macro-level issues of official commitment and strategic vision, service coordination and center-local fiscal relations.
- In its examination of the role played by the practices of strategic orientation and vision in the quest for Value for Money, the study found out that both these indispensable ingredients are almost totally lacking in the systems studied, which is exacerbated by the frequent official turnover in these areas for mainly politically driven reasons;
- The research findings also reveal that in nearly every endeavour, the role of employee commitment and dedication at all levels of the organization is of paramount importance. Systemic and institutional structures, procedures and arrangements, however elaborate and extensive they may be, cannot suffice in bringing about the desired changes in the quest for Value for Money. This implies that, leaving ethnic and political differences aside, all members of an organization from the rank and file employee to the executive have to be

committed to the objectives of Value for Money so that the whole effort would not rather end up being the vehicle for interdepartmental conflict;

- The study also established that the local-local fiscal relations in the areas studied (or even in the country at large) seem to provide a fertile soil for gross fiscal malfeasance and spending inefficiency. Viewed from the perspective of the limited revenue generating capacity of regional states and the disparity in resource endowments among them as well as the poor and obsolete status of their financial infrastructure and trained manpower, it can be said that the country's program of fiscal decentralization has been untimely;
- Also the near-total absence of performance (Value for Money) audits and the limited extent of financial audits coupled with poor systems of internal control within these municipal systems have all impacted adversely on spending efficiency. Audit systems that lack independence, a corrupt judiciary and weak parliamentary oversight have also been powerful incentives to the burgeoning corruption in these systems;
- The research findings also revealed that lack of public participation in budget decision-making has compounded public indifference to the budget and to public property in general. The government budget is considered as an outsider's money unworthy of public guardianship. The lack of participatory resource allocations has also created a situation where the needs of the most vulnerable segments of the city population are disregarded;
- Despite the absence of formal and direct mechanisms for public participation in budgetary decision-making, however, the study made an interesting revelation that there is an informal channel that allows in the voices of educated employees (government and self-employed) in the process. Therefore the absence of a formal avenue for public participation in budget decision making is not only furthering the interests of elites but is also posing a real threat to poverty reduction efforts in the country as a whole. The incremental nature of the budgeting approach in use and the failure to assess the felt needs of these marginalized segments of the population are two of the other factors that underlie this state of affairs. People with disabilities, street people and the unemployed are found to have a very limited access to basic social services. The negative implications of such states of affairs to poverty reduction efforts are tremendous;
- In a similar vein, finance, budget and accounting officers as well as auditors interviewed are of the opinion that the level of inefficiency in spending and corruption showed an increase along with the annual increases in federal government subsidies to the regions. A World Bank study report conducted elsewhere concurs with this finding when it notes: "if ad hoc funds from outside units are available to meet budget shortfalls, local bodies can lose their incentive to function efficiently." The report further argues that such constant supply of funds erodes the real power of the local body and its ability to effect change, as attention goes to extracting these benefits; and
- The study also showed that the incremental budgeting approach that is currently in use provides a 'right to spend' encouraging a year-end spending frenzy where the ensuing rush to purchase leave no penny unspent, is resulting in sidestepping procurement rules and in buying goods and services of sub-standard quality. The situation is exacerbated by the tendency among some heads of public bodies and even parliamentarians to regard year-end budget surpluses in public bodies as signals of idleness and inactivity.

Pragmatic Considerations

Under pragmatic considerations, research findings reveal a lot of issues ranging from overtime payments; daily allowances to stores keeping.

- Research results show that in the local authorities covered by the study, overtime payments were found to have encouraged deliberate backlogging of work. It has also been revealed that besides the low level of performance during overtime, there are opportunities for illegally extracting material supplies or to use office facilities for personal ends;
- Daily allowances were found to be another source of waste of resources. Reportedly, there were incidents of people who received per diem payments while on duty as well as payments made to employees already on leave as well as employees taking 'phantom leaves' just to get returned to complete their own work back in the office and with pay.
- With regard to purchasing it was found that there was an unnecessarily wide range of stationery and other supplies in the municipal systems studied and the use of a central purchasing unit was not the norm resulting in huge costs of running stores facilities;
- The study also found that store keepers have very limited knowledge of stores management as they are in almost all cases guards or messengers promoted to the position of a store keeper purely on account of their length of service. Moreover, because of the loose accounting and administrative controls in most authorities, people entrusted with the responsibility of the physical custody of stocks are also responsible for keeping stores records. This starkly negates the vital control principle of the separation of accounting from asset custody.

Recommendations Under Systematic Considerations

- The concerned local authorities are advised to consider the adoption of strategic planning and management in governing their systems and the assignment of municipal executives has to be done through the ballot box instead of political appointment;
- In order to attain a desirable level of commitment, motivating employees to carry out their tasks with a reduced cost and optimal quality standards are a very important step in the quest for Value for Money. Therefore, given the limited efforts so far exerted along those lines by the authorities studied, in order to motivate employees and officials to achieve Value for Money, it is recommended that the criteria used for appraising the performance as well as the promotional prospects of both officials, middle and lower level employees should include the ability and the commitment to achieving Value for Money. Changes that lead to the attainment of economies of scale without impairing agreed service levels or changes that resulted in improved services at no extra cost should be rated high in the assessment criteria;
- Though very difficult to implement because of the considerable subjectivity it would involve, it is recommended that a bonus or reward system be introduced by municipal systems where employees achieve cost-reduction;
- It is also recommended that efficiency in spending and the levels of effort or commitment to reducing corruption be used as additional parameters in calculating regional subsidies; and
- The central government is advised to give regional governments appropriate taxing powers so that they benefit from the revenues from lucrative and buoyant forms of taxes, which are currently detained, by the local units. By so doing then they will start to really cherish the much-needed sense of ownership to the government budget, a situation that would automatically generate a culture of budgetary discipline in local government systems in Ethiopia.

Recommendations Under Pragmatic Considerations

- It is recommended that the budget for daily allowances be rationally

estimated and any such payments be subjected to careful scrutiny. The use of Information Technology and networking, where it is affordable, towards reducing the staggering costs of transport and per diem associated with fieldwork engagements is also worth considering;

- After examining the plethora of shortcomings surrounding the stores facilities in the authorities studied, the study recommends that a central stores unit be set up under the banner of the municipal council. The arrangement is expected to hugely reduce not only the costs of running multiple stores facilities but also unnecessary costs due to overstocking and redundant purchases; it would also minimize wastage due to improper physical custody;
- Purchase is the other interesting area where potential savings are possible. Given the unnecessarily wide range of stationery and other supplies in the municipal systems studied, the establishment central purchasing units is highly recommended. Using a central purchasing unit after making slight modifications to purchase requisitions may help achieve large economies. With regard to the advantages of a central purchasing and storing arrangement, it is argued that the arrangement would not only reduce the costs of running stores' facilities but it would also minimize the duplication of purchases of the same goods in one store while they are in stock in another;
- Another straightforward recommendation here is the putting in place of proper administrative and accounting control mechanisms and the assignment of employees with a good knowledge of stores keeping and management in the concerned local authorities;
- Also another consideration dealt with by this study is the need to uphold the virtue of incorruptibility as well as the principle of meritocracy and impartiality. Hence it is recommended here that a person's recruitment into a government organization have to be on the basis of personal merit and ability in competition with others. An employee's career progression should also depend solely on his performance and potential as assessed by his organization and should be expected to be impartial and not be involved in conflict of interest situations. These are important aspects of good public service ethos in a government administration the absence of which could contribute to mismanagement of public resources and infrastructure and result in loss of community and foreign investor confidence;
- Government offices have to install sound systems of administrative and accounting control systems and make sure that they are strictly adhered to. There has to be, first of all, a top-level commitment to fighting corruption that need, in the end, transform itself into a fanatical intolerance thereof. In a nutshell, it is therefore recommended that all parties in the studied municipal systems should work together in the areas of taking concrete measures for eliminating the incentives to corruption identified by this study and in inducing the appropriate incentives to the ongoing nation-wide attempt to stamp out this socio-economic evil;
- The study in its findings upheld the current innovative practices in incorporating the participation of citizens from all walks of life including women in the areas of finance. These approaches, namely participatory budgeting, gender sensitive budgeting and gender awareness in auditing are believed to contribute to the efficiency in spending and to global poverty alleviation efforts. It is recommended the latter participatory approaches becoming the guiding principles in executing municipal business in the studied local authorities;
- With regard to the absence of sound Parliamentary