Fiscal Decentralization: Experiences of Selected Countries

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I. Introduction

Fiscal decentralization has been an important topic for many years now. It has recently become a central concern, especially in developing and transition economies which try to find a way to manage the public sector side of their growth process.

Similarly, even more dramatically, pressures are at work in Ethiopia as it is attempting to grope with the issue of decentralization. Since its assumption of power in 1991, the Transitional Government of Ethiopia (TGE) has been busy setting new systems of centre-region fiscal relations. Although some legal preconditions are already established, promulgation of the basic legal framework for the newly adopted system -the Constitution - has yet to take place.

In so far as the country is moving to a new system from a century-old system of central political and fiscal administration, the wide range of experiences elsewhere can make a fundamental contribution to the design of an effective system of inter-governmental finance. Immediate attention must therefore focus on making these experiences accessible to policy makers.

The objective of this paper is therefore to investigate the experiences of three selected countries - the United States of America, Brazil and Russia - and draw appropriate lessons for Ethiopia. The rationale for selecting these countries is straightforward. USA is one of the pioneers of fiscal decentralization and has ample and deep-rooted experiences. The system of inter-governmental finance in this country has evolved gradually much like its market and political institutions. Hence, the examination of its fiscal system is appropriate. The lessons that Ethiopia can draw from the efforts of a developing country such as Brizil can also be significant. Russia had experienced an excessively centralized system of government, and is now in transition to greater decentralization The challenges that Russia is facing in instituting a new system will undoubtedly throw some light for Ethiopia.

However, it is necessary to say a word of caution at the outset. Although there are alternative options for a sound system of fiscal decentralization, at least in theory, there is no easy choice among the alternatives. Certainly, we would not look to experiences elsewhere in the world to find a single model of an efficient federal system. It is true that the expereinces of these countries exemplify the range of possible options. But the right choice depends, inter alia, on ideological, political and economic considerations, spatial differences, constitutional arrangements, and administrative capabilities.

The paper is organized as follows. The next part reviews the basic theoretical and practical issues in fiscal decentralization. Then an intensive investigation of the experiences of the selected countries follows. The balance of the paper summarizes the major lessons that the experiences of these countries offer for Ethiopia, with possible conclusions.

II. Some Preliminary Considerations: An Impressionistic Review of the Literature

A. Why Decentralization?

The concept of decentralization has been controversial on both political and economic grounds. The basic argument forwarded for centralized government, especially in LDCs, is grounded on the perception that the market system does not live up to expectation as far as economic efficiency is concerned. Therefore, many justified interventionist policies on the ground that the central government has a superior capability to cope up with national problems, and that it is efficient.

The justifications given for decentralization are either political (basically popular participation) or economic (efficiency). Strictly speaking, the basic rationale for decentralization on both political and economic grounds is the proximity of the government to the people. It is propounded, in general, that the more decentralized the government and the greater the opportunity for collective choice, the greater the opportunity and the potential to supply diverse levels and kinds of government services. This is because, in such situations, there will be reduction of administrative congestion and overload, quick response to local demands, and more effective and efficient provision of public goods. The basic argument is that "just as competition in the private sector exercises its disciplinary force, so competition among different levels of governments at a decentralized level can break the monopolistic hold of a large central government "(Oates 1991).

However, it is the political objective that is paramount, despite all the development and management objectives in decentralization. In any case, there is some evidence to suggest that decentralized decision-making can contribute to a more efficient pattern of public investment, and thereby enhance efforts to promote economic growth. However, this point should not be exaggerated, for there exist real constraints on decentralization. It is important to note here that the real gains from decentralization are to be realized in the proper tailoring of outputs of local public goods to the particular tastes and circumstances of different jurisdictions.

Fiscal decentralization can be broadly defined as a public sector with more than one fiscal tier, ignoring any constitutional distinction between a unitary and a federal state. Indeed, any form of decentralization is best expressed in a federal system, which is a political arrangement that brings together separate states into a union in which the states maintain their identity and political integrity. A federal system of government allows both centralized and decentralized collective choices, and its main advantage is that it allows flexibility and regional variation in the output of public goods while at the same time it allows the advantage of central provision of government services where uniformity is important.

However, there are conceptual and practical difficulties associated with federalism. Although the cornerstone of federalism has been identified as power-sharing, the extent to which power and administrative responsibilities are allocated to the various levels of government is still a debatable issue. From a practical point of view, the dominance of larger states in the union over smaller ones, and the lack of trust, in some cases, shown by the regions toward one another and toward the centre have become major causes for the failure of federalism.

B. The Conceptual Framework for Fiscal Decentralization

The prime issue in fiscal decentralization is the allocation of expenditure and tax functions to various levels of governments, and the design of a satisfactory system of inter-governmental transfers. As for the allocation of expenditures, the general principle of fiscal federalism is that public services should be provided by the jurisdiction within which the benefits accrue. In theory, the provision of some public goods and services is generally believed to be best undertaken by the central government, specially those which have the characteristics of pure public goods such as stabilization, national defence and income redistribution. These services necessarily require central coordination and may be costly or impossible to provide in a decentralized way by local governments. There are, however, many public goods which are likely to be most effectively produced and/or provided by local governments, and these include education and health, among others. On the whole, the theory provides a strong rationale for decentralized decision making on grounds of efficiency, accountability, manageability and autonomy.

It is argued that the allocation of expenditure functions must precede that of taxes and transfers. This is because the allocation of tax functions would in general be guided by expenditure requirements at different levels, and this should not be worked out in advance of the expenditure allocation if a reasonable matching of expenditure needs with revenue means for various levels of government is opted for.

There are broad theoretical principles on the assignment of revenue sources to various levels of government, the most clear ones being these forwarded by (Musgrave and Musgrave 1982) on the basis of equity and efficiency criteria:

i) Progressive redistributive taxes should be central;

ii) Taxes suitable for economic stabilization should be central; lower level taxes should be cyclically stable;

iii) Tax bases distributed highly unequally between jurisdictions should be centralized;

iv) Taxes on mobile factors of production are best administered at the centre;

v) Residence based taxes such as sales of consumption goods to consumers or excises are suited for states;

vi) Taxes on completely immobile factors are best suited for local level;

vii) Benefit taxes and user charges might be appropriately used at all levels.

Actual practice, however, does not always conform with these principles. In fact, experiences vary considerably depending on the legislative, historical and political situations of countries, and on the administrative capacity of each level of government.

Federalism basically creates either of two special sets of fiscal problems: a vertical one of how functions and revenues shall be shared between different government layers; and a horizontal one of how revenue sources and fiscal needs are matched between jurisdictions within the same layer.

In order to maintain the fiscal stability of a federation, it is necessary that there be broad correspondence between resource availability and functional responsibilities (whether de jure or de facto) at each level of government. This ideal balance may be achieved at a given point in time, but in most federations it has proved difficult to maintain in the long run. Various hypotheses have been put forward to explain the phenomenon. Some attribute vertical fiscal imbalances to poor fiscal management. The majority, however, view that such imbalances are inherent in a federation. Proponents of the latter view hold that the most important taxes are collected efficiently only at the national level while the optimal scale of the provision of most public services is reached at the subnational level. There is thus a tendency for lower level governments to be chronically under-financed.

When fiscal imbalances become evident, adjustments in the inter-governmental system are called for - on the revenue side, the expenditure side, or both. Solutions have varied from country to country, ranging from the establishment of revenue sharing and grant mechanisms, to shifts from one level of government to another of authority over specific taxes or spending functions. Thus, after expenditure and tax assignments are completed, different varieties of systems of revenue sharing and transfers are usually used to correct for any imbalances that result from the assignment of responsibilities.

The economic justifications for inter-governmental transfers include: to correct inefficiencies that arise due to the existence of inter-jurisdictional spillovers; to fill the fiscal gap; to ensure common minimum standards of service provision across jurisdictions; to eliminate /reduce differential net fiscal benefits across various states (i.e., fiscal equalization) and, in some cases, to achieve economic stabilization objectives. Nonetheless, revenue sharing and transfer mechanisms have hardly achieved these objectives in practice due partly to the difficulties in their design and partly to conflicting claims of relative needs by various levels of government.

In general, therefore, the way taxing and spending authorities are delineated and the manner in which inter-governmental transfers are structured lie at the heart of any fiscal decentralization, and have important bearings on the efficiency and equity of public services provision.

C. Practices of Fiscal Decentralization: An Overview

The basic problem of fiscal decentralization is that of assignment, i.e., the problem of finding an efficient means of accomplishing the task. Notwithstanding the conceptual guidelines that are offered by economic theory, there are always practical problems in understanding the process by which various government functions are paired with various levels of government.

This is mainly because political and constitutional considerations frequently dictate tax and expenditure assignment patterns that deviate from those advocated by economists.

This in turn emanates from the highly emotional debates over federalism, involving split loyalties and old grievances which prevent cool consideration of the economic arguments for a greater or lesser degree of federalism. The source of the problem is basically constitutional and/or implementational.

While some decentralization of administration and policy-making is found in almost every country, the powers enjoyed by the lower levels of government in a federation are extensive and constitutionally enshrined. Whereas a unitary government need not have its taxing and spending powers specified in the constitution, a federation by necessity must have them so specified. Indeed, fiscal arrangements are at the very core of the contract between the constituent governments.

The first question to pose in assessing the success or failure of any fiscal decentralization is whether or not the theoretical guidelines are taken into account in the constitutions. Many countries - developed and developing alike - have more or less tried to follow these theoretical guidelines in their constitution. A good deal of the problem lies not here, but at the stage of implementing the measures. A review of practices of fiscal decentralization, particularly in developing and transition economies, suggests that invariably the problem arises not from the constitutional assignment being at variance with the theory but from de facto assignment being at variance with de jure responsibilities (Oates 1991).

Practices of fiscal decentralization, especially in developing and transition economies, cover a large spectrum ranging from too much decentralization in countries such as Yugoslavia, where the federal government's role of stabilization and redistribution are circumvented, to too much federal government intervention in such countries as Argentina, India, Mexico and Pakistan. In between these fall Brazil and Nigeria, where there are often problems of uncoordinated roles of federal and regional governments in certain areas. In most countries, however, it is the all too aggressive intervention of the national governments that is becoming questionable (Oates 1991b). It appears that LDCs are characterized by high degrees of fiscal centralization, and that regional governments are weak in relation to central governments.

On the expenditure side, the problem is manifested in the involvement of the various levels of government in an uncoordinated fashion in some areas of service delivery. In tax assignment, the problems are of a similar nature and primarily arise from overlapping and uncoordinated administration of certain taxes, especially sales and excise taxes. In the areas of grants, too, it has often been observed that much of the problem comes from either the absence of, or vaguely specified, programme objectives.

Experience suggests that much of the intergovernmental fiscal problem pertains to the difficulty of designing effective systems of transfers. The major problems often have to do less with the pattern of tax and expenditure assignments than with providing with the most efficient system of grants. Even in countries that are most satisfied with their fiscal system (such as the United States of America), the most common reforms are aimed at simplifying the system of transfers.

It is widely asserted that the conceptual guidelines in grant design are ignored in many countries, particularly in developing ones (Shah 1992). Indeed, it would be ironical that not even a single developing nation has adopted a satisfactory programme of equity despite all the talk about the high national priority given to limiting inter-regional disparities in these countries. This is mainly due to the fact that the formula adopted by these countries lacks an explicit and appropriate equity standard, and fails to address regional equity objectives in a satisfactory manner.

In some cases, the means used to implement the measures are not consistent with the desired objectives, in which case programmes are frequently used as a political means rather than in pursuit of key national objectives. For instance, interregional transfers do not pay special attention to the fiscal capacity or revenue potential of local governments. Allocation of funds is usually on an ad hoc and discretionary basis - contrary to transparency, predictability and autonomy objectives.

This problem manifests itself especially in the design of specific purpose grants. Although specific purpose transfers, in principle, support important policy objectives, they usually lack any specific criterion and are distributed purely at the discretion of the centre. Some specific purpose grant programs are structured in such a way as to provide perverse economic incentives which would discourage own tax efforts of the lower levels of government, and allow for much reliance on the federal sources of revenue.

Finally, it is important to appreciate the peculiar nature of intergovernmental finance in countries making a transition to a market economy. It is evident that the problem of fiscal federalism in these countries cannot be addressed from the point of view of traditional public finance theory, and hence a special treatment based on the peculiar features of their problems would be necessary. In view of the fact that these countries are just emerging from a command system, they are still in the early stages of defining the nature of their political and economic reforms. Hence, even the task of attaching the proper role for the public sector in general would definitely be a difficult step, let alone designing an effective system of intergovernmental relations.

In transition economies that are at a crossroad from centrally planned to market based systems, the design of fiscal federalism is exceptionally important because it affects almost all of the key goals of reform, including macroeconomic stability, structural adjustment, privatization, the provision of social safety nets, and political cohesion. Failure to design an appropriate system of intergovernmental fiscal relations can jeopardize all these goals; conversely a well designed system can facilitate greatly in achieving them.

In these countries, the practice appears to be relegating more responsibilities to lower governments than revenue sources. This leaves the gap between revenue and expenditure very wide, and subnational governments will be left with inadequate resources to provide the newly assigned services. Because of the soft budget constraint, such an imbalance can lead to fundamentally different, and potentially more damaging, outcomes. In their effort to finance the required services, subnational governments are observed to devise some mechanisms of survival which may reverse the whole reform process, and in some cases, threaten national cohesion

Such a desperate measure of lower levels of governments is to a large extent attributed to the desire of central governments to bring stability to the economy, in which case they attempt to shift the prevailing severe deficit downwards, thereby ensuring adequate revenue flow to the centre - either by shifting expenditure responsibilities down or by retaining additional revenues, even where budgets at the subnational level are severely impaired.

III. Experiences of Countries

A. The United States of America: A Relatively Stable System

The USA is a three-tier federation consisting of a central government, states and local governments of various types. There are at least three unique features of the fiscal system of the USA. First, it is one of the countries where fiscal federalism has had a long history, and the fiscal framework is deeply embedded in the federalist spirit of its constitution. The second peculiarity, as discussed later, is that it is the most diversified and complex system. For one thing, the state fiscal system is very diverse, and so is the degree of fiscal decentralization. For another, the structure of local government differs in various parts of the country, and hence there is a great deal of variety in the pattern of local government among the different states. These, combined with the lack of a clear assignment of fiscal responsibilities among the various levels of governments, has led to the introduction of very complex and diversified systems of transfers from time to time, the efficiency costs of which are large and can only be afforded by an advanced nation like the USA.

The third and most striking feature of the US fiscal system, in spite of its high complexity and diversity, is that there has been much stability. On the one hand, the fiscal structure has been the most flexible by any standards. This can be evidenced by the expanding role of inter-governmental transfers and the reassignment of fiscal responsibilities over time. Indeed, given the rapid socio-economic changes in the country, it is not surprising to observe numerous changes (and some major ones) in the fiscal structure of the country. On the other hand, even more impressive is the number of stable relationships that have persisted in the system over a fairly long period of time. Therefore, the system of inter-governmental finance in the USA has adapted itself to changing socio-economic conditions without losing its basic characteristics.

Fiscal affairs are conducted more or less within a framework provided by the constitution. The structure of fiscal federalism was thus left to develop in a flexible constitutional framework, and the relative strengths of the various levels of government have changed over time. Constitutional provisions are not only inconsistent with accepted economic standards, but also a clear and unambiguous assignment of expenditures and taxes to various levels of governments has been lacking. As emphasized later, most of the provisions on both expenditures and taxes are vague and very general. Various amendments are introduced from time to time with the effect of adapting the system to changing socio-economic realities .

The original constitution empowered the Congress to levy and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defence and general welfare of the United States. As such, the constitution provided neither assignment of particular expenditure functions to the various levels of governments, nor did it prescribe what taxes should be used by them. It also refrained from setting specific limits to the expenditure functions of the federal government since the term "general welfare" could be interpreted in an extremely broad sense such that it would give much discretionary power to the federal government.

In addition, while taxes to finance almost any type of expenditure seem to be within the powers of the federal government, the constitution imposes certain restrictions on the taxing powers of the states, partly through specific provisions and partly through judicial application of other clauses of the constitution to tax matters. Though federal taxing powers were limited later by the Uniform and Apportionment rules, these rules did not impose severe restrictions, and were eventually relaxed further by the Sixteenth Amendment. As for the fiscal roles of local governments, nothing was said in the federal constitution, leaving their determination for the states to control. Though formally creatures of the states, it can hardly be said that local governments are without political strength of their own. Their fiscal powers may only be derived in the constitutional sense, but in reality they have grown beyond this (Musgrave and Musgrave 1982).

This pattern of a strong federal government lasted until the end of the first half of this century. The recent trend in the fiscal structure is towards expenditure decentralization (Musgrave and Musgrave 1984). It appears that the pendulum has swung towards narrowed federal responsibilities. This is partly the effect of a more critical view of the role of public sector in general, and of the redistribution function of the federal budget in particular. Indeed, some argue that the twentieth century has been one in which objective conditions have fostered centralization in the American federal system, extending even until the early 1980s, when the realities of federal budget deficits forced a move towards decentralization.

For some time now, the structure of expenditure has been such that defence and transfer programmes are of major importance at the federal level, highway expenditures at the state level, and education at the local level. Practically, however, all three levels are involved to some extent in the provision of housing, education, transportation and social welfare, although welfare has been of major importance at the state and local levels but less so at the federal level.

What is more, such a division of expenditure responsibilities is not uniform if we consider lower levels of governments (Musgrave and Musgrave 1982). On the one hand, the differentials within states in their degree of fiscal centralization have had their impact on the states' share in expenditure structure; some states have most decentralized patterns while others are least decentralized. On the other hand, we also observe that the degree of centralization differs greatly among functions, with welfare and highway expenditure being the most centralized, and school expenditure the least centralized.

The revenue structure of the system is even more complex and diverse than that of expenditure. This is mainly because the constitution does not assign tax instruments to different levels of governments. Rather, it offers concurrent tax powers as a result of which more than one level of government may tax an activity or tax base, and the precise definitions of the base may differ between levels. Other than taxes on international trade, which are exclusively reserved for the federal government, and property taxes for state and local levels, all other taxes are practically open to all levels of government. On the one hand, such an arrangement of taxes appears to grant lower levels of governments, especially states, much fiscal power, thereby reducing their dependence on federal grants. On the other hand, it has contributed to a lack of coordination in tax administration (Break 1976; Musgrave and Musgrave 1982, 1984).

Although the issue of coordination has not often been considered a major problem, coordination of business taxes at the state level has been a subject of much concern (Break 1976). Moreover, in practice, each of the three levels of government is responsible for collecting its own tax. Although the federal government has been mandated to collect income taxes for the states, no state has availed itself of this service. .However, the federal and state tax administrations cooperate closely, and over half of the states have adopted the federal income tax base as their tax base.

Overall, therefore, little or no coordination among the fiscal systems of the various levels of government is provided for by the constitution, and this has led to the inequality of the fiscal structure of the states, and has hence contributed to the diversity of the system of taxes. The state tax structure differs in nature and in degree of detail. In some states, the tax structure is defined in detail, whereas in some others constitutional provisions deal with specific matters. The composition of the state tax structure also varies widely with the degree of centralization. For instance, highly decentralized states tend to derive a larger share of their revenue from the property tax, whereas centralized ones derive a relatively small share from this source, although this pattern is not uniform.

As noted above, such a lack of uniformity in the tax and expenditure structure is largely attributed to the ambiguous nature of the federal constitutional provisions. Although it can hardly be said that the development of the tax structure has been greatly hampered by constitutional provisions, constitutional constraints have contributed to the existence of much larger differentials in national tax structures.

Partly, of course, the problem is a reflection of political practice rather than constitutional. Much of the complexity of the inter-governmental fiscal relations, especially between the federal and state levels, is due to the triplicate system of government that the country has adopted - the Senate-House-Executive hierarchy -which is blamed for making the coordination of taxes and expenditure processes cumbersome and not readily responsive to changing socio-economic situations. This has also contributed to a lack of close linkage between tax and expenditure policies from the view point of stabilizing the economy (Musgrave and Musgrave 1984).

The extreme diversity of the expenditure and revenue structures at various levels of governments has resulted in differentials in the fiscal positions of various jurisdictions, which in turn reflects the unprecedented importance of grants in the fiscal system. The growth of the grant system has been the most dynamic factor in the development of the US fiscal system, which has produced major structural changes in the fiscal pattern. Transfers from federal to state and from state to local governments have greatly increased in importance over time. There has also been a significant increase in direct federal grants to local governments due largely to the rising importance of federal aid to the urban areas.

Although the growth of the grant system has proceeded at both the federal and state levels, that of the federal grants going directly to local levels has been most spectacular. The federal grant structure is highly complex, containing a wide range of program areas and types of grants. Even though much use of categorical grants has been made in the system, the most general type of grant in recent years is revenue sharing, which reflects the desire to leave more discretion to lower governments, thereby decentralizing the decision process.

The various systems of transfers adopted continuously have had remarkable effects in reducing vertical fiscal imbalances, although they have almost failed in addressing the equity objective. On the one hand, they have strengthened the capacity of state and local governments to meet their expenditure requirements, including transportation, education and welfare. On the other hand, they have increased reliance on the federal income tax while relieving pressures on state and local taxes, especially the property tax. This means that since the federal tax system is more progressive (and highly income-tax-intensive), this permits greater reliance of lower levels of government on progressive taxation and lesser reliance on local property tax. As a result, therefore, state and local governments as a whole began to show a substantial surplus, but this was at the expense of the federal government.

Although the spectacular increase in federal aid appears to temporarily relieve the fiscal problems of the local governments, it could not do so as far as some urban localities are concerned, especially large cities whose fiscal situation has recently become worse. The fiscal crisis of the cities, however, is not only a result of this. It is, above all, a result of their changing economic position, which has raised their expenditure requirements faster than their revenue base.

Among the most recently discussed issues of fiscal federalism in the USA is the urban fiscal crisis (basically related to the financing of education and other welfare expenditures). While most education was given at local levels, new economic and social conditions - increase in the degree of factor mobility and increase in the importance of external benefits at the state level - have justified centralizing some aspects of school finance at the state rather than local levels. Also, recent developments have been towards complete federal assumption of welfare finance. Such reforms have relieved local governments of fiscal pressures, and have helped them to focus on purely local functions. Therefore, there is good reason to assert that most of the fiscal problems facing the USA in recent years can be largely, if not solely, attributed to changing economic and social situations in the country.

Another aspect of fiscal federalism in the USA which has received attention in recent years is the impact of federal finances as a whole on regional equity. This concern has been one of horizontal fiscal imbalance, which is linked to the shift in economic growth from the leadership of one region to another. Although an imbalance exists between the fiscal position of the federal government and that of the state and local governments as a whole, the differentials between the fiscal positions of various states and local governments within states are the most severe.

There are many reasons for this. First, it has to do with the changing pattern of federal government purchases, which have contributed to the relative decline of some regions while improving that of other regions through, for instance, creating good employment opportunities. Second, the way the regions were initially divided has also been said to contribute to this problem. The existing structure of fiscal jurisdictions is the outcome of complex political forces, and inherently leaves sharp discrepancies between fiscal needs and resources, and state boundaries in their historically determined form do not correspond to natural economic or fiscal units (Musgrave and Musgrave 1982).

Third, although fiscal equalization has been one of the objectives in the design of the rapidly expanding and complex grant system, it succeeded very little in bridging the fiscal gap between states, and above all, between localities within states. Truly, the traditional categorial grants characterized by earmarking and matching have been effective in stimulating state and local expenditures in designated program areas; but they have never been efficacious as a means of fiscal equalization mainly due to the increased weight attached to per capita income of states in the formula. This has proved ineffective since high income states frequently have low income jurisdictions. Moreover, the variability among jurisdictions within states is substantially greater than that among states.

Finally, later developments in the grant system have also had difficulties in addressing the problem of equity in the fiscal system. While general revenue sharing has been more or less effective in transferring tax burden from state-local to the federal revenue system, it has not lived up to expectations as far as fiscal equalization is concerned. Indeed, new grants (mostly categorical in nature) have been developed recently, largely in response to the fiscal crisis of larger cities, and are targeted more specifically than had been the case before, to low-income residents and distressed jurisdictions, basically cities. Although this has greatly reduced the severity of the problem, it is unlikely that it would be avoided unless the urban fiscal conundrum is addressed through sustainable means.

B. *Brazil: A Relatively Decentralized System*

Brazil is a federation with three levels of government: federal, state and local (or municipality). Although fiscal federalism in the strictest sense is of recent origin in Brazil, the degree to which it has been exercised is conspicuous. Moreover, it is in Brazil that the issue of fiscal decentralization has been properly addressed with a relatively higher concern than in most other LDCs. This can be seen from the continuous endeavour of the country to reform the fiscal system from time to time. The nature of the fiscal relationships among the various levels of government in Brazil has evolved continually over the twentieth century, roughly paralleling changes in social, political and economic conditions. Historically, one can observe roughly three major fiscal reforms - the period up to the mid-60s, from the mid 60s to 1988, and from 1988 on.

In the mid-60s Brazil enacted a comprehensive set of fiscal reforms which were finally enshrined in the constitution of 1967. The salient feature of the fiscal system during the period 1967-88 is that it was overly centralized. The federal government clearly dominated the system, accounting for over 70% of both revenues and expenditures. In general, while the 1967 constitution provided a relatively clear separation of revenue sources, it was vague in allocating functional responsibilities to the states and municipalities. And this, more than anything else, led to a large degree of overlapping in providing and administering public services (Dillinger and Mahar 1983).

In the late 1980s, it was felt that there should be a thorough and proper division of functions and assignment of revenue sources. Accordingly, the issue of fiscal federalism was addressed seriously and another major step was taken in 1988 when a new constitution was promulgated that brought two major changes in the fiscal system. First, it gave broad autonomous powers to states and municipalities in certain tax and expenditure functions so much so that Brazil currently is labelled as the most decentralized federation in relation to other LDCs. Second, the status of municipal governments in Brazil was completely changed, and they have been recognized as independent and co-equal - a recognition no local government in other federations has been given.

On the expenditure side, major departures were made. The new constitution is more or less an attempt to fit the assignment of expenditure suggested by theory. Purely local functions such as intracity transport and elementary education have been assigned exclusively to the municipal level. The responsibilities for public services that are national in scope (such as defence and foreign affairs) have been entrusted to the federal level, and the remaining functions are designated as shared responsibilities of the federal and state levels, with the federal government setting the norms and the states responsible for the delivery of the services.

A question, however, remains of the extent to which these constitutional provisions are respected when the public services are delivered by the various levels of government. Great discrepancies have been observed in this regard. In some areas of service delivery, notably in education and urban transport, all three levels are involved in an uncoordinated fashion, leading to much confusion and chaos. This can be attributed to the pre-1988 constitutional traditions of a highly intrusive role of the federal government.

Basically, the problem is related to the tendency of the central government to interfere in such purely local functions as elementary education, public transport and culture (Shah 1992). While its role would have been to provide technical assistance, monitor and set standards, and, if necessary, provide compensatory grants for benefit spillovers, or ensure minimum standards of such services across states, the federal government has been observed to be continuously involved in direct delivery of these services. This has created significant difficulties for local governments in their decisions to upgrade local services or modify existing networks. Hence, while the intention of the newly adopted constitution of 1988 has been towards decentralized provision of services as much as possible, the practice has been the opposite, and such a problem is not unique to Brazil but is one of the major difficulties of fiscal federalism in LDCs (Bird 1993; Shah 1991,1992).

The division of revenue sources among the federal and lower levels of government that was introduced by the new constitution is also broadly consistent with economic principles. But it has created some difficulties, primarily in the areas of sales taxes, where all the three levels of government have partially overlapping responsibilities in tax policy development and administration for value-added type taxes. This multiplicity in administration would raise the administration and compliance costs of these taxes.

Further, Brazil is the only country in the world with a state level general value added tax. Although the federal government is mandated to fix maximum rates, and to limit the tax base for equity purposes, this has the potential of evolving into a tax with multiple rates on non-uniform bases in the long run. A second source of difficulty concerns the assignment of rural property tax. This tax is more suitable for administration at the state-local level but is currently being administered at the federal level. In general, therefore, the tax problem in Brazil relates to the combined use of tax assignment and overlapping authorities.

The new constitution has brought major changes in the areas of revenue-sharing, while the system of transfers was more or less unaffected, still in favour of substantial federal transfers. These changes have significantly reduced the earlier dominant position of the federal government in comparison with state and local governments.

The major beneficiaries of the new provision, however, are municipal governments, which according to the new system of constitutional transfers experience surplus in their fiscal balance. The municipalities now acquire more in terms of the new systems of revenue sharing and transfers than the amount and extent of services they are expected to finance. They are now guaranteed a larger share of federal and state revenue collections.

The tax sharing arrangements have favoured municipalities at the expense of the federal government. The federal government is facing a major squeeze while municipalities are reducing own tax efforts due to the generous availability of funds through tax sharing. There is some evidence to suggest that generous availability of federal funds has resulted in some municipalities underutilizing and, in some instances, even abandoning own tax bases, particularly the property tax.

Thus, the overall effect of the current arrangements has been to discourage own fiscal effort by lower levels of governments, especially municipalities, as their revenues have outstripped any concomitant increase in their responsibilities. Related to this is the provision of the constitution for extensive borrowing from banks for financial deficits by lower levels of governments, a provision which has offset attempts by the centre to reach a budgetary balance, hence jeopardizing macroeconomic stability and the reliability of government finance.

Apart from these practical problems, there have also been conceptual problems in revenue sharing. Revenue sharing is partly based on a formula according to which state shares are determined on the basis of population, which reflects fiscal need, and on the basis of per capita income, which reflects fiscal capacity. But this has had difficulties mainly because income is an imperfect measure of capacity as it is conceivable that a significant proportion of income may accrue to non-resident owners of factors of production (Shah 1992).

Overall, the new system of tax assignment can still be considered desirable for two reasons, apart from the special privileges it has rendered to local governments. First, although state governments seem to still suffer from the new arrangement, the current vertical imbalance may not persist in the long run in view of the large prospect that they have from the growth of value added tax revenues. Second, the fact that the responsibilities of the federal government have been narrowed and shared by the lower levels means that its position has improved relatively (otherwise it would have experienced even larger vertical imbalance problems).

Finally, it is important to review one other aspect of the current Brazilian fiscal system: the extent to which the system of transfers has succeded in filling the horizontal fiscal gap. Given that Brazil is a large country with very diverse economic opportunities across its vast landscape, it is natural that regional equity issues dominate the agenda of inter-governmental finance. One of the fiscal policies of the federal government has been reducing regional disparities in the delivery of public services. However, due to lack of any explicit standard of equalization in current federal policies, equalization has become an elusive goal.

Apart from the constitutional revenue sharing mechanisms, the federal and state governments in Brazil have an incredibly large number of specific purpose programmes, most of which are designed as a means of safeguarding regional equity objectives. Although the main purpose of these transfers has been fiscal equalization, recent practice shows that political considerations dominate the distribution of grant funds. This is so particularly in such types of negotiated transfers as "convenios", whose distribution is mostly determined by direct negotiation between the various levels of government. For instance, the state of Maranhao, home state of the president at the time, had a very pronounced participation in the overall distribution of negotiated transfers in 1988, receiving higher funding than the state government in the Northern region as a whole. It would be interesting, therefore, to see whether an apparently favourable access to negotiated transfers available to some states and localities is supported by economic reasons or is simply a reflection of their political clout in the federation. The political nature of negotiated transfers is well recognized in Brazil, though not yet fully documented for reasons of lack of accountability of the transfers (Shah 1992).

C. Russia: A New and Emerging System

Russia is currently a three-tier federation with a new and evolving inter-governmental fiscal system. The issue of fiscal federalism in Russia must be viewed from the perspective of a transition economy - one that is emerging from a socialist political and economic system to a market-oriented one. It means that the problem of fiscal federalism should be discussed in line with the whole issue of the reform process. The first aspect of fiscal federalism in Russia is, therefore, that it is a very recent phenomenon, and that it is taking place in the context of political decentralization. Whatever levels of government had hitherto existed served administrative purposes rather than a real decentralization of power.

Secondly, inter-governmental finance in Russia is taking place in the context of the changing and shrinking role of the government in the economic sphere. Because the responsibilities and nature of enterprises and government are changing dramatically, fiscal federalism in Russia provides a special challenge in the assignment of expenditure to the various levels of government on the basis of the principles of the conventional theory of finance.

Thirdly, the key challenge, however, is to determine the actual costs of providing the assigned services to lower levels of government, and to design a system of taxes or transfers that provides for sufficient revenues to meet the assigned responsibilities. Finally, in view of the absence of an optimal degree of fiscal decentralization on both theoretical and practical grounds, the country needs to exert a massive effort on designing an effective system of inter-governmental finance.

The Russian system of inter-governmental finance has recently undergone two major changes, one from the end of 1991 to mid-1992, and another since 1992. The main feature of both efforts to transform the system is that it has hardly been designed on a strong legal framework. Most of the provisions are in the form of laws and are not based on any built-in contractual arrangements.

Before 1992, although the assignment of expenditures in practice seemed to be consistent with economic principles, specific assignment of functions between levels of government based on a legal framework was almost absent, and this has led to recent assignment changes on an ad hoc basis that violate generally accepted principles in very fundamental ways. Moreover, in Russia it is the availability of revenue that dictates the distribution of responsibilities, which is not in accordance with economic principles.

The pattern of the emerging Russian fiscal structure is one that provides lower levels of government a larger role in the provision of public services, while retaining ever increasing amounts of revenues at the central level. The central government has assigned more and more expenditure responsibilities to lower levels of government: new assignment of many social expenditures including social safety nets, and most of the capital investment outlays such as airports and military housing.

Apparently, the safety net policy of the federal government contradicts the fundamental principles of assigning expenditures, since transfering the provision of social safety net responsibilities to local governments means relinquishing the redistributive functions of the federal government.

The most revealing weakness of the present system of expenditures relates to the mandating of lower levels of government to undertake expenditure responsibilities without providing adequate funding. This reduces subnational autonomy and threatens to destroy the balance of inter-governmental fiscal relations, and may impede the realization of the gains in efficiency from decentralization. In addition, the assignment of major capital investment responsibilities to lower governments without corresponding current expenditures is also inconsistent with principles, and ultimately creates an inefficient service delivery system.

Finally, although the system of expenditure guarantees subnational governments new budgetary rights under the "Budgetary System" law, in practice lower levels of government have less than full budgetary discretion. Several constraints still prevail on the flexibility of the budgeting activities of subnational governments. The uniform expenditure norms which had traditionally been used (and are still in operation) are a case in point. Such a system is said to have little or no relevance in a federal fiscal system where costs, conditions of provision, and prices differ considerably across jurisdictions (Wallich 1992).

The system of taxes has also evolved two changes, the first of which is the system of revenue sharing inherited from the Union, and was in place at the end of 1991. It has two major features whose influences are still felt in the implementation of the new system. First, unlike most systems of inter-governmental finance in which the centre collects and shares most national revenue with lower levels of governments, in Russia revenue is shared upward. Such a system was blamed for contributing to the dissolution of the Union as republics stopped making their transfers. It is argued that it may confer a similar vulnerability on the emerging Russian Federation (Wallich 1992). Second, the system was not a system, rather it was a series of ad hoc, bargained and non-transparent arrangements whose effects and incentives were not well understood.

In 1992, the country made a departure towards a new system of taxes and transfers which guarantees subnational governments new financial sources under what is called "Basic Principles of Taxation" law. The Basic Principles law is in effect a system that moves the traditional structures to one where assignments are being practised. Indeed, if the proposed reforms are implemented, it would give lower levels of governments, especially regions, a larger role than they have experienced, and revenues will have been decentralized to some extent (Wallich 1992). But some flaws are still observed to exist.

First, the term "tax assignment" is still a misnomer as it is used now, since subnational governments have not been assigned any major taxes, but only their share of revenue. In effect, the system is tax-sharing rather than tax assignment in the strictest sense. The Russian system of inter-governmental finance is still inclined towards centralization of revenue sources. The reform envisages a marked increase in taxes primarily on petroleum products and foreign trade (which are the sphere of the centre), which in effect means that almost all additional revenue would accrue to the federal government.

Second, there is no authority to set rates and bases. Third, the new legislation does not consider the importance of transfers and fiscal equalization in the system. It is only recently that the Ministry of Finance has introduced some form of subvention for the purpose of equalization. Even here, the earlier system of tax sharing has had its influence. The volume of resources to be transferred to individual regions is determined on an ad hoc basis rather than through appropriate rules and criteria, and is primarily destined to pursue macroeconomic stabilization polices of the federal government rather than fiscal equalization per se.

In general, although significant steps have been taken to improve the system of inter-governmental finance, Russia continues to be constrained from moving away from the old, negotiated revenue sharing system which by nature is discretionary. In other words, as far as lower levels of government are concerned, they could not reap, in practice, the major benefits envisioned in the Basic Principles and other laws. Such a discretionary system, however, gives the federal government great flexibility to determine the overall fiscal balance, and at least in principle, to pursue macroeconomic stabilization policies.

From the foregoing discussion, it is clear that the policy makers in Russia face a dual challenge of developing a framework that will be compatible and flexible enough to accommodate the major structural shifts in the economy as a whole while also providing an effective inter-governmental financial system. It is, therefore, appropriate to examine, at this juncture, the extent to which the country has achieved such a dual goal.

The immediate objective of Russia's economic policy is stabilization, in which fiscal policy plays a crucial role. The intention of the government seems to be reducing fiscal imbalance by transfering more and more fiscal responsibilities to lower levels of government. In other words, the basic strategy of the fiscal aspect of the reform process is to push the deficit downwards by shifting unfunded expenditure responsibilities to subnational levels in the hope that they would do the cost cutting.

Such a strategy, however, did not lead to the desired goal of deficit reduction. On the one hand, lower levels of government could not reduce the cost of some activities, partly because they have found it difficult and undesirable to cut the social safety net during such a transition period. On the other hand, given the lack of adequate sources of revenue for lower levels of government, they have been pressurized by the severe shortage of finance to accomplish the newly assigned functions.

Hence, the regions have resorted to various survival mechanisms, most of which further destabilized the economy, reduced the transparency of budgetary accounts, and subverted monetary objectives. Although the budgets of subnational governments do not reflect this pressure and seem to have surplus rather than deficit at the moment, some observe that this is only illusory since it does not reflect budgetary arrears and current expenditure sequestering policies now in place, whose effect has been to reduce expenditures artificially (Littvack and Wallich 1993).

Apart from this, the effort made by the federal government to reduce the budget deficit by burdening the subnational sector has also hampered the efforts of privatization. At least five aspects of this phenomenon have become prominent. First, the problem manifests itself especially when those regions which experience severe financial shortages act in a way that opposes privatization and seeks to reinforce their revenue base by holding on to their enterprises, in an effort to ensure the continued provision of services which have become unaffordable to them under current inter-governmental fiscal arrangements.

The second aspect of the problem, related to the first, is that encouraging these enterprises to provide social services means that they become harder still to privatize. Third, the fact that no special strings have been attached to using revenues from privatization in Russia would definitely exacerbate the problem. The most common practice appears to be using these funds as an additional source of revenue in the recurrent budget of needy subnational governments.

Fourth, the most striking feature of the problem is that in Russia the roles of the lower levels of government go well beyond what is considered desirable in a market-oriented economy. With the endorsement of new laws on self-governance, some regional governments have continued to view their role as entrepreneurs and producers and sellers of goods and services. It is obvious that such an extended entrepreneurial activity of subnational governments is fundamentally inconsistent with the privatization drive and may dangerously retard effective decentralization.

Finally, the fiscal squeeze on subnational governments and the resultant anti-privatization behaviour of local governments will have its own adverse effect from the view point of efficient allocation of resources, inevitably encouraging domestic protectionism, and ultimately damaging economic growth.

One other aspect of fiscal decentralization in Russia which has recently attracted attention relates to the fiscal equalization aspect of the system. The effect of the current ad hoc shifts in expenditures to the regions is not limited to threatening the fiscal structure of the economy. What is more, the design of fiscal federalism in Russia is made more complicated by the demands of some regions (notably non-Russian ethnic groups, rich natural resources and industrially well endowed areas) for greater political autonomy, greater devolution of responsibilities for expenditures, and special tax regimes. The tendency of some wealthier regions to be dissatisfied with the existing system of regional equalization, and to feel that they are not receiving the share that they deserve, may ultimately threaten the political unity of the country. In effect, therefore, fiscal federalism in Russia is also being challenged by the tradeoff between regional equity and the need for political stability.

IV. What Lessons for Ethiopia?

Ethiopia is in transition from a highly centralized economic and political system to a decentralized and federal one. Such an embryonic arrangement of a federal system of government is accompanied by the new provisions of the powers and duties of the various levels of government as prescribed by the transitional charter and a series of proclamations, the most important of which is Proclamation No. 7/1992. The policy contents of these documents with respect to regional autonomy and independence in matters of planning, including fiscal decentralization, are clear signals of federalism. The TGE has also particularly focused on fiscal decentralization as part of its overall policy.

However, there are a number of difficulties in the present fiscal arrangement. First, the fact that the country has had a tradition of extreme centralization of administration under a unitary system would definitely create barriers in implementing the policies. Some problems would be inevitable in introducing fiscal decentralization in such a country with a heterogeneous population and with a tradition of centralism .

Second, the incomplete and very general form of the distribution of inter-governmental fiscal and other forms of relations as it has appeared in the Charter or in the subsequent proclamations would raise some difficulties (Eshetu 1993). Finally, the absence of a clear-cut formula regarding the sharing of power between the central and regional governments on both theoretical and practical grounds will complicate the problem.

Given such a radical shift away from a unitary and centralized system - where there was no legal statement of the powers and responsibilities of the various levels of governments - to a federal one would undoubtedly require major restructuring. This endeavour would, therefore, require adequate and reliable information. In this regard, the experiences of other countries can provide a great deal of scope for transfer of learning as a basis for the success of the system.

What lessons, then, does the foregoing review of experiences offer for Ethiopia? First of all, the critical importance of the issue of fiscal decentralization deserves the special attention of policy makers. The great concern that the Brazilian government has shown can be considered as the first right move in this regard. The experiences reviewed suggest that the extent of fiscal power to be exercised by the various levels of government should be clearly and unambiguously framed in the federal constitution.

The experiences of the USA suggest that lack of a clear and unambiguous assignment of fiscal responsibilities and sources of revenue among the various levels of government could make the system of inter-governmental fiscal relations very complex and diverse, and difficult to manage from the national economy the view point. Moreover, this may result in an overlap in the provision of public services, and in the administration of taxes as in the USA, or in a tendency towards discretionary assignment that makes the predictability of the system difficult, as in Russia. Failure to clearly delineate expenditures and taxes may result, above all, in a very diverse and complex system of transfers, whose design may require unnecessarily too much effort and complication, as in the case the USA.

Second, great caution should be exercised in assigning public services to the various levels of government, and proper recognition needs to be given to theoretical principles. In this connection the Russian experience of assigning the provision of social safety nets to regional and local governments suggests that any attempt to relegate the redistributive functions to subnational governments may bring undesirable consequences, since the ability of small governments to effect redistributive goals is very limited. Likewise, any attempt to assume purely local functions by the federal government (de jure or de facto) appears to be undesirable in most cases, which in the case of Brazil is the single most important difficulty of the system.

Third, as much as possible, the allocation of taxes and the design of the system of revenue sharing and transfers should match the allocation of fiscal responsibilities to lower levels of government. In this respect: the Russian experience suggests that failure to do so would destroy the whole system of inter-governmental finance, and even worse, may destabilize the whole economy further. On the contrary, offering much more resources in terms of tax sharing and transfers to subnational governments than the amount and extent of services they are expected to finance would damage the fiscal position of the federal government, and hence jeopardize its efforts of macroeconomic stabilization. The tax sharing arrangements in Brazil have this tendency. The Brazilian experience also reveals that very generous availability of federal funds through revenue sharing and transfers may reduce the tax efforts of subnational governments, while seriously damaging the fiscal position of the centre. The multiplicity in the administration of value added taxes in Brazil suggests that joint taxes ought to be reduced as much as possible, if not avoided altogether.

Fourth, fiscal decentralization should begin with a real desire to decentralize fiscal power. While establishing a strong and clear constitutional framework with relatively efficient assignment of functions and taxing powers is the first right step towards decentralization, this is not the end of the story. What is more, the role of subnational governments, in practice, should also be determined according to constitutional intent, and not by the extent to which the centre chooses for administrative or political purposes. In this connection, the Brazilian experience suggests, above all, that actual practices usually deviate from constitutional intention, and that central government policy preferences are clearly dominant in practice. The Russian experience also suggests that part of such a problem emanates from the traditional views of policy makers and legislatures towards public finance - the old habit of central control.

Fifth, the framework for fiscal decentralization should not necessarily be taken as fixed by some earlier constitutional arrangements. Rather, the system should be open to further changes in view of changing socio-economic situations of the country. In this respect, the experience of the USA reveals, first and foremost, that fiscal decentralization is an experiment in process, with endless reforms, and evolving with socio-economic changes. The Russian experience also instructs that the setting up of intergovernmental finance in transition to a market system, as in Ethiopia, does not mean a fixed and unchangeable arrangement in view of the ongoing socio-political and economic reform. But one aspect of the decentralization process requires a once-and-for-all judgment at the outset, i.e., the delimitation of the jurisdictional boundaries. Since almost nothing can be made to improve on this at later stages, mistakes in this regard are irreversible. As much care as possible should be taken in setting the jurisdictional boundaries based largely on economic and fiscal considerations (e.g., resource endowments and levels of development) rather than on purely political ones (although the political factor is unavoidable). Failure to do so would contribute to the diversity and complexity of the fiscal system, and hence, would make the objective of fiscal equalization difficult to attain, which in turn, ultimately makes the political integrity of the federation questionable.

Sixth, the whole review of experiences indicates that securing a balanced structure of fiscal federalism is not simply a matter of relating the federal position to that of lower levels of government as a whole. Rather, the crucial problems relate to the differences among regions, and even more important, among local jurisdictions within regions (or horizontal balance) which, more often than not, raise issues of regional equity. In this regard, it can be seen from the experiences of Brazil and Russia that the regional equity objective is the most difficult to attain, especially in a country wtih a heterogeneous population and great variation in resource endowments and levels of development between regions. Moreover, the experiences of the USA show that complete fiscal equalization is unthinkable even through a massive increase in inter-governmental transfers if the socio-economic variations between jurisdictions are large.

Seventh, the experiences show that, in many ways, the design of effective transfer systems lies at the heart of fiscal decentralization, and that serious attention must be accorded to balance the objectives of equity and efficiency. In this respect, the Brazilian experience shows that absence of clear, explicit and workable criteria for transfers may give room for systems of a bargain and political nature, which may reverse the equity objective, ultimately eroding the trust between regions and the centre, and among the regions. The experience of the USA indicates that, no matter how large an effort is exerted on the design of an effective system of transfers, it is hardly possible to come up with a simple and uniform pattern of transfers, particularly one that satisfactorily narrows regional disparity.

Eighth, the system of political organization and the system of inter-governmental fiscal relations should be consistent as much as possible. Otherwise, there will be much difficulty in coordinating the activities of the various levels of government in general, and much complexity in the system of tax administration in particular, as can be evidenced from the experiences of the USA.

Ninth, it can be seen from the Russian experience that fiscal federalism can be either a retarding or facilitating factor in the transition toward a market economy. The way the problem is addressed will have a major impact on the efficiency with which a transition economy performs on the macroeconomic front, on safety nets, and on the success of privatization policies. In this regard, the following should be emphasized. The first step in designing good fiscal federalism in Ethiopia is to carefully delineate the proper roles of the public and private sectors. The inter-governmental system should be designed in such a way that fiscal responsibilities and revenues roughly match, especially at lower levels of government. Neither macroeconomic stability nor overall fiscal balance can be attained without fiscal balance at subnational levels. It would also be undesirable and difficult to entertain macroeconomic stabilization policies independently of the system of inter-governmental finance. There is a need to develop an integrated framework that simultaneously addresses fiscal polices and inter-governmental fiscal relations. Fiscal policy, tax administration, and intergovernmental fiscal relations are so interconnected in the transitional system of governance and public finance that none can be reformed unless the other two are (Wallich 1992).

Finally, the best lesson is probably that there is no "best" lesson as far as fiscal decentralization is concerned. The whole review of the experiences of countries reveals one important lesson above anything else: that the optimal extent of fiscal decentralization is likely to be as complex in practice as it is in theory. The respective roles of the various levels of government need to be identified on the basis of the peculiar socio-economic, cultural, and political setting of the country. In a nutshell, it is critical to understand clearly the objectives and context of fiscal decentralization in any country before experimenting with any component of the process.

V. Conclusion

This paper has discussed several aspects of the complex subject of fiscal decentralization that have turned out to be important issues in three countries. Two points deserve special attention in conclusion. First, the precise form and extent of fiscal decentralization to be adopted in any particular setting is something that can be decided only on the basis of close study of the local terrain and careful exploration on the ground. Any attempt to merely replicate what has been done elsewhere, regardless of local circumstances, will almost certainly lead to failure.

The second caveat is that there are few issues in practice which require more scrutiny and careful thought than those related to fiscal decentralization. Fiscal decentralization is a process that needs much careful and cool consideration. Too much reliance on a trial-and-error approach would be an unaffordable luxury, particularly for such an ethnically and culturally heterogenous country like Ethiopia.

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