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INSTITUTIONAL CAPACITY DEVELOPMENT IN ETHIOPIA

A rapid-assessment report

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Contents

ACRONYMS

DAC	Development Assistance Committee (OECD)
DAG	Development Assistance Group
DFID	UK Department for International Development
EPRDF	Ethiopian People's Revolutionary Democratic Front
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
GoE	Government of Ethiopia
OECD	Organisation for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PSCAP	Public Sector Capacity Building Program
SOE	State Owned Enterprise
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

The Government of Ethiopia (GoE) and its development partners are concerned that weak institutional capacity across ministries and other public sector bodies may hinder the roll-out of the ambitious political and economic reforms envisioned by the new Ethiopian leadership.

This rapid desk-based assessment[1] proposes ten practical principles drawn from the capacity development and the 'doing development differently' literatures. They should be taken into account by the Development Assistance Group (DAG) Ad hoc Group on Institutional Development as the GoE and its development partners consider new institutional reforms.

These principles are:

1. Always provide context-specific assistance to support country-owned and locally-led change.
2. Understand both formal and informal incentives when devising a public sector reform and planning international assistance.
3. Consider different entry points and multi-actor processes, including both public sector ('supply-side') reforms and external ('demand-side') initiatives to improve public sector effectiveness as well as its accountability, responsiveness and inclusion.
4. Countries in transition require a prioritised and sequenced approach, including paying attention to both capacity and legitimacy.
5. Facilitate processes of change rather than just providing technical solutions.
6. Consider whether whole-scale reform or 'pockets of effectiveness' are more appropriate objectives, and how Problem-Driven Iterative Adaptation can be used.
7. Avoid stand-alone training.
8. Consider different types of technical cooperation beyond technical advisers, which is identified, procured and managed by those who will benefit from the assistance.
9. Institutional reform programmes are encouraged to be flexible and adaptive.
10. Invest in ongoing monitoring, evaluation and learning based on an explicit theory of change and theory of action.

This assessment reviews some of Ethiopia's public sector reforms, which started in earnest in the 1990s and have led to significant changes, such as decentralisation and improvements in service delivery. These successes reflect what could be achieved through centrally-driven, party-led change. Conversely, there appears to have been less success in precisely the dimensions that required merit-based performance or citizens' participation, because of the extreme politicisation of the public service. Since 2013, public sector reforms have mostly stalled, and corruption is reported to have increased.

The study also reviews lessons from justice sector reforms. A comprehensive reform programme improved a number of judicial systems and processes, such as an increase in the number of courts, better case management and higher case clearance rates. However, the approach was overly complex and ambitious. Given the political context, reforms did not significantly improve judicial independence or respect for human rights. 20 years of Dutch legal training assistance provide practical lessons at a project level. It adopted a 'demand-driven approach', delivered training in Ethiopia and established collaborative partnerships between Ethiopian and international academic centres.

Ethiopia's 'developmental state' economic model achieved high levels of growth with an active state role in the economy to direct pro-poor investments. While Ethiopia has achieved remarkable growth and poverty reduction in the last decades, popular protests since 2015 illustrate how the 'social contract' between the political leadership and citizens in different regions has come under strain. The GoE has lost some of the 'performance legitimacy' it possessed based on its increasing delivery of basic services. A complex combination of factors explain this breakdown, including changes in the GoE political leadership after 2013, the limits of top-down, politically-driven reforms and the lack of institutionalised accountability mechanisms.

Since the appointment in April 2018 of Prime Minister Abiy Ahmed, GoE has initiated a number of major reforms. The main institutional economic governance challenges GoE will face concern how to shift the role of the state towards a more regulatory role across economic sectors, and agreeing the scope, depth and speed of privatisation. While there is no single model for privatisation, some political and institutional risks are clear nonetheless, such as reforms which benefit those who can acquire state assets cheaply through their political connections and insider information.

Institutional reforms cannot be separated from Ethiopia 'wider enabling environment', in particular how the 'political settlement' (that is the distribution of power and access to resources between different groups) is currently being renegotiated, including through the forthcoming elections. There is also a lack of clarity over the GoE's continued adherence to its 'developmental state' ideology and ongoing debate about the proposed degree of centralisation and decentralisation to the regions.

Finally, as the GoE and its development partners consider how they can collaborate differently to support the new Ethiopian leadership's reform priorities, they also need to take into account how increased international influence over policymaking in Ethiopia could undermine domestic ownership of the reforms and weaken civil service capacities.

Recommendations to select reform priorities

R1: Facilitate a process of strict prioritisation and sequencing by the GoE itself.
R2: Consider unintended negative impacts associated with political and economic reforms that can weaken the state, and mitigate against them.
R3: Consider how to support government coordination and communication, with participation and accountability.

Recommendations to design and implement new assistance programmes

R4: Ensure gender and social inclusion are properly integrated in the design and execution of every institutional development activity.
R5: Adapt assistance programmes to the different needs across the country and respect the federal-regional states responsibilities.
R6: Be ready for medium- to long-term initiatives as institutional reforms can take generations.
R7: Support problem-oriented institutional development programmes, able to test commitment, build wider support, learn and experiment

Recommendations on technical cooperation arrangements

R8: Consider a GoE aid policy on technical cooperation and institutional development.
R9: Next steps beyond this study: the Ad Hoc Group may wish to:
- *Commission separate assessments on past justice sector and economic governance reforms if likely to complement this study.*
- *Commission a more systematic review of projects that have delivered institutional improvements in the public sector.*
- *Identify more specifically which parts of the public sector currently perform well, to build on what works through future programmes.*

1 Introduction

Since the appointment in April 2018 of Prime Minister Abiy Ahmed, the Government of Ethiopia (GoE) has initiated a number of major reforms. International organisations have noted how the human rights environment has improved significantly, including the release of political prisoners, lifted restrictions on media and opposition parties, and the recognition of past abuses such as torture.[2] In July 2018, Ethiopia and Eritrea signed a peace agreement, and the border was briefly reopened after 20 years. Prime Minister Abiy received the 2019 Nobel Peace Prize. Domestically, the new Ethiopian leadership's programme has prioritised the rule of law as well as job creation and economic competitiveness[3] (see box 1 for details).

Box 1: Planned political and economic reforms

The GoE is developing a **10-year perspective plan** which will supersede the 2016 Growth and Transformation Plan II (which targeted 11% of economic growth and making Ethiopia a middle-income country by 2025[4]).

On the economic front, a **2019 'home-grown' economic strategy** was launched to sustain Ethiopia's socio-economic progress, and address key macro-economic, structural and sectoral challenges. It includes macro-economic reforms to ensure fiscal sustainability, address inflation, foreign exchange and debt burden, expand the domestic private sector, including its limited access to finance, reforming state-owned enterprises and privatising some public utilities, as well as sectoral interventions to improve low productivity in agriculture and manufacture, and unleash the ICT, mining and tourism sectors. A new legal framework and guidelines for privatisation were approved by the Cabinet in 2018.

The **legal and justice reform council** under the Attorney General's Office has prioritised judicial independence. Interviews with GoE officials for this rapid review highlight the continued priority to be given to **service delivery** to meet the needs of Ethiopia's 114 million population.

The GoE and its development partners are concerned that weak institutional capacity across ministries and other public sector bodies may hinder the roll-out of these

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[2] For positive feedback from a previously highly critical organisation, see Human Rights Watch (2019) World Report. Ethiopia Country Summary. https://www.hrw.org/world-report/2019/country-chapters/ethiopia.
[3] Ethiopia: A new Horizon of Hope - Official website of the Office of the Prime Minister https://pmo.gov.et/. More details on the context of the programme is presented through a 2018 video on the website of the Ethiopian Embassy to the United Kingdom available at: https://www.youtube.com/watch?v=56GjkXRwY4E.
[4] FDRE National Planning Commission (2016) Growth and Transformation Plan II) available in English here.

ambitious reforms. In response to a GoE request, the Development Assistance Group (DAG) has formed an ad-hoc group on Institutional Development in October 2019 which is exploring how development partners can best support Ethiopia's longer-term institutional development. The group has commissioned this rapid assessment to provide recommendations based on a review of (i) different approaches to institutional development, (ii) lessons from past Ethiopian reforms, and (iii) lessons from relevant experiences from other countries which have undertaken similar political and economic transitions. This rapid assessment is focused on capacity development within the public sector. The ad hoc group requested a particular focus on civil service, the justice sector and economic reforms.

This assessment is based on a document review, interviews with 19 persons (GoE officials, development partners and experts), and survey responses from the Ministry of Finance and the Planning and Development Commission. (Due to the compressed timeframe, it was not possible to interview all relevant stakeholders. The team did not obtain or identify sufficient documentation on past justice sector and economic reforms to draw practical lessons.) This assessment was presented at a consultative workshop on institutional development in Addis Ababa on 10 March 2020. Since then, the novel coronavirus pandemic has affected every aspects of Ethiopian government and society, but the scope of the rapid assessment was not broadened to analyse the effect of these responses on institutional development.

The report begins with a summary of current approaches to institutional development assistance to inform the DAG ad hoc group (section 2). It then identifies some of the main successes and challenges of past institutional public sector and justice reforms in Ethiopia, as well as opportunities and risks associated with the current reform agenda, including for economic reforms (section 3). It concludes with recommendations for the DAG ad hoc group to consider (chapter 4). Lessons from other countries have been integrated throughout the report, with more details on Vietnam's economic reforms as requested by the ad hoc group.

2 Institutional Development Assistance

2.1 What is institutional capacity development?

Governments and their development partners are under pressure to deliver concrete and measurable 'results' from public sector reform initiatives, which can be communicated to their respective domestic constituencies, such as increases in the number of girls and boys attending schools or roads being built. As a result, development partners can be tempted to

deliver 'for' governments, when they consider that domestic capacities are too weak and results will be too slow.

However, they have also learned that development assistance will have more lasting effects if it supports how countries can themselves achieve these results without ongoing financial or technical dependence on external partners. This is one of the reasons why the 2030 Sustainable Development Goal (SDG) 16 was adopted, including commitments on effective, accountable and inclusive institutions.[5]

This rapid assessment combines two contemporary understandings of institutional development. First, it explores the literature on capacity development and, second, it identifies ten principles for capacity development and 'doing development differently' which have evolved over the last decade – i.e. how development partners can assist capacity development through more tailored approaches.

Traditional capacity development approaches focus on how best to improve the performance of individuals and organisations to deliver their mandates (see box 2). They can be applied to any sector (e.g. social or economic sectors) or organisation (e.g. whether public, private or civil society). These approaches can have a technical bias (such as an emphasis on detailed needs assessments and determining capacity gaps against a pre-conceived model). In terms of development partners' assistance, they rely on technical cooperation (e.g. training or technical experts to fill those gaps).

Box 2: what is capacity development?

Capacity is the ability of people, organisations and society as a whole to manage their affairs successfully. **Capacity development** is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time. **The promotion of capacity development** refers to the things that outside partners can do to support, facilitate or catalyse capacity development and related change processes. Capacity 'development' is now preferred over capacity 'building' as it better reflects a country's leadership over this ongoing process, rather than an external intervention.[6]

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[5] On SDG 16, see https://www.un.org/sustainabledevelopment/peace-justice/.
[6] Definitions taken from OECD DAC (2006) *The Challenge of Capacity Development: Working Towards Good Practice*, Paris: OECD available at http://www.fao.org/fileadmin/templates/capacitybuilding/pdf/DAC_paper_final.pdf.

Institutional capacity development needs to consider four interconnected levels:

1. **The individual level:** the skills, competencies and attitudes as well as the interests, incentives and ideas of public servants. These dimensions all facilitate or constrain how they deliver their roles. For example, reform leaders need to consider what will motivate public servants to perform (e.g. financial reward, social pressure, ideology/values, working conditions, etc) and not just the new knowledge training schemes can offer.

2. **The organisational level**: the specific capabilities of an organisation to carry out coordinated actions to deliver organisational goals (e.g. the official mandate, professional culture, formal systems and processes, cultural norms and values which influence how individuals within an organisation operate and how they interact with external actors - clients or other organisations as part of a wider system). Box 3 offers an illustration from Ethiopia.[7]

3. **The institutional level:** also often referred to as the 'rules of the games' within which individuals and organisations operate (as the 'players' of the game).[8] These are the formal rules (such as the Constitution, laws or regulations) as well as informal rules (norms, values, such as those relating to traditional authorities, gender roles, hierarchical norms, patronage networks, etc.) which influence how individuals and organisations operate.

4. **The structural (or foundational) level**: these are other factors in the wider environment which are not amenable to short-term changes, but which shape the opportunities and challenges of reform initiatives (e.g. a country's geographic location or natural resource endowment, or a demographic transition).

Box 3: An example of an organisational capacity assessment

The 2017 UNDP review of the Ethiopian Ministry of Finance for example considered:
- The capacity to **formulate and implement policies** and legislation.
- The capacity to access, generate, manage and exchange **relevant knowledge** and to adapt it to local systems to support this.

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[7] Fitch, B and Ferede, T. (2017). 'Technical Capacity Assessment of Ministry of Finance and Economic Cooperation. Capacity Assessment Report.' UNDP Ethiopia.
[8] This definition, widespread in the development literature, comes from North, Douglass (1990) *Institutions, institutional change, and economic performance*, New York: Cambridge University Press.

- The capacity to **connect, to advocate and engage in networks**, alliances and partnerships with international and national actors.
- The capacity to **deliver services / manage and implement programmes** through all phases of the delivery lifecycle, from planning to monitoring and evaluation.

2.2   How to support institutional capacity development differently?

In response to some of the ongoing weaknesses of public service reforms and institutional development initiatives, there have been repeated calls for 'doing development differently'.[9] A number of studies, both academic research and development assistance evaluations, have pointed out the limitations of traditional approaches to institutional development. They found international assistance had been often disappointing, and had not sustainably improved the performance of the public sector over the longer term.[10] Programmes relied too often on copying technical reforms from other countries or standard models of how governments *should* operate (institutional 'form'), rather than looking at what may be a specific solution given a particular development problem (such as insufficient provision of basic services or pervasive corruption) and what institutional 'functions' may need to be performed (with many different 'forms' to deliver them).

Below are ten practical principles drawn from both the capacity development and the 'doing development differently' literatures.[11] They should be taken into account by the DAG ad hoc group as the GoE prepares reforms to transform Ethiopia's political system and its economy, and considers requesting external assistance. These principles are not entirely new[12], but in the last 10 years, development partners have been experimenting with different ways of putting them into practice.

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[9] The expression comes from a 2014 'manifesto' available at https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/5149.pdf.

[10] Some of the studies include: DFID, Irish Aid, and Swedish International Development Agency. 2013. *Summary Report of the Public Sector Governance Reform Evaluation*. https://www.gov.uk/government/publications/summary-report-of-the-public-sector-governance-reform-evaluation and Andrews, M. (2013). The limits of institutional reform in development. New York: Cambridge University Press, and Gonçalo Carneiro, Kristina Boman, Brigitte Woel, and Arne Nylund (2015) Support to capacity development – identifying good practice in Swedish cooperation. Sida evaluation report for the joint Scandinavian evaluation of support to capacity development. Stockholm: Sida.

[11] Key references include DFID. (2012). *Capacity Development How To Note*. DFID Practice Paper. London: DFID, Booth, D. and Unsworth, S. (2014), 'Politically smart, locally led development', London: Overseas Development Institute, Rocha Menocal, A. (2014). 'Getting Real About Politics: From Thinking Politically to Working Differently'. London: Overseas Development Institute. Andrews, M. L., Pritchett and Woolcock, M. (2017). *Building State Capability: Evidence, Analysis, Action*, Cambridge: Harvard University, and Thinking and Working Politically Community of Practice 'The Case for Thinking and Working Politically' https://twpcommunity.org/wp-content/uploads/2018/02/the-case-for-thinking-and-working-politically.pdf

[12] See for example the 2011 Accra Agenda for Action which promotes country-owned and country-led development, or the 2011 New Deal for Engaging In Fragile States.

1. Always provide context-specific assistance to support country-owned and locally-led change.[13] This is a fundamental principle which is nonetheless often ignored in practice. Capacity development is a domestic process. External actors can only facilitate locally-led change, for example by providing financial resources, sharing technical expertise or offering diplomatic encouragements. As a result, local 'leaders' need to develop their own reform strategies, identifying both their objectives and the individual, organisational and institutional capacities they need to put them into place. Well-judged external assistance can help them through this process, or help to raise awareness about different solutions to development challenges. However, development partners should refrain from imposing external solutions, as these are unlikely to last beyond the duration of their projects.[14] Ethiopia has bucked this trend and has been remarkable for its domestically-led reforms in recent decades, as illustrated in the next section. New DAG initiatives should continue to be locally-driven.

2. Understand both formal and informal incentives when devising a public sector reform and planning international assistance. Institutional development is 'political', not in a political-party sense, but because it is about redistributing power and resources within the public sector and beyond, and affects how the public sector collaborates with citizens, organised civil society or the private sector. Local leaders and their international partners need to explore what will motivate individuals and organisations to operate differently. This entails an understanding of who is most likely to be supporting reform and why, who may be benefiting, and who may lose out (or may be worried about potentially losing out) and therefore may be blocking reform. Governments and their development partners should also be honest about factors that are not visible but extremely influential, for example patronage networks, gender-based discrimination and other systems or norms that favour certain individuals or groups and exclude others. They should also take into account some of the foundational factors which reform efforts may only influence over the longer term or under exceptional circumstances (e.g. such as the historical role of the state in the economy or a country's relations with its neighbours).

3. Consider different entry points and multi-actor processes, including both public sector ('supply-side') reforms and external ('demand-side') initiatives to improve public sector effectiveness as well as its accountability, responsiveness and inclusion. Institutional

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[13] 'Country' or 'local' is used to mean domestic – at the inter-regional, national, regional or community levels, as opposed to external leadership from development partners. Local leaders could be from government, the private sector or civil society; the term can refer to be individuals, organisations, or networks for example.

[14] OECD (2006), Caneiro et al (2015), Booth and Unsworth (2014).

reforms that are driven by state actors may overlook other stakeholders' contributions or lose sight of the needs of the ultimate end-users. Private sector firms or citizens that are meant to benefit from new services (e.g. easier business licencing processes or better access to justice) are well placed to provide feedback on whether the proposed reform meets their needs and they can assist in making adjustments (responsiveness). Different social groups should be included both as beneficiaries and as part of the process to make sure that the SDG principle of 'leave no one behind' is respected (inclusion). Transparency and access to information enable external stakeholders to contribute to reforms, and can, through this external accountability, prevent abuses (such as human rights violations or misuse of financial resources).[15] Institutional reforms can also increase state accountability in other ways, (i.e. within the bureaucracy, such as more effective internal auditing, or between different branches of government, such as active parliamentary oversight or mechanisms for judicial review).

4. Countries in transition require a prioritised and sequenced approach. This is to avoid putting too much pressure on weak institutions even when there is a 'window' for major reforms, for example because of a new political leadership. There needs to be a prioritisation (i.e. which reforms or initiatives are the most important to deal with current challenges) and sequencing (which ones should be initiated first, and which ones may then follow). A recent UK government guidance paper identifies five dimensions that should be considered, to help put in place some 'building blocks' for longer term stability while managing some shorter-term trade-offs (see Box 4).[16] In transition countries, the strategy should combine short-term visible results, in order to build the public's trust in government, as well as longer-term objectives, which can take sometimes decades to achieve. 'Inclusion' and 'legitimacy' are particularly important for institutional development: are the leaders widely accepted as entitled to govern and trusted by both members of elites and the population at large? Have they involved all relevant social groups in the process? Are they seen as having a mandate to pursue these changes? Otherwise, leaders and their reforms could be challenged, which could even lead to violence under certain circumstances.[17]

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Box 4: The UK's Framework for Building Long-Term Stability

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[15] https://www.transparency-initiative.org/ provides a wide range of resources.
[16] DFID (2016). Building Stability Framework. Draft version available at https://www.international-alert.org/sites/default/files/DFID_Building%20stability%20framework%202016.pdf.
[17] World Bank. (2011). World Development Report 2011 on Conflict, Security and Development. Overview. Washington, DC: World Bank.

This framework sets out five building blocks that drive long-term stability, informed by evidence and experience of what works.

1. **Fair power structures** that broaden inclusion, accountability and transparency over time, while managing tensions to prevent violence in the short term.

2**. Inclusive economic development** which creates widespread benefits, reduces incentives for conflict and curbs illicit economies.

3. **Conflict resolution mechanisms**, both formal and informal, that help manage conflict, help people cope with the legacies of violent conflict and strengthen women's role.

4. **Effective and legitimate institutions**, both state and non-state, that build trust with those they govern, and which grow in effectiveness over time.

5. **A supportive regional environment** that enables communities to be more resilient to transnational stresses and shocks, including organised crime and violent extremist ideologies.

5. Facilitate processes of change rather than just providing technical solutions. Government and development partners often focus on technical expertise or material resources to support reforms. However, institutional development is ultimately about behaviour change, encouraging public servants to work differently and enabling citizens or firms to adopt new expectations about what the state can, or cannot, provide and how to hold it to account. Development partners can therefore also facilitate awareness raising, public debates, consultation processes, coalition building, networking, research and the provision of evidence, and other ways of supporting 'collective leadership'.[18] These can be perceived as secondary to technical solutions, but they are more likely to ensure that reforms are well suited to the local context and that there are a range of allies who can support them, because they can see the benefits or they have been involved in developing them.[19]

6. Consider whether whole-scale reform or 'pockets of effectiveness' are more appropriate objectives, and how Problem-Driven Iterative Adaptation can be used. Some countries, such as Ethiopia, have achieved remarkable overall reforms of their public services, but these are often the exception, as they require a powerful centre and can take generations to be completed. As a result, there has been increasing interest in how to build 'pockets of effectiveness' in weaker public services in Africa, isolating some particularly important functions, such as a revenue collection, through higher salaries or insulation from the wider

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[18] See for example the Developmental Leadership Program research https://www.dlprog.org/.
[19] The importance of process is highlighted for example in Land, A., Grejin, H., Huack, V. and Ubels, J. (2015) 'Reflecting on 25 years of capacity development and emerging trends', *Capacity Development Beyond Aid,* pp.1-18, https://ecdpm.org/wp-content/uploads/CAPACITY_BOOKLET_ENG_WEB.pdf.

public sector culture.[20] Similarly, new thinking on institutional development encourages a 'problem-based approach', to resolve a specific issue. The starting point is an exploration of the main problem(s) to be addressed by public sector reform, unpacking how they are inter-related, testing different responses, and learning along the way.[21] The approach also recognises the 'complexity' of public sector reforms, which include many inter-related components and cannot be fully anticipated in advance. The opposite approach is offering a 'blueprint' model, for example from another country with different norms and values, starting with what 'ought' to work well.

6. Avoid stand-alone training. Training individuals is often a tempting response to perceived capacity gaps, as it is a concrete and relatively short-term activity. Trainees appreciate new learning opportunities. However, there are many documented drawbacks. Courses may have been badly designed and not meet priority learning needs. They may not adopt adult-learning methodologies (e.g. drawing on participants' own experiences rather than classroom lectures). Trained individuals may not be able to apply their new skills when they return to work (e.g. they don't have the required ICT systems or material resources, managers and colleagues may be resisting new ways of doing things because they reduce opportunities for discretion or petty corruption). Focusing on teams or groups, rather than individuals, may be also more beneficial to induce organisational change.

7. Consider different types of technical cooperation beyond technical advisers, which is identified, procured and managed by those who will benefit from the assistance, not the development partners funding it. In addition to training, know-how is often provided through individual technical experts, either short-term or long-term, national or international. These advisers are recruited for their excellent technical skills and because they can supplement local capacities. In addition, they also need 'soft skills' which can be overlooked in recruitment processes (i.e. be able to build trust, work in teams, support their counterparts in making decisions and learning to operate differently, rather than providing ready-made solutions, and operate well within local professional cultures). Other ways of providing technical cooperation include coaching, mentoring, peer to peer exchanges, twinning or institutional partnerships, triangular or south-south cooperation, or synthesising/learning from other relevant

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[20] These 'pockets' or 'islands' of effectiveness may however not influence the performance of the wider public service. A new research project will examine how they come about, how they are sustained and how they an be assisted. See Hickey, Sam (2019) The politics of state capacity and development in Africa: Reframing and researching 'pockets of effectiveness' http://www.effective-states.org/wp-content/uploads/working_papers/final-pdfs/poe_wp_1_hickey.pdf.
[21] Andrews et al. (2012). A toolkit is available at: https://bsc.cid.harvard.edu/PDIAtoolkit.

international experiences.[22] Study tours to learn from other countries are also popular, but these are only beneficial when well designed as part of a strategy (e.g. involving the right persons, and not necessarily the most senior ones, to test alternative models or build 'reform teams' during the visit, for example between different government organisations and with private sector or civil society participants). Study tours are also often associated with problematic incentives, such as international shopping, per diems and other perks.

9. Institutional reform programmes are encouraged to be flexible and adaptive. Rigid external assistance programmes have a pre-determined workplan and budget execution rate, which cannot be easily adjusted. On the contrary, if institutional reform programmes are context-sensitive, they also need to be 'flexible' as the context changes and there new opportunities and 'adapt' to new evidence.[23] Those implementing programmes should be able to adjust resources without too many bureaucratic delays, and be encouraged to take reasonable 'bets' on what may work or not work. As with public service reform more generally, this higher risk and degree of autonomy of institutional development programmes has not always been feasible as development organisations face other incentives – to spend their budgets within set timeframes or demonstrate visible results.[24]

10. Invest in ongoing monitoring, evaluation and learning based on an explicit theory of change and theory of action. Institutional development support can be particularly challenging to assess, as it can be difficult to trace how improvements in 'back office' functions (e.g. through training schemes or new systems and processes) have an influence on 'front line' service delivery improvements. To justify their approaches, institutional assistance programmes need to develop a 'theory of change' (which set out how they expect change to come about – regardless of what development partners may offer) and a 'theory of action' (which explains the mechanisms through which this change can be supported by development partners e.g. through technical advisers, training, grants, etc).[25] They then need to monitor the assumptions they are making about how change will happen, by collecting useful and timely evidence and

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[22] Pearson, J. (2011), 'Training and Beyond: Seeking Better Practices for Capacity Development', *OECD Development Co-operation Working Papers*, No. 1, OECD Publishing. http://dx.doi.org/10.1787/5kgf1nsnj8tf-en.

[23] Craig Valters, Clare Cummings and Hamish Nixon. (2016). 'Putting learning at the centre: adaptive development programming in practice.' London: Overseas Development Institute https://www.odi.org/sites/odi.org.uk/files/resource-documents/10401.pdf.

[24] For example, McCulloch, Neil and Piron, Laure-Hélène. (2019). 'Thinking and Working Politically: Learning from practice. Overview to Special Issue', Development Policy Review Vol. 37, S1, pp O1-O15, London. https://onlinelibrary.wiley.com/doi/abs/10.1111/dpr.12439.

[25] Lavinia Tyrell. (2019). 'Theory of Change and Theory of Action: what's the difference and why does it matter?' available at: https://abtassocgovernancesoapbox.wordpress.com/2019/07/19/theory-of-change-and-theory-of-action-whats-the-difference-and-why-does-it-matter/.

sharing this evidence with those making decisions. Ideally, domestic organisations themselves (and not just development assistance programmes) should collect this evidence and ensure that reform leaders are aware of the monitoring, and can adjust or change direction as needed.

3   Lessons from recent experience in Ethiopia

The previous section is based on global experiences which are informing new approaches to capacity development assistance. As the GoE embarks on major institutional reforms, it can learn from some of its own past initiatives which were supported by development partners. This section summarises some lessons from GoE's comprehensive public sector reforms and draws implications for future reforms (section 3.1) and justice sector reforms as well as the more targeted legal and judicial training schemes funded by the Netherlands (section 3.2). It concludes with reflections on Ethiopia's 'developmental state' and economic reforms, including lessons from Vietnam (section 3.3).

3.1   **Public sector reform**

The Ethiopian People's Revolutionary Democratic Front (EPRDF) government had been committed to public sector reforms after coming to power in 1991. Seeing the public service as an important instrument to deliver its vision for Ethiopia's state-led development, the EPRDF was willing to experiment with a wide range of management techniques. Decentralisation helped implement Ethiopia's 1994 Constitution which created a multinational federal system, with powers shared between a federal government and federated regional states. These 'big-bang', whole-of-government reforms have persisted for over 20 years. They were clearly driven by the GoE itself, rather than externally imposed. As the domestic political context changed around 2013/2014, civil service reforms were reported to have become less effective. Box 5 provides a timeline of the main public sector reforms.

> **Box 5: Timeline of Ethiopian public sector reforms**
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> A **special task force** was established by the Prime Minister in 1994. The **civil service reform programme**, which began in 1996, covered:
>
> - The top management system
> - Human resources management
> - Service delivery
> - Expenditure management and control (PFM)
> - Ethics

In 2001, a new **Ministry of Capacity Building** managed the reforms. Some of the initiatives included:

- **Strategic planning** (2003) in all federal ministries and regional bureaus, together with a renewed emphasis on performance management, particularly at the organisational level.

- **Business process reengineering** (2006) which refers to the redesign of an organisation's workflows to realise cost, time and effectiveness improvements, based on private sector practices.

- **Balanced scorecard** (2008) to align team and individual performance with an organisation's strategy.

From 2010 onwards, reforms were led by the **Ministry of Civil Service** (merging the abolished Ministry of Capacity Building and the Civil Service Commission).

- **Citizens' Charters** were introduced in all civil service organisations to enhance the voices of service users through standards of service, public information and grievance redressal mechanisms.

- **Development change army** were first piloted in parts of the country from 2009 and then extended to the public sector. Civil servants in small groups conduct peer-reviews which are then cascaded up the hierarchy to motivate better performance. This 'state' wing initiative was complemented by 'party' wing (political direction) and 'public' wing (external feedback) measures.

- **Kaizen circles**, introduced with Japanese assistance, are another service improvement tool, bringing together top management, managers and workers.[26]

Over this period, a **decentralisation** programme entailed major restructuring, with national regional states and wereda governments established in the 1990s. In 2002, fiscal decentralisation included general purpose grants to weredas. Between 2004 and 2012, the number of civil servants at wereda and kebele levels increased significantly. (These changes have not been reviewed in this rapid assessment).

From 2013 onwards, **political instability** has affected civil service reforms which have stagnated. The **Ministry of Public Service and Human Resource Development** requested an external analysis which included a comprehensive public servants survey (2016).

Since 2018, the new Ethiopian leadership adopted a renewed focus on civil service reforms. The **Civil Service Commission** has been working on a civil service reform roadmap.

The USD 262.8 million (2004 to 2012) Public Sector Capacity Building Program (PSCAP) was one of the largest assistance programmes which supported GoE civil service reform agenda as well as other reforms. Funded by the GoE, World Bank and other development

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[26] Inconsistent evidence on results achieved is cited in Tadesse, W. (2019). 'Public service reform in Ethiopia: challenges and gaps post-implementation' Africa's Public Service Delivery and Performance Review 7(1), a246. DOI: https://doi.org/10.4102/apsdpr.v7i1.246.

partners, and managed by the GoE, it aimed to build an effective state that would provide improved service delivery and enhance good governance. In 2016, the World Bank and the UK Department for International Development (DFID) assisted the preparation of a comprehensive survey of the civil service (at federal, regional and woreda levels), which, along with other data, provides a useful assessment of what these GoE public sector reforms achieved, and the current strengths and weaknesses of the civil service.[27] The World Bank's 2013 PSCAP completion report, a more critical academic study, interviews and a survey for this assessment provide the main other sources of evidence cited below.[28]

What were the results:

- The draft civil service reform roadmap finds that by 2012 the civil service reform programme had "generated substantial change in a very short time, more so than in any other country in sub-Saharan Africa" and "had a direct impact on the lives of ordinary citizens throughout the country".[29] A 2019 academic paper is, however, much more sceptical of the actual results, noting that there were "no visible improvements".[30]

- The service delivery pillar was seen as particularly successful by the GoE and the World Bank. Though reliability is challenged, the Woreda and City Benchmarking Surveys showed that access to services had generally improved between 2008 and 2011, with increased satisfactions with services, in particular in health.[31]

- District level decentralisation increased from a baseline of four regions to all regions, which improved access to and responsiveness of the public services. According to the 2010/11 Benchmarking Survey, 88% of the local jurisdictions were providing basic services compared to only 25% in 2005.

- The PFM pillar was also seen to have performed well by some analysts. The 2014 Public Expenditure and Financial Accountability (PEFA) assessment concluded there had been a "'slight forward movement" since 2010: nine indicators had improved, eight scored lower and ten remained unchanged. However, several of the 2010 scores had been over-rated, resulting in an under-reporting of progress.[32]

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[27] Araya, E. et al. (2016). 'Moving Further on Civil Service Reforms in Ethiopia. Findings and Implications from a Civil Service Survey and Qualitative Analysis'. World Bank.

[28] World Bank. (2013). 'Ethiopia - Public Sector Capacity Building Program Support Project – Implementation Completion and Results Report' (English). Washington DC: World Bank. http://documents.worldbank.org/curated/en/500461468275118103/Ethiopia-Public-Sector-Capacity-Building-Program-Support-Project and Tadesse, W. (2019).

[29] FGRE. (2019), Draft civil service reform roadmap.

[30] Tadesse, W. (2019).

[31] World Bank. (2013).

[32] FDRE (2015b). The Financial Management Performance of the Federal Government available at https://pefa.org/country/ethiopia.

What worked well:

- The EPRDF government was able to consistently steer political and human resources towards its vision for growth and poverty reduction, in particular through ministers and politically appointed senior civil servants. This structural and ideological drive blurred the boundary between state and party, and relied on a high level of politicisation.
- The top management systems pillar developed the toolkits and manuals listed in box 5. Managers and experts were trained to apply them in their own organisations. Planning, targeting and monitoring practices were established.
- The 2014 PEFA assessment found that government ownership and commitment of PFM reforms were strong, with sound management processes.

What worked less well:

- The successes noted above reflect what could be achieved through centrally-driven, party-led change. Conversely, there appears to have been less success in precisely the dimensions that required merit-based performance or citizens' participation.
- The draft civil service reform roadmap concludes that human resource management reforms achieved limited results (beyond the legal framework), and there was also less success in developing top management leadership skills.[33] Interviews suggest this is related to civil service politicisation, and the associate challenges of attracting, motivating and retaining professionals. Weaknesses also include the level of staff autonomy to undertake tasks, staff involvement in decision as well as performance monitoring and incentives.[34]
- In the 2016 survey, the 'development change army' was considered the most successful reform tool, in particular at the regional and woreda level, while at the federal level, it was the balanced scorecard.[35] However, ad hoc working group members do not agree with this positive assessment of the 'development change army'.
- The 2019 PEFA assessment notes a number of PFM system weaknesses and shows a decline in PFM performance since 2014: there have been eight deterioration in performance against three improvements (14 indicators remained the same and three are not comparable).[36] The 2014 PEFA assessment had already identified high staff turnover and low salaries as one of the key constraints affecting improved PFM performance.[37]

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[33] FDRE (2019b).
[34] World Bank (2019).
[35] Araya et al (2016).
[36] FDRE. (2019c). The Financial Management Performance of the Federal Government, page 9.
[37] PEFA (2014), page 8.

- Public sector salaries are low by regional standards. The significant expansion of the number of civil servants was achieved without a comparable increase in the wage bill (contained at around 5% of GDP).[38]

- Public servants' motivations have been affected by the constant flow of top down reforms, which have generated organisational instability. They were "suspicious of organisational reform efforts".[39]

- The citizens' charter were seen as relatively less useful.[40] While the public sector reform programme created the foundation for voluntary citizens' participation (e.g. service standards formalised through citizens' charters), the World Bank completion report explicitly concludes that "the dominance of party structures and leadership at all levels of government limited free and non-partisan participation".

- Some analysts note that the reforms were introduced too quickly, without sufficient assessment of their impacts, and with insufficient customisation to the Ethiopian or local context.[41] The 'one-size fits all' approach led to a lack of ownership by implementing organisations.[42]

- Since 2013, public sector reforms have mostly stalled, which reflects a changed political context with an absence of clear top-level political direction and monitoring of implementation.

- As well as declined competence, reported increases in corruption are considered to be associated with this weakened political oversight. In 2011, 6.5% of households reported they had "made extra payments outside the legal requirements" to obtain service compared with 4.1% in 2010, a 50% increase.[43]

The main finding is that, prior to 2018, reforms were not able to address the extreme politicisation of the public service which limited effectiveness. While the EPRDF's top-level political drive ensured some improvements in service delivery and investment in infrastructure, this also mitigated against the professionalisation of the public service, as the most senior jobs were appointed on a political basis. This would probably have had an effect on growth prospects: there is some international evidence that a merit-based civil service is associated with higher growth rates[44], including through merit-based recruitment, promotion and career

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[38] World Bank (2013), Araya et al. (2016).
[39] Tadesse (2019), based on public service staff interviews.
[40] Araya et al (2016).
[41] Tadesse (2019)
[42] Ministry of Finance (2020).
[43] World Bank (2013) citing the wereda and city benchmarking surveys which may not be reliable.
[44] Anderson, J., Reid, G., & Ryterman, R. (2003). 'Understanding public sector performance in transition countries: An empirical contribution'. Washington, DC: World Bank. http://www1.worldbank.org/publicsector/civilservice/UPSP%20final.pdf.

stability[45] and that professional competence and merit is also systematically associated with less corruption.[46]

Relatedly, interviews suggested that the dirigiste model of governance was better suited to dealing with crises and emergencies, which could not be avoided if they threatened the regime's very survival, whereas lower-level bottlenecks could be more easily ignored. The absence of effective local participation and feedback mechanisms, and the limited autonomy of public servants, put a break on the institutionalisation of good practices: institutional effectiveness also depends on responsiveness and accountability (as shown in section 2).

Looking ahead:

The GoE, through the Federal Civil Service Commission, is currently preparing a roadmap for the next generation of public sector reforms. It is using a consultative process (e.g. including at the regional state level) and drawing on targeted international technical support, before the proposal is submitted to Cabinet later in 2020.[47] One of the most fundamental issues it has to grapple with is how to change organisational culture in order to see improvements in terms of civil servants' motivation and performance, and citizens' willingness to participate and ensure accountability, through another centrally-driven reform. Individual GoE ministries and agencies, are also preparing their own organisational development strategies, such as the Ministry of Finance and the Planning and Development Commission.

The GoE seems to be shifting from a whole-scale top-down reform agenda towards a more targeted approach which is still centrally-directed. While some public sector organisations have been operating better because they have been able to attract more competent individuals[48], the approach cannot ensure improvements across the public sector. Even these islands of excellence will be limited in terms of what they can achieve because of wider enabling environment factors.

The following priorities for future institutional development efforts were proposed by GoE officials who responded to the survey or were interviewed for this rapid assessment:

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[45] Evans, P., & Rauch, J. (1999). 'Bureaucracy and growth: A cross-national analysis of the effects of 'Weberian' state structures on economic growth', American Sociological Review, 64(5), 748-65. http://www.social-sciences-and-humanities.com/PDF/bureaucracy_and_growth.pdf.

[46] Recanatini, F., Prati, A., & Tabellini, G. (2005). 'Why are some public agencies less corrupt than others? Lessons for institutional reform from survey data'. Draft presented at PREM Week.

[47] Interviews and draft civil service reform road map (2019).

[48] Interviews.

- The introduction of a merit-based public service, with accountability, transparency and ethics.
- Human resources development, including measures to incentivise staff, such as performance management, a reward and accountability framework, and specialised trainings.
- A labour market study leading to a revised salary structure, including specialised scales for critical sectors (to ensure the public service can compete with the private sector).
- Examine how the education system prepares students for public service responsibilities.
- An integrated result-based management system with the systematic utilisation of performance information to improve policymaking and implementation.
- Digitalisation and standardisation to ensure consistent service delivery.
- Improving information-sharing across government (e.g. within the justice sector).
- Stakeholders engagement in policymaking, including from the private sector, and systems to measure and respond to citizens' priorities and service delivery feedback.
- Improved working environment for public servants (e.g. working space and facilities).
- These reforms should be based on a detailed analysis of how the public sector is currently performing.

Looking beyond public sector reform, the Ethiopian public sector is affected by the quality of its entrants which in turn depends on the performance of Ethiopia's higher education sector. There were only three public universities in the 1990s. A study notes that new federal universities in the regions and private sector providers contributed to a 30% of academic enrolment increase in 2016 compared to 2008, with 33,000 students in 2014.[49] However, it also raises concerns about sustainability – in particular the lack of PhD level instructors at these universities and the reliance on collaboration with foreign universities that teach courses. In addition, it points to a lack of equity in access to higher education: urban students (while 80% of the country is rural) and male students predominate (70%) with very little increases in female higher education enrolment over time.[50] The World Bank is concerned about the decreasing quality of higher education associated with expansion, and the competition from higher private sector salaries. Overtime, these new graduates could transform the public service, while the older generation progressively retires.

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[49] Shiferaw, A. (2017). 'Productive Capacity and Economic Growth in Ethiopia'. United Nations Department of Economic and Social Affairs.
[50] Ibid.

3.2 Justice Sector Reform

Justice sector reform was one the components of GoE's capacity building efforts. The Ministry of Capacity Building was responsible for the 2002 Justice System Reform Programme which was followed by the 2005 Comprehensive Justice System Reform Programme. These programmes were based on a number of baseline assessments across all elements of the justice sector.[51] Some of the identified weaknesses included poor skills and training, inadequate funding, lack of judicial independence and political interference, insufficient access to justice, delays and congestions, as well as a fragmented and piecemeal approach to reform. The programmes aimed to promote a more joined up approach across the sector, from the federal to the local level. [52] While a large number of development partners have provided assistance, justice has received a small percentage of total aid.[53] Development funding for this sector was estimated in 2013 to have costed US$ 397.8 million.[54]

The overall PSCAP justice sector sub-programme is considered to have introduced improvements to a number of systems and processes. To promote the rule of law and more efficient and effective justice, it covered: strengthening the judiciary; revising and reforming laws; enhancing the capacity of law enforcement organisations; and strengthening legislative organisations. The 2013 PSCAP review concluded that indicators on access to justice, recourse and redress had been 'achieved', with increases in the number of formal courts (850-942), social courts (additional 15,452), and mobile courts as well as the introduction of e-litigation. Indicators for enhanced independence of the judiciary had been 'substantially achieved', with an independently organised Judicial Administration Commission, fully merit-based nomination of judges and reformed legal education, including exit exams, on the job training before joining the workforce and curriculum revised on 16 courses. Improvements to the administration of justice included better records management, courts management and decision support systems, including video-conferencing. The average clearance rate had improved from less than 60% in 2005 to 98% in 2012.[55]

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[51] The World Bank, *Ethiopia Legal and Judicial Sector Assessment* (2004) and Centre for International Legal Cooperation (CILC), *Ethiopian Comprehensive Justice System Reform Program Baseline Study Report* (2005).

[52] Elias N. Stebek. (2015a) Judicial Reform Pursuits in Ethiopia, 2002-2015: Steady Concrete Achievements - versus - Promise Fatigue, Mizan Law Review, Volume 9, No. 2 (pp. 215-257), http://dx.doi.org/10.4314/mlr.v9i2.1

[53] E. Skaar, I. Samset and S. Gloppen (2004) 'Aid To Judicial Reform: Norwegian And International Experiences', Chr. Michelsen Institute, list as the main justice sector funders the World Bank, EU and US, with support also coming from UNDP, Canada, France, Netherlands, Sweden, UK and Norway.

[54] Henok G. Gabisa. (2015). 'Justice System Reform Programme' in Ethiopia: Is Rule of Law Lost in Translation?' African Journal of International and Comparative Law, May 2015, vo. 23, No. 2: pp. 291-313 https://www.euppublishing.com/doi/pdfplus/10.3366/ajicl.2015.0122

[55] World Bank (2013).

Additional assessments have been less positive, both in terms of the level of ambition and genuine rule of law improvements.

- **The approach was too complex and ambitious over a short time**, according to some managers involved in its implementation. "Each of the five components of the program are wide in scope requiring change and reform in the legal framework, institutional arrangement, streamlining working systems and procedures and institutional coordination. The Justice System Reform Program attempted to work on all these at once and in a short time [...] Big projects are usually difficult to manage and co-ordinate and hence, tend to fail. Such risks are usually mitigated by starting small and progressing in phase. Although the JSRP has not failed, it has lagged behind many of its components".[56] Since 2010/11, implementation became more fragmented, as responsibility moved to the Ministry of the Public Service. Other weakness included a "abrupt switch to different tracks (such as BPR) [and a] lack of forum for consultation, discourse and analysis".[57]

- **Given the political context, rule of law and human rights improvements were much more limited than reported in the final World Bank review** according to some academic studies. For example, judicial training institutes reported to the political leadership (and not to the judicial leadership) and included the ruling party's ideology in their curriculum. The 'Real Time Dispatch Technique' was used in every case by the prosecution service, even where requirements were not met. There was no judicial review by courts nor adequate parliamentary scrutiny of laws. Some laws significantly restricted human rights, such as the Charities and Societies Proclamation No. 621/2009 of Ethiopia (Civil Society Law or CSO law).[58] In 2018, the Federal Attorney General's Office identified a deterioration in the quality of the laws, as well as problems related to independence and effectiveness.[59]

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[56] Mandefrot Belay (2008), "A Review of the Ethiopian Justice System Reform Program ", in *Digest of Ethiopia's National Policies, Strategies and Programs*, Taye Assefa, Editor, Forum for Social Studies, Addis Ababa, p. 442, cited in Elias N. Stebek (2015b) Legal Sector Reform Pursuits in Ethiopia: Gaps in Grassroots Empowerment', Mizan Law Review, Volume 9, No. 2 DOI: 10.4314/mlr.v9i2.2

[57] Dr. Mulugeta Mengist, Presentation at the Consultative Workshop on Problems in Ethiopia's Justice conducted at Capital Hotel, June 6, 2018. cited in Elias N. Stebek (2018) Ethiopia's Justice System Reform at Crossroads:
Impediments relating to Institutional Continuity, Ethnic Politics and the Land Regime', Mizan Law Review, Volume 12, No2 DOI: 10.4314/mlr.v12i2.2

[58] Henok G. Gabisa (2015).

[59] Elias N. Stebek (2018).

Turning to the project level, Dutch assistance to legal training over a 20-year period has been evaluated and provides a number of useful lessons (see box 6).

What worked well

- The projects adopted a 'demand-driven approach'. They used needs assessment to develop tailor-made trainings. There was good stakeholder engagement in the preparation, implementation and evaluation of the projects.
- Training was delivered in Ethiopia and not abroad, which was cost-effective. Students could work while they were studying, which minimised the brain drain.
- The projects were 'partnership oriented' rather than one-way knowledge transfer. Universities in Ethiopia and abroad developed collaborative relationships.

What worked less well:

- Few women took part in the training opportunities, as reportedly few women worked in participating organisations. The second justice project made more efforts: gender related issues were incorporated into the syllabus, teaching and research of the degree and short-term courses.
- Participants from the regions said they needed more support.
- Some organisations did not relieve participants from their work duties.
- The study's survey showed that 37% of trained public servants left their organisations after the mandatory period, including to join the private sector. While this weakens the influence of the projects on the state's capacity, this can be seen positively at a macro level if trainees remained in Ethiopia and used their improved legal skills in the private sector.

Box 6: Legal training projects lessons

20 years of Dutch capacity building support to the Ethiopian Civil Service College (1998-2007), the Ethiopian Ministry of Justice (2003-2006), the Judicial Organs Professionals Training Centre (2006-2007) as well as a second Ministry of Justice capacity building project in collaboration with Mekelle University (2012-2016).[60] These projects focused mostly on individual level capacity development, with some organisational innovations which appear sustainable, and provide useful lessons.

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[60] Haileselassie Gebreselassie (2018), 'Impact Assessment of Capacity Building Projects in the Ethiopian Justice Sector Institutions Supported by the Embassy of the Kingdom of the Netherlands in Addis Ababa', Africa-Europe Partnership Institute for Capacity Building and Human Resource Development, July.

Over 100 public prosecutors and judges were trained at a post graduate LLM level, which was not available before. Over three hundred public prosecutors, trainers, police officers and judges took part in short-term skill and methodology training programmes.

Partner organisations were able "to retain their professional work force for an extended period of time partly by providing opportunities of further education and partly through some draconian procedures of mandatory contractual services by the course participants after completion of the sponsored post graduate programs".[61]

The dissertations which were part of the training not only helped students gain deeper knowledge and better skills, but they were also selected to assist the respective organisations study some of their problems. The evaluation found these studies are now utilised as reference and supportive material inside these organisations.

A Training of Trainers programme benefited 120 people, drawn from the Federal Attorney General, the Federal and Regional Courts, Justice Bureaus, Police and Prison Administration, who improved their training and teaching. The evaluation found participants replicated the methods and teaching skills learned through the projects in their respective organisations (e.g. they reviewed the existing curricula in their faculties, adopted new methods of student assessment, or used interactive method of teaching).

The projects established the first post graduate law degree in Ethiopia. The LLM curriculum for six post graduate law specialisations, hosted at Mekelle University, is an example of the projects' sustainability and institutionalisation.

The Ethiopia host organisations also consolidated relationships with various foreign organisations, including in the Netherlands, Austria, Germany, the UK, South Africa and other countries, which enriched Ethiopian research. For example, Mekelle University law faculty staff accessed the University of Amsterdam's database and published articles in scientific journals drawing on sources which otherwise could not been available without paid subscriptions.

The evaluation concludes that these projects were crucial in the institutionalisation and functioning of the rule of law and improved the work of the judiciary and the public prosecutor's office. For example, it found increased professional skills and performances in the Legislative Studies and Legal Drafting Directorate of the Federal Attorney General.

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[61] Ibid.

Looking ahead:

The Federal Attorney General's Office has prepared a strategic plan (2020-2025) and its Legal and Justice Reform Council has prioritised judicial independence and effectiveness in its 3-year roadmap. Development assistance programmes now have greater political space to consider their effects on human rights, the rule of law and access to justice, beyond improvements to the technical capacities of justice sector professionals or technical systems improvements.[62] The UN system is planning a new comprehensive justice sector assessment to inform a new programme of support.

Sector-specific challenges are likely to include coordination and collaboration across a wide-range of security and justice organisations (e.g. covering commercial, criminal and civil justice) each with different organisational cultures, accountability structures and related reform plans (e.g. Supreme Court, Attorney General's Office, Ministry of Peace). The large number of development partners will also require coordination and steering from the GoE (e.g. as they can tend to draw on their own legal systems – civil or common law – and may have different domestic priorities – including concerns over migration).

3.3   Ethiopia's developmental state and future economic reforms

Ethiopia has a long tradition of state intervention in the economy and society prior to 1991, dating back to imperialist and socialist regimes.[63] Since 2001 in particular, the GoE has referred to its state-led development model as a 'developmental state' project. The state is an economic actor, including through a number of State-Owned Enterprises (SOE), centralising rents and directing resources into infrastructure and other long-term pro-poor objectives.

Inspired by East Asian countries which achieved rapid growth through state-led development, Ethiopia's model was also associated with strong political control over the public service and society, justified by the need to maintain full commitment to this developmental vision. The EPRDF's 'vanguard leadership' was not mediated by other intermediary organisations or coalitions but based on a direct relationship between the party, the state and the people.[64] However, unlike East Asian countries, the state looked to foreign direct investments and

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[62] Interviews. FAGO. (2020). 'Brief Strategic Plan Explanation'.
[63] Prof Fantu Cheru talk November 2019 https 29 nov 2019 https://fuf.se/democratization-in-ethiopia-will-they-make-it/
[64] Vaughan, S. (2013a) 'Ethiopian federalism: hybridity in ambiguity?' in Loughlin, John, John Kincaid and Wilfried Swenden (eds), *Routledge Handbook of Regionalism & Federalism*, London: Routledge.

development partners, rather than forging an alliance with the domestic private sector to raise capital.[65]

This rapid assessment was not able to examine the performance and lessons from past Ethiopian economic reform assistance programmes due to lack of time and documents.[66] The 2019 GoE economic reform agenda proposes a combination of macro-economic reforms, structural reforms to ease constraints on doing business (e.g. streamlining bureaucratic processes) and reforms to address sector-specific barriers. It sets out how rapid and inclusive growth will rely on a more dynamic private sector and market-led economy. This is not an entirely new agenda, as some privatisation and market-orientation have been introduced in past decades.

The main institutional economic governance challenge the GoE will face concerns how to shift the role of the state a from dominant economic actor, towards a more regulatory role. This is not simply about preparing the appropriate legal and regulatory frameworks, establishing regulatory bodies, or developing civil servants skills, but also about adopting new norms of expected behaviour. It requires the bureaucracy to have a certain degree of 'autonomy' from economic actors in order to enforce regulations that may not align with the interests of the most powerful actors (such as some SOE, all of which are controlled by political stakeholders, with dominance of boards by ministers or political appointees). It also requires a degree of 'embeddedness' to understand of how different economic sectors are operating and to stimulate private investments.[67]

In addition, the GoE needs to agree the scope, depth and speed of privatisation and indicate to what extent it envisages the ongoing active role of the state in the economy (beyond regulation). This is not just a technical but clearly a political decision, as there are different degrees of market-openness to be combined with GoE's other objectives, such as the provision of basic services.

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[65] Clapham, C. (2018). 'The Ethiopian developmental state', Third World Quarterly, 39:6, 1151-1165, DOI: 10.1080/01436597.2017.1328982

[66] There is a large literature on eastern European reforms, which may not provide a good reference for Ethiopia given higher state capacity and for some traditions of market-oriented economies. One more recent study includes James Roaf, Ruben Atoyan, Bikas Joshi, Krzysztof Krogulski et al. (2014). 25 years of transition: post-communist Europe and the IMF. Washington, D.C. : International Monetary Fund. It notes "institutional reforms—in areas such as governance, competition policy, labor markets, privatization and enterprise restructuring—often faced opposition from vested interests".

[67] See Evans, Peter (1995), *Embedded Autonomy: States and Industrial Transformation*, Princeton, NJ: Princeton University Press. is a seminal book which refers to the 'embedded autonomy' of the bureaucracy in East Asian economies, which is far from the case in Ethiopia, where the bureaucracy is both politicised and dominant in the economy.

There is no single model for privatisation, but some political and institutional risks are clear. Countries which have undertaken market-oriented reforms and large-scale privatisation have adopted a range of strategies. Some have been gradual based on consensus-building between government, political parties and economic actors (as in Slovenia[68]). Others followed a 'shock therapy' model, which is widely considered a failure in the case of the former Soviet Union under President Yeltsin, as well-connected oligarchs acquired state assets cheaply through their political connections and insider information.

The ad hoc group is particularly interested in lessons from Vietnam's experiences with economic reforms which started in the 1980s and are summarised in Box 7.[69] Vietnam is now a middle income country. Extreme poverty fell from over 70% to below 3% today. More than 45 million people were lifted out of poverty. This economic growth has been more inclusive and gender equal than comparable countries according to some measures.[70]

What worked well in Vietnam's reform process which GoE could learn from:

- **A pragmatic Communist party leadership sustained reform over 30 years.** It encouraged internal debate and trial-and-error approaches to policy innovations (so-called 'fence-breaking'). Combined with discipline in implementing policies, this contributed to the adoption of an effective and appropriate set of reforms over a long period of time.

- **Reform mechanisms.** Between 1992-2006, the Prime Minister's Research Commission played a central role in the successful design and implementation of the 1999 Law on Enterprise. It consisted of up to 12 highly dedicated technocrats and enjoyed 'embedded autonomy' in terms of personnel, funding and collaboration with domestic and international research organisations and experts. By reporting directly to the Prime Minister and not holding official posts or business interests themselves, the advisers were able to maintain a degree of autonomy from both the government and business. Under the guidance of the Prime Minister's Commission, the Law on Enterprise Implementation Task Force led the process of drafting decrees to guide the

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[68] Slovenia, which achieved one of the highest average economic growth rates among the transition economies, had initiated its economic transition prior to the end of Yugoslavia. Its leaders also thought deep consensus. See Janez Sustersic**.** Chapter 24: *Political Economy of Slovenia's Transition.*
in Mrak, Mojmir, et al (2004). Slovenia: From Yugoslavia to the European Union, World Bank Publications.
[69] The author is grateful for the research assistance and analysis of Vietnam's economic reforms provided by Otto Williams and Jamie Smith, FSG Sweden consultants, available as a complementary paper.
[70] Inclusive Development Index http://www3.weforum.org/docs/WEF_Forum_IncGrwth_2018.pdf

implementation of the Law on Enterprise, with a particular focus on reducing the administrative burden for business and the burdensome business licensing system.[71]

- **Dialogue with the private sector.** During the period, the Vietnamese government was able to slowly increase levels of trust and dialogue with the domestic business community, which was particularly important for the consultations on the draft Enterprise Laws. Annual high-level policy dialogues between the Prime Minister and the business community set a precedent for many ministries, agencies, and local governments to also hold regular meetings with the business community to discuss barriers to entrepreneurship (e.g. in areas such as customs and taxation, imports, land, credit, investment and administrative procedures).[72]

What worked less well in the Vietnamese reforms which GoE would need to consider:

- **A degree of cronyism remains between the Communist Party, administrative bodies and SOEs**, which leads to inefficiency and high levels of corruption. Domestic entrepreneurs and foreign investors often complain that, whilst the laws may be in place for fair competition, the legal and administrative systems remain weak, often resulting in discrimination in favour of SOEs and a handful of crony domestic enterprises. Property rights are not sufficiently protected.[73]

- **Reforms have been accompanied by increasing regional wealth, education and health disparities as well as environmental concerns**. Economic prosperity is largely concentrated in Ho-Chi-Minh City and Hanoi. Growing levels of pollution result from intensified agricultural production, mining and manufacturing, poor water productivity and exploitation of natural resources.

- **The economic transition has not been accompanied by political liberalisation**, whereas Ethiopia is planning to combine both, which generates a distinct set of challenges. Vietnam's record on human rights remains poor, with press freedom one of the worst in the world and regular surveillance of the population.

Box 7: Vietnam's *Moi Doi* economic reforms

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[71] Vu-Thanh (2014) 'The Political Economy of Industrial Development in Vietnam: Impact of state-business relationships on Industrial Performance, 1986-2013' in Page and Tarp (2017) (2017) 'The Practice of Industrial Policy: Government business coordination in Africa and East Asia' Oxford University Press: Oxford.
[72] Vu-Thanh (2014).
[73] Malesky E. (2014). The Vietnam Provincial Competitiveness Index: Measuring Economic Governance for Private Sector Development. 2013 Final Report, PCI Report #9. Ha Noi: Vietnam Chamber of Commerce and Industry and United States Agency for International Development.

Against a backdrop of widespread poverty, famine and hyperinflation, the *Doi Moi ('renovation')* economic reform policy was launched in Vietnam in 1986 with the aim to gradually introduce market elements whilst maintaining a strong role for the state in the economy and in politics.

- **In a gradual and pragmatic way, Vietnam opened up its economy** by removing barriers to trade and investment from abroad.[74] It protected some sectors while liberalising others, and designed measures to attract Foreign Direct Investment (FDI) into labour-intensive industries.[75]
- **The domestic private sector blossomed** through three generations of Enterprise Laws (1990, 1999 and 2005). For example, 286 licences were revoked to ease business. By 2009, the domestic private sector's average annual growth rate reached 20.5%, contributing to millions of new jobs, and eventually overtaking the foreign invested enterprise sector as the biggest contributor to industrial growth.[76]
- **Privatisation of State-Owned Enterprises.** From around 12,000 SOEs at the beginning of the reform period, there are now less than 1,000 SOEs which still account for approximately 30% of the nation's GDP.[77]
- **Reform and investment in the technology sectors** introduced more competition. Vietnam now has a highly competitive digital infrastructure, creating a vibrant hub of global ICT manufacturing and outsourcing.[78]
- **Careful land reform,** to distribute the assets of production relatively equitably and restrict reconsolidation of land by elites, were combined with decollectivisation and liberalisation of the agriculture sector. This led to significant increases in agricultural yields and poverty reduction in rural areas, contributing to more demand in non-agricultural sectors, creating a virtuous circle of growth and poverty reduction.[79]
- **Equitable initial investment in human development and infrastructure** prepared the population to take advantage of economic opportunities and attracted FDI (e.g. providing electricity, irrigation, education and health services to the mountainous highland areas).[80]

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[74] Rama, M. (2008) 'Making difficult choices: Vietnam in transition', *Working paper 40,* Commission on Growth and Development, Washington DC: World Bank.

[75] WTO (2015), cited in Economic Commission for Africa (2016) 'Transformative Industrial Policy for Africa', Addis Ababa, Ethiopia

[76] Page and Tarp (2017).

[77] IMF https://www.imf.org/en/Countries/VNM/vietnam-raising-millions-out-of-poverty and https://asiatimes.com/2019/02/vietnams-privatization-buzz-loses-its-fizz/.

[78] Vu, K.M., and Austin R.D (2014) 'Vietnam: Embracing ICT for Economic Catch-up' Singapore, Lee Kwan Yew School of Public Policy Working Paper Series.

[79] Rama (2008) and Klump, R. and Bonschab, T. (2004) 'Operationalising Pro-Poor Growth: A Country Case Study on Vietnam.' Joint initiative of AFD, BMZ, DFID and the World Bank.

[80] Vandemoortele, M. and Bird, K. (2011) 'Viet Nam's progress on economic growth and poverty reduction: Impressive improvements,' London: Overseas Development Institute.

4 Conclusions and recommendations for next steps

4.1 Ethiopia's developmental state and future economic reforms

While Ethiopia has achieved remarkable growth and poverty reduction in the last decades, popular protests since 2015 illustrate how the 'social contract' between the EPRDF and citizens in different regions has come under strain. The GoE has lost some of the 'performance legitimacy' it possessed based on its increasing delivery of basic services. A complex combination of factors explain this breakdown, including changes in the GoE political leadership after 2013, the limits of top-down, politically-driven reforms and the lack of institutionalised accountability mechanisms.

The GoE faces a number of institutional challenges as it plans to open up its economy and politics. All require deep cultural transformations. Some changes go against centuries, if not millennia, of political norms and public expectations about the role of the state in Ethiopia. Challenges include:

- **Greater respect, protection and promotion of all human rights by both politicians and public officials**. This entails, for example, reducing the influence of the ruling parties and state bureaucracies on all spheres of life and introducing mechanisms for oversight and accountability.
- **Setting policies and delivering public services**, including in very remote and sparsely populated areas, suited to both pastoral and agricultural communities, and for vulnerable or chronically poor populations.
- **New economic policies and regulations**, and new relationships with the domestic and international private sectors.
- **Different mechanisms for participation and feedback loops**, for example, drawing on independent monitoring and evidence, to assess how services are delivered in practice, the impact of economic policies and implement continuous improvements. These will contribute to service delivery, economic and human rights gains.
- **Delivering these changes in the context of a multinational federation** will be particularly complicated, with strong national regional government sovereignty but with variable regional and local government capacities.

The GoE and its development partners are considering how they can collaborate differently. Prior to 2018, development partners were not always in agreement with GoE priorities and, for example, balanced conflicting concerns over human rights with poverty

reduction and regional stability, given Ethiopia's population, poverty indicators as well as its growing regional influence.[81] Because of the bureaucratic capacity to achieve priority reforms reviewed in section 2, GoE gained "a reputation for itself among donors as a reasonably honest and efficient user of the aid that it receives".[82] As such, it has been much more in control of development programmes than other countries.

International influence over policymaking in Ethiopia seems to be increasing, which could undermine domestic ownership of the reforms and could weaken civil service capacities. New aid modalities in Ethiopia include greater reliance on technical advisers, including diaspora Ethiopians. This could potentially lead to resistance to reforms by civil servants and the public perception of a loss of national sovereignty. In addition, despite the best of intentions, development partners can end up competing to ensure that their projects receive the most attention from government partners or have the most competent Ministry staff allocated to them. Some development partners are concerned by this excessive reliance on technical assistance, and have identified duplications across programmes. In extreme situations, such as Afghanistan, a 'parallel' civil service of highly paid national experts have been created which can be very difficult to dismantle.[83] A similar phenomenon could hollow out GoE institutional capacity.

4.2   Enabling environment issues to be considered

Institutional reforms cannot be separated from Ethiopia 'wider enabling environment', in particular how the political settlement is being renegotiated. The report has focused on civil service, justice and economic reforms, as these are the current priorities of the ad hoc group on institutional development. However, taking into account the five building blocks for longer term stability (see box 4), it is essential that GoE and its development partners acknowledge the wider opportunities and risks generated by the transition, as these will affect these three prioritised sectors. They will be influenced by the political and security context. If they can confer new sources of legitimacy on the state, they can also sustain the political transition and the progressive development of new relationships between GoE and Ethiopians. Critical issues include:

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[81] Abegaz, B. (2015) 'Aid, accountability and institution building in Ethiopia: the self-limiting nature of technocratic aid', Third World Quarterly, 36:7, 1382-1403, DOI: 10.1080/01436597.2015.1047447

[82] Clapham (2018).

[83] World Bank. 2019. *Afghanistan - Capacity Building for Results Facility (CBR) Project (English)*. Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/438491565036747457/Afghanistan-Capacity-Building-for-Results-Facility-CBR-Project. At the time of the facility's design, "expenditure on technical assistance was estimated to have reached US$1 billion per year with parallel civil service salaries generally between 6-16 times higher than comparable grades in the core civil service and international consultancy fees charged in Afghanistan amongst the highest in the world".

- **Ethiopia's 'political settlement', that is the distribution of power and access to resources between different groups, is currently being renegotiated**.[84] The creation of the Prosperity Party is an illustration of this reconfiguration of political alliances. Increases in internal displacements and politically-related violence have led independent commentators to call for confidence and other peace-building measures to de-escalate tensions.[85]

- **Elections are widely expected to be held in August 2020 and are part of this political renegotiation**. In some countries, legal reforms and organisational/individual capacity development activities have provided for a more even playing field and trusted national monitors, such as a more independent judiciary or a freer and more responsible media.

- **GoE's continued adherence to its 'developmental state' ideology is unclear**.[86] The current GoE leadership may be asked by both its electorate and its development partners to set out a new political vision which will guide the proposed political and economic reforms, and explain how far it is envisaging an adjustment, or proposing much more radical reforms. If the latter, what would be the degree of welfare provision, to maintain millions above the poverty line, while pulling back from direct intervention the economy? Who would be the winners or losers of such reforms? Could the forthcoming elections provide spaces to discuss peacefully the appropriate scope of the state, and generate a 'public mandate' to purse more specific reforms than GoE has currently set out?

- **There is an ongoing debate about the proposed degree of centralisation and decentralisation to the regions**. Some commentators find current government policy ambiguous and are worried about growing tensions between 'ethiopianists' and 'ethno-nationalists'.[87] This ambiguity may be useful or even necessary at present, in order to navigate political settlement negotiations, but will eventually need to be resolved. The degree of centralisation will influence the extent to which the next round of public sector reforms can be designed and implemented centrally or led by the regional states. For example, if the salaries of public servants are to be increased in order to improve their motivation and performance, where will the resources come from? And how far will there be room for experimentation and delegated authority, or instead encouragement to pursue a centrally-directed agenda?

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[84] Prof Fantu Cheru (2019).
[85] International Crisis Group (2019) Keeping Ethiopia's Transition on the Rails Africa Report N°283, 16 December 2019.
[86] Prof Fantu Cheru (2019) explicitly asked whether the developmental state was "alive or dead".
[87] See for example https://www.ethiopia-insight.com/2020/02/02/what-now-for-ethiopias-multinational-federation/.

4.3   **Recommendations**

The ten principles presented in section 2 provide general good practice in institutional development assistance that GoE and development partners are encouraged to keep in mind. More specific recommendations are set below (which were discussed at the March 2020 consultative workshop).

Recommendations to select reform priorities

R1: Facilitate a process of strict prioritisation and sequencing by the GoE itself (rather than development partners' policy or technical preferences). It will be tempting to push through too many reforms as currently everything seems urgent. DAG members need to consider (i) 'reform fatigue' given that public sector reforms started in the 1990s; (ii) the Ethiopian political and bureaucratic leaderships' capacity to focus on a limited range of reforms at the same time; and (iii) the need for public consultations and policy discussions on the proposed significant change to the role of the state in Ethiopia, for example in the context of an election cycle.

R2: Consider unintended negative impacts associated with political and economic reforms that can weaken the state, and mitigate against them. Far-reaching reforms could potentially prevent the GoE from delivering to the most vulnerable populations, including the chronically poor or internally displaced. Social impact assessments and other safeguards will continue to be needed.

R3: Consider how to support government coordination and communication, with participation and accountability. Internal GoE capacity to coordinate and monitor potentially ambitious reforms should be assessed. The proposed political liberalisation process may slow-down decision making and weaken public communication. Public service innovations may be needed to ensure that priorities are agreed across government, communicated, and adequately resourced (top-down), that there is accountability and transparency to ensure reforms can be monitored and adjusted, by strengthening some of the internal oversight bodies, judicial reform, parliamentary capacity for oversight (horizontal accountability); and providing more effective participation and accountability mechanisms for lower levels of government and for citizens themselves (vertical accountability).

Recommendations to design and implement new assistance programmes

R4: Ensure gender and social inclusion are properly integrated in the design and execution of every institutional development activities. Lessons from the Dutch support to justice sector show how there can be gains when this is an explicit objective. The appointment of the first female President, female President of the Supreme Court and a gender-based cabinet are already sending positive signals. Programme designs should examine whether special measures (for women and other social groups) would be beneficial so they can equally benefit from professional development opportunities within the civil service and contribute to inclusive policy making and service delivery. Requiring gender parity or sex-disaggregated data, though already challenging, will not be enough to ensure gender equality and social inclusion objectives.

R5: Adapt assistance programmes to the different needs across the country and respect the federal-regional states responsibilities. Development partners assistance for centrally-directed initiatives, such as privatisation, may be more easily directed at federal level, but the regional and local levels should not be ignored, even if access is more challenging. Implementation will be through regional states who also require buy-in and face very different contexts and needs.

R6: Be ready for medium- to long-term initiatives as institutional reforms can take generations. New programmes should be designed so that they are considered the first step in a potential series of programmes, with flexibility to respond to changes in the context and adaptation to what is learned during implementation. Programme decision-making, monitoring and reporting mechanisms will need to innovate so as to maintain commitment overtime. This includes identifying and communicating short-term, medium-term and longer-term benefits.

R7: Support problem-oriented institutional development programmes, able to test commitment, build wider support, learn and experiment. This recommendation, based on the 'doing development differently' agenda, has already been adopted by some development partners, such as DFID's small scale and targeted support for the transition.[88] It is however a challenging recommendation, as the incentives of development partners can mitigate against such approaches.

Recommendations on technical cooperation arrangements

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[88] DFID (2018) Supporting Ethiopia's Transition Programme. See https://devtracker.dfid.gov.uk/projects/GB-GOV-1-300795.

R8: Consider a GoE aid policy on technical cooperation and institutional development negotiated through the DAG. This would avoid past mistakes committed in other countries in transition, such as an excessive reliance on training or distorting the domestic labour market by competing for limited skills. It could cover acceptable levels of salary tops, per diems and other incentives, and salary differentials between Ethiopian civil servants and consultants paid by projects. Such a policy would help manage the risk that increased international influence over policymaking in Ethiopia could undermine domestic ownership of the reforms and weaken civil service capacities.

R10: Next steps beyond this study: the Ad Hoc Group may wish to:

- Commission separate assessments on past justice sector and economic governance reforms if likely to complement this study.
- Commission a more systematic look for projects that have delivered institutional improvements in the public sector (e.g. whether there are good examples of use of technical assistance, domestic courses, peer learning, etc.) including through field-work.
- Identify more specifically which parts of the public sector currently perform well, and why that is the case (e.g. in terms of federal ministry, regional/local governments or state-owned enterprise) to build on what works through future programmes.

ANNEXES

ANNEX 1: LIST OF INTERVIEWS

1. Masresha Abebe, Federal Civil Service Commission, Addis Ababa
2. Elsa Araya, World Bank office, Addis Ababa
3. Melaku Bizualem, Federal Civil Service Commission, Addis Ababa
4. Bereket Mamo, Federal Attorney General's Office
5. Annika Jayawardena, DAG co-chair and Head of Development Cooperation Swedish Embassy, Addis Ababa
6. Berhanu Legesse, World Bank office, Addis Ababa
7. Ahmed Mohammed, Governance Adviser, UK Department for International Development, Addis Ababa
8. Annika Törnqvist, ad hoc grop co-chair, Programme Manager Private Sector, Market Systems and Gender Equality. Bilateral Development Cooperation, Embassy of Sweden, Addis Ababa
9. Dan Rogger, Ravi Somani and Verena Fritz, Governance Practice, World Bank
10. Sarah Vaughan, independent researcher, United Kingdom
11. Tom Kos, Embassy of the Netherlands, Addis Ababa
12. Adele Khodr UNICEF Representative in Ethiopia
13. Turhan Saleh, UNDP Resident Representative in Ethiopia
14. Shimels Assefa, Governance Team Leader, and Donna Bugby-Smith Senior Governance Adviser, UNDP Ethiopia
15. Zoe Wildig, Governance Team Leader, DFID Ethiopia
16. Dr Fantu Cheru, PhD, Emeritus Professor of International Political Economy American University

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