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STEPPING STONES TO BETTER CITIES :

URBAN GOVERNANCE REFORM AND CAPACITY BUILDING IN ETHIOPIA

The Challenge

Ethiopia's urban areas are among the fastest growing in Africa, with populations rising at about 4% each year. By 2020, cities are projected to be home to 20% of Ethiopia's population. Moreover, the urban economy is a major driver of growth, with urban areas now accounting for over 55% of Gross Domestic Product (GDP). Approximately 60% of this growth has been linked in recent years to the urban economy, and urban areas will continue to drive Ethiopia's economic prosperity for the foreseeable future.

However, urban areas in Ethiopia have only had functioning governments since the year 2000, when proclamations to establish urban local governments were first issued. Combined with a commitment to fiscal decentralisation, the proclamations were intended to give the authorities more direct and transparent control over public spending. The objective was to create urban local governments that ensure public participation in making choices, and enhance urban service delivery.

The principal challenge associated with this was how best to help urban local governments develop the skills and financial resources they need to deliver infrastructure and services to residents, effectively and efficiently. An additional challenge was how to create jobs for the significant proportion of urban residents who were unemployed.

The Solution

The solution involved a sequence of initiatives. The first step in the strategy was to build capacity as part of the Ethiopian government's comprehensive National Capacity Building Program, which was launched in 2001. This led to the Capacity Building for Decentralized Service Delivery Project, which became effective in 2003, and then to the Public Sector Capacity Building Program that started in 2004.

Both of these programmes were supported by the World Bank, and they provided conditional grants to finance capacity building and systematic reforms. Among other things, these projects supported the establishment of an accredited master's degree program in urban management at the Ethiopian Civil Service College.

By the end of 2011, more than 1,700 students had been awarded degrees. Upon graduation, students are required to serve for a minimum of five years in a local government administration. Even after this probationary period, the majority of graduates still serve as planning specialists in a city, regional or federal government department.

The second step was to provide grants to selected urban local governments. The size of these grants varied. They were subject to the administration's performance in the areas of financial management, participatory

planning, investment, maintenance of infrastructure, and transparency and accountability of operations. The grants provided urban local governments with resources to enable them to apply their learning, and provided access to other resources, subject to the achievement of key performance indicators.

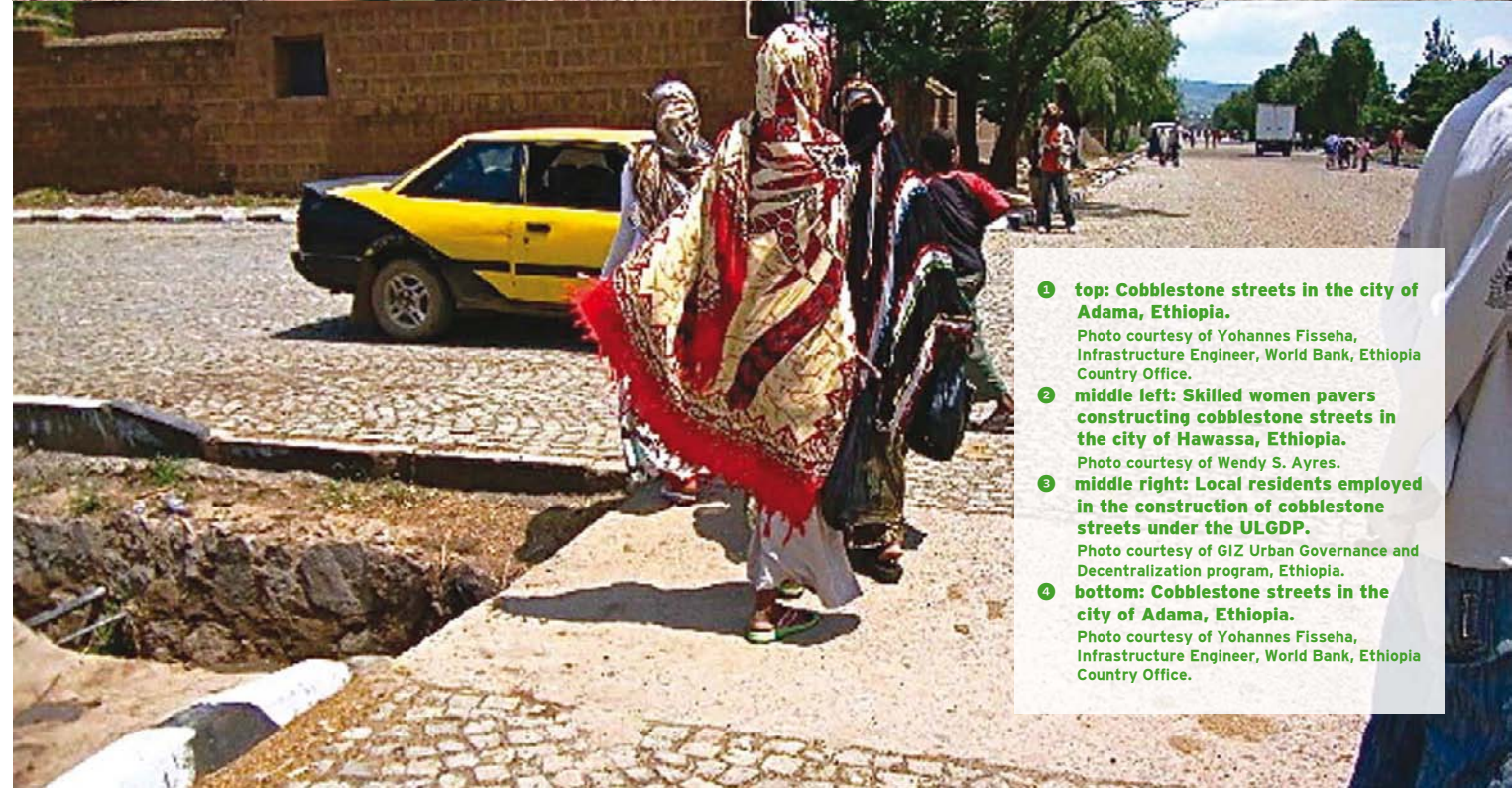
For approximately five years, city governments also have access to capacity building support and expertise on a grant basis, which was designed to help them strengthen their skills. Following this, each local administration is expected to have sufficient capacity to manage their finances and operations.

Currently, the World Bank is financing this Urban Local Government Development Program (ULGDP) with a US\$300 million credit facility.

The Outcome

The results of this project are impressive. Each performance-based grant has had a transformative effect on the 19 Ethiopian cities participating in the programme. All the cities involved, have made significant improvements in their planning, revenue mobilisation, asset management, budgeting, financial management, investment planning, procurement, and project execution, as shown in the results of their annual performance assessments.

Public participation in all cities has grown considerably, starting with



1 top: Cobblestone streets in the city of Adama, Ethiopia.

Photo courtesy of Yohannes Fisseha, Infrastructure Engineer, World Bank, Ethiopia Country Office.

2 middle left: Skilled women pavers constructing cobblestone streets in the city of Hawassa, Ethiopia.

Photo courtesy of Wendy S. Ayres.

3 middle right: Local residents employed in the construction of cobblestone streets under the ULGDP.

Photo courtesy of GIZ Urban Governance and Decentralization program, Ethiopia.

4 bottom: Cobblestone streets in the city of Adama, Ethiopia.

Photo courtesy of Yohannes Fisseha, Infrastructure Engineer, World Bank, Ethiopia Country Office.

planning. In nearly all cities, the number of citizens participating in planning forums has more than doubled since the start of the project. Previously, cities did not systematically consult citizens to determine planning priorities.

Financial management and mobilisation have improved, due to the introduction of computerised systems that generate financial reports and examine the use of government funds. Cities have significantly increased their revenues by delegating the task of revenue collection to sub-cities. Informal businesses have also been brought on to the nation's tax rolls. In addition, each city has increased tariffs and fees for city services, and raised resident awareness of the importance of paying taxes.

All the cities involved in this project are steadily enhancing their dissemination of key information regarding city functioning to the public. All of them are using multiple channels, including notice boards, newspapers, radio, public events, and - in some cities- the Internet. Many cities now provide comprehensive data on approved capital investment plans, budgets, budget execution, project physical progress, bid evaluations, and contract awards. Councils are also discussing internal and external audit reports and the ULGDP quarterly progress reports.

Arguably of most significance, cities are effectively implementing capital-investment plans, enhancing infrastructure and creating much-needed jobs. They are effectively utilising their budgets for infrastructure investments.

Notably, the funding has been used for cobblestone streets and drainage systems, which are becoming a ULGDP trademark. As a result of the cobblestone works, mobility for residents has increased, flooding has diminished, property values are rising, small

enterprises are opening, and investment in private homes is rising. These changes are transforming city centres into lively and welcoming places to live and work in.

The construction of cobblestone streets has had several other benefits. It has created many new jobs for city residents, with a substantial proportion of these having been undertaken by women, young people, disabled individuals and the previously unemployed. The results have greatly improved their lives.

Many cobblestone workers have now formed micro and small enterprises (MSEs). This enables them to bid for and win contracts for other infrastructure projects, which are essential for these MSEs to become sustainable enterprises. Cobblestone construction also utilises local materials, further contributing to the local economy and reducing costs.

By the end of June 2011, approximately 95,000 people were employed in cobblestone and other infrastructure work that is financed by the ULGDP. Of these workers, 65% are male and 35% female. In fact, citizens appreciate the cobblestone roads, bridges, and drainage systems so much, that they are now contributing their own funds to construct more.

The ULGDP has helped 19 cities across Ethiopia provide better urban governance, infrastructure and public services to over 2.8 million people. With over 42% of the nation's urban population now enjoying the many benefits brought about by the programme, this success has prompted the World Bank to award additional ULGDP grants to a further 18 Ethiopian cities by 2013. Given the economic, social and environmental successes of this programme, it may be an interesting model to other developing nations, in order to boost urban and national

development. This programme has been an effective platform upon which Ethiopia's cities can be transformed from third world urban settlements to vibrant cities of the future.



Abewaw Alemayehu has more than 12 years of World Bank operational experience, including task management in urban and local government, and human development sectors within Africa. Currently, he is task managing the flagship urban programme of the region: Ethiopia's Urban Local Government Development Project. Recently, he prepared additional financing for the programme, doubling its size from US\$208 million to US\$416 million, in record time and within budget. The lessons of the Ethiopia Local Government Development Project have informed the design of the urban projects in Kenya and in Ghana. He is an economist by training with a postgraduate degree from the UK with further training in the United States and Poland.



Wendy S. Ayres is an economist and has been with the World Bank since 1990. She has been based in Nairobi since 2003. Wendy has worked on a wide range of projects for the World Bank around the world, including Eastern and Central Europe, Asia, South America, and Africa. She is a member of the World Bank's urban team. In addition to the Ethiopia Local Government Development Project, Wendy is currently working on the Nairobi Metropolitan Services Improvement Project, the Kenya Informal Settlements Improvement Program, and the Kenya Municipal Program. She holds graduate degrees in economics and anthropology from Columbia University, New York.