

# **How Worse Off is Oromiya Relative to Other Regions in Ethiopia? A Comparative Regional Welfare Analysis**

## **1. Introduction**

The 1994 Ethiopian Constitution formally established a federal government structure, whereby Oromia was delineated as one of the 11 main states in Ethiopia.<sup>1</sup> Although federalism exists only notionally, with much political power and policy decision making still retained at the center, the establishment of the concept of federalism has allowed for collection of some basic regional economic statistics in Ethiopia.

This paper uses such regional data to undertake a comparative welfare analysis of the four main regions. Ethiopia's population was estimated at 69 million as of 2002 (and 72 million as of 2004). According to the official statistics of 2002, Oromiya, the largest state, accounted for 35.3 percent of the total population. The three other main regions or "states" are Amhara (25.6 percent), Southern Nationalities and Nations Peoples (19.8 percent) and Tigray (5.8 percent). Combined, the four main regions—Oromiya, Amhara, SNNP, and Tigray—account for over 85 percent of the total population of Ethiopia.

The paper compares and contrasts these regions along some basic dimension of economic welfare such as poverty, education, and health care. In so doing, it would seek to document whether there are systematic welfare disparities among the regions in general. The paper would then attempt to link the welfare outcomes to some government policies. In particular, it would explore the governance and budgetary policies of the EPRDF that directly or indirectly explain the poor welfare conditions of the Oromiya state.

Given their population share, the focus on these four regions is self-evident. However, it is important to note that in choosing to compare economic welfare across the four

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<sup>1</sup> There are 9 regions and 2 administrative councils. The regions are: Afar, Amhara, Benishangul-Gumuz, Gambela, Harari, Oromiya, SNNP, Somali, and Tigray. The two administrative councils are Addis Ababa and Dire Dawa.

regions, seven other regions or administrative councils (e.g. Addis Ababa and Dire Dawa) are excluded, whose welfare status may be significantly better or worse than the four main regions. For example, Addis Ababa tends to perform almost always best while Afar performs almost always least in poverty, health and education indicators.

But why focus on regional welfare comparisons? While the political injustice against the Oromos is being made in various fora, perhaps not enough is being done to expose the economic injustice and welfare disparities that continue to mirror—or are indeed the direct by-product of -- the political suppressions against the Oromos. This paper takes a step in the direction of filling that gap. It also proposes future areas of research where the returns may be greatest in understanding Oromiya as an economic, not just political, state.

The paper is organized as follows. Section 1 compares and contrasts Oromiya with other “states” along some indicators of economic welfare: poverty, health and education. It draws some conclusions about welfare disparities among the regions. Section 2 discusses governance and institutional factors as well as government budget allocation policies that continue to bedevil the quest for improvements in welfare in Oromiya. Section 3 provides some concluding thoughts on where future economic research should focus to better understand Oromiya’s economy.

## **2. How Worse Off Economically is Oromiya Relative to Other Regions in Ethiopia?**

There is no doubt that Ethiopia as a whole is desperately poor. Its level of poverty and other indicators of human conditions—such as education and access to health care—clearly illustrate this. Poverty rate, at 44 percent, is high by any standard; life expectancy, at only 42 years, is one of the lowest in the world; and child mortality rate, at 170 deaths per 1000 live births is among the highest in the world.

Yet, until recently, it was difficult to obtain an insight into whether there were regional disparities in poverty and human welfare across Ethiopia's main regions, or if they existed, how significant such disparities really were. There was simply no data that would allow such inference. In 1994, however, the EPRDF government set-up a federal structure of government, with 9 main regions delineated along ethnic lines, and two autonomous administrative councils (Addis Ababa and Dire Dawa). While federalism is still only a nominal concept mandated by the Ethiopian Constitution and existing only on paper, the institution of federalism has permitted the collection of some basic regional economic data,<sup>2</sup> which for the first time provide insights into the regional disparities in human welfare.

**Table 1. Socio-Economic & Demographic Indicators of Ethiopia by Region**

|  | Tigray      | Amhara      | Oromiya     | SNNP        | Ethiopia    |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Demographic characteristics</b>                   |             |             |             |             |             |
| Population (millions), 2003                          | 4.0         | 17.7        | 24.4        | 13.7        | 69.1        |
| Percentage of Total Population                       | 5.8         | 25.7        | 35.2        | 19.7        | 86.4        |
| Annual Population Growth Rate (%), 2000-2005         | 2.7         | 2.7         | 2.9         | 2.9         | 2.7         |
| TFR (births/woman) 2000                              | 5.8         | 5.9         | 6.4         | 5.9         | 5.9         |
| Contraceptive Prevalence Rate (CPR) (%), 2000        | 28.0        | 40.9        | 36.4        | 35.5        | 35.8        |
| <b>Poverty rate</b>                                  | <b>61.4</b> | <b>41.8</b> | <b>39.9</b> | <b>50.9</b> | <b>44.2</b> |
| <b>Health conditions</b>                             |             |             |             |             |             |
| Infant Mortality rate (deaths per 1000 births), 2000 | 104.0       | 112.0       | 116.0       | 113.0       | 112         |
| Under age 5 mortality (death/1000 births), 2000      | 170         | 180         | 195         | 190         | 169         |
| % Children fully vaccinated, 2000                    | 42          | 15          | 10          | 11          | ...         |
| Malaria--% households possessing bed nets, 2000      | 3.1         | 0.7         | 0.3         | 0.2         | 1.1         |
| Population-to-physician ratio                        | 28,614      | 60,718      | 60,835      | 44,148      | 25,958      |
| <b>Education</b>                                     |             |             |             |             |             |
| Gross Enrollment Ratios                              |             |             |             |             |             |
| Primary education (Grades 1-8), 2001-02              | 77.6        | 58.1        | 62.5        | 67.5        | 61.6        |
| Secondary education (Grades 9-12), 2001-02           | 24.8        | 9.1         | 11.6        | 10.7        | 13.1        |

*Sources:* Population Profile of the National Office of Population and DHS 2000; Government of Ethiopia and ORC Macro, 2001, "Ethiopia Demographic and Health Survey 2000", Addis Ababa, Central Statistical Office; Government of Ethiopia, 2002, "Education Statistics Annual Abstract, 2001-02", Addis Ababa, Ministry of Education.

The insights offered by the regional data are quite striking. Contrary to the perception that a low-income economy cannot have much inequality, there is surprising disparity in poverty rates and health and education outcomes across the four main regions (Table 1).

<sup>2</sup> The key sources of data are: Government of Ethiopia, "Population Profile of the National Office of Population and DHS 2000"; Government of Ethiopia and ORC Macro, 2001, "Ethiopia Demographic and Health Survey 2000", Addis Ababa, Central Statistical Office; Government of Ethiopia, 2002, "Education Statistics Annual Abstract, 2001-02", Addis Ababa, Ministry of Education.

Official demographic statistics show that Oromiya's population as of 2003 stood at 24 million, or 35 percent of the total population of Ethiopia. Oromiya's fertility rate averaged 6.4 births per woman, the highest among the four regions considered. Its population growth, at 2.9 percent per year, is slightly higher than the growth rate for Amhara and Tigray. However, in a region that comes out dead last in most indicators of human welfare (see below), it is somewhat surprising that its access to contraceptive prevalence is one of the highest among the four regions. A further understanding of why this is the case may be necessary.

### **Poverty**

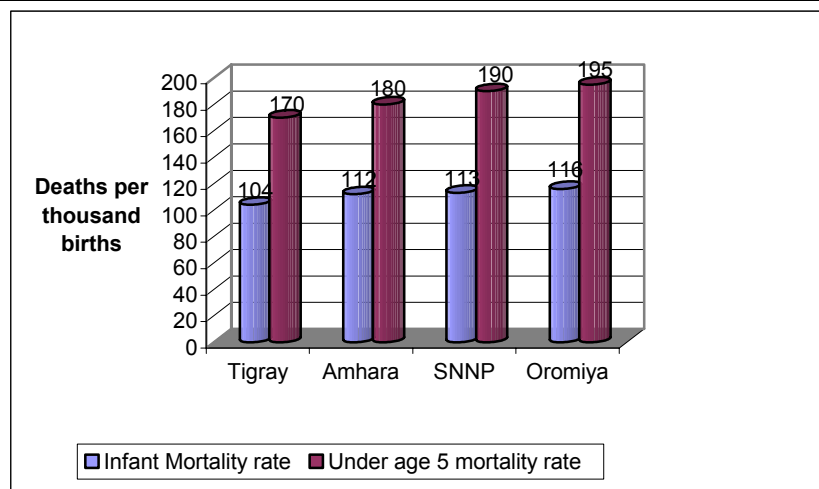
In 1999/2000, Ethiopia's overall poverty rate—i.e. the percentage of people classified as poor—stood at 44.2 percent. By region, poverty rate in Tigray was the highest at 61.4 percent, followed by SNNP (51 percent), Amhara (42 percent) and Oromiya (40 percent). The fact that there is relatively low incidence of poverty in Oromiya may not be all that surprising. One plausible explanation is that the basket of goods and services or consumption expenditure that defines the poverty line is likely to have a substantial share of food items. With a relatively better resource endowment and the dominance of subsistence agriculture, households in Oromiya are more likely to meet their minimum food requirements from own production (except of course for those households who could be net purchasers of food), thereby resulting in lower measured poverty rate. Yet, as we will point out below, Oromiya's low poverty incidence has a negative redistributive implication for the region as federal budget allocation to regions is inversely related to their level of poverty rate.

### **Health Conditions**

Table 1 presents five key indicators of health conditions in the four main regions—infant mortality rate (IMR), Under-5 mortality rate (U5MR), percent of children fully vaccinated, percent of households with malaria bed nets, and population per physician. These are fairly standard indicators of health conditions, often used by the UN and other development agencies to measure health disparities across countries or regions.

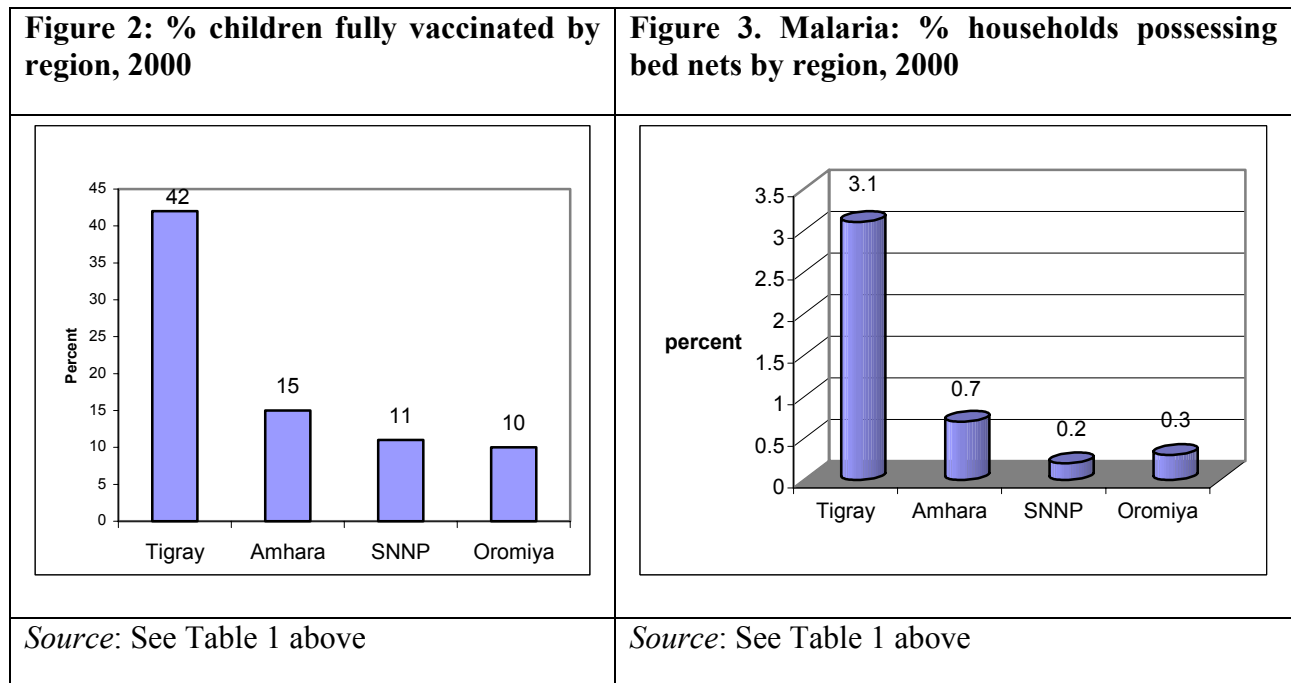
In contrast to the ranking in overall poverty rate, Oromiya comes last with respect to all of these indicators of health conditions. Infant and under-5 child mortality rates stood at 116 deaths/ thousand births and 195 deaths/thousand births, respectively. Not only are both of these figures the highest relative to the other regions, but also they are higher than the average rates for Ethiopia as a whole. Put simply, more children in Oromiya die before they see their fifth birthday than in any other region in Ethiopia.

**Figure1. Infant and Child Mortality Rates by Region, 2000**



*Source:* See Table 1 above.

In large part explaining these worst health outcomes is Oromiya's lowest access to child vaccination compared to the other regions, or to Ethiopia as a whole. Only about 10 percent of children aged between 12-23 months in Oromiya get fully vaccinated, while that rate is 11 percent for SNNP, 15 percent for Amhara, and 42 percent for Tigray. Tigray has more than four times the vaccination rate for Oromiya. The result is that far more children in Oromiya are likely to die of preventable childhood diseases than in all other regions in Ethiopia.



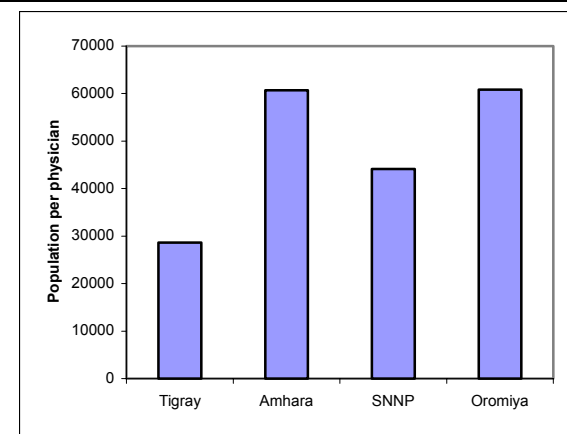
The health opportunities for adults in Oromiya are only marginally better. Oromiya's population-to physician ratio—a rough indicator of people's access to doctors in times of need—is nearly three times larger than that in Tigray (60, 835 people vs. 28, 614 people), but only marginally higher than that of Amhara (60, 718 people), with the SNNP lying in the intermediate range (44, 148 people). Similarly, the percentage of households with bed nets against malaria, a major health risk in Oromiya as in other regions, remains the lowest in Oromiya (0.3 percent in Oromiya and SNNP vs. 0.7 percent in Amhara and 3.1 percent in Tigray).

Comparative data on other key indicators of health such as HIV/AIDS prevalence are not yet available, except for some towns. However, it is clear that the HIV/AIDS epidemic has spread quite rapidly during the 1990s. The adult HIV/AIDS prevalence rate is 6.6 percent in 2001 (MOH, 2002).<sup>3</sup> The average prevalence rate for pregnant women for all urban sentinel sites is 13.2 percent while the rural prevalence rate is 2.3 percent. Addis Ababa has a current prevalence rate estimate of 15.6 percent. Among the urban sites

<sup>3</sup> MOH estimates are slightly higher than UNAIDS' end 2001 estimates that 2.1 million children and adults in Ethiopia are living with HIV/AIDS (UNAIDS, 2002). UNAIDS December 2001 data indicate also a slightly lower national adult (15-49 yrs) prevalence of 6.4 percent in Ethiopia.

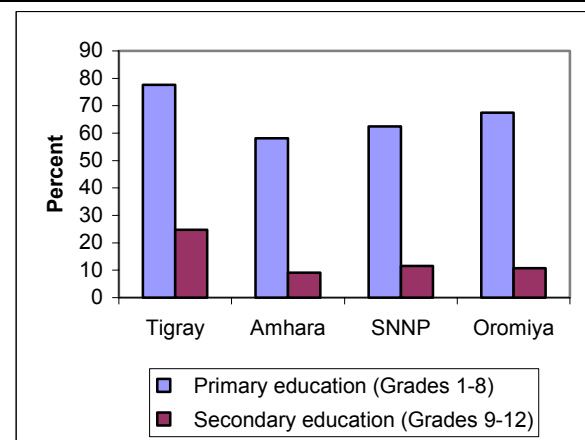
surveyed, Bahir Dar in Amhara has the highest HIV prevalence rate of 23.4 percent, followed by Jijiga in Somali (19 percent), and Nazareth in Oromia (18.7 percent). AIDS is the leading cause of death for those aged 15 to 49, and there are 650,000 AIDS orphans. Ethiopia has the world's third largest population of HIV/AIDS patients (after South Africa and India (?)).

**Figure 4. Population-to-physician ratio by region, 2000**



*Source:* See Table 1 above.

**Figure 5. Primary and secondary school enrollment ratio by region, 2001-02**



*Source:* See Table 1 above.

## Education

Table 1 provides two key indicators of education across the four regions—gross enrollment ratios at primary and secondary school levels. The evidence shows that Oromiya, at about 62.5 percent, has a slightly higher primary school enrollment ratio than Amhara, but lower enrollment ratio than Tigray (77.6 percent) and SNNP (67.5 percent). Secondary school enrollment ratio suggests a similar pattern, with Tigray's enrollment ratio (25 percent) being more than twice that of Ormiya (11.6 percent).

Since the mid 1990s, Tigray appears to have made very large gains, boosting its secondary school enrollment ratio from 4.4 percent in 1993-94 to nearly 25 percent between in 2001-02, and is now in the ranks of the leading regions for secondary school

coverage. For other large regions—Oromiya, Amhara and SNNPR—the secondary school enrollment is comparable among them at around 10 percent.

### **3. Why is Oromiya Significantly Worse Off?**

Poverty continues to be unacceptably high, at around 44 percent, and Ethiopia's other socio-economic indicators remain among the worst in the world. Worse still, Oromiya's indicators of human welfare are among the worst of the four main regions within Ethiopia. The question is why such welfare disparity.

Attributing welfare disparities among regions to specific factors would be an enormously challenging task. It is challenging because factors ranging from governance and institutions, to public policy in resource allocation, to household spending on health care and education services, or even tradition and culture, could potentially explain such differences. Therefore, the question "why significant welfare disparity among the regions" cannot be easily answered without much additional microeconomic research into the determinants of health and education outcomes across regions than is contained in this paper. This is an area where further economic research could provide more insights.

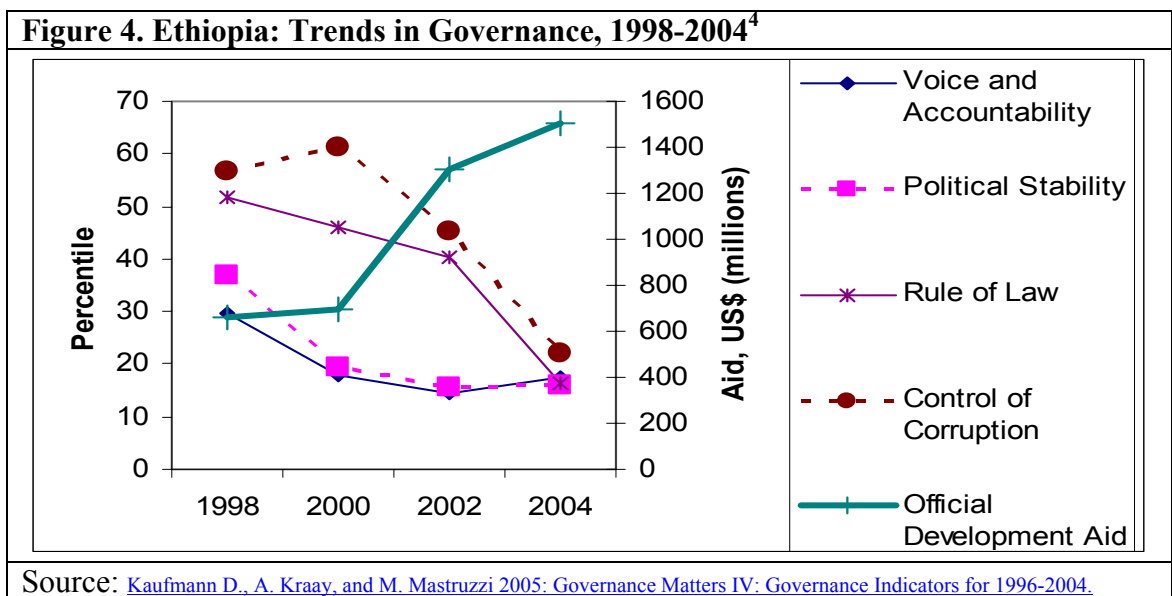
Without pretending to be comprehensive, there are two obvious factors—namely, governance and institutions and public policy in budget allocation to regions—that not only undermine aid effectiveness in Ethiopia, but also contribute to the worse human welfare conditions in Oromiya relative to the other regions. These are discussed in turn below.

#### **Governance and Institutions**

Official aid per capita to Ethiopia increased from US\$15 in 1995 to US\$22 in 2003. In 2004, total development aid stood at US\$ 1.5 billion. Yet, the billions spent on combating poverty in Ethiopia throughout the 1990s have not achieved much in terms of reducing poverty and improving the human conditions.

While recent development literature emphasizes the strong link between good governance and the ability of governments to effectively reduce poverty and improve human conditions, the international community seems to have ignored this fact when it comes to Ethiopia in the 1990s.

Evidence shows that Ethiopia's indicators of governance--voice and accountability, political stability, rule of law, and control of corruption, and government effectiveness--have all steadily deteriorated since 1998 (Figure 4). As shown below, voice and accountability significantly worsened between 1998 and 2004, as did other indicators of institutional quality. The government arrested several prominent political figures on charges of corruption in 2001, but the corruption effort fizzled out by 2002. In the face of poor and worsening governance, the development community has responded with increased development aid to Ethiopia. Foreign aid has continued to provide a life support to what is clearly an undemocratic and unaccountable government.



<sup>4</sup> The governance indicators presented here reflect the statistical compilation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations. Countries' relative positions on these indicators are subject to margins of error, and precise country rankings should not be inferred from this data. The chart depicts the percentile rank on each governance indicator. Percentile ranks indicate the percentage of countries worldwide that rate below the selected country in each component (subject to margin of error).

Poor governance and institutions reduce the overall effectiveness of government in delivering public goods and services (e.g. health, education, infrastructure, etc.) to the people. As such, this is an important factor that may help explain the little on improvements in poverty and other socio-economic conditions in Ethiopia in the 1990s despite increasing aid and resource inflows. It is a cross-cutting factor relevant to explaining the poor socio economic conditions not just in Oromiya but in other regions of Ethiopia as well.

### **Government Policy**

The causes of welfare disparity should lie, at least in part, with government policy. But what are these policies? The main ones appear to be: (a) a centralized power, and top-down policy decision making process; (b) the imbalance between the Oromiya's contribution to the national coffer, and what it receives by way of budget allocations from the federal government; and, (c) implementation problems at the state level. These are briefly discussed in turn below.

#### **(a) A centralized, top-down policy decision–making process**

The Ethiopian Constitution of 1994 and the subsequent legislative initiatives have, in theory, empowered state governments to run their own affairs, including economic affairs. In practice, the federal government has sabotaged decentralization, except perhaps in Tigray. The 2001 US State Department report on human rights notes that “highly centralized authority, poverty, civil conflict, and unfamiliarity with democratic concepts combine to complicate the implementation of federalism.”<sup>5</sup> There has been little empowerment of state governments, much less local communities, to run their own affairs.

That federalism is only a notional concept can be seen from the top-down policy decision-making and little fiscal decentralization that has been achieved to date. Overall, only about a third of the total budget—from domestic and external sources—gets

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<sup>5</sup> <http://www.state.gov/g/drl/rls/hrrpt/2001/af/8372.htm>

transferred to the regions (Table 2). This gives an incredibly high degree of discretion in how the EPRDF spends the money.

**Table 2. Budget Transfers to the Regions – 1996-97—2002-03 (Current ETB billions)**

|                             | 96/97 | 97/98 | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Amount Budgeted             | 3.4   | 3.7   | 4.2   | 3.1   | 4.4   | 4.7   | 6.0   | 5.9   |
| Share of Total Budget       | 34%   | 34%   | 28%   | 18%   | 28%   | 27%   | 31%   | 27%   |
| Amount Actually Transferred | (3.0) | (3.2) | (3.4) | (2.7) | (3.6) | (3.8) | (4.5) | n/a   |

Source: World Bank, 2003, Ethiopia Public Expenditure Review.

### (b) Budget allocation to regions

Improvements in human welfare depend on service delivery in health and education, which in turn depend, at least in part, on budget allocation from the federal government. At the core of the political struggle for self-determination of the Oromos is in fact the possibility that that would bring in terms of economic autonomy, of having greater control over one's economic resources. But what does the current budget allocation policy of EPRDF look like, and in what way, if any, does it discriminate against Oromiya?

**Table 3. Ethiopia: Evolution of Revenue Sharing Formula, 1994-95 to 2001-02**

| Weights assigned to indicators (%)                     | Indicators in weighting formula |         |         |         |
|--|---------------------------------|---------|---------|---------|
|  | 1994-95                         | 1996-97 | 1997-98 | 2001-02 |
| Population   | 30                              | 33.3    | 60      | 55      |
| I-distance a/  | 25                              |         |         |         |
| Own revenue to budget ratio                            | 20                              | 33.3    | 15      |         |
| Capital Budget allocation in 1993-94                   | 15                              |         |         |         |
| Area   | 10                              |         |         |         |
| Level of development / expenditure needs               |                                 | 33.3    | 25      | 20      |
| Level of poverty                                       |                                 |         |         | 10      |
| Revenue raising effort and sectoral output performance |                                 |         |         | 15      |

a/ Refers to an index of development distance, computed on the basis of indices for education, health, road density, electric power sales, telephone line density and safe drinking water.  
Source: Govt. of Ethiopia, The Federal Grant Formula in Ethiopia, MOFED, (March 2000).

**The budget allocation formula.** Since 1994, the revenues collected from all sources are shared with the regions, through a block grant formula which has three components—population, level of poverty<sup>6</sup>, and development or expenditure needs<sup>7</sup> (see Table 3 for a

<sup>6</sup> Measured by: i) own revenue to income ratio adjusted by population share; ii) change in primary school participation rate; iii) change in the number of health centers; and, iv) change in the length of rural road constructed.

<sup>7</sup> Computed using a series of indicators relating to education, health, access to safe drinking water, roads,

summary of the formulae that have been used since 1994). Under the most recent system, transfers from the federal level to the regions were made on a formula weighing population (55 percent), a composite development index (20 percent), an index of revenue effort (15 percent) and a poverty index (10 percent).

The grants received by regions represent the bulk of regional revenues, averaging nearly 80 percent of total regional budgets excluding external funds. At the regional level, these grants are supplemented by own revenues generated through a number of taxes for which the regions have the authority to collect, primarily on income from regional employees, land use and sales within regions. The grant from the federal government and the region's self-generated revenues, along with the regional allocation of foreign funds received by the federal government, add up to the regional budget.

Several elements of the current budget allocation formula are biased against Oromiya. First, the federal government spends about two-thirds of the total annual government revenue on programs that it deems "federal". This not only accords the federal government much discretionary power over spending, but that the so-called federally financed development programs may not serve all regions equitably. Second, there is no fairness in the budget allocation rule, i.e. the budget formula does not factor in the contribution that a region is making to the federal government revenue. It is focused mainly on equity and redistribution away from Oromiya. Indeed, the larger the own-revenue collected by a region through taxes, the lower the region would receive by way of budget allocation from the federal government. Third, it is not clear whether the allocation of development aid, which accounts for a significant share of the total federal government budget follows the same formula. In an uncoordinated world of development aid, donors often choose to operate outside government budget, and often in a region

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and recurrent budget implication, as follows. For education, the indicators includes: i) inverse of student to classroom ration; ii) unit cost of primary school construction; iii) inverse of pupil-teacher ratio; iv) primary and secondary school participation rates. For health, they include: i) health center to population ratio; ii) hospital bed to population ratio; iii) unit cost of constructing health center; iv) under 5 mortality rate; v) doctors per 100,000 population; vi) health assistants per 100,000, and primary health services coverage. For access to safe drinking water, the indicator is simply percentage of the population covered. For roads, it is the unit cost of constructing a kilometer of rural road. For recurrent budget implication, the indicator is the region's share of the number of *woredas* and area.

where projects are easy to implement. To date that has for the most part meant regions like Tigray. Finally, and perhaps most importantly, there is no credible voice in the government or parliament representing the interest of Oromiya in policy-making as well as reorienting resource allocation policies to ensure fairness. The apparent dichotomy between Oromiya as the main contributor to the economy of Ethiopia on the one hand, and its worst socio-economic conditions on the other, is simply not politically tenable over the long-term without coming to grips with these biases in resource allocation toward Oromiya.

### **(c) Budget execution and program implementation at state level**

Regional budget allocation is not fully spent in Oromiya. Indeed, Oromiya is among the poorer regions in terms of budget spending and implementation of programs. While this could in part be due to lack of capacity and trained manpower to design and implement programs, the main factor seems to be the unpredictability of state budget that does not allow for sufficient planning.

**Table 4. Ethiopia: Budget Allocation and Utilization by Region**

| <b>Region</b> | <b>Total Actual Budget Allocation, 1996-2002 (million Birr)</b> | <b>Average Expenditure/ Allocation, 1996-2002 (Percent)</b> |
|---------------|---|---|
| Amhara        | 4,256.00  | <b>71.2</b>   |
| Oromiya       | 5,550.00  | <b>74.5</b>   |
| SNNPR         | 3,430.00  | <b>63.8</b>   |
| Tigray        | 1,580.00  | <b>92.3</b>   |

*Source:* World Bank, 2003, Ethiopia Public Expenditure Review; and, HDSP I Evaluation.

Because of the time required to determine the size of the regional pool, regional governments do not know the amount of the federal transfer they are to receive with any certainty until late in the budget cycle. For example, in FY03 SNNP had to go through two rounds of budgeting, (due to lateness in receiving ceilings) and in the end got notification of the final amount of the transfer from the Federal level only in June, at which time the actual ceiling was 10 percent less than the estimate Regional officials had been working with. Oromiya has to go through similar processes from year to year. The

unpredictability of budget coming from federal sources, which accounts for the bulk of the state budget, frustrates proper planning, and implementation of programs.

Even without the overarching governance problems and policy biases against Oromiya, there are enormous administrative and capacity challenges within Oromiya. Further decentralization, and increasing capacity at the local level, and a trained manpower capable of designing and implementing programs are among the key challenges to be confronted over the long haul.

#### **4. Conclusions**

This paper attempts to pull together, for the first time, evidence emerging from recent regional data in Ethiopia that provide insights into whether there are socio-economic welfare disparities among the four main regions—Amhara, Oromiya, SNNP, and Tigray. The evidence shows that there are indeed significant disparities in poverty, and access to health and education services across these regions. Relative to the other regions, Oromiya has the lowest poverty rate, in part because of the relatively better conditions for food production in Oromiya.

But Oromiya has the worst access to health care and education services relative to the other regions. It has the highest infant and child mortality rate, and the lowest access to child immunization. More children in Oromiya die before they see their fifth birthday than in any other region in Ethiopia. Oromiya has the lowest percentage of households with bed nets against malaria, a major health risk in Oromiya as in other regions. It also has the highest population-to physician ratio, nearly three times larger than that of Tigray. In education, the evidence shows that Oromiya has a slightly higher primary school enrollment ratio than Amhara, but lower enrollment ratio than Tigray and SNNP. In secondary school enrollment, Tigray's enrollment ratio (25 percent) is more than twice that of Oromiya (11.6 percent). Tigray raised its secondary school enrollment from by more than six-fold in just a decade – from 4 percent in 1994 to 25 percent in 2004.

In various public discussions, we Oromos often feel that the political suppression against the Oromos translates into an economic injustice. Or conversely, that political freedom will bring about economic freedom. While there is truth to this logic, it would be important to go beyond the general political rhetoric and toward more clearly articulating how the Oromos are being disadvantaged, especially in an economic sense. It is essential to understand how the federal or central economic policy-making discriminates against the Oromiya state, and, if so, in what areas. In modern-era politicking, such understanding is simply not optional. Instead, it is a necessity that should provide the basis for making a more credible case for the political aspirations of the Oromo people. The author believes this paper has provided such a start, but only a start.

But where do we go from here? Clearly, Oromiya's dominant role in the economy of Ethiopia doesn't tally well with its worst health and education conditions relative to the other regions. It points to the presence of economic injustice or unfairness. Understanding better the size of economy of Oromiya, how much it contributes to the federal treasury, and how much it receives from the latter will be key to making a stronger case for economic justice. While data have recently emerged on how much Oromiya receives from the federal government, we have no good knowledge or data on the size of the Oromiya economy, nor how much it contributes to the economy of Ethiopia.

It is rather alarming that, despite years of existence of Oromo Studies Association, our knowledge today about Oromiya's economy is limited to some general facts. It is generally recognized that Oromiya contributes vitally in agriculture—including in production of cereals, livestock, and cash/export crops—but no specific estimates of its contribution are yet available. Subsistence agriculture is the main means of livelihood for more than 90 per cent of Oromiya's population. The main cash crops are coffee and chat (a stimulant shrub). Coffee, a major cash earner for many countries, has its origin in the forests of Oromiya and neighbouring areas. *Coffee arabica* contributes more than 60 per cent of Ethiopia's foreign exchange earnings, and available estimates suggest that Oromiya produces about 65% of the coffee destined for exports (Oromia Coffee Farmers Cooperative Union Ltd. Website). The labor-intensive tree crop also provides much

employment in rural areas and is the means of livelihood for over 15 million people in Ethiopia. But very little is known about its contributions in industrial production and services.

But future economic research should generate more specific and detailed knowledge on Oromiya. To be sure, the lack of regional data on production (agriculture, industry and services) and demand (consumption, investment, government expenditure, and exports) sides is a major hurdle, but one that can be overcome through dedicated research. A useful starting point would be to use our best knowledge and data about the Ethiopian economy as a whole to guesstimate the size of Oromiya's economy and its contributions. A cursory examination of the data available for Ethiopia suggests that there may be two ways to do this. The first one is to look at the structure of the economy on the supply side—agriculture, industry, services—by commodity group. Estimates are available for Ethiopia as a whole of the share of commodity groups in total output [Alemayehu, et al 2004, Table]. One can use this data together with a best estimate of the contribution of Oromiya with respect to each commodity group to estimate the total output or value-added (GDP) generated by Oromiya. The second method is to use demand side data for Ethiopia as a whole—private consumption, government consumption, investment, exports and imports—by commodity group as a basis, and guesstimate the expenditure share of Oromiya with respect to each commodity group to arrive at a demand side estimate of the size of Oromiya economy.

While such data could be used as a basis to ask questions about the share of Oromiya in either total output or demand, any credible estimate would have to bring other Oromiya-specific data to bear upon the exercise. This may, for example, entail detailed supply side analysis of the contributions of Oromiya by commodity group, or working with household budget surveys to extrapolate the share of Oromiya's demand in total demand by commodity group. This is already a big research agenda, as it involves answering questions such as: what is the contribution of Oromiya in Ethiopia's agriculture? In industry (by commodity group)? In services by commodity group? The general facts we

know today about Oromiya are simply inadequate to give us a complete picture of the economy.

But why do we need a complete picture of the economy? Because such understanding is essential to further understanding the political economy of Oromiya and other neighboring states more fully. The quest for political freedom and self-determination in Oromiya has its mirror image in the potentials for economic freedom of the Oromo people. But how big is this potential? Or alternatively, how unfair to Oromiya are the redistributive economic policies of successive Ethiopian Governments? What should an economic policy of a free Oromiya look like? And where are the potentials for economic growth and transformation? These questions are unlikely to be answered without making significant progress in understanding the size and contributions of Oromiya's economy than we do today. That effort should start sooner rather than later.

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**Table 5. Ethiopia: Commodity Composition of Supply and Demand**

| Sector  | Commodity Group                          | Supply: share in |         | Demand: Share in  |         |
|---|--|------------------|---------|-------------------|---------|
|   |  | Total output     | Exports | Total expenditure | Imports |
| Agriculture   | Food crops                               | 11.85%           | 0.00    | 22.7%             | 4.1%    |
|   | Traditional agricultural exportables     | 22.24%           | 16.63%  | 21.7%             | 0.00    |
|   | Non-traditional agricultural exportables | 1.98%            | 2.44%   | 3.9%              | 0.00    |
|   | Other agriculture                        | 2.09%            | 0.00    | 3.7%              | 0.00    |
| Industry  | Agro-manufacturing products              | 7.35%            | 0.92%   | 9.3%              | 11.2%   |
|   | Other industrial products                | 17.3%            | 2.92%   | 15.1%             | 54.7%   |
| Services  | Public goods/ services                   | 10.88%           | 0.00    | 14.9%             | 0.00    |
|   | Other services                           | 26.30%           | 16.85%  | 8.7%              | 61.6%   |
| Source: Alemayehu Seyoum Taffesse and Tadele Fered, “ The Structure of the Ethiopian Economy—A SAM-based Characterization”, May 2004. |  |                  |         |                   |         |