

Economic Growth and Development in Oromia

By

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Abstract

Economic growth and develop play pivotal role in improving the life quality of the given region or country. During the last two decades Ethiopia witness higher economic growth and economic development. These national level performances not investigated or analyzed at the regional or local level. The major purpose of this study is to analyze the Oromia National Regional State economic growth and development. The study used the secondary data between 1987 and 2009². The study revealed that Oromia region achieved continuous and stable economic growth between 2002 and 2009EC. The regional economic development was evaluated based on education, health, road contraction and poverty incidence during the last two decades reveled that there has been improvement in the region. The growth and development realized in the region need further intensification of the started growth and development. It needs selected and integrated intervention to achieved structural change that improves the life quality of regional population.

Key Words: Economic Growth, Development, Oromia

1. Introduction

The living standard or welfare of any nation is depends on the nature and the level economic development realized in the given state/location. Any country or government in the world has worked hard day and night to meet the required level of economic development to improve the welfare of its people or nation. Improvement of life quality was successful in the developed countries that achieved economic development or structural transformation. But many of the developing countries such as Latin America and Sub Saharan African (SSA) countries have remained behind the rest of the world in terms of inclusive and transformational economic growth and development.

The Asian countries since 1970s has shown remarkable economic growth that enabled them to cut incidence of poverty to 15.9 percent in 2008 as compared to percent 77.1 in 1981. In the same period, in Sub-Saharan Africa (SSA), the percentage of poverty incidence was only decreased from 53.7 percent to 44.3 percent (Evan Hillebr, 2008). The external influence and internal instability in SSA countries in last four decades is considered as the major reason for slow economic performance in SSA. Ethiopia³ is one of the SSA fast growing countries in the

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² The study use only Ethiopia calendar. Therefore all the year mention in the study refers to Ethiopia Calendar (EC).

³ According the World Bank (2016) in Ethiopia, each 1 percent of growth in Gross Domestic Product (GDP) resulted in 0.15 percent reduction in poverty. Agricultural growth was particularly positional in bringing down poverty as for every 1 percent in agricultural output poverty was reduced by 0.9 percent.

last ten years. The country has become one of the fastest-growing non-oil economies in Africa, with double-digit average economic growth over the last fifteen years. .

The effectiveness and sustainability of the national development would be evaluated by its influences on the local or regional development. There is no evidences or study that analysis the regional development in the countries. Oromia⁴ regional state is one of the nine regional states in Ethiopia. Both in its area coverage and population, it ranks first in the country. Therefore it is important to look at the Oromia national regional state economic growth and development to understand the performances and challenges in the region.

The main purpose of this article is to present the economic growth and development in Oromia national regional state during the last two decades. This study consists of four sections including introduction. The second section presents the concepts of economic growth and development. The third section explains the trends of economic growth and its sectoral composition in the region. The fourth section discusses the economic development in Oromia during the last twenty year. It explains the social, infrastructural development and the poverty incidence in the region. The fifth section identifies the major challenges of economic growth and development. The last section is summary.

2. Concepts of Economic Growth and Development

Economic growth is the change in the national income or output over the specific period that is usual one year. Economic development refers to the process of multidimensional activities that involve reorganization and reorientation of the entire economic system. Such change involved the transformation of the economy in different dimension: Sectoral transformation, distribution change, consumption change and demographic change. In other word economic development brings the qualitative and quantities change in the economy which improves the living standard of the people. Economic development must involve three core value Sustenance: Provision of basic need, Self steam: Self respect and Freedom from servitude: The right to choose.

Economic development of a given region has the major three objectives. The first objective is to increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection. The second objective is to raise levels of living including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and humanistic values, all of which will serve not only to enhance material well-being but also to generate greater individual and national self-esteem. The third is to expand the range

⁴ Oromia regional state with its 20 zones, 340 rural districts and over 6,253 rural ‘kebeles’ (Village) in addition with 43 reform towns has given a special attention to the area where the actual economic and social programs will be implemented.

of economic and social choices available to individuals and nations by freeing them from servitude and dependence not only with other people and nation-states but also to the forces of ignorance and human misery

3. Economic Growth in Oromia

Economic growth refers to the percentage change in the national output (Gross Domestic Product) of the given economic. Gross Domestic Product (GDP⁵) refers to the market values of all good and service produced in the economy. The GDP include the market values of all agricultural, industrial and services output in the economy. Real GDP used as a measurement of economic growth in any country to show the change in the national output with base year prices. The Table 1 below shows that in 2002 the annual economic growth of Oromia was 9.7 percent. After three years, that means in 2005, the region has achieved 8.5 percent economic growth. In 2009, the economic growth recorded in region was 10.4 percent. During the last six years the region has been realizing the higher economic growth with the contribution of all three sectors: agriculture, industry and services sectors.

Table 1: Economic and sectoral growth in Oromia in the year between 2003 and 2009

Sector Name	2003	2004	2005	2006	2007	2008	2009	Average
Agriculture	10.5	9.4	4.5	8.8	7.1	3	6.9	7.8
Industry	10.8	11.1	21.9	12.5	37.7	13.4	19.7	18.9
Services	7	13.3	11.1	8	11	11	11	10.2
GDP	9.7	10.8	8.5	8.9	12.3	7.1	10.4	10.1

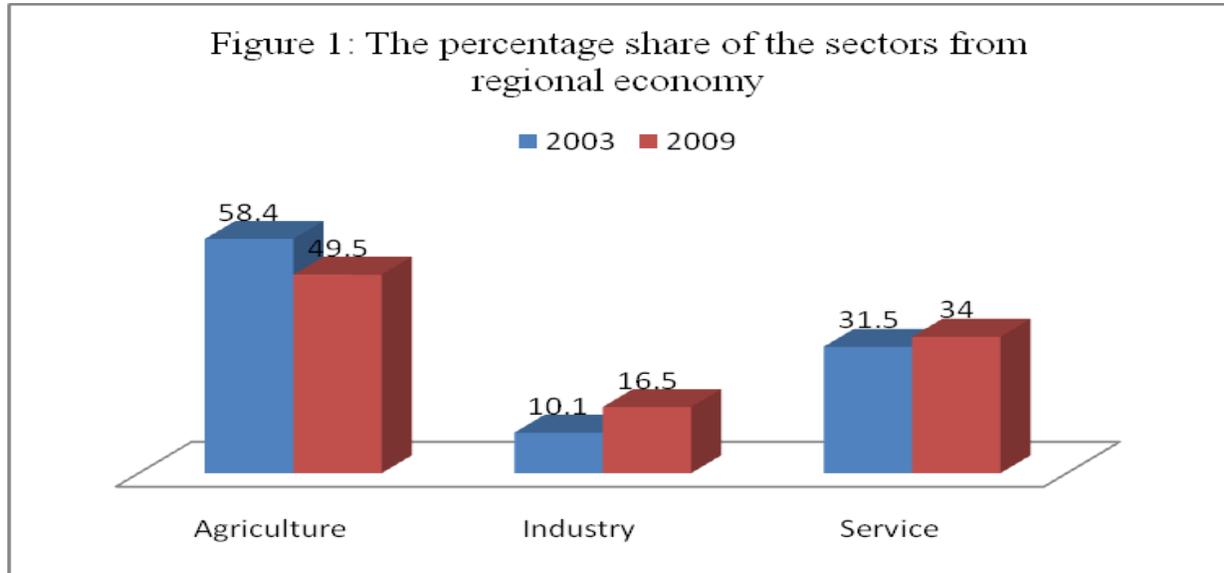
Source: OPEDC⁶ various regional report

The agricultural sector recorded the higher growth in 2003 with the 10.5 percent. The lower agricultural growth was realized in 2008, which is the lower performance as compared to the regional and national agricultural plan. The industrial sector is leading the sectoral growth in the region with the annual average 18.9 percent growth between 2003 and 2009. In the same period the service and agricultural sector has achieved an annual average growth rate of 10.2 percent and 7.8 percent respectively. The region has been experienced fast, broad based and continuous economic growth during the last seven years. In addition to these the share of the industrial sector increased with the declining share of the agricultural sector. Figure 1 below revealed that the share of the agricultural sector declined from 58.4 percent in 2003 to 49.5 percent in 2009. In

⁵ There are two broad categories of Gross Domestic Product (GDP): Nominal GDP and Real GDP. Real GDP is the right measurement of economic growth. Recourse it indicate the real change that the value change in the economy. It exclude the change in the price

⁶ OPEDC: Oromia Planning and Economic Development Commission

the same period the share of the industrial sector increased from 10.1 percent to 16.5 percent. This facilitate for the sectoral structural transformation in the region to realize the industrial development in the region.



Source: OPEDC, 2016

4. Economic Development in Oromia

Economic development⁷ refers to the multidimensional process of the reorganization and reorientation of the entire economic system. Economic development includes sustenance, self-respect and freedom from servitude. Economic development indicates the social and economic development in the country. The economic development in the given country should be evaluated in terms of social and infrastructure development in the region. In this brief article the study used social development, infrastructure development and poverty incident as indicators of economic development.

4.1 Social Development in Oromia

Social Development is referred to as meeting basic human needs or provision of basic human needs (such as food, health, education, water, sanitation & housing) and others (gender development, child development, youth development, protection from crime and violence). Social development also described as the process of organizing human energies to achieve greater development. Recently also Social and human development (development of their human potential) is a key strategic pillar of the GTP (Growth and Transformation Plan) in the region.

⁷ Economic development involves something more than economic growth. Economic development include an increase in productivity, change in Social and economic equalization, mmodern knowledge, iimproved institutions and attitudes.

The performances of education and health sector in the region used as the indicators of social development in the region.

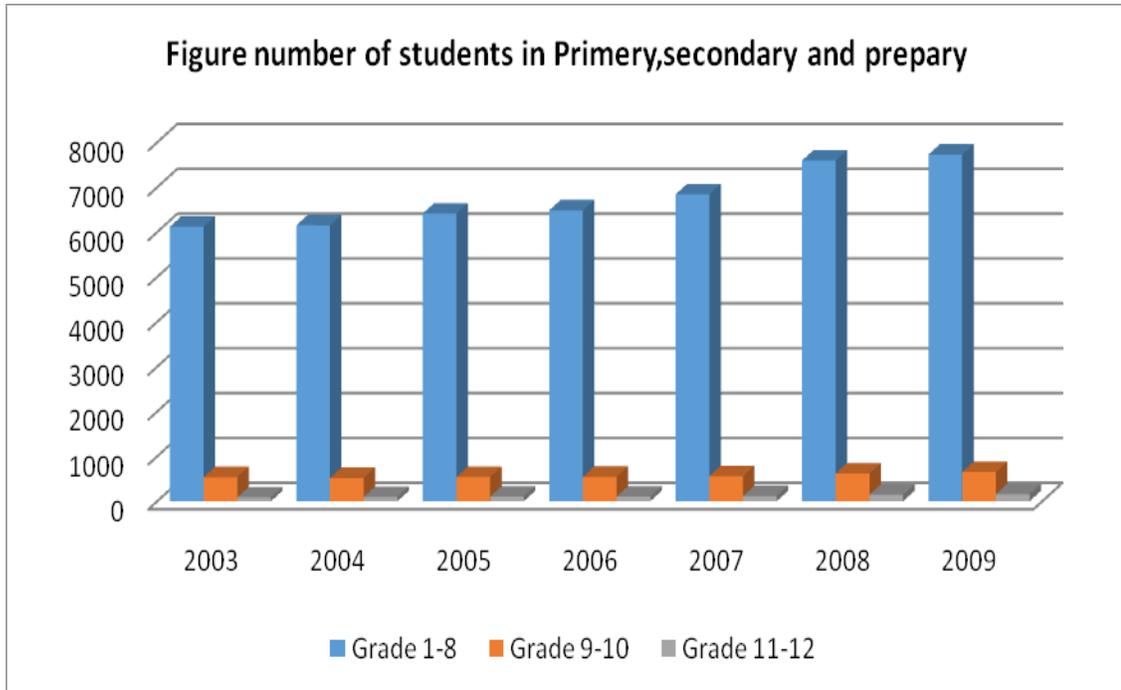
4.1.1 Education Development in Oromia

Education is a process in which people get knowledge, skill and attitude which will help them improve their life quality. Education is one of the decisive instruments in an endeavor towards breaking the vicious circle of poverty. It provides a number of advantages for the region as well as for individuals. For instance, education provides high individual earnings, more frequent employment opportunity, better health and nutrition status, lower fertility rates, greater productivity, favorable attitude towards educating their children. The development of education analyzed based on number of students, teachers, school constructed and other indicators of education quality.

Number of students: In 1988EC the total numbers of primary, secondary and primary school students were only 6 million. In 2003EC the number of student from grade 1 to 12 in Oromia national regional states has reached 6.7 million. In 2009 the number of students has increased to 8.5 million. During the last six years the number of primary, secondary and preparatory schools has increased by 1.7 million students with the annual growth rate of 4.4 percent between 2003 and 2009.

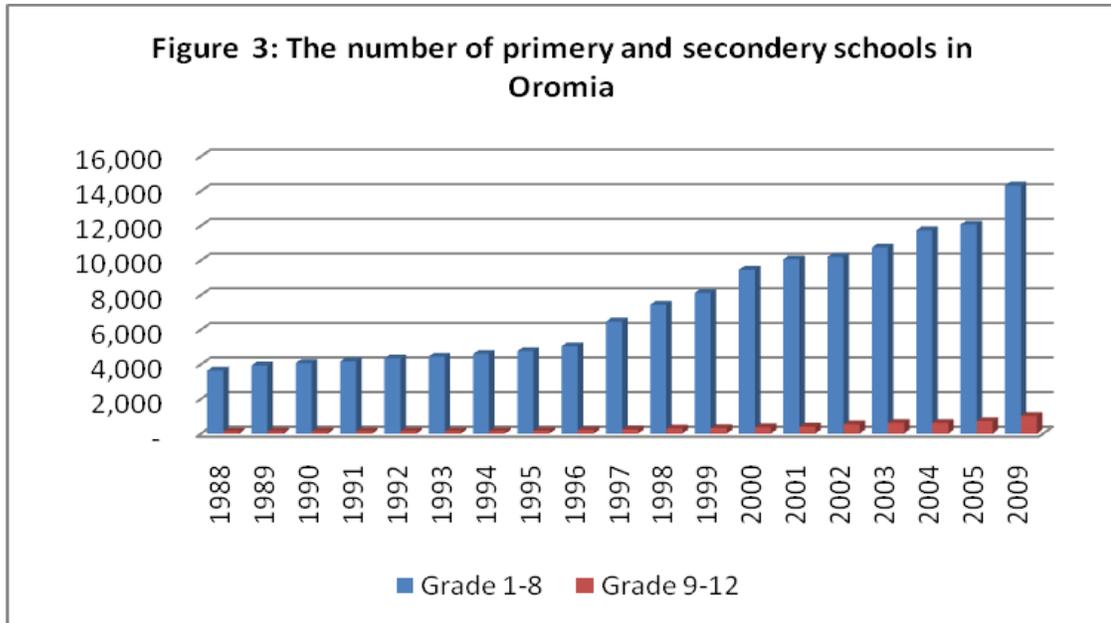
In the same period the primary and secondary schools number of students has increased by 1.6 million and 114 thousand respectively. The numbers of preparatory students were only increased by 72 thousand between 2003 and 2009. Even if the region enjoys the higher growth rate of the primary school students, the growth rate of the preparatory's schools students were not proportional with the number of primary school students. The regional share of the secondary or preparatory schools students did not show any change during the last two decade. The higher dropout of rate and low incentive in the secondary and preparatory school affected the number of students at higher level of schools.

The increase in the number of students has improved the gross enrollments of students at all levels of education in the region. The efforts undertaken during the last two decades has increased the primary school enrollment increased from 21 percent in 1987 to 104 percent in 2008. According to Ministry of education the annual growth rate of primary education in Oromia has increased from 3.2 percent in 2004 to 5.1 percent in 2008. This indicates the fast growth rate of primary school in the region. The secondary school enrolment increased from 5.6 percent in 1987 to 37 percent in 2008. The growth rate of number of secondary school students and gross enrollment performances were lower than the primary schools.



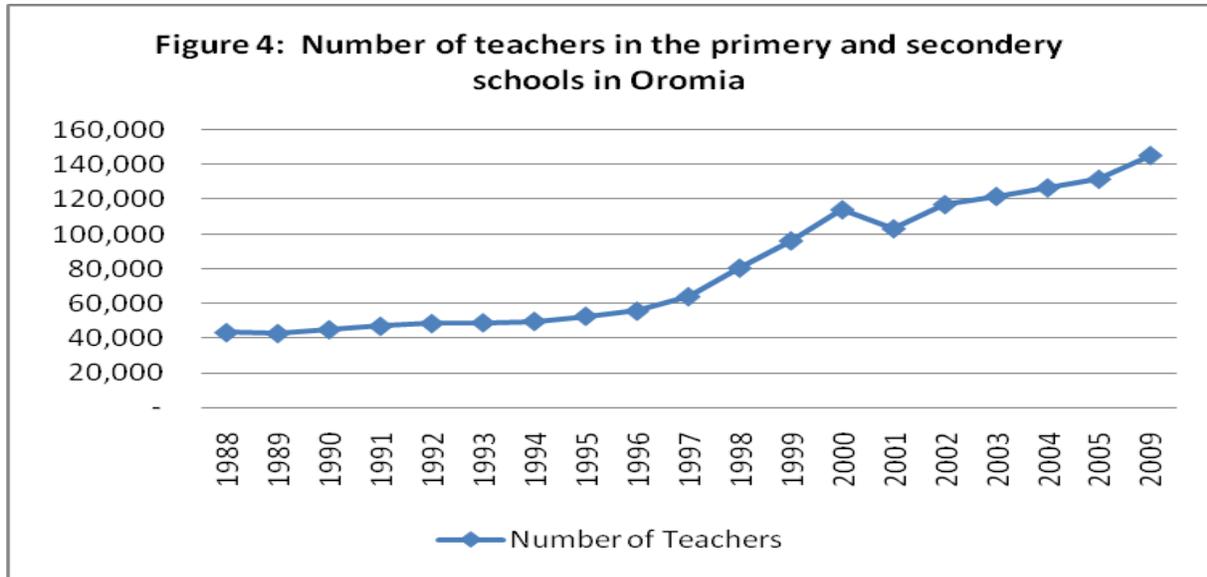
School construction: In 1988 the numbers of primary schools constructed in Oromia national regional state was 3,754. In 1994 the number of schools constructed has increased to 4,731 which show 4.3 percent annual growth rate during the last six years. After 1994 the region managed to construct greater number of schools. In 2009 the number of primary, secondary and preparatory schools has reached to 15,323 numbers of schools. Between 1995 and 2009 around 10,409 numbers of new schools has been constructed and the annual growth rate of school construction was 15 percent. The higher and continues growth rate of school construction increase the access of primary education at local or Woreda level.

The growth rate of school construction at all level was not proportional. The expansion of number of school in the region was also increase at faster rate during the study period. In 1988 the number of primary school and secondary school were 3,635 and 119 respectively. The primary schools were talking about 97 percent of the total school. In 2009 the total number of primary and secondary schools has reached 14,311 and 1012 respectively. The fewer number and share of secondary and primary schools construction affected the students' enrollment in secondary and preparatory education.



Number of teachers: The number of teachers in the primary and secondary schools was 43,267 in 1998. This year the numbers of primary and secondary school teachers were 39,117 and 4,150 respectively. The number of primary school teacher was taken around 90 percent of the total teachers in the schools. In 1995 the total number of primary, secondary and preparatory schools teachers has reached to 52,717. During the last seven years between 1988 and 1995. The number of teachers were growing annually only by 3.1 percent. In 2005 the total number of teachers increased to 131,750. As compared to 1995, the number of teachers was increased by more than 80 thousand between 1995 and 2005. In 2009 the total number of teachers in the region has increased to 140 thousand.

During the last two decades the number of primary and secondary school teachers including preparatory has increased by 26 and 31 percent respectively. It is not only the number of teachers increased, but the qualification of all level of teacher also improved. Further the region not only experiences in improving the access to education but the quality of education has been improved. The student to teacher ratio, student to class ratio and student to book ratio has shown improvement in the last two decades. In the same way the education efficiency that measured by dropout and reputation rate has shown positive improvement or performances.



Source: Various reports of OPEDC

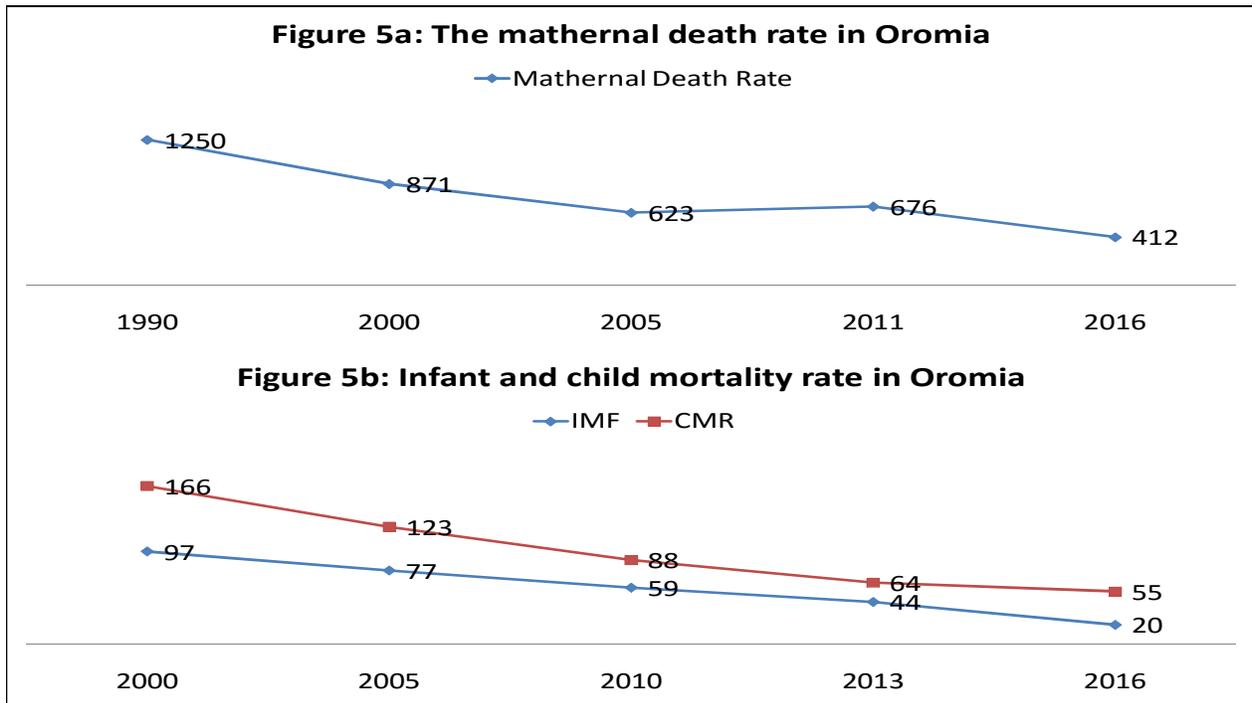
4.1.2 Health Sector Development in Oromia

The other component of social development in the region can be seen based on health sector development during the last two decades. The provision of health service has some direct and indirect effect to the improvement of economic welfare of the society. Adequate health service provision can increase the productivity and yield of human capital. Besides, improving the access of the poor to health service is important for increasing the poor's income. The study analyzes the health status of Oromia national region state based of selected health indicators (Infant, maternal and child mortality rates), health service coverage and health facilities. Health coverage, infant mortality rate, child mortality rate and maternal mortality rate used to see the improvement of health status in the region. The number of health center, hospitals and nurses were used to understand health services provision during the study period.

Health indicators: The study tries to see the health status of the region by analyzing the health indicators and coverage. The maternal mortality rate in the region declined from 1,250 mother deaths per thousand women in 1982 to 673 mother death per 1,000 women in 1987. In 2008 the maternal death was declined to 412 per thousand women. During the last two decades the maternal mortality rate in Oromia national regional state has decline by more than half that is 67 percent decline in the maternal mortality rate between 1982 and 2008.

The other health status indicators are the infant and child mortality rate. The infant and child mortality rate in 1992 was 97 and 166 per hundred children respectively. In 2008, both the infant and child mortality rate has shown the declined trends. In this year the infant mortality has been declined by 40 percent and the child mortality rate has been declined by 24 percent as compared to 1992. This indicates the region has experienced fast declined in the infant mortality as

compared to the child mortality rate. The recent report indicated that the infant and child mortality death rate in the region further declined to 20 and 55 infant and child death per hundred children respectively. During the last two decades both the infant and child mortality rate has declined by 79 and 67 .percent respectively. The provision of health extension program and other family level health services provision have contributed for the declined in the infant, maternal and child mortality rate in the region.



Health service Provision: The improvement in the health status analyzed by the health indicators are the outcome of the health services prevision. The Oromia regional state provides various infrastructure and human resources to improve the health status in the region. This study observes the performances of health center, hospitals and nurses during the last two decades. In 1988 the total number of health center and hospital in the region were 61 and 16 respectively. In these years the total number of nurse was only 915. During the last two decades both the hospital and health center increment by 63 and 1305 respectively. In the same period the number of nurse increased from 915 in 1998 to 13,618 in 2009. Within the last two decades the number of nurse increases by more than 12 thousand. The health center has increased at faster rate as compared to the hospital. The number of health post also increased from 877 in 1990 to 6,797 in 2009. During the last twenty year the number of health center increased more than 5 thousand. The community based health services and preventable health services approaches of our health sector highly increased the number of the health center in the region. The number of nurse was also increased by more than 12 thousand between 1998 and 2009.

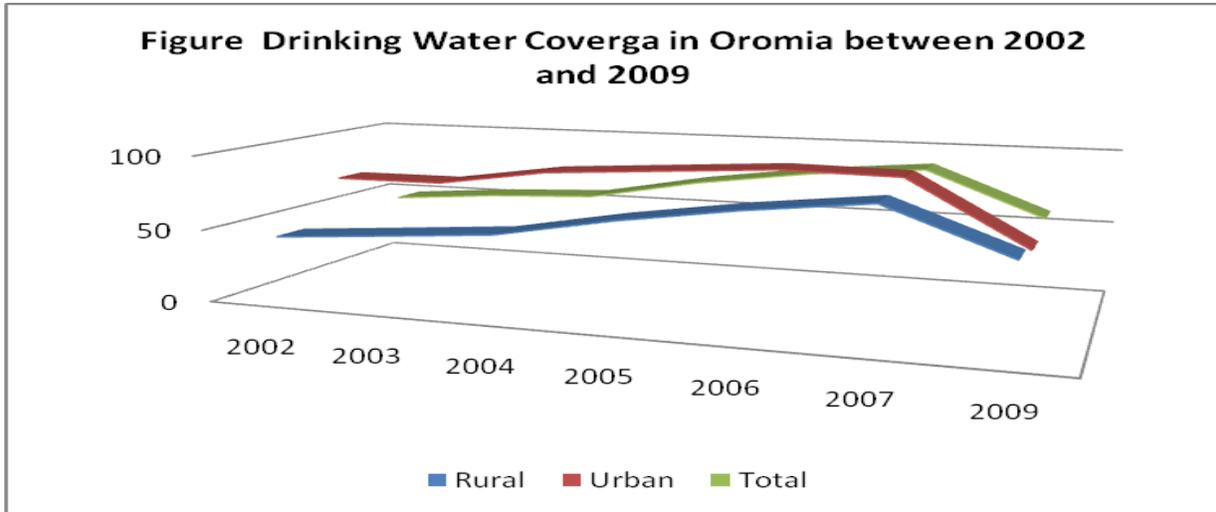
Table 2: Number of nurses and health facilities in Oromia in selected years

Health Facilities	1998	1990	1995	2000	2005	2009
Nurse	915	1028	1953	7039	11877	13618
Hospital	16	17	21	22	49	79
Health Post		877	766	1819	6368	6797
Health Center	61	85	135	308	1247	1366

Sources: OPEDC various issues

According to Oromia regional health report in 2009 the health service coverage is around 95 percent as compare to less than 50 percent before ten years. In addition to this the health professional and the number of health services increase during the last two decades. The population and health facilities ratio declined during the last two decades. The health status of the region improved due to the decline in the child mortality rate, infant mortality rate and maternal mortality rate.

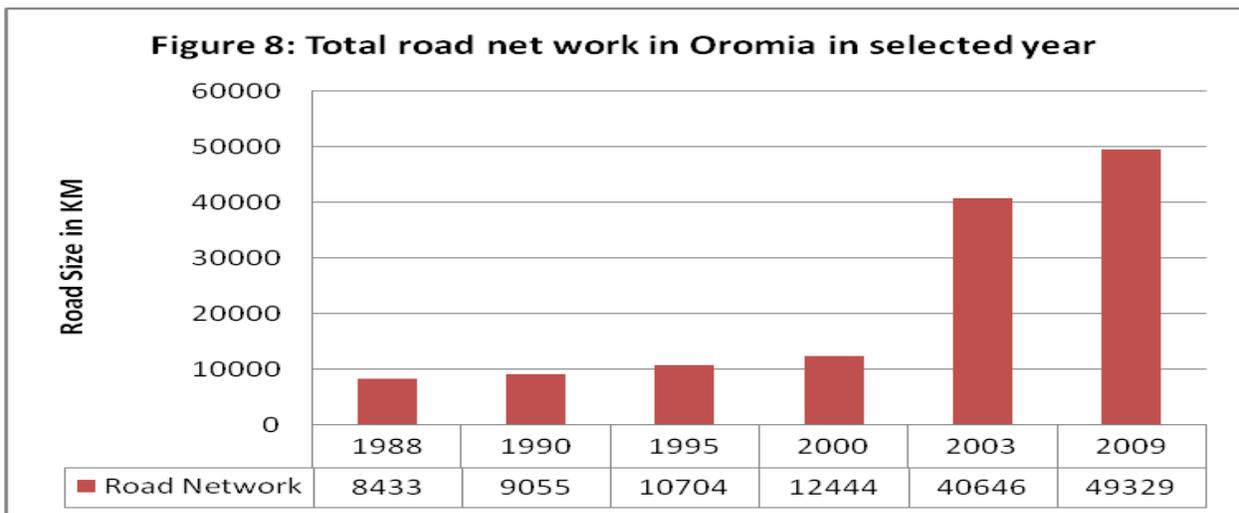
In addition to the provision of health facilities and services, the drinking of water supply has played the major role on the improvements of health status in the region. The water coverage in the region was 48 percent in 2002. In this year the drinking water coverage in the rural and urban area was 44 and 74 percent respectively. In 2007 at the end of the first GTP, the regional water coverage has reached 88 percent (rural 88 percent and urban 93 percent). During the first GTP period the region managed to increase the drinking water coverage above double. Realizing the demand of drinking water and the level of development in the region, the measurements of the water coverage was revised in term of the amount of drinking water and distance of the drinking water available in the region. In 2009, the regional water coverage is 59 percent based on the GTP II measurements of the drinking water coverage (Rural 60 percent and urban 51 percent).



4.2 Infrastructure Development in Oromia

The availability of infrastructure plays the major role on modernizing the economic activities in the given region. The infrastructure includes the road and communication that help the movements of goods, people and information. Road transport has played and still continues to play a vital role in the development of any region, in particular in rural areas. In Oromiya, with the exception of limited air transport service too few towns, all movements of any kind are made on road.

In 1988, the total road length in the region was only 8,433 Kilo Meter (KM). In 1995 the length of the road network increased to 10,704 KM which showed 27 percent growth as compared to 1988. In 2009 the total road length in the region has riches 49,329KM. During the last two decade the road length in the region has increased by more than 40 thousand Kilo Meter.



Sources: Various issues of OPEDC

Although efforts have been made to improve the situation of roads in Oromiya, still there are few feeder roads interconnecting zonal capitals as well as Weredas capitals as compared to the vast size of the Region. In addition, there is also variation in the distribution of both all-weather and dry weather roads from zone to zone in the Region.

4.3 Poverty Incidence in Oromia

Poverty refers to the inability to get the minimum living standard. According to the World Bank the incidence of absolute poverty measured by the amount of income required to get the minimum living standard. Historically, poverty⁸ has been related to income, which remains at the core of the concept today. Various efforts have been undertaken to reduce poverty in Oromia during the last two decades. In 1996 the percentage of people under absolute poverty line in Oromia national regional state was 34 percent of the regional total population. In this year the total number of people below poverty line was 6.7 million. At national level the percentage of poor people was 45.5 percent. As compared to the national poverty incidence Oromia has less percentage of poor people. In 1996 poverty rates differed greatly between regions. For example, 56 percent of the population in Tigray and SNNP were living in poverty compared to 34% of the population of Oromia (World Bank, 2015).

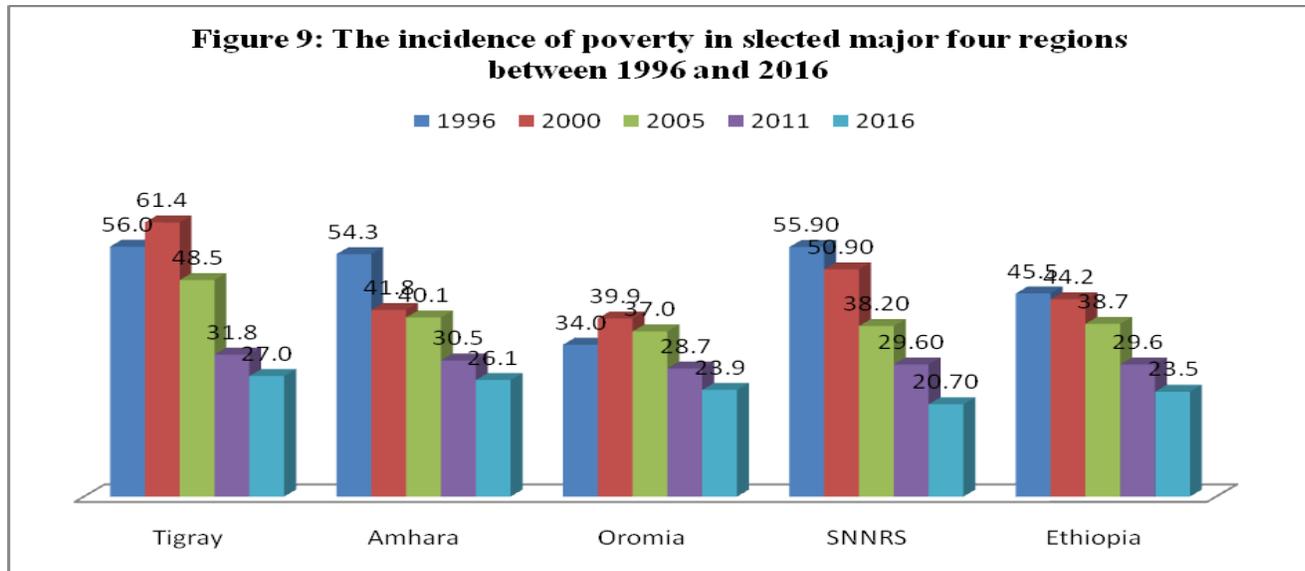
After four years in 2000, the percentage of poverty incidence in Oromia national regional state has increased to 39.9 percent. In other word between 1996 and 2000 the percentage of poverty incidence in the region has increased by 6 percent. That mean in the year between 1996 and 2000 above 2 million people join the absolute poverty group in region. In contrast to this, the national absolute poverty has decreased from 45.5 percent in 1996 to 44.2 percent in 2000. The slow growth rate of social and infrastructural development in Oromia has contributed for the increase in the incidence of poverty in the region.

In 2005 the percentage of poor people in Oromia national regional state has decreased to 37 percent which has shown the 2 percent declined from 2000. Even if the percentage of poor people decreases the number of poor people has increased and has reached 9.2 million in 2005. The slow declining rate of the absolute poverty as compared to the total population resulted higher number of poor region. At national level, in the year between 2000 and 2005, the poverty incidence further decreased from 44.2 percent to 38.7 percent. At national level the incidences of poverty declined by 6 percent which was higher than the Oromia regional state.

Oromia national regional state has enjoyed the higher decline in the poverty incidence between 2005 and 2011. During these years the percentage of poor people in the region has decreased to

⁸ The determination of a poverty line cannot be based on an arbitrary selection of a low level of income. Only scientific criteria independent of income can justify where the poverty line should be drawn. The multiplicity and severity of different types of deprivation can constitute those criteria. The key is therefore to define a threshold of income below which people are found to be thus deprived.

28.7 percent in 2011 from 37 percent of in 2005. Between 2005 and 2010, the percentage of poor people decline by 22 percent which was the great successes in the region. Due to the higher decline in the poverty incidence the number of poor people in the region has also decreased from 9.2 million in 2005 to 8.8 million in 2011. In the same way the national poverty incidence decreased from 38.7 percent in 2005 to 29.6 percent in 2011. That means the national poverty incidence has decreased by 23 percent which was again higher than Oromia national regional state.



Source: CSA various publication

The recent 2016 poverty analysis report revealed that the percentage of poor people in Oromia national regional state was 23.9 percent which was higher than 23.5 percent of the national poverty incidences. Between 2011 and 2016 the percentages of poor people in Oromia and national level has declined by 16 percent and 20 percent respectively. According to this recent report in 2016 the numbers of poor people has reduced to 7.9 million which was declined by a million as compared to before five years.

During the last two decades the Oromia national regional state only managed to decrease the absolute poverty only by 29.7 percent as compared to 48.3 percent decline at the national level. The slow decrease in the percentage of poverty in the region during the last two decades has increased the number of poor people. Between 1995 and 2016 the number of poor people has increased by more than a million people. According to UNDP (2016), the human development in Oromia increased from 0.424 in 2004/05 to 0.458 in 2012/13. Oromia region has achieved 8 percent growth in human development between 2004/05 and 2012/13 which was lower than the 31, 16 and 11 percent in Tigray, Amhara and SNNRS respectively. Oromia regional state relatively has higher HDI in 2004/05 as compared to 2012/13. With regard to regional disparities in HDI values, the four regions of Afar, Somali, Amhara and Oromia have the lowest

HDI, below the national HDI of 0.461(UNDP, 2015). The slow growth rate of social and infrastructural development failed to maintain the required level of human development. The lower human development in the region during the study period is the major reason for the relatively higher poverty incidence in the region as compared to before twenty years. The region is the dominant sources of national export and agricultural production. In the same way the region is the major destination of the national local and foreign investment. But against of all these facts the region is becoming the sources of absolute poor people and low human development during the last two decades.

5. Summary

During the last two decades the region has experienced higher and stable economic growth. In addition to regional economic growth, the people in the region enjoyed the provision of education, health services and road construction. Such multidimensional development in the region has reduced incidence of poverty. The growth and development realized in the last two decades was not reached to the large segment of the population at required pace. The economic growth achieved during the last ten years failed to promote industrialization. The declined in the poverty incidence in the region could not prevent entrance of new people in the absolute poverty. The improvements in education and health services were not supported by employment opportunities and use of local resources that resulted higher inequality and unemployment. The federal and regional government must intensify the started economic growth and development to achieve structural transformation and improve regional population life quality. Economic growth is important for the government to mobilize more financial resources that used for social development. The region has the potential to generate financial resources by mobilizing the rural farmer and private sectors. The federal government should enhance the regional fiscal capacity thorough existed fiscal federalism. Local based and community based private sector develop play the pivotal roles in speeding up the regional economic growth and development. Employment oriented industrial and agricultural development reduced unemployment and urban inequality. To realize this building development oriented institutions and creative private sectors are crucial to transform the region.

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