Ethiopia

Resources for poverty eradication:
A background paper

Peace Nganwa

February 2013
Contents
Overview .......................................................................................................................... 3
Summary of findings .......................................................................................................... 3
Socio-economic analysis ................................................................................................... 5
Population .......................................................................................................................... 5
Poverty indicators ............................................................................................................. 6
Multidimensional Poverty Index ....................................................................................... 6
Human Development Index ............................................................................................... 7
Humanitarian and vulnerability situation ............................................................................ 7
Macro-economic overview ............................................................................................... 11
Domestic resource flows .................................................................................................. 12
Domestic revenues ............................................................................................................ 12
Domestic expenditures ...................................................................................................... 13
Sector spending ................................................................................................................ 14
Health ............................................................................................................................... 17
Agriculture ....................................................................................................................... 19
International resource flows to Ethiopia .......................................................................... 22
Sector funding .................................................................................................................. 24
Education ......................................................................................................................... 24
Health ............................................................................................................................... 26
Agriculture ....................................................................................................................... 28
Summary of findings ......................................................................................................... 29
References ......................................................................................................................... 33
About us ............................................................................................................................ 36
Overview

This paper aims to provide general, but comprehensive, background information on resources for poverty eradication in Ethiopia. It is part of a series of country analyses being undertaken by Development Initiatives (DI) researchers, initially for countries in Eastern Africa. Specifically, the paper documents and analyses the Government of Ethiopia’s (GoE) public expenditure in the education, health and agriculture sectors, and donor contributions to these sectors, between 2000 and 2010. A good understanding of resource flows to Ethiopia, and of allocations within the country, can provide useful evidence of what the Ethiopian Government has identified as the key priorities for poverty eradication and this would in turn inform policy actions and/or engagement. This paper is intended to be used by a wide range of stakeholders including public officials, particularly those involved in resource allocation (planning and tracking resources), civil society organisations (CSOs) engaged in and advocating for improved resource allocation, entities that seek accountability from their governments, as well as donor agencies. Furthermore, it can provide an evidence base for academics and researchers who wish to obtain a more detailed understanding of Ethiopia’s resource flows. The data used in this study was drawn primarily from statistical abstracts of the Central Statistical Agency of Ethiopia (CSA), the Ministry of Finance and Economic Development, the World Bank’s World Development Indicators and Africa Development Indicators, and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC).

Summary of findings

Ethiopia is one of the fastest-growing economies in sub-Saharan Africa, with an average gross domestic product (GDP) growth rate of 8.2% between 2000 and 2011. This was significantly higher than the sub-Saharan average (4.7%) or the East Africa average (6.7%) over the same period. Growth is broadly based, with the industry and services sectors displaying the largest growth. In 2010/11 the proportion of people living below the national poverty line (NPL) was 29.6%, falling from 38.7% in 2004/5. During the same period, specifically in 2010, total public expenditure was US$6.0 billion, an increase of 2.8% from the US$3.2 billion which was spent in 2005. The largest proportion of the GoE’s total expenditure goes to education and training (25%). Prioritising spending on education has resulted in improved education indicators: for example, literacy rates increased from 37.9% in 2004 to 46.8% in 2011 (DFID, 2011).

Ethiopia has not met the Abuja Declaration, 2001 target requiring African governments to spend at least 15% of their expenditure on health. However, the percentage of government expenditure in this sector, as a proportion of total national expenditure, has increased – from 8.5% in 2000 to 13.4% in 2010. It is plausible to attribute the improvements that have been seen in health indicators, such as the Human Development Index (HDI) which increased from 0.274 in 2000 to 0.363 in 2011, to these increases in health expenditure. However, public expenditure on health accounted for about 53% of total health expenditure (public, private and donor) in 2010, a decrease from 61% in 2005. This implies that the share public expenditure on health as a percentage of total health expenditure is decreasing, as the private and donor expenditure on health increases.

1 The country analyses deliberately chose to focus attention on these key sectors.
2 This covers the countries Uganda, Kenya, Tanzania, Rwanda, Burundi, South Sudan and Ethiopia.
Agriculture, though an important source of growth and contributor to poverty reduction (Africa Economic Outlook, 2012), has seen its share diminish as the largest contributor of GDP to the service sector. Agriculture’s share of GDP was 41.8% in 2011, a reduction from 47.7% and 50.8% in 2010 and 2009 respectively. Despite this reduction in agricultural growth, government expenditure on agriculture in 2007 was 14.4% of the total, surpassing the 10% benchmark of total government expenditure which it is expected would be devoted to agriculture as agreed in the Comprehensive African Agriculture Development Programme (CAADP) in 2003.

Donor funding to Ethiopia makes an important contribution to budget support, capital development and humanitarian aid. In 2010, donors contributed US$3.5 billion in official development assistance (ODA), over half of total government expenditure. Between 2002 and 2010 the largest share of funding was spent on economic infrastructure (specifically transport and storage), followed by social sectors such as education and health. The largest bilateral donor to Ethiopia is the United States, which contributed US$875 million in 2010, the largest proportion of which was for humanitarian aid.

Figure 1: Summary of tax revenue and aid to Ethiopia, 2002–2010

![Graph showing tax revenue and aid to Ethiopia, 2002–2010](image)

Source: Development Initiatives based on OECD DAC data and World Development Indicators (WDI) data

Figure 2: Summary of sector expenditure in Ethiopia, 2000–2007

![Graph showing sector expenditure in Ethiopia, 2000–2007](image)

Source: Development Initiatives based on IFPRI Statistics of Public Expenditure for Economic Development (SPEED)
Socio-economic analysis

Population

By 2010 the population of Ethiopia had reached 84.8 million (WDI, 2010), making this the most populous country in Eastern Africa and the second most populous country in sub-Saharan Africa, after Nigeria. Women account for approximately 50% of the total population. The population is growing at the East African regional average rate of 2.7%. The urban population is growing at an annual rate of 4.9%, and the rural population at 2.2%. In 2011, approximately 17.6% of the population lived in urban areas.

Figure 3: Population in Eastern African countries, 2000–2012

Source: Development Initiatives based on World Development Indicators (WDI) data

Some 80% of the population is located in the three biggest regional states: Oromia, Amhara and Southern Nations and Nationalities and Peoples (SNNP) region. The lowest proportion of the population is in Harari regional state. According to the African Statistical Yearbook (2012), 42% of the population in Ethiopia was below 15 years of age in 2010. During the same period, the population below the age of 15 in Kenya, Tanzania and Uganda was 44%, 45% and 49% respectively.

Figure 4: Population in Ethiopia by region, 1994 and 2007

Source: Development Initiatives based on Population and Housing Census Report, 2007

* Southern Nations, Nationalities and Peoples
**Poverty indicators**

The 2010/11 the Ethiopia Household Income and Consumption Expenditure (HICE) survey estimated the proportion of poor people in Ethiopia to be 29.6%, falling significantly from 38.7% in 2004/5. This reduction in poverty occurred in both rural and urban areas. Over the same period, the poverty gap index\(^3\) fell from 8.3% in 2004/5 to 7.8% in 2010/11, indicating a substantial reduction in the intensity of poverty. The poverty gap may be interpreted as the cost per capita of eradicating poverty as a percentage of the poverty line. The poverty index therefore implies that, to eliminate poverty, the GoE would need to invest 7.8% of the poverty line per capita.

Despite the reduction in headcount poverty and the poverty gap, there has been an increase in the severity of poverty, as measured by the increase in the poverty gap squared,\(^4\) from 2.7% in 2004/5 to 3.1% in 2010/11. This means that poor people were worse off in 2010/11 than they were in 2004/5. This implies that the poor people in Ethiopia are vulnerable to further poverty if poverty eradication resources and programmes do not specifically target and reach the chronically poor. Inequality, estimated by means of the Gini coefficient, declined slightly between 2004/5 and 2010/11, from 0.3 to 0.298. Regionally, poverty is highest in Afar (36.0%), followed by Somali (32.8%) and Tigray (31.8%), while it is lowest in Harari (11.0%), followed by Addis Ababa (28.1%).

**Figure 5: Ethiopia – percentage poverty headcount, 1995–2010**

![Poverty Headcount Graph](image)

Source: Development Initiatives based on International Monetary Fund (IMF) data

**Multidimensional Poverty Index**

Ethiopia's Multidimensional Poverty Index (MPI) has improved from 0.678 in 2000 to 0.562 in 2005 (Demographic and Health Survey (DHS)). The MPI identifies multiple deprivations in the same household in education, health and people’s standards of living. The most recent data available for the country’s MPI estimate is the 2005 DHS. According to this data, 88.6% of the population suffer from multiple deprivations, while 6.1% are vulnerable to multiple deprivations. A recent report revealed that investments in improving nutrition and access to safe water have helped to reduce Ethiopia’s MPI (Alkire et al., 2010). By comparison, Uganda, Kenya and Rwanda have MPIs of 0.367,

---

\(^3\) The ‘poverty gap’ refers to how far households are from the poverty line.

\(^4\) The ‘poverty gap squared’, a measure of the severity of poverty, takes into account, in addition to the poverty gap, inequality among poor people.
0.229 and 0.426 respectively. This suggests that the poor people in Ethiopia suffer from a larger number of deprivations compared to other poor people in Eastern Africa. It may also suggest that social services that improve living standards are more available to the poor in other countries of Eastern Africa compared to Ethiopia. Despite the low MPI, under-five mortality improved from 141 deaths per 1,000 live births in 2000 to 106 in 2010. Rates of stunting also fell, from 57.4% in 2000 to 44.0% in 2011. The percentage of the population with access to improved water increased from 29.0% in 2000 to 44.0% in 2010.

**Human Development Index**

Ethiopia’s Human Development Index (HDI) has made a slow improvement over the past 10 years. In 2011, Ethiopia’s HDI value was 0.363 (an improvement from 0.274 in 2000), ranking it 174 out of 187 countries. Ethiopia has one of the lowest HDI values in East Africa, placing it well below the sub-Saharan average of 0.463 (see table 1 for comparisons with other Eastern Africa countries). When adjusted for inequality, its HDI value falls even lower, to 0.247. This is because, like all average estimates, HDI masks inequalities in the distribution of human development across the population. Life expectancy has steadily increased, from 51.7 years in 2000 to 59.3 years in 2011, and gross national income (GNI) (PPP US$) per capita increased from US$541 to US$971 between 2000 and 2011, which is not so impressive over a 10 year period. Table 1 below provides a summary of the poverty indicators in Eastern Africa in 2011.

According to HICE (2010), the achievement in poverty reduction as seen by the improvement in poverty indicators can be attributed to broad and multi-faceted programmes implemented in both rural and urban areas such as intensification of agriculture, infrastructural development, food security programmes, and urban development programmes such as development of micro and small scale enterprise development. In urban areas, social protection programmes have been more accessible and effective in their objective of poverty eradication (Lwanga et al., 2010).

**Humanitarian and vulnerability situation**

Ethiopia is highly prone to recurrent droughts and floods, which are becoming more frequent and severe. Ethiopia suffered two consecutive failed rainy seasons in October-December 2010 and March-May 2011 in which pastoral communities lost a large number of cattle. This situation resulted in conflicts over resources (water and pastures). The most affected were the South and South-Eastern parts of the country. In 2010, flooding affected close to 1 million people in several regions (UNICEF, 2011). Ethiopia is also vulnerable to disease outbreaks, conflicts, global economic shocks and forest fires.

These periodic shocks, added to chronic poverty, reliance on rain-fed agriculture, poor hygiene and sanitation increase vulnerability during humanitarian crises. This is further exacerbated by structural under-development in disaster-prone areas, thereby increasing the vulnerability of the population at risk. The various impacts of climate change negatively impact economic growth and reduce the benefits of development gains.

Ethiopia is struggling with an influx of thousands of refugees from conflict inflicted Somalia, and will asylum seekers from Eritrea, Sudan and South Sudan. At the same time, Ethiopia is suffering with an estimated 300,000 to 350,000 internal displacement people, aggravated by clan clashes over scarce resources and floods (European Commission – Humanitarian Aid and Civil Protection (ECHO), 2012).
The recurrent and almost predictable shocks (linked with periodic/fairly predictable drought cycles) and result in under nutrition and food insecurity are a challenge to both the population and government. It is therefore critical that the resilience of the vulnerable population is built to improve their response to shocks (increase their coping strategies) and increase their preparedness for future shocks. Mechanisms including policies on disaster risk reduction, economic stability, climate change, and social protection would potentially reduce vulnerability and make development gains more sustainable.

**Figure 6: Humanitarian aid to Ethiopia, 2006 - 2011**

According to the United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA) (2012), close to 10% of the population in Ethiopia is chronically vulnerable to food insecurity and dependent on national safety-net programmes. Several million people require emergency assistance annually to meet their basic needs. The amount of emergency food aid to Ethiopia rose sharply in 2008, following the food crisis (see Figure 6). Emergency food aid thereafter decreased, but is still high. In 2011, Ethiopia received US$360 million food aid. The amount of aid to disaster preparedness is low at an average of US$8 million between 2008 and 2011. The United States (US) is the largest humanitarian aid donor to Ethiopia. In 2011, the US gave US$254 million followed by the United Kingdom (US$85 million), and then by Germany (US$ 27 million).

Before 2005, emergency relief and food aid in response to shocks came solely from donors through annual appeals. The GOE, following the 2002/2003 drought when over 13 million Ethiopians required assistance established a new coalition for food security and sought a new approach to tackling food insecurity (World Bank, 2011).

The GoE in 2005, together with other donors implemented a response targeting chronic food insecurity in rural Ethiopia, thereby cutting back on annual appeals for assistance and impromptu food distributions. The **Productive Safety Nets Programme** (PSNP) is an intervention aimed at providing transfers to the food insecure population in chronically food insecure districts in a way that prevents asset depletion at the household level and creates assets at the community level. Transfers, through safety nets are transferred to the poor through public works and direct support. According to UN OCHA (2012), around 7.8 million chronically food insecure households in Ethiopia
are enrolled in the PSNP, which provides a minimum of six months’ worth of cash or food transfers to participating households.

The GOE has also embarked on the implementation of economic reform programmes that have aimed to reorient the economy and which have focused specifically on poverty reduction. In 2002 the Ethiopia Sustainable Development Poverty Reduction Strategy (SDPRP) 2002/03–2004/05 was adopted, which targeted infrastructure, expanded education, strengthened health service provision, rural development, food security and capacity building, as well as decentralisation. This strategy was succeeded in 2005 by the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2005/06–2009/10, which built on the development strategies of the SDPRP but included policies to make improvements in the diversification and commercialisation of agriculture.

In 2010, the Growth and Transformation Plan (GTP) 2010/11–2014/15 was approved, and this is now being implemented and directed towards achieving the Millennium Development Goals (MDGs), while building on the previous strategies. The overriding strategy of the GTP is to sustain rapid, broad-based and equitable economic growth. With more than 60% of total GoE expenditure directed towards poverty-oriented sectors such as health, education and agriculture, (HDR, 2011), there has been a resultant improvement in poverty indicators.
### Table 1: Poverty indicators in East Africa, 2011

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Life expectancy at birth</th>
<th>Under-five mortality rate</th>
<th>Maternal mortality</th>
<th>Proportion of stunted children</th>
<th>Adult literacy rate</th>
<th>Access to improved water</th>
<th>GNI per capita</th>
<th>Population below the national poverty line (NPL)</th>
<th>HDI (value)</th>
<th>HDI (rank)</th>
<th>MPI (value)</th>
<th>MPI (% of population in multidimensional poverty)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>57.1</td>
<td>84</td>
<td>488*</td>
<td>35.8</td>
<td>87.01</td>
<td>59</td>
<td>1,492</td>
<td>19.7</td>
<td>45.9</td>
<td>0.509</td>
<td>143</td>
<td>0.229</td>
</tr>
<tr>
<td>Tanzania</td>
<td>58.2</td>
<td>108</td>
<td>450</td>
<td>44.4</td>
<td>72.90</td>
<td>53</td>
<td>1,328</td>
<td>67.9</td>
<td>33.4</td>
<td>0.466</td>
<td>152</td>
<td>0.367</td>
</tr>
<tr>
<td>Uganda</td>
<td>54.1</td>
<td>128</td>
<td>98.9</td>
<td>38.7</td>
<td>73.20</td>
<td>53.6</td>
<td>1,124</td>
<td>28.7</td>
<td>24.5</td>
<td>0.446</td>
<td>161</td>
<td>0.367</td>
</tr>
<tr>
<td>Rwanda</td>
<td>55.4</td>
<td>111</td>
<td>340*</td>
<td>51.7</td>
<td>70.67</td>
<td>65</td>
<td>1,133</td>
<td>76.8</td>
<td>58.5</td>
<td>0.429</td>
<td>166</td>
<td>0.426</td>
</tr>
<tr>
<td>Burundi</td>
<td>50.4</td>
<td>166</td>
<td>800*</td>
<td>63.1</td>
<td>66.57</td>
<td>72</td>
<td>368</td>
<td>81.3</td>
<td>66.9</td>
<td>0.316</td>
<td>185</td>
<td>0.53</td>
</tr>
<tr>
<td>South Sudan</td>
<td>42.0*</td>
<td>102*</td>
<td>2,054*</td>
<td>—</td>
<td>27*</td>
<td>984**</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>59.3</td>
<td>104</td>
<td>350*</td>
<td>50.7</td>
<td>29.8</td>
<td>44</td>
<td>971</td>
<td>39.0</td>
<td>38.9</td>
<td>0.363</td>
<td>174</td>
<td>0.56</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>54.4</td>
<td>129</td>
<td>500*</td>
<td>42.9</td>
<td>61.6</td>
<td>61.1</td>
<td>1,966</td>
<td>—</td>
<td>—</td>
<td>0.463</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>World</td>
<td>69.8</td>
<td>58</td>
<td>210*</td>
<td>—</td>
<td>80.9</td>
<td>88.4</td>
<td>10,082</td>
<td>—</td>
<td>—</td>
<td>0.682</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Sources: Development Initiatives based on Human Development Report (HDR), 2011 and World Development Indicators (WDI) data, 2011

* 2009 indicators
  ** 2010 indicators
  *  WDI modelled estimates
Macro-economic overview

Ethiopia is one of the fastest-growing non-oil-producing economies in Africa (African Economic Outlook, 2012), and among the top-performing countries in sub-Saharan Africa African Development Bank (AFDB, 2010). Its economy grew rapidly from a growth rate of -2.2% in 2003 to a high of 13.6% in 2004. Subsequently it fell gradually to 9.9% in 2010, although it sustained double-digit GDP growth in almost all of those years (Country Strategy Paper (CSP), 2010). Between 2004 and 2011 Ethiopia’s average growth rate was 10.6%, significantly above the estimated growth rate of 7% required to achieve the MDG of halving poverty by 2015, and above both the East African average of 7.6% and the sub-Saharan average of 4.6%.

GDP annual growth per capita is low at 5.6%, close to half the national average growth between 2000 and 2011. Per capita GDP growth has been decreasing following the same trends as the GDP growth. This may imply that GDP growth may not necessarily result in per capita growth, that is, and economic growth does not necessarily result in poverty reduction at a household level.

Figure 7: Real GDP growth (%), 2000–2011

Ethiopia is highly dependent on agriculture, which constituted about 47% of its GDP in 2010 (see Figure 8). Although initially led by agriculture, growth in Ethiopia is now broad-based, with increasing contributions to GDP from the service sector (38%) and industry, in particular construction and manufacturing (14.3%) (CSP, 2011).

Growth in the industrial sector in 2011 was driven by rapid expansion in mining (and manufacturing to a lesser extent). In 2011 mining grew by an unprecedented 48%, from 0.6% contribution to GDP in 2006 to 1.7% in 2011, reflecting the impact of investment in the expansion of mining activities and
exports, especially gold (African Economic Outlook, 2012). Growth in the construction sector has been stimulated by increased public expenditure on infrastructure (MOFED, 2010). However, agriculture still accounts for the largest share of employment (80%) and remains a key source of growth.

**Figure 8: Sector contribution to GDP, 1990–2010**

![Sector contribution to GDP, 1990–2010](image)

*Source: Development Initiatives based on World Development Indicators*

### Domestic resource flows

**Domestic revenues**

Ethiopia’s three main sources of revenue are tax revenue, non-tax revenue and grants. Tax revenue is composed of direct tax, indirect tax and foreign trade tax. In the financial year 2010/11, domestic revenue (tax and non-tax revenue) accounted for 81% of total revenues, while grants accounted for the remaining 19% (MOFED, 2012). The GoE earned total tax and non-tax revenues of US$4.9 billion in 2011, an increase from US$1.2 billion in 2000. In 2010/11, grants amounted to US$1.0 billion, up from US$234.0 million in 2000. According to Figure 9 below, tax and non-tax revenue has been increasing in Ethiopia since 2000. However between 2010 and 2011 there was an overall decrease. Revenue from grants has been increasing faster than the increase in tax revenue in Ethiopia. This means therefore that the increase in total revenue in Ethiopia has mainly been contributed to by the increase in grants (and international aid (AFDB, 2010)).

**Figure 9: Government of Ethiopia revenues, 2000–2011**

![Government of Ethiopia revenues, 2000–2011](image)

*Source: Development Initiatives based on Ministry of Finance and Economic Development (MOFED) data*
The GoE is committed to achieving an average tax revenue contribution to GDP of 13.3%, with plans to achieve a contribution of 15% by the end of 2015 (MOFED, 2012). In 2011, tax revenue in Ethiopia contributed 11.3% to GDP and, according to African Economic Outlook (2012), is projected to contribute 11.8% in 2013. In total, tax revenue and grants contributed 18% of GDP on average between 2000 and 2011. The improvement in tax revenue is due to improvements in tax administration. This improvement in revenue mobilisation (together with an increase in aid) has enabled the GoE to increase investments in infrastructure that stimulate economic growth (MOFED, 2012).

Figure 10: Government revenue, excluding grants, % of GDP 2000–2009 for Ethiopia, Kenya, Uganda and sub-Saharan Africa

Source: Development Initiatives based on WDI data

Ethiopia’s contribution of revenue to GDP of 12.1% is lower than the sub-Saharan average of approximately 23%. Government revenue as a proportion of GDP has been decreasing since 2003 according to Figure 10, whilst it has been increasing in Kenya and Uganda. In 2010, Kenya’s contribution of revenue to GDP was 20.3%, while Uganda’s was 12.4%.

Domestic expenditures

Total government expenditure in Ethiopia was US$5.6 billion in 2011, an increase from US$2.6 billion in 2000. In 2010/11 capital expenditure\(^5\) accounted for 56% of total government expenditure, while the remaining 44% was recurrent expenditure.\(^6\) Between 2009/10 and 2010/11, capital expenditure increased by 33%, while recurrent expenditure increased by 28%.

The GoE in its Growth and Transformation Plan 2010/11–2014/15 has committed to allocating more resources to build economic and social infrastructure and to ensure the provision of basic services aimed at eradicating poverty and achieving rapid economic development. The GTP intends to increase budgetary allocation to social sectors such as health, education, agriculture, water supply,

\(^5\) Capital expenditure is spending on assets that will be used over a long period of time, to generate a good or service.

\(^6\) Recurrent expenditure is spending on items that are consumed and last only for a limited period of time.
food security and infrastructure, to support poverty eradication, in the form of capital expenditure, while attempting to contain increases in recurrent expenditure (MOFED, 2012).

Figure 11: Capital and recurrent government expenditure, 2000–2011

![Graph showing capital and recurrent government expenditure, 2000–2011.]

Source: Development Initiatives based on MOFED

Figure 12: Total government expenditure and government expenditure as a proportion of GDP, 2000–2007

![Graph showing total government expenditure and government expenditure as a proportion of GDP, 2000–2007.]

Source: Development Initiatives based on MOFED and IFPRI Statistics of Public Expenditure for Economic Development (SPEED)

Sector spending

Figure 13 shows government recurrent expenditure in various sectors in the period 2006–10. The highest level of expenditure was on education (specifically primary education) and training (about 30%), followed by national defence and agriculture. Public debt, public order and security and general services also received a large share of government expenditure within the same period. In totality, the largest share of government expenditure did not go to social sectors that support poverty eradication, according to figure 13.
Education

The GoE is committed to achieving education for all by 2015, and has an education policy that is committed to improving access to quality basic education for all children and adults, with particular emphasis on females. Indeed, the education sector in Ethiopia has undergone impressive expansion in recent years through the growth of both formal and informal schools for primary and secondary education, as well as through alternative routes to education such as basic education centres and non-formal and adult education (DFID, 2011).

Ethiopia’s Education Sector Development Programme IV builds on the objectives of the previous Education Development Plan: (1) to increase access to, and participation in, education and ensure equity; (2) to ensure the quality and relevance of education and training; (3) to reduce inefficiency in education; (4) to prevent HIV/AIDS; and (5) to increase participation of stakeholders. The core priorities of the education system are: (1) quality and internal efficiency – ensuring student completion and achievement; (2) a stronger focus on sciences and technology; (3) equity in access – reaching the marginalised and unreached; (4) adult education, with specific attention to functional adult literacy; and (5) improving management capacities.

The GoE has consistently increased its spending on education since 2004. Total expenditure on the sector rose from US$500 million in 2004 to US$1.3 billion in 2010. By 2010/11, over 25% of public expenditure was allocated to education, an increase from 19% in 2004. In 2010/11, education accounted for 4.7% of GDP, up from 3.6% in 2002. Recurring expenditure is lowest in Oromiya and Afar (20%) and highest in Dire Dawa at 60%. However, only Oromiya and Afar are the only two areas showing an increase in overall recurring expenditure in education, while the rest of Ethiopia (Addis Ababa in particular) education expenditure has been cut back. Therefore, although spending is still

Figure 13: Recurrent government expenditure, 2006–2010

Source: Development Initiatives based on MOFED data
low in the poorer regions of Ethiopia, government spending in education in these areas has increased.

**Figure 14: Public expenditure on education, 2004–2010**

The largest proportion of spending allocated to the education sector from recurrent expenditure was on primary education (62%), which is in line with the government’s commitment to increase access to quality basic education. The largest proportion of capital expenditure for education was allocated to technical and vocational training (46%).

**Box 1: Education Policy in Ethiopia**

The GoE developed the Education Training Policy (ETP) and Education Sector Strategy in 1994. The ETP’s goals, strategies and programmes address problems of access, equity, quality and relevance in education and it focuses on expanding access to educational opportunities. The government adopted the Education Sector Development Programme (ESDP) in 1997, working towards achieving the Education For All (EFA) goals as defined in the EFA Dakar Framework (2000). This educational reform aims to achieve universal primary enrolment by 2015.

In addition to addressing the formal education system, the ESDP includes non-formal education (NFE) opportunities for drop-outs and out-of-school children and young people. The concept of NFE provides a second chance for all, through distance education, functional literacy and continuing education.

Ethiopia has shown an improvement in education sector indicators, such as primary school enrolment and literacy and numeracy rates, and a significant reduction in drop-out rates. According to the 2011 Ethiopian Welfare Monitoring Survey, literacy rates were 46.8% in 2011, up from 37.9% in 2004. Urban literacy rates were twice as high as in rural areas (78.0% in urban areas and 38.5% in rural areas). The literacy rate is highest in Addis Ababa (93.8%) followed by Dire Dawa and Harari regions at 75.9% and 71.2% respectively. According to the Welfare Monitoring Survey report, this difference is likely due to accessibility of schools between urban and rural areas. The lowest literacy
rate was recorded in Somali region (30.5%) – the countries’ poorest regions. This implies that expenditure in education is not equal across regions and much of the expenditure goes to easy-to-reach regions. There was a significant discrepancy between sexes, with higher literacy rates recorded for males (56.3%) than for females (37.8%). The welfare survey results show that net school enrolment was 62% for primary education and 11% for secondary education. Nationally, school drop-out rates were 4.4% at primary level and 3.9% at secondary level in 2011.

**Health**

The GoE, through its Sustainable Development Poverty Reduction Plan (SDPRP) (2002/03–2004/05) and Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06–2009/10), has recognised the critical role that improved health plays in economic development. This recognition has led to increased investments in the health sector. A core component of the PASDEP is the Health Sector Development Plan (HSDP), which focuses on strengthening Ethiopia’s health system, particularly on interventions geared to improving maternal and child health and combating malaria, HIV and TB. The Health Sector Development Plan IV (2010/11–2014/15) builds on previous HSDPs, and is aligned to the health-related MDGs.

Ethiopia has demonstrated strong progress in the health sector, particularly through the flagship Health Extension Programme (HEP) (Africa Economic Outlook, 2012). The Ministry of Health launched the HEP in 2003. This is focused on providing quality promotional, preventive and selected curative health-care services in an accessible and equitable manner, to reach all segments of the population (HEP, 2007). The investment has resulted in significant improvements in some health sector indicators. For example, according to the Ethiopia Demographic and Health Survey (DHS) report, 2011, under-five child mortality is currently 88 deaths per 1,000 live births (67% of which occur before the age of one), down from 123 deaths per 1,000 live births in 2005. Approximately 44% of children under five years old are stunted (low height-for-age), while 10% of children are wasted (low weight-for-height) (DHS, 2011). Life expectancy in Ethiopia is 58 years, up from 55 years in 2005.

**Box 2: Ethiopia National Health Policy**

Following the change of government in 1991, a new National Health Policy was introduced in 1993, and in 1997 a comprehensive rolling 20-year Health Sector Development Plan (HSDP) was formulated.

The major areas of focus of the health policy are democratisation and decentralisation of the health-care system; development of the preventive, promotional and curative components of health care; assurance of accessibility of health care for all segments of the population; and the promotion of private sector and NGO participation in the health sector.

The HSDP focuses on a comprehensive health service delivery system to address mainly: 1) communicable diseases; 2) malnutrition; and 3) improving maternal and child health. The health service delivery system is decentralised, with responsibility for implementation being largely devolved to districts, which plan on the basis of block funding for the sector.

---

7 Gross enrolment was 90.7% at primary level and 20.3% at secondary level.
In 2007/08 the GoE spent US$1.2 billion on health, an increase from US$4 million in 1999/2000. Per capita government expenditure on health was US$5.60 in 1999/2000, which nearly tripled to US$16.10 in 2007/08. In 2007/08, curative care received the bulk (46%) of total health expenditure, compared with 25% allocated to the prevention of communicable diseases and for maternal and child health.

In 2007/08 per capita expenditure on health was above the US$12 target of the HSDP. Both total health expenditure and expenditure per capita more than doubled in accordance with the government’s commitment to doubling health expenditure in the HSDP III. Total expenditure on health accounted for 5% of GDP in 2004/5, decreasing slightly to 4.5% of GDP in 2007/8.

Figure 15: Public expenditure on health, 1999/2000–2007/2008

The GoE invested approximately 13% of its total expenditure in the health sector in 2010, an increase from 9% in 2004. Its expenditure on health is below the Abuja Declaration pledge of 2001, under which governments committed to spending at least 15% of their national budgets on health. Rwanda, with a 2010 allocation to health of 20% of its national budget, is the only country in East Africa that has met the Abuja commitment.

---

8 Ethiopia’s Fourth National Health Accounts, 2007/08.
Despite these improvements, Ethiopia still has a poor health status compared with other Eastern Africa countries, largely as a result of infectious diseases and nutritional deficiencies. Widespread poverty, along with low incomes, low education levels (especially among women), inadequate access to clean water and sanitation facilities and poor access to health services have contributed to the high burden of ill-health in the country.\(^9\)

According to the 2011 welfare monitoring survey, there are significant urban-rural disparities in the distribution of health facilities. In urban areas, a health post is available within a distance of 5 kilometres for 88.2% of the population, clinics and health centres are available within a 5 Kilometre radius for 87.7% of households and hospitals for 49.4% of households. For rural dwellers, a health post is available within a 5 kilometre radius for 62.6% of households, a clinic for 27.8% of households, health centres for 24.3% of households, while hospitals are available within a 5 kilometre radius for only 1.5% of households. 50.4% of the rural population have to travel at least 10 kilometres to reach the nearest health post.

Despite the improvement in health indicators in the country over the years the GoE needs to increase its investment in rural areas in order to improve availability of and access to health for the rural communities to improve rural health indicators.

**Agriculture**

The agriculture sector remains one of the most important contributors to economic development in Ethiopia. It accounts for approximately 80% of employment, with over 74% of the total female population and 83% of the total male population employed in the sector (WDI). Agriculture in Ethiopia consists mainly of subsistence farming, made up of low-input, low-output rain-fed systems.

---

\(^9\) Health Sector Strategic Plan (HSDP) IV 2010/11–2014/15.
Droughts periodically reverse performance gains in the agricultural sector, with devastating effects on household food security and poverty levels.

Low agricultural productivity can be attributed to recurrent droughts, limited access by smallholder farmers to agricultural inputs, financial services, improved production technologies, irrigation and agricultural markets and, more importantly, to poor land management practices and that have led to severe land degradation.10

Agriculture’s share of GDP has fluctuated over the years. The most recent decrease was a drastic decline from 50.8% in 2009 to 41.9% in 2011. Reduction in the agriculture’s share of GDP may be due to growth in other sectors, specifically industry and services. Agriculture accounts for about 90% of Ethiopia’s exports. The sector’s annual growth rate improved from -1.8% in 2002 and -10.9% in 2003 to 16.9% in 2004, after which it steadily declined to 6.4% in 2011. Nevertheless, since 2004 growth in agriculture has been above the CAADP target of 6% per annum, which was agreed in the Maputo Declaration, 2003.11

Figure 17: Agriculture % annual growth rate and % share of GDP

Source: Development Initiatives based on SPEED data

10 Ethiopia’s Agriculture Sector Policy and Investment Framework (PiF) 2010–2020.
11 In 2003, African governments at the Africa Union Summit in Maputo, Mozambique, committed to prioritising agriculture in terms of economic growth and poverty reduction (especially towards attaining the MDGs, and in particular MDG 1). In 2003 the Comprehensive African Agriculture Development Programme (CAADP) was adopted, which set the achievement of 6% annual agricultural growth as its main goal, and committed to increasing spending in agriculture to at least 10% of total budgetary resources.
In 2009 the GoE signed the Comprehensive Africa Agriculture Development Programme (CAADP) compact, committing to spend at least 10% of its budget on agriculture, and at the moment it is the only East African country that is on track to meet its commitment. In comparison with its neighbours Kenya and Uganda, for example, Ethiopia allocated 14.1% of its total expenditure to agriculture in 2007, while Kenya and Uganda allocated only 3.4% and 4.0% respectively in the same year.

Box 3: Agriculture Sector Policy and Investment Framework (PIF) 2010/11–2019/20

The PIF provides a strategic framework for the prioritisation and planning of investments that will drive Ethiopia’s agricultural growth and development. It is anchored to, and aligned with, the national vision of becoming a middle-income country by 2025 and the Five-Year Growth and Transformation Plan. PIF is designed to operationalise the CAADP Compact signed by the GoE and its development partners in September 2009. The development objective of the PIF is to “sustainably increase rural incomes and national food security”. This objective embodies the concepts of increasing production, processing and marketing; conserving the environment; eliminating hunger; and protecting the vulnerable. The PIF has four main strategic objectives:

1. To achieve a sustainable increase in agricultural productivity and production;
2. To accelerate agricultural commercialisation and agro-industrial development;
3. To reduce degradation and improve productivity of natural resources;
4. To achieve universal food security and protect vulnerable households from natural disasters.
**International resource flows to Ethiopia**

Africa, and in particular sub-Saharan Africa, receives a greater share of global aid than any other region in the world with East Africa receiving approximately 25% of all ODA to sub-Saharan Africa. Within East Africa, Ethiopia receives the largest percentage (7%) of total ODA from all donors, followed by Tanzania (6%). Burundi and Somalia receive less than 1% of total aid.

**Figure 19: ODA to East African countries, 1995–2010**

According to OECD DAC statistics, aid to Ethiopia increased from US$1.1 billion in 1995 to US$3.5 billion in 2010 and is concentrated on core social sectors and infrastructure. Between 1998 and 2000, Ethiopia was at war with Eritrea, and bilateral donors largely withdrew aid. After peace was restored in 2000, donors began a slow return to Ethiopia and aid to the country steadily increased from 2001. This was also partly in the context of the MDGs, and as the donors belatedly recognised that Ethiopia’s development status justified higher levels of assistance than in the past, with several bilateral choosing Ethiopia as a country of focus (Furtado and Smith, 2007). According to Alemu (2009), increases in aid in 2001 came mainly as a result of the issuance of the Ethiopia Sustainable Development Poverty Reduction Programme (SDPRP) 2001/02. The SDPRP was an economic reform policy aimed at transforming the Ethiopian economy from being command-focused to market-oriented, with greater emphasis on economic growth and poverty reduction.
Table 2: Top 10 aid donors to Ethiopia, 2006–2010 (US$ millions)

<table>
<thead>
<tr>
<th>Rank</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>315.7</td>
<td>US</td>
<td>371.7</td>
<td>US</td>
</tr>
<tr>
<td>2</td>
<td>UK</td>
<td>167.7</td>
<td>UK</td>
<td>291.1</td>
<td>UK</td>
</tr>
<tr>
<td>3</td>
<td>Italy</td>
<td>105.4</td>
<td>Germany</td>
<td>96.5</td>
<td>Canada</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>57.8</td>
<td>Canada</td>
<td>82.2</td>
<td>Netherlands</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>56.8</td>
<td>Italy</td>
<td>75.5</td>
<td>Germany</td>
</tr>
<tr>
<td>6</td>
<td>Ireland</td>
<td>50.6</td>
<td>Ireland</td>
<td>54.2</td>
<td>Ireland</td>
</tr>
<tr>
<td>7</td>
<td>Netherlands</td>
<td>49.8</td>
<td>Netherlands</td>
<td>50.8</td>
<td>Italy</td>
</tr>
<tr>
<td>8</td>
<td>Canada</td>
<td>46.1</td>
<td>Sweden</td>
<td>44.7</td>
<td>Spain</td>
</tr>
<tr>
<td>9</td>
<td>Norway</td>
<td>42.6</td>
<td>Japan</td>
<td>36.0</td>
<td>Japan</td>
</tr>
<tr>
<td>10</td>
<td>Sweden</td>
<td>40.2</td>
<td>Norway</td>
<td>34.1</td>
<td>Sweden</td>
</tr>
</tbody>
</table>

Source: Development Initiatives based on OECD DAC Creditor Reporting System (CRS) data

Between 2006 and 2010, the US was the largest bilateral donor to Ethiopia. In 2010 alone, the US gave around US$875 million, of which 53% (US$462 million) was in humanitarian aid.

Box 4: USAID in Ethiopia

The US government supports the Government of Ethiopia through the USAID/Ethiopia Country Development Cooperation Strategy (CDCS), whose goal is aligned to Ethiopia’s Growth and Transformation Plan (2010/11–2015/16).

The strategy’s overall goal is “Ethiopia’s transformation to a prosperous and resilient country accelerated”. Its development objectives are:
1. Increased economic growth with resiliency in rural Ethiopia;
2. Increased utilisation of quality health services;
3. Improved learning outcomes.
**Sector funding**

Aid to Ethiopia is mainly concentrated in social sectors such as education, population, reproductive health and basic health care, thereby contributing to the improvement in availability and access to and availability of these social services. The remainder is divided between economic infrastructure and services, productive sectors and humanitarian relief.

**Figure 20: ODA breakdown by type of aid to Ethiopia, 2006–2010**

![Diagram showing ODA breakdown]

*Source: Development Initiatives based on OECD DAC CRS data*

**Figure 21: Sector-allocable aid to Ethiopia, 2006–2010**

![Diagram showing sector-allocable aid]

*Source: Development Initiatives based on OECD DAC CRS data, US$ million*

**Education**

The education sector received approximately 20% of aid to Ethiopia between 2006 and 2010. The largest sub-sector was education policy and administration management, specifically to education facilities and training, which received 49.9% of aid over the period. The second largest sub-sector was basic education (36%). Donor funding to the education sector is aligned to government priorities...
of increasing education access for all, which has contributed to the improvement of education indicators in Ethiopia.

**Figure 22: Aid to education sub-sectors, 2006–2010**

Source: Development Initiatives based on OECD DAC CRS data, US$ millions

The UK is the largest donor to the education sector, giving 62% (or US$165 million) between 2006 and 2010. Other top donors include the Netherlands, Germany, the US and Italy.

**Figure 23: Top aid donors to the education sector, 2006–2010**

Source: Development Initiatives based on OECD DAC CRS data, US$ millions
Health

Approximately 18% of total aid to Ethiopia goes to the health sector – accounting for US$1.1 billion between 2006 and 2010. External funding to the sector accounted for approximately 39% of total health expenditure in 2010. Between 2006 and 2010, Canada was the largest donor to the health sector (26%), followed by the UK and the US.

Figure 24: Top aid donors to the health sector, 2006–2010

Source: Development Initiatives based on OECD DAC CRS data, US$ millions
Figure 25: Aid to health sub-sectors 2006–2010

<table>
<thead>
<tr>
<th>Health Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic health care</td>
<td>39%</td>
</tr>
<tr>
<td>Malaria control</td>
<td>28%</td>
</tr>
<tr>
<td>Basic nutrition</td>
<td>8%</td>
</tr>
<tr>
<td>Infectious disease control</td>
<td>10%</td>
</tr>
<tr>
<td>Basic health infrastructure</td>
<td>1%</td>
</tr>
<tr>
<td>General Health</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Development Initiatives based on OECD DAC CRS data

Between 2006 and 2010, 39% of aid to health was for basic health care, followed by malaria control, which received 28% of health aid. Other programmes that received a significant portion of donor funding include infectious disease control and basic nutrition, which received 10% and 8% of total health aid respectively.

New players are emerging in health sector funding that are bringing significant changes to the traditional aid architecture. These include global initiatives modelled on public-private partnership (PPP) arrangements, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) and the GAVI Alliance (formerly the Global Alliance for Vaccines and Immunisation) (Alemu, 2009). Alemu (2009) further states that these funding mechanisms have led to (i) a global political and technical focus to deliver results for targeted interventions; (ii) the mobilization of significant additional resources to the sector, without which some of the recent gains in health outcomes might not have been achieved, and (iii) the introduction of new funding models (performance-based funding), the long term sustainability of which is questionable.
Agriculture

Approximately 9% of donor funding goes to the production sector – within this, between 2006 and 2010, agriculture amounted to US$789 million. Canada is the largest donor to the agriculture sector (35%), followed by Germany and Japan, each with 15% contributions. Though agriculture production has increased considerably due to favourable weather conditions and increasing government support, agriculture production still remains low. The expansion in agriculture production has been driven by increased in the area of land cultivated, rather than major improvements in productivity (AFDB, 2010). The purpose of CIDA’s aid to Ethiopia is to increase agricultural productivity through improved production technologies, with a focus on market-oriented approaches.

Figure 26: Top aid donors to the agriculture sector, 2006–2010

![Pie chart showing donor contributions to agriculture] (Pie chart showing donor contributions to agriculture)

Source: Development Initiatives based on OEDC DAC CRS data
Between 2006 and 2010 the largest sub-sector was agricultural inputs (US$263 million), followed by agricultural development (US$133 million), land resources (US$72 million) and water resources (US$53 million). In 2010, agricultural development received the largest proportion of aid, followed by forestry, agricultural research and agricultural extension.

Aid to the agriculture sector is aligned to the government’s agriculture priorities and compliments government’s resources in 1) achieving sustainable increases in agricultural productivity and production; 2) accelerating agricultural commercialisation and agro-industrial development; and 3) improving productivity of natural resources.

**Summary of findings**
Ethiopia is currently the fastest growing economy in sub-Saharan Africa. By 2010/11 GDP growth had reached 10%, up from -2.2% in 2003, significantly higher than the Eastern Africa average of 6.7%. Growth in Ethiopia is broad-based with the industry and service sector displaying the largest growth. Poverty in Ethiopia is reducing, but still remains high. By 2010/11, the proportion of people living below the national poverty line had declined to 29.6% from 38.7% in 2004/05. About 10% of the Ethiopian population is vulnerable to food insecurity and dependent on government social safety-net programmes. Erratic and extreme weather conditions, coupled with, poverty and poor infrastructural development increases the vulnerability of the population to food insecurity and under-nutrition, and also reduces the benefits of development gains. In 2005, the GoE together with other donors implemented the Productive Safety Nets Programme (PSNP) as a mechanism to cut back on annual appeals to donors for assistance. The PSNP provides safety nets transferred to the poor and chronically food insecure districts through public works and direct support.

The Government of Ethiopia has embarked on the implementation of economic reform programmes in its revenue and expenditure aimed to reorient the economy, and which have focused specifically on economic growth and poverty reduction. The Growth and Transformation Plan (GTP) is the current development plan under implementation. The GTP seeks to sustain rapid, broad-based and equitable economic growth. By 2010/11, domestic tax and non-tax revenue had increased to US$4.9 billion, from US$2 billion in 2005. Total government expenditure increased from US$3.2 billion to US$5.6 billion in the same period. In totality, the larger shares of government expenditure in Ethiopia did not go to social sectors that support poverty eradication, excluding education. The highest share of public spending was on education, followed by national defence, public debt, and public order and security.

Between 2006 and 2010, over 25% of total government expenditure was allocated to the education sector, mainly to primary education. This allocation was a direct implementation of the government’s policy to increase access to basic education and to improve education indicators. In addition, the education sector has received the largest proportion of ODA (20% between 2006 and 2010), which indicates that donor and government priorities are aligned. Within the education sector, the majority of aid goes to education policy, administration management and basic education. Increased government expenditure and aid to the education sector have facilitated improvements in education indicators such as literacy rates, which increased from 36.9% in 2004 to 46.8% in 2011.
The Abuja Declaration, 2001 set a benchmark of a minimum of 15% of government expenditure on health spending. In Ethiopia, public spending on health is currently 13%, below the minimum requirement. Although total government expenditure on health has been increasing, its share of GDP diminished from 5% in 2004/5 to 4.5% in 2007/8. Aid to the health sector accounts for 18% of total aid to Ethiopia. Government expenditure on health accounts for over 50% of total health spending, while aid accounts for 39% of total health spending in Ethiopia. Aid to the health sector is spent primarily on basic health care, which is similar to government allocations.

The agriculture sector is the leading contributor to growth in Ethiopia, despite its decreasing share of GDP. Agricultural growth in 2010 was 6.4% – above the 6% CAADP target – while expenditure on agriculture as a proportion of government expenditure was 15%, above the 10% CAADP benchmark. ODA to the agriculture sector goes largely towards agricultural inputs, agricultural development and land and water resources. This allocation is aligned to government priorities for the agriculture sector, which include increasing production and productivity, as well as commercialisation and development of agro-based industries.

Analysis reveals that Ethiopia has made steady progress towards improving socio-economic, socio-demographic and poverty indicators through increased investment in social sectors and the implementation of pro-poor policies. Despite increased investment, there has been only a slow improvement in socio-economic, health and poverty indicators. Rapid population growth compared with sector growth could be one important contributor to this.

There has also been unequal growth and investment in Ethiopia. For example, public expenditure in the education sector is low in the poorer regions of Ethiopia - Oromiya and Afar, and highest in the easy-to-reach regions of Dire Dawa and Addis Ababa. However, there has been an overall increase in education expenditure in Oromiya and Afar compared to other regions. Similarly, access to health services is biased towards urban and easy-to-reach areas compared to rural areas.

It is important that growth and infrastructural development are equal and targeted towards those living in poverty. Interventions that increase economic growth also contribute directly to poverty reduction. It is also critical that the resilience of the vulnerable population is built to improve their response to shocks (increase their coping strategies) and increase their preparedness for future shocks. Mechanisms including policies on disaster risk reduction, economic stability, climate change, and social protection would potentially reduce vulnerability and make development gains more sustainable.
Methodology: basic concepts, notes and definitions

The methodological approach used for this paper involved desk reviews of existing information and literature from Government of Ethiopia web pages and the web pages of development partners in Ethiopia, as well as datasets from the World Bank World Development Indicators, International Food Policy Research Institute (IFPRI) Statistics of Public Expenditure for Economic Development (SPEED) and the International Monetary Fund (IMF).

Domestic resource flows

Education: Education data was obtained from the Ministry of Education website, the Education Statistical Abstracts, the Ministry of Finance and Economic Development and the Central Statistical Agency of Ethiopia, WDI and SPEED datasets.

Health: The main sources of health data were the Ministry of Finance and Economic Development, National Health Accounts and World Development Indicators.

Agriculture: The key sources of data were WDI and SPEED.

International resource flows

Data for international resource flows was obtained from the OECD DAC datasets.

Methodological limitations

- The main limitation was the availability of sources for government budget information, broken down into sub-sectors.
- ODA is defined as assistance from OECD DAC member countries, and excludes aid from non-DAC donors, such as China, Brazil, India and Russia.
- Secondary sources of data were used for some of the analysis.
- Other sources of government revenue, such as remittances and foreign direct investment, were not considered.

Definitions

Agriculture expenditure: Expenditure made in the agriculture sector within a defined period for the production of goods and services consumed or used within the defined period.

Education expenditure: Expenditure made in the education sector within a defined period for the production of goods and services consumed or used within the defined period.

Gross domestic product (GDP): The value of final goods and services produced in a country in one year. GDP can be measured by adding up all of an economy’s incomes, expenditures, investment, government purchases and all net exports.

Gross national product (GNP): The value of all final goods and services produced in a country in one year (GDP) plus income that residents have received from abroad, minus income claimed by non-residents.

Gross national product per capita: A country’s GNP divided by its population.
Health expenditure: Expenditure made in the health sector within a defined period for the production of goods and services consumed or used within the defined period.

**Human Development Index (HDI):** A composite of several social indicators that is useful for broad cross-country comparisons. However, the HDI yields little specific information about each country.

**Infant mortality rate:** Of every 1,000 infants born, the number who die before reaching their first birthday.

**Life expectancy at birth:** The number of years a newborn baby would live if, at each age he/she passes through, the chance of his/her survival were the same as they were for that age group in the year of his/her birth. The change in this indicator reflects changes in the overall health of a country’s population, in people’s living conditions and in the quality of health care.

**Organisation for Economic Co-operation and Development (OECD):** An organisation that coordinates policy among developed countries. OECD member countries exchange economic data and create unified policies to maximise their countries’ economic growth and help non-member countries develop more rapidly.

**Official development assistance (ODA):** Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25% (using a fixed 10% rate of discount).

**Population growth rate:** The increase in a country’s population during a certain period – usually one year – expressed as a percentage of the population when the period began. The population growth rate is the sum of the difference between the birth rate and the death rate (the natural population increase) and the difference between the population entering and leaving the country (the net migration rate).

**Per capita expenditure:** Expenditure per person. This is computed by dividing the total expenditure by the total population or certain group of the population for which the spending is intended.

**Poverty gap:** This is a measure of the extent to which individuals fall below the poverty line, as a proportion of the poverty line.

**Poverty gap squared:** This is a measure for the degree of inequality among poor people, also known as the poverty severity index.

**Poverty headcount:** The headcount index measures the proportion of the population that is poor, i.e. the number of individuals living below the poverty line.

**Poverty line:** This corresponds to the level of income or consumption necessary to meet a set of minimum calorific and non-food requirements.
References


Federal Democratic Republic of Ethiopia, Ministry of Health. 2006. ‘Ethiopia’s Third National Health Accounts, 2004/05’. Health Care Financing Team, Policy, Planning and Finance General Directorate,


About us

Development Initiatives (DI) has been working with governments, multilateral organisations and NGOs since 1992. Its core programmes – Global Humanitarian Assistance, aidinfo, budget4change – focus on analysing, interpreting and improving information about resources for poverty elimination by making it more transparent and accessible.

The Africa hub, based in Nairobi, Kenya, provides a regional perspective to DI’s work on eradicating poverty. The hub sees better information as being a fundamental tool to improve policies and influence the allocation of resources to address chronic and extreme poverty in the region. In order to achieve this, the hub provides high-quality analysis on resource flows; enhances the capacity of key stakeholders to access, analyse, use and understand information; forms partnerships and engages with like-minded organisations working on similar issues; and influences policy to incorporate and prioritise chronic poverty objectives.

Peace Nganwa is an Analyst for Development Initiatives’ Africa hub and is based at our partner organisation Development Research and Training (DRT) in Kampala, Uganda. If you would like to discuss this paper in more detail or would like additional information, please contact peace.nganwa@devinit.org.
Development Initiatives –
an independent organisation working for poverty elimination.

We Engage to increase access to and understanding of information and statistics related to poverty.

We Empower by putting this information, and the capacity to use it, in the hands of poor people and others working to reduce poverty.

We believe that transparent and accessible information can play a key role in making aid more Effective, and in enhancing choice, security and opportunity for the world’s poorest people.

Our vision is to Eliminate Poverty by 2025.