

Book Review

Solomon Nigussie, *Fiscal Federalism in the Ethiopian Ethnic-based Federal System*
(Revised Edition, 2008, iii – xiv +308 page)

Reviewed by Taddese Lencho*

I am that rarest of reviewers who actually reads every word, and rather slowly.

Gore Vidal

George Orwell, in his short essay on reviewing books, evokes a depressing picture of a reviewer assigned to the strenuous task of reviewing books for or about which he has neither an inclination nor inkling. Orwell conjures images of ‘stuffy bed-room sitting’, a pile of ‘cigarette ends’ and ‘half empty cups of tea’, ‘moth-eaten dressing gown’, ‘rickety table’, ‘dusty papers’ and ‘unpaid bills’ which stare at a not-too-pleased writer struggling to open the dreaded books for reviewing.¹ And he has to meet a deadline. Let me state up front that I did not have to go through these depressing bouts of labor to review this book. I have enjoyed reading the book and I did not have to meet any deadline to have this review printed in this or any other journal. More importantly, I have both the inclination for and inkling about the subject I am reviewing – or so I believe.

Few subjects in the recent history of Ethiopia have attracted as much academic attention as the Ethiopian federalism. And one aspect of Ethiopian federalism – the ethno-linguistic organization of the federation- has probably attracted the most attention. The images conjured about its implications are not usually flattering to the federation. In this category, we may cite Eshetu Chole’s article during the Transition period and Merera Gudina’s PhD dissertation (later published).² Solomon’s book, from the very title, appeals to this ‘trademark’ of Ethiopian federalism, its ethnic accent. We may be puzzled by why Solomon qualifies Ethiopian fiscal federalism by the ethnic organization of Ethiopian federation until we get to Chapters 5 and 7 of his book,

* Currently a lecturer of Law at AAU, Faculty of Law, L.L.B (AAU), LL.M (University of Michigan, Ann Arbor); a PhD student (University of Alabama). E-mail:tadboda@yahoo.com.

¹ George Orwell, “Confessions of a Book Reviewer”, in Sonia Orwell and Ian Angus (eds.), *The Collected Essays, Journalism and Letters of George Orwell, In Front of Your Nose: 1945-1950*, volume 4, Harcourt Brace & Co., p. 191

² See Eshetu Chole, “Opening Pandora’s Box: Preliminary Notes on Fiscal Decentralization in Contemporary Ethiopia” *North East African Studies*, Vol. 1, No. 1 (New Series); Merera Gudina, *Ethiopia: Competing Ethnic Nationalisms and the Quest for Democracy, 1960-2000*, the Netherlands: Shaker Publishing, 2003 (Reprinted in Addis Ababa: Chamber Printing House, 2003).

where it becomes evident why ethnicity is central to his analysis of Ethiopian fiscal federalism.

Solomon first published his PhD dissertation as a book in 2006. In 2008, he published the revised version of the book (with financial support from Forum for Federations) with a preface but without the text of the Ethiopian Constitution and his CV attached. In many other respects, the revised version is identical with the book published in 2006.³

Fiscal federalism issues can be as many as one can take but they can be grouped into four categories:

- i) Who does what (expenditure assignment);
- ii) Who gets to collect what revenues (revenue assignment);
- iii) How does one resolve the likely fiscal imbalance between the center and the states (vertical imbalance); and
- iv) How does one resolve the once-again likelihood of fiscal disparity between the constituent states (horizontal imbalance).

Most issues of fiscal federalism can be subsumed under one of the four major categories outlined above. Solomon's book is structured along these four issues. That does not mean that his book is just four chapters. The first two chapters of his book prepare the stage for the 'real' issues of fiscal federalism by providing background information on the history of federalism in Ethiopia (chapter 1) and the general theory of federalism and fiscal federalism (chapter 2). It is from chapter 3 onwards that Solomon deals with 'real' issues of fiscal federalism in some detail. Of course, he does not devote equal attention to all the issues of fiscal federalism. The first issue of fiscal federalism – expenditure assignment- gets extensive treatment in chapter 3 of the book, and so does the second issue – revenue assignment – which is dealt with in chapter 4 of the book. Solomon devotes more chapters to the issue of fiscal imbalance in all its forms, probably because he considers fiscal imbalance to be the thorniest of all the other issues of fiscal federalism in Ethiopia (see chapters 5, 6 and 7).

In his chapter on expenditure assignment, Solomon adopts a comparative approach to illuminate concepts that are often used to distribute power between the federal government and constituent states: exclusive, residual, concurrent, framework, implied etc. In his comparative analysis, Solomon notes that the Ethiopian Constitution follows the US model by enumerating the powers of the federal government and allocating residual powers to the states. But since the Ethiopian Constitution does not stop there, the author believes that the Ethiopian Constitution also shares some features with Indian and Canadian Constitutions in listing some of the powers of the regional states (see P. 61).

³ All page references are to the revised edition.

A more vexing question is whether there are concurrent powers in addition to the 'exclusive' and 'residual' category already identified. Solomon believes that there are. He cites the enactment of civil and criminal laws, declaration of states of emergency and policies and legislation of social, economic and development as cases for concurrent jurisdiction (see p. 65). The problem with this taxonomy is that it can apply to many areas that are categorized as exclusively federal or state. A good example in this regard is education. As a subject matter, education falls under a concurrent jurisdiction. The federal government controls powers over national policies of education, while states control the rest. Which begs the question: is the taxonomy of powers as exclusive, concurrent or residual helpful at all? Solomon seems to realize the inadequacy of the labels later in the chapter because he abandons them in favor of the more general labels of 'federal' and 'state' powers when he deals with the Ethiopian Constitution in some detail (see pp. 68-71).

Aside from the taxonomy, Solomon deals at great length with practical issues of expenditure assignment in the Ethiopian federal system, such as intergovernmental cooperation (vertical as well as horizontal) and budgetary relations between the federal government and the regional government (see pp. 85ff). He draws upon information collected from interviews with relevant federal and regional government officials and official government documents to give us a feel about how the federal system works in practice. His analysis of the expenditure assignment in the Ethiopian Constitution is impressive over all. There is one minor problem, however. He mentions Article 98 of the Ethiopian Constitution as an example of 'concurrent' power. Article 98 is about concurrent tax power, not expenditure power, and dealing with it under 'expenditure' assignment can be misleading. Solomon has a separate chapter for tax powers (chapter 4), and that is where Article 98 belongs (he actually comes back to it in that chapter; see p. 189). In addition, Solomon mentions Article 98 as a possible concurrent power but concludes that it is no longer a concurrent power because the federal government controls the levying and collecting of the taxes and reserves to the states the right to share from the proceeds. This, he writes, is a result of a constitutional amendment which he does not write a lot about. However the constitutional amendment came about, Article 98 does not lose its concurrent nature simply because the federal government appropriates the power of levying and collecting concurrent taxes.

One of the issues which seem to concern Solomon a lot is the problem of asymmetrical distribution of power in the Ethiopian federation. He characterizes Ethiopian federation as de facto asymmetrical and de jure symmetrical (p. 83). He recommends a number of solutions to the problem of asymmetrical power relations between the regional states, such as reduction of territory and population size of the larger states (essentially by breaking the larger states into smaller ones), provision of federal assistance to the regions that are not financially viable and allocation of specific power to municipalities (p. 84). He returns to this issue again in later chapters of his book where he once again forcefully argues that the issue of asymmetry should be addressed carefully if the Ethiopian federation is to remain viable.

In his treatment of division of revenue powers (chapter 4), Solomon follows a similar approach of first dealing with normative theories of revenue assignment in a federation and then comparing different federal systems with the Ethiopian approach. He devotes a separate section of chapter 4 to the allocation of revenue powers over specific taxes like import/export taxes and duties, income taxes, sales and excise taxes, property taxes and fees and charges. In the assignment of income taxes, Solomon believes that personal income taxes on federal government and NGOs employees should be reassigned to the regional governments 'in order to enhance their revenue capacity' (see p. 130).

Solomon does much the same thing with respect to sales and excise taxes. He writes how sales and excise taxes are assigned under the Ethiopian Constitution (see p. 134). And a few pages later, he writes about the reassignment of VAT to the center (see pp. 143-144). He does not go into details of the circumstances under which VAT was assigned to the federal government. This matter should be a matter of extensive analysis because there are controversies about whether VAT was really an undesignated tax and could be assigned under the procedures laid down under Article 99 of the Constitution or whether VAT required an amendment of the Constitution. The fact that the federal government later decided to share the proceeds of VAT on derivative basis should have signaled to Solomon that VAT is not an undesignated tax.

The administration (i.e., the levying and collection) of concurrent tax sources (Article 98) has been a subject of much contention since the Ethiopian Constitution was approved. Solomon writes about the various options open to the federal and regional governments in administering joint tax sources (see pp. 140-141). But that has now been mooted by the 'amendment' of Article 98 as a result of which the levying and collection of joint taxes has been arrogated to the federal government. Solomon does not tell us much about the 'amendment' and if it followed proper procedures of constitutional amendment. Much of the controversy surrounding the administration of concurrent taxes could have been solved from the very beginning had the Constitution followed the example of the law that regulated the division of revenues during the transition period – Proclamation No. 33/1992. That Proclamation has a clear provision on how concurrent taxes were to be administered. Article 8(4) of that Proclamation makes it clear that the Central Government fixes the tax rates on joint tax sources. This must have been forgotten during the drafting of the Constitution.

Overall, Solomon's analysis of the assignment of specific taxes was sound until he raised the possibility of residual taxation (see pp. 146-148). The use of 'residual' taxation as far as the Ethiopian Constitution goes is not helpful and can only help in confusing one about how the Constitution structures the division of revenues between the federal government and the regions. One would do well to stick to the Constitution's division of tax powers as 'federal', 'state', 'concurrent' and 'undesignated'. The category of residual tax powers has no place in any of these.

In the same chapter, the author briefly deals with the issue of federal government issuing tax legislation over matters reserved to the regional governments or not designated by the Constitution at all. Of taxes not designated by the Constitution, one

can take examples of taxes on interest deposits and taxes on transfer of capital assets like shares and business buildings. Both these tax bases are mentioned in the Federal Income Tax Law of 2002.⁴ The House of the Federation (HoF), pursuant to the power vested in it in Article 99 of the Constitution, has since then designated some of these taxes as 'federal', 'state' or 'concurrent. Solomon does not write anything about this presumably because he did not have access to information on this matter at the time of his writing. This is not important. But the author does not find it extraordinary that the federal government issues tax legislation over matters that are not only not-reserved to it but also on matters that are undesignated by the Constitution. Some may argue that this is necessary to create a harmonized tax system throughout the federation but there is no support for it in the Constitution. The Federal Financial Administration Law of 1996 actually has a provision that enjoins both layers of government to have harmonized tax systems and standardized tax bases, but it is not clear if this is really a constitutional mandate or just an ideal to which all members of the federation aspire (see Article 58 of Proclamation No. 57/1996). Solomon writes elsewhere that the power to levy and collect 'exclusive' taxes includes both legislative and administrative powers (see p. 129). The federal government writing (or underwriting) tax legislation as a sort of common law in an operative tax legislation does not appear to be consistent with that assertion.

In the assignment of taxes, Solomon is primarily concerned with the ability of the assignment under Ethiopian Constitution in empowering regional states to raise their own revenues. He does not believe that the current assignment is empowering the regions. His call for reassignment of certain federal taxes (e.g. corporate income taxes on private limited companies, see pp. 285-286) is the result of his concern that the regional governments do not possess sufficient revenue sources to be able to cover their expenses. We know from the reading of the theories of fiscal federalism⁵ that

⁴ See Article 34 and 37 of Income Tax Proclamation No. 286/2002, *Federal Negarit Gazette*, 8th Year, No. 34

⁵ Most books on public finance contain at least a chapter in fiscal federalism and deal with the theories of fiscal federalism; See, for example, Richard A. and Peggy B., *Public Finance in Theory and Practice*, Fifth Edition, 1989 (Reprinted, by Tata-McGraw- Hill, New Delhi, 2004); John F. Bernard P. Herber, *Modern Public Finance*, 5th Edition, Richard D. Irwin, Inc., U.S.A. (Reprinted by A.I.T.B.S. Publishers & Distributors, Delhi, 2004); John F. Due and Ann F. Friedlaender, *Government Finance: Economics of the Public Sector*, A.I.T.B.S. Publishers & Distributors, Delhi, 2002; see also Eshetu Chole (ed.), *Fiscal Decentralization in Ethiopia*, Addis Ababa University Press, Addis Ababa, 1994.

empowerment of regional states is not the only consideration (probably not even the primary consideration) of revenue assignment in federations. Solomon briefly deals with the theories of fiscal federalism in the area of revenue assignment (pp. 122-124) but does not really ask whether the assignment of taxes under the Ethiopian Constitution is consistent in a broader sense with the theories of fiscal federalism, and if not, what the implications would be.

In his arrangement of chapters, the sections within chapters, and the topics covered in each of those, Solomon usually has a clear idea of what he wants to do and how he wants to do it. There are, however, occasional lapses. For example, in his introductory remarks about taxation (pp. 119-120), he writes about the relationship between taxation, democracy and good governance. Historically, great constitutional battles were fought over the power of taxation without representation. The slogan 'no taxation without representation' has a particular resonance to us when we hear about taxation and representation. That this topic deserves a few pages (at least a few paragraphs) in a book like this, there can be little doubt about it. Solomon treats this subject as an introductory matter to his chapter on division of revenue powers under the Ethiopian Constitution but he does not really tell us why it is even necessary to know this subject in that chapter. He probably did not realize that taxation and governance are as much constitutional constructs as any other. Solomon devotes a few pages later (see pp. 149-155) to 'constitutional limitations' like 'non-discrimination', 'extraterritoriality' and 'intergovernmental immunity' and his treatment of taxation and representation would have fallen perfectly into our mental arrangement of concepts had he done that.

In chapter 5 of his book, Solomon addresses both vertical and horizontal forms of fiscal imbalance in a federation. This is the chapter where he makes extensive use of financial information mainly collected from the Ministry of Finance and Economic Development to measure the magnitude of imbalances. His finding that there is vertical imbalance in the Ethiopian federation is hardly surprising. What may surprise is the extent of vertical imbalance. According to Solomon, regional governments (including the City Administrations of Addis Ababa and Dire Dawa) accounted for only 17% of the total government revenue, and if we take Addis Ababa out, the figures are much lower (about 11%, see pp. 166 and 170). On the expenditure side, the regional governments covered only about 37% of their total expenditure with their own revenues in 1996/1997 fiscal year (p. 166).

Solomon also measures the extent of horizontal imbalance- the disparity in fiscal capacity between regions- again relying upon financial information obtained from the Ministry of Finance and Economic Development. He discovers that the magnitude of horizontal imbalance between regions is huge. Four regional states account for more than 80% of the total revenue generated at the regional level during 1999/2000 fiscal year (p. 172). The largest region in the federation – Oromia- accounted for 27% of the total revenue while a small regional state of Benishangul could only manage to collect 0.83% of the total revenue. Oromia was able to cover about 30% of its expenditure needs and Benishangul only about 6% of its expenditure needs (p. 172).

Solomon traces the fiscal imbalance in the Ethiopian federation to the usual culprits: that the federal government controls the fat cows (productive taxes) while the regions are assigned less productive tax sources (see p. 167). While that seems intuitively to be the answer, it probably underplays the lengths the Ethiopian Constitution goes to supply revenue powers to the regional states. The Ethiopian Constitution is fairly on the generous side in giving certain taxes to the regional governments, although the assignment of these taxes goes against the grain of conventional wisdom in fiscal federalism. The vertical imbalance in the Ethiopian federation is partly exacerbated by the inability and/or reluctance of the regional governments to effectively raise revenues from sources assigned to them (e.g. agricultural income taxes should have been important sources of regional government revenue but they are not; the same can be said for taxes on proprietorship businesses). The causes of imbalance are also administrative inefficiencies, not just constitutional imbalances.

In his chapter on revenue transfer (chapter 6), Solomon deals with both revenue sharing (from concurrent tax sources) and transfer of federal grants. He writes about the various objectives the federal government might meet through revenue transfers (pp. 185-188), and the forms revenue sharing might take in different federal systems (pp. 189-193), the different types of grants again used in various federal systems (pp. 193-197). More significantly, he surveys several federal systems for their experiences in providing grants to constituent states (pp. 197-200). He also deals with the institutions of revenue transfer, again from comparative perspective (pp. 203-205). Based on his surveys, the author concludes that the use of several grant instruments is desirable if multiple objectives were to be achieved and stresses the importance of 'independent commission with required expertise in order to prevent political exigencies and logrolling, and to promote impartiality.' (p. 206).

After this comparative survey of different federal systems, Solomon comes round to an extensive analysis of the Ethiopian revenue transfer system in chapter 7 of his book. On the question of revenue sharing, Solomon writes about the 'new system of concurrent tax sources, based on a principle recommended by both the center and the regions and decided by the HOF' (p. 213). The new system of revenue sharing (approved in 2004) allocates equal share to the federal government and the regional governments when the concurrent tax in question is a profit tax or dividend tax, 70% to the federal government and 30% to the regions when the tax in question is an indirect tax and 60% to the federal government and 40% to the regions when it is a tax on royalties from large scale mining and petroleum and gas operations (p. 214). With regard to the sharing of tax on companies (e.g., profit tax payable by companies), the federal government shares the revenues on the basis of the share of each region, which is determined on the basis of the amount collected from the respective regions, i.e., derivative principle (pp. 214-215). The place of the company's registration determines with which region the revenue should be shared. It does not take much thought to realize how unfair this system is to those regions which bear the brunt of the company's operations except for registration. Solomon exposes the unfairness of the system because as he rightly points out the revenue sharing scheme transfers revenue to those regions where the company is incorporated although the tax is collected from the operations of the company in

other regions (see P. 286). Although the scheme is superficially derivative, Solomon is right on the mark when he concludes that the system is 'neither derivative nor redistributive' (see P. 286). He recommends that revenue sharing should be based on 'accounting or formula basis' (p. 286) although he does not tell us how the formula works. His recommendation seems to accept the current practice of the federal government collecting joint tax sources and then sharing the proceeds with the regional governments. It is not at all certain why this should be the best of all possible options out there. In fact, there is reason to believe that the regions levying their own additional taxes on joint tax sources would produce better results than the system we currently have.

The institutional arrangement for revenue sharing and grants comes in for some criticism from Solomon. We know of course from reading the Ethiopian Constitution that the HOF is in charge of these matters (see Article 62(7)). Solomon exposes the weaknesses of the current institutional framework and questions if the system is going to survive the strains of centrifugal forces (see Pp. 245-250). One of the glaring weaknesses of the HOF is that it has little expertise support of its own, which makes it suspiciously dependent upon federal executive agencies like Ministry of Federal Affairs (MoFA) and Ministry of Economic Development and Cooperation (MEDAC) (p. 248). Another problem, which Solomon rightly draws our attention to, is the potentially unfair results of the simple majority required for the House (of Federation) to reach a decision. This gives some regions the power to lock in the majority required very easily, vetoing the more populous regions of Oromia and Amhara. To overcome the deficit of expertise, Solomon proposes the Australian-cum-Indian model of using independent expert commissions providing support to the House of Federation (see pp. 249-250). Towards the end of his book (p. 288), the author makes specific recommendation for the establishment of an 'independent grant commission' composed of 'non-partisan' and 'independent' professionals to measure the revenue and expenditure needs, to collect and analyze data 'free from local manipulation' and 'ensure fiscal accountability'. The commission is to be accountable to the 'Federal Houses'. Although the establishment of a commission will go a long way in bridging the current deficit in information and expert analysis, I am not sure that the commission will be independent from the manipulation of the all powerful executive and centralized party system.

After extensively dealing with the issue of fiscal imbalance in the Ethiopian federation, Solomon devotes a whole chapter to an assessment of Ethiopian fiscal federalism (chapter 8). One of his principal claims is that the current design of fiscal federalism may become 'a driving force behind a claim for the right to statehood by groups that are not represented at the state level' (p. 261). Even worse, he fears that strained fiscal relations might trigger secessionist tendencies (p. 261). He produces data to show how the transfer system favors some ethnic groups accorded statehood and disfavors others not accorded the same status, although these ethnic groups are comparable in population size and level of economic development (see pp. 233-234). Solomon fears that this might not only create legitimate grievances over the transfer system but also provides an incentive for different ethnic groups to seek statehood status.

The claim for statehood has already happened, as far as he is concerned. He mentions the Silte case in the Southern Nations, Nationalities and Peoples' Region (SNNPR) as partly at least motivated by the desire to obtain a larger share from the federal grant pie (p. 265). His solution is to break up the larger regional states – Oromia, Amhara, and Somali- into more than one state (p. 267; see also p. 291) and merge some of the smaller states (such as Dire Dawa and Harari) into larger states (p. 291). He recommends that the reorganization be based not just on ethnicity alone, but also 'historical, geographical, demographic and economic factors' (pp. 267 and 291). He does not go any more specific than that. This, he believes, 'redresses not only fiscal imbalances but also creates economic and administrative efficiencies, promotes federal loyalty, reduces the politics of ethnicity and promotes national integrity' (p. 267).

In the end, if one were to pick the one issue that seems to concern Solomon the most, it is the issue of whether the current system creates a viable and sustainable federal polity. In this regard, Solomon endorses Alemante's pessimistic take on ethnic federalism. On page 278, he quotes Alemante:

In the context of a federal structure that emphasizes ethnicity alone its implementation is fraught with serious difficulties.ethnic based governments have a tendency to view themselves as primarily concerned with the welfare of their own citizens with little or no incentive to share income or resources with other ethnic groups. Compelling them to share their resources, constitutionally or otherwise, is possible, but this will sooner or later create resentment and become a source of political friction and instability.⁶

In the next page, Solomon writes that 'the language based approach has not only created permanent asymmetry between subnational governments in size, population and economic resources, but also it generates conflicts between ethnic groups' (see p. 279).

Solomon is right to have drawn our attention to the myopia of the federal grant design; that the lens of the federal grant distorts or does not properly look at the ethnic groups within the states although 'nations, nationalities and peoples' are the building-blocks of the Ethiopian Constitution. He is also right to have pointed out that the federal transfer system does not address the poorest of the poor in the big, populous regions. In reading his book, we must at least come away convinced that something is awry about the federal grant system. Unfortunately, the author withdraws his analysis from the grant design just when that is badly needed and turns his attention in stead upon the design of the federation itself.

Solomon is not the first, and nor will he be the last to raise the dangers of ethnic federalism in Ethiopia. Many other writers have raised the ogre of ethnicity as a

⁶ Alemante G. Sellassie, "Ethnic Federalism: Its Promise and Pitfalls for Africa," (28 *Yale Journal of International Law* 51, 2003), quoted on p. 278.

divisive element in the Ethiopian federation. Solomon seldom bothers to ask whether the grant formula has all the elements to make everyone happy in the federation. In stead, he uses the possible disaffections and fall-outs resulting from the 'unequal' distribution of grants as an occasion to turn his critical eye against the design of the federation itself. He seems to have abandoned hope that tinkering with the grant formula would make any difference. He sees ethnicity as a divisive factor, turning ethnic groups, in particular their 'ethnic entrepreneurs' into making endless demands for greater share or else threatening the federation with independent statehood under Article 39 of the Constitution. That, to Solomon, is an evil lurking behind the sinister organization of the federation based on ethnicity alone. On page 276 of his book, he writes:

... difference in the rate of development can lead to a politically sensitive fragmentation of the national economic system, resentment and the perception of inequity. Further, the system accentuates ethnicity and enables 'ethnic entrepreneurs' to seize power and perceive all power relations with the center and with states in terms of interethnic relations.... ethnic elites can easily aggravate the facts of the different pace of development and interpret these as injustice, inequality and favoritism. This kind of perception generates a discernible danger to the system as a whole.

To Solomon, nothing short of slaying the hydra-headed, divisive and polarizing ethnicity would provide relief if we are to expect a stable federal system. He is single-minded about the problem of asymmetrical development, and his solution is simple, although difficult to implement in practice. He underestimates the psychological hold of ethnicity in Ethiopia. And he erroneously believes other forms of reorganization are less divisive than ethnicity. Religion may be one factor in the organization of regional states in Ethiopia, but is it any less divisive? Even geography can be equally polarizing, although it probably shifts the center of conflict to regions of Ethiopia that were historically strong on regional identity (recall the problems Emperor Haile Sellassie I had with Gojjam and Wollo).

Solomon's call for reorganization – in particular his call for downsizing the larger regional states- is suspect for another reason. He provides evidence for possible discontent about the grant distribution by comparing some ethnic groups in the SNNPR with those in small states like Gambella. And he mentions that there are murmurs of dissatisfaction in the larger regions as well, but I don't think the larger regions would have pushed their grievances so far as to submit to being reduced to smaller regions than what they are now. Nor is it certain that the small regions would choose to be larger solely to meet the demands of symmetrical 'economic' development.

Solomon trumps all other factors in the design of the federation to meet the demands of proportionate grant distribution. Asymmetry is a feature of many (perhaps all) federations. The issue is not whether they should or not be asymmetrical but how the grant design can address the competing interests of all states- small or big, densely populated or sparsely populated, etc. It appears from his writing also that he confuses 'equitable' with 'equal' distribution. It is to be expected that during the formative years

of an asymmetrical federal system like Ethiopia, the smaller and less developed states will receive more per capital than the bigger, populous states. Although the distribution is not equal, it may be equitable. This is not a permanent situation, however (or it should not be). The regions that are undeveloped now will not remain 'undeveloped' for ever. Besides the elements of the grant formula will change (and must change) with the changing circumstances. The problem, I think, is in assuming that the grant formula is static, while it is not. The grant design has been evolving since it was first introduced back in 1994, and various elements have gone into as well as out of it. We can only hope that in time the grant design will respond to the various conflicting and competing interests of various groups in the federation. The fact that the grant design has changed over the years is a cause for optimism, although one would wish that it changed less frequently than it did.

Besides, Solomon's proposal of reorganization of the federation invites a heavy-handed management (not to say intervention) from the central government, while the current arrangement under the Ethiopian Constitution at least in theory leaves the question of reorganization to the people at the grassroots level. The latter arrangement is more genuine and democratic, and I prefer that any day. It is a system of checks and balances that keeps a reality check on the federation. It can also be a weapon to remind the center that the people at the economic periphery are not to be taken for granted.

Apart from these objections, Solomon's book is an important contribution to the fledgling literature on fiscal federalism in Ethiopia. In many of his chapters, Solomon attempts to draw from the experiences of several other federal systems in illuminating some issues of Ethiopian fiscal federalism. He is not committed to this or that paradigm of fiscal federalism. He leaves the final judgment to us, which is as it should be. More significantly, Solomon uses government financial information to support most of his claims. Solomon wades into what is for legal scholars a treacherous territory – analysis of financial information, and I think he has handled it admirably well. His book is also a source of much useful information on Ethiopian fiscal federalism in its formative years. Issues of fiscal federalism are many and probably endless. Those who read Solomon's book to the end are guaranteed to meet with many of these issues and come away with at least an idea of how to tackle them in the future. It is actually an easier read than one would assume at the beginning, and for a book of its kind, quite an enjoyable one. Whether we should agree with his recommendations in the end is quite another matter (we cannot but agree with some of them).