Reflections on Development in Ethiopia

New Trends, Sustainability and Challenges

Edited by

Dessalegn Rahmato
Meheret Ayenew
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Forum for Social Studies

A Brief Institutional Profile

The Forum for Social Studies (FSS) is a non-government, non-profit institution engaged in conducting and sponsoring policy-oriented research and promoting informed public debate on a wide range of development issues. It was established in 1998 by a group of academics and CSO activists whose aim was to help deepen and broaden a democratic tradition of public debates. Its work is guided by the conviction that enhancing the public-government decision-makers interface on key social and economic issues can promote a transparent, participatory and all-inclusive policy-making and implementation process.

Since its establishment, FSS has been engaged in policy research on a wide array of development issues, and has disseminated its findings to government decision makers, legislators and the wider public. It has organized a series of policy dialogues (workshops, seminars, panel discussions, etc.) around the themes of poverty; gender; higher education; inter-generational transfer of knowledge; good governance and democracy in Africa; culture and development; and climate change, environmental management and sustainable development in Ethiopia.

As part of its research activity, FSS has in the past successfully launched two major book projects, viz. *Ethiopia: The Challenge of Democracy from Below*, and *Democratic Assistance to Post-Conflict Ethiopia: Impact and Limitations*. Since then it has published books and monographs on a wide range of development and policy issues, including, poverty and poverty reduction, natural resource management, decentralization, the quality of higher education, culture and development, and environment and climate change. Its publications have been disseminated to decision makers, institutions of higher education, academics and researchers as well as non-government and international donor organisations to stimulate further discourse and reflection. This book *Reflections on Development in Ethiopia: New Trends, Sustainability and Challenges* is a continuation of that tradition, and is intended to examine current development issues in Ethiopia from different perspectives to promote dialogue and constructive debate.

Dessalegn Rahmato

INTRODUCTION

Reflections on Development in Ethiopia: New Trends, Sustainability and Challenges

The need for a more nuanced and more transparent assessment of development in Ethiopia has been obvious for some time now, and the absence of such assessment, especially by independent voices, has hampered, to a good extent, serious public debate on the subject. The dominant narrative at the moment has come from two main sources: from the government, which is both the initiator and executer of the development program in place as well the sole source of information on it, on the one hand, and the international donor agencies, in particular the IMF and the World Bank, which have provided substantial financial and other support to the country, on the other. Government reports and forecasts on the economy present a highly positive picture, showing double digit growth in GDP over a period of some ten years, accompanied by a substantial reduction in poverty levels, high rates of employment and increased foreign exchange earnings. Senior public officials often echo the claims made by some international media sources that Ethiopia's economy has become one of the fastest growing in the world. The achievements gained are attributed to the soundness of the development strategy charted by the leadership of the ruling party, a strategy that is said to be notable for its rejection of the standard "medicine" for growth prescribed by mainstream or neo-liberal development discourse. This "triumphalist" viewpoint ignores the numerous challenges impacting on society, natural resources and the political process that are becoming visible at the moment. Some of these challenges are due to unbalanced growth in some sectors of the economy, increased competition for scarce resources, policy and institutional failures, and inefficiencies and corruption, while others have a more complex provenance. All governments the world over almost always attempt to put a positive spin on their performance, and Ethiopia's government is no exception to this. On the other hand, the assessment of the economy issued periodically by the IMF and the World Bank, while different in many ways from those of the government, is, nevertheless, narrowly focused, giving concern primarily to GDP growth, changes in the flow of foreign investment, and monetary and fiscal issues. They leave out a wide range of problems and concerns that are central to people's livelihoods and economic well-being. One could of course argue that the term economic *growth* has a narrower meaning than economic *development* and that what the two organizations have mainly focused on is the former rather than the latter.

This volume attempts to provide a broader picture of the country's development program, examining not just the progress that has been made so far but also the challenges and pitfalls that are evident. This, we believe, makes the volume all the more topical and hence of interest to many readers. While each chapter covers a different subject and uses different analytical tools, with little or no relation to the chapter before or after it, and while, at first glance, the book appears to lack a unifying thread, there are a number of common concerns running through many of the contributions revolving around the issues of efficiency and equity, democracy and decentralization, and respect for regional identities and natural resource protection. Moreover, there are significant questions that are taken up in several of the contributions from a diversity of viewpoints of which the following are worth mentioning: does the development pathway chosen by decision-makers - one that has been adopted, it should be said, without sufficient public consultation and deliberation- ensure sustainability and social inclusion? What exactly does the concept of the "developmental state", a concept that is said to inform the development strategy of the country, entail specifically in the Ethiopian context and how relevant is it? Are the benefits of growth shared by a broad segment of society or have they gone mainly to the few at the top of the social and economic pyramid? A recent report on Africa's economic growth, produced by the African Progress Panel (chaired by the former UN Secretary-General, Kofi Annan) warns that the fruits of economic progress in the continent have not really "trickled down" to the broad masses of the people but concentrated in the hands of the business and technocratic elite, and the gap between the rich and the poor is widening considerably[1]. While the report does not specifically identify individual countries where the problem is in evidence, the warning is nevertheless relevant to Ethiopia as the country's economy continues to expand. Lastly, should there be a separation between economic development, on the one hand, and democracy and human rights on the other as the country's development model seems to suggest? In brief, the book examines a broad set of issues that should have been (but are not) in the forefront of the debate on the Ethiopian economy and on what the real objectives of the development process should be.

A sound program of development should not only mean growth in material assets (for example, growth in GDP, in the rate of investment and of savings, export performance) but must, in equal measure, bring about real

[1] *Africa Progress Report 2014*. Africa Progress Panel, Geneva

improvements in peoples' livelihoods, promote social equity, and enable the sustainability of the natural resource base. Many of the contributions in this collection suggest that viewed from this perspective the direction of the country's development endeavor is cause for serious concern. The volume opens with a broad review of Ethiopia's recent experience in development planning with a special focus on the Growth and Transformation Plan (GTP) which was launched in 2011 and is expected to run through 2015. The author, Meheret Ayenew, examines the ambitious objectives and targets of the Plan, and assesses what has been achieved in the three years since its implementation and what remains to be done. Meheret argues that at the end of three years of Plan implementation the results as reported by government sources can only be described as mixed, with some sectors showing considerable progress while in others the outcome has been patchy or altogether disappointing. He notes that among the economic problems causing particular concern are macro-economic imbalances caused by heavy state spending, runaway inflation, which has impacted on people's livelihoods for over a decade now, and the unfavorable policy environment facing the private sector due in part to state control and management of many key productive and financial enterprises. He identifies and discusses at length a number of significant challenges that need to be addressed if the Plan is to succeed in its ambitious objectives.

In the second chapter of the book, Alemayehu and Addis examine closely and methodically the main economic data sets which have been the basis for all economic analysis and reports in this country, of which the government is the sole source and provider. There have been questions raised by independent researchers as well as by some international organizations such as the IMF and World Bank regarding the accuracy and reliability of the data generated by the Central Statistical Agency and other government bodies but few have been the works which have made a rigorous examination of the data as Alemayehu and Addis have attempted in this chapter. Employing a number of statistical tools and their own alternative measures, the authors have made a careful scrutiny of the evidence, checking for consistency and accuracy of the data over the ten years up to 2012, concluding that the figures provided in government reports regarding the rate of economic growth and poverty reduction are much higher than is warranted by the true picture and that the real rate of change is much more modest than those given in these reports. They recommend that public institutions responsible for data generation should be independent and committed to high professional standards and that the information they generate should be subject to scrutiny by an independent peer-review process. In the second part of the chapter the authors present an extend discussion of poverty and inequality backed by a wealth of data and documentary evidence. Their assessment is that there is strong evidence of pervasive poverty and inequality, and that the poor are often vulnerable to external shocks such as conflict, climate change and aid and remittances. The problem is made all the more serious, they argue, because of a marked absence of structural transformation of the economy in the period in question.

The third chapter, a contribution by Assefa Fiseha, explores the contentious issue, often closely associated with the "ideology" of the developmental state, namely, should economic and political development go hand in hand or should the former precede the latter? In other words, should respect for and enforcement of democracy and human rights be postponed until the country's economic development has reached a high level or are the two really different sides of the same coin? This notion of economic development "first" and democracy "later" was at one time a subject of debate in some of the countries in east Asia, but lately, while not articulated clearly, it has come to influence state policies and programs in some of the countries in sub-Sahara, not least those where rapid economic progress is taking place. The author argues that in Ethiopia, the ideological shift towards the developmental state gave priority to the economic sector over civil rights and democratic freedoms, while the country's constitution places equal weight on both. The dilemma, the author notes, is that the public institutions responsible for enforcing human and democratic rights are unable to perform their duties because of a "lack of clarity in their respective roles".

In the fourth chapter Amdissa Teshome reviews the origins as well as strengths and limitations of the Millennium Development Goals (MDGs), assesses what has and has not been achieved by the countries concerned in meeting the targets set, and reflects on what the post-MDG agenda should be after 2015 when the current MDGs program comes to an end. The author believes that the MDGs have played a significant role in galvanizing the global community to place particular emphasis on the need to reduce poverty and extreme hunger, improve gender equality and provide basic services in the areas of primary education and health, and access to clean water. Without the MDGs, the author notes, the considerable gains made in these areas benefitting tens of millions of people around the world would not have been possible. Amdissa shows that Ethiopia's achievement in meeting the targets set by the MDGs is quite considerable and compares favorably with many African countries, nevertheless, he is aware that the country faces many challenges and limitations despite the economic growth registered in the last ten years or more. As far as the post-MDGs agenda is concerned, while there is consensus on a follow up initiative, there is no agreement as to what it should be, the main options still under discussion being: continuing with the existing program, reforming it in the light of the experiences gained, or developing an alternative framework.

Part II (chapters 5 and 6) contains two contributions dealing with the subject of decentralization and inter-governmental resource transfers, albeit from rather different angles. In Chapter 5, Tegegne Gebre-Egziabher approaches the subject from the standpoint of regional and local development, with particular focus on resource availability at regional and *woreda* levels and human resource capacity and local planning. Based on a wealth of secondary sources and official government documentation he argues that regions are benefitting from fiscal decentralization, gains have been made in resource mobilization in both cases, and some improvements in local capacity are in evidence. The *woredas* are now becoming important players and local level multi-year planning is now common though the planning exercise is much less participatory. The author cautions that while considerable progress has been made, a lot still remains to be done which will require reforms and follow-ups to enable regions and *woredas* to benefit fully from the decentralized fiscal arrangements. Solomom Negussie's particular concern in Chapter 6 is to show why it is important to employ a human rights perspective in examining inter-governmental fiscal transfers. The standard approach to the study of federal –regional resource transfers and fiscal relations, the author states, concentrates mainly on the economic, administrative and politico-legal aspects, and ignores human rights considerations. The aim here is to determine whether meaningful fiscal and political powers have been devolved to sub-national levels within the federal arrangement. In contrast, he argues that the human rights approach is a valuable tool to ascertain to what extent government at regions and units below them are accountable to the people, ensure public participation in governance, and determine the proper utilization of fiscal transfers. Using the human rights framework to examine government institutions, he states, can improve the performance of governance in general and the delivery of services in particular.

Bookwalter and Koehn provide in Chapter 7 what they believe is an innovative framework for designing an inclusive post-dependent assessment of rural well-being. They argue that the data from the 2009 Ethiopian Rural Household Survey and in particular the responses to questions about happiness, life satisfaction and other subjective well-being indicators, allow decision-makers to gain insight into the types of goods, services, infrastructure, education, social networks, and other things that make rural people better off. This they stress is an important step forward in a post-dependent understanding of rural development. In the next chapter, Dessalegn takes a careful look at the state of the country's large-scale land investment program in the context of the government's grand strategy of state-led development and reviews what has or has not been achieved half a decade after it was launched with great fanfare. The program, he argues, is now facing serious difficulties and, in some respects, has become a costly failure. State-led development is characterized by emphasis on large-scale public investment and huge public debt which has damaging implications for people's livelihoods and has led to a non-inclusive and skewed growth. Land investment, it is argued, is one among a number of public sector initiatives meant to enhance the country's export market and contribute to the growing demand for state accumulation. It is further argued that the problems faced by the program are not caused solely by poor governance and lack of capacity but raise questions of policy choice and democratic decision-making. Asnake and Fana examine the construction of a large-scale sugar manufacturing enterprise in the lowlands of the Omo valley in the Southern Region in the context of what they call the politics of development governance. They trace the shifting paradigms of development ideology and economic policy both in the African continent and Ethiopia over a period of several decades and explore the specificities of the current ideology, namely the developmental state which has been adopted by Ethiopia and several other African countries. This has provided the Ethiopian government with a convenient justification to embark on massive state investment in many sectors of the economy, including the sugar industry, primarily aimed at the export market. The chapter investigates the political and economic impact of the construction of the sugar manufacturing and plantation enterprise both at national and local levels, but more importantly on the pastoral communities of the South Omo valley whose livelihoods are seriously affected. They argue that while the pastoral population in the valley may stand to gain from the sugar project, most of the benefits will be reaped by the highland populations in the form of jobs, increased investment in industrial and other enterprises and infrastructure and services. Melaku and Habtemariam's interest in the last chapter is on the country's dry forests and woodlands which, they argue, are in a perilous state due to unregulated and unsustainable exploitation as a result of the expansion of commercial agriculture, state-sponsored settlement schemes and excessive charcoal production and firewood collection. These forests are located in fragile ecosystems but have been important to the livelihoods of the people here who have customarily depended on them. At present the country's dry lands are coveted by international and domestic investors, parastatals, and well-to do local farmers, but neither these actors nor the government have put in place a sustainable system of management for the resources in them.

The contributions to the book are revised and edited versions of papers originally presented at a conference jointly hosted by FSS and FES and held in Addis Ababa on 19 – 20 September 2013. The editors acknowledge that there are a number of issues that have not been fully explored and several important subjects that have not been covered. A major economic sector that is missing is agriculture and the rural economy. The rural sector is a major player in the country's economy for the reasons discussed in a number of the contributions in the book as well as for the resources available in it and eagerly sought by numerous economic actors, both domestic and international. The vulnerability of the rural areas has at present been aggravated by climate change, the country's growing engagement with the global commercial and financial system, and increasing competition for limited natural resources such as land, water, pasture and forest products. Another important area not given attention is the industrial sector which has gone through significant expansion due to the increased inflow of foreign investment in the last decade and the establishment of a growing number of manufacturing enterprises mainly but not exclusively by Asian and Middle Eastern capital. Lastly, a close look at the impact of commercial, industrial and mining investments on the environment and natural resources, and the consequences on the livelihoods of population groups, not least the poor and marginalized, would have been valuable in itself and as an indicator social well-being.

Despite these limitations, however, the book provides a good starting point for a balanced assessment of economic development in the last two decades. The primary purpose of the book is to stimulate debate on the Ethiopia's economy and development endeavor in this period, and the challenges the country is facing due to the rapid changes that are taking place. The authors of the collection are based in academia, civil society organizations, and independent research institutions, and the contributions have come from economists as well as researchers in several other disciplines. As the diversity of the subject matter in the collection indicates, the work is not meant to be for economists only but is intended to attract a wider readership. We believe the book will be of interest to experts in government departments, development practitioners in civil society, academics, independent researchers, and people who have a special interest on Ethiopia and its future.

PART I

ECONOMIC DEVELOPMENT: TRENDS AND CHALLENGES

1 *Meheret Ayenew*

The Growth and Transformation Plan: Opportunities, Challenges and Lessons

Introduction

Ethiopia's Growth and Transformation Plan (GTP) covering the period 2010/11-2014/15 is the blueprint for transforming the economy and bringing about structural change. Its general tenet is that the government must play an active and leading role by undertaking massive investments in infrastructure (i.e. roads, hydropower projects, railways, etc.) as well as in education and health to spur growth and reduce poverty. Simply put, the plan places the state at the forefront of economic development. This chapter reviews some of the achievements of the GTP, and identifies some challenges that need to be addressed to successfully implement the plan.

The Government claims that the GTP has registered impressive results since its launch in 2010/2011. According to official data, the economy has been steadily growing at an annual average of more than 10 per cent and major infrastructural projects, such as the Grand Ethiopian Renaissance Dam (GERD), have been initiated and are progressing well. In addition, significant gains have also been scored in other important development schemes in the road, health and education sectors. The country has also made important advances in poverty reduction and job creation in rural and urban areas as a result of the Plan (MoFED 2013).

However, nearly three years into its implementation, the achievements and challenges of the GTP have come under close scrutiny and raised concerns. These concerns have both a political and economic dimension. On the economic front, issues causing particular concern have been the macro-economic imbalances of heavy state spending; runaway inflation that the country has been experiencing in the recent past; and the possible squeezing of the private sector against a backdrop of state-dominated management of the economy in key areas, such as big construction and metal/engineering works as well as other major projects, including the many large-scale sugar industries currently being set up by the government. In other words, expanded state monopoly and increasing centralization of economic activity have affected the potential role that the private sector can play in economic development.

On the political side, the launching of the GTP has paved the way for the central government to emerge as the dominant actor in economic policy planning and implementation. As noted earlier, the GTP envisages centralized management of the economy and a strong interventionist state to implement many mega projects. The Government justifies this on the grounds that there is a need for a developing country such as Ethiopia for the state to assume a strong posture to accelerate economic growth and eradicate poverty. The main argument is that the Government must make strategic interventions in key sectors of the economy as these are essential to create conducive conditions for the private sector and foreign investment to flourish.

The opposing view also brings out the political ramifications of an increasingly centralized state on central-regional relations. Simply put, in a federal state such as Ethiopia, centralized and top-down decision making can erode the autonomy of regional states, which at present enjoy considerable self-rule, and increasingly pass on more authority to the central government at the expense of the Regions. While it may be argued that such a power shift is inevitable because it is the central government that has the resources and the capacity to spur economic growth, the political ramifications that can be produced on the federal arrangement must be appreciated (Aalen and Asnake 2012; Asnake 2011).

Equally important, the launching of the GTP has rekindled the debate on state-led development in Ethiopia in particular and in the African context in general. Among other things, this has meant the question of the potentials and limitations of the state to deliver sustainable growth have become important academic and policy issues. A relatively recent dimension to this debate has also been the notion of what is commonly referred to as the 'developmental state', viz. a state with a singular focus on economic growth but one that will have to delay the process of political democratization in the interests of fast-track economic transformation (Asnake 2011; Meles n.d.). This state paradigm is presented as the anti-thesis to the Western neo-liberal state model, which advocates a limited government role in the economy, and thus not relevant for a country such as Ethiopia.

In recent years, the developmental state model has also been gaining in popularity among some African countries, including Ethiopia. Since Ethiopia's GTP assigns considerable role for this kind of state, it is this paradigm that will be used as a point of departure for discussing the Plan. As a prelude, however, a brief historical review of the role of the African state in the economy is in order to provide a proper context for the subsequent discussion on the current Ethiopian experience.

The African state and development: brief historical review

Africa's mode of development vis-à-vis the role of the state has traversed through many winding roads. Starting in the 1960s, which saw a wave of decolonization, there was a rising expectation in the ability of African governments to build strong economies. The direct result was an expanded role for the African state in economic activity in addition to its traditional responsibility as a provider of public goods and services. This trend continued well into the late 1970s until it became gradually clear that the African state had failed to deliver economic growth and proved incapable of providing public services efficiently and equitably. The multi-faceted crisis governments faced, including economic stagnation, political instability, widespread poverty and malfunctioning public sector institutions, strengthened the call for change to reduce the size and scope of the state.

The early 1980s saw increasing disillusionment with the poor track record of the African state in economic growth and its inability to address the intractable problems of poverty and underdevelopment. As a result, calls for the shrinking of the state and its total withdrawal from economic management were advocated vocally, particularly by multi-lateral aid institutions like the World Bank and the IMF (World Bank, 1981). The recommendations came in the form of structural adjustment programs (SAPs), which consisted of a package of prescriptions aimed at curtailing the role of the state, and included: (i) reduction of public expenditure;(ii) increase in domestic savings; (iii) reduced role of the state in economic planning and management; (iv) rationalization of the public services; (v) liberalization of the economy; (vi) promotion of exports; and (vii) promotion of foreign direct investment through extensive concessions to foreign investors (Chary 1989; Rose 1985). It was assumed that these steps would give more space and initiative to the private sector to play a more active role in manageing the economy. However, judging from the majority of the countries that adopted the program, the private sector did not assume the leadership role of the economy.

Structural adjustment programs (SAPs) of the 1980s had a devastating impact on African economies and societies. To downsize the state, massive layoffs of public servants were undertaken and this caused a great deal of social pain. Governments were compelled to cut subsidies and reduce budgets for critical public services, which aggrvated the poverty situation in urban and rural areas. Loss-making or inefficient public enterprises were either sold off or closed down altogether thus causing not only decreased economic activity but also exacerbating joblessness. Because of the reduction in public expenditure as stipulated by the programs, poorly paid and demoralized civil services became the order of the day; schools were left without textbooks; hospitals and other health facilities lacked supplies to treat patients. Physical infrastructure, including roads, bridges, ports and other communication facilities were in disrepair because governments did not have the money to keep them running (Ihonvere 1991).

As the 1990s unfolded, all the ills and manifestations of the 'broken state' were attributed to the African state because of its inability to deliver development, and this precipitated calls for the 'rolling back of the African state' (Chary 1989; Laird 2007). Apart from the economic crisis that followed, much of the anti-state backlash was triggered by the resurgence of neo-liberal development thinking sweeping the West following the Reagan-Thatcher era of the early 1980s and the collapse of the Soviet Union. Many of the multi-lateral aid institutions like the World Bank, which are highly influenced by the ideological hegemony of the major western powers, jumped on the bandwagon and denounced the African state as ineffective (World Bank 1981; Rose 1985). Since then, the politics and practice of development vis-à-vis the state has taken several twists and turns, vacsilitating between a reduced role vs an enhanced role for government in the economy (Evans, et.al. 1985).

Revived thinking around the developmental state

Development thinking about the size and role of the state in economic management began to change towards the end of the 1990s. This came in the form of the so called 'developmental state'. This marked an important paradigm shift in development management, and ushered in a renewed notion about the need for proactive state intervention in economic development and transformation. In a way, it represented a rejection of the neo-liberal approach to development, which views the state as a referee to facilitate and create a conducive environment for the non-government sector to act as an engine of growth.

The inspiration for the paradigm shift that accentuates the role of an activist state in economic transformation came from the experiences of the Asian nations, such as Japan, South Korea, Thailand, and Malaysia. The theoretical and academic underpinnings of this turnaround originated from the pioneering work by Chalmers Johnson, who was probably the first to initiate an academic debate on the developmental state (Johnson 1982; Chang 1999). His conception of this kind of state was one which vigorously promotes economic growth, and takes appropriate policy measures to spur the process. Subsequent works pushed the discourse further by underscoring the fact that a developmental state, as was witnessed in Asia, was the only feasible approach to bring about economic transformation and defeat poverty in much of the developing world (Vu 2007; Meyns & Musamba 2010).

It must be underscored, however, that the Asian mode of the developmental state encouraged the active involvement and growth of the private sector in the economy by putting in place supportive policies and providing incentives. The experiences of some countries, such as South Korea and Taiwan suggest that apart from creating suitable conditions for the private sector, direct state management and ownership of the economy was somewhat limited. In other words, in all these countries, the state never worked to replace the sector but worked side by side to support its growth. It can also be argued that given the experiences of these countries, government or state involvement in the economy and private sector participation are not mutually exclusive (Song 2003; Kohli 2004; Noland 2005).

The developmental state approach has strong adherents as well as critics. As indicated elsewhere in this paper, proponents argue that the developmental state is the perfect alternative to its neo-liberal counterpart because the former addresses the agenda of the developing world for rapid economic growth. They admonish the classical neo-liberal state as a purely Western notion that is out of place in addressing the needs for accelerated economic growth in the emerging world. This kind of state might have worked in the past but under a different set of circumstances and in a different historical context. Hence, many question the efficacy of the neo-liberal state in transforming developing economies, and insist that there is sufficient justification and historical experience for the developmental state model to be relevant in transforming the structure of developing economies struggling to grow and improve living standards for their peoples (Meles n.d., Mkandawire 2010; Meyns & Musamba (eds) 2010).

Politically, the Asian nations that followed the developmental state paradigm, except Japan, were not said to be democratic as such, at least in the initial stages of economic takeoff. But, most of them gradually conceded to multi-party politics and became progressively democratic as the economies progressed (Slater & Wong 2012).

In the Ethiopian case, the official line is that the country pursues a democratic developmental state model. Whether this state will be able to follow a democratic path and attain development akin to the experiences of Japan and South Korea is open to debate. Simply put, in the Ethiopian case, there has been little prospect so far of marrying the two---development and democracy at the same time. Many signs so far indicate that the space for participatory and inclusive governance by non-state actors, such as civil society organizations (CSOs) and other socio-economic groups, has been gradually narrowing as the economy continues to show signs of improvement. The recent CSO and press laws, which came out in the guise of regulating these non-state actors, as well as other controversial legislations that the Government introduced since the controversial 2005 elections can be cited as cases in point.

The developmental state model particularly in the African context has drawn criticisms. Skeptics contend that the African model of the developmental state lacks certain requisite elements to be effective. First, the state is perceived as weak in its organization and lacks the political power to preserve its autonomy from powerful vested interests, which may try to subvert its ability to exercise independent decision making. This argument goes in line with the thinking that the developmental state model can be pursued in an authoritarian political order.

In addition, the absence of adequate institutional resources, such as an efficient, competent and professional public bureaucracy to carry out a program of accelerated economic transformation is said to be another weakness of the African developmental state. This is sordidly lacking particularly in Africa, where civil services are highly politicized and riddled with corruption and incompetence. In the absence of this critical factor, the notion of a developmental state becoming a reality is a remote possibility. The current political praxis of the Ethiopia state suggests that the system cannot be immune from this observation (Ghelawdewos 2013). In other words, in the Ethiopian case, the state has narrowed the space for the engagement of civil society, opposition parties and, to some extent, the private sector, and hence one may say the autonomy of the state is preserved—albeit under an authoritarian political order.

A more stringent criticism of the developmental state is its poor track record in political democracy and its entrenched authoritarian character. When confronted with this contention, proponents of this state model provide a justification by arguing that opening the democratic space can delay the process of rapid economic transformation because the state will be compelled to share its power of decision making with different forces vying for control of the policy space. Simply put, economic determinism is the driving force behind the developmental state with political democracy relegated to a second degree or even postponed indefinitely until economic progress is achieved. This has also been partially the case in the historical experience of north-east and south-east Asian nations, for example South Korea in the 1980s, although it has recently been revealed that these countries gradually opened up avenues for democratic governance as economic growth gained momentum (Slater &Wong 2012; Slater 2012).

Another criticism leveled at the notion of the developmental state and one which is an offshoot of its authoritarian character is its antipathy towards civil society and other independent societal actors. It is in the nature of this kind of state to reject effective partnership among the state, the private sector and civil society or other independent organizations unless such a relationship guarantees the dominance of the former over all other democratic forces. The extreme view is that this predisposition of the developmental state can pose the danger of becoming a 'Trojan horse' for authoritarian rule and delaying democratic governance**.**

As earlier noted, safeguarding the autonomy of the state and its unfettered decision making and implementation process in order to speed up economic growth are presented as justification for a strong non-democratic 'developmental state'. Nevertheless, this kind of argument for a monolithic, strong authoritarian state does not hold water because for economic growth to be sustainable and equitable, there is no alternative to a democratic, participatory and all-inclusuve governance apparatus. Equally important, in diverse and heterogeneous states such as Ethiopia, what is needed is a decentralized and accommodative policy space that allows for maximum participation by all significant societal forces, including political or ethnic-based organizations and non-state actors.

In addition, the argument that the development state must be an interventionist and domineering institution over all societal actors runs contrary to the principles and practices of participatory governance. From the perspective of democratic governance, it is strongly argued that the modern state must provide a platform for the active involvement of non-state actors in the process of policy making and implementation as well as nation building. This practice will enhance the people's trust in government and also make public institutions accountable and responsive to the needs and interests of citizens. In other words, the state should be open to feedback, and encourage tolerance and diversity of views in politics and economics as a litmus test of its legitimacy and acceptance by its own citizens (Gelawdios 2013; UNDP1999).

The preceding discussion on the developmental state is intended to serve as a framework for assessing the performance of the GTP so far and its future prospects. As hinted earlier, this is necessary because the plan envisages a predominant role for the state to transform the Ethiopian economy. As such, this developmental state paradigm is the proper context for discourse on the growth strategy the country has adopted, and the opportunities and trends that arise from it.

Ethiopia's GTP: main contents and salient features

As a formal development plan, the GTP is comprehensive and the planning is made for both the federal government and the regions (MoFED 2010). It is an extremely important document that contains considerable data and reasonably good analysis on the current state of the Ethiopian economy and its future prospects.

While no attempt will be made to cover the full range of the contents of this document, selected indicators and factual data will be employed to assess the current economic performance against the targets set to be attained during the Plan's 5-year period. Equally important, this kind of approach can help in raising policy issues that can stimulate further debate on short-and long-term development opportunities and challenges. In addition, given the significance of the GTP, this kind of debate can generate practical policy ideas that can assist its effective implementation.

++++From an institutional perspective, the Ministry of Finance and Economic Development (MoFED) is the main executive body that is in charge of the GTP. It has been assigned the task of spearheading the preparation and implementation of the plan, while other sectoral ministries and agencies are at the same time made responsible for executing specific programs and functions relating to their mandate both at federal and regional levels. In addition, some regional governments have also recently started to prepare and implement their own development plans within the framework of the federal GTP (ANRS, 2003-2007 Eth. Calendar; TNRS, 2003 Eth. Calendar).

In addition to providing socio-economic targets to guide action, the GTP also lays out overarching multi-sectoral goals that are envisaged to be achieved during the Plan period. When effectively implemented, these will enable the country to build organizational and human resource capacity for long term growth as well as address cross-cutting concerns deemed necessary for inclusive and participatory development. The main ones listed as pillars of the strategy are the following (MoFED 2010, p.6):

- Building all-inclusive implementation capacity;
- A massive push to accelerate growth;
- Creating the balance between economic development and population growth;
- Unleashing the potentials of Ethiopia's women;
- Strengthening the infrastructure backbone of the country;
- Strengthening human resource development;
- Managing risk and volatility; and,
- Creating employment opportunities.

As a substantive economic policy paper, the GTP is a litmus test of the determination of the Government to change the structure of the economy by putting the country on a fast tracked development trajectory. As indicated earlier, it covers the period 2010/11-2014/15, and comes on the heels of two preceding development plans aimed at poverty reduction and revitalizing the economy for further growth. These were the Sustainable Development and Poverty Reduction Program (SDPRP), which was finalized in 2002, and the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), which was implemented from 2005/06-2009/10. The SDPRP primarily focused on poverty reduction as a priority national agenda while the PASDEP was mainly intended to lay the ground work for the attainment of the Millennium Development Goals (MDGs) by 2015 (MoFED 2010). Important economic gains have been registered following the implementation of the two previous plans, and this has no doubt emboldened the Government to come up with high targets under the GTP.

The SDPRP was initiated at the behest of the major aid providers, viz. the World Bank and IMF, which encouraged governments in poor nations to produce poverty reduction programs. These were at the time popularly known as poverty reduction strategy programs (PRSPs). As with many other developing nations, these two organizations required that the Government of Ethiopia prepare a strategy committing itself to poverty reduction in exchange for debt relief and concessionary lending under the Highly Indebted Poor Countries (HIPC) scheme (Bijlmakers 2003). Accordingly, the Government produced the SDPRP as a sign of its commitment to reduce poverty. Apart from its poverty reduction goal, the SDPRP also had included programs in key areas, such as the Agricultural-Development Led industrialization (ADLI) program; civil service and justice system reform; capacity building at federal and regional levels; and governance, decentralization and empowerment (Amdissa 2006). Most of these program components were supported by the country's bi-lateral and multi-lateral development partners because these measures will help to build institutional and governance capacity for sustainable economic growth.

One of the positive lessons from the preparation of the SDPRP was that it involved extensive consultations by citizens, civil society organizations, the private sector, professional associations and the wider public. This helped to enhance public participation and a sense of ownership of the program. Government support for public involvement also facilitated wide consultations at regional, *woreda* and community levels This kind of public engagement had the effect of widening the policy space and helped government to be responsive to the needs of its citizens. It also provided an opportunity for non–state actors to provide inputs to the program[1]. Unfortunately, this tradition did not continue with the same vigor in the preparation of subsequent development plans, including PASDEP and the GTP.

The PASDEP, which run from 2005/06-2009/10, capitalized on the lessons drawn from the achievements and experiences of the SDPRP. Its main focus was on laying the foundation for accelerated economic growth and consolidating the gains under the previous plan. Although the main focus was economic growth, the plan has also identified hitherto unaddressed but critical areas of development that needed to be given particular attention, including creating the balance between economic development and population growth; managing risk and volatility; creating employment opportunities; and unleashing the potentials of Ethiopia's women (MoFED, 2010).

The successes attained during the SDPRP provided a springboard for setting ambitious targets under PASDEP. This was done under what the Government termed 'two alternative case scenarios': base-case scenario and high-case scenario. According to the Government, PASDEP had been highly successful in both assumptions, and the progress gained steered the economy on a path towards a high growth course. According to Government data, real GDP grew at an average of 11 per cent per annum between 2005/06—2009/10. During the same period, agriculture grew by an average of 8 per cent, industry by 10 per cent, and services by 14.6 percent per year (MoFED 2010). If these high growth rates are maintained in the long run, the Ethiopian economy will certainly see a period of strong growth and significant structural change.

Despite PASDEP being hailed as a success, the Government has experienced serious constraints in implementing the plan. Two of these critical problems were said to be the high inflationary pressure that affected macro-economic stability and the low level of domestic savings that was unable to support the huge demand for investment in infrastructure and key growth sectors (MoFED 2013). As will be explained later, these two development problems were not fully addressed during the GTP, and are bound to affect prospects for the country's overall economic growth and poverty reduction in the years ahead. Lately, the Government has been taking a series of measures to deal with these problems but so far the attempts have been only partially successful.

From a policy making perspective, what is significant about PASDEP is that like its predecessor the SDPRP, it was largely government-led and followed a top-down approach to development planning. In other words, in comparison with the SDPRP process, there was limited public consultation in the planning process and the contribution from important non-state actors, including

[1] The author was a participant in some of these public consultations.

representatives from civil society and the private sector, was far less than expected. As reiterated elsewhere in this chapter, genuine public participation in the policy process promotes trust and legitimacy in governance and also provides for inclusive, broad-based development. In addition, it will assist the government to consider different alternatives in attaining policy goals while earning public support for its programs. As such, it is absolutely necessary to institutionalize a political culture of participatory development and governance to ensure successful outcomes, and enhance the impact of development plans and government programs.

In this connection, it must also be noted that carrying out genuine participation is problematic. Normally, democratic and competitive elections and non-state actors ensure genuine participation. In the absence of a democratic culture, public participation may be carried out for formal and populist reasons without substance. Simply argued, the political landscape must nurture a culture where there are competitive elections and non-state actors' views are expressed freely and a culture of public participation is embedded in the policy process. This consideration will be taken up in assessing the strengths, opportunities and trends observed in the GTP.

The GTP: overview of targets, achievements and trends

As was indicated elsewhere in this chapter, the GTP is Ethiopia's ambitious plan aimed at putting the national economy on a fast-track growth trajectory. This plan is inspired by the significant growth attained in the economy under the two previous plans, i.e. the SDPRP and PASDEP. GTP is planned to be implemented over a 5-year period between 2010/11-2014/15 and is now in its third year. Several issues are being raised about the outcomes attained so far and the prospects that lie ahead, which I will attempt to address.

Contrary to government claims, unlike the SDPRP, there was not much public participation in the process of preparing the GTP (MoFED 2010). As a result, the plan was largely government dominated and followed a typical top-down approach. There was some public consultation with the country's major aid providers as represented by the Development Assistance Group (DAG) (Geul 2013). In addition, there were also some limited public participation at the regional and *Woreda* levels, but these were largely formal and did not have any substantial impact because Government views invariably prevailed (Amdissa, 2006).

The GTP has two broad objectives. First, it aims to bring about sustained and broad-based economic growth that will result in making Ethiopia a middle-income country by 2025. According to the World Bank, a middle-income country is defined as one with a gross national income (GNI) per capita of around USD 1,430 (World Bank 2013). In 2011, Ethiopia's gross national income was estimated at USD 93.75 billion PPP, which would mean a GNI per capita of USD 1105 for a population of about 85 million. This figure points to the possibility of Ethiopia attaining the middle-income status within the medium-to-long-term time frame if current growth rates are maintained. In contrast, the comparative figure for Kenya with about half Ethiopia's population stood at about USD 71 billion PPP or GNI per capita of USD 1775 in 2011. This is significantly higher than the Ethiopian GNI per capita, which means that the country still needs to do more to match the successes of its next door neighbor.

Furthermore, if Ethiopia's record is compared with other big African countries, significant gaps can be observed. For example, Nigeria with a much bigger population had a gross domestic product (purchasing power parity) estimated at USD 448 billion in 2011, which is nearly five times that of Ethiopia. Egypt with a somewhat similar population size had a gross domestic product of USD 537 billion (purchasing power parity) during the same period. This is nearly six times that of Ethiopia (Global Finance, 2011 a &b). These comparative figures underscore the need for more concerted action to accelerate growth; they also serve as another sober reminder that there is no better alternative to effectively implementing bold and grand economic designs, such as the GTP.

The second goal of the GTP is to change the structure of the national economy from one of predominantly agriculture-based to industrial and services led. An important requirement in this transition is the modernization of the agricultural sector through the use of large-scale commercialization and modern technology and inputs to increase farm output. Related to this is the imperative for fast-track development of the industrial and service sectors of the economy by encouraging private domestic and foreign investment by offering incentives. This measure will certainly help to develop the productive sector and place the economy on a strong footing for long-term, accelerated growth. In the final analysis, the attainment of middle-income country status and structural transformation of the economy will significantly reduce poverty and raise living standards for the vast majority of Ethiopians.

Taking 2009/10 as the base year, the GTP sets targets under a base-case and high-case scenarios. Under a high-case scenario, total real GDP is projected to grow at an annual average of 14.9 percent per year over the Plan period. As can be observed in Table 1 below, the growth rate for a base-case assumption is set at a yearly average of 11.2 percent for the economy as a whole. Achieving these high targets will certainly alter the economic landscape of the country and make it the economic powerhouse of eastern and central Africa. The annual average growth rates of the major sectors of the economy under two alternative scenarios is provided in Table 1 below.

Table 1. Real GDP projection under base-case and high-case scenarios

Sector	Base Year (2009/10)	Five Year Average (2010/11-2014/15)	
		Base Case	High Case
Agriculture and allied activities	6.0	8.1	14.9
Industry	10.2	20.0	21.4
Services	14.5	11.0	12.8
Real GDP	10.1	11.2	14.9

SOURCE: MoFED 2010

As can be observed from the Table, the growth rates for agriculture and industry will more than double during the Plan period. Growth in agriculture is projected to rise from 6.0 percent per annum during the base year to 14.9 per cent per annum under the high-case scenario. Industry is set to grow from 10.2 percent achieved during the base year to a high of 21.4 percent under the GTP's high-case scenario. The services sector is also projected to grow at a high rate, although slightly smaller than the base year. As will be explained later, it is these yardsticks that will be used as benchmarks to assess the progress made in achieving the GTP targets.

The GTP has a major strength: it is multi-sectoral and broad-based. In other words, it identifies key macro-economic and strategic sectors as principal areas of focus during the Plan period. This range of development priorities includes a long list of macro-economic indicators and strategic sectors, including agriculture, industry, infrastructure development, urban development and housing, and education and health. Targets to be attained during the Plan period have been set for all these sectors. These will be used for benchmarking progress in implementation and review. Target data for some selected indicators are provided in Table 2.

Table 2. Selected socio-economic and infrastructure targets to be attained under the GTP

Indicator	2009/10	2014/15
Per capita GDP at current market prices (USD)	401	698
Total poverty Head Count (percent)	29.2	22.2
Coffee exports (tons)	319,647	600,970
Sugar production (000 ton)	17,712	42,516
Electricity coverage (percent)	41	75
Road network (kms)	49,000	136,000
Number of housing units	213,000	700,000
Government higher institutions intake	185,788	467,000
Under-5 mortality rate (per 1000)	101	67

SOURCE: MoFED, 2010.

The above data represent high profile growth targets, but their attainment begs several questions. Are these targets realistic and achievable during the plan period or are they intended to garner public support for government and mobilize the people? Or, alternatively, has the government deliberately set the plan targets so high to elicit commitment and participation by relevant stakeholders, including Ethiopia's development partners? Does the country have the necessary institutional capacity and financial resources to implement this grand plan? What is the government counting on to get the massive finance required to attain these big targets, particularly for implementing the huge investment plans for some big industries, for example in the sugar sector, and the ambitious infrastructure projects in roads and railways? Have any specific measures or strategies been spelt out with regard to financing in the Plan?

To answer these and other related questions, it is necessary to assess the progress made so far under the GTP during the past three years. This will be done by comparing actual achievements with Plan targets for different economic and social sectors. This assessment will provide an indication of the prospects of fully attaining the plan targets during the specified period. Equally important, it will also help to identify major challenges that might have slowed progress so far and the corrective measures that need to be taken to ensure the successful implementation of the Plan.

Achievements

It has now been three years since the Government launched the GTP. Within this period, many assessment reports on the successes gained have been prepared by it and its development partners, such as the World Bank. Often, reports published by the Government and bi-lateral and multi-lateral organizations, which support the country's development endeavors, vary, sometimes significantly (IMF 2006; IMF 2011). It is important to note here that the differences are more pronounced on substantive policies or further corrective measures that need to be taken than on actual indicators of performance. For example, while the World Bank argues that the GTP has the effect of crowding out the private sector and the tendening towards state monopoly of economic activity, the Government disputes this and asserts otherwise insisting that the Plan has actually helped to expand the scope and role of the sector as an active partner in development (World Bank 2013)[2]. The Bank's position is partially supported by the Ethiopian private business community who often complain about the privileges and preferential treatment given to state monopolies and party-owned companies, and, to some extent, foreign investors. The bias is most often observed in important decisions in awarding government contracts, bank loan concessions (which favor foreign-owned businesses) and foreign exchange allocations (*Reporter*, Hamle 10, 2005 Eth.Calendar.)

On the whole, the government seems to be pursuing a somewhat inconsistent policy towards the private sector. On the government side, the criticism directed at the sector is that it is obsessed with a 'quick rich' mentality mainly operating in the import and export trade and services. Industrial development from which benefits are reaped in the long-term are deliberately avoided. For its part, the private sector accuses the government of being biased towards state owned businesses and public enterprises with many of the privileges, such as foreign exchange allocations and public contracts, going to the later. In addition, while the private sector is encouraged to engage mainly in the textile and leather manufacturing sector, the Government retains monopoly over mechanical and engineering fields--a fact cited as an example of discriminatory practice by the public sector (IMF 2010).

Varying accounts about the successes attained under the GTP have been provided by different sources. On the whole, however, there are areas in which significant progress has been made in terms of meeting targets while there are also concerns about the attainability of certain goals. Generally, the Government is fairly optimistic about the overall direction of the GTP in transforming the

[2] Recently, Prime Minister Haile Mariam Dessalegn asserted this at a consultative meeting with private businessmen in Addis Ababa.

Ethiopian economy and bringing about sustainable and broad-based growth. The successful implementation of the Plan will, it is argued, bring down poverty levels, improve living standards for a substantial segment of the population, and help the country achieve the MDG targets (MoFED 2013).

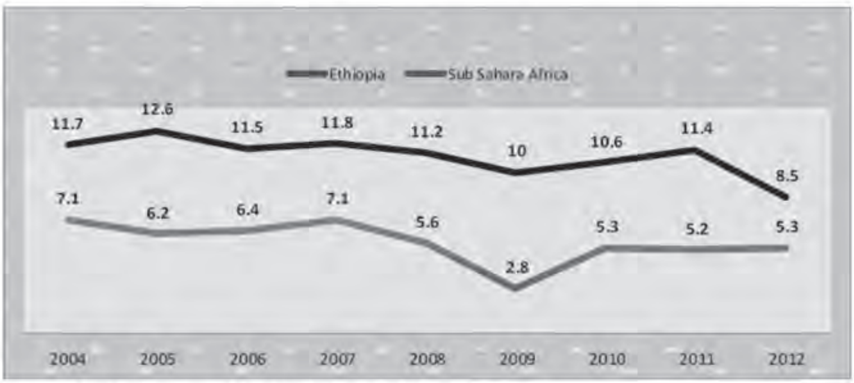
On the other hand, skeptics contend that the plan is too big to be attained in so short a period of time, and is broad and lacks specifics, particularly on financing and investment required for big schemes, such as the planned mega sugar industries or the Grand Renaissance Dam. Hence, they argue that some of its important targets may not be realizable during the Plan period. They cite low-level savings, the diminished role of the private sector, less than projected growth in agriculture, and shortage of investment finance as major constraints that can militate against the full realization of the GTP (World Bank 2013; MoFED 2013).

Based on analysis of the performance of the GTP over the past three years, there have been marked improvements in the overall economy. This can be largely attributed to the success of the GTP registered so far. At the same time, there are also shortcomings that the Government has to address to ensure the successful implementation of the Plan within the remaining period. Selected macro-economic indicators will be used to lend credence to this argument.

According to the Government, for example, in the first two years of the GTP, the national economy grew by an average of 10 percent. This is said to be slightly lower than the projected growth of 11.1 percent for the first two years of the GTP and 11.2 percent annual growth rate projected for the entire 5-year GTP period. According to Government projections, the growth is expected to slip down to 8.5 percent per year in 2012. This is said to be by far better than the 5.3 per cent growth rate achieved in Sub-Saharan Africa during the same period . Figure 1 provides a summary of the growth projections forecast by the IMF and the Ethiopian Government.

The Government asserts that the country has been able to maintain an average annual economic growth rate of 11 percent over the last nine consecutive years between 2004 and 2012. While one can agree with this claim, it can, however, be observed, as shown by Figure 1 above, that the rate of growth is showing a declining trend between 2004-2012. There can be two possible implications for this phenomenon. Firstly, one can say that the growth rate reached its peak in 2004 and gradually declined. Secondly, a related and perhaps more important observation may be that the slowing trend over the years may give rise to concerns that the high growth rate may not be sustained in the long run. This is perhaps a more important concern because it will impel the Government to take new and proactive measures to maintain the momentum

Figure 1. Real GDP Growth Rate (in Percent)



Source: IMF SSA Report and MoFED. SSA excludes South Sudan

By many standards, Ethiopia is a very poor country and one of the most aid-dependent in the world. According to UNDP, it stood at 173 out of 187 countries in terms of its Human Development Index (HDI) in 2010/11 (UNDP 2011). Hence, an important variable to assess the success of the GTP is its impact on poverty reduction. According to Government data, the percentage of people living below the poverty level has declined from 38.7 per cent in 2003/04 to 29.6 per cent in 2010/2011, and is expected to go down further to 27.6 per cent in 2011/2012. Urban unemployment has declined from 18.9 percent in 2009/10 to 18 per cent in 2010/11, and is expected to decline further to 17.5 per cent in 2011/12. The percentage of the urban poor is said to have declined from 35.1 percent in 2004/2005 to 25.7 percent in 2010/2011, and that of the rural poor from 39.3 percent to 30.4 percent during the same period (MoFED 2013). This success is attributed to massive expenditures in pro-growth and pro-poor economic sectors and investments in social services, particularly in education and health. To back up the claim, the Government has reported that of the total spending in 2011/12, about 70.4 percent went to growth-oriented pro-poor sectors (MoFED 2013).

The Government also points to improvements in domestic savings as a sign of progress derived from the GTP, although this is again disputed by the World Bank. In this regard, the target was to raise the savings rate to 15 per cent of GDP during the Plan period. In actuality, domestic savings has gone up from 5.2 per cent in 2009/2010 to 12.8 per cent in 2010/2011, and is projected to increase to 16.5 per cent in 2011/2012 (MoFED 2013; Sufian Ahmed 2013). As hinted earlier, this is is questioned by the World Bank. According to a recent

World Bank report, Ethiopia's savings rate is at its lowest in 30 years declining from 10 per cent of GDP in the 1980s to 6 per cent of GDP in 2000s (World Bank 2013).

Comparison of plan targets vs performance

In conventional planning, trend analysis in the interim is often used as a tool to provide some indication as to the prospects of achieving the full targets at the end of the plan period. By the same token, to better assess the progress achieved so far and predict the likelihood of fulfilling all GTP goals in the remaining plan period, data for selected economic indicators comparing actual performance during the initial two years with targets for the plan period taken from the Plan and the annual progress report have been analyzed (MoFED 2010; MoFED 2013. The details are presented as follows:

- Tax to GDP ratio has been planned to be 15 percent during the GTP; actual performance has been 11.6 percent and 11.7 percent in 2010/11 and 2011/12 respectively. This suggests that actual achievement has been falling, slightly, below the target.
- In fiscal year 2011/12, GDP at current market prices grew by 45.6 percent. This is said to be higher than the growth rate of GDP at current market prices registered a year earlier, which was 33.5 percent. It needs to be pointed out, however, that much of this high level of growth was induced by the inflationary pressure the country has been experiencing in recent years.
- Despite a significant rise in total exports, the deficit in merchandise trade widened by 43.6 percent to USD 7.9 billion in 2011/12 from USD 5.5 billion in 2010/11. This will call for robust measures to encourage exports.
- It was projected that the country would gain USD 644.2 million in revenues from industrial sector exports in 2011/12, but the actual was USD 255.4 million or about 40 percent of the target during the fiscal year, which suggests a review of the country's industrial policies.
- 47 per cent of the total target for federal and regional roads have been constructed in the first two years of the GTP period, i.e. 2010/11 and 2011/12. This provides some optimism that the target can be met within the remaining three years if the momentum is maintained.

- 14.3 per cent of the total woreda all weather road has been constructed in the first two years, i.e. 2010/11-2011/2012, out of the total set under the GTP's 5-year period, i.e. 2014/15. This is a rather low performance and casts doubt on achieving the full target in the remaining three-year period.
- Over the past two-three years, inflation has been in double digits, i.e. in 2010/11, the average annual price growth rate has been 18 percent; and this was said to have gone up to 34.3 percent in 2011/12. This has eroded living standards and caused social pain. Hence, reconsideration of policies to slow down the rate of inflation becomes an absolute necessity.
- Total government revenue during 2011/12 was 19.3 percent higher than the GTP target for the fiscal year, and 35.1 percent higher compared to the total government revenue of 2010/11. This success record needs to be maintained over the GTP period.
- According to the Government, since the launch of the GTP, per capita income has increased from USD 377 in 2009/10 to USD 387 in 2010/11, and further to USD 513 in 2011/12. It is necessary to examine what policy factors contributed to this success so that the momentum for improvement can be maintained.

In addition to the preceding narration, Table 3 below provides data on achievements for the past two years and the targets for selected socio-economic indicators by the end of the Plan. This will provide a reference point for further analysis of the GTP and the necessary policy options that need to be taken to insure the full success of the Plan.

Table 3. Comparison of actual performance of GTP with plan targets for selected macro-economic and sectoral indicators

Indicators	2010/2011 Performance	2011/2012 Performance	GTP Target..2014/2015
Real GDP Growth Rate (percent)	11.4	8.5	11.4
Per Capita GDP at current market prices (USD)	387	513	523
Sugar Production (000 ton)	0.28	0.26	2.25
Leather and leather products (in mill. USD)	104.1	112.1	496.87
Textile and garment industry export (in mill. USD)	62.2	84.6	1000
Total poverty-oriented expenditure as	12.3	11.9	17.3

percentage of GDP			
Export of goods and non-factor services as percentage of GDP	17.0	14.0	22.5
Total poverty head count (percent)	29.6	27.6	22.2
Food poverty head count (percent)	33.5	32.7	21.2
Growth of agriculture value added (percent)	9.0	4.9	8.7
Number of PSNP beneficiaries (mills.)	7.7	7.6	1.3
Growth rate of industrial value added (percent)	15.0	13.6	23.7
Total road network (000 kms)	63.1	56.2	64.5
Potable water coverage (percent)	52.12	58.25	98.5
Primary school net enrollment ratio	85.3	85.4	100
Higher institutions intake capacity	444,553	491,181	467,444
Primary health services coverage (percent)	96	93	100
Infant mortality rate (per 1000)	59	--	31

SOURCE: MoFED 2010

From Table 3, the following important observations can be drawn:

- As indicated in the report annual progress report (MoFED 2013), real GDP growth rate has slowed down from 11.4 percent in 2010/11 to 8.5 percent in 2011/12. Since this is an important macro-economic indicator, changes observed in this respect point to growth prospects of the economy, and, equally important, the possibility of achieving the GTP targets.
- A particular area of concern in the GTP's performance is the noticeable decline in the growth of agriculture. Between 2010/2011-2011/2012, the annual average growth of the sector declined by a significant margin, i.e. from 9.0 percent to 4.9 percent. Given the reality that agriculture is a key sector of the economy contributing significantly to GDP and employment, this is a worrying sign about the possibility of achieving the growth target by the end of the Plan period.
- In certain industry sectors, such as sugar production, exports of textile, garment and leather products, the rate of progress achieved over the past 3 years compared to the Plan is relatively small. Hence, this may be one area which needs corrective action by policy makers in order to ensure the successful implementation of the GTP.

- A less-than-expected performance is also observed in the export trade sector. Between 2010/11 and 2011/12, the growth of this sector declined from 17.0 percent to 14.0 percent. Given this, the projected target of 22.5 percent by the end of the GTP period looks like an unlikely possibility---a situation that calls for policy action.
- A decline in the number of Productive Safety Net Program (PSNP) beneficiaries, which is one indicator of improved livelihood security, does not show much improvement by the end of 2011/2012, i.e. a decline of 100,000 over a two year period –from 7.7 million to 7.6 million. From this assessment, it is difficult to extrapolate that the number will go down to 1.3 million beneficiaries in 2014/15.
- Given the rate of progress so far, some GTP targets may not be achievable at the end of the Plan period. A case in point is potable water coverage whereby it is expected to nearly double by the end of the GTP from its base year achievement of 58.25 percent in 2011/12. This seems highly unlikely given the rate of progress over the past 3 years.
- Higher institutions' student intake is an area in which there is a noticeable success in achieving GTP targets. Indeed, according to the data, this improve improvement suggests that gains scored so far will surpass projected expectations by the end of the plan period. Despite the achievements in numbers, however, the question of quality of education at the tertiary level continues to be a matter of serious policy concern.
- In the education and health sectors, there has been significant progress. In particular, primary school net enrollment and reductions in infant mortality rate show notable successes. Gains in these sectors are important to the extent that they can predict the country's ability to achieve the Millennium Development Goals (MDGs).

To sum up, the record of achievement of the GTP during the first 2-3 years is generally mixed, and in some instances exaggerated. This calls for a serious discourse on what policy options are available to guarantee the full success of the GTP in the remaining Plan period. In addition, it is also necessary to identify possible factors, both internal and external, that might have contributed to the less-than expected performance. The main intent of such an exercise is to provide inputs either for reshaping some policies or revising selected targets for the purpose of guaranteeing successful outcomes at the end. It will also help to draw lessons that can be put to good use in future national planning.

Challenges

Slowing down of agricultural growth

Agriculture is a key sector of the Ethiopian economy. It makes significant contribution to GDP, employment and is the source of livelihood for a large segment of the Ethiopian population. Over the past few years, its growth has been sluggish, and this can affect the overall national economy, including the implementation of the GTP. The slowdown may have been caused by several factors, ranging from natural factors, such as rainfall and erratic weather patterns, to government policies, such as accessibility and ownership rights related to land, supply and affordability of fertilizer inputs, etc. It is necessary to conduct a careful diagnosis of these and other policy elements for the purpose of identifying measures to increase agricultural production.

The inflation challenge

Over the past two years or so, a high inflation rate has been a persistent challenge for the Ethiopian Government. Sometimes, the problem has hit double-digit levels sending shockwaves throughout the economy and causing steep price increases. It has produced severe impacts on living standards and people's incomes. Some argue that this is primarily caused by high inflationary pressure that resulted from heavy expenditure and rising demand.

The Government has taken some measures to bring prices down, and intervened in the market by supplying essential commodities at reduced and subsidized prices. This might have eased the situation somewhat, but, the impact has been temporary as inflation is again observed to be creeping upwards. This suggests that further work is needed to bring down the price inflation and mitigate its adverse impacts on people's living standards.

The lag in industrial development and exports

According to Government data, the export and industrial sectors have not performed as planned. This should be a matter of serious policy concern because it can affect Government plans to change the structure of the economy from agriculture- and rural-based to industry and services-based. This situation calls for proactive measures to help the sectors grow through various measures, including encouraging more investment by domestic and foreign businesses, providing additional incentives, easing regulatory requirements and making the bureaucracy less burdensome to new business start ups.

The need to support the domestic private sector

The GTP has enabled the state to emerge as a major player in economic growth. While this may not be an undesirable development on its own, its unintended consequence has been the dwarfing of the domestic private sector. There is the urgent need to reverse this situation by reviewing the current overarching policy of state monopoly and helping the private sector, which should be driven by competitive market forces, to become a more effective partner in economic growth. This can lay a strong foundation for an effective public-private partnership in economic growth.

In this connection, an important consideration is the fact that the Government must not work to replace the domestic private sector but rather focus on creating an enabling environment for the partnership, for example through supportive policies that can stimulate efficiency and competition. This will help the sector to become an engine of growth in the country. An examination of the experiences of the South-East Asian nations in building private sector-government partnerships in economic development, and the kind of policies used to enhance the contribution of the sector can help in designing approaches that fit the Ethiopian context.

Investment finance as a major hurdle in GTP implementation

The GTP has set high goals but falls short on identifying sources or means of financing the many mega schemes, such as the multi-million hydroelectric dams and sugar industries as well as the many infrastructural projects that are to be attained during the Plan period. The implementation of these plans is crucial for accelerated economic growth and bringing about balanced regional development in the country. These projects are of strategic value to the national economy, and also have tremendous economic benefits, including providing employment opportunities for millions of people. Hence, their financing is of crucial importance, which the GTP has not adequately addressed.

Conclusion

The GTP has placed the Ethiopian state at the forefront of economic growth. The Governemnt has made massive investments in infrastructure development, and pro-poor growth sectors, such as education and health. This has resulted in significant reductions in poverty levels and has given a sense of optimism to the promise of making Ethiopia a 'middle-income country' within two decades or less. Nevertheless, the achievement so far scored by the GTP should not be a reason for complacency as the country is still one of the poorest and most aid-dependent nations in the world. Despite this grim reality, however, how such an economic growth trajectory can be sustained and expedited should remain an extremely important issue for policy discourse.

A major goal of the GTP is changing the structure of the Ethiopian economy from one of agriculrure-dominated to service and industry-based within the Plan period. This will certainly alter the economic landscape of the country and enable it to emerge as a major economic power in Africa. However, the constraints observed with regard to the growth of key sectors calls for caution, and, more importantly, makes it imperative to consider mid-course policy reviews in order to expedite the transformation of the national economy.

The GTP is Ethiopia's foremost economic policy document with far-reaching implications on the economic future of the country. The Plan has been implemented within the framework of the 'Developmental State' model. The hallmarks of such a state is economic determinism and political authoritarianism. In other words, it gives priority to economic growth while political democracy is relegated to a secondary level. Because of this, the 'developmental state' is labeled as the 'Trojan Horse' for delaying democratic rule and participatory governance. Further, skeptics of this developmental paradigm question whether sustainable and equitable economic growth can be attained within an authoritarian political system (Sindzingre 2004).

As indicated in the tables above, while performance in terms of infrastructure, for example, federal roads, education, and health, are good, the performance of industry, which is expected to generate much needed foreign exchange, is way below expectation. This raises important questions. First, it can be observed that the GTP was an ambitious project and some of the targets set were not realistically achievable. It could be important to highlight that development planning needs to be grounded on existing reality so as not to create unattainable expectations. Second, industrial development, with the exception of the sugar and engineering sectors, is left to the private sector. In particular, leather and textiles, which are supposed to bring much of the expected foreign earnings, are left to the private sector. But at the same time the private sector is also being reduced or discriminated against by the government. This policy inconsistency is undesirable for the country's economic transformation, and must be addressed by the government.

The private sector is under excessive pressure to tow the government policy line. For example, there are many reports that indicate that the proportion of loans given to the private sector is declining with preference given to the public sector (IMF 2006; IMF 2010). Private banks are forced to buy government bonds. At the same time, government banks give loans to government mega projects like housing without making a cost/benefit analysis. All this points to the need by the government to accept the role of different sectors ---private, civil society and others in the transformation of the economy.

The other major point that came out of this study is the need to marry democratic governance and economic development within the Ethiopian context. It is all the more important that Ethiopia, as a very diverse nation, should promote participatory and all-inclusive governance for economic development to be sustainable and broad-based. An authoritarian political culture may pay dividends in the short-term, but its long-term consequences, including the risks of instability and a volatile political culture, may be more costly.

Skeptics argue that the GTP is too big to be attained; it is broad and lacks specifics, particularly on financing and investment needed for big schemes that require heavy resource and technological inputs (IMF 2006). What is missing is a careful assessment of potential funding and investment sources for the purpose of generating enough capital and finance for the fulfillment of the Plan. Other policy gaps are also cited. For example, it is argued that although the Plan gives tacit recognition to the potential contribution of the private sector in national economic development, it does not provide specific policy directions or strong incentives to facilitate its involvement. The constant complaint by the sector that the Government extends special privileges to state monopolies and party owned companies at the cost of privately-owned businesses lends credence to this observation.

With regard to the achievements of the GTP, it can be concluded that the result has been mixed, and the veracity of some government statistics indicating achievement is questioned. In addition, given the short life span that the Plan has passed through, it is difficult to predict whether the present growth rate can be sustained over a long period of time. Hence, it is difficult to generalize or draw any specific conclusions. On the whole, there are areas in which significant progress has been made (e.g. poverty reduction, education, health, etc.) in terms of meeting targets while there are aso concerns in certain key sectors, such as agricultural growth and industrial development, as these may require more time and resources.

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2 *Alemayehu Geda and Addis Yimer*

Growth, Poverty and Inequality, 2000-2013 A Macroeconomic Appraisal

Introduction

Official government reports on growth, poverty and inequality show that Ethiopia has registered a two-digit rate of growth in the last decade and has made immense progress in poverty reduction. In terms of poverty, the official reports indicate that the head count ratio of poverty (the percent of population below the poverty line) has declined from 45 percent in 1994/95 to 30 percent in 2010/11. If we base our analysis on this data, this is an impressive record. However, a cursory look at people's livelihoods across the country (including Addis Ababa) reveals that things are not as rosy as it is made out in the official reports and that many are unable to sustain themselves, especially following the rampant inflation that began in2005. This observation is in line with the findings of the multidimensional poverty measure discussed later in this chapter. Notwithstanding this, however, there is no scientific or independent basis to substantiate or challenge the official claim. Thus, the task of an independent observer is daunting. The best he/she can do is to critically examine the evidence in the light of empirical observations and alternative measures of poverty, and come up with the most likely state of growth, poverty and inequality in the country. In this chapter we will attempt to do that.

The political economy of growth, poverty and inequality is a sensitive and difficult subject in today's Ethiopia, partly because of the lack of accurate information and the uncertainty surrounding initiating dialogue on the subject. Notwithstanding this, in this work, we will attempt to do the following. First, in the face of conflicting information and data unreliability regarding the country's growth and development, it is imperative to make an educated guess of what is the most likely state of growth in the last decade. This is done in the next section. In the remaining sections we shall examine the nature of poverty, the implications of the reported growth on poverty and inequality, and finally, by way of conclusion, how growth, poverty and inequality are generally evolving and are related to the politics of the country.

The nature of rapid economic growth in the last decade and half

We begin the appraisal by briefly highlighting positive developments that the government has brought about in the last decade and half (see Alemayehu 2013 for details). In this period, using the official data, Ethiopia saw one of the best economic performances since the early 1990s (see Table 1). The growth of the economy was quite impressive with an average growth rate of about 9 percent per annum since 2000. If the abnormal first three years are left out and the growth rate is computed from the year 2003, the average annual growth rate will be about 11 percent for consecutive 9 years. Except for the last five years where inflation, owing to lack of prudent monetary and fiscal policy, was a major problem (see Alemayehu and Kibrom 2008), the macroeconomic performance was very good too (Table 1). Given the dependence of growth on rain-fed agriculture as well as low level of domestic resource mobilization (including shortage of foreign exchange), the sustainability of this growth is questionable, however.In general, grow this central for poverty reduction, and macroeconomic stability is a necessary condition for growth. Since 2005, however, although growth remained strong, macroeconomic management had its fair share of problems resulting in higher inflation, and problems with the balance of payments.

Table 1. Some indicators of the macroeconomic environment

Sector/Indicator	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Real GDP Growth Rate (%)*	7.4	1.6	-2.1	11.7	12.6	11.5	11.8	11.2	9.9	10.4	11.5
Inflation (CPI, % Change)**	(0.3)	(10.6)	10.9	7.3	6.1	10.6	15.8	25.3	36.4	2.8	18.1
Resere (Month of Imports)				2.5	2.0	2.2	1.1	2.4	2.5	2.4	2.8
Gross Domestic Saving (%GDP)	10.0	6.0	4.0	11.9	5.9	4.6	8.7	5.2	6.4	5.2	8.8
Gross Domestic Investment (% of GDP)	21.5	24.1	22.2	26.5	23.8	25.2	22.1	22.4	22.7	24.7	25.5
Overall Budget Deficit excluding grants (%GDP)	(8.2)	(10.9)	(12.8)	(7.6)	(8.7)	(7.5)	(8)	(6.9)	(3.6)	(4.6)	(4.8)
Overall Budget Deficit including grants (% GDP)	(4.4)	(7.2)	6.6	(3)	(4.4)	(4.6)	(3.6)	(2.9)	(2.3)	(1.3)	(1.6)
Balance of Paymts (%GDP)	0.4	3.6	3.5	1.4	-0.8	-1.1	0.6	-1.0	1.7	0.9	4.5

SOURCE: MOFED (2012) and NBE (2012).*See Table 2 for a more accurate picture

.** For the years 2007/08 and 2008/09 CSA data for inflation is 18.4 and 40.6 % respectively.

On the positive side and on the social front, there is an encouraging sign of declining absolute poverty as well as impressive record on education, health provision (notwithstanding the quality), power development as well as road construction. Generally, infrastructure development in the last decade has been quite encouraging. The government has invested both in physical and human (albeit of low quality) capital formation. The share of total spending on poverty-targeted sectors (both recurrent and capital) increased from about 42 percent of total expenditure in 2002/03 to over 66 percent in 2009/10. This steady increase in spending on poverty-oriented sectors as well as the on-going Federal food security program was also important in ensuring food security for an extremely vulnerable section of the society (see Alemayehu 2013 for details on these positive developments).In sum**,** there are a number of positive developments that will help the current growth to persist well into the future. Notwithstanding these developments, the change in overall welfare or growth so far has not been sufficient enough to lead to a significant decline in poverty. This is partly related to a rise in income inequality during this period. It is also related to lack of structural transformation in the economy. Moreover, the growth figures may not be as high as officially reported. This underscores the need to look at the link between economic growth, inequality, and poverty reduction in the country.

The growth record given above is the highest not only in the long history of Ethiopia but also is the highest even by world standards. In contrast to this double digit growth for nearly a decade, the country is still one of the poorest in the world. Apart from casual observation of the pervasive poverty in the country, international data sources such as the recent(2013) human development index of the UNDP and the multidimensional measures of poverty noted below corroborate this observation (see below). In addition, International Financial Institutions (IFIs), such as the World Bank and IMF have reported a significant discrepancy with the growth figures of the government (Tables 1and 2). This obviously leads to doubts regarding both the official growth figures as well as the related official measure of income poverty.

Checking the consistency and scientific accuracy of the National Accounts (NA) of a country is quite demanding. In addition, access to detailed data and how it is generated is usually difficult for an independent researcher. The lesson from previous studies about Ethiopian data (see Alemayehu 1996, 1998) is to be extremely cautious about growth figures since the estimates are made on old benchmark surveys and do not obey the national accounting consistency rule. The recent IMF report (2012), we believe, corroborates this observation. In the face of such problems, we can resort to a simple test to gauge the accuracy of the reported figures of the last decade. If the NA is consistent then one would expect data from different institutions (such as NBE and MOFED) to be consistent and add-up. For instance, one can check whether the “net factor payment and current transfer”, as computed by the National Bank of Ethiopia (NBE) in its balance of payments report, is equal to the same figure that is obtained as the difference between national and domestic savings from the national accounts of the Ministry of Finance and Economic Development (MOFED). This figure, as percentage of GDP for the last decade is given in Table 2. As can be seen from the Table, there is a significant difference between the two, except for 2005/06 to 2007/08. This shows the existence of a consistency problem, even without investigating in detail the accuracy and hence the politics of the actual generation of the figures.

Moreover, Table 2 also shows a big gap between the IMF growth forecast and the official government growth figures. Although the IFIs, such as the IMF, base their growth figures on data provided by the government, one observes a significant discrepancy between the two regarding growth forecasts. This might be related to the fact that the IMF forecast is most likely prepared by its own experts using models such as MULTI MoD[1] while it is formally expected to use the actual figures offered by the government. The politics of growth and related statistics in Africa should not be a surprise. Jerven, in his recent book on the subject (2013), for instance, notes that this game of numbers is becoming dangerously misleading and critical decisions are made on them. He states that any ranking of African countries using GDP figures is misleading. He maintains that such GDP/national income data is the result of pragmatic decision statistical offices that are subject to paucity of data, shortage of financial resources and to political pressure. Ethiopia is no different in this respect.

Another angle to examine the accuracy of the growth data is to make an educated guess of what the potential growth rate of the country is. This can be done either using growth accounting, as has been done in Alemayehu (2008) and IMF (2012), discussed below, or by estimating the potential using the experience of fast-growing countries both in Africa and East Asia. After an exhaustive examination of the economic history and experience of these countries, Alemayehu et al (2004) have estimated that the potential maximum growth rate in Ethiopia is between 5 to 8 percent per annum – Ethiopia's official figure is about 50 percent higher.

We can also further check the arithmetic consistency of the growth figures using what is called the "doubling rule" or the "rule of 72/70". In finance, the *rule of 72* is a method for estimating an investment's doubling time. The number (e.g. 72) is divided by the interest rate per period to obtain the approximate number of periods (usually years) required for doubling. There are a number of variations to the rules that improve accuracy[2].To apply this simple method, we took the government's GDP growth figure of11 percent per annum for the years 2002/03-

[1] My effort to find how the IMF does these forecasts was a failure. What I have noted here is my educated guess based on my earlier work on such global macro econometric models. IMF generally use an array of country, regional as well as international experts as well as global macro econometric models such its own Multicounty Econometric Model called MULTIMOD

2 . For periodic compounding, the exact doubling time for an interest rate of r per period is

$$T = \frac{\ln(2)}{\ln(1+r)},$$

Where Tis the number of periods/years required. The formula above can be used for calculating the doubling time. If we want to know the tripling time, for example, we need to replace the constant 2 in the numerator with 3. As another example, if you want to know the number of periods it takes for the initial value to rise by 50%, replace the constant 2 with 1.5 etc

2010/11. In the same period, agriculture, industry and the service sectors also grew by 10.2, 10.8 and 12.9 percent, respectively. This implies that it takes only 6.3 years for the doubling of the GDP. The doubling of agricultural output should take about 7.2 years, while the industrial and service sectors should double in 6.6 and 5.6 years, respectively. An examination of the data after these years however shows that the GDP figure is less than double, and, on average, is 80 percent of the estimated amount using the formula. This exercise shows that, first there is some kind of inconsistency in the data, and second that the actual growth rate must be lower than the reported one. With this in mind, we can compute the growth rate backward to arrive at the rate consistent with the doubling rule. This gives a growth rate of about 8.8 percent as the maximum.

Table 2. Which one is the right growth rate of Ethiopia?

Year	Gov't Growth Rate	IMF Growth [Forecast]	IMF Growth [Actual]	World Bank Growth Actual	NFPCT, BOP based % GDP [NAcctbased %GDP] *	What is the Most Likely Growth Rate
2000/01	7.4		7.4	7.4		**~ 8.8% per annum using the doubling rule**
2001/02	1.6		1.6	1.6		
2002/03	-2.1		-3.5	-2.1		
2003/04	11.7		11.9	11.7	12.8 [4.1]	
2004/05	12.6	7.3	10.5	12.6	14.1 [11.1]	**About 5 to 6% per annum in the last decade using the source of growth Analysis.**
2005/06	11.5	5.3	9.65	11.5	13.1 [13.4]	
2006/07	11.8	5.7	11.5	11.8	15.1 [15.3]	
2007/08	11.2	8.4	11.2	11.2	13.9 [13.8]	
2008/09	9.9	6.5	9.9	10.0	08.8 [13.2]	**About 7 to 8% using the IMF forecast**
2009/10	10.4	6.5	8.0	8.0	06.9 [15.7]	
2010/11	11.5	7.5	7.5	7.5	12.6 [15.8]	
Average	**11.3**	**6.7**	**7.8**	**10.5**		**Between 5 & 8.8%**
2012	Forecast	5.0	7.0			
2013	Forecast	6.5	----			

SOURCE: IMF, World Economic Outlook, various year; & Ethiopia Country Report; MOFED (2012); NBE (2012); WB (2012)

NOTE. *NFPCT: Net Factor Payment and Current transfer (NFPCT) according to the Balance of Payment of the NBE and values in the square bracket [ ] are from the National Accounts of the MOFED.

A final method for questioning the official growth figure is to examine the source of this growth and compare that with the stylized facts in the country. This could be complemented by an examination of the status of structural change in this growth process. Table 3 contains such information. A source of growth analysis can be done by fitting a growth model to the time series data of the country, and this has been done in Alemayehu and Befekadu (2005), Alemayehu (2008) and IMF(2012). Table 3 shows the growth accounting exercise for Ethiopia in the last decade. A surprising finding of recent similar growth accounting study by IMF (2012)as well as our analysis shown in Table 3 below is that the main source of growth in Ethiopia in the last decade is factor productivity (which is about 5 to 7 percent and hence contributed more than 50 percent to the average official growth of 11percent). This is followed by the contribution of capital (about 30 percent) and labour (about 23 percent). The significance of total factor productivity (TFP) as a major source of growth in the last decade compared to its negligible and at times negative contribution a decade before that (see Alemayehu 2008 and Table 3 below) shows that the official GDP growth figure has a problem. This is because the country has not made any meaningful technological and structural transformation in its methods of production, especially in the agricultural sector, in the last decade to bring about such unprecedented growth in factor productivity. We have also to note that TFP is computed as a residual. In fact the jump in TFP from negative recorded in 2002/03 to significant positive in 2003/04 (an unprecedented jump of 14 percentage points) shows the unrealistic nature of the growth figure officially reported. In addition, the fact that TFP world-wide has not grown more than 1.6 percent in OECD countries (0.5–1.6 percent in East Asia and 1.4–4.6 percent in China in 1984–94 when it was growing very fast, as reported in IMF, 2012) shows the unreliability of the Ethiopian TFP growth rate. Alemayehu (2008) has argued that TFP in Ethiopia’s conditions is dependent more on the vagaries of nature than technology and has been swinging between negative and positive values. It has, historically, also remained below 1.5 percent in the best of the circumstances.

Table3. A growth accounting exercise for Ethiopia (2000-2010)

Year	**GDP Growth**	**The Contribution of Capital**	**The Contribution of Labour**	**The Contribution of Total Factor Productivity (TFP)**
2000/2001	7.4	0.6	2.6	4.2
2001/2002	1.6	0.8	2.7	-1.9
2002/2003	-2.1	1.0	2.6	-5.7
2003/2004	11.7	0.7	2.7	8.3
2004/2005	12.6	1.2	2.6	8.8
2005/2006	11.5	1.1	2.7	7.7
2006/2007	11.8	1.5	2.2	8.1
2007/2008	11.2	2.1	2.2	6.9
2008/2009	9.9	1.8	2.3	5.9
2009/2010	10.4	2.7	2.2	5.5
Average (2003/04-2009/10)	***11.3***	***1.6***	***2.4***	***7.3***

NOTE: The growth accounting is based on the result of econometric estimation reported in Alemayehu and Befekadu (2005) and Alemayehu *et al* (2008). Using various models (both macro and micro) these studies have come up with the capital share coefficient (β) that ranges from0.28 to 0.36. We have used 0.30. The capital stock is generated using the perpetual method.

A supporting evidence for doubting the official figure can also be gathered from the marked absence of structural transformation in the economy where agriculture still contributes nearly 50 percent of the GDP and the share of the industrial sector is hardly changed in the last three decade – being about 10% of GDP. One should not expect a significant growth in TFP when the industrial sector is stagnant. A detail national accounts data (see Alemayehu 2013 for detail) further shows that the service sector, followed by the agricultural sector, are the main drivers of growth in the last decade.

In sum, the source of growth analysis suggests that the GDP growth figure is likely to be exaggerated as it can only be realized through technological/ efficiency improvements and not in the context of stagnant industry and the stylized fact of Ethiopia's dependence on rain-feed agriculture and backward ox-plough cultivation. If the contribution of the total factor productivity is limited to its historic value of about 1 to 1.5 percent, or less as argued in Alemayehu (2008), the actual GDP growth will be about 5 to 6 percent per annum. In fact, Dercon*et al* (2009) have documented, focusing on agriculture, the lack of a robust source of growth in Ethiopia and hence the possibility that the exaggerated growth figure might be a statistical artifact. In their excellent study, they note that according to government data, cereal output has doubled in the last ten years (writing in 2009), land cultivated with cereals has increased by 44 percent and yield by 40 percent. They further note that in the year 2004 to 2009, government data show 12 percent increase in cereal production per year, yield growth of 6 percent per year and area growth of 55 percent per year. However, the authors' point out, the same data source shows no evidence of intensification of agriculture such as increase in fertilizer use, irrigation or significant extension program expansion. From this they sarcastically conclude, "Ethiopian yields have grown faster than recorded elsewhere, even compared to the green revolution in India, China or Vietnam. If the data are correct, this is the fastest green revolution in history, and its mechanism should be analyzed…lessons learned, as they would be immensely important for other part of the country and beyond". They also caution that if the data are not correct it would suggest that food production is considerably lower than reported which has significant implications for policy, specially about the poor (Dercon et al, 2009).

In sum, in view of the critical analysis presented above regarding the inconsistency of the national account data and the big gap between official growth forecasts and those by IMF and others, we argue that the likely growth rate may range between 5 to 8 percent. It has to be noted, however, that even a growth rate of about 5 percent is one of the best in the continent and there is no need to resort to an exaggerated growth performance. Be that as it may, in future, we believe there is a need for data generating institutions such as the Central Statistical Agency (CSA), MOFED and NBE to be independent and transparent. There is also a need for a proper peer review process of research methods and outcomes from these institutions. In addition, the depoliticization of statistics, as well as the development of detailed macro models of forecasting by different research and academic institutions is necessary. Finally, whatever the level, growth has been accompanied by rising inequality, especially in urban areas with detrimental impact on poverty reduction. These issues are discussed in the rest of the chapter.

The nature of poverty in the period 1995-2013

The nature and extent of (income) poverty

Table 4 shows the trend in poverty in Ethiopia in the last decade. It is based on detailed household level data collected both by the government and the Department of Economics of Addis Ababa University in collaboration with various partners (University of Oxford, Gothenburg University and IFPRI).Thegovernment's official income poverty level in 2010/11 is computed based on a poverty line of Birr 3,781 per year per adult equivalent. This is a daily equivalent of Birr 10.50 per adult equivalent (about 0.50 United States dollar, USD) (The food poverty line is Birr 5.4 (0.27 USD)). Given the galloping inflation in the country since 2005, this is an extremely small amount of money to live on, even by Ethiopian standards.Notwithstanding this, using the official income based measure (head count ratio, called P_0 index), the latest information shows that in 2010/11, 30 percent of Ethiopians (about 27 million people) were poor -a significant fall from 2004/5 when the figure was 38.7 percent. Poverty is slightly higher in rural (30 percent) than urban areas (26.1 percent). Over the same period, the poverty gap index (called P_1[3] index) fell from 8.3 percent in 2004/5 to 7.8 percent in 2010/11, indicating a reduction in the intensity of poverty. The poverty gap index may be interpreted as the average cost per capita of eradicating poverty as a percentage of the poverty line. The poverty index therefore implies that, to eliminate poverty, the government of Ethiopia would need to invest 7.8 percent 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 (called P_2 index)[4] from 2.7 percent in 2004/5 to 3.1 percent in 2010/11. This means that the poorest people were worse off in 2010/11 than they were in 2004/5. This also implies that the poorest are vulnerable to further poverty if poverty eradication resources and programmes do not specifically target and reach them.

Table 4.Indicators of poverty (1995-2010/11). National and Dept. Economics of AAU data

Year	**CSA, Nationally Representative Data**				**Dept. of Economics (AAU) Panel Based Data**		
	National	Urban	Rural	Addis Ababa	National	Urban	Rural
1994					46	33	48
1995					39	32	40
1995/96 (Head count) *Poverty gap index* *Poverty severity index*	0.45 0.120 0.051	0.33 0.099 0.041	0.47 0.134 0.053	0.30			

[3] The ‘poverty gap’ refers to how far, on the average, 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 by implicitly giving more weight for bigger than smaller gaps in the process of squaring the gap index.

1997					29	27	27
1999/00 (Head count ratio) *Poverty gap index* *Poverty severity index*	0.44 0.119 0.045	0.37 0.101 0.039	0.45 0.122 0.046	0.36			
2000					41	39	41
2004/05 (Head count ratio) *Poverty gap index* *Poverty severity index*	0.39 0.083 0.027	0.35 0.077 0.026	0.39 0.085 0.027	0.33	33	37	32
2010/11 (Head count ratio) *Poverty gap index* *Poverty severity index*	0.296 0.078 0.0310	0.26 0.069 0.027	0.30 0.08 0.032	0.28	NA	NA	NA

SOURCE: MOFED, 2012

Notwithstanding the official rosy picture about poverty reduction noted thus far, the pervasiveness and enormity of the poverty level in the country is obvious. The calculations of the national poverty line are based, as has been noted above, on Birr 10.75 per adult per day which is half the commonly used rate of one US dollar (USD) a day.Thus, assuming, optimistically, that the registered income growth is fairly equally distributed (see below, however), and that a rate of one USD (or 20 Birr) a day is used instead, those below the poverty line will be about 60 percent of the population[5]. Doubling the government's nominal poverty line of USD 0.50 (or Birr 10.75) shows that it is equivalent to about 2.50 USD at purchasing power parity (PPP). Using this rate, the World Bank has computed the level of poverty to be 71.4 percent (see Figure 1 below).This simple exercise suggests the need to question the official poverty (and inequality) indicators as we have done of the growth figures of the last decade in the section above, with

[5] This seems to contradict the World Bank's (2012) similar computation. However, the World Bank computation is based on PPP. With that it found the headcount poverty to be the same 30% at PPP US$1.25. This apparently conflicting indicators emerged because the government's poverty line of US$0.50 is equal to the World Bank's level of PPP $1.25 which is computed at PPP price (See Figure 1 and Table 5)

the aim of coming up with the most probable state of poverty in the country. Table 5 shows the result of such an attempt. The Table basically compares the official (income) poverty figures with that of the international poverty line. It also shows the likely level of (income) poverty in the country which takes on board the most probable growth rate of the country as discussed above as well as the effect of inequality on poverty reduction. This is given in column 5 of the Table (explained in detail below). Note in passing that this figure would have been much higher if it were not based on the official level of the poverty line at the initial years of the projection.

Table 5. What are the actual and most probable levels of poverty and inequality?

Year	Gov't Figures (Nominal $0.50/day)	Using Nominal $1.25/day (Comparable to the Gov't Figure given to the left/column 2)	Using USD 1.25 a day (In PPP terms)	**Using The Likely Growth Rate Figure (Base on Official Poverty data but scaled down GDP growth & rising inequality)
1995/96	45.5		60.52 [1995]	
1999/00	44.2		55.58 [2000]	
2004/05	38.7	>77.4 [2004/05]*	38.96 [2005]	39.1 [47]
2010/11	29.6	71.4 [2011]	30.65 [2011]	34.5 [42]

*NOTE: the poverty line had been Birr 1075 per adult per annum (& Exchange rate of $1=9). We assumed it is at best half a dollar per day.** Is based on projection (see Figure 3) and the value in bracket [ ] is if the average gap b/n the panel and official data is taken on board.

SOURCE: MOFED, 2012 and World Bank 2012 and Authors' estimation

Following the availability of the household and panel data since 1995, a number of analytical poverty studies have been conducted in the country. These were preceded by the pioneer quantitative study of the late Mekonnen Tadesse, who was instrumental in producing systemic poverty data at the Department of Economics of Addis Ababa University (AAU data henceforth)[6]. Mekonnen (1996) examined urban poverty in Ethiopia using the 1994 AAU Urban Households Survey (AAU-EUHS). His analysis focused on food poverty, recognizing that in Ethiopia, access to basic food is a major factor of household welfare. The study confirmed that Ethiopia indeed suffers from extreme food

[6] To my knowledge the only exception as the first quantitative, household based, poverty analysis in Ethiopia is that of Alemayehu (1993).

poverty. In addition, using the 1994, 1995 and 1997 rounds of AAU data, Mekonnen (1999) analyzed the dynamics and determinants of urban poverty in the country. Using poverty lines estimated by the Cost of Basics Needs (CBN) approach and consumption per adult equivalent[7] as a measure of welfare, he indicated an increase in poverty between 1994 and 1995 and then a decline from 1995 to 1997.Following this, Bevan and Joireman (1997) adopted a sociological approach to the measurement of poverty, focusing on the meaning and use of different measurements. They argued that in rural Ethiopia non-economic forms of capital, such as social and human capital, are very important in determining life chances. They further argued that entitlement norms which include such things as right of access to productive resources, political voice, right to leisure, inheritance rules and access to community support are crucial in determining household poverty (Bevan and Joireman1997). Such an approach to poverty analysis has been employed earlier by Dessalegn (1992) and Solomon (1995).

Dercon and Krishnan (1998) assessed changes in poverty between 1989 and 1995 and tested the robustness of measured changes to the problems of choice of poverty lines and the impact of uncertainty in measured inflation rates. They found that, poverty declined between 1989 and 1994 but remained virtually unchanged between 1994 and 1995.Moreover,households with substantial human and physical capital and better access to roads and towns have both lower poverty levels and are more likely to get better off over time. In addition, they also observed that human capital building and access to roads and towns reduce the fluctuations in poverty across seasons. The next study that sought to examine what happened to poverty was that of Dercon and Mekonnen (1999) which made a comparison between rural and urban poverty using the 1994 rounds of the AAU Rural and Urban Households Survey (AAU-ERHS) and AAU-EUHS data.

Dercon and Mekonnen derived different poverty lines to overcome potential problems that could arise due to differences in household needs, prices and tastes across rural and urban areas. Thus, poverty lines were defined using four different food baskets; one national, one each for cereal and *enset* growing regions, and one for urban areas. The authors' findings show that urban poverty is much higher than rural poverty when region-specific food baskets, as opposed to a single national basket, are used. This finding is consistent with the hypothesis that expensive sources of calories are consumed in urban areas. *Enset*

[7] A consumption basket that would meet a minimum energy requirement of 2200kcal of energy per adult per day was constructed and its cost calculated at region specific prices to obtain the food poverty line.

growing rural regions were found to be much poorer when a single basket was used, confirming the role of *enset* as a low-cost calorie source. Nevertheless, the difference in poverty between urban and rural areas was found to be small on average (Dercon and Mekonnen1999).

Abbi (2000) focused on 900 households in Addis-Ababa, using the 1994 AAU-EUHS, and adopted the poverty lines developed by Mekonnen (1997) to analyze the determinants of poverty in Addis-Ababa. He found that labour market participation and education were the most significant determinants of poverty in the capital city. Similar findings about the role of the labour market and education are also reported in Alemayehu and Alem (2006) that used the same AAU urban data and a micro simulation approach.

The study of poverty in Ethiopia in the 1990s has continued into the turn of the century virtually with similar findings. This time, however, the focus of the studies was to link poverty with growth and inequality. The studies also began to search for determinants of poverty. Dercon (2001 & 2006), using the then emerging AAU micro level panel data from villages in rural Ethiopia, analysed the determinants of growth and changes in poverty during the initial phase of the EPRDF economic reform (1989-1995) using a standard decomposition of income and poverty changes. He found that, overall, consumption grew and poverty fell substantially during the period considered and that on average poor households benefited more from the reforms than non-poor households, though the reforms did not benefit similarly all the poor. In addition, heidentified relative price changes affecting returns on labour, land, human capital and location, as the main driving factors in income levels (Dercon, 2001 and 2006).Alemayehu and Alem (2006) did a similar study by examining the impact of the 1992 reform on poverty and inequality in urban Ethiopia. They, however, used a data-exploration and micro-simulation approach. Their finding contradicts the findings of Dercon (2001; 2006) in rural areas, however. Alemayehu and Alem found that following the 1992 reform aggregate indicators of poverty and inequality remained unchanged. This unchanged state, despite fundamental changes in macroeconomic policy, is because aggregate changes hide enormous changes across income categories which in turn are dependent on structure of returns to labour, distribution of income and occupational choices that households make.

A report on the state of poverty at the beginning of the 21st century was prepared by the government on the basis of the 1999/2000 Household Income and Consumption Expenditure (HICE) and Welfare Monitoring Surveys (WMS). The conclusion reached is that the incidence of poverty is higher in rural than in urban areas with a poverty head count ratio of 45.4 and 36.9percent, respectively (MOFED, 2002). The same report also noted that compared to the 1995/96 level, poverty incidence increased by 11.4 percent in urban areas and declined by 4.42 percent in rural areas, with the overall poverty incidence decreasing by 2.86 percent. In the same period, Abbi and McKay (2003) analysed the dynamics ofchronic poverty in Ethiopia using the panel data of AAU for 1994-1997. They defined the chronically poor as households with real total expenditure per adult per month below the poverty line in all three years and the transient poor as those with real total expenditure per adult per month below the poverty line in one or two of the years. They found that the proportion of the transient poor was higher than the chronically poor. Using multinomial logit regression, Abbi and McKay (2003) argued that chronic poverty is associated with household composition, unemployment, lack of asset ownership, casual employment, lack of education, ethnicity, the age of the household-head, and households headed by females. Focusing on the same subject and using the same AAU data, Bigsten and Abebe (2005), analysed the state of poverty in urban and rural Ethiopia between 1994 and 2004. They also studied the persistence of poverty during this period. Their result showed that poverty in its absolute sense had declined between 1994 and 1997, increased significantly until 2000 and declined in 2004. They also found that rural households had made more rapid progress than urban ones in getting out of poverty between1994 and 2004, with poverty having declined by more than 10 percentage points. Their study further showed that only a relatively small number in both the rural and urban areas managed to exit poverty completely during the decade under study, suggesting that a considerable number of the population had been in poverty at least once during the same decade-72 per cent in rural and 60 per cent in urban areas (Bigsten and Abebe (2005).

In another study, Bigsten and Abebe (2008)analyzed poverty transition and persistence in Ethiopia, using a panel data of ten years (1994-2004). They employed consumption expenditure to measure poverty and the spells approach to analyze poverty dynamics. They found that there is a higher probability (61 percent) of poverty transition, of both movements into and out of poverty, in rural areas. They also found substantial persistence of poverty: it is harder to get out of poverty once in it, and it is less probable to re-enter poverty once one has escaped from it too.In addition,the same study shows that household size, primary education of the household head and spouse, access to markets, as well as changes in rainfall levels and variability are prominent factors in both facilitating the exit out of poverty and preventing re-entry into poverty across rural areas. Another study about poverty dynamics is that of Swanepoel (2005) who used the same AAU panel rural data from 1994-1997.Swanepoelfound that movements of households into poverty are associated with life cycle effects and incidence of crop failures, while movements out of poverty are related to household size. The study shows that transiently poor households have a higher dependency ratio, face more frequent crop failures, and have smaller areas of land available for cultivation. The chronically poor households also own fewer assets and earn less from the sale of livestock. A study by Bigsten et al (2003), also using the same panel data found that cultivation of *khat*, an export cash crop, decreases the probability of households falling into poverty while increasing the chances of escaping poverty in rural areas. What one can learn from these studies is that fighting poverty in Ethiopia is still contingent not only on the development of the agricultural sector but more importantly in transiting out of rain-fed agriculture, with an educated peasant that has an optimal household size.

Using a different set of panel data from that of the AAU, Ayalneh *et al*(2005) attempted to investigate the determinants of rural poverty in Ethiopia, based on information gathered from a three-round survey of 149 rural households in three districts of Ethiopia during the 1999/2000 cropping season. They found that nearly 40 per cent of the sample households live below the poverty line with an average poverty gap of 0.047. In addition, using a binary logit model, the authors found that rural poverty is strongly associated with entitlement failures, which are defined as lack of household resource endowments -crucial assets such as land, human capital and oxen.

Finally, the latest study using the AAU panel data is that of Dercon*et al* (2007) which examines the process of growth, poverty and poverty persistence in a panel data set covering 15 communities across rural Ethiopia from 1994 to 2004. The authors indicate the existence of both considerable growth and poverty reduction for the period in question. In addition, they highlight the presence and persistence of ‘chronic’ poverty. Using a statistical dynamic fixed effect growth model, they found that road infrastructure and the (slow) spread of extension services has contributed to this growth, even though a high sensitivity of consumption to rainfall shocks is noted as well. They also show that changes in poverty are affected by the same factors. There is no clear evidence that the chronically poor are differently affected by these factors in the sample. However, they show that there is a ‘fixed’ latent growth effect that is highly correlated with chronic poverty, which suggests a serious growth handicap for the chronically poor. Dercon et al further found that chronic poverty and this latent growth effect correlates highly with initial physical assets (such as land or livestock), education and remoteness. Ayaleneh (2011) also analysed the extent and determinants of rural household poverty in the eastern highlands of Ethiopia, using other micro data. The study examines 216 households using a household consumption expenditure survey data. The findings suggest that poverty is location specific, depends on access to irrigated land (not land per se) and access to non-farm income. The result also shows that household wellbeing is negatively affected by household size, and positively affected by age of household head. Involvement in governance, social and production related networks are also found to be strongly associated with the probability of a household being out of poverty.

In contrast to the picture that may be drawn from the official sources, noted above, the poverty studies reviewed briefly here suggest the pervasive and chronic nature of poverty in the country although it is generally declining over time. The literature also shows significant differences regarding the level of poverty between the official and independent data sources. This suggests the need to examine other approaches to measuring poverty.

Multidimensional poverty in Ethiopia

Although the probable level of (income) poverty offered in Table 5 is what one could come up with by examining the existing official information, it is not the best indicator of the state of poverty in the country. A more comprehensive indicator is what is referred to as the "Multidimensional Poverty Index" (MPI). Alkire and Foster (2007) proposed this index which they argue reflects better human deprivations. The basic idea behind the MPI is that the well-being of a household or an individual depends not just on income or consumption, but also on several other dimensions or capabilities such as health, education, and standard of living. Alkire and Foster (2009; 2010), and Alkire and Santos (2010), then, developed a strategy to identify the multidimensional poor. They introduced an intuitive approach to identifying the poor that uses two forms of cutoffs. The first is the traditional dimension-specific line or cutoff, which identifies whether a person is deprived with respect to that dimension. The second delineates how widely deprived a person must be in order to be considered poor. Their benchmark procedure uses a counting methodology in which the second cutoff is a minimum number of dimensions of deprivation. This procedure readily generalizes to situations in which dimensions have differential weights. This 'dual cutoff' identification system gives clear priority to those suffering multiple deprivations and works well in_situations with many dimensions.

Such multi-dimensional poverty measure is more likely to underpin long-term poverty (Hulme and Shepherd, 2003). In the use of MPI, consumption expenditure, as a flow variable, is more likely to capture mobility of households into and out of poverty while the general MPI poverty indices capture long-term well-being (Hulme and Shepherd, 2003).

In concrete terms, the MPI reflects both the incidence or headcount ratio (H) of poverty – the proportion of the population that is multi dimensionally poor – and the average intensity (A) of their poverty – the average proportion of indicators in which poor people are deprived. The MPI is then computed by multiplying the incidence of poverty by the average intensity across the poor (H×A). A person is identified as poor if he or she is deprived in at least one third of the weighted indicators (see OPHI 2013).The MPI also identifies multiple deprivations in the same household in education, health and living standards (Ethiopia Demographic and Health Survey, EDHS2011).\

Table 6 shows the multidimensional poverty index rate (MPI) and its two components: incidence of poverty (H) and average intensity of deprivation faced by the poor (A) for Ethiopia and selected African countries for comparison. The second column of the Table shows the survey year used to generate the MPI results. Those identified as "Vulnerable to Poverty" are said to be deprived in 20 to33 percent of the weighted indicators; and those identified as being in "Severe Poverty" are deprived in 50 percent or more (OPHI 2013).Ethiopia's MPIhas improved from0.677 (68 percent)in 2000 to 0.605 (60 percent)and 0.523 (52 percent)in 2005 and 2011,respectively (EDHS2005 and 2011). Although the decline in poverty in Ethiopia based on the MPI index is commendable, the annual percentage change in almost all components of the MPI index is lower compared to its neighbors. Ethiopia's level of MPI shows an extremely high level of deprivation, nearly double the average level, compared to neighboring African countries. This suggests not only that poor people in Ethiopia suffer from a larger number of depravations compared to poor people in Eastern Africa but also social services that improve living standards are more available to the poor in the other countries of Eastern Africa compared to Ethiopia. In particular, it is striking from Table 6 (especially column 6/7) that over 90 percent of Ethiopians are poor using this index. Further, according to EDHS (2011), as of 2011, 84.1 percent of the population in Ethiopia suffers from multiple deprivations, while 6.8 percent are vulnerable to multiple deprivations[8].In addition, 71.7 percent of the population is in severe poverty[9].These indicators generally show that Ethiopia is the most deprived country in the world where nearly all the population – above 90 percent - is poor and/or vulnerable to

[8] who experience 20-33.32% intensity of deprivations
[9] with intensity higher than 50%

poverty. This strengthens our critical examination of the official data presented in Table 5.

Table 6.Changes in MPI, H and A at national level

Changes in MPI, H and A at National Level										
		Multidimensional Poverty Index **(MPI)**		Annualized change	Multidimensional Headcount ratio **(H), %**		Annualized change	Intensity of Poverty **(A), %**		Annualized change
	Period	Year 1	Year 2	% Relative	Year 1	Year 2	% Relative	Year 1	Year 2	% Relative
Ethiopia	2000-2005	0.677	0.605	-2.1%	93.58	89.73	-0.8%	72.35	67.40	-1.4%
	2005-2011	0.605	0.523	-2.2%	89.73	84.07	-1.1%	67.40	62.26	-1.3%
Rwanda	2005-2010	0.460	0.330	-5.6%	82.9	66.1	-4.0%	55.5	49.9	-2.0%
Tanzania	2008-2010	0.367	0.326	-5.7%	65.2	59.9	-4.1%	56.3	54.4	-1.7%
Kenya	2003-2008/9	0.296	0.244	-3.2%	60.1	51.2	-2.7%	49.3	47.7	-0.6%
Uganda	2006-2011	0.417	0.343	-3.5%	77.7	66.8	-2.8%	53.7	51.4	-0.9%

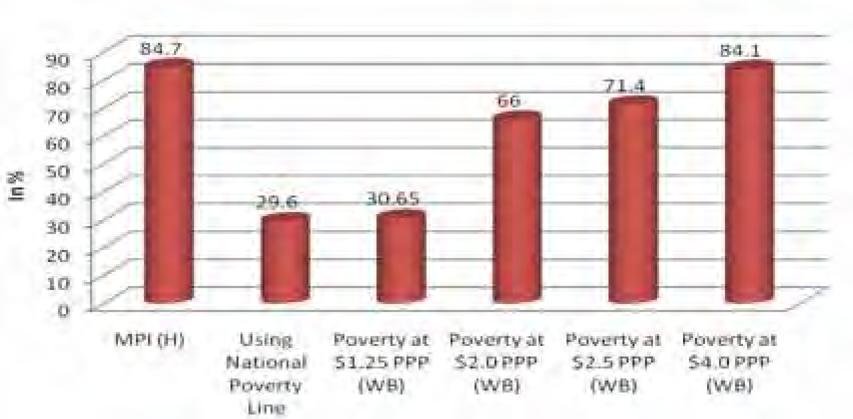
SOURCE: OPHI, 2013

NOTE: MPI– A number between 0 and 1 that reflects the level of acute poverty.

A high number shows higher poverty. The MPI is the product ofH x A.H– the Headcount Ratio or percentage of people who are identified asmulti dimensional poor; sometimes referred to as the ‘rate’ of poverty. It ranges from 0 to 100 percent and a higher figure shows worsening poverty. A– The intensity or average percentage of deprivations is what poor people experience together, measured from 33 to 100 percent in the case of MPI. A higher figure shows worsening of poverty. Absolute: The reduction is calculated by subtracting one measure from another.For example, a 5 percentage point reduction of H could mean that H decreased from 75 to 70 percent or from 10 to 5 percent. Relative: This is the absolute reduction divided by the original poverty level, thus showing the percentage change. Annualized: show the changes per year, the total change is divided by then umber of years between the surveys.

This extremely high level of the MPI measure of poverty in Ethiopia may be put in perspective using a summary of other measures of poverty as shown in Figure 1 below. Figure 1 compares the poverty rate, using the MPI, with three other commonly used poverty measures. As can be seen from the figure, the proportion of people who are MPI poor in Ethiopia in the year 2011 is about 85percent, while the percentage of people below the national (income) poverty line, according to the government, is about 30 percent. On the other hand, the percentages of people who are poor according to USD 1.25 and 2.00 PPP a day income-poverty line are 30.65 percent and 66 percent of the population, respectively, in the same year. As we have noted earlier, the World Bank's income poverty line of 30.65 percent, using USD 1.25 per day offers the same figure to that of the official government figure of 29.6 percent although this official figure is based on a poverty line of USD 0.50.

Figure 1. Comparison of poverty in Ethiopia using different measures



SOURCE*:* Author's computation using OPHI, 2013: MOFED, 2012; PovCalNet (World Bank) 2013

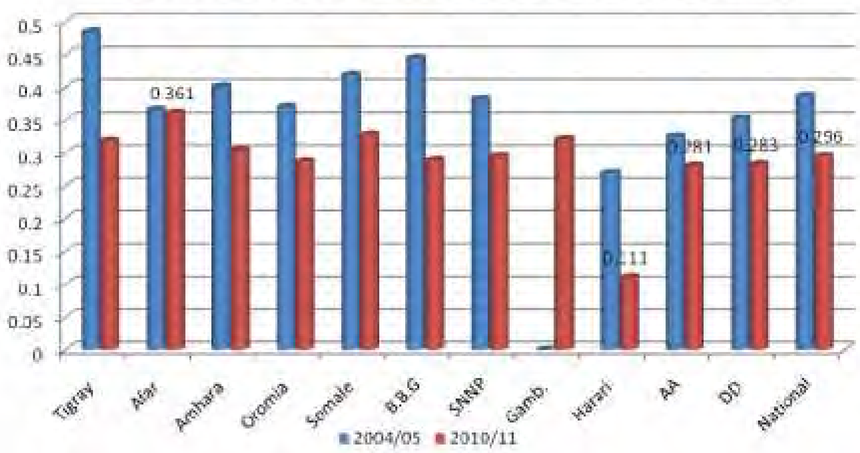
Table 7 and Figure 2 show the variation in poverty across Ethiopian administrative regions using the MPI index. The Table shows that, excluding the city states of Addis Ababa, Harari and Dire Dawa, where 20 to 58 percent of the population is poor, the number of the population below the MPI poverty line in all the other regions is about 90percent. The worst figure is recorded for Somali region (93 percent), Oromia and Afar (91 percent) and Amhara, SNNP & Benishangul-Gumuz (90 percent). The best regions in terms of *relatively* lower levels of poverty are Gambela (81 percent) and Tigray (85 percent). The relatively lower figure for Tigray is striking. This is because Tigray had the highest (income) incidence of poverty in the country in 1995 and in 1999/2000 with a head count ratio of 0.56 and 0.61, respectively. The Behangul-Gumuz result is not that surprising as the head count ratio of this region was already low being 0.34 and 0.50 during the two periods(see Alemayehu 2005; Alemayehu and Befekadu, 2005 and Figure 2 below). We should note, however, that the number of the poor in Tigray, 85 percent is still very high in absolute terms.

Table 7.Multidimensional poverty by region in 2011

	Multidimensio Pov Index(MPI = H	Headc ratio: Pop tion in m dimensi povert	Intensity of deprivation among the poor(A)	Population vulnerable to poverty(experiencing intensity between 20–32.9%)	Population vulnerable to poverty(experiencing intensity between 20–32.9%)
	Value Ranges from 0 to 1	% Population	Average % of weighted deprivations	% Population	% Population
Addis Ababa	0.085	20	42.4	28.7	4.8
Afar	0.663	90.9	72.9	4.2	79.7
Amhara	0.588	90.1	65.2	6	74.6
Benishangul-Gumuz	0.584	89.8	65.1	5.7	74.3
Dire Dawa	0.338	54.9	61.6	19.4	38.5
Gambela	0.474	81.2	58.4	11.7	57.5
Harari	0.333	57.9	57.4	16.8	36.6
Oromiya	0.592	91.2	64.8	5.2	74.9
Somali	0.647	93	69.6	5	81.9
SNNP	0.574	89.7	64	6.1	73.2
Tigray	0.537	85.4	63	9.4	66.2

SOURCE: PovCalNet2013

Figure 2. Regional poverty headcount indices (official data, 2004/05 and 2010/11)



SOURCE: Author’s computation using MOFED 2012

How does the reported growth relate to poverty and inequality?

Growth, inequality and poverty reduction

Growth is a necessary but not sufficient condition for poverty reduction. This is chiefly because the distribution of income associated with growth may have a negative bearing on poverty reduction. This effect is not small either. As White and Anderson (2001) (cited in Naschold 2002)demonstrate, a small change in income distribution can have a large effect on poverty reduction: a redistribution of one quarter of one per cent that goes to the poorest 20 percent of the population would have the same effect as doubling of the growth rate[10]. Thus, we need to look not only at growth but also to the nature of that growth. As has been demonstrated in Alemayehu *et al* (2008) for Ethiopia, assuming the income distribution to be relatively continuous,[11] any distribution-neutral growth in per capita income, no matter how low, will reduce the intensity of poverty. However, redistribution reduces poverty only to the extent that it moves a person above a defined poverty line.[12] Even confronted with the condition of low per capita income, which Ethiopia finds itself in, Alemayehu *et al.* (2008) have shown that simple redistribution rules – such as equal absolute increments across all percentiles, top to bottom, –that follow the Chenery*et. al*. (1974) approach - could reduce poverty significantly. These rules could be viewed as relatively minimalist, with alternative redistribution rules considerably more progressive, resulting in powerful outcomes for poverty reduction.

Despite earlier empirical evidence (e.g. Anand and Kanbur 1993, Bruno, Ravallion and Squire 1998, Fields 1998, Dollar 2001, and Dollar and Kraay (2000[13]) on the absence of any systematic relationship between income inequality and economic growth, interest on this inter-linkage has resurfaced, as

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10 A simple arithmetical example of White and Anderson (2001), as quoted in Naschold (2002), can help visualise this "… Imagine a country where the share of national income that goes to the poorest 20% of the population increases from 6% to 6.25%. A change in income distribution of one quarter of one per cent would barely affect the Gini coefficient, but for the poor this represents a 4% increase in their total income. Such a small redistribution would have the same effect on poverty as doubling the annual growth of national income from 4%, which is the projected growth rate of many African countries, to 8%, which is necessary to achieve the income poverty Millennium Development Goal (MDG)"

11 That is, we assume there are no 'gaps' in the distribution below and near the poverty line.

12 A redistribution of one percentage point of GDP from the richest ten per cent of the population to the poorest ten per cent, equally distributed among the latter, would improve the incomes of all those in the lowest decile, but might shift none of them above the poverty line.

13 See Dagdeviren et al (2000) for analytical critics of the Dollar-Kay approach and the possibility of getting the opposite result, however.

noted by Alemayehu *et al.* (2008), due mainly to the following factors. One is the growing empirical evidence that explored the relationship between high initial income inequality and subsequent economic growth (see Kanbur, 1999, 2000 for review) using the new endogenous growth theory and insights from political economy. In this connection, Ravallion's (1997) findings state that at any level of economic growth, the higher is income inequality, the lower income-poverty falls. Moreover, it is possible for income inequality to be sufficiently high to lead to higher poverty. The other main factor is the sharp increase in income inequality that is observed in many developing countries following growth and liberalization (see for instance, Li, Squire and Zou 1998 and Kanbur, 1999; Alemayehu and Abebe, 2006; also Besley and Burguess 2003, Burgingn on 2003) Barro (2000) also argued that in economies where the initial pattern of income distribution is highly unequal and vertical mobility is restricted by economic, social and institutional hurdles, economic growth –if it happens at all- tends to have limited impact on reducing poverty (Barro, 2000). Whereas redistribution policies, when cautiously implemented, might be used to address immediate crisis situations, they have limited effectiveness in reducing poverty on a sustainable basis, however. Even economies with remarkable growth rates could not achieve sustainable poverty reduction if the growth process does not generate productive job opportunities, mobility, asset accumulation, and productive engagement of an increasing number of the population (Easterly et al, 2004). The pattern, characteristics and sector composition and sustainability of growth are as important for poverty reduction as the pace of growth performance (Romer 1986).

Another strand in the theoretical literature provides two contradictory views on the link between inequality and growth. The classical approach argues that there is a higher marginal propensity to save among the rich than among the poor. The implication is that a higher inequality will result in a higher saving. This will result in a higher capital accumulation and growth (Nissanke and Thorbecke 2008).The opposing view, the so-called new political economy, links greater inequality with reduced growth. Such a relation arises due to: (1) the dissemination of political and social instability leading to greater uncertainty and lower investment, (2) unproductive rent seeking activities reducing the security of property, and (3) wide income and wealth gaps adversely influencing education and health, and giving rise to widespread crime (Nissanke and Thorbecke 2008). The underdevelopment in human capital and malnutrition leads to lower long-term growth. This latter view of the link between growth and inequality is recently gaining momentum as some empirical findings reject the Kuznet's hypothesis of inverted U-shaped relationship between growth and inequality (Nissanke and Thorbecke 2008).\

The empirical literature on Africa shows the negative impact of inequality on the poverty reduction effect of growth (see Alemayehu and Abebe 2006; Alemayehu *et al* 2008; Fosu 2009, for instance). Fosu (2009) found that in sub-Saharan Africa, the impact of GDP growth on poverty reduction is a decreasing function of initial inequality. Ravallion (2001) and Bigsten and Abebe (2007) argued that initial inequalities determine how much the poor share in aggregate growth or contraction. Ravallion(2005) found poverty to be inversely correlated with relative inequality, but that the relationship depends on how inequality is measured. Ferreira *et al*. (2008) repoorted negative correlations between both poverty and inequality indices, on the one hand, and mean income per capita on the other and noted that inequality tends to reduce the growth elasticity of poverty reduction. Adams (2004) argued that though economic growth reduces poverty, the actual extent of poverty reduction depends on how economic growth is measured. Baye (2006) found that growth components dominated the redistribution components in explaining poverty at the national and regional levels. This finding is consistent with earlier findings by Datt and Ravallion (1992). Odedokun and Round (2004) also found that high inequality reduces growth and that the channels through which inequality affect growth included reduction in secondary and tertiary education investments, reduced political stability, and increased fertility rate.This doesn't mean, however, that there are no studies that do not contradict such findings, though they seem to be rare in Africa. For instance, Arndt *et al.* (2006) used generalized entropy class of inequality decomposition in Mozambique and showed that inequality between provinces and regions diminished over time as income grew. However, such findings are not many.

In an earlier study on Ethiopia, Bigsten *et al.* (2003) found that potential poverty-reduction due to the increase in real per capita income was to some extent counteracted by worsening income distribution. Alemayehu *et al.* (2008) and Tassew *et al* (2008) have confirmed the significance of distribution of income in alleviating poverty, particularly for poor countries like Ethiopia. Tassew *et al*. (2008) reported that the prevalence of higher inequality in urban areas increases the incidence of poverty. Using a household panel data, Alemayehu *et al.* (2008) showed the existence of a strong positive correlation between growth and inequality. On the basis of realistic assumptions, the study further showed that from a baseline in 2000 of a 44percent poverty level, over ten years at growth of 4percent per capita, poverty would decline from 44 to 26percent for distribution-neutral growth (i.e., no change in the aggregate income distribution). In contrast, were the growth increment distributed equally across percentiles (equally distributed gains of growth, EDG) poverty would decline by over half, to 15percent, a difference of almost eleven percentage points. Thus, 'distribution matters', even, or especially in a poor country like Ethiopia. Finally, with regard to the source of such inequality, Bigsten and Abebe(2006) attempted to decompose the determinants of income inequality in Ethiopia using a regression model of consumption expenditure at the household level. The result indicated that in rural areas a large part of the variation in income inequality could be explained by differences in village level characteristics and other unobserved factors. For urban areas, significant factors that played a role in determining inequality were household characteristics such as occupation of the head of the household, educational level of the head of the household and other unobserved characteristics. For rural areas during the period 1994-2004, after controlling for village level differences (through village dummies), average land holding size and its variance, and education of the key members of the household (the head and the wife) seem to be a very important factor driving inequality (see Bigsten and Abebe, 2006; and also Alemayehu *et al.* 2008).

Given such analytical link between growth, poverty and inequality, it is imperative to see the recent record on inequality and its effect on poverty reduction in Ethiopia. In the context of Ethiopia, the evidence on inequality over the decade, obtained from the national household income and consumption surveys, as well as the panel data of the AAU, indicates that it has been clearly rising in urban areas, and remained more or less at its initial level in rural areas though it exhibited considerable variations across time according to the panel data (Table 4.1 [8]) (see Alemayehu *et al.* 2008). Urban inequality, apart from its political imperative (discussed at length in Alemayehu 2013), has a detrimental effect on poverty reduction. That is, the rise in inequality in urban Ethiopia in particular, has wiped out the poverty-reducing effect of growth.

The nature and extent of inequality in Ethiopia

Compared to 1995/96 inequality has increased in 2004/05 across all regions in Ethiopia although its magnitude is not that significant. In 2004/05 inequality, measured by Gini, is the highest for Addis Ababa (0.46) followed by Dire Dawa (0.39) and Tigray (0.37). It was the least for Amhara (0.27). If urban inequality is taken, however, Tigray ranks first (0.49) followed by Addis Ababa (0.46) and Dire Dawa (0.43). In SNNP and Amhara, significant growth in consumption occurred with relatively little change in the distribution of consumption with the result that poverty fell considerably in both places. Poverty also fell in Tigray and in Benishangul-Gumuz, but in these regions the poverty reducing impact of consumption growth is offset by increased inequality. According tothe latest information available, HICE (2010/11), regionally, poverty is highest in Afar

(36.0 percent), followed by Somali (32.8 percent) and Tigray (31.8 percent), while it is lowest in Harari (11.0 percent), followed by Addis Ababa (28.1 percent) (See Figure 2).

Table 8.Indicators of inequality (1995-2010/11).Based on national and Dept of Economics data

Year	CSA, Nationally Representative Data				Dept. of Economics, AAU, Panel Based Data		
	National	Urban	Rural	Addis Ababa	National	Urban	Rural
1994					48	43	49
1995	0.29	0.34	0.27		48	42	49
1995/96							
1997					42	46	41
1999/00	0.28	0.38	0.26				
2000					51	49	51
2004					45	46	45
2004/05	0.30	0.44	0.26				
2010/11	0.30	0.37	0.27		NA	NA	NA

SOURCE*:* MOFED 2012, Dept. of Economics, AAU data.

This trend of urban inequality has not fundamentally changed in 2011 (see Table 8) and Figure 2), and the national head count figure remains at 0.30 while inequality in the rural areas increased just by one percentage point, compared to 2004/05,registeringa Gini of 0.26. Still the urban inequality remains the highest at 0.37 although this shows a significant drop of 07percentage points compared to 2004/05. Notwithstanding this trend,the inequality indicators in Table 8 are very high, in particular, considering that the AAU panel data-based indicators in the past have been about 10 percentage points above the national figure (see Table 8, shaded columns). If we assume that the official data is not reliable and the small sample size of the AAU data is not a major problem, this may suggest the current urban Gini coefficient to be over 47 percent and the national one to be about 40 percent. In fact, the official low figure and its aggregate nature might hide the high inequality that should be expected in cases such as we have here of high growth and increased global integration (see Alemayehu *et al.*2008, Alemayehu and Abebe 2006, Alemayehu and Alem 2006). For instance, detailed data analysis shows that the bottom 20 percent of the population has only about one-sixth (about 16 percent) of the income of the top 20 percent. Contrary to the government report, the World Bank (2013) has found an increase in nationwide inequality levels, as measured by the Gini coefficient, of 0.298 in 2005 to 0.336 in 2011. In addition, we also observe that inequality among community groups (and across ethno-linguistic lines) is also growing significantly, threatening the social fabric of the country (discussed in detail in Alemayehu 2013). A supporting evidence for our doubt of the official data may be inferred from Table 9 below.

The wealth index used in Table 9 is a measure that has been used in many demographic and health surveys (DHS) and other country-level surveys to indicate inequalities, including in the use of health and other services (Rutstein *et al*. 2000). It serves as an indicator of the level of wealth that is consistent with expenditure and income measures (Rutstein 1999). The index is constructed from household asset data using a principal component analysis. Table 9 presents the wealth quintiles by residence and administrative regions of the country. In urban areas 88 percent of the population is in the highest wealth quintile by this measure. This is in sharp contrast to the rural areas, where only 5 percent of the population is in the highest wealth quintile. Among regions, the wealth quintile distribution varies greatly. A relatively high percentage of the population in the most urbanized regions is in the highest wealth quintile—Addis Ababa (99 percent), Dire Dawa (66 percent), and Harari (60 percent). In contrast, a significant proportion of the population in the less urbanized regions is in the lowest wealth quintile, as in Afar (57 percent), Somali (44 percent), and Gambela (35 percent)

Table 9.Percentage distribution of the population by wealth quintiles and Gini coefficient by residence and region in Ethiopia in 2011

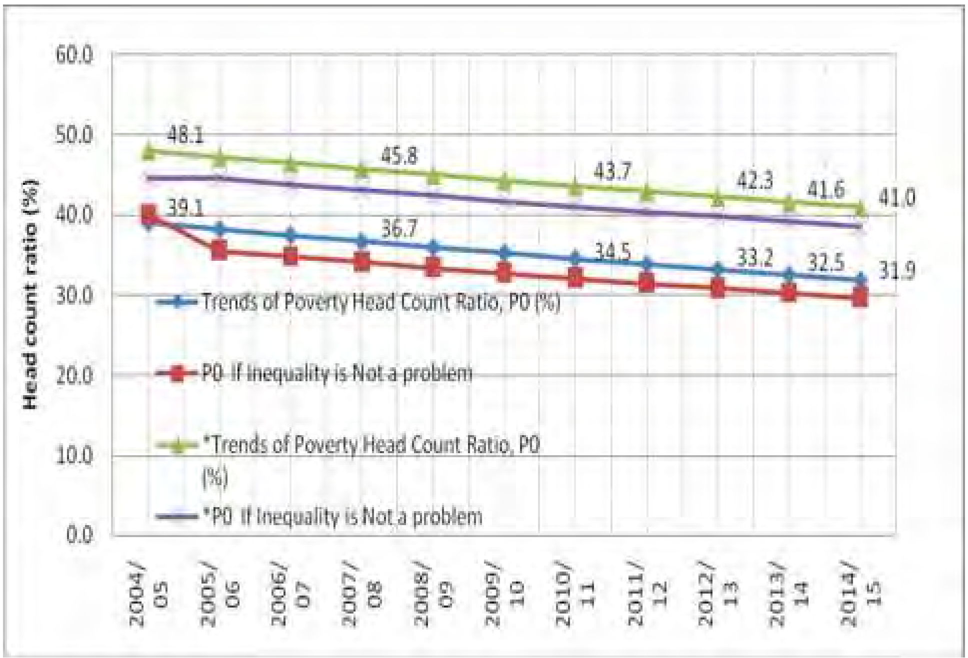
Residence /Region	Wealth Quintiles					Total	Weighted Number	Unweighted Number	Gini Coefficient
	Lowest	Second	Middle	Fourth	Highest				
Urban	2.3	1.0	1.1	8.0	87.6	100	13,939	18,917	0.14
Rural	23.9	24.2	24.1	22.6	5.1	100	63,438	56,738	0.07
Total /National	20.0	20.0	20.0	20.0	20.0	100	77,377	75,655	0.23
Region									
Tigray	25.8	22.3	16.1	13.1	22.7	100	5,035	7,794	0.26
Afar	57.0	9.5	4.9	6.9	21.7	100	667	6,048	0.29
Amhara	22.4	22.7	21.8	17.1	16.0	100	19,478	9,264	0.20
Oromiya	16.0	20.9	22.4	25.3	15.4	100	29,800	10,325	0.19

Somali	43.9	8.0	9.7	11.6	26.8	100	1,810	5,150	0.20
Benishangul-Gumuz	29.7	18.71	19.0	20.2	12.3	100	809	5,978	0.18
SNNP	21.7	20.4	20.6	21.0	16.2	100	16,069	10,169	0.17
Gambela	34.9	7.5	8.0	22.7	26.9	100	284	5,473	0.29
Harari	2.0	6.5	10.0	21.4	60.1	100	213	4,865	0.26
Addis Ababa	0.3 0	0.2 0	0.1	0.4	98.9	100	2,919	5,710	0.02
Dire Dawa	8.0 9	9.7 1	11.0	5.7	65.7	100	291	4,879	0.23

SOURCE*:* EDHS (2011)

Having established that the distribution of income is important for reducing poverty, it is necessary to conclude this section by providing the possible effect of it on poverty reduction in Ethiopia. Using the 2004/05 data, Alemayehu *et al.* (2008) computed the elasticity of poverty to growth and inequality in Ethiopia to be about -2.2 and 1.7, respectively. Using this elasticity and the likely level of growth as reported in Table 2 and the level of inequality given in Table 8, we have computed the most likely level of (income) poverty in the country. For this purpose we have used an average economic growth of 5 to 8 percent (average 6.5 percent) in the last decade. With an estimated population growth of about 2.5 percent this will give a per capita income growth of about 4 percent. The average national inequality/ Gini coefficient is assumed to be 0.37, which is an average of the national and the panel data estimates, assuming the latest panel based estimate is unchanged as that of the year 2004/05. The result of this exercise is given in Figure 3 (and also shown in Table 5). The result shows that the most likely level of income poverty in the country is about 33 percent. On the other hand, if the average gap of the panel and the national data of 10 percentage points are taken on board, the figure will be about 42 percent.

Figure 3. The most likely trend of income poverty head count ratio in Ethiopia



SOURCE: Authors projection based on Initial poverty level of 39.1 &48.1 in 2004/05

NOTE: * The top 2 lines are valid if the initial poverty level is assumed to be adjusted upward using the AAU panel data.

Conclusion:

In this study, an attempt was made to look at the macroeconomic evolution of the country, as well as its growth, poverty and inequality. The study began by examining the official data on the rate of growth, poverty and inequality in the country, and went on to analyze the gap between the official data and those of international institutions, and the apparent contradiction of high rates of growth and strong evidence of pervasive poverty. The conclusions to be drawn from this attempt are the following. First, even the modest growth rate that we came up with (which is about half the official figure) as well as the positive development in building infrastructure in the last decade are excellent achievements by African standards as well as those of many developing countries. Thus, there is no reason to make data on national accounts, such as GDP growth, political. Second, it is essential that data generating institutions, such as the CSA, MOFED and NBE, be staffed by professionals and their research methods and data be subject to review by an independent peer-review process on a regular basis. They need also to be autonomous and transparent, and, to the extent possible, insulated from politics and pressure from the government.

After questioning the official data and its likely implications, the study attempted to offer what is the most likely picture of growth, poverty and inequality in the country. In this regard the conclusion is that there is agood deal of growth but the growth rate is modest. There is also a marked absence of structural transformation in the country in the last four decades. We also noted that growth and distribution are found to be important determinants of the change in poverty. In rural areas poverty reduction is fully accounted by growth (inequality was not significant). While in urban areas the poverty reduction effect of growth is more than wiped out by the inequality that has accompanied it, and this underscores the need to address the challenges of inequality. Thus, achieving poverty reduction entails meeting, in addition to growth, the challenges of: (i) growth and vulnerability both at household and country level and (ii) addressing both vertical and horizontal inequality. In particular, addressing the issue of emerging horizontal inequality is central not only for poverty reduction but also for ensuring a politically stable country, free from recurrent conflicts.

Finally, the study has shown that theEthiopian economy and the country's poor are extremely vulnerable to external shocks, which may include conflict, climate change (rainfall variability or drought), world price of exports and imports (such as coffee, and fuel) as well as aid and remittances. The challenge of vulnerability has also a micro dimension. Poverty studies in the country show that the poor are extremely vulnerable, and the chances of slipping back into poverty both in rural and urban areas following shocks such as drought or the death of the head of the household are very high. The level of poverty would have dropped nearly by half had it not been for risks associated with vulnerability of households. This vulnerability and the associated persistence of poverty is often related to the lack of structural transformation that is in turn related to lack of technical progress in agriculture, lack of strong institutions, access to markets, as well as low asset accumulation in the country. Addressing these structural issues is important to achieve a sustainable reduction in poverty. This could be done in the medium term by tackling the dependence on rain-feed agriculture through expansion of small and large-scale irrigation. Structural transformation also requires raising the competitiveness of the industrial and export sectors through the provision of increased physical infrastructure, human capital formation, an enabling macroeconomic environment and developing a cadre of management professionals with a sensible incentive structure. The government is doing much in the area of infrastructure, however inefficient it might be, but seems to fail in the other areas and in particular in the professionalization of the work force and institutions. Thus, capacity building and decoupling politics and professionalism is important.

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3 *Assefa Fiseha*

Development with or without Freedom?

Introduction

The 1995 Ethiopian constitution provides for all three generation of rights.[1] This very constitution is declared to be the supreme law of the land (Article 9). Ethiopia has also adopted major international treaties on human rights such as the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Social, Economic and Cultural rights (ICSECR).[2] By virtue of Article 9 of the constitution such treaties are considered as 'an integral part of the law of the land.'[3] Furthermore Article 13(2) stipulates that the fundamental rights and freedoms specified in chapter three of the constitution shall be interpreted in a manner conforming to the principles of the Universal Declaration of Human Rights (UDHR), international human rights covenants and instruments adopted by Ethiopia. Chapter three of the constitution guarantees a host of individual and group rights and constitutes one-third of the constitution. Further along this line, human rights in the Ethiopian constitution are also entrenched and given constitutional protection through a rigid amendment procedure. Thus the constitution and international treaties provide the institutional recognition of human rights. Nevertheless, as this paper illustrates, there appears to be a differing commitment on the part of the government in its promises to deliver development in the socio economic and cultural sectors on the one hand, and civil rights and political freedoms on the other. What explains this differing commitment and what implications does it bring to civil and political freedoms particularly when they are constitutionally entrenched?

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[1] Of course, it is possible to find out some hierarchies within the constitution, for example, between those rights that focus on nations, nationalities and peoples on one hand and individual rights on the other. Balancing these competing rights is a difficult exercise as it needs interpretation and while interpreting constitutional clauses, hierarchy of values gives some clue to the interpreter. The amendment and emergency clauses also corroborate the same point.

[2] See Art 9(4) and the core international instruments signed by Ethiopia.

[3] What this means is far from clear. Does it mean that such treaties have equal status with the constitution or only with proclamations? See for details Sisay 2008

Based on the East Asian experience with developmental state and the way it is emulated by the ruling party, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), the key argument that is made in this chapter is that the ideological shift towards the developmental state gives priority to the socio-economic sector than civil rights and political freedoms. This is in spite of the fact that the constitution places equal weight on all generations of rights. There is certainly an evolving tendency that focuses more on economic growth at the expense of civil rights and political freedoms. The weakness of the institutions that enforce human rights further aggravates this state of affairs. As indicated in the last section, the House of Federation (HoF) and the Courts that are the primary institutions for enforcing human rights, continue to suffer from lack of clarity in their respective roles.

As Japan and of late South Korea's experience demonstrate economic growth and respect for human rights can be achieved simultaneously without prioritizing one over the other and indeed that is what the Ethiopian constitution stipulates. 'Development as Freedom' as articulated by Amartya Sen (1999) also indicates that development is not merely about improvements in the socio economic sector, crucial in itself, but also includes the enjoyment of freedoms. In Ethiopia, the government's determination of putting economic growth first and rights/democracy next is not only problematic but also contradicts with the spirit of the constitution. Civil and political freedoms seem to be sacrificed in favour of a better performance in the socio economic and cultural sectors at least in the short run.[4] The long term effect is far less predictable but it is not difficult to state that whatever gains made in the socio-economic sector could risk political instability unless the government demonstrates equal commitment to civil rights and political freedoms. Improvement in the socio-economic sector has the potential to create a middle class that will show less tolerance towards the authoritarian state in the long run. Whether the new generation of leaders of EPRDF will continue adhering to the 'democratic developmental state' as articulated by the late Prime Minister Meles Zenawi resulting in development and less freedom or will introduce political reform to make it genuinely democratic and developmental is something that is too early to tell.

The chapter has six sections. The different sections analyze the institutional foundations of the developmental state, namely, its institutional architecture, the role, alignment and capacity of the state in industrialization, the nature and function of the civil service and lastly the contentious issue of whether the developmental state could at the same time ensure democracy and respect for human rights. The study uses the experience of some East

[4] See the last two sections of this paper that demonstrate this point further.

Asian countries on developmental state as a framework for analyzing the nature and challenges of the evolving developmental state in Ethiopia.

Institutional architectures of the developmental state and its role in socio-economic development

Ethiopia is a country that has suffered for long because of food insecurity. The current government has made it clear in its Growth and Transformation Plan (GTP), a core document that defines the government's developmental goals as: the eradication of poverty, achieving the Millennium Development Goals by 2015 and transforming Ethiopia into a middle income country by 2020-2023.[5] Accordingly, it has designed relevant policies and targets a minimum of 11 percent[6] economic growth that should be equitably shared across regions and across society to achieve the stated objectives. EPRDF since it took power in 1991 after overthrowing the military junta has committed itself to a more 'activist state' as opposed to the liberal state. Based on the experience of some South and East Asian states such as South Korea, Singapore, Japan and currently China, the late PM Meles Zenawi, who was also the chief ideologue articulated 'democratic developmental state'[7] as its party policy to take centre stage in Ethiopia.

EPRDF's ideological roots 'Revolutionary Democracy' have largely been leftist. It has never been clearly set out in a manner where the rank and file cadres would understand and be able to explain it. Particularly since 1995 with more liberal elements included in the federal constitution,[8] its own high ranking officials have been in the dark as to whether the EPRDF has abandoned its ideology and moved more to the right.[9] The only leftists elements included in

[5] See the Growth and Transformation plan (GTP) 2010/11-2014/15 v.1 Main Text, Ministry of Finance and Economic Development November 2010, Addis Ababa.

[6] Figures are often contested. For example, the Ethiopian government estimate for the 2012 fiscal year was close to 10 percent growth, while the IMF claims only 7 percent. The World Bank's estimate is however in line with Government's estimate. See Aaron 2013; World Bank 2012.

[7] The exact dates of when the 'developmental state' as an alternative system of governance for ensuring rapid economic growth with the state, not market as chief architect of development emerged is far from clear. Yet there are some indicators that EPRDF started to articulate this concept towards the early 2000's. See Speech by the late Prime Minister Meles Zenawi 2006 and *Reporter* 201.

[8] As argued in this paper constitutional entrenchment of human rights implies a limited government more than anything else.

[9] The ambiguity among high ranking EPRDF leaders was at the center of the debate between former Prime Minister Meles Zenawi and former President Dr. Negaso Gidada during the party crisis in 2001. The PM then insisted publicly that EPRDF's agenda as reflected in the constitution

the constitution and other policies are the land policy, the state monopoly over telecommunications and energy, opening up the financial sector only for Ethiopian private sector and the right to self-determination and the collective rights of 'nations, nationalities and peoples.' However, of late EPRDF seems to have shifted from the more ambiguous ideology of Revolutionary Democracy to that of developmental state. Understanding some of the key features of the developmental state is vital in order to grasp and explain the context in which it is currently applied in Ethiopia.

State-led development

Developmental state is an institutional, political cum ideological arrangement that evolved from Japan's post war economic recovery and that was later adopted by some East Asian countries (Johnson, 1982). Even if the concept initially evolved from Japan's post war experience, it adapts or even transforms itself in reaction to new developments (Beeson, 2009). One may say, the developmental state is not at all a theoretical construct but rather a 'catch up' mechanism for late industrialized states and based on particular contexts (see Johnson, 1982:275; Mkandawire, 2010:59-61). Given the global economic crisis in 2008/2009, there seems to be a growing interest in the developmental state particularly in the developing world. The current dictum as Peter Evans alludes, 'no developmental state, no development' (World Bank, 1997: ii). Thus despite variations across states and time, it is crucial to identify some of its key institutional foundations.

Many seem to agree that the developmental state delivers results when it manifests four vital features. One is the role of the political leader's ideological/political orientation and capability to design the development agenda of the country. In sharp contrast to the nature and role of the state advocated by the Bretton Woods Institutions in the early 1990s, the developmental state assumes a transformative role (Edgheji 2010). The developmental objective is more of a political decision backed by the ideological rationale of nationalism and the urgency to 'catch up' than a mere economic policy. Developmentally oriented political elite is in the driver's seat of the economy that also has the mission of creating development oriented ideological hegemony. The legitimacy of the party and political institutions as such is not based on periodic and regular elections (though that is crucially relevant, if the state claims to be democratic) but on continuous delivery of rapid economic growth and improved living

is '*Nech (white)* Capitalism.' Apparently H.E Ato Bereket Simon's book entitled 'A Tale of Two Elections (of 2005 and 2010) in Amharic published in 2003 E. C. provides useful details on the same point and hence the question is when and how the 'developmental state' will phase out, if it ever will?

standard of the population. It is not merely about state's intervention in the economy for nearly all states intervene in the market for one reason or another.[10] It is about how the government intervenes and the purpose it claims to serve that distinguishes it.[11] In short it is a state led economic development. The state selects strategic sectors, and gives priority to achieve its developmental objectives. In other words, the state took developmental function (Johnson, 1982: 271) by giving precedence to industrial policy. Given that the private sector's capacity is limited or is merely profit driven, the argument goes; it is incumbent upon the state to serve as engine of development (Hundt, 2009).

If one looks at the GTP, how the Ethiopian government articulated its development agenda will be clear. Certainly the issue of who is responsible for the design of the development agenda in Ethiopia is far from settled. To start with, EPRDF's experience with policy design in general and developmental state in particular has been the task of the political leadership at the highest level and not of the elite bureaucracy (if there was one). The establishment of the Planning Commission in June 2013 and the appointment of the only non EPRDF figure, H. E Mekonnen Manyazewal to head it seem to set a new trend. As was the case in some East Asian states, this new development is probably about to herald the shift in the designing and and planning of transformational development goals from the highest political leadership and line Ministry (such as the Ministry of Finance and Economic Cooperation) to a technocratic group within the planning commission.[12] Such institutions were the nerve centres of development plans and policies in East Asia. They were the ones who designed the selective industrial policy and played a key role in the allocation of scarce resources such as hard currency for preferred sectors. It is too early to tell but the tendency in Ethiopia seems to assign this key responsibility to the new institution perhaps with the condition that the political leadership makes the final decision on draft plans and policies. Sorting out clearly the role of this new institution vis-à-vis- the Ministry of Finance and Economic Development and the National Bank is not going to be an easy task. There is certainly an overlap in their functions.

Very much related is the question whether the National Planning Commission will leave room for innovative policy making at the regional level which is very central to the federal constitution. Since 1995, Ethiopia adopted a federal system to accommodate diversity, ensure equitable development and to end over concentration of power at the centre. The key feature in a federal system is the constitutionally based division of power that allows regional states

[10] For strategic reasons such as security, to ensure industrial safety, to protect consumers, to prevent monopoly etc. See (Johnson 1982:270).

[11] There is no guarantee that it will achieve its developmental goal as intended.

[12] For comparative insights see (Chang, 2010:82-94).

to design their own policy. Federal systems allow various policies to be experimented at regional state level in order to address local context subject to a general framework policy set by the federal government. The question is, therefore, will regional states be represented in the National Planning Commission? These are worthy questions where it is hardly possible to provide a sound answer at this stage.

Capacity of the state

Strongly related to the idea of state led development is the importance of *capacity* and commitment of the state to design, implement, penetrate and mobilize power and resources to attain its objective (see Doner *et al*, 2005:327-361). What the developmental state demands is a strong, stable and centralized state with a cohesive bureaucracy (Evans, 2010). This is a key condition that gives it a huge potential for action in achieving its developmental goals. No surprise that the EPRDF has more than any government in Ethiopian history penetrated deep into society. *Kebeles* were the lowest level state agents that the *Derg* (military junta 1974-1991) established when it was in power. EPRDF has set 'a one to five' structure at the lowest level going down even to the family level. The average family size in Ethiopia right now is not more than six. EPRDF, one could state, is now able to reach every family in the country. This provides the ruling party a huge potential for mobilizing resources and the people for its developmental objectives. For example, the success stories in relation to reduction of child mortality and improved maternal health is partly because of this structure but as indicated later, this is not without drawbacks to the democratization process. As illustrated later, the state is not only capable and coherent but also sufficiently close to (embedded) society. This also poses threats related to corruption and being exposed to business influence (Evans 1995).

Strong and merit-based bureaucracy

A key institutional feature that comes with the state led development is the importance of strong bureaucracy. As the capacity of the state and its commitment to the developmental objective is crucial, the bureaucracy is not only recruited and promoted on impersonal, competitive and meritocratic basis (Evans, 2010: 45; Mkandawire, 2010: 63) but also has the additional responsibility of implementing the developmental goal. As such those who design, implement and monitor the development of the economy are supposed to be the creams of the nation; the best trained and highly paid technocrats.

Furthermore the civil service in many developed countries is not only recruited and promoted based on merit but also continues to provide its services despite changes in political parties following election. Only the political leadership is changed while retaining the civil service. Even in China and some East Asian countries, the system is competitive and able to attract capable civil servants by offering better services and opportunities than the market (Fukuma, 2012). In China, in particular, to join higher ranks within the Communist party, delivery of better economic growth at the provincial level remains a critical variable apart from party loyalty. It is thus possible to be competitive even under one party state (Beeson, 2009).

The civil service[13] in Ethiopia is not immune from politics and the public sector has not been able either to retain or attract capable people.[14] Several studies conducted about this sector indicate that the civil service in Ethiopia has suffered from political clientelism where informal/personal links, for example – belonging to the nobility either directly or through marriage and family and remaining loyal to the political executive such as the Monarch, or the Derg mattered more than technical competence (Haile Kiros, 1978). Indeed for the most part of Ethiopia's long history, there was little demarcation between political leadership and the administration. Up until the early 1960s provincial governors and the emperor in particular retained all three functions – legislative, executive and judicial powers. Even after the 1960s and the establishment of the Central Personnel Agency (CPA) that was tasked with the idea of formulating merit based standard rules for recruitment, training, promotion, transfer and retirement, political loyalty to the regime overshadowed impersonal recruitment hence the proverbial saying of *'shum shir' 'dej tinat' and 'sishom yalbela sishar yikochewal.'*[15] Politicization of the civil service and the overall subjugation of this sector to party and political control continued during the Derg (see Meheret 1997).

[13] It refers to experts that implement policies and whose tenure is not dependent on elections but on merit and efficient delivery of services. Ministers, members of parliament, the armed forces, the police and judges do not constitute the civil service. African civil service in general and that of Ethiopia in particular suffers from politicization of the sector. See for details (Olowu, 1995:104, 109).

[14] Even after EPRDF assumed power and commenced the civil service reform program, the sector lacked stable leadership. Initially, it started on a project basis and in a fragmented manner where various sectors were engaged in the reform, no one centre coordinating it. It later (in 2002) received central leadership from the Ministry of Capacity Building and was then again taken over by the Ministry of Civil Service when the former was liquidated in 2010.

[15] These are well known proverbs on the Ethiopian public sector meant to indicate that civil servants are at the mercy of the political leader and these uncertainties pave the way for corrupt practices. Knowing that the civil servant will be fired soon, he/she is expected to 'snatch as much as he/she can' else the civil servant will regret it for the rest of the time. For details see (Haile Kiros, 1978)

Since it took power in 1991, EPRDF has tried to introduce reforms to the civil service sector through the stipulations and the public display of ethical principles; introducing customer oriented and decentralized service,[16] improvements in designing strategic plans to enable the civil service deliver much desired services. But the reforms do not seem to have brought the desired outcomes. On the positive note, one of the new developments in post Meles EPRDF leadership is the emergence of a new position with the title of Deputy Prime Minister for the good governance cluster.[17] This institution seems to be the driving force for all reform efforts currently going on in the country. et as recently November 7, 2013, Prime Minister Haile Mariam Desalegn in a televised speech expressed his anger over the 'unnecessary delay' in making decisions in many government institutions. A recently issued government document hints that the reform process among others lacked a committed political leadership at the middle and higher level. Sample studies from some federal line ministries show that line ministries have shown improvement in the delivery of services (Sirgut, 2006)[18] but a lot remains in terms of enhancing the participation of employees in the sector, engagement of stake holders, improving transparency in the decision making process, respecting the right of employees, improving the overall working environment, clarifying the ambiguous variables used for the selection/appointment of the *sira hidet balebet* (process owner as they are often called) and the leader in the '1 to 5'[19] task force at the grass root level (See Sirgut, 2006). Besides as discussions with senior experts of the

[16] Key development in this respect is the creation of ten sub cities in Addis Ababa and subsequently in nearly all bigger cities of Ethiopia that brought significant improvement compared to the previous era of services from one centre.

[17] This office was headed by H.E Muktar Kedir who was also the deputy chairman of the Oromo Peoples Democratic Organization, one of the four coalition partners of EPRDF and Minister for Civil Service. The civil service reform that is being conducted throughout the country is now accountable to this office.

[18] Even in these sample institutions of late there is unfortunately some regression. The provision of electricity, water and telecommunication services particularly in terms of quality and efficiency seem to be getting worse, not better. See (The Reporter 2013) editorial calling an explanation and apology from the government for the frequent failure to deliver these crucial services.

[19] In one regional state, the regional state Council indeed issued a law proclaiming expressly that *ye sira hidet balbet* is a political appointment but later retracted it, indicating the confusion even at the highest level. The '1 to 5' task force organized in all sectors at federal and state level is meant to be led by one person selected by his/her best performance in the sector like the role model. He/she then leads the group in discharging whatever is to be done. Yet in practice the process of selection and the criteria for selecting the team leader are far from clear. In some regional states after a brief confusion they seem to have got to the point. In other regional states there is a tendency to pick the leader on arbitrary or political loyalty basis. A few other states have not even started it. Interview held with two regional state bureau heads in August and September 2013. On the origins and rationale for the '1 to 5' structure. See (Bereket, 2011:205-207)

civil service bureau in three regional states demonstrate, it is not clear how the heads of the *sira hidet balebet* and '1 to 5' *limatawi serawit* (developmental army) structure fit into the existing structure.[20] There is a tendency of setting up a parallel structure: the old and the new '1 to 5' and it is not clear whether the new structure is to be subjected to, replace or supersede the existing civil service structure.[21] More controversial however is whether the *sira hidet balebet* and team leader are political positions in which political loyalty plays a big role or whether the two positions are open for competition and hence the heads are selected because of merit and efficient performance. Right now the situation is far from clear and varies from one regional state to another. In some regional states the two positions are considered as political appointments while in others as civil service positions. In other regional states, the two positions combine both political and merit considerations in which the heads are subject to two accountability instruments both political and merit based.[22]

Table 1. Total number of civil servants in Ethiopia (Federal and Regional) as of June 2011

Region	***Region Total***
Tigray	63,736
Afar	18,197
Amhara	170,951
Oromia	298,035
Somali	36,732
Benishangul Gumuz	16,742
SNNPRS	187,251
Gambella	10,614
Harari	4,869
Addis Ababa	40,690
Dire Dawa	6,384
Federal government	72,515
Grand Total	**926,716**

SOURCE: Federal Ministry of Civil Service Human Resource Statistics 2011.

[20] Interview with three senior regional state experts held in August 2013.

[21] The Minister of Justice did in his speech aired on ETV on November 7, 2013 (on good governance) indicate that there is lack of clarity between the old and the new structure and as a result there is the risk of returning back to the old system.

[22] Interview with three experts of regional state civil servants held in August 2013.

Thus the biggest challenge is that the civil service in Africa in general and in Ethiopia in particular suffers from extreme politicization. As such there is no clear distinction between the civil service and the political leadership or at least the boundary is fluid. The assumption is that political parties and governments come and go but the civil service remains to serve governments as an institution. Nevertheless, the policy of the Derg regime that politicized the civil service and the limited success of the reform process under the EPRDF have not improved the independence and neutrality of the civil service.

In some institutions, EPRDF's reform agenda has been used as a means to avoid 'unwanted technocrats' and replace them by political loyalists. Instead of insulating this sector from politics, EPRDF indeed attempts to swell its size by increasing its members in the civil service.[23] It is widely believed that recruitment, retention and promotion to higher positions within the civil service are very much influenced by membership in the ruling political party and political affiliation.[24] If merit is relegated then how is the civil service going to deliver the minimum services, let alone of accomplishing the mission of the developmental state?

Building the capacity of the civil service and injecting merit to it will surely have a significant effect in improving the capacity of the state; otherwise the mission of the developmental state will be at risk.

The ideal civil service brings technical expertise to the government owing to education, training and neutrality it enjoys. Some of the challenges thus still haunt the sector to date (Federal Civil Service Ministry, 2013)[25] According to the Federal Civil Service Ministry, of the total regional state civil servants (854,201) only 28 percent have first degree and above qualification. Of the total federal government's civil servants (72,515) only 13 percent have first degree and above qualifications. Indeed, it is the least paid section in the public sector that continues to suffer from loss of its senior experts to the private sector. The dilemma of whether the civil service and the technocrats should be mere agents of developmental state *limatawi serawit* (development army) as the Ethiopian government currently claims or should enjoy some level of autonomy as technocrats remains an unresolved issue even today. Injecting merit,

[23] See for details (Girmay, 2012: 100ff) where he states more than 95% of the civil servants in four sample *weredas* are members of the TPLF.p.103; another source on the civil service in the SNNPRS puts the figure even higher. Interview held in Hawassa August 22, 2013.

[24] Even higher institutions that are supposed to have modest autonomy to pursue academic debates freely are not immune from this trend.

[25] It is interesting to note though that the very same document dictates that only merit and no other criteria should be the basis for assessing the performance of civil servants. It as well emphasizes that this is basis for institution building in the sector. See (Federal Civil Service Ministry, 2013)

depoliticizing the sector and designing mechanisms to retain senior experts in the civil service are probably going to be the Achilles heel of the Ethiopian government. The above evidences show that this sector is affected by neo-patrimonial and informal political variables than through formal laws that govern the civil service. Given this reality, it is to be naive to expect the civil service to effectively implement the development policies set by the government.

Federalism also brings its new set of challenges. True that Ethiopia is a federation that opens up to accommodate its diversity and that demands a fair representation of its different nationalities in the civil service.[26] The problem is, however, the way representation is secured. On the one hand, representation can be made on the basis of merit and individuals from the different nationalities with the required skill and experience could be recruited. On the other hand, it can be done by undermining meritocracy and merely focusing on political loyalty (Peters and Pierre, 2005). Inefficient bureaucracy recruited principally on the basis of political loyalty is sooner or later going to be an obstacle to the mission of the developmental state.

State society coalition – embedded but autonomous state

Another feature of the developmental state is what Peter Evans calls the 'state-society relations' (Evans 1995).[27] In other words the developmental state should remain autonomous but strongly embedded into society. Unlike orthodox socialism or communism, that insists on state monopoly, developmental state accepts partnership with business elites (domestic or foreign) and other sectors of society. The ultimate goal of the state – development - is not the exclusive domain of the political elite or the bureaucracy – but should be a shared agenda that is based on a *broad based social and political coalition* (Evans, 2010: 45). The state maintains its internal organization but must be strongly tied to (*embedded in*) the society, the business community, the youth, women, farmers, trade unions and the civil society in order to enhance their role in development. It is difficult to meet the developmental goal, if there are factions and disagreements within the political elite and the bureaucracy. In a way the fact

[26] This is a goal that is not yet fully achieved. A recent statistics indicates that of the total 65, 238 civil servants at federal level, there are only 65 Somali's (0.1 %); 83 Afar's (0.13%); 15 Gumuz (0.02%); 42 Nuer (0.06%); Anywa 42 (0.06%). *Human Resources Statistics* 2010 issued by the Ministry of Civil Service.

[27] Peter Evans (1995): titled his book embedded autonomy which in a way is a paradox, if the state is close to or embedded in the society how can it remain autonomous? The literature is far from clear on this point. In fact the issue of 'crony capitalism' or corruption, the major challenges to the developmental state model seems a problem because of its exposure to business influence. Despite developmental state's zero tolerance to corruption, it remains exposed to it. See (Beeson, 2009:10; Johnson, 1982:.273-274).

that EPRDF is a strong (centralized) rural and mass based party[28] gives it a leverage to steer the development agenda. But the same structure could also be a threat to the emergence of an autonomous and less politically affiliated civil society in Ethiopia. The implication of this feature for the developmental state of the twenty first century is massive. This institutional feature implies that the process of designing the development agenda and its overall implementation requires not only a democratic decision making process but also a deliberative one.[29] Yet as illustrated later, the democratic credentials of the developmental state in the last century were suspect as it has been associated with authoritarian developmental states.

The state while embedded in society must maintain its policy making *autonomy* from domestic and foreign pressures (partisan, economic/business, class, global forces) to enable it design the developmental goal free from pressures. Two crucial challenges emerge in this regard. One is the issue of balancing technocratic autonomy versus the ideal of broad based societal coalition that may need more *deliberative procedures* and mass based decision making. The second is the possibility that when the state creates strong ties with the different sections of society, the political elite and the bureaucracy may fall trap into rent seeking behaviors and misuse of power and engage in corrupt practices (Evans, 2010: 52).

The fact that there are a few economically powerful groups in the Ethiopian economy was until recently considered as a favorable condition to the ruling party's hegemony in the designing of development plans. Yet the corruption charges against some government officials and high profile members of the business community in 2013 indicate that unless supported by a strong institutional check and balance, the system is vulnerable to corruption and the state's autonomy can easily be hijacked.[30] Donor pressure is also a source of tension. EPRDF has not been that easy to deal with when it comes to donor

[28] Although EPRDF has shown some flexibility in the last ten years by enlisting new members from urban youth and women, it is widely known that it represented the lower class mainly the rural farmers which constitutes 85 percent of the Ethiopian population.

[29] Democracy is often understood as mere conducting of regular free and fair elections in which competitive parties campaign often during elections but deliberative democracy assumes continuous engagement of the public in public affairs without limiting its participation to the time of elections.

[30] The Director of the Revenue and Customs Authority, his deputy and high profile business men were accused of corruption and brought before court in 2013. What is interesting about this development is that some of the business men were close to the government so much so that they even created a group called *'limatawi balehabtoch'* (developmental investors) as opposed to 'rent seeker' investors and may have had a big share in financing the 2010 federal and regional state elections.

agencies. As some studies hint, it strives hard to maintain its policy making autonomy, despite pressures coming from donors (Dereje, 2011).

Despite all the daunting challenges related to institutionalizing the developmental state, the Ethiopian state seems to have delivered fairly well in the socio economic sector. Until 2002 the total revenue collected both by federal and state governments did not exceed 7.8 billion birr annually. By 2012 the figure has reached 86 billion birr annually and the plan is to finance government's entire plan from domestic revenue sources.[31] Ethiopia has used its own budget and donor aid effectively in securing a consecutive economic growth of 10 percent or more[32] and for the expansion of infrastructure. Although it is overshadowed by high rate of inflation[33] and corruption, the 10 percent economic growth that has been registered for r a number of years made the country the fastest non-oil growing economy in Africa. In order to create jobs, the government actively uses Micro and Small Enterprises (MSE). It provides credit, training and land for those who participate in this scheme. The number of SMEs was no more than 22,000 in 2006. The number is now approaching 136,000 and nearly 600,000 jobs have been created through this scheme. As part of the effort to solve the critical problem of residential houses in cities, the government has built between 2006 and 2012 some 200,000 houses in the form of condominiums (low cost apartments), nearly half of it in the federal capital Addis Ababa (EPRDF Report 2013). Currently this project has been expanded with various options being provided to citizens and it is hoped that the housing problem in the major cities will be ameliorated significantly.

The share of Ethiopia's living under poverty (less than a dollar a day) has fallen from 45 % in 1991 to 29 % in 2011. Export has risen sharply and series of hydroelectric dams[34] have boosted the economy so much so that the country plans to be the energy giant of the Horn region exporting electricity to some

[31] Ethiopia's annual budget in 2012 was 130 Billion Birr; the difference is currently covered from donor agencies and loans. The plan is to finance all government activities from collected revenue which is considered key condition for ensuring the autonomy of the 'developmental state.' Ethiopia uses 60% of its budget for capital projets (EPRDF Report 2013).

[32] The average economic growth between 1974 -1991 was 1.7 %. The Governments plan for the next three years based on the GTP is a minimum of 11% every year. The IMF however stated the 2013 economic growth much lower (7 percent) than what is stated by the government (EPRDF Report 2013).

[33] In 2011, the rate of inflation reached 45% and is currently estimated to be 12% (EPRDF Report 2013).

[34] In 1991, Ethiopia produced 300 Mega Watt only. It is now approaching 8000 Mega Watt. The biggest investment in this respect is the Grand Ethiopian Renaissance Dam (GERD 6000 MW) which has the potential to transform Ethiopia from mere consumer to exporter of electricity to its neighbors and earn much needed hard currency.

neighbouring countries like Djibouti, Kenya and the Sudan (Aaron, 2011). Nearly every child in Ethiopia can now attend primary education for free. The change in this respect is remarkable from 19 % in 1991 to 96 % in 2011.[35] During the last decade, some thirty one new universities have been built, that has significantly increased their enrolment from a few thousand to more than 110,000 every year and the plan is to increase enrolment of 467,000 by 2007. The new universities are fairly well distributed throughout the regional states (Year Book 2001 E,C).[36] Access to health centers also improved reducing child mortality significantly. There has also been significant improvement in infrastructure such as roads (only 18,560 km. in 1991 and now more than 80, 000 km still small but expanding fast) and telephone services.[37] These developments are important preconditions to building one economic community. Indeed Ethiopia's investment in infrastructure is the highest in the African continent. Taking note of these encouraging developments, an observer noted Ethiopia in 2011 is richer, more accommodative to cultural and linguistic diversity, relatively more stable and peaceful but far from democratic as indicated later (see Economist, 2012; Africa Confidential, 2012). To be sure, delivery in the socio economic sector does not necessarily translate into a guarantee of socio economic rights but it certainly is an important step forward towards realizing them. In the first place, the realization of socio economic rights is based on the government's active engagement such as the design of pro poor policies and massive investment of resources. The massive expansion in infrastructure such as roads, construction of health centers and schools provided opportunity for the people to enrol in schools and for the fulfilment of their basic needs. The construction of the low cost residential condominiums responds to fundamental needs.

Overall, government's commitment and the allocation of huge resources for the sector respond to the age old demand for adequate standard of living. Surely there is a lot more demand but if the government continues with its current commitment and addresses issues related to quality, it will certainly lay the foundation for better life. After all the protection and enforcement of socio economic rights is very much related to resources and committed political

[35] Major dividing issue in this respect is that the massification of education at all levels without necessary preparation in terms of qualified personnel, library and other necessary inputs has compromised quality significantly.

[36] See for details *Ethiopia ye 2001 Ametawi Metshaf* (in Amharic) *Ethiopia 2001 E.C. Annual Book* (Addis Ababa: Master Printing House).

[37] By 2001, there were some 27,000 mobile telephone users. There are now more than 22 million users. In 1991 there were only 175,653 direct telephone lines, 70% of which was located in Addis Ababa. There are now 910,353 customers. This sector still suffers from lack of efficiency. Customers continue to complain about the slow speed of the internet (EPRDF Report 2013).

leadership and budgetary allocation can do a much better job than the courts. Enforcement of socio economic rights has strong budgetary and policy implications and requires the state to use resources in addressing basic needs and improve the standard of living such as access to housing, education and employment opportunities. By doing so, the government enforces this category of rights through political institutions though they may not be justiciable in the short run before courts of law.

Economic growth first, democracy next?

The last and more important point to our understanding of the institutional behavior of the developmental state is the fact that the developmental state in the last century operated under either a dominant, hegemonic or one party system (Thornton and Thornton, 2008) and there is growing concern as to whether it can be a democratic and developmental one at the same time. This is an area that is not well articulated in the literature on the nature of developmental state but remains crucial for those of us interested on the issue of whether developmental state can be democratic or at least can be transformed at some stage. We have noted already that in order to achieve its developmental objectives, the developmental state needs strong center capable of mobilizing the people, resources and various actors towards one goal and that can exist only if there is a strong, cohesive and centralized party system.[38] A close observation of the East and South East Asian developmental states indicate that it is based on either of three possibilities. In China, Singapore (Ortmann 2011) and South Korea the 'developmental state' operated under one party state and had strongly authoritarian tendencies. That was the case in Singapore under Lee Kuan Yew and South Korea under General Park Chung Hee (1961-1979) and Chun Doo-hwan (1980-1987) (Ortmann, 2011: 41, 43). The situation in Singapore was such that one version of economic growth was coined after the former Prime Minister of Singapore as the Lee thesis (see next section). None other than former Malaysia's Prime Minister Mahathir captured the dilemma that gave birth to whether development should be conceived narrowly focusing on mere economic growth or whether it should be understood broadly as articulated by Sen's 'development as freedom' and beyond to include democracy. He said (cited in Davis 1998:309):

[38] Atul Kohli (2004:382, 384, 386) states that except India many of the East Asian countries followed what he calls 'cohesive capitalist route' whose main target is rapid industrialization. With respect to India, he states it is 'fragmented multi-class' type where the developmental goal is broad based with multiple centres of power that also combines goals of redistribution and achieving development alongside democratization.

> In the former Soviet Union and the East European countries, democracy was introduced along with the free market. The result is chaos and increased misery. Not only have the countries broken up, mainly through bloody civil wars, but there is actual recession and more hardship for the people than when the Communists ruled. One may ask whether democracy is the means or the end. Democracy at all costs is not much different from Communist authoritarianism from the barrel of a gun. . . . In a number of East Asian countries, while *democracy is still eschewed*, the free market has been accepted and has brought prosperity. Perhaps it is the *authoritarian stability* which enabled this to happen. Should we enforce democracy on people who may not be able to handle it and destroy stability?[39]

This developmental path denies civil rights and political freedoms and indeed postpones democratization as the condition for effective and rapid economic development.[40] Currently China seems to be going through similar circumstances under a single communist party system (officially a one party state) where multiparty elections and human rights issues seem to be neglected in favour of rapid economic growth (Thornton and Thornton, 2008: 145).

Japan demonstrates an interesting case to the experience in the region for it is the pioneering state and because it managed to secure consecutive economic growth under a genuinely dominant party system (Thornton and Thornton, 2008: 170) that was democratic under the Liberal Democratic Party (1954-1993 under LDP) for the most part of the 20th century. The LDP in Japan neither engaged in election rigging nor intended to stay in power by force of arms. When the relevance of the developmental state dwindled by the 1990s, the voters were able to bring another party to power and the LDP did not stifle the process. Indeed, credit goes to Japan's post war economic reconstruction from the process of which evolved the 'Japan's miracle' later to be coined as developmental state (McNeil, 1994).

India is another relevant case where democracy and development reinforce each other and where a dominant party system under Congress Party later gave birth to multiparty democracy. Given that India is also a multiethnic and multi-religious with a working federal system, it could offer a more relevant experience to Ethiopia than China. In the latter, economic development has not led to democratic reforms and respect for human rights so far. The East Asian experience thus is with mixed records: there are two camps 'camps of development with and without freedom (Johnson, 1982: 178), that is, consecutive economic growth under authoritarian developmental state as in

[39] As illustrated earlier, this is the core argument of those who insist on preconditions for democratization. See (Lipset, 1959:69-105).

[40] See Amartya Sen's summary of the Lee thesis (1999:15)

South Korea, Singapore and China on one hand, and economic growth in democratic developmental state with a dominant party as in India, Japan and of late South Korea on the other.

Given that there are two camps of developmental state, one democratic and another authoritarian the question is which way for Ethiopia? A one party state is certainly a paradox with democracy. It undermines regular, free and fair elections among competing parties. But it ensures policy consistency which an important requisite for the developmental state. The experience indicates that the developmental state tries to minimize policy fluctuation (Hundt, 2009). On the other hand, regular, free and fair elections assume competitive political parties and alternative policy options. In other words, realization of the goals of the developmental state depends on the ability of the party that devises development policies to maintain power for an extended period. In sum, a developmental state requires either a hegemonic or a one party system where the opposition has a fair chance of competition but is less likely to pose a threat to the dominant party (Sartori 1976: 109).

The ruling party EPRDF claims, particularly following the 2010 national and regional state elections that Ethiopia needs an *Awra*/vanguard/dominant party (See Addis Raey, 2011: 30-38; Teshaye, 2010).[41] This claim is illustrated in various documents of the ruling party citing examples from other countries such as Japan (from 1954 to 1993).[42] Yet the analogy is problematic because there seems a thin line that differentiates between hegemonic and dominant party systems. Giovanni Sartori (1976) makes a useful classification between the two. As the case of Japan's post WWII development hints at a dominant party system, the political system is not against a multi-party system as such but it happens that the voter satisfied with the performance of the LDP continued to elect the same party in consecutive elections. In this system, there is a regular and free election and opposition parties take part in the competitive election. There is little or no complaint about the electoral process on the basis of vote irregularity or fraud. The outcome of the election is also respected by both the winners and the losers. There was no fear that if the LDP loses election it will engage in 'extra-legal measures' to stay in power and when it lost the elections in 1993, it did hand over power peacefully.

[41] Addis Raey 2011: 30-38; Tsehaye 2010. Tsehaye Debalkew (2010)

[42] See (Sartori, 1976:.109) it is good to note that Japan's politics is very different from Ethiopia. The challenges that are related to managing ethno nationalist groups makes Ethiopian politics distinct in many respects.

The hegemonic party system is a bit different. To a large extent, it is not competitive and yet it is not the same as a one party state.[43] There are various restrictions made on political parties that want to engage in election. Complaints on the electoral process are very common as either of the parties might engage in various kinds of election rigging. Political pluralism is far from ascertained as well. As is well known competition and uncertainty of outcomes are vital elements of a democratic electoral process (see Cheibub, 2007). In a hegemonic party type, there are indicators that hint at the certainty of the outcome: the hegemonic party will retain power. More importantly there is no guarantee that if the hegemonic party loses the election, it will transfer power peacefully. It is uncertain at least.

As indicated above, EPRDF following the 2010 election declared itself as a dominant party. Yet it is difficult to ignore the various election irregularities mentioned by several international observers and critics (Tronvoll, 2010). More importantly there are no guarantees that the designation of EPRDF as a dominant party will address the problems associated with that of hegemonic parties that stand somewhere between dominant party system and one party system as stated above. Even if the constitution and the electoral laws by and large ensure a multi-party system, the reality in Ethiopia is more problematic. True or not, in nearly all four elections held between 1995 and 2010, various kinds of electoral irregularities were reported.[44] Certainly there are now growing concerns on whether Ethiopia is a multiparty or hegemonic one which to some extent affects the nature of the developmental state (Tronvoll, 2010). If we look at the 2010 national and regional elections, Ethiopia's transition to genuine multiparty democracy is far from achieved. There are some factors that contributed to state of hegemonic party system. The first is the ruling party's aggressive campaigns emanating from fear are related to the 2005 election crisis. Second is the advantage of incumbency (use of government institutions and resources such as the media to its advantage). Third is the better organizational structure down to grass root level (party structure, mobilized mass and ruling party affiliated organizations such as women, youth, and farmers). Fourth is the relatively improved service delivery at grass roots level coupled with controlled freedom to

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[43] In this regime incumbents hold elections because they know they will not lose them. Yet in a democracy, uncertainty of electoral outcomes is considered as an important indicator of democracy, that is, the outcome of the elections remains unknown before it takes place providing hint that there is level playing field and every competitive party has a chance of winning the election. Another indicator is the requirement of alternation in power, regular and fair and competitive elections see (Cheibub, 2007:29-30).

[44] See European Union report on the 4th national and regional state council elections that concluded that seen from two angles: lack of level playing field for all contesting parties and the narrowing of political space, it failed to meet international standards (see EU, 2010).

the fragmented opposition (due to lack of clear and coherent alternative policy, owing to pressure from outside, lack of internal democratic practice and power rivalry within itself) yielded in one party dominated electoral outcome –only one seat went to the opposition and another one for an independent candidate. As a result, some have gone to the extent of concluding that the era of multi party system in Ethiopia is gone giving way to one party state (Tronvoll, 2010). This conclusion is perhaps harsh and too early to take but it does certainly hint where Ethiopia's democratization process is heading.

Following the death of former Prime Minister Meles Zenawi in the summer of 2012, the parliament did show its potential in checking the executive and administrative mal practices. But it is too early to tell if this is a result of genuine institutional reform that focuses on the centrality of parliament as representative and democratic institution indicating the emergence of multiple centers of power or the result of a temporary political shift of gravity created after the death of Meles Zenawi.

A final remark is that it is also far from clear as to whether the authoritarian developmental state is an interim possibility that later evolves into a democratic state (as in Japan and South Korea after 1990s) (see Kim 2003; List-Jensen 2008) or remains an alternative governance system which seems to be the case currently in China.[45] As Susan Shirk alleges, China is a fragile superpower with the world's fastest growing economy but with an 'authoritarian regime that fears its own citizens' (Shirk, 2007:5-6). This issue remains crucial because there is this allegation that developmental state is sooner or later 'its own grave digger.'[46]

The legitimacy of the party and political institutions as such is not based on periodic and regular elections but on continuous delivery of rapid economic growth and improved living standard of the population (capability expanding services). Consecutive economic growth, expansion of infrastructure, improved access to education and health and pro poor policies are given the highest national priority. If it succeeds in achieving this, it produces an educated, informed and demanding middle class, the very forces that put pressure for change and political liberalization. Demand for political reform becomes acute. The developmental state must then be reformed to evolve as either liberal or social democratic state as in the Scandinavian countries. If it fails to deliver

[45] See (Natahn, 2013; Reilly 203). There are those who think that development without freedom will eventually give way to democratic reforms. They argue that 'authoritarian developmental state is its own grave digger.' Increases in economic wealth sooner or later demand political reform and hence the state has to either liberalize itself politically or will face crisis. See (Davis, 1998).

[46] Evans (1995:229) argues that developmental state does not last forever as it is less attractive to advanced economies.

consecutive economic growth, it will invite a sudden and probably lethal political crisis (Diamond, 2012: 12). If this assertion is true then developmental state appears to be an interim period of preparation that lays the foundation for either liberal or social democratic state.[47] Yet the fact that China and Singapore (one of the most advanced economies) remain authoritarian but developed economies seem to challenge the above scenario and it is too early to state that the Chinese model of developmental state under one party rule is on the wane. Indeed Singapore and China are anomalies to the thesis articulated by Lipset that argues for a long period of economic

development as a social condition for democracy.[48] So it seems, there are some preconditions for democracy and the argument is 'the more well-to-do a nation, the greater the chance that it will sustain democracy' (Lipset, 1959:75) because it transforms the middle class and the working class, the coalition of which serves as driving force for political reform. Yet China and Singapore possibly disprove such scenario or at least are major deviations.

At this stage, it is difficult to pass on a conclusive statement as to whether Ethiopia's developmental path is an interim and transitory economic/political regime or is an alternative political economy. Sibhat Nega, a senior but retired political figure of the ruling party is quoted to have said, EPRDF's role is to serve as a midwife to capitalism. The state playing as an engine of development, the system will give birth to the emergence of capitalism and once a middle class emerges, the ruling party will either wither away[49] or evolve to either social democracy or liberal state.

Economic growth first, rights next?

The key point developed in this section albeit briefly builds on the point that there is lack of political will to protect civil and political rights compared with the strong commitment on the part of the Ethiopian government in the socio economic sector. Added to this is the weak nature of the institutions that are

[47] Parts of Western Europe and largely the Scandinavian countries practiced for long the social democratic state run by left oriented political elite that focused more on welfare state and full employment than rapid economic growth in the 1950s (Evans 2010).

[48] India indeed poses a major anomaly to this perspective, democratization and economic development are evolving hand in hand. This is what is often referred by Thomas Carothers (2007) as the 'sequencing fallacy.' Some still argue that democratization can only succeed if preceded by the rule of law, economic growth, the existence of the middle class and a well-functioning state. They contend that unless these preconditions exist illiberal and extremist ones will prevail and these very forces derail, not facilitate democratization. For an effective defeat of the sequentialist argument see (Carothers, 2007:12-27)

[49] The Amharic term he used in an interview with the VOA Amharic program in 2011 is *Meksem* (wither away by outliving its usefulness)

responsible for enforcing civil rights and political freedoms. This trend does hint at an important dilemma. An active and strong developmentally oriented executive faces little or no restriction on its way. Given that the Ethiopian government is doing well in the socio economic sector and less on civil rights and freedoms, is the government prioritizing one category of rights over others? Is this scenario an endorsement of the practice in some East Asian countries of economic growth first and rights next? In order to appreciate the nature and content of the debate that is emerging in Ethiopia, it may be useful to refer to the issue as articulated by some authorities in the context of some Asian countries. There is this contentious argument often associated with former Singapore's long serving Prime Minister Lee Kuan Yew[50] (hence Lee's thesis) that advocated for restrictions on civil and political freedoms as a condition for rapid economic growth. Lee thesis stresses the priority of economic goals, 'economic growth first.' (Thornton and Thornton, 2008: 46).

The essence of the argument is that civil rights and political freedoms make little sense in societies hit by poverty. Where there is widespread poverty, priority should be given to addressing economic needs, even if that may necessitate restriction of freedoms. Freedom from hunger is what people will opt for if they were to be given a choice between economic needs and political freedoms. Yet these arguments have their own problems. In the first place, there is no guarantee that the authoritarian state will deliver the economic needs. There cannot be any better evidence than Ethiopia's own history for this. It has gone through two long serving authoritarian regimes for much of the 20th century but its economy went from bad to worst. Equally relevant is even if economic growth is to be made; it is difficult to sustain it unless civil rights and political freedoms are guaranteed (Sen, 1999: 150).

More importantly, as Amartya Sen argued, an adequate conception of development must go beyond improving the socio economic conditions of the citizen, for development is concerned with the enjoyment of socio economic and political freedoms. Growth of GDP per Capita is not an end in itself but a proxy for improvement in human wellbeing. Respect for human rights and democracy are not necessarily incompatible with development. Indeed respect for human rights and democracy are integral parts of development. Participatory and representative political institutions are crucial in the design of the developmental agenda and in its implementation. Both processes are not merely products of technocratic work but the product of a broad based societal

[50] Lee Kuan Yew who was the Prime Minister of Singapore from 1959-1990 was successful in transforming Singapore's economy while maintaining tight political control. He argued strongly that civil and political freedoms are Western values unsuited to Asia and emphasized on 'Asian Values.' See (Zakaria, 1994: 109).

coalition with the state that need democratic deliberation (Sen, 1999: 3, 77; Evans, 2010: 43) hence the argument 'development as freedom.' The citizen must be engaged in the public decision making process and that can only be meaningful if designed as per the citizen's wishes and aspirations and that can only be effective when the citizen enjoys civil and political freedoms. Improvement in the socio economic conditions and public facilities is important in itself in eradicating many obstacles of freedom but it is not enough. As the 'occupy Wall Street' and many other protest movements in Western capitals demonstrated, economic inequality may occur despite economic growth. Economic inequality combined with fault lines related to language and religion could lead to a political storm in developing countries. So wealth needs to be fairly shared across sections of society and across geographic zones. The determination of the content and direction of development itself is based on the enjoyment of civil rights and political freedoms. It indeed constitutes the core of development. Achieving development, Sen argues, 'requires the removal of poverty, tyranny, lack of economic opportunities, social deprivation, neglect of public services, and the machinery of repression' (Sen, 1999:6-7). In other words, 'just and sustainable development is best achieved where economic and political priorities are balanced.'[51] As such there is no need to sacrifice one to the other. Economic needs and political freedoms can be achieved concurrently without the need for prioritizing of one over the other.

Given the fact that Ethiopia has suffered a lot owing to poverty and nearly 29% of its people are still under poverty, it goes without saying that focusing on equitable socio economic development is a step in the right direction. What is worrisome is the tendency to undermine or focus less on civil and political freedoms. The Ethiopian constitution chapter two (Articles 8-12) provides for fundamental principles of the constitution. Article 10 in particular states, 'Human rights and freedoms, *emanating from the nature of mankind***,** are inviolable and inalienable,' incorporating the natural law conception of rights (Beitz, 2009: 68). That is human rights are 'parents, not children of the law' (Sen, 2006:4). Chapter three of the constitution guarantees a host of individual and group rights and constitutes one third of the Constitution. Reinforcing the fundamental nature of human rights as one of the principles of the constitution, Article 104 stipulates that amendment to chapter three of the constitution can only be made if *all* regional state councils approve by majority vote and if the two federal houses endorse it by a two-third

[51] This is articulated as the 'concurrent model of development' by (Thornton and Thornton 2008:7).

majority vote. Human rights therefore are strongly entrenched implying that the powers of political institutions are limited.

What does constitutional entrenchment imply apart from the fact that power of the majority in parliament and the executive is limited? Another important implication is the fact that if constitutionally entrenched rights and freedoms are to remain as limitations on power, a certain institution must be established and empowered to check whether the acts and decisions of the political institutions comply with (either before they are enacted or after the fact) the constitutional norms.[52] Recognition of human rights in the constitution is an important step forward but is not enough. Strong institutional protection and enforcement is a crucial *requirement* in giving life to constitutionally entrenched human rights. In Ethiopia, the dominant thinking is that this mandate is *exclusively* given to the House of Federation (HoF) as assisted by the Council of Constitutional Inquiry (CCI).[53] Yet one could also strongly argue that, constitutional interpretation is also the proper mandate of the federal and state level courts at least as far as *chapter three* is concerned.

The corner stone provision in this regard is Article 13 of the constitution which has so far attracted little attention both from practitioners and the academia. Sub article one stipulates ‘All Federal and State legislative, executive and judicial organs at all levels shall have the responsibility and duty to respect and *enforce* the provisions of this chapter.’ To be sure the provision imposes obligations on all public institutions but owing to the nature of the judicial function, the Article provides what one may call the *implicit* mandate of the courts at federal and state level to enforce and hence interpret chapter

[52] Constitutional practice shows many variations in this regard. In the US the concept of judicial review evolved due to judicial practice since 1803 in *Marbury vs Madison* and as articulated by its Chief Justice John Marshall as the mandate of the regular courts and in particular that of the federal Supreme Court. In Germany and South Africa the Constitutional Court, not the Supreme Court plays the same role. In some parliamentary systems such as Australia and Canada the political institutions determine the scope and limit of rights and retain the last word in relation to resolution of constitutional disputes, though the Supreme Court participates particularly through common law protection of rights. The latter is also called judicial deference. That is leave those issues to be settled by political institutions or through the democratic process. The central issue in all is who determines the scope and limits of such rights? Should it be the courts or the political institutions? Activism claims judges apply those norms to specific cases. Political sceptics argue citizens have no moral rights. The point is that judges should apply the law that other institutions have made. They should not make law (Strauss, 2010).

[53] See Arts 61, 62, cum 83 and 84. The CCI is composed of six legal experts appointed by the President of the Republic, three members of the HoF designated for this purpose and the Chief Justice of the Federal Supreme Court and his Deputy that serve as chair and vice chair of the CCI ex officio. The CCI has an advisory role only and the HoF is at liberty to endorse, modify or reject the opinion of the CCI.

three of the constitution. One cannot argue the same with respect to the mandate of the judiciary in relation to other chapters[54] other than chapter three. The argument is limited to the chapter on fundamental rights and freedoms. This approach does not necessarily contradict with the mandate of the HoF/CCI. The argument is that final and authoritative interpretation of the constitution (including chapter three) is the mandate of the HoF/CCI. Yet as the weak form of review as evolved by the Supreme Court of Canada in its relations with the legislature illustrates well, courts can also interpret the chapter on fundamental rights and freedoms in the process of enforcing it, short of rendering a final verdict. Whatever interpretations the courts adopt is not necessarily final one. Whoever is not happy with the position of the court while interpreting chapter three can appeal to the HoF/CCI for final resolution. However, the role of courts in the enforcement of human rights enshrined in the constitution is one of the contested issues in Ethiopia. It is encouraging to see that the federal Supreme Court Cassation Division has in the case of *Tsedale Demise vs. Kifle Demise*[55] courageously interpreted expansively the concept of ‘best interests’ of the child clause of the constitution. But when it comes to the enforcement of rights by limiting the powers of government agencies and public institutions, there appears to be a widespread confusion among judges at all levels. Judges at federal and regional state level think that they have little or no role in interpreting the provisions of human rights enshrined in the constitution.[56] Apart from the empirical evidence regarding the opinion of judges, there are several cases decided both by the Cassation bench of the Supreme Court and the CCI/HoF that illustrate this assertion. One category of cases decided by the Cassation bench of Supreme Court relate to property rights, judicial review of administrative action, access to justice and due process rights. While lower courts attempted to limit abuse of power, this

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[54] There are 11 chapters in the constitution. Chapter one is on general provisions, chapter two is on fundamental principles, chapter three provides for fundamental rights and freedoms, chapter four is on the structure of government, chapter five provides on division of powers, chapter six is about federal legislative bodies, chapter seven provides about the President, chapter eight about the executive, chapter nine on the judiciary, chapter ten is on national policy principles and the last one miscellaneous provisions.

[55] *Tsedale Demise vs. Kifle Demise*, Federal Supreme Court Cassation Division File No. 23632 (2006) v. 5 (Decisions of the Federal Supreme Court Cassation Division) v. 5 p. 188; see also (Getachew, 2009).

[56] See Report on the needs assessment for in service training of judges and prosecutors (in Amharic) June 30 2009 by Assefa Fiseha and Solomon Niguse submitted to the Federal Training Institute for Judges and Prosecutors available with the author (unpublished). The study covered four regions namely, Oromia, the South, Somali, Benishangul Gumuz and Addis Ababa and 341 judges participated in the survey.

is not the case with the Federal Supreme Court that consistently declined to enforce such rights.[57]

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[57] See for example *Yeka Land Development and Administration Office v. Asmelash Tafese and others* Federal Supreme Court Civil Cassation File No. 27604 (March 2007); also the Heirs of Wasihun vs Agency for Government Houses where the Cassation Court decided on *Miazia* 21/2001 E.C (April 2009) that the Board is an administrative body and hence the Court has no mandate to review as to whether its decision contains fundamental error of law or not (unpublished available with the author). There are many cases that illustrate this but the most outrageous decision is the *Mahberawi Watsina Belesiltan vs Ato Birhanu Hiry and Ato Kebede G. Mariam* Federal Supreme Court Cassation Division File No 18342 *Tahsas* 17, 1998 in which the Court stated that the tribunal's decision within the federal agency by virtue of Proclamation No. 38/88 is final and the Court has no mandate to review it. See V. 3 104 ff; Asehanfi Amare and et al vs. Ethiopian Revenue and Customs Authority in which the Authority was empowered by virtue of a secondary legislation (Regulation No 155/2008, Art 37) to dismiss employees suspected of corruption without following due process of law. The regulation as well stated that the decisions of the Authority are not subject to review by regular courts; the Cassation bench of the Supreme Court declined to review the Board's decision and CCI in its opinions written on *Yekatit* 1, 2002 E.C. (January 20102) hinted, that the executive may in a parliamentary system declare some matters as non justiciable and prevent such cases from being brought before a court. See the opinion of the CCI on Asehanfi Amare and et al.

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4 *Amdissa Teshome*

Development Programs and the Post-MDG Agenda

Introduction[1]

Since 1991, the Ethiopian Government has been implementing various economic and social development policies, strategies and programmes which have been reviewed on numerous occasions (e.g. Aklilu Amsalu 2012; Taye 2008; Brown and Amdissa 2005; Amdissa 2003, 2006, 2008, 2010). Some of these works have focused on the extent to which the Ethiopian poverty reduction strategy programmes (PRSPs) are aligned with the Millennium Development Goals (MDGs) and served as building blocks of transformation. The present work extends the analysis to the post-MDG agenda.

The chapter reviews sectoral policies in four broad categories: agricultural and rural development, transitory and chronic food insecurity, climate change, and social and regional inequalities. These programmes are by and large aligned with the MDGs. As a result, Ethiopia is among countries making progress in areas such as reducing extreme hunger, ensuring gender equality, and ensuring environmental sustainability. Egypt and Rwanda are among African countries progressing much better than Ethiopia. However, when achievement is further disaggregated into "absolute progress" and progress "relative to MDGs", Ethiopia appears in the top 20 countries making absolute progress but not in the top 20 countries making progress in relation to MDGs.

Looking forward to the post-MDG agenda, three alternative paths are explored – retaining the MDGs, reformulating the MDGs or designing new alternative development framework. Based on the global and national momentum, the chapter recommends the MDG+ approach where the ideals of the MDGs are retained but new goals are set for quality and inclusive education, quality of health services, balanced regional development, and genuine political participation.

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[1] Acronyms are given at the end of the chapter

Objective of the study

The debate on the post-MDGs agenda indicates that MDGs are here to stay but the question is what should be the content. The objective of here is therefore to systematically review Ethiopia's development programmes and examine its achievements and challenges in relation to the MDGs. Systematic review is defined as 'rigorous method to map the evidence base in [as] unbiased way as possible, and to assess the quality of the evidence and synthesise it'(Hagen-Zanker and Mallett2013).This process is believed to offer the most reliable and comprehensive statement about what worksor does not work.It has come to be seen as a key tool for evidence-informed policymaking.

In view of this, in addition to the systematic (unbiased) review, opinions were sought electronically from purposively selected policy and programme experts in Ethiopia.A short questionnaire was designed and distributed by email to about 50 such experts and 25 provided insight on strength, limitations and challenges of achieving MDGs.These informants are from academic institutions, government, non-government and professional associations.

The discussion on progress towards the MDGs in general and Ethiopia's progress in particular is informed by regional/global surveys that are comparable across countries. These data sources are summarised in Table 1.

Table 1. Sources of data

Survey/report name	Description
Economic Commission for Africa (ECA) electronic survey	112 stakeholders from 32 African countries. Respondents included representatives from government, civil society organisations, research institutions and academia.
Assessing Progress in Africa towards the MDGs (UNDP).	The survey used data from various sources including the UN Statistics Division, the World Bank and statistical databases of the Organisation for Economic Co-operation and Development (OECD).
Overseas Development Institute (ODI) MDG report card	The report card used data from global as well as national sources.
My World Survey launched by the UN Task Team (see http://www.myworld2015.org/).	This is the largest survey that gave citizens of the world to have a say on the Post-MDG. At the time of writing, over 1.2 million people from 194 countries have responded and over 12,000 of them are from Ethiopia.

Limited local survey	A short questionnaire was developed and distributed by email to about 50 policy actors from government, non-government, academic and professional associations. Twenty-five (50%) provided insight on the strength, limitations and challenges of achieving the MDGs in the context of Ethiopia.

Structure of the chapter

Following this introduction, Section 2 provides a synthesis of development programmes[2]that have been implemented since the 1990s. The discussion is framed around five themes. The first highlights the constitutional base for economic and social development. The subsequent sections discuss programmes that promote agriculture and rural development;address transitory and chronic food insecurity; respond to climate change and address social and regional inequalities.

Section 3 examines the strength and limitations of MDGs from the global as well as local perspectives. Section 4presents evidence from a wide range of sources on achievements and challenges of MDGs in Ethiopia. Finally, recommendations are put forward to enhance Ethiopia's contribution to the post-MDG debate.

The evolution of Ethiopia's development programs

Over the last 20 years, various policies and strategies on agriculture, social services and other sectors have been implemented. For the purpose of this work, an inventory was carried out in five broad categories[3], namely, (i) constitutional base for economic and social development; (ii) agricultural and rural development; (iii) climate change and environmental threats; (iv) transitory and chronic food insecurity/poverty; and (v) social and regional inequalities (See Annex 1 for a complete list).

Constitutional base for economic, social and regional development

The Peaceful and Democratic Transitional Conference of Ethiopia held in July 1991 promulgated a Transitional Period Charter and established the Transitional

[2]Here, programs are used in the broadest sense to accommodate the constitutional provisions from the early days of taking power.

[3]This is by no means the only way to group policies and strategies. For example one may put the overall development plans like the PRSPs and the GTP in one category and sector specific strategies and programs such as agriculture, education, health and transport in another category.

Government of Ethiopia (TGE) that was in power from 1991-1993 (TGE, 1991:2).The Charter had a strong focus on relief and rehabilitation. For example, Article 5 gave autonomy to selected local government bodies to negotiate with relief organisations directly. Articles 14 -16 committed the Government to re-build war torn areas and gavespecial consideration to hitherto neglected and forgotten areas.

The Charter paved the way for the development of a fully-fledged Constitution in 1995 which contained several articles on the human, economic, and social development of citizens (FDRE Constitution, 1995). Article 41 sub articles 1-9 state thatevery Ethiopian has the right to engage freely in economic activity and pursue a livelihood of his or her choice anywhere within the national territory. The State shall undertake all measures necessary to increase opportunities for citizens to find gainful employment. The right to land for all citizens wishing to pursue livelihood in agriculture is also enshrined in the Constitution. These provisions are useful to hold the government accountable on its promises.

The Constitution also makes specific provisions for the protection of the environment. Article 92 states that the Government shall endeavour to ensure that (i) all Ethiopians live in a clean and healthy environment; (ii) the implementation of development projects shall not damage or destroy the environment; and (iii) people are consulted on environmental policies and projects that affect them directly. Addressing regional development is another area where the Constitution provides guidance. Therefore, the Transitional Charter and the Constitution have indeed formed the basis for the policies, strategies and programmes that ensued.

Agriculture and rural development

The Ethiopian People's Revolutionary Democratic Front (EPRDF) established strong rural roots during the armed struggle. As a result, its policies and strategies are rural-focused (e.g. Economic Development Strategy for Ethiopia 1994), Rural Development Policies, Strategies and Instruments 2001), and the poverty reduction papers such as SDPRP 2001-2004) and PASDEP2005/06-2009/10). The focus on agriculture and rural development is also an inherent belief that an agricultural development-led strategy is the path to industrialisation. ADLI, as it is commonly known, defines the policy orientation which was formulated in the early 1990s and subsequently put into practice from the early 2000s (GDF 2009).[4]

[4]It is worth noting that ADLI did not have a single reference. Instead, it was explained through various policy and strategy documents which are the basis for this paper. It has also been referred

The smallholder is the anchor of rural development in Ethiopia. However, the capacity of subsistence smallholders to realise the vision of ADLI has always been questioned. For example, Dessalegn (2008) calls the rural development policy as “betting on the smallholder” that does not have enough land to produce adequate food for itself.[5]Although access to land is enshrined in the Constitution, Ethiopia does not have a comprehensive land policy that addresses among other things (i) tenure security; (ii) farm size and fragmentation;and (iii) the issue of land markets (Samuel, 2006).

The Government has been responding to some of these issues. For example, it has issued land certification to both rural men and women with a view to promote gender equality and encourage investment in land improvement.[6]There are also a series of piecemeal proclamations that govern land issues.[7]Experience from countries such as China suggests that land reform is not an end product but a component of agrarian reformaccompanied by irrigation systems, introduction of high-yielding varieties, abundant chemical fertiliser, and investment in agricultural research (Samuel, 2006).

With respect to farm size, the policy direction stretches from smallholders to large scale farming (from one extreme to the other) without due consideration for medium scale farming which invariably involves land consolidation. Although there are informal land markets that are contributing to consolidation (Samuel 2006), there are also various restrictions on land transfer (Chamberlin and Schmidt, 2012; Dessalegn 2008) and the policy generally favours transfers to large investors rather than smallholders next door. Regional land laws impose restrictions on the size of land per household (e.g. Tigray sets a maximum of 2 ha.) which is meant to promote equitable land distribution but is clearly a barrier

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to in various statements on Ethiopia’s Democratic Developmentalism and the Developmental State (GDF2009).

[5] According to Desalegn (2008), 37% of which cultivates less than or equal to 0.5 ha; nearly two-thirds less than or equal to 1.0 ha and 87% less than 2.0 ha. The author calls this plots as “starvation plots” and estimates that under rain fed condition the smallholder needs at least 2.5 ha and pair of oxen to produce enough for his/her family.

[6]There are evidences that show mixed achievement. The World Bank (2007) declared the certification process as successful and cost-effective which can be of valuable lesson for other African countries. But smallholders’ confidence is still low fearing that some form of re-distribution may still happen (it is the case of it has happened before; it can happen again!) and more importantly, certification has not increased opportunities for access to credit and incentives for investment.

[7]USAID (2004) compiled 13 federal and regional proclamations governing land. Accordingly, the Federal Government has three proclamations including the provisions in the Constitution; Amhara (4); Oromiya (1), SNNPR (2), and Tigray (4).

to land consolidation. This limit is substantially lower than the 10 hectares per farm limit proposed by the *Derg* when it nationalized rural lands in 1975.[8]

The Government has pursued the expansion of large-scale commercial farming in areas perceived to be vacant, unutilised and undeveloped. The Agricultural Land Investment Agency is established within the Ministry of Agriculture to facilitate investment involving 5000 ha or more as and when it is delegated by the respective regional states (FDRE, 2013). The Agency has five directorates, namely land administration, economic zones, investors support, legal,social and environmentaldirectorates. It is also mandated to implement the investment Code of Practice (MoA, 2011) produced by its predecessor – the Agricultural Investment Directorate. The structure as well as the Code of Practiceis designed to respond to legal, social and environmental concerns arising from large scale investments.

Labour is the second most important resource for rural development in Ethiopia. However, the notion that Ethiopia has abundant agricultural labour is becoming a myth. Field and community conversations indicate that agriculture labour is under considerable pressure from internal as well as external factors (see Figure 1).[9]Internally, the farming population is aging, uneducated and suffers from various chronic and acute illnesses. Externally, rural communities welcome the expansion of education but it is siphoning labour out of agriculture without sufficient mechanisation. There is also growing evidence that the educated youth do notaspire to return to agriculture and work alongside their parents.This pre-mature exodus from agriculture coupled with numerous internal and external factors put considerable pressure on agriculture labour at a time when Ethiopia (and Africa in general) needs "more farmers to ensure food security for its growing population" Yisak and Tassew (2012:12).

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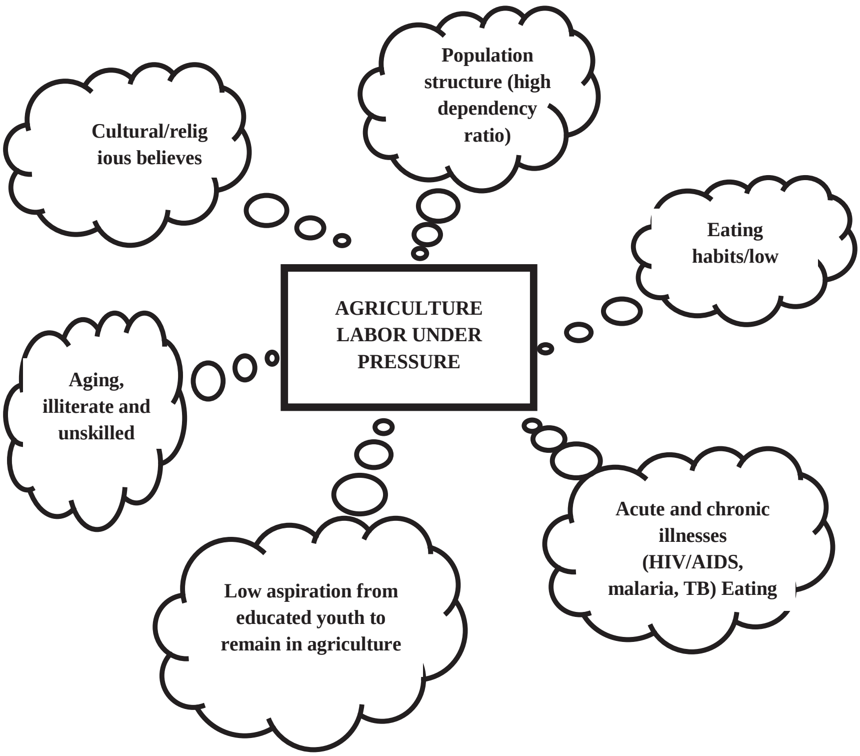
[8]For a review of the history of land reform and its impact on growth and investment see Chamberlin and Schmidt (2012: 42-47).

[9]In 2006/07, the author facilitated a total of 67 focus group discussions involving over 700 participants in selected *woreda*(districts) and *kebele* in six regions of Ethiopia namely, Afar, Amhara, Benishangul, Oromiya, SNNPR, and Tigray. These discussions generated local knowledge on key constraints facing Ethiopian agriculture from a wide range of community members. The findings were reported in Amdissa and Devereux (2007).

Figure 1. External and internal pressure on agriculturallabour



SOURCE.*:* Based on a series of regional consultations conducted in 2006/07 for the Future Agricultures Consortium (www.futureagricultures.org).

More recently, the introduction of basic technologies such as row planting and transplanting of *teff* has exposed the underlying assumption of abundant labour. It is estimated that a farmer had to cover 50km (back and forth) to row plant a hectare of land.[10] Transplanting of *teff* is almost considered a crazy idea

[10]Although most Ethiopian small farmers are aware of the benefits of row planting in crops such as maize and wheat, when it comes to *teff*, farmers continue to use the traditional broadcasting techniques which requires 30-50 kg/ha of seed. ATA demonstrated that with row planting there is significant gains from (i) reduction in seed requirement which can be as low as 3-5 kg/ha; and (ii) potential doubling of yields (ATA, 2012:14). These gains have been contested by some researchers (e.g. Vandercasteelen, et.al. 2011) but beyond the scope of this paper to discuss.

by farmers and extension agents given the labour constraints. In order to address this constraint, the Agricultural Transformation Agency (ATA) has introduced various small to intermediate technologies and some farmers have also begun innovating on tools that minimise the labour requirements. Although these are encouraging developments, there is no doubt that labour abundance is proving to be a myth and cannot continue to be the basis for rural development strategy.

Addressing transitory and chronic food insecurity

Ethiopia is a country where drought and famine have occurred frequently taking lives and eroding livelihoods. The 2002/03 drought affected over 12 million people and expanded its geographic coverage (Graham, et.al, 2012). Relief assistance which has been the most common form of response saved lives but failed to save livelihoods. It increasingly became clear that millions of households were not able to meet their food needs from own production even in good rains. This prompted the Government to make a distinction between transitory and chronic food insecurity. It also marked the launch of the New Coalition for Food Security (PANE, 2006) which the government used to rally donors behind its food security agenda.

The Productive Safety Net Programme (PSNP)[11] is one of the four food security programmes launched in 2005 to address the needs of the chronically food insecure.[12] Over 8 million people benefit from the PSNP making it the largest safety net programme in sub-Saharan Africa. About 7 million of these are able-bodied rural people contributing to public works whereas about 1 million labour poor people get unconditional transfers. The programme has proven to be successful in targeting the poorest of the poor with little or no elite capture (Coll-Black et.al 2012); flexible enough to shift from food to cash and vice versa as the situation demands; and make transfers as predictable and timely as possible compared to the emergency response. A complementary Household Asset Building (HABP) programme is available to offer PSNP beneficiaries a chance to re-build their assets and eventually graduate from the programme(MoARD, 2009a, 2009b). However, assessments done for the new generation of PSNP reported that progress towards graduation has been slow.[13]

[11] At the time of writing this paper, the design of the next generation of PSNP is underway. There are indications that it will be re-named Rural Productive Safety Nets implying the possible emergence of urban safety nets.

[12]The other components are the Household Asset Building Program, Complementary Community Infrastructure and the Resettlement Program

[13] The assessment reported that PSNP began with 4.83 million beneficiaries in 2005. In 2012, the figure rose to 7.54 and by 2012/13, as a result of graduation, it had declined to 6.88 million which brings the number of graduates to 660,000.

In spite of this, there is a strong belief that agriculture and rural development programmes including the food security programmes have contributed to reducing extreme hunger and poverty (MDG 1). The national poverty headcount declined from 44 percent in 2000 to 38.7, 29.6 and 26.3 percent in 2005, 2011 and 2012, respectively. In rural areas, the headcount poverty rate was 39.3 percent in 2004/05 and was reduced to 30.4 percent in 2010/11. Over the same period, the urban poverty headcount declined substantially, from 35.1 percent in 2004/05 to 25.7 percent in 2010/11. In urban areas, inequality increased until 2004/05 but there was a substantial decline from 44% in 2004/05 to 37.8 percent in 2010/11 (MoFED, 2012).However, there is considerable reservation on national statistics for measuring progress towards MDGs. As a result, late in this chaptervarious global sources are used for cross-country comparisons.

Climate change and environmental threats

The Government of Ethiopia has demonstrated its commitment to addressing climate change and environmental threats since the Rio global conference on the environment.The inventory in Annex 1 shows that more than 40 percent (21 out of the 49)of policies, strategies, directives and programmes compiled have to do with environment and climate change which formed the basis for the Climate Resilient Green Economy (CRGE) launched in 2011.

For a country that has made very little contribution to climate change in terms of carbon emissions,[14] why the obsession with climate related issues? First, it is evident that land degradation and deforestation are serious environmental problems that contribute to food insecurity in Ethiopia. Second, the Carbon Development Mechanism (CDM) promises to compensate developing countries for adopting a green economy strategy one of which is planting trees for carbon sequestration. The Bale Mountain Eco-region Emission Reduction and the Humbo Natural Regeneration Project (Afforestation and Reforestation) are examples of community based projects designed to sequester carbon and generate income from carbon finance for the community (EPA, 2012).Ethiopia has also made significant progress through mass mobilisation and PSNP public works for planting trees and carrying out conservation works. In

[14]Ethiopia's contribution to the global increase in greenhouse gas emissions since theindustrial revolution has been practically negligible. Even after years of rapid economicexpansion, today's per capita emissions of less than 2 t CO_2e are modest compared with the more than 10 t per capita on average in the European Union and more than 20 t per capita in the United States and Australia. Overall, Ethiopia's total emissions ofaround 150 Mt CO_2e represent less than 0.3% of global emissions (EPA, 2012).

2007, the Independent Newspaper[15] reported that Ethiopia planted over 700 million trees ranking it first among countries with the similar efforts.

The contribution of the PSNP to natural resource development is also worth noting. PSNP public works participants have constructed 600,000 km of soil and stone bunds, which enhance water retention and reducing soil and water run-off; and protected 644,000 ha of land in area enclosures, which increases soil fertility and carbon sequestration (MoA, 2014).Although there has not been an official census of the forest cove, external sources such as those cited above indicated that the forest coverage of the country has increased from 3 percent twenty years ago to 12.3 percent in 2011.[16] This is an indication that the country is on its way to reversing land degradation thereby contributing to MDG 7 on environment.

Social and regional inequalities

When it took power, EPRDF was mindful of the social and regional inequalities that plagued the country – limited access to education, health, and other social services and also remoteness. Ethiopia has progressed well in increasing access to basic education and health services. In 2011/12, 16.7 million children were attending primary school (Grade 1-8) which is 95.4% of children of that school age (7-14) (MoE, 2012). However, past reviews have shown that the focus on increasing access to education has compromised quality with high rates of attrition and dropouts.Furthermore, millions of children with various disabilities remain out of school because of low community awareness, and schools and teachers not equipped to teach such children (Amdissa 2008).

With regard to health, the number of health extension workers has reached 34,382 and 3,916 for rural and urban *kebeles*[17]respectively. As a result, the national health extension service coverage has reached 75.2 percent. Infant and under five mortality rates stand at 59/1000 and 88/1000, respectively(MoFED 2012). The Government believes that these results signify a promising prospect in achieving the health MDGs by 2014/15. However, the maternal mortality (MDG 5)remains high at 673 per 100,000. Achieving MDG 5 will therefore be a serious challenge and needs a serious attention (MoFED 2012).

MoFED (2010) identified regional disparities in MDG achievements as one of the challenges, referring particularly to Afar, Somali, Gambella and Benishangul.The Government's approach to developing these peripheral and pastoral regions in particularhas always been contentious. The first criticismis that highland policies and strategies are implemented in pastoral areas with little

[15]http://www.independent.co.uk/environment/ethiopias-forest-cover-triples-ministry-2029508.html
[16]http://www.tradingeconomics.com/ethiopia/forest-area-percent-of-land-area-wb-data.html
[17] The lowest administrative tier, below the *woreda* (district) in the country

or no adaptation to local context.[18]However, in its pastoral policy statement, MoFA (2008) argues that development policy for the pastoral and agro-pastoral areas have short and long term perspectives. In the short term, all sectors will mainstream pastoralist and agro-pastoralist issues into their policy and planning frameworks. In the long-term, the government envisions a stable pastoral and agro-pastoral community through the facilitation of gradual and voluntary transition towards permanent settlement especially along the perennial river banks.

Moreover, the Government is implementing large scale irrigation projects which it believes will ultimately enable pastoral and agro-pastoral people to pursue sedentary life with diversified and sustainable income. The government and the Sugar Corporation pledge that they will not repeat development-induced impoverishment of pastoral communities, as was the case for the Karrayu in the Awash Valley. When sugar plantations (WonjiShoa and Metehara) were established during the 1960s in the Awash valley, pastoralists were simply evicted and their land was enclosed (Bahru 1984; Buli 2006 cited in Asnake and Fana (this volume)).

Non-state actors' engagement in the policy process

The policy/programmeinventory given in Annex 1 shows thatnearly 50 percent of the policies and programmes currently in place were designed during the 1990s at a time when non-state actors (NSAs) were just evolving. In more recent times, when consultative forums were organized (e.g. the PRSP) they are more about providing information to the public about the policy than allowing them to make any significant contribution to the policy making process.[19] Therefore, Governmentsin general and the Ethiopian Government in particular should ensure that citizens' priorities are taken into account when shaping the post-MDG agenda.

In sum, policiesand programmes relating to rural development,chronic and transitory food insecurity address Goal 1 (eradicate extreme hunger); social sector policies respond to Goals 2, 4, 5 and 6, and environmental policies and

[18]Little, *et. al*. (2010a and 2010b)argue that policy makers' thinking about pastoral development is still rooted in the scientific knowledge that is almost outdated. However, over the past 10 years, pastoral knowledge base in Ethiopia has developed due to increased research interest and increased government interventions in these areas.

[19] The World Bank (2013), for example, classifies its engagement with NSAs into five categories: (i) information access and dissemination; (ii) policy dialogue; (iii) policy and programmatic consultation; (iv) collaboration and partnership; and (v) program implementation, monitoring and evaluation.

strategies fit into Goal 7. Ethiopia's progress in these areas discussed in what follows is largely based on global data that is comparable across countries.

The MDGs: global perspective

Background

In the Year 2000, 189 membercountries of the UN signed the Millennium Declaration to reduce extreme poverty by 2015. The developing countries promised to manage their economies better and the developed countries promised to increase financial resources at least to 0.7 percent of their GDP – target set more than 30 years ago. From these commitments emerged the eight MDGs with 21 specific targets and 60 indicators and became the cornerstone of the Millennium Declaration and Universally Accepted Development Benchmarks for developing countries (Mailu,N.d)**.**

A critical look at MDG strengths and limitations

Strengths

Firs, the MDGs are *appealing* because they have been successful in galvanising international support not only from government and inter-governmental bodies but also from civil society, the private sector, charities, foundations, the media and academia (UNECA/AUC 2012). The MDGs have also been an impetus for the Africa Union Commission (AUC) to launch the Comprehensive African Agriculture Development Programme (CAADP).

Second, the MDGs focused *attention on the poor*. According to UNDP (2003) cited in UNECA/AUC (2012), the MDGs are the first global development vision that combinedtechnical and political consensus on how to reduce poverty and hunger.

Third, MDGs have resulted in *increased funding*. Degol and Tsukada (2012) applied MDG-sensitivity criteria to Official Development Assistance (ODA) and found that its allocation has become MDG-sensitive since its declaration. UNECA/AUC (2012) also indicated that before the MDGs, ODA was at 0.22 percent of gross national income. By 2006, this has increased to 0.31 percent which is still far short of the 0.7 percent agreed over 30 years ago but is a progress not to be undermined.

Fourth, the MDGs have enabled developing countries and development partners to *focus on results and outcomes* rather than calculating inputs. As noted later, this is far short of a common monitoring framework but still has enabled countries to track progress in their own way.

Finally,the author's observation is that *information and knowledge sharing* on development issues has been unprecedented since the launch of

MDGs. Electronic media has played a significant role in popularising the MDGs and contributed to shaping the post-MDG agenda. Development issues which traditionally were limited to academic journals are debated in simple languages so as to involve citizens.

Limitations

There are equally persuasive limitations of the MDGs. First, MDGs are *top down*. The goals were set at the highest level with little or no consideration for local capacities to achieve them. The Government of Ethiopia in collaboration with development partners conducted MDGs needs assessment in order to ensure the integration of the MDGs into the national development programme (MoFED 2010).Second, MDGs *lacked clarity***.**MDGs are essentially an extrapolation of global trends of the 1970s and 1980s and projected forward to 2015. Thus, assessing whether countries are 'on track' or 'off-track' can only be done at global level. It iserroneous, for instance, to lament that sub-Saharan Africa has failed to meet the MDGs because these targets were not set specifically for that region (Vandemoortele2007cited in Tabatabai 2007).

Third, MDGs are *limited in scope***.**MDGs omit several important issues deemed indispensable for the enhancement of human development including but not limited to human rights, peace and security. MDGs are also criticised,perhaps unfairly, for putting a disproportionate emphasis on the social sector(e.g. education, health) and little emphasison the 'productive' sector (e.g. agriculture, industry). Fourth, *lack of flexibility and dynamism* **–** MDGs were never updated or refined over the last 15 years. For example, having made progress towards Universal Primary Education,there were opportunities to review and set quality indicators. MDGs were also best placed to alert countries on equity considerations (e.g. urban/rural/ remoteness) and inclusiveness (e.g. disability and old age). Failure to incorporate the impact of global financial crisis particularly for the least developed countries was a missed opportunity.

Fifth,MDGs *lacked a common monitoring and reporting framework* which resulted in not knowing exactly who has achieved what. Later in this chapter it becomes clear that some agencies (including UN agencies) declare Ethiopia as a country most likely to achieve most, if not all of the MDGs. Others (e.g. ODI) do not even put Ethiopia in the top 20 countries most likely to meet the MDGs. Reliability of national statistics is also a contentious area and most agencies reporting on MDG achievements do not trust local data. For example, both the UNDP 2012 and 2013 reports on MDG assessment used international sources because national data was not reliable.

The MDGs: Ethiopian perspective

This section presents the Ethiopian perspective on the MDGs based on a review of relevant literature and consultation with purposely targeted policy actors familiar with the MDGs. A short questionnaire was developed and distributed by email to about 50 policy actors from government, non-government, academic and professional associations. Twenty-five of them provided insight on the strength,limitations and challenges of achieving the MDGs.

MDG strength and limitations in the context of Ethiopia

The global strengths and limitations of MDGs reviewed above are by and large relevant to Ethiopia. However, there are some issues worth further discussion (see Table 2). First, some of the limitations from the global perspective are actually considered strength from a national context. For example, the focus on social sector is seen as a positive step because Ethiopians have been denied these services for generations. As discussed below, increased external funding is seen as strength from the global perspective whereas it is considered unsustainable from local perspectives. Second, MDGs have been instrumental in enhancing political will and commitment. The Ethiopian Government allocates up to 67 percent of its budget on what it calls pro-poor sectors such as agriculture, education, health and rural roads with a view to achieving the MDGs.[20]

On the limitations side, the heavy emphasis on monitoring quantitative targets is a major concern. A key informant shared her observation as follows:

> …. I have seen pictures of a school in a place outside of Bahir Dar [Amara Regional State capital]. There were a few students (10 to 15) seating under the shade of a big tree, with a black board hanged on the tree. This was considered as a school and was counted towards achieving the millennium development goal. I think it is the monitoring mechanism of focusing on quantity that led to this kind of a school and other similar things(female respondent).

MDGs gave no consideration to quality of education partly because it is difficult to measure and partly because countries were so far behind in access that it was unreasonable to push for quality. Accordingly, Ethiopia has done well for expanding primary education but until very recently paid little attention to quality issues. Presently, the Ministry of Education has launched the General Education Quality Improvement Programme and established an agency to implement it (Fuad, 2011). Moreover, the almost exclusive dependence on external finance has raisedserious concerns over sustainability. An analysis of MDG-sensitivity of ODA (Degol and Tsukada 2012) indicates that its allocation

[20]As a matter of fact, Ethiopia is often cited as a county that surpassed CAADP 10% target for budget allocation to agriculture (Yihenew, et.al. 2013).

since the Millennium Declaration has become more MDG-sensitive. While such trends in aid disbursements are commendable, it does not conceal the fact that MDGs are highly dependent on external finance and the trend seems to continue for the post-MDGs.

Table 2. Strength and limitations of MDGs in the Ethiopian context

Strength	Limitations
The MDGs are in line with the broad objectives of the country's development strategies. They put the country in competition with other countries that are in similar condition.	Not inclusive of several sectors that are equally important such the protection of human rights and good governance, employment and access to decent work, reproductive health/demographic problems, agriculture, manufacturing, industry, power and communication and tourism.
Focus on social sector particularly health and education where the country has been lagging behind.Efforts made to promote gender equality and empower women, reduce child mortality, improve maternal health and combat HIV/AIDS.	Reducing poverty by half should not be an end. It till leaves a very large number of people living in absolute poverty.
MDGs served as stepping stone to plan for the development and transformation the country.	Lack of quality dialogue with NSAs, the private sector and most importantly the communities.
Helped to increase political will and commitment at national, regional, and local level,	No grassroots level awareness on MDGs.
Investment in pro-poor sectors increased	Almost exclusive dependence on external finance raising serious concerns over sustainability.
Served as a framework for global coalition and partnership for development on unprecedented scale	Failure to protect land grabbing and systematic corruption
MDGs have influenced national planning processes.	Progress in universal primary education at the expense of quality. No targets for secondary, tertiary and adult education.
Due to MDGs Ethiopia had its debts cancelled.	Shortage of resources, capacity problem at different levels to achieve the plan.
	Weak follow up and monitoring system. Heavy focus on quantity as a monitoring indicator instead of quality. Lack of baseline on local capacity, human & financial resources, and institutional set-up. Lack of detailed action plan at country level.
	Lack of incentive systems to better performing countries (except CDM which emerged through a separate process)
	Some of the goals, targets and indicators are redundant. For example ensuring Target 4 (attaining gender equality in education) is possible by accomplishing Target 3 (achieving universal education for both boys and girls).

SOURCE.Summary of key informant responses

National program alignment with the MDGs

An alignment is a process of making sure development programmes are systematically linked to a given benchmark such as MDGs. Alignment should be by design not by chance. In order to guide this process, the UN Millennium Project (2005) provided five alignment criteria against which Ethiopia's development programmes were evaluated. As can be seen from Table 3, to a large extent, the government has been successful in aligning its national programmes with MDGs thanks to the MDG needs assessment.

Table 3. MDG alignment with national programs

MDG Parameters	Definition of parameters	PASDEP/GTP response to MDGs (extracts from the respective documents)
Ambition	Country development programmes (e.g. PRSP) should be more ambitious than MDGs	PASDEP aimed at ending poverty (by implication during the plan period) which was unrealistic but at least in principle, it was more ambitious than the MDG that aimed to halve poverty incidence by 2015. The GTP is also as ambitious as PASDEP if not more. It aims to double GDP by 2015.
Scope	The policies and strategies should set MDG consistent targets across the sectors not just the broader goals	A review of PASDEP showed that it has set MDG consistent targets for most of the sectors. GTP's targets are greater than MDG targets.
Rigor	The targets should be based on rigorous analysis of local capacity and constraints. They should not be designed just to satisfy the MDG alignment criteria	MDG Needs Assessment carried out and formed the basis for costing PASDEP.
Timeframe	The timeframe for national policies and strategies should be aligned with the MDGs;	The first PRSP was a three year programme but PASDEP was changed to five year programme so as to ensure consistency with MDG timeframe. By coincidence or design, this also corresponds to the five year terms of EPRDF – the ruling party. Most programmes are more or less aligned with the MDG date of 2015. For example, the Food Security Programme (2010-2014); Health and Education Sectors Development Programme (2010-2014); Water Sector Development Programme (2002-2016) and the Growth and Transformation Plan (2011-2015)
Financing	There should be clear	Much of the expenditure on telecommunications

	indication of gradual reduction in external financing and increase in domestic financing of national policies and strategies.	and power system expansion are funded by the respective public corporations using their own funds, supplier credits, and on-lending facilities financing; The GTP put considerable emphasis on domestic resource mobilisation to finance the plan. To this end, government tax collection capacity has been slowly increasing over the past years. The share of external finance in the annual budget has also been declining.

SOURCE.Updated version of earlier work by the author (2008b)

Achievements and challenges

Achievements

The Government's commitment to the MDGs has enabled it to make progress in the provision of social services such as education, health and infrastructure by spending, as stated earlier, up to 67 percent of its budget in these "pro-poor sectors" (MoFED, 2012). Based on this and other evidence, the UNCT (2011) came to the conclusion that the country is on a positive and promising track to meeting the key MDGs wholly or partially - provided support from the international community continues.

As shown in Table 4, Ethiopia is among the best performing countries with respect to Target 1B, Target 7C and Indicator 3.2.[21]Rwandais the second most successful country next to Egypt.

Table 4**.**Africa's MDG performance at a glance[22]

Goal	Global Status	Target/indicator	Best performing countries
Goal 1: Eradicate extreme poverty and Hunger	Off-track	Target 1A:	Egypt, Gabon, Guinea, Morocco, Tunisia
		Target 1B:	Burkina Faso, Ethiopia, Togo, Zimbabwe
		Target 1C:	Algeria, Benin, Egypt, Ghana, Guinea Bissau, Mali, South Africa, Tunisia
Goal 2: Achieve	On-track	Indicator 2.1:	Algeria, Egypt, Rwanda, São

[21] For a complete description of the key MDG targets and indicators see MDG Africa Report 2013 and Special issue of Adult Education for Development No. 80, 2013.
[22]Countries in *italics* are also countries that are tracked in forthcoming county comparisons (Tables 5 and 7).

universal primary education			Tomé and Príncipe
		Indicator 2.2:	Ghana, Morocco, Tanzania, Zambia
Goal 3: Promote gender equality and empower women	On-track	Indicator 3.1:	The Gambia, Ghana, Mauritius, Rwanda, São Tomé and Príncipe
		Indicator 3.2:	Botswana, Ethiopia, South Africa
		Indicator 3.3:	Angola, Mozambique, Rwanda, Seychelles, South Africa
Goal 4: Reduce child mortality	Off-track	Indicators 4.1 and 4.2:	Egypt, Liberia, Libya, Malawi, Rwanda, Seychelles, Tunisia
Goal 5: Improve maternal health	Off-track	Target 5A:	Equatorial Guinea, Egypt, Eritrea, Libya, Mauritius, Rwanda, São Tomé and Príncipe, Tunisia
		Target 5B:	Egypt, Ghana, Guinea Bissau, Rwanda, South Africa, Swaziland
Goal 6: Combat HIV/AIDS, TB, malaria and other diseases	On-track	Target 6A:	Côte d'Ivoire, Namibia, South Africa, Zimbabwe
		Target 6B:	Botswana, Comoros, Namibia, Rwanda
		Target 6C:	Algeria, Cape Verde, Egypt, Libya Mauritius, São Tomé and Príncipe, Sudan, Tunisia
Goal 7: Ensure environmental sustainability	Off-track	Target 7A:	Egypt, Gabon, Morocco, Nigeria
		Target 7C:	Algeria, Botswana, Burkina Faso, Comoros, Egypt, Ethiopia, Libya, Mali, Mauritius, Namibia, Swaziland
Goal 8: Global partnership for development	Off-track	Target 8F	Kenya, Libya, Rwanda, Seychelles, Sudan, Uganda, Zambia

SOURCE. Based on UNDP 2013.Note:*italics* added

The Overseas Development Institute (ODI 2013) disaggregates a country's progress into "absolute progress" and "progress relative to MDGs". Absolute progress measures reduction in the largest share of the population living in extreme poverty or increased primary school enrolment rates by the largest number of percentage points. Relative progress measures progress against the

MDG target – for example, which countries have come closest to halving child mortality, or to closing the gap in achieving universal primary education. Low-income countries, like Ethiopia, tend to rank top in absolute progress, while middle-income countries tend to do better in closing the gap.

According to this classification, Ethiopia is in the top 20 countries making absolute progress but not in the top 20 countries making progress in relation to MDGs. This is also consistent with UNDP (2013: xv) ranking in which Ethiopia is not among the top 20 countries.Furthermore, Ethiopia does not feature in either absolute or relative progress with respect to improving maternal health which the Government recognised as a major challenge.

Table 5. Absolute and relative overall progress on the MDGs: Top 20 achievers[23]

Top 20 Absolute Progress		Top 20Progress Relative to MDG Targets	
Benin	Bangladesh	Ecuador	Armenia
Mali	Honduras	China	Kazakhstan
Ethiopia	Mauritania	Thailand	Sri Lanka
Gambia	Ghana	Brazil	Cuba
Malawi	China	Egypt	Mexico
Viet Nam	Burkina Faso	Viet Nam	El Salvador
Uganda	*Rwanda*	Honduras	Benin
Nepal	Nicaragua	Belize	Chile
India	Guatemala	Nicaragua	Malawi
Cambodia	Togo		Gambia
			Guatemala

SOURCE.ODI MDG Report Card (*N.d.*) www.odi.org.uk/

Challenges

In its MDG Report the Government of Ethiopia identified several challenges that could at best slow down achievements and at worst reverse some of the gains (MoFED, 2010),. The key informants consulted for this paper also identified challenges some of which are consistent with MoFED. The major challenges are (i) human and institutional capacity (ii) lack of good governance; (iii) poor coordination, linkage and lack of trust between state and non-state actors (iv) macroeconomic challenges (e.g. inflation, unemployment) (v) vulnerability to external shocks (vi) high population growth and deep rooted

[23]The ODI ranking is based on a simple aggregation of rankings across the first seven MDGs (using one indicator per goal and an additional indicator on hunger for Goal 1): 1.1 (poverty), 1.8 (hunger); 2.1 (education); 3.1 (gender disparity); 4.1 (child mortality); 5.2 (maternal mortality); 6.1 (HIV AIDS) and 7.8 (water).

customs (vii) entrenched poverty (viii) ambitious planning and (ix) low quality of higher education (see Table 6 for details).

Table 6: MDG challenges

Challenges	MoFED (2010)	Key informants for this paper (2013)
Regional disparity in MDG achievements, pastoral and other emerging regions in particular	✓	
Low levels of income, savings and productivity in the agricultural sector	✓	
Limited implementation capacity	✓	✓
Lack of strong institutional coordination mechanism and ownership of MDGs; constant restructuring, dissolving and creation of institutions affecting the quality, experience and commitment of civil servants		✓
Macro challenges (Inflation, negative balance of payments and unemployment in general and youth unemployment in particular)	✓	✓
Limited or reduced development finance	✓	✓
Vulnerability to internal and external shocks – drought, climate change, world economic and geopolitical conditions, and the rising costs of essential inputs such as fuel, fertilizer and imported grains	✓	✓
Increasing trends in inequality.[24]	✓	
The deep rooted cultures hampering progress towards gender empowerment and reduction of maternal mortality.	✓	✓
Limited availability of basic infrastructures such as water, electricity, road connections, laboratories, blood banks, communication, and referral systems - crucial for improving maternal health.	✓	✓
Limited HIV/AIDS mainstreaming in non-public sectors	✓	
Systematic corruption		✓
Lack of good governance; inability to build a governance system that is inclusive of all political parties; weak integration, trust and partnership with none-state actors (Civil society, private sector, communities)		✓
Ambitious planning		✓
Entrenchment of poverty despite considerable efforts to reduce it		✓

[24]For urban areas the gain in poverty reduction obtained due to growth (about a 12 percentage point reduction) was accompanied by inequality (which raised it by about 14 percentage points), leading to a rise in poverty

Limited accountability on the part of non-state actors on resources allocated through them.		✓
High population growth		✓
Low education quality at higher education level and lack of coherence with the demand of the economy especially from long-term perspectives.		✓
Different baselines (starting points) for targets affecting achievements. For example, the baseline poverty level is high while the baseline level of health coverage is very low		✓

SOURCE: Summarised from MoFED 2010 and key informant responses

The Post-MDG agenda

The options

Whatever the critics say about the MDGs, they have served a purpose. The discourse has now shifted from achievement to defining elements of the successor.Three scenarios have emerged from work done by UNECA/AUC (2012). These are explained below:

(i) ***Retaining MDGs are they are*****:** The case for retaining the MDGs comes out of the feeling that the timeframe for implementation of the entire programme was too short. Although it is 15 years since the MDGs were launched, it took eight years to design, fine-tune and sensitise the MDGs across countries. It is only 10 years since actual implementation began (including alignment with national poverty reduction strategies). Therefore, to try to halve extreme hunger in 10 years is not only ambitious but also unrealistic.Furthermore, the international community and the countries concerned cannot afford to go through another round of designing a new or modified framework. Therefore, MDGs deserve an extended period.

(ii) ***Reforming the MDGs:*** There are also equally persuasive arguments for reformulating MDGs instead of maintain them as they are. Those who advocate reformulations contend that negotiations for the current MDGs started in the 90s so the MDG thinking is almost 25 years old. The situation then is markedly different from the situation now and would be more different from the post-MDG period. MDGs have already been criticised for not being flexible and dynamic to capture changing circumstances. Therefore, there is very little point in continuing the present MDGs as they are. They need to be re-designed taking stoke of the strength, limitations and the challenges presented in this paper.

(ii) ***Developing an alternative framework*****:** The third option on the table is to abandon MDGs altogether and design an alternative framework. Those advocating this option argue that the present MDGs are focused too much on outcomes and this is misplaced particularly for developing countries. What is needed is a process-oriented approach facilitated by a developmental state. For example, the undue emphasis on primary education has contributed to weak human capital development at higher education levels thereby hindering economic transformation in Africa. Other process-oriented areas are the transformative role of infrastructure, agricultural markets, energy, financial markets and appropriate land policies (UNECA/AU, 2012). However, this option is loaded with too many ideas, and lacks focus which makes it difficult to monitor progress.

Which option for the post-MDG period? Despite considerable debates, a clear cut choice is not forthcoming. However, the idea of MDG+ (combination of option 1 and 2) has been floated.In this scenario, the current MDGsare retained but refined to address new priorities identified by citizens across the world, including Ethiopians. For example, quality of education should be the top priority since Ethiopia has done reasonably well in increasing access. Adult educationis one of the areas neglected in the previous MDGs.There is a strong case to includeit in the next phase because even if people are liberated from extreme hunger and poverty they still remain without education.[25]Figure 2 is a simplified illustration of the MDG Plus option.

Figure 2. A simplified illustration of MDG +[26]

MDGs	+	New priorities: • Better/quality education (including adult education) • Better job opportunities • Better/quality health care • And others

SOURCE. Based on discussion in this paper

[25]Adult Education for Development: Post 2015 (DVV International, 2013) presents strong case for including adult and life-long education as part of the MDGs. It argues that there are numerous global agreements on education in general and adult education in particular that can be reinvigorated and mainstreamed into MDGs. Examples include education for all (Dakar 2000); Belem Framework for Action (Brazil 2009) and the Agenda for the Future (1997).

[26]The United Nations High Level Panel (United Nations, 2013) has developed 12 illustrative goals for Post 2015 which take into account strength and limitations discussed in this paper. These are (1) End Poverty (2) Empower Girls and Women and Achieve Gender Equality (3) Provide Quality Education and Lifelong Learning (4) Ensure Healthy Lives (5) Ensure Food Security and Good Nutrition (6) Achieve Universal Access to Water and Sanitation (7) Secure Sustainable Energy (8) Create Jobs, Sustainable Livelihoods, and Equitable Growth (9) Manage Natural Resource Assets Sustainably (10) Ensure Good Governance and Effective Institutions (11) Ensure Stable and Peaceful Societies and (12) Create a Global Enabling Environment and Catalyse Long Term Finance.

The priorities

As the 2015 deadline for the MDGs approaches, there is a frantic effort to identify priorities. The most comprehensive effort is the global surveylaunched by the UN Special Task Team.Citizens of the world are required to vote for their six top priorities among the 16 identified by the Taskforce. The survey is completed online as well as by post. At the time of writing, 1,225,176 people (of which 12,092 are Ethiopians) from 194 countries have voted for their most pressing development issues that should be the focus of national and global efforts.

Table 7is an extract of results for six African countries. It compares their priorities with world priorities. Accordingly, (i) good education, (ii) better job opportunities, (iii) better health care, (iv) an honest and responsive government, v) access to clean water and sanitation and (vi) affordable and nutritious food are the top six most pressing development priorities for citizens of the world in the Post 2015 period. For Ethiopia, the top four are consistent with world priorities and the top three priorities for five African countries arealso consistent with world rankings.

Table 7. Comparison of development priorities of selected African countries with world priorities for the Post-MDG agenda

Development priorities	Ethiopian (n=12092)	Kenya (n=5432)	Rwanda (n=37021)	Sudan (n=2580)	Tanzanian (n=37470)	Uganda (n=1583)	World (n=1.2 m)
A good education	1	1	1	1	1	2	1
Better job opportunities	2	3	3	3	2	4	3
Better health care	3	2	2	2	3	1	2
An honest and responsible government	4	5	11	4	7	5	4
Political freedom	5	16	13	11	13	14	13
Access to clean water and sanitation	6	4	8	5	6	3	5
Freedom from discrimination and persecution	7	9	5	10	10	10	10
Phone and internet access	8	12	7	16	8	11	14
Protection against crime and violence	9	6	6	6	4	6	7
Equality between men and women	10	10	10	12	9	12	9
Action taken on climate change	11	14	16	15	16	13	16
Protecting forests, rivers and oceans	12	8	14	13	11	9	8
Affordable and nutritious food	13	7	4	7	5	8	6
Support for people who cannot work	14	13	12	8	12	15	11
Better transport and roads	15	11	15	9	14	7	12
Reliable energy at home	16	15	9	14	15	16	15

SOURCE. Extract from UN Task Team (N.d) My World Survey (www.myworld.org) accessed Nov. 10, 2013

Conclusions and recommendations

As 2015 approaches, countries everywhere are assessing their progress and short falls as a prelude to setting priorities for the post-2015 agenda. The successes so far are not insignificant. Without MDGs, we may still find millions of children out of school, millions hungry and millions dying of HIV/AIDS. Thanks to MDGs,citizens are able to speak with one voice on the most pressing development issues. MDGs have also influenced the launchof CAADP with a specific aim of accelerating the MDG achievements in Africa.

The review and expert consultation revealed that Ethiopia faces considerable challenges as it strives to achieve MDGs. The government and development partners should pay attention to these challenges and limitations if Ethiopia is to continue making progress in its overall development endeavours. MDGs have shown the way. They have demonstrated that countries can focus their energy on solving economic and social problems. Should Ethiopia wait for the global community to hand down goals for the next 15 years? I think not. The gaps are known, the priorities are identified through the global process. MDGs should be used to galvanise local institutions in the same way they galvanised the global community.

To this end, it is crucial to:

- Initiate an overhaul of polices and strategies in a genuinely participatory way. This gives the Government the opportunity to incorporate lessons from the MDG process.
- Enhance confidence in national statistics. It is important to strengthen the data collection and analysis capacity at national and sub-national levels. Maintain the professionalism and independence of the statistical agencies. Encourage the development of an independent local agency to complement the national statistical system.
- Take priorities identified by citizens into account in national development planning in general and settingpost-MDG targets in particular.Potential areas where the country lagged behind or did not pay attention to include: (i) quality of education and health services (ii) inclusive education (children with various disabilities and adult education) (iii) secondary education (iv) genuine political participation; and (v) balanced regional development (pastoral and remote areas).

Acronyms

ADLI	Agricultural Development Led Industrialisation
ATA	Agricultural Transformation Agency
AUC	Africa Union Commission
CAADP	Comprehensive African Agriculture Development Programme
CDM	Carbon Development Mechanism
CRGE	Climate Resilient Green Economy
EPRDF	Ethiopian People's Revolutionary Front
FDRE	Federal Democratic Republic of Ethiopia
GDF	GRIPS Development Forum
GTP	Growth and Transformation Plan
HABP	Household Asset Building Programme
MDG	Millennium Development Goals
NSA	Non-State Actors
ODI	Overseas Development Institute
PANE	Poverty Action Network
PASDEP	Plan for Accelerated and Sustained Development to End poverty
PRSP	Poverty Reduction Strategy Paper
PSNP	Productive Safety Net Programme
SDPRP	Sustainable Development for Poverty Reduction Paper
TGE	Transitional Government of Ethiopia
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa

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Annex 1. Chronology of Ethiopia's policies, strategies and programmes by major categories

Broad categories	Specific policies/strategies	Year promulgated
I Constitutional base for economic and social development		
1.	The Transitional Charter	1991
2.	The FDRE Constitution	1995
3.	Programme of the EPRDF	1995
4.	Action Plan of the EPRDF for Development, Peace and Democracy	1995
II Agriculture and rural development		
5.	Agricultural Development Led Industrialisation	1992
6.	Economic Policy for the Transitional Period	1992
7.	The National Agricultural Research Policy and Strategy	1993
8.	Economic Development Strategy for Ethiopia	1994
9.	Rural Development Policy and Strategy	2001
10.	Federal Proclamations on Rural Land Administration and Use	2005
11.	Regional Proclamations on Rural Land Administration and Use	2006-2008
12.	SDPRP (1st PRSP)	2001/02
13.	PASDEP (2nd PRSP)	2005/06
14.	GTP	2010/11
III Climate change and environmental threats		
15.	The Environment Policy of Ethiopia	1997
16.	The Conservation Strategy of Ethiopia (April 1997) including 9 Regional States' Conservation Strategies	1997
17.	The National Policy on Biodiversity Conservation and Research	1998

18.	National Biodiversity Strategy and Action Plan	2005
19.	Radiation Protection: Proclamation No 571/2008	2008
20.	Development, Conservation and Utilization of Wildlife: Proclamation No 541/2007	2007
21.	Ethiopian Wildlife Development and Conservation Authority Establishment: Proclamation No 575/2008	2008
22.	Forest Development, Conservation and Utilization Policy (2007)	2007
23.	Forest Development, Conservation and Utilization Proclamation No 542/2007	2007
24.	Environmental Impact Assessment Proclamation 299/2002	2002
25.	Pollution Control Proclamation 300/2002	2002
26.	Prevention of Industrial Pollution: Council of Ministers Regulation No 159/2008	2008
27.	Environmental Organs Establishment Proclamation	
28.	Guidelines on Technology Selection and Transfer;	
29.	30. Guidelines on Enforcement and Compliance in Industrial Pollution	
30.	Guidelines on the Procurement of Environment Friendly Goods	
31.	Guidelines on Integrated Pollution Prevention and Control.	
32.	Guidelines on Pollution Release and Transfer Registry	
33.	Guidelines on Industrial Waste Handling and land filling and Management	
34.	Guidelines for undertaking sector specific Environmental Impact Assessment on development projects in 21 sectors	
35.	Climate Resilient Green Economy (CRGE)	2011
IV Transitory and chronic food insecurity/poverty		
36.	Food Security Strategy	1996
37.	National Policy on Disaster Preparedness and Management	1997

38. Disaster Risk Management Policy	2013
39. The New Coalition for food Security	2003
40. The Food Security Programme	2002-
V Addressing social inequalities	
41. Women's Policy	1993
42. Health Policy	1993
43. Education & Training Policy	1994
44. Developmental Social Welfare Policy	1996
45. Youth Policy	2004
46. Social Protection Policy and Strategy	2014?
VI Addressing regional inequalities	
47. Pastoral Development Policy Statement (MoFA)	2008
48. Programmes for Developing Regional States (MoFA)	2011
49. MDG project/programme for Pastoral Areas (MoA)	2012

SOURCE. Author's compilation

PART II

DECENTRALIZATION AND REVENUE SHARING

5 *Tegegne Gebre-Egziabher*

Decentralization and Regional and Local Development: Trends and Policy Implications

Introduction

Regional development has gained significant attention in Ethiopia with territorial decentralization introduced in 1991. Not only does this decentralization recognizes regions and sub-regions based on their ethnic identities, but transfers substantial power, authority and resources to them in a manner that enables them to formulate their own social and economic policies and execute development projects. This has been undertaken under two waves of decentralization. The first wave that took place in the early 1990s devolved powers and authorities to regional governments. The second wave beginning from early 2000 devolved power and authority to the *woreda* administration.

Decentralized governance structures facilitates local and regional development particularly by helping regions and localities enhance their resource capacity, facilitate local planning and participation, strengthen human capacity and service delivery, and enhance policy formulation processes at local level. Past observations have made it clear that though decentralization has brought some progress in regional and local development, it has not been to the desired level (Tegegne 1998). In particular, studies made in late 1990s and early 2000s noted deficiencies in local planning and participation, local revenue raising and human capacities (Tegegne 1998; Asmelash 2000). This may be due to the country's lack of experience in decentralized governance. Now that two decades have passed since the launching of the first phase of decentralization and it has been more than a decade since *woreda* decentralization has taken place, it is appropriate to take stock of decentralization and regional and local development by examining trends in some key issues of decentralization relevant for regional development. The objective of this chapter is to examine the trends in key issues of decentralization, namely resource availability and local capacity in order to record changes and derive policy implications. The specific objectives are: to examine trends in resource availability among regions and *woredas*; to look at trends in human capacity, local planning and participation; and to make policy suggestions with regard to decentralization and regional and local development.

In order to achieve the above objectives, the chapter uses secondary data from government offices and makes a desk review of relevant studies. The rest of the chapter is structured as follows: the next section provides a theoretical exposition of decentralization and regional development; following that is a brief overview of regional and *woreda* decentralization. The next two sections deal with trends in resource availability at local and regional levels, and the situation in human capacity and local planning. The policy implications and conclusions of the chapter are discussed in the last two sections.

Decentralization and regional development: theoretical exposition

In general decentralization and regional development have evolved independently. Decentralization is demanded in order to protect regional and local identities, history, culture and traditions especially in multinational and big countries (Horowitz 1985; de Winter and Tursan 1998). On the other hand, regional development is seen as a state prerogative to be delivered by national and local government. The new regionalist framework, however, sees decentralization not only for preserving identity but more prominently to foster economic development in every territory (Rodriguez-Pose, 2008; Rodriguez-Pose and Ezcurra, 2010). The theoretical literature on the relation between decentralization and regional development, however, advances both positive and negative perspectives.

The positive influences of decentralization on local and regional development are assumed to be realized via the principles of fiscal and political decentralization. Fiscal decentralization deals with the vertical structure of the public sector by addressing the assignment of functions and instruments and the way the different levels of government relate to each other through instruments such as inter-government fiscal transfer (Gunatilaka 2001). Fiscal decentralization brings allocative and producer efficiency, sub national competition and policy innovation (Martinez Vazquez and McNab 2001). These efficiencies and innovations are assumed to positively influence economic growth and regional and local development. Political decentralization, on the other hand, in addition to ensuring citizenship and social inclusion positively influences economic development by enhancing firm competitiveness. This is because the latter depends on not only on firms themselves, macro economic conditions and active national policies but also on the capacity of each locality to tackle its own development through processes of concerted public-social-private decisions (Finot 2005). In order for this to happen, it is essential that local areas have greater autonomy (Finot 2005).

The negative perspective advances that decentralized governance or local and regional governments have lesser comparative advantage than national governments in satisfying the basic needs of the population. In this regard Prud'homme (1995) suggests that the matching of policy and needs which is one of the positive attributes of decentralization may not be realized because basic needs such as access to food, education, and health are universal showing little difference among jurisdictions. Second, even if there are differences among jurisdictions, there is less evidence that local and regional governments have clear comparative advantage over the national governments in uncovering those differences. National governments benefit from greater economies of scale and resources that may allow them to better satisfy the basic needs of the population (Prud'homme 1995). Furthermore, poor localities and regions are disadvantaged in delivering efficient policies and strategies due to lack of human and technical capacities while national governments with better and efficient administration and better salary can offer better services (Rodriguez-Pose 2008).

Notwithstanding the forgoing theoretical perspectives, the empirical literature is not also conclusive, hinting at the difficulty of empirically determining the impact of decentralization on local and regional development due to the varying nature of countries' context, the difficulty of measuring decentralization and the absence of counterfactual arguments that provides the trajectory of regional and local development without decentralization (Rodriguez-Pose 2008).

While the theoretical and empirical inconclusiveness hints at the need for further study and research on the subject, the popular perception is that decentralization can stimulate local and regional development (Rodriguez-Pose 2008). This happens through the opportunity decentralization creates for more resource availability, improved capacity and improved planning practices at local and regional levels.

Regional and *woreda* decentralization under the EPRDF regime: A brief overview

Decentralization as practiced today in Ethiopia began with the establishment of an ethno-federal state first created in the early 1990s and codified in the Constitution of 1995 (Dickovick and Tegegne 2009). This decentralization underlies the premise that the country has a multi-ethnic structure. The outcome was a federal structure that created nine regional self governments and two city administrations[1]. While all the regional self governments and the Addis Ababa

[1] The nine regional self governments are the Amhara National Regional State, the Tigray National Regional State, the Oromiya National Regional State, the SNNP National Regional State, the Gambella National Regional State, the Afar National Regional State, the Somali National Regional

city administrations are established by the Federal Constitution, the Dire Dawa Administration is an exception in that it is not recognized in the Federal Constitution. The Dire Dawa Administration Charter (Article 51(1)), however, indicates that the City Administration shall be part of the Federal Government and it shall be accountable to the Federal Government. In addition, article 51 (2) of the Charter specifies that the Ministry of Federal Affairs shall, as an agent of the Federal Government, follow up the performance of the City Administration and shall support the capacity-building undertakings of the City.

The motive for regional decentralization was political in that it was designed to ease the tension between the country's nationalities (Dickovick and Tegegne 2010, Asmelash 2000) and to counter the age old concentration of power at the center (Assefa 2007). These necessitated the establishment of the three branches of government at regional level: legislative, judicial and executive. Regions have robust political authorities that emanate from the Federal Constitution. These include the power to establish a State administration, to enact and execute the State constitution and other laws, to formulate and execute economic, social and development policies, to administer land and other natural resources, to levy and collect taxes and duties on revenue sources reserved to the States, to enact and enforce laws on the State civil service and to establish and administer a State police force and to maintain public order (FDRE 1995). In addition to the political and administrative power, regions enjoy fiscal powers in the forms of revenue raising authority and expenditure responsibilities.

Notwithstanding the country's experience of decentralization that devolved power and authority to regional governments, in the early to late 1990's, the Government embarked on the second wave of decentralization namely *woreda* (district) decentralization. *Woreda*s are established by the Regional Constitutions. *Woreda* decentralization was less motivated by questions of ethnic identity, and more by the motivation to extend governing authority down to local levels (Dickovick and Tegegne 2010). As a consequence, the stated aims of *woreda* decentralization included improved service delivery, deeper and more participatory governance, and promotion of economic development (Dickovick and Tegegne 2010). The consequences of *woreda* decentralization, however, have political implications as the increasingly centralized partisan structure of the EPRDF has penetrated to the local level as a result of the decentralization process (Dickovick and Tegegne 2010). Similar to the regional governments, *woreda* administrations have *woreda* councils, *woreda* courts and *woreda* executives. The *woreda* council is the highest authority and has the power of approving *woreda* budgets and overseeing the

State, the Benishangul Gumuz National Regional State, the Harari National Regional State. The two City Administrations are the Addis Ababa City Administration and the Diredwaa City Administration executive. The fiscal authority of *woreda*s is mainly limited to expenditure responsibility as they have no revenue raising power. Instead they are delegated to collect revenues on behalf of the regional government, but not allowed to spend it before regional allocation.

Resource availability

Trends in regional revenue

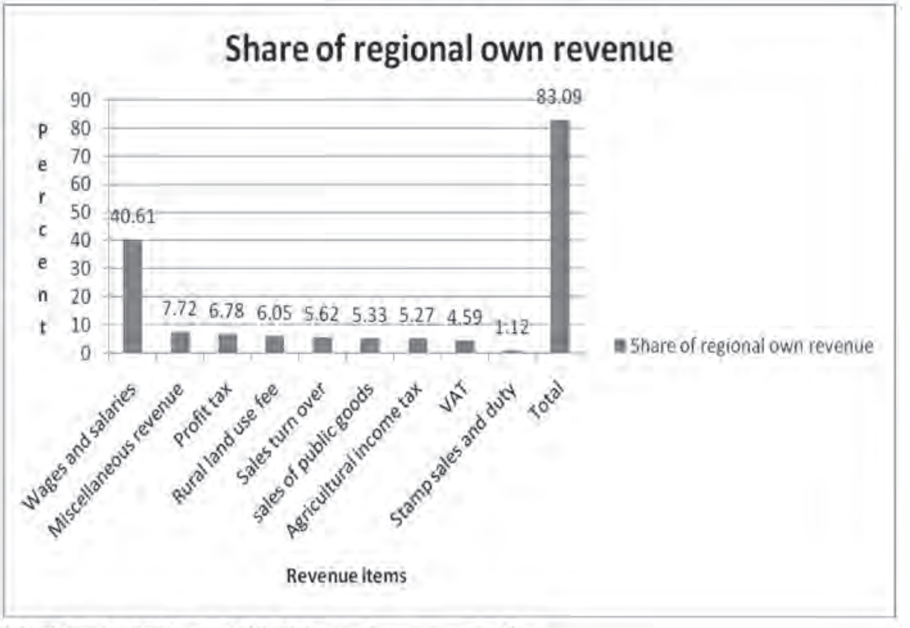
Resource availability is critical for local and regional development. In Ethiopia, regional governments derive resources from different sources: taxation, federal subsidy and foreign assistance. The latter, however, is netted out of the federal subsidies regions receive. Netting out is done from multilateral and bilateral assistance though it does not include technical assistance, rehabilitation projects and assistance in kind regions may receive. The taxation powers of regional governments derive from Articles 97 and 98 of the Federal Constitution.

Historical data show that tax revenues account for 79.8 percent of the total regional revenue and non-tax revenue account for 21.8 percent of the total regional revenue. Regional revenues, however, are concentrated on a few items. Figure 1 shows that nine tax and non-tax items account for 83 percent of the regional revenues. It can easily be understood that payroll tax, accounting for about 41 percent of the total revenue, is the main source of income for regions. Payroll tax by nature, however, is not very yielding and fast growing and it depends on public sector employment.

Trends in regional revenue performance shows regional revenue has increased from 1.5 billion birr to 20 billion birr over 15 years (1997/98-2011/12) (Table 1). At the same time, the Federal Government revenue has increased from 6.7 billion birr to 83 billion birr. In general, the Federal government collects the bulk of the revenue. The Federal Government revenue as a share of general government[2] revenue over the 15 year period is 81.1 per cent and regions were able to collect only 18.9 per cent. This trend has remained constant as depicted in Figure 2.

[2] General Government refers to both the Federal Government and the Regional Governments

Fig 1: Five years' (2006/07-2010/11) average share (composition) of regional own revenue



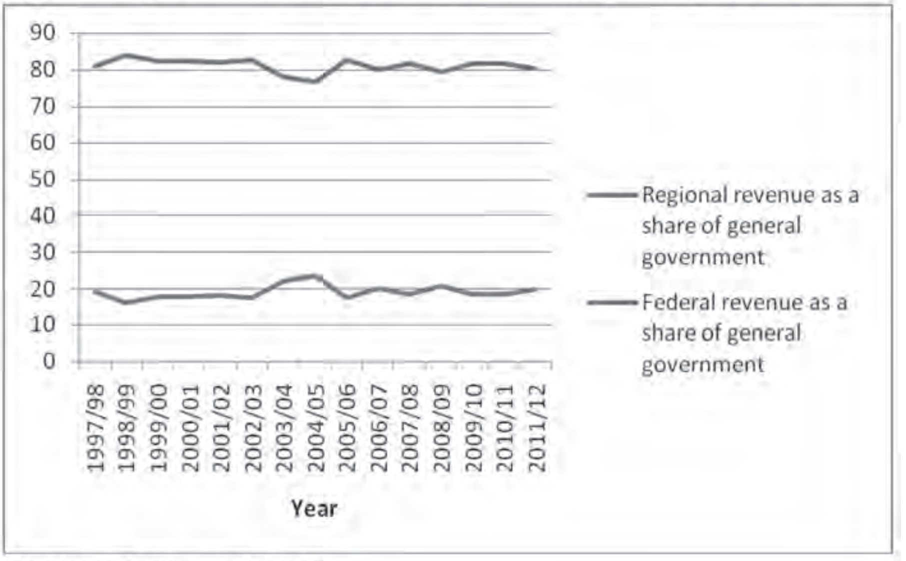
SOURCE. MoFED, unpublished data and own computation

Table 1. Trends in revenue performance: Regional, Federal and general government (million birr)

	Regional			Federal			General Government		
	Tax revenue	Non tax revenue	Total revenue	Tax revenue	Non tax revenue	Total revenue	Tax revenue	Non tax revenue	Total revenue
1997/98	1087.8	505.6	1593.4	4204.4	2583.5	6787.9	5292.2	3089.1	8381.3
1998/99	1079.5	460.17	1539.7	4456.4	3561.4	8017.8	5535.9	4021.6	9557.5
1999/00	1248.9	520.0	1768.9	5095.3	3119.1	8214.4	6344.2	3639.1	9983.3
2000/01	1364.2	510.5	1874.7	6028.0	2733.8	8761.7	7392.2	3244.2	10636.4
2001/02	1346.1	530.1	1876.2	6512.1	2042.3	8554.4	7858.2	2572.4	10430.6
2002/03	1448.2	584.2	2032.4	6746.1	2920.9	9667.0	8194.3	3505.0	11699.3
2003/04	1947.3	999.9	2947.2	8454.0	1941.2	10395.2	10401.0	2941.1	13342.1
2004/05	2686.0	883.6	3569.6	9350.4	2373.4	11733.7	12046.3	3257.0	15303.3
2005/06	2635.9	585.0	3220.9	11303.8	3829.2	15132.9	13939.6	4414.2	18353.8
2006/07	3234.1	1150.6	4384.7	14119.5	3293.2	17412.7	17354	4444	21797
2007/08	4091.7	1395.6	5487.3	19709	4597.7	24306.7	23801	5993	29794
2008/09	5792.5	2468.3	8260.8	23215	8707.8	31922.8	29007	11176	40184
2009/10	8007.9	1827.3	9835.1	35310.2	8718.7	44028.9	43318	10546	53864
2010/11	10249.8	2501.4	12751.2	48736.6	7637.6	56374.2	58981	10139	69120
2011/12	15659.3	4472.7	20132	70081.2	12651.1	82732.3	85740	17124	102864

SOURCE. MoFED, unpublished data

Figure 2. Regional and Federal revenue as a share of general government



SOURCE: MoFED, unpublished data

The revenue raising capacity of different regions, however, shows some variation as shown in Table 2. In per capita terms, the three urban regions, namely Addis Ababa (1549.7 birr), Dire Dawa (319.4 birr) and Harar (222.9 birr) followed by Tigray (169.9 birr) have the highest revenue raising levels (Table 2). Other than the three urbanized regions (Addis Ababa, Harar and Diredawa), Gambella (137.6) and Tigray (169.9 birr) have performed higher than the national average with all the other regions collecting less than the national average.

Table 2. Trends in per capita revenue by regions (birr)

	2007	2008	2009	2010	2011	2012	Average per capita revenue
Tigray	57.49	76.18	129.7	169.15	216.3	370.81	169.938
Afar	26.86	29.45	45.98	47.826	95.4	119.8	60.886
Amhara	20.53	26.57	52.3	55.425	85.77	137.01	62.9342
Oromiya	29.59	30.69	47.77	58.399	88.88	102.34	59.6115
Somale	13.7	18.42	21.35	41.799	55.08	74.677	37.5043
BSG	42.64	66.48	68.91	77.133	117.2	187.56	93.3205
SNNP	22.2	29.78	41.91	56.083	82.42	115.25	57.9405
Gambella	70.51	103.8	94.14	123.88	185.9	247.26	137.582
Harari	127.2	156.2	193.1	212.78	288.7	359.95	222.988
AA	768	945.7	1441	1574.1	1649	2920.7	1549.75
DD	142.2	169.8	276.6	371.91	399.7	555.95	319.36
Total region	56.85	69.27	103.9	119.79	151.2	232.43	122.24

SOURCE: MoFED unpublished data and own computation

In a similar way, the growth rates of revenue raising capacity by regions shows that Tigray has the highest average annual growth rates over the period 2006/07-2011/12 (22.33 percent) followed by Benishangul Gumuz, Somale and Amhara (Table 3). All the relatively less developed regions (Benishangul, Gambella, Somale and Afar) have shown higher than the total regional average growth rate which is an indication that the poor regions are increasing their own resource capacity in time.

Table 3. Annual growth rates of revenue collection

	2006/07-2007/08	2007/08 2008/09	2008/09 2009/10	2009/10 2010/11	2010/11 2011/12	Average annual growth rate
Tigray	16.6	31.9	15.9	14.6	32.7	22.33
Afar	5.73	27	4.17	43.2	13.7	18.77
Amhara	15.2	33.3	3.97	25.5	27.5	21.11
Oromiya	3.25	28.4	11.8	25.2	8.88	15.5
Somale	17.5	9.47	43.9	16.6	18.3	21.16
BSG	26.4	7.8	19.5	44.1	13.3	22.21

SNNP	17.4	19.6	18.7	23.1	20	19.76
Gambella	12.9	21.8	16.4	25.3	25.9	20.46
Harari	12.5	8.46	6.57	17.9	13	11.67
AA	12.5	18.8	5.65	3.41	34.4	14.98
DD	11.4	18.6	17.1	5.03	19.2	14.25
Total region	11.9	22.6	9.18	13.9	25.7	16.64

SOURCE: Own computation on the basis of MoFED unpublished data

Trends in revenue performance at *woreda* level

*Woreda*s in all regions do not have revenue raising authority. However, they collect revenues from different sources on behalf of the Regional Government. The collected amount is off-setted in regional–*woreda* resource allocation. Despite this, Table 4 shows that revenues collected by *woreda*s form a significant portion of the regional revenue. On average, *woredas* in all regions collect 68 percent of the total regional revenue. In terms of shares, *woreda* revenue collection capacity has shown an increase as it grew from a share of 45 percent in 2005/06 to a share of 77 percent in 2011/12. This is an indication that *woreda*s have the capacity to collect revenues and most of the resource base of the regional revenue is closer to *woreda* administrations.

Table 4. Revenue performance at woreda and regional bureau level

Year	Bureau Level (million birr)	*Woreda* Level (million birr)	Regional Level (million birr)	*Woreda* level as % of regional level
2005/06	2408.9	1983.48	4392.38	45.16
2006/07	1631.66	2753.04	4384.7	62.79
2007/08	1835.73	3651.55	5487.28	66.55
2008/09	1695.23	6556.26	8251.5	79.46
2009/10	2212.3	7622.84	9835.14	77.51
2010/11	3981.04	8770.17	12751.20	68.78
2011/12	4520.72	15611.24	20131.96	77.54
Average	2384.09	6363.068	8747.16	68.25

SOURCE. MoFED, unpublished data

Trends in expenditure

Table 5 shows the trends for recurrent and capital expenditure performance. It reveals that the regional governments' recurrent expenditure grew from 3 billion Birr in 1998/99 to 32 billion birr in 2011/12, a more than 10 fold increase. The capital expenditure also grew from 1.7 billion birr to 23.2 billion birr in 2010/11. The data for latter years shows expenditure only from domestic sources. There will thus be a slight increase if external loan and assistance are included. It is however interesting to note that regions are mainly responsible for recurrent expenditure while their role in capital expenditure is limited. The regional share in the recurrent expenditure of general government has grown from 21 percent in 1999/00 to 64 percent in 2011/12. Figure 3 shows the recurrent expenditure has shown a steep increase while the increase in capital expenditure is relatively small. The share of regional capital expenditure grew to 40 percent in 2011/12. This shows that regions are also showing more and more involvement in capital projects.

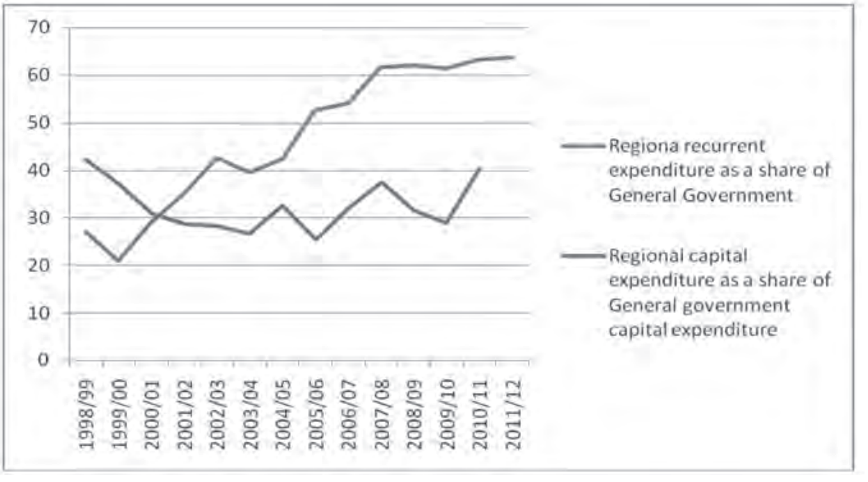
Table 5. Trends in recurrent and capital expenditure performance of Federal and Regional Governments

	Recurrent expenditure				Capital expenditure			
	General Government (million birr	Federal Government (million birr)	Regional Government (million birr)	Regional expenditure as a share of General government expenditure	General Government	Federal Government	Regional Government	Regional expenditure as a share of General government expenditure
1998/99	11099.49	8084.86	3014.64	27.16	4144.16	2394.87	1749.29	42.21
1999/00	14369.36	11351.38	3017.98	21	4038.56	2541.9	1496.66	37.06
2000/01	12411.88	8787.35	3624.54	29.2	6082.01	4196.01	1886	31.01
2001/02	11902.63	7721.55	4181.08	35.13	6134.12	4517	1760.52	28.70
2002/03	12032.05	6909.73	5122.32	42.57	6392.59	4582.32	1810.28	28.32
2003/04	13999.1	8463.29	5535.81	39.54	8529.75	6249.46	2280.29	26.73
2004/05	14957.14	8619.11	6338.03	42.37	7695.6	5194.72	2500.88	32.50*
2005/06	15967.32	7671.1	8399.55	52.6	11785.31	8788.33	2996.98	25.43*
2006/07	17976.95	8259.34	9717.61	54.06	18276.9	12423.8	5853.1	32.02*
2007/08	22794	8761.2	14032.8	61.56	22712.6	14192.1	8520.5	37.51*
2008/09	27176	10306.9	16868.7	62.07	30685	20992.2	9692.8	31.59*
2009/10	32537	12515.8	20021.4	61.53	38326.1	27253.9	11072.2	28.89*
2010/11	40660	14959.9	25700.5	63.21	57439.1	34214.4	23224.7	40.43*
2011/12	51445	18679.5	32766	63.69				
Average				46.83				32.49

SOURCE. MoFED, unpublished data

NOTE *refers to only domestic resource and expenditure is pre actual

Figure 3. Trends in regional recurrent and capital expenditure as a share of general government



SOURCE: MoFED unpublished data and own computation

The average regional per capita expenditure grew from 174 birr (2007) to 646 birr (2012) with an average growth rate of 14 percent (table 6). This is way above the regional per capita revenue which has grown only from 57 birr (2007) to 122 birr (2012) (see Figure 4). Regions with higher than the national average per capita expenditure include Addis Ababa (1764.11 birr), Gambella (1057.7 birr), Dire Dawa (858.7 birr), Harar (1014.1 birr), Afar (555.2 birr), Benishangul (576.3 birr), and Tigray (445.7 birr). It can be seen that expenditure is highest in the urban regions and in the emerging regions, the latter due to the need to catch up. The relatively big regions (Oromiya, Amhara and SNNP) have lower per capita expenditure.

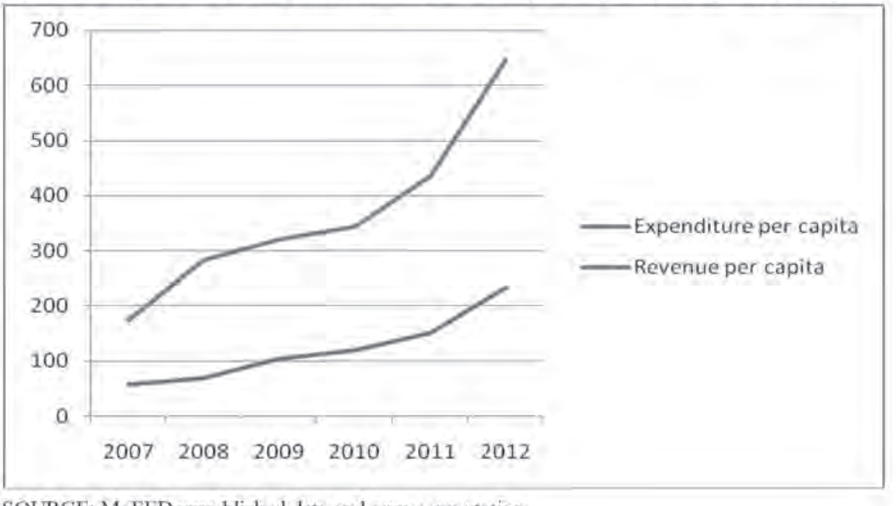
Table 6. Trends in regional per capita expenditure

Regions	2007	2008	2009	2010	2011	2012	Average per capita revenue	**Average GR**
Tigray	196.5161	285.8795	338.229	408.397	543.6743	901.778	445.7457	16.6
Afar	174.4781	346.5422	376.8572	508.2874	1052.024	873.0772	555.211	19.3
Amhara	108.4988	187.3222	254.0233	297.7273	367.126	586.2018	300.1499	18.7
Oromiya	139.5806	193.9947	241.732	261.1611	336.1062	451.9938	270.7614	12.5

Somale	148.6949	227.932	221.9089	317.8841	456.5461	694.7913	344.6262	17.1
BSG	447.5625	430.8232	455.7112	443.4764	612.2403	1068.333	576.3578	9.8
SNNP	138.102	189.3064	198.3555	272.1142	347.5045	570.975	286.0596	15.5
Gambell a	748.2213	888.4018	691.6225	939.1434	1246.67	1832.37	1057.738	10
Harar	475.3202	738.5167	803.4188	1046.488	1134.762	1885.907	1014.069	15.2
AA	915.443	2045.872	2117.574	1550.842	1606.37	2348.581	1764.114	11.9
DD	424.9757	658.3879	767.4513	778.1963	963.6951	1559.443	858.6916	14.3
Total	173.5623	282.6855	319.2655	344.3404	436.1056	646.4416	367.0668	14.4

SOURRCE: MoFED unpublished data and own computation

Figure 4. Trends in per capita revenue and per capita expenditure (all regions)



SOURCE: MoFED unpublished data and own computation

Regions' own revenue versus expenditure

One measure of fiscal decentralization is the ability of regions to finance their expenditure from own sources. Table 7 shows that on average, regions are able to cover about 33 percent of their expenditure from own sources. There is a slight increase in the trend as it has increased from 33 percent in 2007 to 36 percent in 2011/12. Regions in general therefore have to rely on external sources to finance their expenditure. The contribution of own revenue for total expenditure varies between regions. For instance, for the years 2006/07-2011/12, Tigray and Dire Dawa were on average able to cover 36 percent of their expenditure. Those regions which covered between 19 – 23 percent included Amhara, Oromiya, SNNP, Harar. The four emerging regions, however, can contribute a very small share of their expenditure; their percentage share is below 16 percent with Benishangul contributing 15.7 percent, Afar 11.4, Somale 10.5, and Gambella contributing 12.7 percent. The heavy dependence of these regions on intergovernmental fiscal transfer is therefore clear. The coefficient of variation has more or less remained constant over the period 2006/07-2011/12 except for 2009/10 when the coefficient of variation showed an increase. The constant coefficient of variation is an indication that there is little change in the variation among regions regarding the contribution of own revenue.

Table 7. Trends in regions' own revenue as a share of total expenditure

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average
Tigray	29.25	26.65	38.35	41.41	39.78	41.12	36.1
Afar	15.39	8.497	12.20	9.40	9.07	13.72	11.38
Amhara	18.92	14.19	20.58	18.61	23.36	23.37	19.84
Oromiya	21.20	15.82	19.76	22.36	26.45	22.64	21.37
Somale	9.21	8.08	9.621	13.14	12.06	10.74	10.48
BSG	9.53	15.43	15.12	17.39	19.14	17.55	15.7
SNNP	16.07	15.73	21.13	20.61	23.72	20.18	19.57
Gambella	9.42	11.69	13.61	13.19	14.91	13.49	12.72
Harar	26.75	21.15	24.03	20.33	25.44	19.08	22.8
AA	83.89	46.22	68.02	101.5	102.7	124.36	87.78
DD	33.47	25.79	36.04	47.79	41.47	35.65	36.7
Total	32.75	24.5	32.52	34.78	34.68	35.96	32.53
CV of regions excluding AA	0.46	0.40	0.46	0.55	0.45	0.45	

SOURCE: MoFED unpublished data and own computation

Trends in inter-governmental fiscal transfer: Federal –Regional fiscal transfer

The Federal grant system which transfers resources to regions involves block and specific purpose grants. The bulk of the transfers are made as block grants. There are two major changes in the block grant transfers to regions. The first relates to the formula used to transfer resources and the second is in the amount of resources transferred.

Formulas used in the transfer

In the years 2003/04-2007/08, a two stage allocation was made to transfer resources to regional governments. The first is that each region will receive a minimum amount of recurrent allocation as in 2002/03; second, a formula will be used to distribute additional resources across regions (Garcia and Rajkumar 2008). The latter is what used to be known as the 'three-parameter' grant allocation formula. The variables considered in the formula were, population size with a weight of 65 percent, poverty and development level with a weight of 25 percent, an index of revenue effort and sectoral performance with a weight of 10 percent.

The three parameter formula is found wanting in several respects. First, it does not address the service delivery needs of different localities with a consequence of creating disincentive to expanding service delivery. Second, it makes small localities benefit more in per capita terms, in a manner that may not be equitable. With regard to the latter, small and large localities will receive similar per capita on the basis of their population and similar gross amount on the basis of development level if they are at the same level of development (Garcia and Rajkumar 2008). The consequence of this is that it results in the allocation of higher per capita for the small region (Garcia and Rajkumar 2008). In addition to this, the formula does not consider the capacity of regions to raise revenue in the allocation of resources.

Owing to the above deficiency of the three parameter approach, the Federal government resorted to a fiscal equalization approach in 2006/07 addressing the expenditure need and revenue capacity of each region. The formula used actual revenue in computing fiscal equalization. The formula served up to 2009 and some criticisms were levelled at it. The following were some of the deficiencies noted (Tegegne, Tassew and Meheret 2009):

1. The use of actual revenue to assess revenue penalizes well performing regions;
2. The revenue assessment has identified six income sources, all of which except land use fee are taxable income and hence do not assess non-tax income properly and show deficiency in estimating revenue raising capacity;
3. Unit cost differentials and disabilities were not adequately considered in the expenditure need assessment.

4. In 2009, the Federal government came up with a new formula that uses the potential revenue raising capacity and expenditure need assessment. The representative revenue raising capacity and representative expenditure need were used as the best way to approximate potential revenue and expenditure needs. The fiscal gap of each region is determined on the basis of the difference between the expenditure need and the potential revenue raising capacity. The equalization transfer is then determined by computing the regional fiscal gap as a share of the total gap among all regions. The representative system worked up to 2012 and a new formula which relied on the same principles was designed to serve 2013-2017.

The usual practice in the allocation of resources from federal to regional government is that there is a 100 percent offsetting of expected donor funding from grant allocation but there is no offsetting of each region's own revenue collection from the region's block grant allocation. The regional budget is then composed of own revenue and block grant transfers.

Trends in the amount of Federal-Region transfers

The Federal government has been giving subsidy to regions since 1993. The Federal government first determines the envelope for regional subsidy which is set annually by proclamation. The envelope grew from 2.9 billion Birr in 1996/97 to 35.5 billion in 2012 showing a 12 fold increase (MoFED, undated and unpublished data). Such an increase is an indication that regions are receiving more and more finance to support their expenditure requirements.

Once the envelope is determined the formula described above is used to determine the shares of each region. Table 8 shows the regional shares of the transfer for 1997/98, 2006/07, 2008/09 and 2012/13 together with the regional population share. The 1997/98 is a period when the three parameter formula was used. The 2006/07 is a period when the fiscal equalization formula was applied and the 2008/09 marks a period when the principle of fiscal gap was applied. During 2008/09, the emerging regions received some additional resource in order to compensate their historical marginalization and their lack of implementation capacity. This was achieved through political negotiation in which a decision to deduct one percent of the envelope was made in order to distribute it among the emerging regions. Such practice is not seen in the 2012/13 allocation. The correlation coefficient between the transfer shares in 2012/13 and the population share is 0.99. This indicates that population share could be a significant predictor of the regional shares of the transfers. The reason for such a very high correlation between the two is because on the expenditure side, the number of service users are mostly used as a base to estimate the expenditure needs and on the revenue side, the number of farmers is used to estimate the revenue potential for agricultural and land use fees.

The trends in the shares indicate that the shares of the emerging regions were high in the three parameter approach period and declined thereafter. The reason is that the emerging regions used to benefit from the level of development indicator that had higher values for them. The shares of Oromiya, Amhara and SNNP show an increasing trend while the share for Tigray has shown a slight decrease. Dire Dawa and Harari on the other hand have maintained a constant share.

Table 8. Regional shares of the transfer for selected years

	1997/98*	2006/07*	2008/09**	2012/13***	Population share(2012/13)***
Tigray	7.8	7.16	7.04	7.18	6.07
Afar	6.9	3.81	3.34	3.15	1.97
Amhara	22.20	23.17	23.33	23.17	23.63
Oromia	25.30	32.27	32.53	32.5	38.51
Somali	8.60	6.73	8.43	8.14	6.24
B.G	4.90	2.62	1.96	2.10	0.96
SNNP	17.00	19.51	19.90	20.10	21.43
Gambela	3.90	1.92	1.57	1.5	0.46
Harari	2.40	1.24	0.89	1.00	0.26
Dire Dawa	1.00	1.56	1.01	1.16	0.48
Total	100	100	100	100	100

SOURCE. :*Dom, Lister and Antoninis, (2010),p.79;
** FDRE, House of Federation (2010), p.55
***FDRE, House of Federation (2012), p.172

The actual allocation of the transfer to different regions for selected years is shown in Table 9. The table shows a wide variation among regions on per capita basis. The highest recipients in 2012/13 are Harari, Dire Dawa, Gambella, Benishangul, Afar, and Somale. In terms of disparity, the variation is higher for absolute amount than for the per capita as indicated in the values of the coefficient of variation. The overall trend for the absolute value is an increase and then a decrease while on per capita basis, regional disparity has decreased and then increased.

Table 9. Trends in absolute and per capita transfer

Regional States	Absolute amount (million birr)				Per capita (birr)			
	2000/01	2004/05	2008/09	2012/13	2000/01	2004/05	2008/09	2012/13
Tigray	297.3	407.9	1109.0	2474.4	80.48	96.59	237.77	488.83
Afar	205.5	204.2	499.5	1131.2	168.99	150.25	334.29	685.61
Amhara	769.5	1224.2	4138.5	8212.5	47.22	65.72	227.79	427.46
Oromiya	1047.6	1780.7	5571.2	11575.4	46.86	68.97	187.34	359.26
Somale	295.1	351.2	1153.0	2908.6	79.79	83.26	244.61	546.93
Benishangul	148.0	152.8	268.3	746.1	275.60	250.49	364.83	725.85
SNNP	577.1	1102.6	3301.2	7187.9	46.11	76.09	206.34	401.85
Gambella	121.8	108.5	177.0	541.4	577.25	452.08	494.27	1176.95
Harari	51.8	77.2	135.4	361.0	323.75	406.31	680.74	1679.07
Addis Ababa	0.0	0.0	0.0	0.0	0.0	0	0	0
Dire Dawa	33.9	88.0	201.6	417.2	106.60	2239.16	545.45	1056.20
Total	3547.7	5497.3	16554.8	35555.8	55.87	75.26	208.35	410.51
CV	0.95	1.08	1.18	1.12	1.07	0.76	0.48	0.56

MoFED, unpublished data

Trends in region – sub-region transfer

Block grant transfers to *woredas* and sub-cities began in 2002 with *woreda* decentralization. The aim was to transfer a general purpose grant in a transparent way. The practice was first adopted in Amhara, Tigray, SNNP and Oromiya, but was later taken up by other regions as well.

The Regional Constitutions, similar to the Federal Constitution, imply the need for the transfer from regions to sub-regions in their various articles. Similarly, about two years after *woreda* decentralization, many regions recognized urban administration with *woreda* status and they also became recipients of block grant transfers. In many cases, urban administrations receive block grants to run their state functions while they use local revenue to finance their municipal functions. Urban centers with no urban administrations status, however, do not receive block grants since they do not run state functions.

Similar to the Federal-region transfer, the region-sub region (*woreda*s/sub cities) transfer has seen an evolution in the formula adopted. At the start of *woreda* decentralization, almost all regions used the three parameter approach similar to the Federal government. Gradually, however, regions adopted different approaches in disbursing resources. All regions use the basic needs approach. In addition to this, SNNP uses revenue raising capacity, while Gambella uses per capita approach.

Table 10 shows the trends in regional subsidy for the nine regions for 2009/10 and for 2010/11. *Woredas* or sub-regions in the nine regions received on average 52 percent in 2009/10, and 51 percent in 2010/11. This indicates that regions transfer half of their budgets to sub-regions indicating the importance of *Woreda* governments in delivering services. In the case of transfers from region to *woreda*s, however, the own revenue is 100 percent off-setted while expenditure from donor specific project funding is off-setted in some regions while not in others (Garcia and Rajkumar 2008)

Table 10. *Region - Woreda transfers*

			2009/10			2010/11
Region	Federal block grant	*Woreda* block grant	Ratio	Federal block grant	*Woreda* block grant	Ratio
Tigray	1326.1	839.5	63.3	1656.6	969.3	58.5
Amhara	4520.3	2714.3	60.0	5501.0	2781.7	50.6
Oromia	6406.5	3619.4	56.5	7641.6	4416.7	57.8
SNNPR	3929.6	2529.4	64.4	45684.6	3050.5	65.1
Afar	639.9	275.5	43.1	792.5	420.0	53.0
Somali	1665.8	636.4	38.2	1991.6	912.7	45.8

Benishangul-Gumuz	377.1	188.9	50.1	462.9	206.6	44.6
Gambella	341.2	133.0	42.3	374.0	125.9	33.6
Average			52.23			51.12

SOURCE. Demmelash, Furtado and Samuel 2011

Within City administrations however, sub-cities and *kebeles* receive less amount of transfers. In Addis Ababa, the transfers to sub-cities averaged 17% between the years 2011/12 and 2013/14. Similarly in Diredawa the transfers to *kebele*s between 1998-2002 averaged 15% of the total budget (Maeruf, 2013). This indicates that at the city administration level, *kebeles* or sub-cities have less fiscal capacity.

Local capacity

Regional and local development requires the building of capacities in local communities in order to maintain and strengthen development processes and help them own such processes (Totemeyer 2000). At the same time, decentralization entails not only the devolution of power and authority to the local level but also the strengthening of local institution's capacity to accommodate such devolution (Totemeyer 2000). As a result, the capacity of local government in management, planning, administration and service delivery is an essential part of the governance structure at local/regional level. One of the consequences of decentralization is therefore to strengthen the capacity of sub-national governments in formulating and implementing strategies, laws and regulations.

In Ethiopia, various studies have shown that there is a clear capacity gap of local governments in running and managing different responsibilities under the decentralized system (Meheret 2007, World Bank 2001). *Woredas* in particular face shortages of manpower and as a result suffer from poor administrative, oversight and planning functions (Diskovick and Tegegne, 2010)

Efforts to build capacity

The Government has taken steps to overcome capacity constraints by implementing different programs. The earliest attempt was the establishment of the Ethiopian Civil Service College (ECSC)[3] which was mandated to provide short term training and education for civil servants mainly from the regional governments. The College has provided training for many civil servants at different levels. The Ethiopian Management Institute and the regional

[3] The Civil Service College has now changed into Civil Service University

Management Institutes established for purposes of providing short term training have also played roles in this regard.

The Government launched a National Capacity Building Program (NCBP) in 2001 targeting 14 sectors with their own reform programs[4]. The programs were designed to address different stakeholders: public sector, private sectors and civil society. In the course of time, the Government introduced various governance and public sector reform projects. The list of these projects is indicated below (World Bank 2013):

- The Public Sector Capacity Building Program (PSCAP, FY 2004-FY 2012). The PSCAP covers six large sub programs namely district level decentralization program (DLDP), Urban Management Program (UMP), Civil Service reform program (CSRP), Information and communication technology (ICT), Justice System Reform Program (JSRP), including court reform and parliamentary support; Tax System & Customs Reform Program (TSRP).
- Protection of Basic Services (PBS, FY 2006-FY 2012), which focuses on protecting basic services, transparency, and accountability. It contains four sub programs: support to delivery of basic services, health MDG support facility, transparency and accountability, and monitoring and evaluation (M&E). It also includes Local Investment Grant (LIG), a specific purpose grant for capital investments in rural areas.
- Capacity Building for Decentralized Service Delivery (CBDSD, 2002-2008) that deepened decentralization in urban local Governments.
- Urban Local government Development program (ULGDP, starting FY 2009), which supports improved performance in the planning, delivery, and sustained provision of priority municipal services and infrastructure.
- Democratic Institution Program (DIP) in five institutions namely Institute of Ombudsman, Ethiopian Human Rights Commission, Anti-corruption and Ethics Commission, House of Peoples Representatives, and House of Federation.

PSCAP is the largest public sector capacity building program. Within PSCAP, DLDP and UMP were specifically aimed at local governments. This is because of the assumption that democratically elected local governments, when they exist, often serve as the fulcrum for decentralized governance and therefore, top

[4] The 14 targeted sectors and their reforms were civil service reform, tax reform, justice reform, district decentralization, information and communication technology, private sector, construction sector, urban management, cooperatives, textile and garments, agricultural training of vocational and technical levels, industrial training of vocational and technical levels, civil society, and higher education

priority should be given to developing their capacities. All Public Sector Capacity Building Programs have been implemented since 2005 with a completion period of the end of 2012 (Tegegne and Worku 2012). It is therefore worth looking at the progress and gaps in local capacity building. The following assesses the progress to date in some aspects such as human resource capacity and local planning capacity by refereeing to the achievements of DLDP and UMP.

Human capacity

Human capacity has different dimensions. The first is related to the availability of required number of staff in a particular situation. According to the civil service agency statistics, the civil service in Ethiopia has shown an increase in the number of employees. Between the fiscal years 2004 and 2010, the average annual growth rate of regional employment was 14.8% as opposed to 6% for the Federal government[5] (table 11). The increase in the number of full time staff at the local level varies from region to region. The *Woreda* and city bench mark study (WCBS) showed that for rural *woreda*s, increase in staff employment is noted for SNNP, Oromiya and Afar while decrease is noted for Gambella, Tigray and Amhara. At city government level, Tigray, SNNP and Oromiya showed an increase while Amhara and Addis Ababa showed a decline. While the increase in the public sector employment at regional level points at some degree of increased capacity in addressing the service needs of the public, it is commented that the increase in civil service employment at sub-national level is highly influenced by external financing (World Bank 2013). For instance, the Protection of Basic Services (PBS) support program has been used at *woreda* level for recruitment of manpower though the government has to find ways of continuing financing the recruitment of manpower when PBS comes to an end (World Bank, 2013).

Table 11. Civil service employment growth rate in the public sector in federal and regional governments

	Federal Government		Regional Government		Total	
	Number	Growth rate	Number	Growth rate	Number	Growth rate
2004	49,419		354,668		404,087	
2005	51,764	4.75%	378,533	6.73%	430,297	6.49%
2006	60,038	15.98%	438,767	15.91%	498,805	15.92%
2007	60,911	1.45%	489,398	11.54%	550,309	10.33%

[5] The overall average growth rate was 13.8 percent

2008	60,758	-0.25%	571,721	16.82%	632,479	14.93%
2009	63,027	3.73%	731,398	27.93%	794,425	25.60%
2010	69,662	10.53%	801,738	9.62%	871,400	9.69%
Average		6.0%		14.8 %		

SOURCE: Ministry of Civil Service, Human Resource Statistics, Addis Ababa 2010

Despite the increase in civil service employment at sub-national level, the increasing trend in vacancies, however, are noted as a significant problem. In the Ministry of Capacity Building's *woreda* and city benchmark study, the average number of vacancies in the study *woreda*s between 2010 and 2012 increased in Tigray, Amhara, Oromiya, SNNP and Afar, while it showed a decline only in Benishangul Gumuz. Among city governments, an increase in the number of vacancies is noted in Tigray, SNNP, Gambella, Amhara and Addis Ababa and showed a decline only in Oromiya (Table 12).

The results of the *woreda* and city benchmark study therefore amplifies Mehret's (2007) finding which reported that *woreda* administrators and councillors repeatedly suggested that there are many vacant positions that remain unfilled in their respective *woreda*s. Similarly, a study made in Gindebert and Abune Gindebert *woreda*s in 2012, revealed that 46 percent and 47 percent of the positions respectively remained vacant (Tilaye, 2012). This has serious implications for local service delivery and local economic development. The main reasons for such high vacant positions are the high turnover most *woreda*s suffer from and the lack of budget to hire new employees. The other reason is the recruitment problem since *woreda*s and city governments find it difficult to recruit different groups of professionals. This was revealed in the *woreda* and city benchmark study in which among the sample city governments, 39 percent of them found it hard to hire health professionals; 35 percent could not hire education graduates; 33 percent had difficulty in recruiting engineers; and 22 percent had problems getting the services of information technology specialists (MoCB 2012). According to the study, low payment, low attractiveness of the location and low qualifications were the primary reasons for staff recruitment problems (MoCB, 2012).

Table 12. Average staff and vacancies of woredas and city governments

				Woreda				City Governments
		2010 WCBS,III)		2012 (WCBS IV)		2010 (WCBS III)		2012 (WCBS IV)
	Average number of staff in sample *woreda*s	Average number of vacancies in sample *woreda*s	Average number of staff in sample *woreda*s	Average number of vacancies in sample *woreda*s	Average number of staff in sample city Govern ments	Average number of staff in sample city Gover ments	Average number of staff in sample city Govern Ments	Average number of staff in sample city Gover ments
Tigray	1334	326	1134	642	740	35	778	637
Somali	280	175						
SNNPR	614	202	804	219	449	111	832	512
Oromiya	934	284	958	403	580	130	1049	127
Gambella	875	302	610	242	789		761	57
Benishangul Gumuz	595		349	140				
Amhara	932	295	885	487	942	54	591	115
Afar	540	99	737	279				
Harari					350	61	2946	
AA					3037	927	2790	2087

SOURCE. MoCB 2012 WCBS, IV, Supply side, p 61-62

The other aspects of capacity is related to administrative and implementation capacities of *woreda* administrators, experts and professionals. An earlier assessment of implementation capacity indicated the presence of limited professional and technical skills in almost all departments at *woreda* level (World Bank, 2001).

The training component of the DLDP is meant to improve the implementation capacities of rural *woreda*s while that of the UMP focuses on improving the skill level of urban actors. Short and long term trainings were given heavy emphasis to overcome capacity deficiency in both programs. Under the DLDP program, short term trainings were provided through the Federal and regional management institutes and Training of Trainers (TOTs) program. Trainees included experts, the leadership, teachers, communities and civil societies. The focus of training for communities and civil societies has been mostly on different government packages such as good governance package, youth development package and women development packages and these were provided in bulk. In terms of experts, the DLDP program has provided training for 860 TOTs and those in leadership in the Ethiopian Management Institute on issues that strengthen basic skills such as auditing, planning, monitoring and evaluation, government finance and change management. A total of 5688 trainees have been supported at regional and local level. This has helped improve operational practices such as auditing and reporting (Tegegne and Worku 2012a). In terms of long term training, a total of 9,847 individuals were trained in five regions under DLDP (Afar 165, Amhara 212, Oromiya 9333, Benishangul Gumz 12 , and SNNP 125). These trainings were at diploma, first and second degree levels (Tegegne and Worku 2012a).

The human resource component of the Urban Management Program (UMP) also had long and short term training programs. The long term training component was conducted at Federal level by the Civil Service University particularly in the chosen field of urban management. The aim is to train individuals who will be able to manage and lead cities at local level. Accordingly, a total of 2621 professionals have been trained on urban management at a post graduate level, though the initial program was to train 1000 between the years 2008-12 (Tegegne and Worku 2012b). Of these, 2102 trainees (80.2 percent) were from regions and 268 (12.8 percent) were women. The training was delivered in five rounds between 2008 and 2012 at the Civil Service College.

Short term trainings were also provided both at Federal and regional levels for urban actors. The federal level short term trainings focused on councillors, civil servants, mayors, managers and contractors. Specifically, it was reported that (Tegegne and Worku 2012b)

- Councillors were trained on the 12 competencies;
- Civil servants were given on-the-job training in different areas such as micro and small enterprises;
- About 1000 mayors, managers and experts were trained in planning and sanitation in two batches with each batch containing about 500 trainees in 2010/11 and 2011/12;
- Experts were given on-the-job training on land registry and related issues; and
- Skill based training has been delivered to 900 local private contractors with the purpose of building the capacity of the construction sector.

An impact analysis study on trainings for the first phase of PSCAP (2005-09) found that 92 percent of the trainees, most of the supervisors and agencies believed that the training was useful (David, Habtu and Bewket, 2009). Despite this, 43 percent of the trainees reported that either they did not use the skill or used it occasionally. This suggests that there is a need to plan the implementation of the knowledge gained through training. The study also found that though some agencies were happy with the training programs, most felt that PSCAP courses were supply driven, determined by the central authorities to be conducted on a mass basis, such as the good governance package, change management, and strategic planning (David, Habtu and Bewket 2009).

With regard to training in the urban management field, though the bulk of the trainees have been able to work in cities and urban centres in different capacity, some misallocations and problems of recruitment were raised as concerns (Tegegne and Worku 2012b). Despite the above observation, there is no doubt that in recent years there has been a relative progress in the implementation capacity of local authorities both in rural and urban localities. The issue of capacity at local level, however, remains to be a problematic area due to high turnover and inability of localities to retain trained individuals and hire new ones at a desired level.

Local planning and participation

One of the objectives of the DLDP is the promotion of local planning and participation. *Woreda*s have mandates to conduct local planning. In order to realize this, there were some initiatives by the Federal and regional governments to support *woredas*. For instance the Ministry of Finance and Economic Development has prepared a local government development planning guide on local level planning, budgeting, monitoring and evaluation for the purposes of guiding *woreda* level staff in local level planning process and implementation (Tegegne and Worku 2012a). The guideline is helpful in order to synchronize Federal and regional plans with *woreda* plans and ascertain the participation of communities in decision making processes at all levels and the accountability of elected and appointed officials prescribed in the Constitution. The document indicates the processes of strategic plan preparation and preparation of annual plans by *kebele*s and sub-*kebele*s and project cycles. Other initiatives included public sector project appraisal, expenditure management and control, participation manual and minimum service standards.

*Woreda*s now prepare multiyear plans. They prepare strategic plans and annual plans. The main actors involved in local planning at *woreda* level are the *woreda* council, *woreda* cabinet, *woreda* sector offices, while at *kebele* level the main actors involved in *kebele* planning are the *kebele* council, *kebele* cabinet, *kebele* level sector representatives and the community. The planning process at local level (*woreda* and *kebele* level) is both bottom-up and top-down. At *woreda* level, *woreda* plans are consolidated with inputs from zonal and regional levels, *woreda* sectors and *kebele* levels (See Box 1 for planning exercise in Wolisso *woreda*). At *kebele* level, planning is compiled by *kebele* managers with inputs from sector representatives, but in the light of the *woreda* plan as a framework. The compiled *kebele* plan is then submitted to the *kebele* cabinet which is later forwarded to the *kebele* council for final approval (see Box 2 for *kebele* planning in the Amhara region).

Box 1. Plan preparation in Wolisso woreda

Kebele plans begin by identifying the needs of the people. These needs will be compiled by *kebele* manager, health extension expert, development agent and education representative and they together prepare a *kebele* plan. The plan after being approved by the *kebele* Council will be submitted to *woreda*. The *woreda* Finance and Economic development office receives, zonal plan, *kebele* and *woreda* sector plans and prepares *woreda* plan. This will be discussed by *woreda* cabinet. The plan will then be submitted to *woreda* finance standing committee to improve upon the plan. The Plan will be finally approved by *woreda* Council and upon approval of the Plan, the *woreda* budget will be proclaimed.

Box 2. Kebele level plan preparation in Yenebrena kebele of Gozamin woreda and Debrgubaye kebels of Hulet ejun nessie woreda, Amahra region

In both Yenebrena and Debregubaye *kebele*s, *kebele* managers play a key role in the preparation of *kebele* plans. In Yenebrena *kebele*, plan preparation starts from the *gote* level. Residents in the village (*gote*) discuss and identify what needs to be done or what they can do with their own labor. Such discussion is facilitated by experts at *kebele* level. In addition to this, the four main committees (development, education, health and justice committees) and the council prepare their own plans. The *kebele* planning committee prepares the plan and submits the same to the cabinet and later to the council for approval. In Debregubaye *kebele*, plan preparation involves both top-down and bottom-up process. *Kebele* sectors receive *woreda* plan which serves as a framework for *kebele* plan. The sectors collect information from *gote*s and prepare their own plans by keeping in mind the *woreda* framework. The *kebele* manager will put together the sector plans and produce *kebele* plan. This will be discussed by the cabinet and approved by the *kebele* council. The approved plan will be later discussed by the people and implementation will follow.

expression at *kebele* level. The community in the *kebele*s take part in deliberations during meetings with heads of the field sector offices. The meetings are held for the purpose of soliciting information on priority needs and identification of gaps. There also exists a practice of discussing proposed plans in public meetings prior to finalization. The specifics of the processes and the form and extent of community involvement, vary, however, from region to region and even from site to site within the same region (Tegegne et al 2011). For instance in Gelebabu *kebele*, of Shirka *woreda* of the Oromiya region, residents mentioned that the plan after its preparation will be disclosed to the people in order to convince people and get their commitment for its implementation. In Berketu *kebele*, of Digelunatijo *woreda* of the Oromiya region residents mentioned that they do not participate in *kebele* plan preparation (Tegegne *et al*, 2011). In Debregubye *kebele* of the Amhara region, it was disclosed that the approved plan will be later discussed by the people and implementation will follow (see Box 2 above). In all cases therefore it is very difficult to conclude that planning is participatory. The only indication of people's involvement is in supplying information to the sectors and in discussing the approved plans in preparation for implementation.

Policy implications

Decentralization is not a panacea for regional and local development but there is a need to maximize its positive effects since it has a positive relation with development. The followings emanate from the trends highlighted above and they need to be considered to improve the situation.

The design of fiscal decentralization

Fiscal decentralization, which is the transfer of fiscal authority to lower levels, has two components in the Ethiopian case: the Federal -regional level and regional-sub regional level. With regard to the Federal regional level, the trends reveal that revenue continues to be highly centralized at the Federal level while expenditure is decentralized. This will give rise to the condition of unfunded mandates and also to heavy dependence of regions on fiscal transfers from the Federal government with implications on regional autonomy. The latter is evident as it is found that trends on fiscal dependency remain high. On the other hand, the data show that payroll tax which is less yielding is the main source of income for regions and they have little control on profit tax and other revenue sources which are more yielding. It is therefore imperative that regions should be strengthened in their revenue raising capacity by designing a system that allows them to tap more of their resources. This however has to be done in a manner that does not reduce the Federal government's power to redistribute resources to address inequality among regions.

Currently *woredas* collect a substantial portion (68 percent) of regional revenues only as delegated units. *Woredas* thus do not have the power to use the resources at their own discretion. The lack of such discretionary power makes *woredas* to continuously rely on regional governments and live in a state of uncertainty. This has to change and *woredas,* as constitutionally recognized administrative units, need their own resources over and above what they receive from the regional governments in the form of subsidy.

The sub-regional transfer formula

Owing to the lack of revenue raising authority by *woredas*, regions use only *woreda*s' expenditure need to allocate resources. This hints at the deficiency of region - sub region transfer formula since it does not address both fiscal capacity and expenditure needs which are necessary for attaining full equalization. It is therefore imperatives that regions should design ways of attaining full equalization.

Revenue raising capacity of regions

Beyond the design of fiscal decentralization, regions have shown disparity in their revenue raising capacities. Some regions such as Tigray and Somale have performed well while other regions have lagged behind in this regard. There is a need to investigate the lag in some regions and address the causes.

Regional spending mix

The foregoing discussion on regional spending shows that the regional share of recurrent spending is increasing but not the capital spending. This constraints infrastructural expansion and undermines the equalizing effects of the Inter-Governmental Fiscal Transfer (IGFT) since equalization in development comes largely from the gap filling part of the IGFT. On the other hand, the fact that capital spending is dominated by the Federal government hints at the dominating role the Federal government enjoys in deciding and influencing the patterns of development in the country. It is therefore imperative that regions should be enabled to increase their capital spending by drawing resources for capital expenditure use.

A need to improve administrative capacity

The study has shown that there are a number of initiatives to strengthen the manpower needs of regions and *woredas*. These include redeployment and training. Despite this however, *woreda*s are still deficient in their capacity and suffer from lots of vacancies and problems of recruitment. There has to be a mechanism to reduce the turnover and retain the employed. This might include designing appropriate carrier structure and developing incentive systems.

Local planning needs to improve

Local planning is critical in guiding the local development process. Local planning is being exercised in the country as *woreda*s now prepare annual and multiyear plans. The plan preparation process however is not participatory and local people are made to provide information and participate in implementation. Decision making in local planning however needs to be participatory if real change is to be brought about. Planning organs also need to have adequate information on budgets to make their plans.

Conclusion

The decentralization process in Ethiopia has been characterized as a big push by some authors (Dickovick and Tegegne 2010). Such decentralization is expected to have pervasive impacts on different issues such as service delivery, poverty reduction and political autonomy. One influence of decentralization is on local development process since decentralization influences local resource availability, local capacity and local planning. As decentralization takes time to influence local process, it is appropriate to examine trends. Trends depicted in this study show that regional revenues have increased though the Federal government still collects the lion's share. In this regard, some regions have better performance than others. *Woredas* are also becoming significant actors in the regional revenue collection effort since the bulk of regional revenues are collected by them. The trends in regional expenditures have shown that regions are now having more and more recurrent spending though this is not true of capital spending. An interaction between revenue and expenditure at regional level showed that there is an increasing gap between per capita revenue and expenditure, necessitating fiscal transfer from the Federal government. The Federal government has discharged this responsibility by transferring resources to regions which has grown at a magnitude that registered a 12-fold increase between the years 1996/97 and 2012. The Federal government has also experimented with different types of formulae in a bid to bring about fairness in resource allocation. Since *woreda* decentralization, region to sub-region transfer has also become part of the intergovernmental fiscal transfer in the country. Regions also experiment on different formulae to transfer resources to *woredas.*

With regard to local capacity, the study revealed that there have been efforts to overcome the problems with some positive impacts. A lot, however, remains to be done in order to reduce the problems of turnover and vacant positions particularly at *woreda* level. In terms of local planning, localities are now preparing annual and multi year plans but in a less participatory manner. The initiatives by the Federal and regional governments have to continue to ensure participation in planning.

On the basis of the above discussion, it can be concluded that key issues in decentralization, namely resource availability and local capacity, show similar trends and patterns in time, though their levels have increased. In terms of policy, though regions are gaining strength in the areas of fiscal decentralization and *woredas* are becoming important players, there is a need for continuous reform in order to enable regions and *woredas* fully benefit from the fiscal arrangements. Secondly, despite the central government's initiative to improve local capacity, regions and localities need to engage in own capacity building efforts as well. Regions and localities also need to design incentive mechanisms to reduce vacancies and turnovers. In addition, the involvement of local actors in local planning needs to be given attention and bring such practice to acceptable levels.

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6 *Solomon Negussie*

Inter-governmental Transfers and the Problem of Imbalances in Regional Development: The Need for a Human Rights Approach

Introduction

Inter-governmental fiscal relations in Ethiopia started as a result of the change in government in 1992 which later on was affirmed through the Federal arrangement established under the 1995 constitution. Inter-governmental fiscal relation is intertwined with the fact that expenditure responsibilities are decentralized as opposed to taxing responsibilities. As a result, fiscal transfers are used to mitigate the challenges emanating from financial imbalances, thereby the assumption is that each level of government fulfills the obligation to respect, protect and fulfill socio-economic and political rights. Accordingly, human rights become a central element of government expenditure. In Ethiopia, the major fiscal transfer mechanisms involve the transfer of Federal grants to states and from states to their local governments (Tegegn and Kassahun 2007; Solomon 2008). Like many other federations, it is the general-purpose grant (with few specific-purpose grant) which is used as an optimal transfer mechanism primarily based on equity and efficiency considerations. But such considerations may not adequately give attention to the political considerations of public participation, accountability to local people and to individual rights and liberties. In the absence of proper legal and institutional mechanisms, even the fulfillment of economic objectives could be frustrated. Further, as Liu and Webb (2011) observed, the economic rationales may not be fulfilled due to tax collection inefficiency, a sense of 'free-ridership' or fiscal profligacy leading to regional development imbalances. This kind of behavior by some regional governments can be a liability to others. Thus, there should be a mechanism to ensure that inter-governmental transfers are utilized to change the realty on the ground by improving the level of development in the region or locality. As indicated below, human rights instruments provide safeguards to use the available resources wisely and responsibly. This study aims to broaden the conceptual analysis of fiscal transfer in Ethiopia to include human rights perspectives and create a strategic interaction between them. To do so, first, it analyzes the nature and objectives of inter-governmental fiscal relations *vis a vis* the principles of a Human Rights Approach (HRA)[1]. Second, it argues for the merits of benchmarking the human rights-based approach for a better implementation of inter-governmental transfers in the effort to address regional imbalances.

Organization of the study

Many studies (such as Tegegn and Kassahun 2007; Solomon 2008; Abu 2013)[2] on inter-governmental fiscal relations in Ethiopia have focused on the economic, administrative and politico-legal implications of federal–state relations. Especially, the analysis has focused on whether meaningful fiscal and political powers devolved to sub-national levels within the federal arrangement, and the challenges of economic disparity among the regions. However, human rights aspects remain insufficiently addressed. Particularly, there is a lack of use of the human rights approach in order to make each level of government accountable to the people and to ensure public participation in governance in general, and in the proper utilization of fiscal transfers in particular. This is because, as it will be analyzed in detail below, human rights are a valuable tool for evaluating the realization of economic, social and cultural rights in an interrelated manner with political rights. This study therefore makes a legal and theoretical analysis of the principles of a human rights approach for the proper utilization of fiscal transfers (that are aimed at addressing regional imbalances) in Ethiopia. The study design includes the use of secondary sources such as tax records and expenditure analysis for a brief investigation of the nature of inter-governmental fiscal relations in Ethiopia. In addition, Federal and regional constitutions and other laws, policy documents and related publications have been used.

This study is organized as follows. The next section provides an introductory overview of the main features of inter-governmental fiscal relations in Ethiopia. The section that follows provides a theoretical analysis of benchmarking and the human rights approach. Its first sub-section discusses the nature and purpose of benchmarking in a federal system and demonstrates how it can build partnership between the Federal and regional governments for better utilization of transfers. The second sub-section describes the principles of human rights approach and how they link governance, human rights and development. The next two sections deal with the basic principles of a human rights approach

[1] In this study, a human rights approach (HRA) is used similar to a human rights-based approach (HRBA) which encompasses the full spectrum of human rights concerning both the process as well as the outcome of development.

[2] Tegeng and Kassahun (2007) provides a detailed list of available sources until 2006, and Masters thesis are also available in the graduate studies library of the Addis Ababa University

and how such an approach is relevant to Ethiopia and its Federal arrangement. A conclusion is given in the last section.

Main features of inter-governmental fiscal relations in Ethiopia

Expenditure and revenue assignments

The assignment of powers and functions to sub-national levels of government (decentralized fiscal arrangements) has generated little interest in scholarly studies[3] in the 1990s although the process began immediately after the demise of the Derg regime in 1991. The process of according autonomy (through fiscal powers) began through the promulgation of the Transitional Charter in 1991, which affirms the political commitment to the rights of 'nations, nationalities and peoples' and the establishment of the administrative division of the country into 14 units. In addition, Proclamation No. 7/1992 defined the powers and functions of the central and regional governments as well as those of Zones, *weredas* and *kebelles*. In 1995, the Federal Constitution came into force defining the powers and functions of the Federal government and the states (Art 51 and Art 52 respectively). A multi-tiered federal system which seeks to achieve the objectives of decentralization has to properly determine which level of government has what type of expenditure responsibility, and whether local governments have the power to tax and spend, and, at the same time, how they become accountable to the citizens.

With regard to expenditure assignments, the Federal Constitution follows a dual structure where each government has legislative and executive powers on matters that fall under their respective jurisdictions (Art 50/2). Accordingly, the Federal government assumes responsibility over the major functions listed under Art 51 such as defence, national security, foreign affairs and international trade, financial and monetary policies. States hold all residual powers in addition to those explicitly listed in the Constitution, such as the responsibility for executing economic and social development policies, strategies and plans of the region, and establishing and administering a regional police force and maintaining public order (Art 52/1).[4] And both the Federal government and the States have to cover the costs of their respective financial expenditures but if the Federal government allocates grants to the States, it has the power to audit and inspect their proper utilisation (Art 94/1&2). The Constitution also provides that

[3] After decentralization began in 1991, the major scholarly study on fiscal decentralization in Ethiopia was Eshetu (1994)

[4] However, it should be noted that the extent of power assigned to both levels of government is not always clear

adequate power shall be granted to the lowest administrative units to enable the people to directly participate in their own affairs.[5] With regard to taxation power, the Constitution divides it into three categories, namely ‘the federal power of taxation’ (Art 96), ‘the state power of taxation’ (Art 97) and ‘concurrent power of taxation’ (Art98). Those listed under Federal and State powers are the exclusive revenue sources for the Federal and regional governments respectively. The concurrent taxes are levied and administered by the Federal government whereas the states share the revenue on the basis of a formula designed by the House of Federation (HoF 2003).[6]

Imbalances

Scholars acknowledge that almost all multi-level governments face two kinds of fiscal imbalances: vertical and horizontal imbalances (see Shah 2007; Watts 2002; Ahmad and Craig 1997). The Federal Constitution provides for the allocation of grant subsidy (Art 94/2), as well as the sharing of joint tax sources (Art 62/7) as measures to correct both the vertical and horizontal imbalances. In Ethiopia, the extent of vertical fiscal imbalance is considerably high. As shown in Table 1 below, states were able to generate around 19 percent of their total expenditure while the rest was covered through Federal transfers. Though there are slight variations between fiscal years, the vertical imbalance in Ethiopia still remains high. Such kind of imbalance occurs for the reason that the major sources of revenue are reserved to the Federal government, while the states assume the bulk of expenditure responsibilities such as health, education and social services. The states also have limited administrative and technical capacity to levy taxes and collect revenue (Solomon 2008: 172).

Furthermore, all the regions have fiscal deficits and they also have widely divergent revenue-raising capacities. As can be seen from Table 1, the fiscal disparity between the states is high, ranging from 9 percent of total expenditure to over 29 percent. This disparity can be attributed primarily to the fact that

[5] The amendment of state Constitutions in 2002 devolved power to lower levels of administration, introduced check & balance between the legislature and the executive, reduced the power of Zones, and district level (wereda) grant transfer was introduced.

[6] According to Art 62(7) of the Constitution, the Mandate to determine the revenue sharing arrangement and design grant formula is bestowed upon the HoF. The current arrangement, as per the 2nd ordinary meeting of the HoF, March 13, 2003, is set to divide revenue generated from concurrent taxes as per the following scheme: direct taxes from companies in the proportion of 50:50 and indirect taxes in the proportion of 70:30 between the federal and the states respectively. Similarly, direct taxes from large-scale mining and petroleum operations are divided in proportion of 50:50, whereas royalties are divided in proportion to 60:40. As per the 2010 report from ERCA, revenue sources are unevenly distributed among the regions. In general, the arrangement will have to be scrutinized on how it is implemented and whether it is feasible in future.

regional governments vary considerably in their resource endowments, as well as in population and territorial size. They also have differences with regard to management and administrative capacities as a result of relative variations in infrastructure, skilled manpower and the characteristics of urbanization, as well as their economic environment for private as well as public investment (Ibid). This asymmetry causes problems in measuring the imbalances between the regional governments. Also the impact of corruption, absence of supervision, control and local accountability, lack of commitment and dependency on grants cannot be underestimated (Abu 2013: 26-27).

Table 1. Revenue and Expenditures of Regional Governments—2006/7-2010/11

Regions			(2006/7)			(2007/08)			(2008/9)			(2009/10)			(2010/11)
	Rev (in Millions)	Exp. (in millions)	%age Rev/exp	Rev. (in Millions	Exp (in Millions	%age	Rev. (in millions	Exp. (in Mi	%	Rev.	Exp.	%	Rev.	Exp.	%
Tigray	255.76	874.3	29.3	347.78	1245.14	27.9	605.06	1577.5	38.4	812.4	1961.49	41.4	1066.11	2680.26	39.8
Afar	38.09	247.41	15.4	42.58	391.42	10.9	68.64	563.1	12.2	74.56	792.42	9.4	152.91	1683.29	9.08
Amhara	402.91	2129.18	18.93	535.09	3782.77	14.15	950.11	4615.07	20.6	1026.96	5516.56	18.6	1618.14	6929.20	23.36
Oromia	808	3811.11	21.2	861.36	5778.18	14.9	1420.49	7188.48	19.76	1775.20	7938.75	22.4	2781.64	10518.39	26.44
Somali	60.87	660.8	9.21	83.98	1026.28	8.18	100.64	1046.03	9.6	208.41	1584.97	13.2	283.58	2350.71	12.06
B.Gumuz	27.29	286.44	9.53	43.61	321.16	13.6	50.68	335.13	15.12	72.42	416.38	17.4	115.08	601.22	19.14
SNNPR	340.10	2115.86	16.07	468.81	2679.99	17.5	670.58	3192.52	21	944.88	4584.58	20.6	1430.69	6032.33	23.7
Gambela	17.84	189.3	9.42	22.74	233.50	9.74	33.71	247.67	13.6	45.70	346..45	13.2	71.75	481.09	14.9
Harari	25.82	96.49	26.76	32.65	140.02	23.3	38.41	159.8	24.03	43.62	214.53	20.3	60.63	238.3	25.4
D.Dawa	58.6	175.09	33.47	72.68	270.25	26.9	102.24	283.65	36.04	140.21	293.38	47.8	154.68	372.95	4.47
1:Total	2035.32			2511.28			4047.70			5144.36			7735.21		
2:Total		10586			15868.72			19208.90			23649.5			31887.9	
3:Total %			19.22			15.82			21.07			21.75			24.3

SOURCE: computed from data MFEDb, December 2012

1: Total Regions Revenue (excluding Addis Ababa)

2: Total Regions Expenditure (excluding expenditure financed by foreign loan and assistance)

3: Percentage of Regions revenue to expenditure

Inter-governmental transfers

To overcome imbalances, federal constitutions mandate the transfer of revenue in the form of sharing tax bases, sharing tax revenues and allocation of grants (Shah 2007:21, 25). However, the processes, extent and nature of transfers to reach the desired level of equalization vary widely across federations. Inter-governmental transfers in Ethiopia[7] are the primary source of sub-national levels and comprise both revenue sharing and grant instruments. Revenue sharing refers to the sharing of revenue generated mostly through the federal administration of taxes, but shared with the states based on a certain principle: either the *derivation/origin principle* or the *redistribution/equity* principle (Ter-Minassian 1997: 11-12).[8]

Federal unconditional grants distributed on a formula basis represent about one-third of the Federal budget and cover 80 to 85 percent of regional expenditures (See Tables 2 and 3 below). Since 1995, the HoF decided on grant formulas in 2000, 2003, 2007, 2009 and 2012 with several revisions on the formulas in between those years. In developing grant formulas, the HoF (2012) declares that it strives to equitably distribute financial resources so that regional governments will be able to provide citizens equal access to publicly funded social services. However, it is not only the details in the formula that addresses regional disparity, but also the proper spending of grants for the fulfillment of socio-economic needs. Besides the provision of grant subsidies, other policy measures such as promoting balanced growth of regional economies, changing tax bases, controlling disincentive effects of grants, ensuring fiscal discipline, creating the link between budget and human rights perspectives are all essential.

The need for conditional grants in Ethiopia has also become clear. Since 2006 the Federal government along with its development partners have implemented the project known as 'Protection of Basic Services', using direct budget support to *weredas* to spend only in selected areas such as education, health, agriculture, water supply and rural roads (Dereje 2011; World Bank 2011). Although it is mainly provided in the form of block grants to *weredas* to depen transparency and accountability in service delivery, it also paved the way for 'the implementation of multi-sector Specific Purpose Grant for capital

[7] For details, see Solomon 2008

[8] For its application in Ethiopia, see note 6 above.

investment' (World Bank 2011: vi). Later on, the federal government exclusively assigned grants to meet the Millennium Development Goals (MDGs). For instance, in the 2011/12 fiscal year (see Table2), of the total Federal budget, 39.38 percent was allocated to the regions in the form of general and MDGs grants. Of which, 12.73 percent was allocated in the form of MDGs grant and the remaining 26.65 percent was allocated in the form of block grant. Similarly, for the 2012/13 fiscal year, 41.03 percent of the Federal budget was allocated to regions in the form of block and MDGs grants, of which 14.51 percent was aimed at meeting the aims of the MDGs. According to the budget laws, MDGs grants can be provided to regions only for capital expenditures after an agreement is signed between the federal and regional governments and the federal government reserves the power to supervise and control the spending. So, a new trend has been observed, shifting from a vague inclusion of specific grants, such as safety net programs, to specific allocation of funds for MDGs or Urban Local Development Programs. The overall outcome of such grants depends upon how it is spent for the intended purposes and how adequately administered.

Table 2. The percentage share of grant subsidy to the total Federal budget: 2005/6 – 2013/14

Fiscal Year	Total Federal budget (millions)	Grant subsidy to regions		MDGs grants	
		Amount	Percentage to the federal budget	Amount	Percentage to the Federal budget
2005/06	30044.4	7832.81	26.07		
2006/07	35444.7	9879.7	27.87		
2007/08	43947.7	14261.22	32.45		
2008/09	54277.9	17438.3	32.13		
2009/10	64508.4	20932.96	32.45		
2010/11	77228	24000.2	31.33		
2011/12	117810.3	31393.4	26.65	15 billion	12.73
2012/13	137000. 8	36000.5	26.4	20Billion	14.51
2013/14	154903.3	43051.56	27.8	15billion	9.7

SOURCE: The Federal government's budget proclamations for the respective years (1998-2006EC)

Table 3. Percentage share of federal grant to each region –1993-2011/12

Regions	Fiscal Years				
	1993/4	1998/9-2000/01	2001/2	2006/7-2010/11	2011/12 2014/15
Tigray	10.58	7.61	7.68	7.58	7.18
Afar	4.92	6.85	4.72	3.81	3.15
Amhara	20.09	21.80	21.58	23.16	23.17
Oromiya	32.25	27.34	30.14	32.25	32.50
Somali	3.09	9.00	7.33	6.72	8.14
Benishangul-Gumuz	3.29	4.76	3.68	2.62	2.10
SNNPRs	15.85	16.07	17.95	19.13	20.10
Gambella	2.77	3.97	2.80	1.92	1.50
Harari	0.83	1.76	1.49	1.24	1.00
Addis Ababa	6.27	0.01	0.85	0.0	0.00
Dire Dawa	0.06	0.82	1.78	1.56	1.16

SOURCE: MFED 2012b; HoF 2007; HoF 2012

In the theory of fiscal federalism, it is usually argued that horizontal imbalances should be addressed by equalization transfers through the use of general as well as conditional grants (Shah 2007; Ter-Minassian 1997). To achieve the purpose, there must be a desired response from all levels benefiting from the use of the grants. The spending of grants should aim at promoting the socio-economic rights and citizens should also exercise their civil and political rights to ensure that the grants will be spent for the intended purposes. This implies that civil and political rights should be exercised in an integrated manner with socio-economic rights.[9]

Theoretical discussion

Benchmarking in a federal system

Introduction

The concept of benchmarking originated in the private sector and has taken various forms. It can be classified into internal or external, strategic or operational, performance or competence, and it can be explained in a broader or

[9] For further details on the interrelatedness of human rights, see below the section which discusses the principles of HRA

narrower sense (Watson 1994:5-10). In its broader sense, benchmarking is understood as a comparative measurement of performance which is used as an 'assessment tool'. But in its narrower sense it means the use of comparative performance measurement 'as a tool for identifying and adopting more efficient or effective practices' (ibid:5). In this sense it is used as a 'learning tool'. Whether benchmarking is done in its loose or strict sense or in an internal or external form, 'the evident value of performance comparison, identification of best practice and commitment to learning and improvement makes benchmarking an attractive proposition for the public sector as for the private' (ibid:6). However, benchmarking in the public sector is not driven by profit and improving efficiency is not merely targeted to quantitative output but to impact the process as well. Benchmarking as a means to enhance the performance of governance in a federal system has received greater interest in recent years (Fenna and Knüpling 2012). As each federation is unique in many respects, benchmarking can be used to increase the quality of governance within the particular form of government. Federalism is an opportunity to test various policy options to remedy various challenges such as asymmetry between states or local governments in the socio-economic development of their societies (what is called 'laboratory federalism'). With regard to the relationship between federalism and benchmarking, Alan Fenna argues that 'both are about utilizing multiple experiences to identify better ways of doing things; and formalized benchmarking may offer ways to harness the policy learning potential of federalism' (Fenna 2010:11). Benchmarking enables each sphere of government and the citizens to compare the performance of one government against the other within a federation and devise appropriate mechanisms to enhance better performance.

Benchmarking in inter-governmental fiscal relations

One of the challenges related to inter-governmental transfers is the asymmetry between the regional or local governments in terms of discharging expenditure needs, the capacity to raise revenue, and the level of infrastructures and socio-economic services – in general the level of development. The horizontal disparity is attributed to several causes, but the difference in performance below their potential has significant impact. If regions or local governments depend too much on grants, such grants could lead to 'fiscal dependency' and may undermine local accountability. Incidences of dependency normally entail inefficiency leading to development asymmetry among regional or local governments. Such tendencies could over time lead to fiscal conflicts especially in cases where some regional governments feel that they are the major source of national revenue and the others are dependent on their sources. Moreover, as Spahn argues, dependency can aggravate fiscal rivalries between different factions of the population (Spahn 2008:51). A good system of inter-governmental fiscal transfers is crucial for both political stability and economic development of a country. If fiscal conflicts are elicited from inefficiency, benchmarking the fulfillment of socio-economic rights through a rights based approach is relevant. Thus, benchmarking helps in identifying various mechanisms of doing things better. Some of these mechanisms are discussed below.

First, *learning from each other:* As has been explained in the preceding section, benchmarking enables an enterprise or institution to engage in a comparative assessment of performance to draw lessons of 'best practices'. In a federal system, each constituent unit of a federation 'can act like improvement-seeking enterprise, perpetually gauging their performance against fellow governments and incorporating lessons of experience' (Fenna 2010:11). Such an approach is expected to create an opportunity for governments to focus on, for instance, identifying various ways of efficient service delivery. In this regard, the best option would be if governments voluntarily enter into benchmarking through forums of inter-governmental relations (IGR)[10] and set their targets on how to enhance learning outcomes. Particularly, with regard to inter-governmental transfers, learning the actual reason for regional disparities and designing the remedies for narrowing the development gap among the regions could be one the advantages of benchmarking. Further, it can help to identify the problems attributed to institutional inefficiency and lack of resources.

Second, *collaboration for better performance*: As a result of division of power, sub-national governments are primarily accountable to their electorate not to the federal government. Normally, sub-national governments are expected to fulfill the priorities of citizens and remain accountable to them in their jurisdictions. But it may not bring about the intended results due to limited fiscal or administrative capacity. In many federations 'there is a constructive role for the central government in encouraging experimentation, promoting and coordinating comparative performance measurement, and facilitating learning' (Fenna 2010:12). But the most widely accepted approach is developing collaboration through inter-governmental forums which have effective frameworks, instruments for performance monitoring, evaluating the causes and degree of asymmetry, and designing proper legal, institutional and technical instruments. For instance, recently many countries are engaged in benchmarking and implementing 'fiscal responsibility laws' towards ensuring fiscal discipline at all levels (see Lui and Webb 2011).

[10] IGR refers to various forms of interactions between the federal, regional and sub-regional levels of government. One example in Ethiopia is the joint forums of Federal and Regional Revenue Administrative Authorities to enhance their revenue collecting capacity

Human rights approach (HRA): concepts and principles

Introduction

Recently, the works of human rights advocates, academicians, donor communities and international institutions, have featured a commitment to link development with the human rights-based approach (Twomey 2007: 45; Sengupta 2007: 9). This is after the adoption of the UN Declaration on the Right to Development on Dec.4, 1986, and the consensus among member states affirming the right to development as a human right at the 1993 Vienna Second UN World Conference on Human Rights.[11]

The 1986 Declaration on the right to development adopted by the UN General Assembly defines development as 'a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the wellbeing of the entire population and of all individuals, on the basis of their active, free, and meaningful participation and in the fair distribution of benefits resulting there from' (UN 1986: Para2). Development as articulated in the Declaration refers to participation in development and equitable distribution of benefits to all, which according to Sengupta (2007;11), are the two main characteristics of a right-based approach consistent with human rights standards. It is also widely argued that the definition covers all areas of life such as health, environment, housing, education, distribution of resources, enhancement of people's capabilities, and widening of people's choices (Twomey 2007:48). Thus, development appears to be a composite of economic, social, cultural, civil and political human rights, which are embodied in the contents of important international human rights conventions.[12] According to Twomey (ibid:49), the human rights approach 'seeks to ensure that human rights are a central frame of reference in policy-making and political choices by ensuring people have the political, institutional, and material means to demand, exercise, and monitor their human rights, and to participate actively in decisions-making process.' The HRA differs from the traditional definition of development which was understood primarily in terms of economic growth. The human rights approach requires the process of development to be carried out in a manner consistent with human

[11] Various studies on HRBA have been developed by UN Agencies and other scholarly works. See for instance, Marks and Andreasan 2007

[12] Civil and political rights are embodied in the UDHR- Universal Declaration on Human Rights, and political rights in the ICCPR-International Convention on Civil and Political Rights; social and cultural rights are found in the ICESR-International Convention on Economic Social and Cultural Rights; and participation and non-discrimination are included in the CRC-Child Rights Convention; CEDAW-Convention on the Elimination of Discrimination Against Women. Ethiopia is a party to these conventions.

rights standards. By definition, therefore, the human rights approach gives emphasis to the *processes* as well as the *outcomes* of development policies and programs.

The link between HRA and development got international commitment through the introduction of the MDGs program which was unanimously adopted by UN member states in 2000. This program required strong commitment from the international community as a whole for its fulfillment, and the developing countries were expected to integrate the HRA in their strategies and programs to achieve the goals (Schmidt-Traub 2009). The principles which form the core of the human rights approach are interdependence of rights, participation, accountability, and non-discrimination and prioritization of marginalized groups.

Principles of HRA

Interdependence of rights

Although the study of human rights has been predominantly focused on civil and political rights, through time it has evolved to embrace policies, guidelines and commitments for the realization of economic, social and cultural rights (Ishay 2004). Using UDHR as a philosophical underpinning, several international human rights instruments (such as ICCPR, ICESCR, CEDAW) have been adopted which later on were tuned to the advancement of the human rights-based approach to development –for the fulfillment of economic, social and cultural rights. Albeit categorizing human rights[13], the Vienna Declaration (1993) recognized that human rights are universal, inalienable, interrelated and interdependent. While discussing the indivisibility of human rights in relation to poverty reduction strategies, the UN Office of High Commissioner for Human Rights (2006: Para27) asserted that:

> Although poverty may seem to mainly economic, social and cultural rights, the human rights framework highlights the fact that the enjoyment of these rights may be crucially dependent on the enjoyment of civil and political rights. The human rights approach thus dispels the misconception that civil and political rights and freedoms are luxuries relevant only in relatively affluent societies, and that economic, social and cultural rights are merely aspirations and not binding obligations

Civil and political rights are important not only because enforcement requires substantial government expenditure but also because they guarantee citizens' participation in the prioritization and implementation of government

[13] Human rights are categorized into civil, political, economic, cultural and social; Sometimes (though outdated) they are categorized into first, second and third generation rights, or into positive and negative rights.

expenditure. This obligation requires the government to ensure that rights are fully enjoyed, whether through adopting appropriate legislative, administrative, budgetary, judicial or other measures (Tewomy 2007:47). Particularly, government compliance with the obligation to enforce economic, social and cultural rights requires not only to respect these rights but also to appropriate public funds to fulfill these rights. The interrelationship between the rights implies that the enjoyment of a particular right depends on the level of realization of the other rights.

Participation

The participation of citizens in public affairs is a hallowed principle of HRA and is the basis of democracy. Public participation is commonly understood in a broader sense to encompass transparency, openness, and voice in both public and private spheres (Stiglitz 2002:166).[14] Participation is important not only for the fact that it is a means for political legitimacy, but it is also a practical necessity of public administration. As J. Stiglitz points out, 'participation does not refer simply to voting. [A] participatory process must entail open dialogue and broadly active civic engagement, and it requires that individuals have a voice in the decisions that affect them' (ibid: 165). Of course, one may argue that a freely elected government cannot be required to establish and consult participatory mechanisms for each and every one of its decisions (Bengoa 2005:3). But the experiences in many countries have shown that the decisions of public authorities in a democratically elected government have over time significantly affected the interests of a number of citizens or undermined the interests of minorities (Addink *et al* 2010:65-66).

Highlighting the importance of participation, the 1986 UN Declaration on the Right to Development (Preamble, Para2) stated that 'the process of development must be genuinely participatory, promoting the active, free and meaningful participation of the entire population and of all individuals.' Thus, the right to participation is strongly dependent on the realization of other human rights such as freedom of expression, freedom of information, the right to association, and the right to assembly. These are the platforms that ensure the informed and active participation of individuals and groups in relation to the formulation, implementation and monitoring of the consequences of inter-governmental fiscal relations in general, and in prioritizing expenditures at all

[14] Jose Bengoa (2005:3) said "If participation is understood as nothing more than 'consultation', this is called 'passive participation'. People are consulted on decisions taken earlier by authorities. 'Active participation' refers to the entire decision-making process, from project design to implementation, follow up, oversight and evaluation."

levels of government. As the same Declaration on the Right to Development stated above (Art 2/3) put it, 'active, free and meaningful participation requires significant community involvement to ensure that there is a fair distribution of the benefits of development and not for a particular segment of the population'. Thus, social participation is important to ensure appropriate and transparent utilization of resources.

Accountability

The concept of accountability can be analyzed broadly or narrowly. It can also be analyzed in terms of political, social, financial, administrative or legal accountability, and in terms of internal or external accountability (Addink 2010:95-100). Accountability in the human rights sense is about translating commitment into action for the benefit of citizens. This creates a relationship where government at all levels becomes duty bearer with respect to the rights of citizens within the respective jurisdiction (Sengupta 2006). The government's duty to fulfill the rights of citizens can be controlled through political, fiscal, administrative and legal accountability. Accountability creates a legal relation between right-holders and duty-bearers whereby the duty-bearers will be answerable for their failures in relation to their duties. When it comes to government spending, accountability requires strengthening institutional mechanisms for effective, transparent and accessible government decisions and ensuring effective community participation.

Non-discrimination and empowerment of marginalized groups

The human rights approach requires non-discrimination and empowerment of vulnerable and marginalized groups. Giving access to marginalized and vulnerable groups to public decisions is also an important aspect of participation. These groups include women, minorities, indigenous peoples and peoples with disabilities, but there is no universal checklist of who is most vulnerable in a given context (Hansen and Sano 2006:50). Who is vulnerable and how one answers the question at national and local level is usually a challenge. This is because the answer depends on available official data, disaggregated by race, religion, language, sex, age, migrant or other status. Discrimination is often caused by political, social, cultural or institutional practices. Federalism is usually adopted to redress the problem of discrimination and to protect minorities at national or local levels.

Principles of HRA in Ethiopia: benchmarking and implications

Human rights norms in Ethiopia

The Constitution of the Federal Democratic Republic of Ethiopia (FDRE) provides robust provisions of civil and political rights the contents of which are more or less in line with international recognized conventions. Moreover, under its supremacy clause (Art 9/4), the constitution provides that all international treaties ratified by Ethiopia are an integral part of the law of the land.[15] It further incorporates provisions for the protection of economic, social and cultural rights (Art 41), and the right to development (Art 43). The National Policy Principles and Objectives enshrined under Articles 89 and 90 add emphasis to this protection by requiring any government organ at Federal and regional level to develop policies that ensure the enjoyment of these rights by citizens. The economic objectives (Art 89/1 and 2) dictate that the government has the duty to, among others, formulate policies that ensure equal benefit from the country's legacy of intellectual and material resources, and ensure equal opportunity for all to improve their economic conditions. The social objectives provide all Ethiopians access to public health and education, clean water, housing, food and social security to the extent the country's resource permit (Art 90). The constitutionally guaranteed rights and principles should play a significant role in the prioritization and implementation of budgets acquired through inter-governmental transfers.

The need for a meaningful participation

The Federal Constitution (Art 89(6,7) affirms 'government shall at all times provide the participation of the people in the formulation of national development policies and programs; shall have the duty to support the initiation of people in their development effort; shall ensure the participation of women in equality with men in all economic and social development endeavors.' It also guarantees those rights and freedoms relevant for the effective participation of individuals and groups in general such as freedom of expression, freedom of association, right to assembly (Art 29,30,31).

At the sub-national level, regional, zonal, *wereda* and *kebelle* structures bring government closer to the household level. In most of the regions, there are also sub-*kebele* structures such as *atbias*, one to five –*and leamist*-arrangements, and mass-based associations (women, youth, farmers, workers) which are

[15] As to the status of international human rights instruments in Ethiopia and the issue of *justiciability*, see Sisay Yeshanew (2008)

alleged to be affiliates to the ruling party – EPRDF.[16] It is also argued that such forums are primarily used to ensure implementation without dissent at every level of government (See Emmenegger, Keno & Hagmann 2011; Human Rights Watch 2010). Besides the Constitution, there are several legal and policy documents to increase the participation of disadvantaged groups such as women, children, disabilities, etc. (see National Youth Policy 2004; National Policy on Women 1993; Disability plan 2011). For instance, women associations are found at all levels in Ethiopia. However, their participation at the local level to influence policies or expenditure priorities is not meaningful. Yilmaz and Venugopal (2008:8) found that 'women's participation in community planning and decision making was found to be almost non-existent. Women were not equally represented with men at community discussions, especially at local community initiatives'

Accountability and monitoring mechanisms

It is indicated above that the government's duty to fulfill the rights of citizens can be monitored through various political, administrative, fiscal and legal instruments. Political accountability in Ethiopia is related to the decentralized governance structure where federal, regional and *wereda* levels have executive, legislative and financial powers. The letter of the law ensuring accountability through a 'check and balance' mechanism is clear, but its implementation seems compromised at all levels. One can easily observe lack of exercises of power of oversight and control by the legislature over the executive.[17] Similarly, sub-regional level structures have forums for ensuring social participation in order to promote public accountability. But periodic assemblies held in *kebeles* or *weredas* are meant to enforce decisions or programs designed and directed from higher authorities. Yilmaz and Venugopal (2008: 12) argue that 'cases where the kebele community tries to hold the kebele or wereda authorities accountable for service delivery are rare.' Further, it is widely observed that corrupt practices related to urban land, government procurement, financial spending, civil service employment are some of the serious concerns of accountability. Many studies (Plumer 2012, Transparency International 2012) have shown that the manifestation of corruption implies weakness in public accountability and it has become a serious social problem.

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[16] The main opposition party, *Andinet,* in public rallies it recently held in Addis Ababa and in some regions openly criticized the government using these forums to silence the public.

[17] For instance, recently the speaker of Parliament was on television interview to challenge the public perception that legislature is inferior to the executive

Accountability is especially relevant to inter-governmental fiscal relations. If inter-governmental fiscal relation is also meant to 'build one economic community' or if its purpose is also to build solidarity among the constituent units, there should be separate and collective accountability. As Abu (2013:11) argues, 'unless the consolidated government sector exercises fiscal discipline and limit the disincentive effects of excessive taxation, it would have adverse effects on the performance of the economy and on macroeconomic stability.'

Lack of financial accountability has emerged as one source of fiscal conflicts in many federations (Spahn 2008). In Ethiopia, although the legal instruments to ensure internal and external fiscal accountability are in place, there are serious concerns of financial mismanagement at all levels.[18] With regard to local government plans and spending, one study has shown that financial accountability is weak because of 'lack of clear budget preparation, lack of link between strategic plans and performance agreements, and lack of a formal review of activities in the strategic plan by the *weredas*' (Yilmaz and Venugopal). The commitment incorporated in the Constitution requires the government to translate it into practice in order to ensure proper accountability to the public.

Non-discrimination and empowerment of marginalized groups

Equality and non-discrimination are guaranteed under the Federal Constitution and have become very much relevant in inter-governmental fiscal relations. As part of economic, social and cultural rights, the Constitution (Art 41/3,5) recognizes that 'every Ethiopian national has the right to equal access to publicly funded social services; the state shall, within available means, allocate resources to provide rehabilitation and assistance to the physically and mentally disabled, the aged, and to the children who are left without parents'. The Constitution (Art 89/3,4) also provides that the government shall ensure that all Ethiopians get equal opportunity to improve their lives, and it shall provide special assistance to nations, nationalities and peoples most disadvantaged in terms of economic and social development. In an effort to use objective criteria, the above principles have been included in the recent grant formulas. Additionally, laws have been issued to support less developed regions (and pastoralist areas).[19] However, it is not clear whether government budgets at all levels are allocated to fulfill policies

[18] For instance, the Federal Auditor General Report to the House of Peoples representatives, May 2013

[19] See, Council of Ministers Regulation No. 103/2004 to Establish the Federal Board to Provide Affirmative Support for Less Developed Regions.

aimed at avoiding non-discriminatory practices against women, children and the disabled. That is why explicit reference to a human rights approach is necessary.

Why benchmarking HRA: additional remarks

In the preceding sections it was pointed out that HRA developed as a means to impose legal and moral obligations on governments to enforce the full spectrum of economic, social, cultural, and political rights. The following section discusses the values that can be added through adopting the human rights approach in Ethiopia.

To promote the fulfillment of socio-economic and political rights in an integrated manner

Several government reports (MFED and UN 2013)[20] and some donors (see World Bank 2011) have indicated that Ethiopia has shown a lot of progress in the economic, social and cultural fields, although the UNDP Human Development Index (HDR 2013) still ranks her at the bottom of the list (173 out of 186 countries). The government claims that the country is said to have one of the fastest growing non-oil economies in Africa with a more than 10 percent annual growth record (though the figure is contested) (MFED 2013) . She is even tipped to fulfill many of the MDGs by 2015, especially in improving primary health service coverage, securing universal access to primary education, improving maternal health care and reducing child mortality.[21] In terms of expansion of infrastructure such as roads, telecom and energy, the government claims significant growth (ibid) . Food security has increased and the number of people living below the poverty line has decreased from 38.7 to 29 percent (MFEDa 2012). Overhauling the tax system and increasing the administration capacity is also another area of improvement (MFED 2013).[22]

[20] Also see MFED and UN Country Team Ethiopia. 2012. Assessing Progress Towards MDGs: Ethiopia MDGs Report 2012. Addis Ababa

[21] Capital News Paper. 'Child Survival Ethiopia Meets MDG4'

http://capitalethiopia.com/index.php?option=com, accessed on Tuesday, 17 September 2013; UNICEF, 'Ethiopia Commits to Meet MDG in Water and Sanitation by 2015,'

www.unicefethiopia.wordpress.com/2014ethiopia-commits-to-meet-millenium-development-goals-in-water-and-sanitation-by-2015/, accessed April 20,2014; But still there is a problem in terms of quality distribution of services, retention of children in the school, eradicating extreme poverty

[22] For details, also see FDRE Government Communication Affairs Office. 2010. Annual Book – *Ametawi Mestehaf* . BSPP, Addis Ababa, 2010.

Owing to these achievements, one may ask what objectives will be achieved by using the human rights approach. Of course, in a country like Ethiopia, economic growth by itself is an achievement, however, care has to be taken not to undermine the importance of the human rights approach which gives emphasis to the *process* of development as well. Moreover, the utilization of grant subsidies and revenue sharing did not bring about comparable levels of development among the regions (Tegegn *et al* 2010). As indicated in the earlier section, the implementation of the principles of HRA, which are very much linked to civil and political rights, are constrained. The country was also classified as 'less free' by many international institutions (See Freedom House 2011; Human Rights Watch 2010; The Economist Intelligence Unit 2010). Thus, less commitment to the process of development may imply that there is a tendency to prioritize economic growth as against freedom - an argument presented by those who see Singapore and Korea (before the 1990s) as models of authoritarian developmental state (Thornton 2008: 41-43).[23]

The practical implication of the above argument seems to favor the standpoint that economic growth (and poverty alleviation) must be secured before civil and political rights are enforced. However, this argument contradicts the principles of HRA. This is because the full realization of political rights is an important component of the principle of HRA. Furthermore, a claim by the ruling party - EPRDF – that it follows (at least on paper) a '*democratic* developmental state' implies that it is committed to both economic growth and democratic ideals in an integrated manner. Such a claim may not contradict the argument which emphasizes the interdependence between the socio-economic rights and civil and political rights, i.e. the level of realization of socio-economic rights depends on the enjoyment of civil and political rights. That is why Amartya Sen, in his seminal work on development, put the perspective on freedom, emphasizing 'an integrated analysis of economic, social and political activities, involving a variety of institutions and many interacting agencies' (Sen 1999: xii). He stressed the inherent interrelatedness of freedom and economic development. He further emphasized that economic growth and social welfare can better be addressed through a more democratic system, and democratic accountability is an incentive to avert famine and related catastrophes.

[23] According to Thornton and Thornton, Singapore under Lee Kuan Yew and South Korea under General Park Chung Hee and Chun Doo-hwan were not only considered as developmental state but also authoritarian regimes.

To enforce autonomy within accountability

The political rationale of self-rule in a federal system took the very assumption that sub-national governments have legislative and administrative autonomy to set priorities in light of local preferences and to allocate revenues accordingly. Thus, defining the roles and responsibilities of various levels of government is a step towards establishing responsible and accountable public governance at all levels. The fundamental principle is that political, administrative and fiscal autonomy have to be exercised by each level of government. However, various studies have concluded that the autonomy of sub-national units under the Federal system in Ethiopia is undermined due to centralized policy making by a dominant ruling party (Merera 2002; Paulos 2007; Meheret 2007, Assefa 2012). Many policies generated at the Federal level (such as civil service reform, water preservation projects, condominium constructions) have been implemented in the regions without local considerations. Inter-governmental fiscal relation is also highly dependent on the Federal government. In general, policies and projects designed at the Federal level have become blue prints at regional and sub-regional levels. This undermines the decision-making power at sub-national levels. As Assefa (2012:458) argues, democratic institutions which are expected to reflect the will of the people and to ensure accountability are reduced to 'approval of party programs and party nominees.' In short, the autonomy of sub-national governments is severely limited, creating upward accountability which renders local institutions of participation and accountability ineffective. By implementing the principles enshrined in the Constitution, sub-national governments should be autonomous and citizens should be able to constrain the behavior of public authorities.

To improve governance and service delivery

In a federal system, government institutions are not only important for discharging day-to-day responsibilities, but are also important for maintaining stability. In relation to this, using a human rights framework can improve the performance of governance in general and the delivery of services in particular. It can strengthen accountability in various ways, and sharpens aspects of planning and evaluation through participation. It can help governments to identify and address inequity and promote non-discriminatory practices more effectively. This is because 'human rights standards have the force and precision of law, and the framework offers distinctively precise legal and political instruments for measuring performance and achieving change' (ICHRP 2005:6). In short, it can improve performance in distinctive ways. For instance, first, prioritizing expenditure needs and allocating budgets for economic decisions should be scrutinized from the perspective of human rights. Budget review from a human rights perspective can in fact help elected representatives and officials to assess the consequences of their decisions and assist in allocating resources in a non-discriminatory manner. Second, it is necessary to integrate budgeting with human rights so that in the end the performance of the budget *vis a vis* the progress of achievements in service delivery can also be measured (Dikono 1999). Third, human rights recognize the possibility that power can be abused by those in authority. It therefore applies safeguards, such as participation and accountability, at local as well as national levels to guarantee human dignity, prevent competition for power and constrain abuses of power for personal gain.

Conclusion

Devolution of power, individuals and groups as right holders, empowerment of marginalized groups and participation, equitable distribution of resources, efficiency and accountability are some of the principles emphasized in the Constitution which gives prominence to the relevance of respecting the human rights approach to development. In general, the human rights approach is an indispensable component of deepening democracy and development. It offers an approach to move from basic electoral democracy to embracing government accountability and participation of citizens in development programs. In particular, it has the potential to foster pro-poor development efforts and it plays a role in securing good governance in every sphere of government. The scope and purpose of this study is limited to showing the legal obligations and the practical importance of benchmarking HRA. It analyzed the normative principles of the right- based approach and its practical significance to the proper utilization of intergovernmental transfer in an effort to reduce regional imbalances. In doing so, it imposes obligation on governments to maintain transparency, accountability, non-discrimination and equitable distribution of resources. It also implies the relevance of benchmarking HRA in developing policies and programs, and improving efficiency and institutional development. However, there is a need for caution: promoting the human rights approach does not imply that it is a panacea for all governance and development efforts. Rather, by respecting, protecting and fulfilling the rights as guaranteed by the Constitution, the quality of governance can be improved thereby making development sustainable.

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PART III

THE RURAL SECTOR

7 *Jeffrey Bookwalter and Peter H. Koehn*

Post-dependent Rural Development: Engaging and Assessing Subjective Well-Being

Introduction

Improving the lives of people should be the primary objective of any post-dependent development strategy and sustainable-development policy. However, defining and assessing life improvement is a challenging and controversial task. Amartya Sen's work on development (see, for instance, 1999) argues that life improvements are about expanding a person's functionings and capabilities – things they are able to 'do' and 'be' -- and their set of available options, respectively.

In this chapter, we are interested in exploring ways to understand what matters in people's lives and which functionings and capabilities have the highest values in rural Ethiopia through innovative and contextually based assessment methods that are independent of external pressures. As a backdrop to our efforts, we first critique prevailing evaluation approaches. The next section introduces the theory of the "capability set." This is followed by a discussion of measurable empirical proxies for capabilities and functionings and application of the identified measures using data from rural household surveys in Ethiopia. The final section aims to provide additional insight of value in designing an inclusive post-dependent framework for evaluating rural well-being through a focus on the educational dimension. In many respects, education provides the foundation for advances in human well-being and sustainable development.

Evaluating development

Evaluation generally involves rigorous and systematic collection, analysis, and interpretation of information to answer specific questions. In development contexts, it should provide assessments of what is important, what works, and why in particular situations and provide strategic lessons to guide decision makers and inform stakeholders. Evaluation is carried out for several purposes: shared learning, results improvement, and accountability for outputs, outcomes, impacts, and resources used. As David Mosse (2004) demonstrates with reference to a rural-development project in India, "success" and "failure" can be policy-validating narratives primarily constructed by powerful "interpretive communities" composed of donors, project managers, and consultants that obscure the actual reasons and contextual relationships that are responsible for outcomes and impacts. Pressure to borrow customized, externally determined, indicators narrows opportunities to conduct contextually based evaluations (Esther Mebrahtu, 2002, p. 510; Rosario Leon, cited in Eyben, 2013, p. 5), reduces the likelihood that empowering processes will be set in motion, undermines efforts to pursue "locally owned and transformative development" (Eyben, 2013, pp. 4-5, 17), and diverts attention from the complexity of interests, relationships, and institutional practices that shape how sustainable development is pursued (Mosse, 2004).

Many prevailing evaluations of development policies, strategies, outcomes, and impacts rely on macroeconomic indicators of well-being. These approaches imply the existence of some universal metric for evaluating well-being and often equate incomes with well-being. Another frequently encountered assumption is that economic indicators are transformed into well-being at the same rate across nations, regions, households, and individuals. Income, in particular, is different from the capability to function at some level. Sen (1999, p. 20) argues that "precisely because income deprivations and capability deprivations often have considerable correlational linkages, it is important to avoid being mesmerized into thinking that taking note of the former would somehow tell us enough about the latter." In addition, the weight placed on each indicator varies across regions, groups, and individuals, depending in large measure on the particular set of values used in defining and assessing well-being. China, for instance, has moved decisively to expand human capability through public investment in education and health care while, in India, the majority of schools are of low quality and "the poor have to rely on low-quality – and sometimes exploitative – private medical care, because there isn't enough decent public care" (Sen, 2013).

Donors, including international NGOs, tend to share "a particular understanding of causality, efficiency and accountability" (Eyben, 2013, p. 6). Rosalind Eyben (2013, pp.7-24) provides an insightful critical analysis of the results and artefacts of the development-evaluation methods popular with Northern donors, including logical frameworks, payment by results, randomized-control trials, and cost-effectiveness analysis. Consistent with these "dependent" ways of knowing and claims that only through quantitative research can issues of impact and causality be credibly established (Henry, 2009), some funders favor the use of pre-defined quantitative indicators in development evaluations. However, a number of studies reveal substantial shortcomings in evaluations that are exclusively quantitative. Evaluations are diminished by the frequent selection of inappropriate indicators and "inadequate attention to [and lack of substantiation of] project impacts and outcomes (as compared to inputs and outputs …)" (Chapman and Moore, 2010, pp. 560, 562; also Pain, 2009, pp. 105, 108). Further, the long-term, multidimensional, and interdependent contexts that envelop sustainable-development initiatives complicate efforts "to isolate particular variables and identify specific effects attributable to individual interventions or policies" (Schuller and Desjardins, 2007, pp. 22, 44). Process is critically important and correlations do not explain *how* sustainable-development connections and results occur (Colclough, 2012, p. 6).

Qualitative outcome and impact measures engage quality-of-life considerations. Individual outcomes are measured in relation to asset building as reflected in "health, family life and social capital" (Schuller, 2004, p. 12; Colclough, 2012, pp. 10-11). These learning assets can be used to generate "social outcomes that benefit others and future generations" (McMahon, 2009, pp. 5, 38). Qualitative investigations emphasize context and culture and illuminate the multiple relationships and processes that shape human capabilities and assets over time (Schuller, 2004, p. 14). Ethnographic inquiries and narrative studies, for instance, uncover key contextual relationships, indigenous and marginalized voices, movement (or lack thereof) toward and pathways to desired social and economic changes, political and institutional connections and incentives that shape prospects for change (Mosse, 2004, pp. 656, 664), and grass-roots impacts that are not fully recognized or revealed by quantitative methods (Schuller and Desjardins, 2007, p. 23; Boydell and Rugkasa, 2007, p. 219).

Ideally, therefore, sustainable-development evaluations need to be broadened beyond externally imposed quantitative measures and global metrics. Social indicators, including the creation of employment opportunities (Tarabini, 2010, p. 209), the reduction of poverty and inequality (Singh, 2007, p. 76; Bailey, 2010, p. 44), and contributions to the strengthening of civil society (McMahon, 2009, p. 34; Schuller and Desjardins, 2007, pp. 68, 88), should receive attention. Who is directly and indirectly better off and worse off (Thabrew, Wiek, and Ries, 2009, p.71) and why?

In this chapter, we explore the application of contextually derived measureable proxies for capabilities and functionings. Inclusion of qualitative methods and indicators facilitates the cross-checking of findings through triangulated perspectives, thereby enriching evaluation as a meaningful explanatory exercise (Stern, 2004, pp. 38-39).

Sen and the capability set

Sen has long argued for broad definitions of development and well-being that include not simply access to resources and income, but the sort of lives people manage to live (see for example, Sen 1992). Standard conceptions of most quantitative welfare economics contain only a part of the components of well-being and focus on the choices people and households make. In contrast, well-being depends on functionings – the ability to 'do' and 'be' certain things – and capabilities – the set of available functionings and the ability to achieve them.

Expanding that notion, lives are comprised of a vector of functionings chosen from a set of feasible vectors, the capability set. While commodities purchased with income certainly are important, these commodities are desired for their ability to add to a person's 'being.' Many other factors, which are less related to income, are also important. For example, it makes more sense from a well-being perspective to look at health outcomes (the ability to be healthy) instead of overall spending on health care. These health outcomes depend on health-care spending, but also the quality of sanitation, the existence of basic health services and infrastructure, and weather events, among others. Thus, outcome depends in part on public goods and other factors the household has little control over, and the choices they make out of the options within their capability set.

In other work, Sen (1999) equates functionings to freedom, and argues that the whole of economic development should be about expanding available freedoms. Some of these freedoms include civil rights, social and economic opportunities, and the ability to be safe (Sen 1999, p. 39). Emphasizing more than just income measures of well-being requires both additional data and a more nuanced understanding of the components of well-being and the ways in which they are combined.

While there are many proponents of Sen's theoretical treatment of development and well-being, many have argued that his framework is empirically inoperable, in part due to data limitations (e.g. Srinivasan, 1994, Sugden, 1993). The information required for an exploration of functionings, capabilities, and freedoms is certainly more substantial than well-being measures that focus on income or expenditure. However, the World Bank's Living Standard Measurement Surveys and other recent household surveys provide that information for a growing list of countries. The Ethiopian Rural Household Surveys (ERHS) are a particularly valuable example of the types of household surveys that allow for a more nuanced look at development.

There have been many empirical responses to Sen's criticisms of traditional, income-based welfare and well-being research. In these analyses of well-being and quality of life, most empirical work adopts a methodology similar to the "Scandinavian Approach" outlined by Erikson and Uusitalo (1987). This methodology emphasizes a component approach, whereby overall well-being is divided into separate measurable indicators. Additionally, it associates the level of living to a broadly defined measure of command over some broadly defined set of resources. These resources include money, property, knowledge, education, rights, freedoms and others "*…by which [one] can control and purposely direct [one's] living conditions*." (Erikson and Uusitalo, 1987, p. 189; emphasis in original). There are numerous studies exploring empirically the notion of well-being and its relationship to various objective and subjective criteria. Allardt (1981) used the Scandinavian Welfare Study to relate basic-needs indicators to dissatisfaction and happiness. He found only weak relationships between particular individual basic-need indicators and well-being. From the weakness of these individual relationships, he argues that there is not a clearly defined path to welfare improvements, that basic-needs components are highly interdependent, and that they all need to be promoted.

Møller and Saris (2001) study the relationship between overall subjective well-being and satisfaction in particular aspects of people's lives (domain satisfaction) in South Africa. In two separate studies using South African data, Klasen (2000, 1997) explores the relationships between poverty, deprivation, and well-being. In his earlier paper, Klasen (1997) references Sen's notions that development and well-being are about functionings and capabilities, and ultimately, the freedom to pursue a good life. To this end, Klasen develops a deprivation index using twelve measures, including income and measures of health, safety, transportation, housing, sanitation, and perceptions of well-being, among others. He finds that a broader measure of deprivation identifies a group of particularly deprived people that are missed using simple income or expenditure measures. Klasen (2000) uses a similar model to compare expenditure poverty with more broad conceptions of deprivation. Expenditure poverty measures access to one means of achieving well-being, while a more broad deprivation measure actually examines outcomes directly. While he finds considerable correspondence between the two measures, many of the most deprived would not be identified by expenditure measures alone and may be missed in policy targeting.

The last decade has seen a large increase in the number of papers utilizing measures of well-being or life satisfaction to evaluate development outcomes. Helliwell (2003), for example, uses a large international sample with individual responses to a subjective well-being question (SWB) as a dependent variable in an OLS regression. His analysis includes not only economic indicators, but measures of social integration, religious beliefs, infant mortality, quality of governance, and income relative to the United States. One of his interesting findings is that benefits derived from well-functioning economic and social institutions are far larger than those that flow from rising individual income or general economic growth.

Bookwalter and Dalenberg (2004) find that modest additions to income or household expenditure in post-apartheid South Africa add little to household perceptions of well-being. They argue that this occurred because small income increases do not allow people to make major changes in the actual conditions under which they live. Similar to Helliwell (2003), they find that the largest contributors to household SWB were things that had a substantial public-good component (e.g., transportation mode and water sources) that were unavailable for purchase without relocating. Findings like these suggest that while income and economic growth matter, a wide range of other non-market factors are at least as important.

Moving from the theory of the capability set to measureable indicators

Sen has chosen not to speculate about what might comprise a comprehensive and universal set of functionings and capabilities. Many others have. Martha Nussbaum, for example, posits a 'universalist' list of capabilities with a threshold below which life would be so impoverished as to be inhuman (Nussbaum, 2000). Her list includes things as varied as respect and concern for other species, living to the end of a normal life, and being able to use one's senses. Others take a 'basic needs' or minimum capabilities approach (Streeten, 1991 and Desai, 1995, respectively). These approaches posit some core indicators of capabilities and imply some measurable functionings. For example, Streeten looks in particular at health, education, food security, water supply and sanitation. Desai looks more broadly at the capability to stay alive, to ensure biological reproduction, and to have knowledge and freedom of expression, among others. While Nussbaum's ideas about a minimally acceptable life are more philosophically grounded, those put forth by Streeten, Desai, and others are more useful for empirical study.

While functionings and capabilities are not something that can be directly observed, many household surveys have questions that provide data on useful proxies. The ERHS surveys individuals and households about their demographic characteristics, livelihood creation, level and type of assets, and agricultural output, among others. In addition, most years have a community questionnaire where community leaders provide information on infrastructure, community amenities, available services, health care facilities, NGO activities, and more. Use of these data is illustrative at this point. The survey covers a subset of only Ethiopia's rural population and is not a representative sample. The 2009 data used in this paper surveyed nearly 1500 households in 15 different villages across the country, chosen to account for the diversity of farming systems. A full accounting of the villages and sampling methodology is found in Dercon and Hoddinott (2011).

Some analyses of the capability set require a more nuanced understanding of the available data. For example, the ability to be healthy requires adequate nutrition, access to health care providers and facilities, public investment in transportation infrastructure, clean water and sanitation, and freedom from excessive mortality risks at a job or home, among others. The ERHS data provides information on many these aspects, but some make a difference on their own (adequate nutrition) while others matter largely in combinations (transportation infrastructure and health care facilities).

Well-being and the Ethiopian Rural Household Survey

The 2009 ERHS provides a detailed statistical snapshot of rural life in Ethiopia and includes measures of income and assets, livelihood creation, educational participation and attainment and many other demographic characteristics. We look in more detail at some of the characteristics of the rural Ethiopian population that are important for our analysis.

Economists look at education as an investment in human capital. A rational household would look at the additional cost of child attending school and weigh that against the current and discounted future benefits of that additional schooling. Despite a strong consensus that returns to most education are high and exceed costs, enrollment rates in rural Ethiopia were quite low at the time of the 2009 survey. However, data from a wide variety of sources, including UNDP and UNICEF show that the trend in enrollment is strongly upward. The most recent data from UNICEF (2001) shows the basic primary school enrollment rates stands at 87 percent, up from less than 50 percent as recently as 1998.

Another factor that matters for our analysis of happiness and well-being is exposure to risk. Rural populations in Ethiopia face numerous risks to income generation and asset levels. For example across multiple waves of the ERHS, Dercon (2002) finds rural Ethiopians reporting substantial risk-related economic hardship.

Table 1. Risk-related economic hardship.

Event	Percentage of households reported to have been severely affected in the past 20 years
Harvest Failure	78
Policy Shock	42
Oxen problems	39
Other livestock problems	35
War	7
Crime	3

SOURCE: Adapted from Dercon (2002)

The data suggest a large majority of Ethiopia's rural population finds themselves at substantial risk of falling incomes that arise from a variety of sources. These income risks are something that many rich countries manage to mitigate from much of their populations. A general lack of resources in Ethiopia, and rural Ethiopia in particular, make the social safety net much less safe.

In addition to demographic and economic characteristics, the ERHS and similar datasets ask respondents to evaluate their lives in a number of ways. There are nearly 20 of these subjective evaluation questions in the ERHS. Some get at general happiness and life satisfaction, including:

> *Question (Q)1*. Taken all together, how would you say things are for you these days; would you say you are?
> *Possible answers*: Very happy, pretty happy, not too happy.
>
> *Q2*. Suppose we say that the top of a ladder represents the best possible life for you, and the bottom represents the worst possible for you. Where on the ladder do you feel you personally stand at the present time?
> *Possible Answers*: 10, the best possible life, to 0, the worst possible life.

Other questions are intended to provide insight on a person's absolute or relative economic standing or satisfaction, including:

> *Q3*. (Absolute) Just thinking about your household circumstances, would you describe your household as:
> *Possible Answers*: Very Rich, Rich, Comfortable, Can manage to get by, Never have quite enough, Poor, Destitute.

Q4. (Relative) Compared to other households in this village, would you describe your household as:

Possible Answers: Richest in the village, Amongst the richest, About average, A little poorer than most, Amongst the poorest, Poorest.

Other survey questions get into specifics of clothing, shelter, or food, ask a household to compare their current situation with the recent or more distant past, or evaluate the household's ability to withstand social or economic adversity. Using answers to these questions allows us to understand how household characteristics, access to infrastructure, and achievement of basic needs affects individual and household welfare, life satisfaction and happiness.

For our purposes, we are most interested in understanding the responses to the general happiness question (Q1) and the ladder question (Q2). Table 2 shows the answer to happiness question.

Table 2. Responses to the happiness question.

	Freq.	Pct.	Cum.
Very happy	4,925	15.29	15.29
Pretty happy	19,377	60.17	75.46
Not Too Happy	7,903	24.54	100.00
Total	32,205 100.00	100.00	

Table 3 shows responses to the 10-step ladder question, where zero is the worst possible life and 10 is the best possible life.

Table 3. Life satisfaction ladder

	Freq.	Percent	Cum.
0	201	0.63	0.63
1	1,362	4.24	4.86
2	2,869	8.92	13.78
3	5,032	15.65	29.43
4	5,178	16.10	45.53
5	7,755	24.11	69.64
6	5,080	15.80	85.44
7	2,430	7.56	93.00

8	1,756	5.46	98.46
9	446	1.39	99.84
10	50	0.16	100.00
Total	32,159	100.00	

At first look, rural Ethiopians most frequently report being in the middle of the happiness scale and on the middle rung of the satisfaction ladder. However, those responses vary widely by individual, household, and community characteristics. Finding what drives variation in these responses is an important step in understanding what makes people better off. What is particularly attractive about these measures is that they are not externally derived or imposed. A person's response to the question is meant to elicit a general feeling about their life, without fixating on any particular aspect or relying on externally imposed standards.

As an example, Table 4 shows the percentage responses to the happiness question by different levels of education.

Table 4. Happiness responses by education level

	No Education	Elementary Education	Some Secondary Education	High School Diploma or Higher
Very happy	12.6	15.8	17.5	24.2
Pretty happy	56.8	63.7	61.5	44.6
Not Too Happy	30.6	20.5	21.0	32.1
Total	100	100	100	100

These responses to the happiness question illustrate several points. First, individuals with higher levels of education are more likely to report being very happy with their lives. Given the psychic and economic benefits that accrue to those with higher levels of education, this result is not surprising. However, those reporting the lowest reported happiness category (Not Too Happy) are concentrated in the highest and lowest educational attainment. While seemingly counter-intuitive, these results support a logical narrative. Those with no education suffer from low productivity and fewer economic opportunities than their more educated peers, and are less happy for it. Those with the highest levels have correspondingly higher aspirations, which when unmet, leave people feeling 'not too happy.'

There are many other factors that matter in a household's happiness or life satisfaction perception. For example, households that have the ability to withstand some family or economic shock would have lower stress levels and fewer reasons to worry about the future. One indicator of household resilience to shocks is the ability to access money in an emergency. Table 5 shows the percentage responses to the happiness question by the ability to access money.

Table 5. Happiness responses by ability to obtain 200 Birr in an emergency, all income categories

	Household could obtain 200 Birr	Household could not obtain 200 Birr
Very happy	18.0	9.2
Pretty happy	63.8	51.7
Not Too Happy	18.2	39.1
Total	100	100

These responses highlight several facets of happiness and life satisfaction. First, households that are wealthier tend to be happier –in part because of their general ability to withstand unexpected economic hardships. However, among poorer rural households, the differences are even more stark.

Table 6. Happiness responses by ability to obtain 200 Birr in an emergency, poorest income quartile

	Household could obtain 200 Birr	Household could not obtain 200 Birr
Very happy	22.2	4.2
Pretty happy	50.8	41.6
Not Too Happy	27.0	54.2
Total	100	100

The data in Table 6 suggest that even the poorest rural Ethiopian households can be fairly happy when they have economic safety net. A safety net might come from the government in a number of different possible forms: crop insurance programs, income-support policies, minimum wages, transfers to low-income households, among others. In Addition, the private sector and non-profits or community groups might provide employment opportunities, organized rotating savings clubs or other types of risk-reducing institutions.

Using OLS or ordered categorical models is a next step in understanding the things that most contribute to a person's perception of their happiness or life satisfaction. These types of models are important to disentangle numerous interrelated causes and correlates of happiness. For example, those with a secondary or college education report the highest levels of happiness. However, we don't know to what extent those high levels come from more income – which tends to increase with education – or from other, non-economic benefits of higher education levels. More sophisticated models are the next step to understanding these issues.

Toward an inclusive post-dependent framework for evaluating rural well-being

In this chapter, we used household survey data to demonstrate one basic post-dependent method of evaluating rural well-being and to provide preliminary insights into how health, or infrastructure, or family structure/relationships, or income, or other measures affect peoples' happiness or life satisfaction. An inclusive framework for assessing post-dependent outcomes and impacts of various variables in rural Ethiopia would engage additional quality-of-life and capability indicators and employ multiple methods of qualitative as well as quantitative analysis. Elaborating the full scope of a post-dependent framework, and applying it, is an undertaking that merits further attention.

In this section, we outline one dimension of a comprehensive quality-of-life evaluation approach that focuses on human capabilities. Our focus is on educational outcomes, particularly capability development. The approach elaborated here is consistent with "the need to develop a more holistic, imaginative and generous attitude to education's benefits" (Schuller, Hammond, and Preston, 2004, p.192). It emphasizes contextual indicators of achievements and vulnerabilities rather than global metrics. The approach is multidimensional, participatory, and social-justice focused. A post-dependent approach to human-capabilities evaluation should pursue mixed-method and complementary evaluation strategies and collect qualitative and quantitative data related to key variables (Singh, 2007, p. 76; Uitto, 2011, p. 479; Agunias and Newland, 2012, p. 60). The use of mixed methods "generates important synergies" and "provides additional layers of explanation and insight that single-method studies are denied" (Colclough, 2012, p. 6; also see Jeffrey, 2012, pp. 172-174). Available methods include collecting primary (interview, focus-groups, direct-observation, field-visit, household-survey) and secondary (desk-reviews, meta-evaluation, content-analysis) data. Optimally desired impacts reflect community-identified and stakeholder-defined needs (Nordtveit, 2010, p. 112), are sustainable over the foreseeable future, and avoid imposing new and onerous financial burdens or other negative side effects (Smith, 2000, p. 216). Educational assessments should ensure that the synthesis and application of local/indigenous knowledge and ways of learning are included.

In 2009, UNESCO identified skills as an educational priority (see McGrath, 2010). Human-capabilities evaluation should consider outcomes in terms of changes in functional competencies (Schuller and Desjardins, 2007, p. 41; Koehn and Rosenau, 2010). This approach requires baseline assessments as well as attention to asset building and long-term outcomes (Colclough, 2012, p. 2). The linked technical and interpersonal performance of inhabitants needs to be evaluated periodically from multiple perspectives, using a variety of methods, by socio-culturally diverse observers, collaborators, and community members. When assessing behavioral competence, the extent of demonstrated improvement from the initial starting point ("added value") and remaining shortcomings (Frenk, 2010, p. 1943) constitute the principal indicators. Functionally skilled citizens should be able to demonstrate ability to leverage knowledge, innovation, advocacy "into usable and accessible solutions" to specific sustainable-development challenges (Wamae, 2011; also Koehn and Rosenau, 2010, chapter 9).

Post-dependent evaluators expect education to matter in terms of societal impact. Education must enhance "the agency and capabilities of individuals" (Schuller and Desjardins, 2007, p. 59). In the interest of social justice, inhabitants should exercise their capabilities "in ways that further social transformation" (Walker, et al., 2009, p. 568) and promote sustainable development (Wiek, et. al., 2011, p. 214). Eliciting the perceptions of poor and marginalized community members should be incorporated as a critical component of development-competency evaluations (Jeffery, 2012, pp.172-174). On-going community-based evaluations of educational impact should integrate multiple data-collection methods that include pre- and post-project needs-assessment exercises, structured and semi-structured interviews, household-survey data similar to those analyzed in this chapter, local-government records and reports, focus-group discussions (where culturally appropriate), periods of observation, and analysis of personal and institutional life histories (see Jeffery, 2012, pp. 172-174).

In determining levels of proficiency, capability-building-program evaluations should allow room for future skill development and life-long, life-wide, learning through the interactive effects of experience and continuous training (Schuller and Desjardins, 2007, pp. 10, 18, 68-69; McMahon, 2009, p. 260). Assessing the "cumulative and interactive impacts of learning that occur in multiple contexts (lifewide learning) over the lifespan (lifelong learning)" is a challenging task (Schuller and Desjardins, 2007, p. 37). Competencies developed or diminished after mastering literacy, school graduation, or completion of a specific training program should be documented through follow-up studies (Hallak, 2000, p. 35). Demonstrated commitment to the *training of trainers* also is relevant in assessing the cumulative sustainable-development impact of human-capability interventions (Gedde, 2009, p. 35). In addition to skill-based assessments, human-well-being evaluators need to ask whether rural inhabitants are able to maximize their freedoms “as human personalities, as confident citizens of their countries, [and] as empowered members of their communities …” (Singh, 2007, p. 76).

Conclusion

Ethiopia has an opportunity to be a leader in pursuing a promising post-dependent approach to assessing development. Building on the work of Amartya Sen, we applied the concept of development as freedom to the Ethiopian context by reference to data on rural subjective well-being data drawn from the latest round (2009) of the ERHS. To move beyond dependent development, Ethiopia can seize opportunities to adopt subjective well-being as an important guiding principle of rural development and design and implement a compelling new framework for evaluating rural subjective well-being. Adding subjective well-being to other measures of development (e.g., health outcomes, per-capita GDP) incorporates individual- and household-based assessments of the state and process of development.

Data from the 2009 ERHS illustrate the potential of this approach. Analyzing measures drawn from available ERHS data that are not externally derived or imposed provides one important step forward in a post-dependent understanding of rural development. Using responses to questions about happiness, life satisfaction, or subjective well-being allows researchers to gain insight into the types of goods, services, infrastructure, education, social networks, and other things that make rural people better off.

Ethiopia also can move forward to adapt and implement a more inclusive evaluation process. We argue for an adaptable framework for assessment that will enable evaluators to understand and convey individual- and community-capabilities outcomes and impacts and illustrated its potential with reference to education. The evaluation approach we advocate for assessing post-dependent development incorporates mixed methods, both quantitative and qualitative, and emphasizes attention to capability-building outcomes and sustainable-development impacts (also see Koehn and Uitto, 2013). By using multiple, contextually derived and applied evaluation methods that build on limited as well as rich data sets, outcomes and impacts can be “qualitative or quantitative depending on data availability and the nature of the impact.” The mixed-method approach promises to “encourage stakeholder commitment and cooperation towards developing joint programs and projects which fit well with community needs and aspirations, available resources, and adoptable technologies” (Thabrew, Wiek, and Ries, 2009, pp. 73-75). Harnessing the potential found in the ERHS subjective measures of well-being, expanding the geographic coverage of the rural household survey, incorporating complementary qualitative methods of evaluation, and improving people's functionings and capabilities based on learning from outcome and impact results are steps forward that offer Ethiopia an opportunity to be in the vanguard of post-dependent rural development.

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8 *Dessalegn Rahmato*

Large-Scale Land Investments Revisited

Introduction

This chapter examines Ethiopia's program of large-scale land investments with special emphasis on the rapid expansion of these investments between 2008 and 2011 when huge tracts of agricultural land were leased out to foreign and domestic investors over a short period of time and at what one astonished Indian investor who had just received 25,000 *ha* of fertile land called throw-away prices. The scale of the land transfers and the low land prices was unprecedented and aroused serious concerns among citizens and civil society groups in the country. This dramatic land rush was driven by the government which thought it would benefit by what it considered to be golden opportunities opened up by the global food price and food supply crisis of 2007/2008, and at the same time, steal a march on its competitors, African countries in the region, which were also scrambling to attract foreign capital. The government believed that Ethiopia had better resources to offer and what was required was an attractive package of concessionary terms to lure foreign investors, particularly from the emerging economic power houses of east Asia and the capital-rich but food-poor countries of the Middle East[1]. Land transfers to investors had been going on for over a decade prior to the period in question, but at that time the pace of expansion was slow, the investors were almost always domestic ones, and the plots leased were relatively small in size (Dessalegn 2011 for details).

There is no consensus on the definition of the phenomenon we are concerned with, nor is there a common terminology to refer to it- terms such as "land grabbing", "land deals", "land acquisitions" and, sometimes, "land rushes" are widely employed in the literature as well as by international advocacy

[1] Documents posted on MOARD's website in 2008/09 spoke of competition with other African countries, but were full of high expectations from foreign land investment. All early MOARD documents have since been removed.

NOTE. Acronyms are listed at the end of the paper organizations campaigning against it[2]. What we are dealing with in this work is the makings of a property and production regime in which rights over large-scale rural resources are transferred to private-individuals, corporate or sovereign business interests, allowing them to engage in mechanized farming for the purpose of producing agricultural goods either for the international market or for economies far removed from the local communities where the investment are based. In either case, local communities receive very little benefit. What has been "grabbed" is not just land but also water, forest and biodiversity resources, most of which are claimed or customarily used by, or are important to the livelihoods of peasant farmers, herders and other small rural producers.

While it is too early to call for a postmortem at the moment, it is quite evident that the program is facing severe difficulties, which I believe are harbingers of an evolving crisis from which it is unlikely to emerge in a sound state. As we shall see later in this work, the immediate causes of its predicament are diverse: they include agricultural, financial and environmental factors as well as growing opposition from local communities regarding the loss of their land and other resources. It was evident from the beginning that the program and its hasty execution carried the seeds of its own contradiction, but I shall argue that at another level, the crisis looming over it is a product of the strategy of development from above and the "ideology" of state-led development.

In what follows I shall first present a brief discussion of the land investment program in the context of the government's grand strategy of state-led development, and this will be followed by an examination of the serious difficulties the program is presently facing, showing why these difficulties are not a passing phenomena but in fact harbingers of a deeper crisis. In the final section I shall suggest that the answer to the question, what needs to be done -a question that, in many different forms, has aroused strong debate in the literature and among different interest groups- does not lie in adopting or tinkering with the "code of conduct" approach favored by the World Bank and its partner organizations, but rather in thinking through democratic alternatives that empower local communities and lead to the sustainable use of the land and resources in question for the greater good of these communities.

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[2] Much of the debate on land grabbing has been conducted in the pages of the *Journal of Peasant Studies*; see the special collection in Vol. 39, Nos. 3&4, 2012. Advocacy groups that have been highly critical of Ethiopia's land deals include GRAIN, Human Rights Watch, and the Oakland Institute.

Land deals and state accumulation[3]

A brief note on some features of rural Ethiopia is necessary to put the discussion that follows in context. As a result of complex historical processes as well as high population growth and increasing resource degradation over the years, shortage of arable land is acute in most of the countryside. In the cereal farming complex of the northern highlands, per capita family holdings are less than one hectare, while in the *enset* culture complex in the south of the country (in SNNP in particular), a family that works half a hectare is considered fortunate. Agriculture is dominated by hard working peasant cultivators, but rural society has often been plagued by severe food shortages, catastrophic famines and endemic hunger since the 1950s. As recently as 2002/03, there was widespread starvation in many parts of the country affecting more than 13 million rural people, and it required large inflows of international food aid to avert a tragedy on the scale of the famine of 1985/86 when hundreds of thousands of peasants and pastoralists perished in the worst tragedy in the country's history. Malnutrition is endemic in the countryside as well as in the urban areas, and diseases associated with poor nutrition and scarcity of clean water are common. In 2009, over 22 percent of the rural population was dependent on a combination of emergency food aid and safety net programs financed by Western countries and international agencies. While the number of people seeking emergency food assistance has decreased since then, nearly eight million rural people continue to be supported by donor financed safety net programs[4]. On the other hand, there has been a fairly high rate of economic growth in the last ten years and improvements in health services have been registered, nevertheless this has not made a significant impact on *real* rural poverty nor has it helped to ensure food security to a great number of farming households.

Extent of transfers

Land leasing to private investors was in progress in many parts of the country long before the new global land rush was under way. Indeed, one of the first acts of the present government soon after establishing itself in power in 1991, after the overthrow of the military regime (the *Derg*), was to open up opportunities for agricultural investment by providing private interests access to farm land which was not available to them under the economic policy of the Derg. We can distinguish three phases of the land investment program under the present

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[3] This section is based in part on the findings of field work and interviews carried out in 2010 for an earlier study (Dessalegn 2011). See also Fouad 2012; Lavers 2012; Cortula et al 2009 has some discussion on Ethiopia

[4]On food security, see the recent collection of papers in Dessalegn et al (eds.) 2013; on land and landownership, Dessalegn 2009

regime. The first phase covers the period from the mid-1990s to 2000 when the size of land transferred was relatively small, less than 500 ha, and the investors were almost exclusively domestic businesses and individuals. The second phase extends from 2001 to 2007 – a period in which the government's investment proclamation of 2002, providing generous incentives and sweeteners to foreign investment was issued, and the horticultural sector registered a boom in exports of cut flowers to European and other markets. The floriculture business, in particular, which acquired fertile crop land in peri-urban areas and near transport corridors at the expense of peasant farmers, became the darling of decision-makers and was given a free hand and a good deal of support to expand and flourish (Ayelech and Helmsing 2010). The size of land leased out was small to medium scale, but while the majority of the land transfers was made to domestic investors, the period saw growing interest by foreign investors as well as investors from the Ethiopian Diaspora. During the first and second phases, the great majority of investors held the land idle because many simply did not have the resources to put the land to use, and some used it for purposes for which it was not approved (MOARDb).

The third phase, from 2008 to 2011 was a period of unprecedented land rush by foreign companies attracted by the country's investment climate, and when the government became particularly keen to promote the production of agricultural and agro-industrial goods for the export market. The first three years, in particular, witnessed what may be described as mega-land deals, in which the government ceded huge stretches of land measuring 25,000 to 50,000 ha, and in one case, 100,000 ha to foreign investors. The lands were to be used to grow three categories of crops: food crops for export, notably rice, oil seeds, soya, and maize; bio-fuel crops such as palm oil, *jatropha curcas* and castor beans; and industrial crops, especially, sugar cane and cotton[5]. It was also in this period that an ambitious plan for public sector investment in sugar production was launched requiring huge land allocations in various parts of the country. The rental fees for agricultural land are astonishingly low, perhaps one of the lowest in the world: in most parts of the country investors pay less than 10 USD for a hectare of land per year. Indeed, land rents are so low that many foreign investors apply for more land than they can possibly manage (Dessalegn 2011 for details).

The government has made highly exaggerated claims of the availability of *unused* land suitable for all kinds of crops that can be given out to investors without risking the livelihoods of small farmers. The country's "investment potential" has, at various times, been put at ten million hectares or more (MOARD 2008; *Reporter* interview). Accurate figures of the extent of land

[5] See Dessalegn 2011. Other works include Lavers 2011, and Malik 2011

transferred over all phases of the program or in any one of them are not available. Such is the poor state of record keeping that even in cases of individual transfers the size of the land registered is an estimate and not an accurate measure, and what is entered in the records is different from what appears on the ground. Government officials occasionally admit that the figures they put out in official documents are based on estimates derived from satellite imagery or aerial photographs, in most cases not supported by surveys on the ground[6].

In 2008, the government designated the Federal MOARD as a lead agency for large-scale land deals with foreign and local investors. The Ministry's responsibility included preparing information and other technical inputs to attract investors, signing contracts with and transferring lands to those eligible and undertaking follow-up and oversight. EPA's responsibility in regard to environmental impact assessment and oversight, vested in it by law (FDRE 2002b), was transferred to MOARD in 2009 by means of an exchange of letters and a memorandum of understanding between the two agencies, even though MOARD did not have the technical and institutional capacity to carry out the duties involved. MOARD was to receive and administer all consolidated investment lands measuring 5000 ha or more from the *Killil*s[7]. These lands were to be put into what was called a Federal land bank to be accessed by investors through MOARD. This decision deprived the *Killils* some of the powers vested in them by the 1995 Constitution with respect to land administration, and some *Killil* authorities were initially reluctant to comply. While all aspects of the land deals were to be concluded by and through MOARD, the income from the transactions, namely land rent, income tax, and other payments were to be utilized for the benefit of the *Killil*s concerned. This change of procedure and division of responsibility was formally endorsed by a directive issued by the Council of Ministers in early 2010 (FDRE 2010). The *Killil*s were to continue to allocate land to investors as they had done prior to this decision but the lands in question were those measuring less than 5000 ha and not part of the land they had submitted to the Federal land bank. Some *Killil*s were said to possess enormous land potential, and the transfer of some of it to the Federal land bank was not seen as depriving them of the power of making land deals themselves. Thus Beni-Shangul for example, is estimated to have as much as 1.4 million

[6] Interview with BizualemBekele, coordinator at the Agricultural Investment Support Directorate, MOA, in *Reporter* 8 September 2013. MOARD is previous name of MOA. UNDP 2012 gives much higher figures

[7] Under the Federal system the country is divided into 9 major ethnic-based administrative units called *Killils*inAmharic (rendered as Region in English, but I prefer the Amharic term). The lowest unit is the *kebelle* (equivalent to a sub-district), and above it is the *woreda* (district).

hectares potentially available for investors, Gambella 1.2 million, SNNP 500,000 and Oromia1.7 million (MOARD 2008; 2009). These lands were subsequently transferred to the Federal land bank in 2009.

The Growth and Transformation Plan (GTP), which was launched in the last quarter of 2010 and expected to run to 2015, has set ambitious targets for the expansion and development of sugar production in the country. At present the country has four medium-sized sugar factories but what they produce is not sufficient to meet domestic demand. The goal at the end of the plan period is not only to fully cover domestic needs but to export 1.2 million tons of sugar earning 662 million USD per year. To meet this goal, the plan calls for the expansion of the existing facilities as well as the establishment of eight new large factories with a combined plantation area of over 200,000 ha (MOFED 2010b). For this purpose the government established the Sugar Corporation in October 2010, a semi-autonomous body with a substantial annual budget which replaced the earlier Ethiopian Sugar Development Agency. The Corporation has embarked on a massive construction and land acquisition program in SNNP, Amhara, Tigrai and Afar *Killil*s. According to information recently posted on its website. it is constructing 12 new large-scale factories of which seven are in the south Omo valley of SNNP with a total land area of 175,000 ha, three in Tana Beles (western Amhara) with 44,000 ha, and one in Wolkait (northeast Tigrai) with 75,000 ha[8]. It is also responsible for the Kessem sugar factory (which has a 21,000 ha plantation) and Tendaho (50,000 ha) in Afar in the Awash valley, which have been under construction since 2005 but still unfinished at present.

In 2012, the Corporation acquired, through purchase, the property of a Pakistani company which had leased 28,000 ha of land to establish a sugar enterprise in the Arjo Didessa valley in Oromia, western Ethiopia. The company was unable to proceed with the project and decided to pull out transferring all its assets to the Corporation. The Arjo Didessa sugar project now owns over 72,000 ha of land on which the Corporation is building a dam on the Didessa river, a major tributary of the Nile, which is expected to inundate about 13,000 ha of land and to displace many thousand peasant farmers, though the exact number is not clearly known[9]. The Corporation thus controls under its new projects launched since 2010 a total land area of over 437,000 ha on which it is undertaking dam building, irrigation canal construction, construction of housing for laborers and staff, and planting of cane sugar for the factories. Some of the

[8]www.etsugar.gov.et Accessed November 2013. Information posted earlier, in 2011, but since removed, provides different figures

[9] According to press reports, it may be 100,000 or more (*Reporter* 8 April 2012, and 13 January 2013); the Corporation's website provides the most minimal information and no word on displacements

land under development in south Omo, its largest project so far, lies well within the boundary of the Omo National Park, one of the two important wildlife parks in the area established over four decades ago. The government body responsible for managing the country's parks and nature reserves, the Ethiopian Wildlife Conservation Agency, is aware of the encroachment but has kept silent about it (Dessalegn 2011, Ensermu et al 2009).

All the new projects will involve the displacement of pastoralists, agro-pastoralists and peasant cultivators from their land, and pose a risk to their livelihoods. The massive project in the Omo valley, for example, may displace 50 to 70 thousand people or more, according to reports in the local press, though other sources put the figure much higher (See below). While accurate figures are not available, theTana Beles, Wolkait in Tigrai and Arjo Didessa projects have displaced tens of thousands of peasant farmers from their land (*Reporter*, *ibid*, and 25 March 2013; EOC 2012). The Corporation says all displaced people, including pastoralists in the Awash and south Omo valleys will be resettled in purpose built villages, and provided irrigated land for their livelihood. It claims that the new projects will provide employment for over 162,000 people. Critics of the Corporation, not least international advocacy groups, argue however that the project in the lower Omo threatens the unique ecosystem of the valley, and has been accompanied by large-scale human rights abuses, forcing indigenous people from their ancestral lands, using violence and arbitrary arrests to do so. It is argued that the lives of between 200,000 to 500,000 people are endangered as a consequence of their displacement as well as severe disruptions to their livelihoods. A recent article in *Bloomberg News* reports that indigenous people that were interviewed were very unhappy with the loss of their land and water resources and were fearful that the project will eventually put at risk their livelihoods and the future of their communities[10].

How much land has actually been transferred to investors over the three phases of the investment program may not be accurately known. One of the earliest documents released by MOARD (2009a) shows that in the period between 1996 and the end of 2008, some 8000 applications for land were approved by the *Killils* with the total land committed measuring over three million hectares. Other sources give different figures though for different time periods. The World Bank (2010), for example, puts the total land transferred to investors in Ethiopia between 2004 and 2008 at 1.2 million hectares. Recently, in the interview noted above, the senior official at the Agricultural Investment Support Directorate (AISD) of MOA, which until recently was responsible for managing the land investment program, suggested a rough estimate of 2.2

[10] The higher figure is in HRW 2012b, the lower in OI 2011,2013. William Davison, "Development, rights, and restrictions in Ethiopian's South Omo", 16 September 2013.

million hectares as the total land leased out to investors up to the present but stressed that this estimate was not based on any reliable measurement. Furthermore, the GTP has set a target of 3.3 million hectares of land to be transferred to investors in the five-year period (MOFED 2010). On the other hand, recent figures posted on MOA's website indicate that between 2008 and 2012, some 500,000 hectares of land was leased out to investors both by MOARD and the *Killils*[11]. All in all, taking into account the figures given, I estimate that the total land ceded to investors from the mid-1990s to 2012 may be in the order of 3.00 to 3.5 million hectares. Looking ahead, it now looks highly unlikely that the government's target of leasing out an additional 3.3 million hectares to investors in the period up to 2015 will be met.

What was ceded and to whom?

What kind of land was transferred and were these lands indeed unused as the government claims? The wide diversity of lands leased out to investors, both private and public, include crop land, pasture and rangeland, woodland and forest as well as wetlands. Moreover, as we found out during our field work in 2010, lands in designated national parks, protected areas and wildlife habitats have also been given out, posing a serious threat to the country's ecological and biodiversity resources. A critical resource that has been given away almost free but which is often not mentioned in the land deals discourse is *water*. Indeed, the term *land deals* should be replaced by land and water deals because the two often go together. All these resources are vital to the livelihood of peasants, herders and small producers in the rural areas, and the claim by the government that they are unused is not supported by the reality on the ground.

There is finally the matter of population relocation in Gambella and BeniShangul, two *Killil*s that have been the main target of large-scale land deals. The *Killil* governments are responsible for the implementation of the resettlement program (or villagization as it is sometimes called) but have been supported by the Federal government in the form of special budget allocations. They deny that the program is connected in any way with the land deals but the timing of the program (at the end of 2010) and the fact that the people relocated were living in areas close to where investors had been allocated land suggests that there is certainly a strong link. Village residents living close to land leased to a Saudi-financed rice project called Saudi Star in Gambella that we interviewed in 2010 told us that they were convinced they were being moved to enable Saudi Star, which had requested for additional land, to expand its rice project (Dessalegn 2011). Human Rights Watch claims, in its report on

[11] See www.moa.gov.et

Gambella, that people were forcibly relocated and there was a high degree of human rights abuses (HRW 2012a).

The dominant actors in the land rush in Ethiopia are not transnational companies based in the West, as was the case in the past, but new players from Asia and the Middle East, of which the most prominent have been Indian investors. Indian capital is by far the largest both in terms of the number of investors involved and the extent of farm land acquired. Some of the biggest acquisitions have been made by Indian firms; the following is a sample of the largest beneficiaries: Karuturi, a company based in Bangalore, India, was initially given 300,000 ha of land in Gambella but this was subsequently reduced to 100,000 ha; it has also leased 11,000 ha in Bako Tibee *woreda* in Oromia. Emami Biotech acquired 80,000 ha in Oromia for bio-fuel crops; Shamporji, a subsidiary of the giant Indian conglomerate, Tata Group, received 50,000 ha in BeniShangul also for bio-fuel crops; BHO leased 27,000 ha in Gambella for rice and sesame seeds; and Ruchi Soya was ceded 25,000 ha also in Gambella to grow soya and palm oil for export. At the end of 2011, there were about 25 to 30 Indian agricultural investors holding among them between 450,000 and 500,000 ha of land in various parts of the country. In view of the dominance of Indian capital, the land rush of 2008 to 2011 may well be described as the Indian Scramble for Ethiopia. Other investors worthy of note include Saudi Arabia, the Gulf countries and Malaysia[12].

State accumulation and development from above[13]

We need to pause here and ask: what was the central objective behind the land investment program, and what specifically did the government expect the country to benefit by it? The government's economic policy formulated in the mid-1990s, called Agriculture Development-Led Industrialization (ADLI), placed high hopes on agriculture, making it the engine of economic growth, and small-holder farming as the dynamic force within it (MOPED 1994). For the next ten years or so, peasant farming, which was and remains the dominant occupation for the rural population, received increased extension services and new technologies such as modern inputs and high yield seeds (Kassahun 2012). Despite the fact that rural society was frequently battered by severe environmental stresses, and, occasionally, catastrophic disasters, and despite doubts among expert opinion as to whether ADLI was capable of delivering

[12]Based on MOA and MOARD websites, and local press reports (*Reporter* and *Fortune*). Some of the companies have since pulled out

[13] For the purposes of this work, I shall use the terms "development from above" and "state-led development" to mean more or less the same thing

growth, the importance given to smallholder production was welcomed by many, including civil society and development practitioners. However, by the turn of the new millennium there was a shift in government thinking away from the earlier emphasis, and by the middle of the first decade of the millennium family farming was no longer the darling of decision makers. Instead, large-scale land investment was seen as one among several initiatives to bring about not just growth but "growth and transformation", which was to be achieved by a substantial inflow of foreign investment. In an influential policy-framing document first issued in Amharic in 2001 and translated into English in 2003, the government argued that foreign capital in agriculture would serve as a catalyst in the transformation of the rural economy, driving the inevitable shift from subsistence farming to large-scale commercial agriculture (MOFED 2003:52).The document went on to emphasize that while there would be no discrimination against domestic investment, the focus of attention should be on attracting foreign investors because they are better endowed with investment capital, technology and market expertise (ibid). This turn towards large-scale agriculture driven by foreign capital was made real by several institutional reforms such as the 2002/03 investment laws, greater openness to foreign investment, beginning with the floriculture sector and culminating in the accelerated land leases in 2008 and after. Along with its transformative role, land investment was also expected to enable the country to expand and broaden its exports of agricultural commodities, and increase its foreign earnings. Other benefits included creating employment opportunities, construction of social assets such as health facilities, schools, and access to clean water for local communities, and opportunities for technology transfer to the rural areas.

The land deals in Ethiopia were driven by the state: the state has been the sole actor all through the various stages of the land "grabbing" process, from the initial task of publicity and investor attraction to the final stage of allocation of specific farm plots. This is an important point to bear in mind, one that perhaps sets the country apart from others in Africa and elsewhere. Another way of putting it is that it is the state that has been the real land grabber with foreign and domestic investors willing beneficiaries. This land grab has been made possible by the system of land tenure in place in the country which gives the state rights of legal ownership and land users rights of usufruct only, subject to expropriation and displacement at any time. The implementation of the land certification program in the last ten years has provided land users with an increased sense of assurance but by no means full security of tenure (Dessalegn 2009). Land transfers have occurred despite the program and peasants with title certificates have been expropriated for a variety of reasons including private and public investment projects. That rights of ownership are vested in the state has given public authorities considerable power over land users and rural communities. The leasing out of large tracts of land to investors in a process based on the exclusion of the local people and their communities further reinforces state power leaving small land users greatly weakened and increasingly vulnerable.

As noted above, an important aim of the land investment program has been to contribute to state accumulation which in turn was meant to serve the ambitious goals of state-led capitalist development. This economic model, state "developmentalism", if we may call it that, which evolved as government policy at the turn of the millennium, has the following characteristics: a) development is based on heavy public sector investments on a variety of projects, some of which are aimed eventually at gaining export earnings; b) state investment relies on heavy public borrowing from domestic financial institutions; c) this has placed serious impediments on the activities of the private sector not least because it has been crowded out of the credit market with much less space for growth; and d) this has led to a skewed and non-inclusive growth path measured in terms of access to resources, markets, and opportunities as well as in terms of the regional balance (IMF 2012). Equally important is the fact that decision-making is also not inclusive because all major economic decisions are made by the power elite and do not include public consultation nor participation by stakeholders. The state is the dominant actor in the economy in terms of investment and asset ownership (not least rural land), as well as a significant player in the production of goods and services.

There are a number of medium to large enterprises still under public control, the largest of which, the Metals and Engineering Corporation, a giant engineering and construction conglomerate established under the Ministry of Defense, has become the sole contractor for massive government construction projects such as dams, irrigation schemes, factories and other large-scale public undertakings. At the end of 2012, the government established the Chemical Industries Corporation under the Ministry of Industry with a budget of over one billion USD. This Corporation was given the mandate to establish and run enterprises producing a range of chemical products, fertilizers, and cement for the export and domestic market. To this list must be added a number of businesses and investments controlled by four to five quasi-government organizations attached to the ethnic-based ruling Parties of the major *Killils* in the country. While a number of public enterprises inherited from the previous Derg regime, of which some were loss making and a few others in state of decline, had been transferred to the private sector, the state's commanding role in the economy has not been diminished in any way. On the contrary, the large-scale investment it has undertaken over the last ten years, and its long standing control of such key sectors as telecommunications, power, shipping and air transport, banking and insurance continue to reinforce its dominant position.

The GTP, the centerpiece of the state-led development strategy, which was launched without meaningful public consultation or serious debate in Parliament, provides a dominant role for the state and only a junior role for non-state actors. A criticism of some of the country's international partners is that the state has embarked on far too many mega investment projects, some of which have not been judiciously prioritized nor based on a sound financial basis. The Renaissance Dam on the Nile, for instance, is estimated to cost 10 percent of the country's GDP (IMF 2012). The World Bank (2013) cautiously points to the need for sound public investment management, but management shortfalls, frequently reported in the local press, remain a persistent problem at a number of projects, not least the Gibe dams, and a good number of the Sugar Corporation's enterprises which have failed to meet their completion targets causing costs to spiral. The strategy is also fuelling inflation, which is hitting the poor very hard, and constraining private financial institutions. The annual inflation rate has remained in double digits for the better part of the decade, and in 2010 and 2011, food inflation had soared well over 50 percent (CSA 2005-2012), squeezing the living standards of most income groups but particularly those in the lower income brackets. While government data suggest that there has been a reduction in the number of people living below the poverty line in recent years , the same data indicate that there has been an increase in the severity of poverty in the same period, which means that the poor are worse off in 2012 than they were in 2005 (CSA 2012). On the other hand, government expenditure on education has been commendably high over the decade, nevertheless, the largest share of public expenditure did not go to those sectors that support poverty reduction (excluding education), but went instead to national defense, public debt, and public order and security. Expenditure on health is below the target set by the Abuja Declaration, which requires African governments to spend at least 15 percent of their public budget allocations on health (DI 2013: 14-18). The GTP in fact cannot be said to be particularly pro-poor: it gives only a passing glace at the problem of food security and has only a few things to say about long-term efforts at ending hunger and malnutrition, the country's enduring problem.

In brief, state-led development has meant giving the state a dominant role and promoting growth through public investment financed through heavy domestic borrowing. There are risks associated with the choice of investments and this, according to the IMF, include the build-up of a heavy and unsustainable public debt burden, making a number of public enterprises and banks highly vulnerable, and causing a significant draw-down of the country's foreign reserves creating severe difficulties for private businesses and investments. The IMF argues that growth in the years ahead is expected to decelerate due, it believes, to the limited opportunities for the private sector which has been hampered not just by limited access to credit but also by restrictive regulations and the worsening business climate (IMF 2012). The World Bank also expects the growth rate to slow down but gives different reasons for it (World Bank 2013). According to IMF's analysis, the relatively high growth rate achieved so far has been due in part to large-scale public investments and not primarily because of significant productivity growth.

At the same time, state-led development has had significant implications for the political realm as well. The country is effectively a one-party state and political power is concentrated at the top. State developmentalism combined with the non-inclusive land investment program has contributed to greater elite power concentration and state hegemony. We have already noted above the transfer of the power of the *Killils* to the Federal MOA in regard to land administration. The years 2008 and 2009 saw a spate of anti-democratic and almost draconian laws issued restricting the freedom of the press, crippling the activities of civil society organizations, and creating fear and uncertainty among citizens due to the increased powers given to security and law enforcement agencies in connection with the prevention of terrorist act (FDRE 2008, 2009a,b).

The emerging crisis of land investments

The rush to acquire land in the period under discussion has not been accompanied by a similar move to utilize the land. Indeed, it became evident shortly after the investment program was launched aggressively in 2008 that the program had attracted not only commercial farming interests but speculators as well. A few years into the program, nearly a dozen foreign investors that had acquired large estates for bio-fuel crops in BeniShangul, Oromia and SNNP terminated their leases and pulled out, citing financial difficulties and doubts about the profitability of the business scheme, and alleging that the global recession had made bio-fuel production a less attractive investment. Since then other foreign investors, including several from India with large leases have also withdrawn for a variety of reasons including shortage of capital, lack of support from the government and conflicts with local officials and communities[14].

Moreover, a serious concern of the government in the last two years has been the low utilization of land by investors. A major assessment of land investment projects in the country for the period from the 1990s to the end of 2011, undertaken for UNDP and MOA by an international consultant (UNDP 2012), shows that by the end of 2011 only a small percentage of investors had undertaken farm activities on their land. The assessment report provides

[14]*Reporter* 22 April 2012, Ministry of Mines quoted in *Reporter* 27 May 2012; *Fortune* 8 April 2012; *The Hindu* 1 June 2013 and 5 November 2013

evidence for a catalogue of failings and incompetence inclusive of the following: poor performance by investment projects, of high rates of underutilization of land, low levels of farm expertise, and low levels of productivity. It found that among the 112 sample investors selected for case study, the rate of land utilization among those with leases greater than 10,000 ha was one percent; and those with 3000 ha or more was nine percent. Overall, the finding was that the average domestic and foreign investors were farming 11 percent and eight percent, respectively, of the land that is registered in their names (p. vii). In other words, 89 percent and 91 percent respectively of leased land was idle. What is more revealing is the finding regarding agricultural performance. The assessment found that average yield figures for similar crops grown in the same region and under the same climatic conditions showed that investors had a *much lower rate of performance than peasant farmers* for 80 percent of the crop yield comparisons (p. 89). Moreover, comparison of domestic and foreign investors revealed two important facts that are worthy of note. First regarding project implementation, domestic investors were found to be better than their foreign counterparts in converting leased land into farm land by a wide margin. Secondly, regarding productivity, yield figures for seven crops grown by both kinds of investors showed that except for cotton, domestic investors had a higher level of productivity for all other crops, namely coffee, maize, rice, sesame, sorghum and soya (p. 103). These findings must have come as an embarrassment to government officials who had frequently argued that foreign investors have much better advantages than domestic investors not only in terms of access to capital and technology but also in terms of land-use efficiency and agricultural performance.

The view in the government at present is that while the investment program has performed below expectations there is still hope that proper and centralized management and supervision by a public agency can improve matters and enable the program to achieve its objectives (MOA 2013). The real verdict, I believe, is that the program is on the verge of a crisis and the technocratic remedy proposed for its recovery seriously underestimates the severity of the difficulties it is facing. To begin with, because of the urgency created by the 2008 global food crisis and the haste with which investors rushed to “grab” land in “uncharted territories”, many investors were saddled with a host of problems for which they were ill prepared and which they were not able to easily overcome. In many instances, proper land and environmental impact assessment was not undertaken before land deals were concluded; the UNDP report notes that 84 percent of investors had not used any environmental impact assessment document (p.50). In a number of cases, project staff lack farming expertise, employ poor land management practices, and have limited, if any, knowledge of the specific agro-ecological conditions of the localities concerned. The UNDP document for instance notes that crop failures due to water-logging and flooding, which had damaged crops in a number of projects, should have been predictable and avoidable with proper on-farm water management. The following quote from a recent news report is indicative of the lack of knowledge of local conditions which a good discussion with the surrounding communities would have helped to overcome:

> Eighty percent of the Bangalore-based company's land in the southwestern Gambella region is on a flood plain, meaning its 100,000-hectare (247,100-acre) concession is inundated by the Baro River for as much as seven months of the year, according to Managing Director Ramakrishna Karuturi. The company was unaware of the extent of the flooding when it leased the land, he said[15].

To give another example: Karuturi's other farm in Bako, some 250 kms west of Addis Ababa, which we investigated for an earlier study, was flooded during its first year and the maiden maize crop was badly damaged as a result. It was evident that the damage could have been prevented if the project's senior staff, all of whom were from India, had employed simple protection measures which local farmers often used. Peasants we interviewed near the project were scornful of the farming methods used by the management (Dessalegn 2011).

Secondly, there is also the matter of governance of large-scale investments by local and Federal authorities. Governance was not only inadequate and poor but also irresponsible: the authorities had placed too much confidence on foreign investors to do the right thing because it was believed they had better access to capital and technology and were thus better farmers. Moreover, it was clear from the beginning that both at the Federal level and lower levels, from the *Killil* to the local *kebelle*, there was a severe deficit of governance capacity: competent staff, expertise, technical equipment, planning and preparedness were all lacking (MOARD 2009, *Reporter* interview, 2013, UNDP 2012). An even more serious flaw has been the non-inclusive and non-transparent manner in which the investment program was undertaken from the beginning in the 1990s to the present. The government has been unwilling to invite public dialogue on the program and has employed a top-down and undemocratic approach in which decisions are made at the top and passed down to local officials to implement. A significant shortcoming, one that is an important contributing factor to the emerging crisis has been the failure to consult the most important stakeholders in the whole program, namely peasant farmers, herders and their communities. The government has proceeded to implement the program without their participation or consent and without even informing them. On many occasions peasants and

[15]William Davison, Ethiopia's Push to Lure Farm Investment Falters on Flood Plains, *Bloomberg News*, 25 November 2013

herders learned of the transfer of land in their community to an investor only when the investor appeared on the scene, together with local officials, to claim his land (Dessalegn 2011).

Thirdly, the reactions of local communities to the expropriation of their land and deprivation of their ancestral rights, and the security concerns this is raising, especially in Gambella, needs to be taken into account. Sporadic protest and agitation by local communities in opposition to the land deals has occurred in a number of rural areas, and in several cases protest action has had an impact on investor performance. The form of protest has varied from angry complaints made to local authorities by groups of peasants, low level activism, and violent protest. The following are examples from several areas where large-scale land transfers have been made. In 2012, there were two violent incidents in Gambella causing loss of life and serious injuries to people and property. While the perpetrators did not give any statement indicating their reasons for the attacks, opposition to the investment program and the large inflow of outsiders into the area cannot be ruled out as important factors. In the first incident, which took place in March of that year, a bus carrying students and heading to Gambella city was attacked by gunmen and, according to authorities, 19 people were killed and many others were injured. In the second incident, in April, gunmen attacked a Saudi Star worksite in Abobo *woreda* where men were working on a water diversion scheme in which four Ethiopian staff and one Pakistani were killed. The perpetrators in both cases were said by the authorities to be from a secessionist group called the Gambella Nilotic Union Movement; some of them were apprehended a few months later across the border in South Sudan (*Reporter* 2012, various issues).

Other dissident groups, not least among the Gambellan Diaspora, have also made strong criticism of the investment program in the *Killil*. A different kind of protest has occurred to the west of the *Killil* in Godere *woreda*, which is noted for its forest cover and lush vegetation. The Godere forest has been designated as one of the 58 protected forests in the country, and the people living here depend on forest resources for their livelihood and have protected the forest since time immemorial. In 2010, a large stretch of the forest, 5000 ha of it, was leased to an Indian investor called Verdanta Harvest against strong protest not only by the local communities but the President of the country (see Zelalem 2009; Dessalegn 2011). It turned out that Verdanta Harvest (part of a large Indian company called Lucky Group), which was given the land to establish a tea plantation, had a different agenda: it was reported by the local authorities that it was engaged in the timber trade and was harvesting the wood from the forest for that purpose. In October 2013, an unidentified group of people set fire to the company's property destroying and damaging machinery, fuel, vehicles and buildings. The authorities sent a police force and arrested several people said to be responsible for the arson and also set up an investigating committee[16].

Other violent protests have occurred in the Arjo Didessa valley where the Pakistani-held plantation was torched by irate peasants who were resentful of losing their land. According to press reports, the fire that was started by unidentified individuals but most probably by angry peasants in the community was said to have raged for three days destroying plantation property and causing severe damage to crops (*Reporter* 22 February 2012). In 2010, peasants in BakoTibee *woreda* in western Oromia, where we did field work, took part in a violent agitation against a domestic investor who had recently received 3000 ha of land. Informants told us that the peasants were angry because they considered the land to belong to the community and had been used for generations for grazing, for access to water, and as a venue for traditional social and religious services. Our informants said the authorities had to call in the Federal police to quell the disturbances. The projects under construction by the Sugar Corporation have also been put under pressure by strong reaction in the south Omo valley, in Wolkait in Tigrai as well as in Tendaho in the Awash valley. There is not much information about activism on the part of the indigenous communities in south Omo but the project is guarded by a large detachment of armed troops, and international advocacy organizations have reported a number of arrests of people suspected of being opposed to the project and agitating against it (HRW 2012b, OI 2013) . In Wolkait, there was serious agitation by a large number of priests and community people because the construction of the dam there was said to threaten the integrity of an ancient monastery located nearby. The agitation appears to have calmed down because of assurances given by the project, though according to the report prepared by the Ethiopian Orthodox Church (EOC), three of the churches closely linked with the monastery will be inundated. The report criticizes the Corporation for not consulting with the clergy and the community before launching project activities (EOC 2012). One of the reasons behind the long delay in the completion of the Tendaho project has been persistent dispute with the surrounding pastoralist communities which are concerned the project will deprive them access to their customary sources of pasture and water.

There are also what James C Scott (1985) has called “everyday forms of resistance”, such as driving cattle to graze inside investor plantations, damaging crops and plantation property, or stealing plantation assets. Examples of such activities have appeared in the local press from time to time (*Reporter* 31 October 2012). At the time of our visit to Bako in 2010, Karuturi’s farm was

[16] Both the arson attack and the Gambella authorities complaints against Verdanta are covered in *Reporter* 28 October and 11 December 2013; also in the Indian paper, *The Hindu* 5 November 2013

partially fenced with barbed wire and there were guards on duty carrying automatic rifles. Asked about the armed guards, peasants interviewed said it was to deter people from breaching the fence and grazing their livestock inside the farm which had happened several times in the past. It is not uncommon to see armed guards protecting investor projects elsewhere in the country; in some instances, armed men stand guard over heavy farm machinery out in the field for fear of attacks against them.

In 2012, MOA temporarily suspended land allocations pending a review of the program, the outcome of which was a series of new "reform" measures and institutional changes. A new body, the Agricultural Investment Land Administration Agency, which incorporates the AISD, was set up in June 2013 tasked with the responsibility of improving program governance. Some of its duties include undertaking proper land assessment, setting up strict guidelines for land allocations, closely monitoring investment projects, and ensuring investors employ environmentally sustainable agricultural practices. The Agency will be responsible for managing all lands leased to investors both by the *Killils* and the Federal MOA as well as land transferred to the Federal land bank (MOA 2013). This enhanced power by a Federal Agency will certainly further erode the authority of the *Killils* regarding land administration. It is evident that the *Killils* will now have hardly any role in land investment which has become the sole preserve of the Agency. The Agency is also charged with administering the Agricultural Economy Zones, to be set up in 2013 with an initial land fund of 285,000 ha spread over several *Killils*. The government is to provide basic infrastructure in the Zones and lease the land to investors for a much higher rent than previously. The reforms also call for scaling down the amount of land allotted to new investors who will now be offered, initially, 500 ha (or even less), though this could be raised up to a maximum of 3000 ha under certain circumstances. The UNDP assessment report noted above recommended the establishment of a cap on leases in each *Killil* at a level shown to be most efficient in terms of investor land use, advising a maximum limit of 2000 ha. There are also plans to establish some sort of criteria for determining land use efficiency which will be followed by land repossessions (in whole or in part) from investors who fail to meet the criteria. The AISD and *Killil* authorities had already revoked the leases of a number of foreign investors (in BeniShangul, Gambella and Oromia) on account of failing to use the land they had acquired and breach of contract (FDRE 2013; MOA 2013; *Reporter* interview 8 Sept 2013; UNDP 2012).

The conclusion to be drawn from all this is that the country's land investment program, launched in the 1990s but more vigorously pursued with the participation of foreign capital in the last six years, has been a failure, and all the indications are that it is unlikely to achieve its major objectives in the years ahead. The assessment commissioned for UNDP and MOA does not provide a comprehensive picture of the investment program, focusing mainly on investor performance, land use efficiency and related issues. The broader questions of the program's impact on the environment, whether or not there is a role for democratic governance, and the choice of large-scale agriculture driven by foreign capital as a vehicle for sustainable development have not been given due consideration and the remedy that is proposed focuses essentially on technocratic change and improvements in investor management.

What is to be done?

The wave of land acquisitions in Africa and elsewhere, in the past five to six years, has elicited varied reactions and concerns from a wide diversity of regional and international organizations, advocacy groups, development practitioners and the academic and research communities. Some of these reactions have been strong. The African Union Commission, for example, expressed deep concern over what it called the "new scramble for Africa" - an apparent reference to the historical Scramble for Africa when the continent was carved up among a small number of European colonial powers in the 19th century (AUC 2009). The Eastern Africa Farmers Federation, in its Entebbe Declaration of 2010, was highly critical of foreign land grabbing, declaring that securing the land rights of small farmers, pastoralists and fisher folk remains the best option not only for addressing hunger and poverty but also for wealth creation (EAFF 2010). The response of such advocacy groups as GRAIN, Human Rights Watch and the Oakland Institute has been equally robust: they have claimed that these acquisitions are unjust and have been accompanied by human rights abuses and heightened the vulnerability of small producers in most of the host countries.

Closer to home, long before the global outcry about land grabbing, Ethiopian civil society organizations, notably environmental advocacy groups, had expressed serious concern about the ecological and economic impact of the land rush taking place in the country in 2007 and 2008. They were particularly concerned about the program of "agrofuel development" pursued by the government, and the large stretches of land being ceded, without adequate environmental safeguards, to foreign companies claiming to help the country achieve energy security (Ensermu et al 2009, MELCA Mahiber 2008, Tibebwa and Negusu 2008). They saw and pointed to the dangers hanging over critical natural resources and wildlife in a number of national parks and protected areas which were being threatened by investor encroachment. They raised the alarm when, for example, land in a protected area in southeastern Ethiopia which was the habitat of a unique species of elephant found only there was given to a

German company growing castor beans for biofuel. Similar concern was expressed when lands in SNNP which were part of or very close to Omo and Mago national parks, and forest land in Gambella were offered to investors. These concerns are still valid today

On the other hand, international organizations such as the World Bank (2010), FAO (2010) and others have adopted a conciliatory approach, arguing that in the best of circumstances land investments could lead to a "win-win situation" in which all parties concerned, not least governments, local communities and investors, could benefit. The World Bank (2010) in particular has maintained that African countries have considerable "underutilized" land but they lack the requisite capital and technology to develop it and hence must attract foreign investment. It accepts however these governments lack adequate capacity for sound and effective investment governance and to help them make up this deficit and create a win-win situation the Bank, along with its other partners, have proposed what is known as the principles of responsible agricultural investment. These principles call on governments to establish clear laws on tenure security and to respect these laws, conduct land deals in a transparent manner, and ensure that investment governance includes measures for environmental protection and sustainable land management. Businesses are required to be guided by widely accepted norms of corporate social responsibility and self-regulation. All these measures, however, are to be put into practice on a voluntary basis (ibid).

This "code of conduct" approach, if we may call it that, has been widely criticized[17]. Critics have argued that the underlying assumptions are flawed. The approach does not question whether there are other viable options to large-scale land investments, or indeed whether such investments are desirable. It merely recommends that all parties concerned should follow best practices and be governed by mutually beneficial regulations. Many of the countries where land grabbing has occurred do not have good credentials regarding democratic governance and respect for the law. They often lack a strong and independent judiciary, and small producers and the poor in general do not believe they can get justice or a fair hearing for their grievances. An additional factor in Ethiopia is that civil society and advocacy groups which would have played an important role in raising awareness and supporting the demands of small producers have been seriously crippled by a recent law (FDRE 2009a). To expect investors, such as those that have leased land in this country, to voluntarily adopt self-regulation

[17] See Borras and Franco (2011), and De Schutter (2011), White et al (2012) for the criticism

and corporate social responsibility is unrealistic. The farm projects set up here or elsewhere in Africa are capitalist enterprises whose sole aim is to make profit for their owners in a short period of time. In many instances, investors will be driven by a "get-the-maxim-profit-quick" approach because of uncertainties regarding political stability in the host country and concerns having to do with volatility in the global agricultural and financial markets. These pressures will, in all likelihood, drive many to employ environmentally unsustainable land management methods and to refrain from long-term economic or social investments.

Some critics have gone further and questioned whether large-scale land investment is a viable option or desirable for countries dominated by small holders and family-based farming systems. One such critic is De Schutter (2011) who has argued that giving away large tracts of land has immense opportunity costs because it will lead to a type of farming which will have less poverty reduction impacts compared to revitalizing small farmers, and will direct agriculture towards the export market, thus increasing the country's vulnerability to price shocks. Moreover, the experience of countries such as India and China in the recent past, countries with predominantly family-based farming systems is instructive. These countries were able to register high rates of agricultural productivity and meet domestic demand for food and other agricultural goods without foreign capital or without shifting to large-scale farming systems. India's successful green revolution which enabled the country to attain self-sufficiency in many food crops and to become a net exporter of rice was based on strong public sector support to its small and medium farmers through a variety of targeted programs. Similarly, China's agricultural breakthrough in the 1980s came thanks to land tenure reforms and the implementation of what was called the household responsibility system, which transferred responsibility for land management from the commune, which was inefficient and wasteful, to the individual household (see Quizon 2013).

In our case, the real criticism of the land investment program must focus, not merely on issues of inadequate governance and lack of management capacity, but rather on fundamental issues of policy choice and principle. As was noted above, state-led development is inherently undemocratic, eschewing consultation and public dialogue in the decision-making process and attributing almost divine omniscience to the state elite. Among the fundamental democratic principles that the investment program has flouted with detrimental effects are the following: a) the right of local communities to have an *informed say* in matters having to do with the utilization and disposal of land and other natural resources in their locality; b) the right of *informed consent* by communities without which: i) local natural resources cannot be ceded away to outsiders, and ii) community residents cannot be moved from their ancestral lands. Other significant limitations have been the lack of transparency in program design and management, blind faith in what decision makers thought was the transformative power of large-scale farming and foreign capital, and the failure to incorporate the goals of food security and poverty reduction as important objectives of the program. It is quite evident that the new policy review and the changes initiated as a result have not provided any improvements in this regard.

The choice made by decision makers to promote land deals and entice foreign capital to promote agricultural development has been counter-productive. The assumption held by decision-makers that agricultural transformation would be achieved through the instrumentality of foreign capital is proving illusory, and, if not seriously reconsidered in the light of the current experience, will cause immeasurable damage in the long run. The more judicious policy option would be to invest in a program of what I wish to call *internally-driven agrarian transformation.* Such a program would involve, among other things, not only channeling greater resources into modernizing smallholder agriculture, but also, importantly, encouraging, through a variety of support mechanisms, the growth and development of resident *farmer-investors* from among the peasantry and other land users. The goal would be to enable such farmer-investors to operate large-scale farms so that they can play an important role in the modernization of agriculture. There are already a good number of dynamic and entrepreneurial peasant farmers in the rural areas but they face, at present, a host of financial, institutional and technical road blocks inhibiting their efforts and the chances for progress. Enabling these farmers to grow and become investors will take time but it is an investment worth the effort and the resources expended in the medium to long term. Such farmer-investors have the advantage of extensive practical knowledge of farming and local conditions combined with respect for the environment and natural resources. These farmers live in the rural areas among their own communities and are more likely to be more eco-friendly and more responsible in their enterprise than external investors. What indigenous farmers lack in access to capital and technology, which can be remedied without too much difficulty by prudent and timely financial and technical support, can be compensated by their greater practical know-how, social responsibility, and sense of accountability.

Acronyms

AISD:	Agricultural Investment Support Directorate
CSA:	Central Statistical Agency
DI:	Development Initiatives (Nairobi)
EOC:	Ethiopian Orthodox Church
EPA:	Environmental Protection Authority
FAO:	Food and Agricultural Organization
FDRE:	Federal Democratic Republic of Ethiopia
GTP:	Growth and Transformation Plan
Ha:	Hectare(s)
HRW:	Human Rights Watch
IMF:	International Monetary Fund
MOA(RD):	Ministry of Agriculture (and Rural Development).
MOFED:	Ministry of Finance and Economic Development
MOPED:	Ministry of Planning and Economic Development
OI:	Oakland Institute
SNNP:	Southern Nations, Nationalities and Peoples
USD:	United States Dollar(s)

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NOTE. Following customary usage, Ethiopian authors are listed alphabetically by first name.

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9 *Asnake Kefale and Fana Gebresenbet*

The Expansion of the Sugar Industry in the Southern Pastoral Lowlands

Background

The Growth and Transformation Plan (GTP) which covers the period 2010/11-2014/15 advocates a geographically differentiated agricultural development in the country. The document emphasizes scaling up of best practices, expanding irrigation development and improving natural resource management and production of high value crops in the highlands and irrigation, livestock development, and resettlement in pastoral lowlands. According to the Ministry of Finance and Economic Development (MoFED), while smallholders in the highlands are expected to commercialize and intensify their production, land in peripheral lowlands will be leased to investors (2010).

Given the geography of Ethiopia, it is understandable that most of the lands transferred to investors and apportioned for the ongoing project of massively expanding the sugar industry are by and large found in the lowlands. According to the MoFED, much of the 3.3 million hectare (ha) of land slotted for transfer to agricultural investment between 2010/11 and 2014/2015 is found in peripheral lowlands (2010). These lowlands are inhabited by ethnic groups subsisting on livelihood systems which depend on expansive utilization of natural resources: shifting cultivation in southwestern lowlands and (agro-) pastoralism in southeastern lowlands. The logic of these livelihood strategies is not legible to the political and economic elite, which is mainly drawn from the highlands, not least because the lowland economy is not commoditized and thus the state extracts little revenue, if any. Geography, however, is not only juxtaposed with livelihood strategies: it is also overlaid on center-periphery political relations between the politically powerful highlanders[1] and marginalized lowlanders. Thus, these land transfers, mainly designed and

[1] The highlander category is not homogenous; the northern highlanders constitute the political and historical center. The southern highlanders, however, fare much better than the lowland periphery in political as well as economic terms (Markakis 2011).

implemented from the political center, follow the historic center-periphery divide in Ethiopia (Makki 2011).

The Federal government manages the transfer of land to foreign as well as domestic investors. It has created what it called a Land Bank, to which regional states transfer ‘unsettled’ land which could be utilized for commercial agriculture. Furthermore, through the Agricultural Investment Support Directorate of the Ministry of Agriculture and Rural Development (MoARD), the Federal government gives permit to all foreign agricultural companies after reviewing their applications. Domestic investors will fall under the purview of the Directorate only if the land area to be put under cultivation is larger than 5,000 ha.[2] The state is not solely limited to facilitating and regulating land transfers, and controlling progress on committed investment, but through the Sugar Corporation and the Ethiopian Chemical Industries Corporation, it acts as an investor too. These Corporations are establishing sugar cane and rubber plantations respectively.

In this chapter, we are interested in examining the expansion of the sugar industry, and the political and economic implications of such state-managed industrialization. The remaining part of the chapter is divided into six sections. In the first, we trace the evolution of the politics of development governance. Then we trace the contours of change in development policy from Agricultural Development Led Industrialization (ADLI), a policy that gives heavy emphasis to agricultural development, to GTP’s goals of bringing industry to play the major role in the economy. Third, we provide an overview regarding the magnitude of the ongoing projects of sugar development based on the GTP document as well as data from the Sugar Corporation. Fourth, we explore the impacts of the sugar cane plantations in pastoral lowlands by considering the case of the Kuraz Sugar Development Project (KSDP) in South Omo. Finally, brief remarks are made by way of conclusion.

The politics of development governance

The role that the state plays in the economy has been one of the long standing questions of political economy. Different strands of political/economic thought emerged in a bid to identify the *right* role the state should play in the economy (Tanzi 1997; Chang 2003). Without delving into the historical and philosophical debates about liberalism and socialism/statism, in this section, we will trace how ideas/theories about

[2] Interview with an Expert of Agricultural Investment Support Directorate of the MoARD, January 2013.

the governance of development in Africa as well as Ethiopia have been shifting in the last few decades.

Since independence, Africa has been a testing ground of many models of development. The first generation of African leaders 'adopted State-led development strategies whereby governments played a pivotal role not only as facilitators and regulators but also as producers, traders and bankers' (ECA 2011: 1). Indeed, immediately after independence, many of the African countries adopted a model of development that vested the responsibility of leading the economy in the state (Rempel 2008; Mkandawire 2001). Many African countries (including Ethiopia) adopted various forms of socialism – which advocated the control of the vital sectors of the economy and undermined private initiative. Even if this approach could be credited for its emphasis on social justice, it failed to bring economic transformation.

While policies of interventionism that spanned from the 1960s till the beginning of the 1980s were informed by the idea of 'market failures', starting from the 1980s African development discourse began to be dominated by the idea of 'state failure' (van de Walle 2003). Consequently, under the rubric of structural adjustment programs (SAPs), African countries used fiscal, monetary and trade policies to correct macroeconomic imbalances and stimulate growth (Cassen, 1994). The underlying assumption of the new policy shift had been the need to radically reduce the role of the African state in the economy and provide incentives to the private sector. By making aid and loans conditional on structural adjustment, western governments and the international financial institutions, notably, the World Bank and the International Monetary Fund (IMF), forced the now infamous SAPs on African countries. As part of SAPs, many African countries not only privatized para-statals which were draining their economics, but also severely reduced funding to basic social services like education and health resulting in adverse socio-economic consequences (ILO 1993; Adepoju 1993).

In tandem with economic liberalization, western powers and their institutions promoted the *good governance project*. The absence of good governance was blamed as one of the key causes for the lack of progress in the continent (World Bank 1989). The *project* was intended to infuse Weberian principles and practices of rational bureaucracy. By undertaking good governance reforms, African governments and bureaucracies were expected to adopt some of the basic standards of Weberian bureaucracy which, among others, includes transparency, accountability and the rule of law (Dahlstrom *et al*, 2012).

After the onset of the 21st century, there is a growing consensus that the reform measures that were forced upon African states by and large failed to produce the desired results. In the political front, reforms that were undertaken in much of Africa have not really led to genuine democratization (Lynch and Crawford 2012). Across Africa, with the exception of a few countries, multiparty democracy has failed to materialize. In the wake of the third wave of democratization, the principle of multiparty democracy found its way into the constitutions of almost all African countries. But in the majority of these countries, conditions that would allow the realization of genuine multiparty democracy are simply nonexistent. While it is true that democracy is a work in progress and needs time to bear fruit, in much of Africa the processes of democratization, which were initiated at the beginning of the 1990s, have disappeared. In fact, the little gains that were accrued during the heyday of the third wave of democratization in many African countries were reversed. Regimes and leaders, who like to preach about the indispensability of democracy for the survival of their nations, routinely stifle dissent in practice. One can say, in many African countries, there is no level playing field for both incumbent regimes and the political opposition to allow multiparty democracy to function. Consequently, elections are routinely rigged and civil society and political opposition parties are intimidated by regimes headed by strong men. Ethiopia is not an exception from this wider continental trend.

In the economic front, there is an impending consensus that SAP was a failure. As a result, policymakers and scholars are currently engaged in exploring alternative paths of development. Once again, the role that the state should play in steering the development of the continent has been given focal attention. While the discourse and policy direction since the beginning of the 1980s was about withdrawing the state from the economy, the focus presently is about the centrality of the state in bringing about development (Mkandawire 2001). By borrowing ideas from the experiences of East Asia, a few African regimes are now branding themselves as champions of *developmental state*. This move has been also endorsed by such international organs like the UN Economic Commission for Africa (ECA). According to the ECA, the failure of earlier approaches, both State-led and market-driven, points in the direction of a developmental state that uses the market as an instrument rather than a 'mechanism' for fostering long-term investment, rapid and sustained economic growth, equity and social development, and does this in the context of a democratic, inclusive and comprehensive national development framework (2011: 2).

In recent years, Ethiopia has become one of the champions of the developmental state model in Africa. The ruling party, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), at least since 2006/7 follows what it calls a 'democratic developmental state'. The late Prime Minster, Meles Zenawi was critical of what he dubbed the neo-liberal approach to development and argued the indispensability of the developmental state model for Africa. To allay fears that the developmental state model abets and promotes authoritarianism, the late Prime Minister named his strategy of development 'democratic developmental state' (see de Wall, 2013). While the attempt to marry developmental state to democratic norms could be lauded, in practice, the little progress that was achieved in Ethiopia at the beginning of the 1990s in terms of freedom of speech, and associational life, be it political or civil society, has been reversed after the EPRDF was shocked by the strong showing of the opposition parties in the 2005 national and regional elections. Since the controversial elections of 2005, the EPRDF has put greater emphasis on its developmental credentials. The GTP of the Ethiopian government which was issued in 2010 puts the vision of the country as 'extricating itself from poverty to reach the level of a middle-income economy as of 2020-2023' (MoFED 2010: 21).

One of the natural outcomes of the policy of developmentalism has been the massive expansion in the role of the state in the economy. The government continued to own strategic and key sectors of the economy like telecommunications, electricity and finance. On the top of these, new government owned large corporations, namely, the military run Metals and Engineering Corporation (MetEC), Sugar Corporation and Chemical Industries Corporation were established.

There is, of course, not a mutually agreed definition of what constitutes a developmental state. As mentioned above, however, developmental states share one similar feature, namely, the expansive role that the state plays in the economy. Nonetheless, if the experiences from East Asia, from where the idea of the developmental state has been derived, give us any indication about the key attributes of a developmental state, the following factors need to be underscored. Implementing the projects of the developmental state requires: first, the presence of a capable, autonomous bureaucracy (Evans cited in Routley 2012: 8); second, a political leadership oriented and committed to promote development (Musamba; Fritz and Menocal cited in Routley 2012: 8); third, a close, often mutually beneficial symbiotic relationship between some state agencies (often discussed as pilot agencies) and key industrial capitalists (Johnson cited in Routley 2012: 8); and fourth, successful policy interventions which promote growth (Wade; Beeson cited in Routley 2012: 8).

When we consider the Ethiopian situation in light of the above four features, there are a few but crucial elements missing in the organization of the developmental state. More worryingly, there is no capable bureaucracy. This has been openly admitted by the government on several occasions.[3] The development of an autonomous and capable bureaucracy has been frustrated in Ethiopia due to a host of factors. First, there is a high degree of skills deficiency in the bureaucracy due to limited educational preparation. Second, the established bureaucratic culture within government organizations is historically characterized by inertia and benefiting from those who seek the services of the government rather than efficiently providing services. Third, appointments to key positions of the bureaucracy, or, these days, even employment to the rank and file of the bureaucracy have been increasingly used as instruments of patronage by the ruling party and its affiliates. Fourth, petty and grand corruption is becoming a major problem. In particular, there is a strong belief about the presence of systemic and widespread corruption relating to tax administration, land management and government contracts (See FEACC 2012: 28-33). While the government now and then undertakes a wave of arrests of officials alleged to have been involved in corruption, the problem of corruption in the country is growing. All these undermine the autonomy and capability of the bureaucracy to provide the required services in implementing the projects of the developmental state.

In addition to the poor state of the bureaucracy, there is little progress in the development of mutually beneficial and symbiotic relationship between agencies of the government and the private sector. Some positive steps have been taken by the government by establishing government agencies that help to steer the support of the government to the leather and textile sector. Notwithstanding this, relationships between the private sector and the government are not based on mutual trust and confidence. The EPRDF has a dualistic view of the players of the private sector – those who seek rent (benefit by using their connection with the government) and developmental investors. And it vows to control the rent seekers and support the developmental investors (EPRDF, 2006). But in reality, it is difficult to identify which investors are rent seekers and which are not. Because of all these, one can conclude that the Ethiopian developmental state is not in a position to unleash the full potential of the private sector. This would definitely hamper the prospects for growth and overall development. At the same time, it is too early to talk of either the success or failure of the new government corporations in meeting their goals; the experiences of the existing monopolies of telecommunications and electricity do not provide a reassuring message. In what follows, we examine the shift in

[3] For example, the most recent Congress of the EPRDF, from March 2013, highlighted the progress made as well as the remaining difficult task of building the skill of the leadership as well as professional staff of the civil service (see EPRDF, 2013).

development policy from agriculture to industry envisaged by the developmental state.

Transforming the Ethiopian agrarian economy: from ADLI to GTP

Ethiopia's economy is predominantly agrarian. In the densely populated highlands, where the majority of the population of the country lives, smallholder subsistent agriculture is still the dominant source of livelihood to millions of farmers.[4] In the lowlands, which are sparsely populated, nomadic pastoralism, agro-pastoralism and shifting cultivation are widely practiced. A great majority of the population, 83.9% according to the latest census (Central Statistical Agency [CSA] 2008), resides in rural areas subsisting on primary economic activities. In the past two decades, the government has adopted and implemented policies which first and foremost are geared towards increasing agricultural productivity, with the aim of exploiting the excess labor in the sector, meeting nutritional requirements of the population and contributing towards the launching of an industrial economy from the surplus thereof (MoFED 2003). Thus, the ADLI strategy encourages the adoption and implementation of agricultural technologies which are labor intensive and with little capital requirement.

The Ethiopian government on several occasions reiterated the success of ADLI in yield increment. But yield increment reported by the Ethiopian government is much higher than those recorded during the Green Revolutions of India, China and Vietnam. Indeed, a 'nationally representative, but small, household survey' (Dercon and Vargas Hill 2009) and estimates from satellite imagery indicate that there is an apparent overestimation of cereal yield increment on the part of the Ethiopian Central Statistical Agency (*ibid*). As there was no significant increase in agricultural input use in the period in question, the reported yield increment, if correct, could not be explained by use of agricultural inputs (*ibid*), but possibly explainable by increasing labor hours and productivity.[5] The success of the agricultural extension service is also questionable, with reports of dis-adoption of agricultural technologies being not uncommon (Spielman, *et al*. 2013).

[4] In the first two decades of post-1991 Ethiopia, the contribution of the manufacturing sector to the economy stalled at five percent, while increase in the service sector made up for the decline in agriculture (Tilman 2010).

[5] Alemayehu, *et al*. (2013) assert that most of the increase in agricultural production in the 1990s was from expansion in agricultural land, but in the 2000s rate of expansion dropped and productivity picked up to 3.5 %. Furthermore, Dorosh and Thurlow (2013) attribute two-third of increase in cereal yield to increase in cultivated land.

Despite self-reported success of ADLI, the Ethiopian government seems to be shifting its development as well as food security strategies. Now primacy is given to build the manufacturing sector, not from surplus from the agriculture sector, and the country's food security strategy is trade based (Lavers 2012). Lavers also adds that ADLI is maintained in official discourse for political reasons, not economic. Dorosh (2013) has a more favorable assessment of the success of ADLI. Contrary to findings of most contributions to the book he co-edited, he gave the generous judgment that ADLI has succeeded 'to a large extent.' Looking at the future, Dorosh too agrees that the agriculture sector could not be relied upon to build a vibrant economy.

As Lavers (2012) noted, the continued dependence of the country on food aid is a good indicator that ADLI did not bear the expected fruits. As much as seven million 'chronically food insecure' individuals are supported by donor-funded Cash/Food-for-Work Productive Safety Net Program (PSNP) (MoARD 2009), with additional millions getting emergency food aid. For example in mid-2011, about 4.5 million people were declared as in need of humanitarian assistance by the government.[6] Even if there was an increase in productivity, extreme poverty in rural households would mean that the gains in yield increment will end up being consumed rather than getting marketed and increasing demand for manufactured consumer goods (Dercon and Vargas Hill 2009).

Therefore, the prominence of ADLI is declining and there is a shift to commercial agriculture and industry. In the past few years, little mention of ADLI is made in official public discourse. There is a clear shift of policy towards 'value creating' sectors like manufacturing and agro-processing. Ethiopia's developmentalism is being implemented by a state which is increasingly assuming roles in the market under the guise of punishing rent-seeking and rewarding value-creating investments.

The rhetoric of building a democratic developmental state[7] took center stage in Ethiopian politics in 2006,[8] as the 2005 post electoral violence

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[6] See the Horn of Africa Update from WFP at http://www.fao.org/crisis/28468-0f4867a04e5f616834829d544ce27de20.pdf

[7] Ohno (2009: 4) explains that developmental state is a paradigm Ethiopia strives to attain (thus, Ethiopia is not *there yet*) and defines it as "a political regime in which a developmental party remains in power for a long time by consecutively winning free elections which permit multiple parties, under which policies that punish rent seeking and encourage productive investment are implemented with a strong state guidance."

[8] It was in 2006 that excerpts from the late PM Meles Zenawi's work about development was posted online, but De Waal (2012) informs us that the very excerpt published online in 2006 was part of Meles' MA thesis prepared in 1998, stopped short of completion by the Ethio-Eritrea war. Mention of intention to build a developmental state was also made after the split in the TPLF

discredited the 'good governance/democratic' agenda of the government. Currently, the paramount paradigm followed by the government in all aspects is developmentalism, which the Ethiopian government presents as only a 'shift in emphasis' within the comprehensive and flexible scope of ADLI (Ohno 2009: 25). Moreover, Ohno (2009) argues that ADLI and the developmental state are not mutually exclusive, and cover economic and political aspects of development respectively. The World Bank, however, considers the adoption of the developmental state agenda as a directional change from ADLI (Ohno 2009: 25).

The premise of the developmental paradigm in Ethiopia is that the neo-liberal imposition of reducing the African state to a non-interventionist 'night watchman' capacity has failed to bring rapid and sustained development and democratization to Africa (Meles 2011).[9] An ideal political structure of a developmental state strives to stave-off pervasive market failures, institutional inadequacies, patronage networks and 'socially wasteful rent-seeking' and deploys 'its authority, credibility and legitimacy' to effect transformation and diversification of the economy (ECA 2011: 7) by providing disincentives (sticks) and incentives (carrots) to discourage rent-seeking and promote value-creating investment by widening its policy space and capability (Ohno 2009).

Building a developmental state of course is not new; it has been pursued by different states to various degrees of success and has resulted in the East Asian economic miracle, the most successful being South Korea, Taiwan, Singapore and Hong Kong. But unlike the authoritarian governments which successfully, to various degrees, implemented the paradigm in Asia and elsewhere, the Ethiopian version at least in theory will comply with democratic norms. In practice, however, EPRDF has been monopolizing power in elections which are little disputed and the chance for fair and free elections is increasingly getting diminished. The transformation of the economy and the ideal of building a developmental state are central in the current economic plan under implementation. The GTP is different, compared to previous five-year development plans—the Sustainable Development Poverty Reduction Programme (SDPRP; 2002-2005) and the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP; 2005-2010)—as it promises to transform the country's economy into an industry-based economy and to work

leadership in 2001 (Vaughan 2012), but we contend that it took center stage only after the 2005 elections.

[9] Ethiopia's developmentalism, as an ideology and policy, seemed to have been crafted and implemented as per the directions of the late PM Meles Zenawi. He argued against the assumptions and theoretical foundations of the neo-liberal state and in favor of an African developmental state in a book chapter he authored (Meles, 2011). A 2011 report of the United Nation's Economic Commission for Africa (ECA 2011) also recommends African states to become developmental.

towards putting Ethiopia among middle income countries in two decades time. Major grand projects of the GTP and which are now under construction include: ten sugar factories, and a national railway network. The Grand Ethiopian Renaissance Dam (GERD),[10] which will be the largest hydroelectric power plant in Africa is another mega project under construction.

Agro-industrialization: sugar cane plantations and mills in the lowlands

With the understanding that the private sector in Ethiopia is weak and cannot undertake large industrial investments,[11] the government has been establishing and using state corporations to steer the development of the industrial sector in areas that are defined as strategic. The new State-Owned Enterprises (SOEs) will not significantly change the ownership structure of the manufacturing sector as SOEs already have a predominant share in ownership composition in the sector (European Union cited in Altenburg 2010). These corporations will only further embolden the share of SOEs in the manufacturing sector from the already high proportions,[12] and increase the risk of 'crowding out' the private sector. But the establishment of the new SOEs constitutes a major shift in government policy. In accordance with policies of economic liberalization that were introduced after 1991, the Ethiopian government has been engaged in the process of privatizing SOEs. Since the beginning of privatization in 1994, hundreds of SOEs were transferred to domestic and foreign investors.

The three most important corporations that were recently created and are engaged in the manufacturing sector are the Sugar Corporation, Metal and Engineering Corporation (MetEC), and Chemical Industries

[10] The GERD project was not explicitly put as part of the electric power generation aims of the GTP. The GTP document aims to generate an additional 10,000 MW by 2014/15. In his recent report (24 April 2014) to the House of Peoples Representatives, PM Hailemariam Dessalegn includes the 6,000 MW to be generated from GERD as part of the 10,000 MW to be generated as part of the GTP plans (see http://www.ertagov.com/amharic/index.php? option=com_webplayer&view=video&wid=2396).

[11] Brig. General Kinfe Dagnew's, the CEO of Metal and Engineering Corporation, response to Parliament over concerns regarding negative consequences of huge government involvement in manufacturing sector makes this point more vivid. He stressed that there is no major private sector as such to push out of business (Walta 2013). Ohno (2009) agrees with this assessment and argues that the government took the only available option—charging SOEs with strategic manufacturing sectors—as it could not practice what was pursued in East Asian countries (i.e. protecting infant industries and attracting foreign direct investment).

[12] A recent assessment by the World Bank shows that the Ethiopian government is among the top three governments in the size of total investments it makes, while the private sector is among the least six.

Corporation.[13] Even if the Industrial Development Strategy and the GTP commit to a private-sector driven industrial development—of course with strong government guidance and directive—in actual terms there is a widespread belief that the space that is left for the private sector has been narrowing. The government claims that the newly created SOEs are dedicated to work on large scale industries for which the private sector does not have both the capacity and the capital. It has been evident, however, that the newly created SOEs like MetEC are expanding their activities from strategic industries to businesses like hotels and assemblage of electronics which can be better handled by private businesses. The private sector has, however, a freer hand in the textile and leather sector.

These SOEs further shorten the distance between politics and business in Ethiopia, and in some specific sectors merge the two. Moreover, these corporations are led by top leaders of the ruling coalition and the military. MetEC is managed by the military, although it reports to the Ministry of Industry, as per its organizational structure. The highest managerial positions in these corporations are political appointments, not technocratic positions.

Sugar development embodies the spirit of the GTP and developmental intentions of the state in various forms: promoting exports after fulfilling domestic sugar deficit,14 linking agriculture with industry, generation of 'greener' energy sources (ethanol and electricity) and creation of employment opportunities.

The Sugar Corporation, which emerged as a major player in the economy, plans to convert hundreds of thousands of hectares of land in the lowlands into plantations and produce sugar, ethanol, electricity and other byproducts. As is the case in most projects of the GTP, what the Sugar Corporation intends to do is ambitious. The total cost of the plantations and factories is about 100 billion Ethiopian Birr (about 5.5 billion USD), with 40% being financed by the Corporation from sugar sales, and the rest being 'equally split between Ethiopian state banks and external lenders.'[15] When all ten new factories start production, Ethiopia will become one of the top 10 sugar exporters in the world.

[13] The first two Corporations were established in 2010, while the latter joined only in the first week of January 2013.

[14] The GTP envisages that the ten factories built by 2015 will make up for the 200,000 ton sugar deficit in the market and produce an additional 1.25 million ton for export, which will put Ethiopia among the top ten world sugar exporters (MoFED 2010).

[15] See Asfaw Dingamu's (deputy general manager of Sugar Corporation) interview with Bloomberg: http://www.bloomberg.com/news/2012-09-26/ethiopia-sugar-signs-500-million-deal-with-china-s-cdc-bank.html

The Sugar Corporation is charged with the responsibility of establishing 200,000 hectares of sugar cane plantation, building of 10 new factories, with the potential of raising sugar annual production to 2.25 million tons (about half of which will be exported to generate 661.7 million USD), produce 304,000 m^3 of ethanol and generate 607 MW of electricity per year within the GTP framework. The Corporation, moreover, plans to create about 200,000 jobs[16] and also raise productivity in the other plantations and factories, especially Wonji-Shoa and Metehara (MoFED 2010). However, sugar development projects currently being implemented by the Sugar Corporation cover a much larger land area and the expected production will be significantly higher than the targets set in the GTP (see Table 1 for details).

Table 1. Summary of the sugar development projects undertaken by the Sugar Corporation

Sugar Development Project	Plantation (ha)	Factories (No.)	Region	Production capacity	
				Sugar (ton/year)	Ethanol (m^3/year)
Kessem	20,000	1	Afar	153,000	12,500
Kuraz	175,000	5*	SNNP***	1,946,000	183,134
Tendaho	50,000	1	Afar	619,000	55400
Tana Beles	75,000	3	Benishangul -Gumuz	852,000**	80,250**
Welkaiyt	45,000	1	Tigray	284,000	26,750
TOTAL	**365,000**	**11**		**3,854,000**	**358034**

Compiled from the Ethiopian Sugar Corporation http://www.etsugar.gov.et/index.php/en/)

* Two of the factories to be erected under the Kuraz Sugar Development Project will have a crushing capacity which is double of the other factories.

** These figure is calculated from crushing capacity provided on the Corporation website.

*** SNNP stands for Southern Nations, Nationalities and People's regional state.

The project of expanding the sugar industry has sparked controversies and disputes. In the north, the establishment of the Welkaiyt plantation in the Tekeze valley created uproar upon claims that it would encroach on the historic Waldba

[16] Actual employment opportunities expected to be created by the plantations, factories and associated socio-economic endeavors are much higher.

monastery. The Tendaho plantation in the Afar valley was started in 2005. But the completion of the project was delayed by a host of factors including disputes over land with the local Afar clans. In South Omo, where five of the new sugar factories are to be established, there are concerns on how the scheme is going to impact on the livelihoods of the several minority groups living in the area.

It is worth considering the potential contributions of the sugar industry to the national economy, its place in the GTP and the political economy of such state-led industrialization. One of the most important factors in this regard is the expected high export earnings. Sugar prices have been steadily increasing in the global market.[17] Currently the price of sugar is at a 25 year high (Little *et al.* 2010). In contrast, the price of coffee, Ethiopia's primary foreign currency earner, has displayed a declining trend in the international market over the past decades (Petit 2007) and according to Baffes (2003) coffee's price is among the most volatile of all commodities. Furthermore, if GTP plans are realized, reliance of the national economy on coffee will decline and coffee will lose its current position. Even if coffee exports are expected to increase from 319,647 to 600,970 tons/year during the GTP period, sugar production is expected to increase at a much higher pace. By end of the GTP period, 661.7 million USD per year is expected to be gained from the export of 1,246,300 ton of sugar (MoFED 2010). However, if we consider sugar development projects currently under the purview of the Sugar Corporation (see Table 1), sugar production is planned to be increased to 3,854,000 tons when the ten sugar factories which are at different stages of construction are fully functional. Most of the additional production (above the GTP target), i.e., 1,604,000 ton/year, will be for export and our calculations (at constant prices) show that export earnings from the sector will reach 851,614,218 USD per year. Adding this to the expected export earnings from sugar exports within the GTP period, Ethiopia is set to get more than 1.5 billion USD per year from the export of sugar only. Unlike the other state corporations established recently, the Sugar Corporation will likely be among the primary export earners in the near future. Moreover, the sugar industries will contribute to the effort to build a green economy through production of electricity and ethanol.

In addition to its contribution to the expansion of the national economy, the sugar cane plantations and sugar industries will create job opportunities for hundreds of thousands of individuals. The GTP document estimates that a single job will be created for every hectare of land put under plantation (MoFED 2010). However, figures from the Ethiopian Sugar Corporation indicate that the sector and associated urbanization is to generate more jobs than anticipated by the GTP document. The KSDP alone is expected to create jobs for more than 400,000

[17] See FAO's food price index: http://www.fao.org/worldfoodsituation/FoodPricesIndex/en/

individuals,[18] and Welkaiyt Sugar Development Project is projected to create jobs for more than 80,000 individuals.[19] Therefore, from the perspective of the government, one of the good attributes of the sugar sector will be its capacity to absorb a large number of unemployed youth.

Local impacts of the expansion of sugar industries: some observations from South Omo[20]

The expansion of sugar industries will have different ramifications at national and local levels. At the national level as mentioned above, it could have huge economic and political benefits. But in the localities where the projects are going to be implemented, there are fears that the industry is going to undermine the livelihoods of the local communities. If the current expansion of sugar industries promises national economic gains, it is South Omo which 'holds nation's sweet promise'.[21] Five of the 11 sugar development projects under the purview of the Corporation are located in South Omo Zone, covering 175,000 ha (from the total of 365,000 ha slotted for sugar cane plantation at national level, see Table 1). These projects fall within two *Wereda* of the Zone, 50,000 ha in Salamago and the remaining 125,000 ha in Nyangatome *Wereda*.

These *Wereda* are home to ethnic groups predominantly engaged in pastoralism. Although the cattle economy is given more prestige, local livelihoods also rely on flood retreat and rain-fed agriculture (for the case of the Mursi see Turton 1985). Life in these parts of the South Omo Valley remained, for all practical purposes, unchanged for several centuries. Historically, the state had a weak presence and the provision of social services is next to nonexistent. The state did not get any significant revenue from these lowlands, as the local economy is not monetized and is largely subsistence and prestige oriented.

Large development projects on the Omo-Gibe basin started with the construction of the Gilgel-Gibe hydro-power dams upstream over the past decade. These development projects had little direct impact on the lives and livelihoods of the population living downstream, save for hindrance of uncontrolled floods by Gilgel-Gibe III dam. However, the sugar plantation will be on *their* land and will attract hundreds of thousands people from the highlands

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[18] Interview: Experts of Ethiopian Sugar Corporation (January 2013) and officials of South Omo Zone Administration (February 2013). While 400,000 is the lowest estimate we got, the highest was 700,000.

[19] According to the website of the Sugar Corporation.

[20] This part of the paper is based on empirical data gathered during two fieldwork periods in May 2011 (both authors) and February 2013 (Fana and Tewolde Woldemariam).

[21] Borrowed from http://www.waltainfo.com/index.php/others/articles-and-features/5578-south-omo-zone-holds-nations-sweet-promise

to work in the sugar industries. Because of the introduction of the sugar industry, sooner or later, the pastoral economy in South Omo is going to decline or vanish altogether. Unless adequate safeguards are put in place, the expansion of the industry will bring hardships to the local pastoral communities.

The government and the Sugar Corporation pledge that they will not repeat development-induced impoverishment of pastoral communities, as was the case of the Karrayu in the Awash Valley (Buli 2006). When sugar plantations (Wonji Shoa and Metehara) were established during the 1960s in the Awash valley, pastoralists were simply evicted and their land was enclosed (Bahru 1984; Buli 2006). The government plans to provide livelihoods to the affected communities by expanding settled agriculture and by providing job opportunities in the new industries. In this regard, the government is implementing villagization and skills training. These policies and practices reaffirm the view that Ethiopian government's development policy does not recognize the role pastoralism plays in the economy and wishes to 'transform' the sector into settled agriculture. This is despite the adoption of a pastoral development policy in 2002 (FDRE 2002).

In South Omo, villagization is being implemented in all *Wereda* where pastoralism is practiced. Local officials present this as a sign of government's intention to bring 'development' to pastoral areas and ensure that local people benefit from it, irrespective of the expansion of the sugar industry. But the new villages in Salamago (for the Bodi and Bacha ethnic groups) have progressed much faster than the others and are paid for by the KSDP. Three villages each with different social services (primary school, clinic, and veterinary clinic, grain mills, and drinking water points), government offices (*Kebele* office, police post) and housing units for teachers, agricultural development agents and health professionals were established. The drive to villagize locals is spearheaded by educated local elite, whom Markakis (2011) would call 'subordinate elite.' Skill training (such as carpentry, masonry and others) is offered in Jinka (capital of the South Omo zone), while training to operate heavy machinery is offered in Chancho in North Shoa Zone, Oromia region (near the capital, Addis Ababa). However, unemployment figures for the Zone are very small (only 2,892 according to CSA 2008), compared to the job opportunities that will be created. Thus, this would entail labor migration from elsewhere, particularly from the southern highlands,[22] with the attendant socio-economic and political consequences.

[22] Labor migration to sugar cane plantations was predominantly from the southern highlands some 60 years ago too (Kloos 1982).

In these lowlands, pastoral life could not continue without some sort of assistance after the establishment of the plantations. Thus, on the face of it, it is appreciable that the government is engaged in building irrigation canals, tilling the farms of the local community by use of tractors, and providing inducements to take up farming. Each household[23] is entitled to a hectare of land, and it is expected that through intensive training locals would take up irrigated farming, transform their lives and become beneficiaries of the development project.[24] This, according to one official of the Agriculture and Pastoral Affairs Bureau of the South Omo Zone, is a monumental task of converting a group practicing a 'backward and subsistent' form of agriculture to 'intensive irrigated' farming.

Would the government and KSDP be effective in helping local communities make this big leap? Given the difficulty of the task at hand, it seems that success depends on consistent and unrelenting effort, and also adapting plans to local realities. This would be contingent on a number of factors, the most important being the priority given to the success of this scheme from higher officials. The likelihood of success dims if one considers that extension services met little success in the highlands over the past two decades (Spielman, Dawit and Dawit 2013) and distribution of improved cattle breeds[25] is insignificant at national level (Asfaw *et al*. 2013).[26]

Political economy of sugar industrialization

The benefits of sugar industrialization will accrue more at national level, than at local levels. It has also political objectives. It provides the EPRDF the much needed legitimacy to prolong its stay in power. Indeed, developmentalism, for the EPRDF, is a source of legitimacy as much as a political tool to promote economic development. Accordingly, the ruling coalition promises to bring about 'development' that will benefit the rural population which the EPRDF hinges on to get elected in consecutive elections. To be sure, what is meant by

[23] Each of the second and third wives of a polygamous man are considered as heads of a separate household, and get a hectare of land.

[24] The KSDP covered the cost of the villagization. Furthermore, the expected urbanization would create high demand for local produces.

[25] Although emphasis is on irrigated farming, villagization will be followed by reduction of herd size and use of improved breeds and in due time start ranches.

[26] One might argue that, given the success in settling the Karrayu recently, the same could be done in South Omo. The exposure the Karrayu had to urban life and the market (due to the sugar industries for the past six decades as well as the major transport route from Addis Ababa to Ethiopia's export outlets /import inlets, Assab before 1998 and Djibouti afterwards) appears to have given them the chance to weigh the benefits and costs of sedentary life as well as slowly adapting their culture. It is thus very difficult to replicate the success story in South Omo, no matter the well intentions the implementers might have. Success recorded in Karrayu areas also does not seem as high and homogenous as the government portends (Fekadu, 2014).

'rural' in such pronouncements refers to the smallholder farmer in the highlands of the four regional states (Amhara, Oromiya, SNNP and Tigray) which members of the EPRDF coalition administer.

As a tropical crop, sugar cane performs better in hot climates, which in Ethiopia are primarily restricted to the sparsely populated lowlands. Three sugar development projects (Kessem, Tendaho and Tana-Beles) are in regional states administered by political organizations that are affiliated with the EPRDF. The remaining two sugar development projects (Kuraz and Welkaiyt) are in the lowland parts of SNNP and Tigray regional states respectively. Thus, assuming that the EPRDF is more concerned in gaining the loyalty and votes of the densely populated parts of the regions ruled by its coalition partners, it follows that gains (rents, taxes, profits, jobs, foreign currency) from these investments will be transferred *up* to the highlands where these people live.

To be sure, population groups in the lowlands stand to benefit from the projects; what is being argued here is that most of the benefits will *trickle up* to the highland populations. First, the highlands would benefit significantly from the projects in terms of job opportunities. It is expected that hundreds of thousands of unemployed youth will migrate to the lowlands to work in the new plantations. This will reduce the population pressure in the highlands, in addition to reducing landlessness and the need for further redistribution of land. Second, the government will use revenues that will be generated by the sugar industry to implement other mega-projects, from which the highland population is more likely to benefit from. Third, increase in capital accumulation and re-investment will benefit the highlands, where there is already better social and physical infrastructure than the lowlands. Thus, as has been the case over the past two decades too, the highland population will benefit more from the increase in the national pie than the lowland population.

Conclusion

What role should the state play in the economy has been one of the enduring questions of political economy. As shown in this chapter, there have been shifts in the role the African state has played in the economy in the last three decades. Presently, there are calls from many quarters for the African state to take an increased role in the economy.

In the Ethiopian case, the development policy of the regime has shown major shifts since the beginning of the 1990s. Like many other countries of the continent, at the beginning of the 1990s, the EPRDF sought to liberalize the economy except for its continued ownership of the telecom and energy sectors and the prohibition of international actors in the financial sector. In a much pronounced move from a command economy to 'free market', the government has also privatized hundreds of government owned businesses to local and international investors.

The main policy pillar of economic development was ADLI. ADLI's main focus was bringing efficiency to smallholder agriculture by providing better technologies and support. These policy dispositions were, however, gradually changed. Particularly, after the mid of the 2000s, the strong emphasis that was put on transforming the country's smallholder agriculture gave way to expansion of commercial agriculture and the industry. The government, moreover, redefined its broader economic aims by adopting a developmental state strategy. While the discourse in the 1990s was about the reduction in the role of the state in the economy, after the official pronouncement of the developmental state orientation in 2006/07, the government is massively expanding its role in the economy. In light of this, new mega parastatal corporations – Sugar, Chemical Industries, and Metal and Engineering were established. The ongoing massive expansion of the sugar industry by the government can be seen as an aspect of the government's desire to expand commercial agriculture. At the same time, there is a big push to expand large scale private investment. Indeed, Ethiopia has become one of the top destinations of large scale agricultural investment (which in the negative sense is known as land grabbing) in the continent.

The reasons behind the reorientation of development policy and the adoption of the developmental state approach are both economic and political. The main economic justification of the government for establishing new parastatals is that the Ethiopian private sector is not yet in a position to engage in such capital demanding ventures. The political rationale hinges on EPRDF's desire to bolster its legitimacy by providing economic benefits to its multilevel and varied clients. First, the new SOEs provide jobs, influence and power to personnel who are close to the ruling coalition. For instance, MetEC which could be termed as a mega conglomerate of industries is run by the country's defense forces. Second, the new SOEs provide lucrative contracts to firms which are affiliated to the ruling party like companies under the Endowment Fund for the Rehabilitation of Tigray (EFFORT). Third, the sugar industry is going to produce hundreds of thousands of jobs to the unemployed youth. But the expansion of the sugar industry could have adverse implications on the local populations. It is extremely important for the government to put the necessary social safeguards to protect the rights and wellbeing of the host communities of the new investments.

The other crucial problem that needs closer attention is the role the private sector plays in the development of the country. If the recent experiences of East Asian countries or even China teach us anything, the active participation of private sector is indispensable for building a vibrant economy with sustained growth. Risks of 'crowding out' and further enfeebling the private sector by SOEs will be counter-productive in the long term.

It is also important to point out that the Ethiopian developmental state lacks some crucial elements which are required to achieve the desired goals. As mentioned above, these include, lack of capable and autonomous bureaucracy and cooperative and symbiotic relationships between government agencies and the private sector. Moreover, the problem of corruption which is increasing from time to time will undermine the developmental objectives of the government, unless firm and consistent actions are taken to control the problem.

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10

Melaku Bekele and Habtemariam Kassa

Governance Challenges of Dry Woodlands

Introduction

Dry lands contain diverse vegetation types that include woodland proper, bush land, thicket and wooded grasslands[1] (Chidumayo and Emmanuel 2010). These landscapes are not just rich in biodiversity, they also provide a large number of resources that support the livelihoods of people, particularly vulnerable households living in them (Sunderland 2011). They provide bush-meat and mushrooms, fruits, leafy vegetables and edible herbs, woody foliage, roots and tubers, wild cereals and grains, seeds, nuts and kernels (Grosskinsky 2000; Shackleton and Gumbo 2010) commonly known as famine foods. An important component of dry land resources are trees[2]. People use wood from trees for fuel, poles, simple furniture and utensils, and some trees are valued for their medicinal properties.

[1] Woodland is a continuous stand of trees with a crown density of between 20 - 80%. Mature trees are usually single storied, although there may be layered under-stories of immature trees, and of bushes, shrubs and grasses/forbs. Maximum height of the canopy is generally not more than 20 meters.. (WBISPP 2004). Bush land is an area with fairly continuous layer of herbaceous plants, especially grasses. Woody plants occur singly well separated from each other although locally there may be areas of dense woody plant tickets (Chamshama and Vyamana, 2010). Grasslands are areas where grass is more dominant than trees.

[2] A study conducted in Somali Regional State concluded that in a normal rainfall year browse from trees supplies approximately 20 percent of feed for cattle, 25 to 40 percent for sheep, 45 to 60 percent for goats and 90 to 100 percent for camels (Somali Regional State 2003).

Table 1. Woodland areas of Ethiopia

Region	**Area (ha)**	**As % of total woodland**
Oromiya	9,823,163	34
SNNR	1,387,759	5
Gambella	861,126	3
Amhara	1,040,064	4
Tigray	254,455	1
Benishangul	2,473, 064	8
Afar	163,667	1
Somali	13,199,662	45
Total		

SOURCE*:* WBISPP 2004

In addition, dry land trees provide various benefits, such as protection, shade, amenity and cultural uses. Raw materials like gums, resins, tannin, and fiber are used in cottage industries and generate income as export items. Honey bee products tend to be relatively important in drylands of eastern and southern Africa (Walter 2001). In Ethiopia, most national parks are located on the drier part of the country, and many of the animals depend on the tree leaves to feed. Above all, the drylands support millions of pastoralists whose livestock are dependent on tree leaves, fruits and seeds, particularly during the dry seasons (Mohammud 2004).

Important dryland resources in Ethiopia.

Firewood and charcoal extraction

Most of fire wood and charcoal coming from dry woodlands fulfill basic needs for domestic energy and help to generate income from sale of such products by poor people. The contribution of biomass fuels in national energy utilization in many dry woodland countries range between 35–75 percent in Senegal, Togo, Ivory Coast and Angola, and over 75 percent in others like Sudan, Ethiopia, Kenya, Tanzania, Mozambique, Zambia, Democratic Republic Congo and Nigeria (Malimbwi et al. 2010). Income from fuelwood sale and other woodland resources has been increasing markedly within the livelihood strategies of many pastoralists in Ethiopia, as the number of 'drop outs[3]' of the pastoral system grew

[3] "drop-outs" are those people who have abandoned the pastoralist way of life due to various reasons mainly depletion of livestock numbers due to drought or disease; such people often

due to resource depletion (Ridgewell and Getachew 2007). The study conducted in Borana by Eyasu and Feyera (2010) showed that trading in charcoal is practiced by some 14 percent of the poorer pastoralists around major urban centers such as Yabello and Negelle. The trade often increases during times of hardship caused by drought.

A four day charcoal survey of Addis Ababa showed that nearly 98 percent of charcoal entering the city (over 94,000 sacks, each weighing about 50 kg) come from the Afar and Awash areas. In these regions one finds areas dominated by dry woodlands constiting of acacia, a tree preferred for charcoal making. It is preferred because high–density woods like acacia produce charcoal of higher density and lower fragility, which burns more slowly at a higher temperature than charcoal from low-density wood (Uhart 1975). Recently however, charcoal production has shifted to Prosopis juliflora, an invasive tree species taking over large grazing areas in Afar (Melaku and Zenebe 2013). According to FAO (2010b) charcoal was exported from Ethiopia on a small scale. The four year charcoal export between 1961 and 1974 amounted only to 800 tons. Export of charcoal from Afar region to Djibouti has also been reported. However, significant amount of charcoal is being exported from some districts in Somali Region to Somaliland (Seid 2007). According to Hagmann (2006), Oxfam GB calculated that around 63,000 sacks of charcoal was harvested in 2005 from Harshin woreda (Somali region) alone and transported across the border to Hargeiysa on a monthly basis utilizing 27,300 trees. FAOSTAT database (FAO 2010b) shows that between 2000 and 2009, Ethiopia produced over 32 million tons of charcoal. Although there is a lack of information about how many people derived their living from charcoal production and trade in Ethiopia, very many people must have been involved in the charcoal chain starting from its production to distribution and retailing (Melaku and Zenebe 2013).

One of the problems linked to firewood and charcoal production in Ethiopia is that extraction is made mainly from state-owned forests and woodlands free of charge with little regulated utilization. As is the case in many African countries, charcoal producers prefer tree species that yield dense, slow-burning charcoal. Such tree species are slow-growing and are thus particularly vulnerable to overexploitation (NL Agency 2010). There are no known plantations in Ethiopia that are designated for charcoal production. The intensive exploitation of a few species with a high density can adversely affect biodiversity and also tree regeneration. Moreover, wastage from the traditional earth and pit kilns of charcoal production is high in Ethiopia. Thus, it may be concluded that next to clearance of trees for agriculture charcoal production is

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engage themselves in petty trade, charcoal making, and also small scale agriculture (Getachew 2007; Lemlem and Yemane 2007) responsible for large scale tree felling and degradation. (Kammen and Lew 2005).

Gum and resin

Gum (*gum arabic*) and resin, myrrh, hagar and frankincense producing trees are common in most parts of the drylands of Ethiopia. Ethiopia is one of the countries well endowed with various species of *Acacia*, *Boswellia* and *Commiphora* that are known to produce gum arabic, frankincense and myrrh, respectively (Mulugeta et al. 2011). Over 60 gum and resin bearing species are found in the country. The total areas of oleo-gum resin bearing woodlands cover about 2.9 million hectares of land in the country, with over 300,000 metric tons of natural gum production potential. *Boswellia papyrifera* is the chief gum resin producing tree species in Ethiopia. In the three years from 2001 to 2003, Ethiopia exported US$2.8 million, 3.3 million and 4.1 million worth of gum and resin products respectively (Wubalem et al. 2007). The authors also showed that natural gum tapping and collection activities create seasonal employment opportunities for 20,000–30,000 people.

However, a study conducted about incense woodlands in Ethiopia (Metema, Abergelle, Wogdi) and five sites in bordering Eritrea (Abrham et al. 2010) showed lack of regeneration of Boswellia trees due to various anthropogenic and natural factors. Open grazing and cultivation of agricultural crops were identified as the major reasons for lack of regeneration and absence of younger trees in the above areas.

Pastoralists and dry land trees

The total population of pastoralists in Ethiopia is estimated to be at about 10 million. They make up nearly 14 percent of the total population and their land covers over 60 percent of the total area of the country. (PFE, IIRR and DF 2010). The same source indicates that pastoralists live in more than 133 woredas and come from about 29 ethnic groups. The areas they occupy are known for their harsh weather, unreliable rainfall, high temperatures and prone to frequent drought and food insecurity (Beruk 2003). Trees are an important component of the rangelands. Pastoralists' use tree leaves for much needed fodder particularly during drier seasons (Mohammud 2004). It was estimated that in a normal rainfall year browse from trees supplies approximately 20 percent of feed for cattle, 25 to 40 percent for sheep, 45 to 60 percent for goats and 90 to 100 percent for camels. On this basis, it is estimated that browse from trees provides nearly 28 percent of the total energy requirements of pastoralists' livestock. In drought years this proportion can rise considerably, and thus browse provides a "safety net" of livestock in drought years (Mohammud 2004).

Pastoralist communities have developed the knowledge and institutional capacity to manage rangeland resources, including trees, sustainably (Gufu 1998). For example, in order to use trees, the Afar pastoralists require permission from the clan leaders. Although they do not plant trees, they do not log trees either, and making charcoal is a taboo believed to cause infertility (PFE, IIRR and DF 2010). Trees that serve as browse for animals or as a source of edible fruits for humans are not cut, but pruned (PFE, IIRR and DF 2010). The Somalis are prohibited from cutting trees, and offenders are punished. They are fined in livestock depending on the extent of the damage and if they had a previous record (PFE, IIRR and DF 2010). Hamer elders (in South Omo) take time to advise the younger generation regarding the advantages of taking care of trees. Collecting firewood and cutting of trees cannot be done without permission by the elders (PFE, IIRR and DF 2010). Among Guji pastoralists' trees are well protected for their economic and cultural uses (Flintan 2007). In Metama area, according to Tesfaye et al. (2010), people particularly protect such trees like *Potamogeton lucens* for its use to heal their emaciated animals.

However, not all traditional resource management, including tapping for gum and resin, is without impact on the resources used. Abrham et al. (2010) showed that seeds from tapped trees have a low germination rate, for example as low as 14 percent in Eritrea. Tefera (2011) pointed out that intensive tapping weakens the tree strength through reduced carbon storage required for essential functions such as reproduction. Diress (2010) studied one of the more valuable woody species in Afar, *Dobera glabra*. He found the tree to be under threat due to lack or poor rate of regeneration. According to the same author, *D. glabra* is highly valued by the Afar as source of food for people and as well as livestock feed. The tree is found scattered in the area, but with little seedlings and saplings. Diress (2010) also observed that lack of recruitment of *D. glabra* and absence of young seedlings in Afar has become a serious concern among Afar pastoralists. In Borana multi-purpose trees such as *Uddaito* (*Balanites aegyptica*), *Merderto* (*Cordia sinensis*) and *Kusraito* (*Zizyphus spina-christi)* are declining in number due to the introduction of more competitive species such as *Woyane*, *prosopis juliflora* (PFE, IIRR and DF 2010).

Agriculture

Ethiopia's dry wood land areas cover over 60 percent of the land area of the country, and are relatively sparsely populated. Most of the country's rivers also cross over these areas and flow over the border into neighboring countries. These conditions have given rise to the idea that the woodland areas are ideal for agricultural activities, particularly for commercial farming once their infrastructures are improved.

Probably the most serious challenge to the survival forests and woodlands comes from the rapid and unfettered expansion of small and large-scale commercial agriculture (Boahene 1998; Mulugeta et al. 2011) over lands under traditional customary management especially since the 1950s (Desallegn 2007). Crop farming, particularly large scale agriculture, requires the complete clearance of trees from the field. Shifting cultivation that requires slash-and-burn practices also entails the removal of all trees including stems in a particular area. In the past few years, Ethiopia has leased-out over 2.8 millions of land for national and international investors, and that figure will reach 3.2 million in the coming years in both humid and dry forest areas (Friis and Reenberg 2010). This shows the scale of agricultural expansion and its negative impact on forest ecosystems.

Table 2. Land use/land cover change in Afar (1973-2003)

Land use/land cover change	**1973**		**1986**		**2003**	
	Area (km2)	%	Area (km2)	%	Area (km2)	%
Bush land	80	20	100	25	115	28.8
Bushed-grassland	134	33.5	161	40.3	198	49.5
Grasslands	173	43.3	106	26.5	24	6
Croplands	13	3.3	33	8.3	63	15.8
Total	400	100	400	100	400	100

SOURCE. Sintayehu at al. 2006

Small scale agricultural settlers from nearby highlands and state sponsored settlements[4] together with large scale commercial agriculture are resulting in permanent land use changes making natural regeneration of trees impossible.

[4] The land use changes in the drylands are linked to official resettlements of highland farmers into traditionally pastoral areas of the country (Mullugeta et al., 2012). Successive governments believed that resettlement would help solve food insecurity problems of the rural poor farmers in the long term (Woube, 2005). For instance, the present government envisaged to settle a total of seven million people starting from year 2000. In actual terms some 180,000 households with about a million people resettled between 2003 and 2005 (Stellmacher and Eguavoen 2011). Individual and family based immigrations also occurred through private decisions to similar places. Individual (private) enclosure of common holdings by local people themselves in pastoralist areas are also becoming common as a response to shrinking customary rights as a result of external pressure (PFE, IIRR and DF, 2010; Pantuliano and Wekesa 2008), and also to protect some important dry time fodder trees (Tefera and Flintan 2007),

The impact of the growing practice of enclosure by local community members is yet to be seen if it could be considered as the general course for future forest policy to save trees by encouraging individual management. Individualization of rangelands is seriously limits mobility, one of the key elements of the pastoralist production system. The mobility balances the use of resources, sustains the environment and assures pastoralist livelihoods (PFE, IIRR and DF 2010).

In Afar (table 2) the most notable changes between 1972 and 2007 were reductions in woodland (97%) and grassland cover (88%), and increase in bush land (281%) and cultivated land (776%) cover (Diress 2010). Although cultivated area covered about 3% of the landscape in 2007, it amounted to about 24% of the alluvial dry-season grazing lands in the same year (Diress 2010). As rangeland resources decline, pastoralists are forced to overgraze the remaining land and they are also pushed to marginal lands, further aggravating the problem. These actions are also causing degradation of multipurpose fodder trees like the Yicib (*Cordeauxia edulis*) in Somali region and intensify soil erosion and flooding (PFE, IIRR and DF 2010) as a result of the removal of vegetation cover of the soil.

Dry woodlands under current policy framework

Various biophysical and socio-economic studies (Abeje 2002; Bongers and Tennigkeit 2010; Abraham et al. 2010; Tefera 2011; Teshale 2011; Mulugeta et al. 2012) show that the dry woodlands of Ethiopia are under huge pressure from a range of factors. Various resource users with diverse objectives work hard to enhance their individual interest. . Some of the above studies concluded that if such type of exploitation continued, the dry forest resources would enter a state of total depletion with far-reaching consequences to the more fragile dry-land eco-system and community's livelihood in the not distant future. Many research results commonly conclude that the dry woodland resources in Africa receive less policy and development attention compared to humid forest systems. As a consequence**,** the ecosystems are trapped in ever mounting of deforestation, fragmentation, degradation and desertification (Sunderland 2011; FAO 2010b). This observation also works for Ethiopia.

Table 3: General state of dry woodlands of Ethiopia

	Description	Outcome/effect
Area (ha)	Over 60 percent of the country	-
Vegetation	woodland proper, bush land, thicket and wooded grasslands	-
Extractive products	Gum/resin, fuelwood, animal feed, bush-meat, farm products,	little regeneration, disease, overgrazing, illegal hunting, resource depletion
Ownership	State; access rights to local community	Near open access; uncertainty among users; individualization
Management regimes	Settlement; small & large scale farming; gum resin, fuelwood, etc. extraction; livestock rearing;	Unregulated access; technical knowledge gap; market constraint; lack of investment on forest resource; uncertainty among users
Stakeholders	Government agencies; private companies; cooperatives; local community; new settlers	Conflict of interest; marginalized local community;
Legal frameworks to And informal institutions regulate resource use	Federal Constitution (1995); Environmental policy (1997); Forest Policy & Law (2007); Wildlife Policy & Law (2005); Environment Impact Assessment (2002) National Energy Policy (1994); other regional laws, pastoral programs; traditional institutions	Clear & detailed guidelines; weak enforcement; local institutions undermined
Regulatory bodies	Federal & regional governmental agencies; forest coops and users groups	Inefficient & understaffed; not fully empowered
Common trend	Intensive use of resources	depletion of tree & other resources

The major setback of natural resource and environmental protection in Ethiopia has not primarily been lack of policies and legislation, but the enforcement of them (Melaku 2008). For example, in the forestry sector Ethiopia has issued at least six proclamations over the past 40 years. Except the 2007 forest policy, the implementation of which is yet to be seen, none of these proclamations were implemented with some scale to improve the forestry situation in the country.

The guiding principles governing Ethiopia's natural resources (land, forest, wildlife, water, etc) emanate from the 1995 Federal Constitution. The other relevant legal documents related to forests include: The Ethiopian National Energy Policy (1994); the Environmental Policy (1997); Rural Land Administration and Land Use Proclamation (456/2005); Management and Utilization of Wildlife Resources Proclamation (No. 541/2007); and Development Conservation and Utilization of Forest Proclamation 542/2007. These documents, in one way or another, are meant to protect the country's natural resources particularly the forest and tree resources. However, none of these, including the forestry proclamation, refer to the dry woodlands in particular.

Among the policies listed, the Environmental Impact Assessment (EIA) Proclamation (No.299/2002) is particularly important. The EIA proclamation can be seen as a consummate legal paper with explicit articles to protect the environment against any type of environmentally un-friendly investments and acts. For example, the proclamation requires the approval of all investments in the country and denies permission to those that are thought to have negative environmental impact by the office delegated with such responsibility. In Article 18 of the proclamation, the commencement of projects without obtaining authorization from the relevant environmental agency and making of false statements in the EIA document is considered a criminal act punishable by law.

However, the most overriding policy document currently implemented with all seriousness is the Growth and Transformation Plan (GTP) 2010/11-2014/15 which constitutes a comprehensive development courses of action for five years starting from 2010. One sentence that refers to forestry in the GTP document reads: *forestry development, protection and utilization will be done with increased effectiveness by the participation of communities* (GTP, 2010/11-2014/15: *22)*. The government is now running a program to scale up participatory forest management in state-owned forests in various regions mainly in humid forest areas. However, there seems to be little plan concerning the management of dry woodlands found in all regions of the country.

Thus, Ethiopia's dry woodlands not only suffer from a misconception of their value, but also from lack of explicit legal recognition as resources that stand alone by their own significance. As field realities indicate, it seems that these resources have been destined to give way for agricultural production. Although it is difficult to present empirical evidence that the government is consciously moving towards that goal, field level reality, such as the program of land lease, i.e. giving out land to investors at incredibly low prices (Desallegn (2011) do not indicate otherwise.

Looking for rational explanation

The immediate causes given for resources depletion and lack of rational management of the dry woodlands of Ethiopia (over-exploitation for fuel and gum and resin, overgrazing by domestic animals, agricultural expansion, lack of regeneration, and weak forestry management) are not enough to explain the long-standing decline in dryland resources. There are deep-rooted factors rather that operate at local, national and global levels. To understand the events that are taking place in the drylands of Ethiopia it is important to focus on the interconnectedness of these underlying factors.

The National Factor: The current policy "neglect" of the dry woodlands of Ethiopia seems to have emanated from: a) the old and deep-rooted notion of looking at the drylands as vacant and unoccupied (IIED 2009); b) nomadic population are considered as having divided allegiance, and settled agricultural occupation is being taken to be a solution, as Desallegn (2003) concludes; c) standing trees (forests, woodlands) are considered as obstacles for high priority agricultural production and food security (Melaku 2003); c) pastoralist occupation and the common pool resources are looked at as non-viable economic activities and property regimes; and d) pastoral mobility is regarded as a potential source of political volatility in the areas concerned (Mohammud 2004). On top of such conceptual flaws about the drylands, the socio-economic necessity, (i.e. creating job opportunities and generating most needed foreign currency), and also of the political exigency for economic growth on the part of the government are further aggravating the environmental depletion of dryland resources.

The International Factor: There is thus a huge, unprecedented and ever-growing demand for agricultural lands by global capital that coincided with the government's ambitious plan (GTP) to transform the economy in a relatively short period of time. Since 2007/08, due to the global financial crisis, inflated oil prices, and food shortages, demand for land for bio-fuel and food crop production has escalated. These events coincided with the desire by many African governments, including Ethiopia, to attract investors.

The Local Factor: At this level, the reference is to national actors who are actively engaged in curving out a part out of the dry land regions of the country. These can be national agricultural investors, highland settlers[5] and local community members who are intensively engaged in making gains in land holding in the country's dry land areas.

[5] For example, Benishangul Gumuz is one of the regions with large number of new settlers; According to Maru's (2011) study over 42% of them are settlers from other places.

Conclusion

At the national level the driving forces are a complex set of social, economic and political elements very much intertwined and difficult to differentiate at a glance. Here, although the discourse is dominated by the economics of growth and transformation, it is obvious that the social and political exigencies to "satisfy" society through impressive economic growth, thus stabilizing political atmosphere, are in full swing. The international factors at play are less complex because what global capital wants from national states is obvious: fewer environmental controls, inexpensive land prices and cheap labor, less bureaucratic procedures to lease land, less control of the markets for products, and tax incentives. The coincidence between the need for more global capital and the global companies to invest once conditions are in place is apparent. It is this "coalition" between the national interest and global capital looking for attractive investment space that is difficult to push aside and "save" the forest resource. The interest of the local actors, except probably the local community, rests in the expansion and legalization of their holdings. Those local community members who look at the events that are taking place (land lease for investors) as endangering their traditional rights have entered the land race by building enclosures and in this one way their interest may coincide with the other national actors. It is within this policy and practical limits that one needs to look for some openings.

Several dry woodland research reports on Sub-Saharan Africa, including Ethiopia, finish with the common commendation of the need to empower communities, strengthen traditional institutions, and initiate improved land tenure (Mwangi and Dohrn 2008; Chidumayo and Emmanuel 2010; Teshale 2011). In the Ethiopian case, the request for establishment of a more effective and efficient forestry organization is regularly put forth as a necessary prelude to halt woodland depletion and rehabilitate the resource. Tieguhong and Ndoye (2004) argue that the sure way to minimize African deforestation rests with enforceable policies addressing tenure issues. There could be little dispute against except that, when put in context (as shown above) the viability of such good propositions depends on adequate policies and the removal of impediments to enforcing even those existing policies that have a positive impact. Empowering communities, revitalizing the fading local institutions, and improving rights over land are political in nature and extremely difficult, if not impossible, to execute particularly in the context of current events that are taking place in and around the dry woodlands of Ethiopia.

Finally, it needs to be noted that the Ethiopian government appears highly committed to continue with its ambitious economic growth and transformation plan. Agricultural extensification in areas under discussion is still the major development direction. Therefore, at this time in point there is little alternative to alter the trend. The available options which are probably within the policy grip of the regional authorities and experts to protect the remaining woodlands of the country include:

First, as the number of legally settled and encroaching small-scale farmers is growing, it is important to establish and provide more effective extension services to enable individual farmers to develop farm level biodiversity by maintaining trees already on the farm and plant new farm trees.

Second, in Somali, Borana, South Omo and Afar regions, individualization of woodlands, in many cases for non-farming purposes, is growing as a result of local community's response to external take-over of lands. This development needs a closer study in relation to its impact on resource ownership and management. It should serve as a policy outlet by encouraging individual tree ownership and management.

Third, the identification of biodiversity hot-spots from among the dry woodlands should be possible without disrupting the government's general plan for agricultural development, a good quantity of forests and woodlands can be preserved by state agents.

Fourth, government owned gum-resin extracting companies should be able to re-invest some of their profits in the protection and development of the resource base, and introduce better tapping techniques.

Fifth, one shall not also exclude the possibility of looking for collaboration with the big commercial agricultural investors to participate in or contribute to some kind of conservation work.

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This volume brings together a select number of studies which give a broader picture of the country's development program, examining not just the progress that has been made so far but also the challenges and pitfalls that are evident. This, we believe, makes the volume all the more topical and hence of interest to many readers. The book provides a good starting point for a balanced assessment of economic development in the last two decades with the primary purpose of stimulating informed debate on the Ethiopia's economy and development endeavor in this period. The authors of the collection are based in academia, civil society organizations, and independent research institutions, and the contributions have come from economists as well as researchers in several other disciplines. As the diversity of the subject matter in the collection indicates, the work is not meant to be for economists only but is intended to attract a wider readership. We believe the book will be of interest to experts in government departments, development practitioners in civil society, academics, independent researchers, and people who have a special interest on Ethiopia and its future.

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