

A photograph of a dramatic landscape featuring tall, jagged, reddish-brown rock formations, likely a canyon or a similar natural wonder. The rocks are layered and have a textured, almost crystalline appearance. Some sparse green vegetation is visible in the crevices and on the lower slopes.

Digest of Ethiopia's National Policies, Strategies and Programs

A photograph of a person, likely from an ethnic group in Ethiopia, sitting on a sandy ground. The person is seen from the back, wearing a dark, braided hairstyle. They are adorned with multiple metal armbands on their upper and lower arms and a beaded necklace around their waist. The person is holding a long, thin object, possibly a staff or a musical instrument, in their right hand.

**Edited by
Taye Assefa**

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Abbreviations and Acronyms

AC	Academic Commission
ACGD	African Center for Gender and Development
ADB	African Development Bank
ADLI	Agricultural Development Led Industrialization
ADR	Alternative Dispute Resolution (Mechanism)
AEZs	Agro-Ecological Zones
AGOA	(US) African Growth Opportunity Act
ANC	Antenatal Care
ART	Anti-Retroviral Treatment
AVA	Awash Valley Authority
AVDA	Awash Valley Development Agency
BDS	Business Development Services
BMOs	Business Membership Organizations
BoE	Bureau of Education
BoFED	Bureau of Finance and Economic Development
BPA	Beijing Platform of Action
BPR	Business Process Reengineering
CAR	Court Administration Reform
CBE	Commercial Bank of Ethiopia
CBO	Community Based Organization
CDM	Clean Development Mechanism
CEDAW	Convention for Elimination of Discrimination Against Women
CFL	Compact Fluorescent Lamp
CFSTF	Community Food Security Task Force
CIDA	Canadian International Development Agency
COMESA	Common Market for Southern and Eastern Africa
CPP	Comprehensive Package Programme
CPR	Contraceptive Prevalence Rate

CRDA	Christian Relief and Development Association
CSA	Central Statistical Authority/Agency
CSE	Conservation Strategy of Ethiopia
CSRPO	Civil Service Reform Program Office
DAG	Donor Assistance Group
DHS	Demography and Health Survey
DPPA	Disaster Prevention and Preparedness Agency
EAAP	Ethiopian Association of Agricultural Professionals
EBA	(EUs) Everything But Arms (initiative)
EBSN	Employment Based Safety Net
ECA	Economic Commission for Africa
ECSC	Ethiopian Civil Service College
EEA	Ethiopian Economic Association
EEPCo	Ethiopian Electric Power Corporation
EEPRI	Ethiopian Policy Research Institute
EFAP	Ethiopian Forestry Action Program
EFFORT	Endowment Fund for the Rehabilitation of Tigray
EIA	Environmental Impact Assessment
EIC	Ethiopian Investment Commission
EMC	Expenditure Management and Control
EMCP	Expenditure Management and Control (sub-)Program
ENAADP	Evaluation of National Accounting and Auditing Development Program
ENSAP	Eastern Nile Subsidiary Action Program
ENSED	Ethiopian Network for Sustainable Energy Development
EPA	Economic Partnership Agreement
EPA	Environment Protection Authority
EPA	Export Promotion Agencies
EPF	Education Pooled Fund
EPID	Extension and Project Implementation Department
EPRDF	Ethiopian Peoples Revolutionary Democratic Front

ESDP	Education Sector Development Programme
ESP	Education Sector Programme
ESRDF	Ethiopian Social Rehabilitation and Development Fund
ETP	Education and Training Policy
ESTC	Ethiopian Science and Technology Commission
EWDF	Ethiopian Women Development Fund
EWLA	Ethiopian Women Lawyers Association
EWRA	Ethiopian Water Resources Authority
EWWCA	Ethiopian Water Works Construction Authority
FAO	Food and Agriculture Organization
FaWDA	Forest and Wildlife Development Authority
FCSA	Federal Civil Service Agency
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FFSCB	Federal Food Security Coordination Bureau
FFSSC	Federal Food Security Steering Committee
FGM	Female Genital Mutilation
FHH	Female Headed Household
FNCCAP	Framework National Climate Change Action Plan
FP	Family Planning
FSCO	Food Security Coordination Office
FSS	Forum for Social Studies
FTA	Free Trade Agreement
FTCs	Farmers' Training Centers
GAD	Gender and Development
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GHG	Greenhouse Gas
GNP	Gross National Product
GoE	Government of Ethiopia

HRM	Human Resource Management
HASIDA	Handicrafts and Small-scale Industries Development Agency
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
ICDR	Institute of Curriculum Development and Research
ICPD	International Conference on Population and Development
ICSID	International Convention on Settlement of Investment Disputes
IDS	Industrial Development Strategy
IPPs	Independent Power Producers
ITN	Insecticide Treated Nets
IWRM	Integrated Water Resources Management
JSRP	Justice System Reform Program
JSRPO	Justice System Reform Program Office
KFSTF	Kebele Food Security Task Force
KG	Kindergarten
LDC	Least Developed Countries
MCB	Ministry of Capacity Building
MDGs	Millennium Development Goals
MFI	Micro Finance Institutions
MIGA	Multilateral Investment Guarantee Agency
MMR	Maternal Mortality Rate
MNREP	Ministry of Natural Resources and Environmental Protection
MoA	Ministry of Agriculture
MoARD	Ministry of Agriculture and Rural Development
MoE	Ministry of Education
MOFED	Ministry of Finance and Economic Development
MoH	Ministry of Health
MoWA	Ministry of Women's Affairs
MoWR	Ministry of Water Resources

MOI	Ministry of Information
MOTI	Ministry of Trade and Industry
MPP	Minimum Package Programme
MSEDA	Micro and Small-scale Enterprises Development Agency
MSE	Micro and Small-scale Enterprise
MW	Mega Watt
MWUD	Ministry of Works and Urban Development
NAPCD	National Action Program to Combat Desertification
NAP-GE	National Action Plan for Gender Equality
NBE	National Bank of Ethiopia
NBE	National Board of Examinations
NBI	Nile Basin Initiative
NCFSE	New Coalition for Food Security in Ethiopia
NDF	National Desertification Fund
NER	Net Enrolment Ratio
NFE	Non-Formal Education
NGO	Non-Governmental Organization
NLA	National Learning Assessment
NMS	National Meteorological Services
NOE	National Office of Examinations
NPEW	National Policy on Ethiopian Women
NPL	Non-Performing Loan
NRM	Natural Resource Management
NUPI	National Urban Planning Institute
NWRC	National Water Resources Commission
OECD	Organisation for Economic Cooperation and Development
OMO	Open-Market Operations
OPM	Office of Prime Minister
PADCO	Planning and Development Cooperative International
PADETES	Participatory Demonstration and Training Extension System

PaPESA	Privatization and Public Enterprises Supervising Authority
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PIM	Program Implementation Manual
PRSP	Poverty Reduction Strategy Paper/Program
PSCAP	Public Sector Capacity Building Program
PSDP	Power Sector Development Program
PSNP	Productive Safety Net Programme
RAP	Regional Action Program
REF	Rural Electrification Fund
RH	Reproductive Health
RIO	Regional Investment Office
RRM	Rapid Response Mechanism
RRT	Rapid Response Team
RTA	Regional Trade Agreement
SDPRP	Sustainable Development and Poverty Reduction Program
SMUC	St. Mary's University College
STI	Sexually Transmitted Infections
TF	Task Force (for Civil Service Reform)
TIN	Taxpayer's Identification Number
T&V	Training and Visit Extension System
TGE	Transitional Government of Ethiopia
TMS	Top Management Systems
TOT	Turnover Tax
TVET	Technical and Vocational Education and Training
UCAA	University College of Addis Ababa
UN	United Nations
UNCBD	United Nations Convention on Biodiversity
UNCCD	United Nations Convention to Combat Desertification

UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Education and Scientific Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
VADA	Valleys Agricultural Development Authority
VAT	Value Added Tax
VAW	Violence Against Women
WAB	Women Affairs Bureau
WAD	Women Affairs Departments
WAO	Women Affairs Office
WARDO	Woreda Agriculture and Rural Development Office
WB	World Bank
WDIP	Women’s Development Initiatives Project
WFSTF	Woreda Food Security Task Force
WID	Women-In-Development
WPFO	Woreda Plan and Finance Office
WRDA	Water Resources Development Authority
WRMP	Ethiopian Water Resources Management Policy
WASSA	Water Supply and Sewerage Authority
WSDP	Water Sector Development Program
WSS	Water Supply and Sanitation
WTO	World Trade Organization

Food Security Strategy and Productive Safety Net Program in Ethiopia

Workneh Negatu

1. Introduction

Food insecurity is either chronic or seasonal (transitory). In chronic food insecurity households experience food deficiency relative to food needs in any given year, while in transitory food insecurity households experience food shortage for a certain period due to shocks (natural or social/market). Food poverty incidence in Ethiopia is about 50 % at national level, 37 % in urban areas and 52 % in rural areas. Ethiopia needs immense and all round efforts to totally eliminate chronic and seasonal food insecurity. The recent (2002/03) food crisis that affected about 22 % of the population explicitly shows the extent of the problem.

Chronic food insecurity and seasonal food insecurity are related. For example, unpredicted shocks do not necessarily lead all households to food insecurity unless the households are very poor or chronically poor. In the Ethiopian context, chronically food insecure households include mainly those who are landless/land-scarce, oxen less, pastoral, female-headed, elderly, disabled and sick, newly established settlers, non-agricultural poor households and low-income urban households.

The causes of food insecurity are multiple and intertwined, involving both short term and long-term structural factors. In Ethiopia, long-term factors such as population growth, environmental degradation, diminishing of land holdings, lack of on-farm technological innovations, and lack of off-farm income sources have led to decline in productivity per household. These factors combined with effects of frequently occurring drought continuously erode the productive assets of households and communities. The effect of these causal factors have been exacerbated by lack of appropriate and effective policies and strategies in the last three or more decades. As a consequence food aid has become the common way of tackling the problem, making on average about 10 % of the total annual food availability. Thus the need for dynamic designs of food security policy and strategy, and effective implementation of the strategy by federal, regional and local governments of the country is obvious.

The objective of this paper is to review and reflect on the 2002 Food Security Strategy and the Productive Safety Net Program in view of their

adequacy, gaps, implementation constraints and other outstanding issues, and to make policy recommendations.

In appraising the 2002 food security strategy and productive safety net program, various documents and studies were consulted. The following section summarizes the background and the main elements of the 2002 food security strategy. The second section deals with the PSNP in terms of its major components, targeting issues, institutional structure, followed by reflections on its strength and weakness. The last section gives concluding remarks.

2. The 2002 Food Security Strategy

2.1 Background of food security strategy

The FDRE government has taken several measures to address the chronic problem of food shortage in the last one and half decades. The measures include economic reform program initiated in 1992/93, which involved macro policy changes (e.g. market orientation, privatization, and devaluation of exchange value) that have indirect or direct effects on food security problem. Among the measures directly linked to food problem were articulation of the National Disaster Prevention and Preparedness Strategy in 1993 and the adoption of the Participatory Demonstration and Training Extension System (PADETS) in 1994/95. They are aimed at improving food access for vulnerable households and enhancing productivity of smallholders. The EPRDF's five-years National Development Plan for 1996-2000 was another initiative aimed at alleviating poverty in general and meeting the basic food requirements of the country in particular.

The major initiative of the government that was directly targeted at overcoming food insecurity was the national food security strategy issued in 1996. The strategy was further improved and updated by the government in 2002 under the umbrella of the first phase of PASDEP (Plan for Accelerated and Sustainable Development to End Poverty), or PRSP-1

The 2002 food security strategy has sharpened further the elements of the strategy so as to address the multi-dimensions of food security. The central objective of the strategy in both versions is to ensure food security at the household level within the Agricultural Development-led Industrialization (ADLI) policy framework. ADLI focuses on creating appropriate conditions for national food self-sufficiency. ADLI asserts that agriculture is the starting point in the structural transformation of the economy. The framework presupposes productivity enhancement of smallholder agriculture and agriculture-based industrial development using domestic raw materials and labor-intensive technology for long-run economic and social transformation. The framework

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also embraces market orientation as an important driver of agricultural development. The food security strategy is thus embedded in the ADLI framework.

The targets of the updated food security strategy are mainly chronically food insecure moisture deficit and pastoral areas. The important departure of the 2002 food security strategy from the 1996 food security strategy is its attention to environmental rehabilitation to reverse degradation, and to set conducive environment for sustainable and productive agriculture, through promoting water harvesting technologies and high value crop production. An important observation in here is that the strategy does not say much about the means of controlling and reversing environmental degradation and the how and where of the application of water harvesting technologies in view of the economic, social and ecological contexts of different areas of the country. The strategy has not adequately pronounced the fact that the success of high value crop production is strongly hinged on market availability and situation.

2.2 Components of the Food Security Strategy

The food security strategy has four major components: direct food production intervention program, voluntary resettlement program, income diversification program, and productive safety net program.

Direct Food Production Intervention Program: In connection with the aim of increasing food availability in the country in the medium and long-term, different and agro-ecologically variable agricultural package interventions are to be designed (some have been designed) to increase agricultural production and productivity.

Resettlement Program: Resettlement program aims at increasing food availability by cultivating potential and unused arable land. The plan has been to resettle chronically poor farmers and agro-pastoralists voluntarily in suitable and under-utilized areas intra-regionally.

According to FDRE (2002), the resettlement program would bring underutilized land to economic use resulting in the improvement of welfare of resettled people, and contributing to economic growth. The program is envisaged also to contribute to solving problems resulting from high land degradation, population growth and diminishing of farm sizes in the places of origin.

In order to achieve the intended objectives of the resettlement program, the government is to provide minimum infrastructure including schools, health facilities, roads and water systems. The provision of credit for agricultural inputs and implements as well as for oxen is considered by the strategy an essential condition for effecting the resettlement program.

Income Diversification Program: Focusing only on crop and livestock production would not solve food insecurity in drought-prone and degraded areas. Income diversification through engagement in non-agricultural activities is desirable. Cognizant of this, the food security strategy has given emphasis to the need of income diversification.

The main aim of this program is to increase the purchasing power of poor households through expanding employment opportunities and the capacity to generate income. The activities that are promoted to diversify the income of food insecure households include tailoring, restaurant, petty trading, small-scale grain milling, bakeries, blacksmithing and retailing. Loan provision is an instrument considered essential to encourage and promote small enterprises among rural households.

Productive Safety Net Program (PSNP): PSNP is another component of the national food security strategy. This program, as one of the foci of this chapter, will be discussed in its own section after addressing food security strategy in the following sub-section.

All the four programs mentioned above are interlinked. For instance, the PSNP involves activities and measures that fall partly within the portfolio of activities of the other three components. It is essential to elaborate the Food Security Strategy in such a way that it defines the components clearly and shows their relations systematically.

2.3 The Framework and Elements of the Food Security Strategy

The food security strategy is framed within supply (availability) and demand (access) dimensions under three broad environmental settings: (i) adequate moisture environment; (ii) moisture deficit environment; and, (iii) pastoral environment. The strategy is based on three interlinked approaches: (i) increasing the availability of food through increased domestic production (supply side); (ii) ensuring access to food through increasing the purchasing power of food deficit households (demand side), and (iii) strengthening emergency response capabilities.

2.3.1 Food Security Strategy in Adequate Moisture Areas

This environment is dominantly rain-fed agriculture area. Transforming the present subsistence farming into small-scale commercial agriculture and increasing production growth rate are considered important means of improving food security. For this approach to be effective availing credit, markets, infrastructure and agricultural knowledge, technology and skills, and agricultural extension service is essential. And the same has been pointed out in the strategy.

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Developing and strengthening irrigation systems is also an integral component of the food security strategy in adequate moisture areas in order to reduce dependency on rain-fed agriculture, and to increase production by enabling double cropping at least. In highland areas where high population pressure on small farm holding is experienced, a voluntary intra-region resettlement program in underutilized areas is also envisaged by the strategy.

2.3.2 Food Security Strategy in Moisture Deficit and Pastoral Areas

The strategy envisages ensuring of food security to chronically food insecure households located in moisture deficit and pastoral areas primarily through enhancing purchasing power of the households mainly by promoting comprehensive and appropriate packages of interventions that enhance income activities. Besides, improving resource management and natural capital of the areas through various improved and sustainable dry land agriculture and livestock production packages is considered to enhance food security in this environment. This writer agrees, of course, that off-farm income generating activities would play an important role in enhancing self-provisioning of households. However, diversification of livelihood sources has to be seen in the context of developing potential markets and market access. In areas where markets are unavailable or thin, expanding of off-farm income activities would be highly constrained. In this regard, the strategy does not show ways of mobilizing and expanding markets.

The vision of the strategy for areas where water resources are available is creating conditions to practice agricultural production year round and diversification into high value agricultural enterprises through irrigation and water harvesting technologies. But, in connection with this, the strategy should have shown the importance of streamlining access to land, for secure land tenure system is an essential condition to facilitate large-scale commercial production.

The strategy argues that in ensuring food security for pastoral systems, addressing livestock and human population pressure on rangeland resources, soil erosion, deforestation and bush encroachment is essential. As hinted in the strategy, improving livestock productivity, reducing the size of household livestock holding and diversification outside pastoralism into other local economic activities would contribute to resolving the pressure on meager pastoral resources, and to sustainable transformation and development of the pastoral systems.

Other strategic elements considered in the strategy for pastoral development include: voluntary and non-coercive settlement in consultation with local communities; encouraging sedentarization on the basis of small-scale irrigation schemes; strengthening an early warning system that addresses the

special characteristics of pastoral systems; and, encouraging large scale commercial ranches. This writer sees the importance of looking closely into the feasibility and context of application of each of the elements. Especially sedentarization, resettlement and promotion of commercial ranches require a participatory analysis of their roles, and conditions for their realization in terms of technological, socio-economic, institutional and cultural implications of the measures.

2.3.3 Facilitating Conditions and Services

The supply and demand sides of food security measures suggested for both environments, i.e. income diversification, agricultural and livestock productivity growth, resettlement of population in relatively better areas, require conditions and services that facilitate their realization. This section summarizes the conditions and services envisaged by the strategy.

Land tenure security: Land tenure security is important to ensure food security. The strategy foresees the importance of improving tenure security through certification of holdings and community participatory land use planning. But, for pastoral areas the issue requires extensive and in-depth analysis and understanding. The strategy has not provided guidance on the land tenure role in the context of pastoral areas.

Marketing services: In the sphere of marketing, parastatal enterprises are considered to play an important role in stabilizing prices and in reaching farmers who are far from agricultural inputs markets. A market and price information system is to be put in place so as to promote market integration. Enhancing the legal regulatory framework for agricultural marketing, with a view to promoting competition and reducing transaction costs for all agricultural products, is envisaged essential. The whole process of market improvement is viewed through establishing and enforcing a standard grain classification, moving to a standard and enforceable grain trading contracts and moving to bulk handling of grain. Towards this end, a National Commodity Exchange System is in the process of establishment in order to facilitate market-based interaction among farmers, service cooperatives, private traders and state trading enterprises. Promoting competitive marketing system and encouraging grain flow from surplus to deficit areas is also emphasized. The strategy regards appropriate fiscal policy and incentives, less bureaucratic and efficient licensing system, support services and promotion of appropriate technology essential to create a conducive trading and marketing business environment.

With regard to livestock, the strategy emphasizes the importance of: marketing system that increases the off-take from herds, especially in pastoral areas, and marketing of dairy products. As highlighted in the strategy,

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strengthening links between primary markets and terminal markets, encouraging private investment in export market and domestic processing (e.g. slaughter facilities), and improving transportation infrastructure and associated facilities (e.g. stock routes, water points, animal holding areas) are essential measures that need attention.

Agricultural research: Expanding agricultural research network into different agro-ecological zones not covered before (e.g. drought-prone zones), and initiating biotechnology research phase by phase have attained attention in the strategy. In line with this, importation of technologies from countries of similar agro-ecologies and verifying in multi-locational trials is also considered important.

Inputs supply: *Fertilizer and seeds:* Encouraging private traders and cooperatives to participate in the delivery of fertilizer and seeds services has been acknowledged in the strategy. Of course, strong regulatory institutions with enforcing capability are needed to guard fertilizer quality and standard of packaging.

Traction and improved farm implements supply and distribution: Research adaptation of improved farm implements, and strengthening of the production capacity of rural technology centers in the manufacturing of implements are essential strategic elements that got attention in the strategy document. The role of rural and urban private sector in this sector is considered to be of a paramount importance. But more dovetailed approach to traditional knowledge and practices needs to be considered in the strategy in order to speed up technological change in the sector mentioned.

Credit service: Ensuring credit availability to rural communities and reducing costs of credit administration is stated as an important policy instrument. In this regard expansion of micro-finance institutions and banking services to promote rural savings and investments in farming and non-farming activities is considered important.

Road networks: Construction and networking of rural roads and rehabilitation of the existing ones promotes marketing and hence food security. The strategy asserts that road infrastructure promotes competition in the transportation, trade, processing and distribution of food and marketing of inputs.

Gender consideration: The gender dimension of food security is critical to Ethiopia, as women contribute greatly to economic development, and to reproductive and productive activities. Thus incorporating gender perspective in the design and implementation of specific food security measures and programs is emphasized in the strategy document.

Population factor: High population growth undermines the country's ability to be food self-sufficient and to provide adequate resource base,

education, health and other essential social and economic services for each household. In this regard improving family planning services and expanding education within the remit of the food security strategy and food security programs are important measures also stressed in the strategy document.

HIV/AIDS: HIV/AIDS is a formidable challenge to food security in Ethiopia as it reduces and debilitates the productive population, placing a huge burden on the society. The national policy and countrywide program down to grassroots level to control and reduce the spread of the disease would contribute to the efforts of reducing food insecurity, as stressed in the strategy document.

2.3.4 Micro and Small-Scale Enterprises

In the above section the importance of availing product and factor markets was emphasized. Markets have a role in income diversification. Micro and small enterprises do play an important role in developing and expanding markets. In relation to this, the strategy document encourages linking micro and small enterprises with agriculture development and industrialization.

Agricultural growth induces backward and forward linkages with goods and service produced by labor-intensive micro and small enterprises. Important policy instruments to encourage development of micro and small enterprises are infrastructure development, credit service promotion, encouragement of competitive marketing of inputs and outputs, and taxation of selective commodities to shift the consumption pattern in favor of domestic production. Initiating public industrial extension services is deemed by the strategy to be essential to promote micro and small-scale enterprises. It is also commendable to stress in the strategy the importance of strengthening public micro and small-scale enterprise development agencies at regional and national level, for they play an important role in facilitating the development and expansion of micro and small-scale industrial enterprises.

2.3.5 Diversification of Agriculture-related Exports

Based on suitability of natural resource, diversification of exports into horticultural products, oil seeds and pulses, in addition to the traditional export commodities (coffee, skin and hides) is considered essential to sustain growth and food security. Agricultural research on export commodities is needed, along with investment in infrastructure to increase productivity of export crops and efficiency of export marketing. Promoting worldwide competitive leather and textile products through domestic investment and contractual agreement with international firms and as well as through technical agreements are strategic measures emphasized. Privatizing leather tanning industries and helping them

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through maintaining conducive business environment for private sector development is also included in the strategy. In this relation, the present export promotion agency is expected to play a significant role.

2.3.6 Entitlement-promoting Programs

To ensure long-term entitlement to food, building the capacity of households to attain food security on their own is essential. Important entitlement promoting interventions identified in the strategy are: (i) employment support schemes; (ii) targeted programs, and (iii) nutrition intervention. These interventions are to be carried out by the regional government agencies, NGOs, private sector, and communities on the basis of the following principles: (a) resource transfer with the aim of enhancing capacities of the recipients for self provisioning in the longer term; (b) targeting, if possible, through self selection; (c) distinction of groups in the vulnerable population into those who would be able to provide for themselves in the short term and those who are a long way from being able to support themselves, and as a result who may need direct support.

2.3.7 Institutional Strengthening, Networking and Capacity Building

Institutional capacity of regional government and woreda/kebele administration is an important condition to create a conducive environment for private entrepreneurs, and to implement and monitor various food security programs. In this regard, capacity building through technical vocational training to produce skilled manpower to serve at grassroots level is emphasized. Technical vocational training institutes and farmers training centers would have an important role in realizing the training. Grassroots institutions such as farmer associations and farmers' cooperatives are to play an important role in the endeavor of ensuring food security through participation in capacity building and delivery of goods and services. Generally, promoting organizations of farmers, and strengthening research-extension-farmer linkages through the existing research extension advisory council are imperative. The strategy asserts that the private sector would have a role in input supply, output marketing, processing and creating linkages with farmers through various partnerships and networking arrangements (e.g. out-growers schemes).

2.3.8 Emergency Response and Capabilities

Closing of food gaps at national and food insecure household levels needs in the short and medium terms food assistance in cash and/or kind. Such assistances provide for the transition period until food entitlements are increasingly met in

the long run by self-provisioning of food, and increased purchasing power of the food insecure themselves. In the transition period, different kinds of supports and food assistance may be inevitable. What is required is therefore good capacity to manage these emergency responses effectively. The assistance mostly takes the form of budgeted multi-annually assisted employment generation schemes (EGS)/or employment based safety net (EBSN).

In this regard capabilities have to be forged or developed in areas of monitoring, surveillance, early warning systems, capacity of food and relief distribution, strategic food grain reserve, analysis of international food trade and aid situation. Analyzing risks of on-setting food insecurity/crisis, constantly improving targeting mechanisms and process, and assessment of the capacity and efficiency of implementing agencies are some of the important capabilities desired, also highlighted in the strategy document.

2.3.9 Strengths and Gaps of Food Security Strategy

The availability of a food security strategy is essential and useful to guide and monitor food security interventions. It is also useful to learn from the strategy's strength and weaknesses to further improve the strategy or replace it with a better one. This section summarizes the strengths and gaps in the food security strategy.

Strengths

- i. The food security strategy recognizes the importance of multidimensional characteristics of food security. Agricultural and non-agricultural sectors have been considered in the food security strategy.
- ii. The food security strategy has taken into account that the majority of the population of the country is found in rural areas to make the national food security strategy rural- focused. It is thus important that the food security strategy has addressed constraints of agricultural production and the role of non-farm income and employment sources in solving the interlinked bottlenecks of food security.

Gaps and weaknesses

- i. The availability and access of food are not the only conditions that must be met in order to ensure household food security. The distribution of food among the members of households can also determine the attainment of household food security. In rural areas, the cultural

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patterns and social norms of communities have considerable impact on food intake by vulnerable groups particularly women and children even in those households who have enough food. The strategy has not provided mechanisms how to address the intra-household food insecurity issues. The importance of creating awareness among households in order to avoid intra-household disparity in food distribution needs higher attention.

- ii. Food insecurity is widespread and severe in both rural and urban areas though the magnitude and intensity of the problem is higher in rural areas. The food security strategy, however, puts emphasis on the rural areas, giving inadequate attention to urban areas.
- iii. Chronic food insecure people are not found only in moisture stress and pastoralist areas. They are also found in food secured woredas. Like urban food insecure people, pockets of chronically food insecure people in food secure areas need attention by the food security strategy.
- iv. Although it is generally recognized that CBOs, CSOs and NGOs do play a great role in the conversion of food security policies and strategies into concrete accomplishments, the national food security strategy need to adequately articulate their role in the execution and assessment of different programs of the Food Security Strategy.
- v. The development of appropriate monitoring and evaluation system help to provide feedback on the effects of measures taken, and to provide empirical evidence to support any need of policy improvement in the elimination of food insecurity. In this regard, the Food Security Strategy needs to give more attention to the details of the essence and operation of the monitoring and evaluation system.
- vi. The influence of seasonal or localized weather and market fluctuations on per capita production and food access has remained persistent. The Food Security Strategy, however, focuses only on the domestic production, giving less consideration to the importance of food imports in meeting short-term food needs of food insecure people by consolidating the potential and performance of the export sector in order to enhance the foreign exchange and importing capacity.

3. Productive Safety Net Program (PSNP)

3.1. Introduction

The different food security elements/components discussed in section 2 are expected to be translated into different operational programs. One of the programs that attempted to embody the strategic elements/directions identified in the strategy is the Productive Safety Net Program (PSNP), which was initiated in 2004/05 and whose implementation started in 2005. The PSNP initially targeted approximately five million chronic food insecure people living in 262 chronically food insecure woredas, and the program was planned for five years. Currently, the population of chronically food insecure people is slightly more than eight million.

The main reason for Ethiopian government initiating the program is the desire to address the basic food needs of food insecure households via a productive safety net system rather than through a system dominated by emergency humanitarian aid. The PIM (Program Implementation Manual) for PSNP indicates that PSNP is instrumental to achieving the objectives of food security in a relatively shorter period.

The productive safety net program as a component of the Food Security Strategy is designed to integrate with other food security programs and broader development interventions, for PSNP is deemed to create a conducive environment to lay the ground for future productivity improvement in rural communities.

The main objective of the Productive Safety Net Program is provision of transfers to the food insecure population in chronically food insecure woredas in order to prevent asset depletion (protect asset) at the household level and creates assets at the community level. The program is also believed to support rural transformation process by preventing long-term consequence of short-term consumption shortages; encouraging households to engage in production and investment activities; enhancing household purchasing power; and promoting market development.

3.2. Components of PSNP

The productive safety net program consists of two components - public works and direct support.

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(i) Public works

Public works are labor-intensive community-based activities. They are designed to provide employment for able-bodied and chronically food insecure people. Activities that are undertaken through public works are carried out on community land and resources. However, certain activities can be undertaken on private lands. Activities allowed on private holdings are labor activities like construction of water-harvesting structures on lands belonging to female-headed households with no labor.

The types of activities that are practiced by public works for communities are to be designed in such a way as to contribute to solving crucial local problems identified. For example, the activities that are practiced in moisture stress woredas focus on solving the problem of land degradation, water shortage and infrastructure. The specific activities include hillside terracing, land reclamation, improvement of roads, provision of water and maintenance of social services. Activities that are considered for implementation in pastoralist areas are related to the aim of reducing risks and increasing the resilience of communities to shocks. The specific activities in such areas include development of water points, reclamation and rehabilitation of grazing areas, resource conservation, agro-forestry.

(ii) Direct support

Direct support is the provision of direct unconditional transfer of cash or food to vulnerable households with no able-bodied members to participate in public works. According to the program implementation manual, the beneficiaries of direct support program include:

- Those individuals who do not have labor to participate in public works;
- Those individuals who do not have sufficient and reliable support from sons/ daughters or remittance from relatives away from village; and,
- Those individuals who cannot participate or contribute in other community activities (e.g. disabled persons and orphans).

3.3. Targeting

Targeting is a characteristic feature of PSNP and ensures that the interventional assistance of the program reaches the appropriate and eligible areas, communities and households.

Area targeting: The program targets at chronically food insecure woredas. Criteria have been set to identify such woredas. According to the 2004 program document, a woreda can be selected for PSNP if it is found in one of the eight regions (Afar, Amhara, Diredawa, Oromia, SNNPR, Somalia and Rural Hareri) and it has been receiving food aid for a significant period (at least three years). Based on these criteria, about 262 woredas have been initially identified.

Beneficiary targeting: Eligible households for PSNP are selected on the basis of the following criteria.

- The household has faced food shortage in the last three years continuously and received food assistance;
- The household is more vulnerable as a result of severe loss of asset and is unable support its household members;
- The household is without support from relatives and family members or from other means of social protection; and,
- The household/individual is a member of the community.

Targeting approach: According to the PIM, eligible participants for safety net program are to be selected using administrative and community targeting procedures. The PIM describes that four administrative bodies are envisaged to take part in safety net participant screening. These are Woreda Food Security Task Force, Kebele Council, Kebele Food Security Task Force and Community Food Security Task Force. The operational linkages of these bodies, however, are not spelled out clearly.

According to the PIM, the government is to make an effort to involve the community in screening of eligible participants to ensure appropriate screening based on their knowledge about the food security situation of their locality and of each other on an individual basis. Self-targeting based on wage rate is not applied. The main reason for the non-application of self-targeting is that households who would target themselves could be beyond the capacity of the program to create alternative employment opportunities.

3.4. Payments and Wages for Beneficiary Participants

Payments to the beneficiary of PSNP public works is carried out both in cash and food forms. The wage rate for public works is fixed at 6 Birr per day. When the delivery is in kind, the payment is three kg. of grain per day plus cooking oil. The transfers made to direct support beneficiary individuals is equivalent to that paid to individuals participating in the public works.

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Cash payments are preferred to in-kind (food) payment under a situation where: food is available for purchase in the local market; there is food surplus in the area; there is strong community preference for cash payment; and, cash management capacity is prevalent. On the other hand food payments are made where: there are inadequate food markets in the localities; experience in cash management is lacking; and better food management capacity is lacking.

3.5. Institutional Structure and Management

PSNP is a five-year social protection scheme being implemented by different government agencies at each level of government. The institutions that are involved in the implementation of PSNP at different levels of government structure are listed below along their responsibilities and tasks.

Federal level:

- Ministry of Agriculture and Rural Development (MoARD): Provide technical support to FSCB (Food Security Coordination Bureau) and Regions
- Federal Food Security Coordination Bureau (FFSCB): Allocate PSNP resources to the regions, and provide technical support to the regional FSCO (Food Security Coordination Office); implement the Rapid Response Mechanisms, and update PSNP guidelines
- Federal Food Security Steering Committee (FFSSC): Assess performance monitoring and evaluation system, and assess the resource contribution of the government and donors
- Disaster Prevention and Preparedness Agency (DPPA): Provide national early warning information, and participate in food security need assessment for safety net program
- Ministry of Finance and Economic Development: Disburse safety net resources to the regions

Regional level:

- Regional Cabinet: Approve annual PSNP plan and budget, and evaluate implementation of program activities
- Regional Bureau of Finance and Economic Development (BoFED): Disburse budget to woredas and bureaus; provide technical support, and provide feedbacks to the implementation of safety net

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- Regional Food Security Coordination Office (FSCO): Develop annual plan and budget; establish and implement the Rapid Response Mechanisms; and, coordinate monitoring and evaluation
- Regional Line Bureaus: Provide technical assistance to FSCO and Woreda line offices

Woreda level:

- Woreda Cabinet: Allocate safety net resources to kebeles
- Woreda Food Security Task Force (WFSTF): Approve kebele plans, and provide direction and assistance to kebele food security task force
- Woreda Agriculture and Rural Development Office(WARDO): Provide inputs to safety net implementing agencies; undertake regular monitoring and evaluation; and, coordinate implementing agencies
- Woreda Plan and Finance Office (WPFO): Disburse safety net budgets

Kebele level:

- Kebele Council/Cabinet: Identify eligible participants for public works and direct support; approve kebele safety net beneficiaries; approve kebele safety net plan; and organize public meeting to comment on proposed participants
- Kebele Food Security Task Force (KFSTF): Collect and compile participant list; identify eligible participants for public works and direct support; and prepare kebele safety net plan in consultation with woreda sectors offices
- Community Food Security Task Force (CFSTF): Undertake need assessment; identify the names of participants; and finalize the list of participants and submit to the Kebele FSTF for verification and action

There is a chain of bodies from federal to bottom (community) levels involved in planning, implementing and monitoring of the safety net activities. Overlapping of activities and absence of clarity in the division of tasks and decision making roles may need articulation. Moreover all bodies are not actively functioning (e.g. kebele and community food security task forces).

Monitoring and Evaluation: An important managerial function in implementing PSNP is monitoring and evaluation of the program's activities and progress, and achievement of the objectives of the program. Rapid Response Mechanism (RRM) has been developed to monitor the implementation of safety net program. The objective of RRM is to detect problems that need immediate attention, and respond rapidly to resolve the problem. The RRM is intended to

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operate at various administration levels (Federal, Regional, Woreda and Kebele). Rapid Response Team (RRT) is expected to expedite monitoring of activities and progress of the program. The team has to be dynamic and effective in identifying gaps and problems in implementation process and to suggest responsive measures.

According to the PIM, the major items that have to be closely monitored include: community needs; public work participation and types; quality and quantity of community projects undertaken; food price and stocks; and overall budget flows including its procurement and administration.

3.6. Strengths and Gaps of PSNP

Strengths

- i. The PSNP program is designed not only to solve the short-term food insecurity problem of the household but also to lay the foundation for achievement of other food security programs. This approach enables in principle integration of productive safety net interventions with wider food security programs.
- ii. The program has shown strong preference for purchases from local markets, which could be useful to stimulate local crop production and productivity.
- iii. The program's ambition to move away from pure relief type of assistance to the mode of assistance that simultaneously promotes productive investment may help to prevent any attitude of dependence on food aid
- iv. The program document has paid attention to participation of women in public works with the intention of enhancing the income and productivity of female-headed households.

Gaps

- i. The number of people who suffer from chronic food insecurity is very high. Nevertheless, because of its limited capacity, the PSNP targets a small proportion of households, excluding a large population of food insecure households and individuals from participation in PSNP.
- ii. The problem of food insecurity is covering both rural and urban areas. However, the PSNP has paid attention only to rural areas, giving little attention to urban areas. The PSNP excludes not only the urban areas but also food insecure people residing in pockets of areas in some food secure woredas.

- iii. The major objective of developing PSNP is to reduce dependency. Although the reason for moving away from pure relief approach to productive safety net is to reduce dependency, it is not clear how the PSNP could reduce dependency among beneficiaries and enable them to become self-sufficient.
- iv. The responsibility of executing safety net activities has been given to various actors. However, the PIM does not clearly specify in what way these various agencies implement the program activities in an integrated manner.
- v. In addition to formal government institutions, committees have been established in all tiers of government structure to coordinate and implement PSNP. Experience showed that the roles and responsibilities that have been envisaged for the committees are not properly implemented. The committee members do not pay attention to executing the envisaged responsibilities. Moreover, they are always busy in day to day activities of their institutes. The institutional framework of PSNP needs further scrutiny and refinement in order to facilitate effective and participatory implementation of the program's activities.
- vi. The main responsibility for screening the safety net participants falls on the kebele and community food security task forces. The PIM shows that the members of task forces include a majority of elected individuals from different groups of the community. The program has not, however, provided incentives to the members of the task forces. This may discourage them from implementing the assigned tasks properly and effectively.
- vii. The amount of cash that transfers to beneficiary participants is not determined in view of the market price differences in different woredas .The wage rate in all woredas in the eight regions is fixed at 6 Birr.
- viii. The monitoring and evaluation system is not well developed. The program implementation manual does not clearly show the items that have to be evaluated and the responsible body that undertakes the evaluation of PSNP.
- ix. The ownership of community assets that are created by public works need clear definition. Moreover, the public works are not well geared towards provision of social services (health and education) that play in the long-term a crucial role in ensuring household food security.

3.7. Achievements and Constraints of PSNP

Some assessments which have been carried out in the past two years indicate that productive safety net program has made contributions in the creation and protection of household asset and provision of infrastructure. The Institute of Development Studies of Sussex has made an assessment on the impact of PSNP in 2006. The assessment was made in eight woredas of four regions (Tigray, Amhara, Oromia and SNNPR). The results of the study showed that from the total sample households, three quarters of the beneficiaries improved their food security, 62% protected their assets, and 46% have access to services.

The same study also showed that the productive safety net program has somehow targeted food insecure households, but failed to cover all food insecure households. About 71% of non-beneficiary households who have experienced food shortage were excluded from the PSNP.

Sharp and Brown (2006), in their assessment study, have identified constraints faced in the implementation of PSNP. The major ones are outlined below.

- i. In most of the study areas public works are undertaken during the peak seasons of agricultural activities although the PIM asserts that the public works projects should take place during slack seasons.
- ii. Payments to beneficiaries are often not made on time. Erratic payment undermines the program's objective of providing regular and predictable transfer.
- iii. There is lack of effective appeal process and low success rate for appeals. The PSNP in all study areas is subjected to several broad types of appeals. There are different groups of appellants: those who believe they are wrongly excluded from beneficiary lists; those selected in the first targeting process but removed subsequently; those who believe that they should be direct support beneficiaries but classified as public beneficiaries. On the other hand, most of the appeals take weeks and in some cases months before they get decisions. Moreover, the success rate for appeals is very low and a majority of the appellants failed in their appeals. Besides, most households lack awareness as to whom to appeal and how to appeal.
- iv. The proportion of beneficiaries to be registered for direct support is determined by quota and not on the basis of the need assessment, posing challenges to screening and targeting the most needy ones.
- v. Although there is strong desire and initiative to avoid PSNP-caused dependency, the study revealed that unprecedented dependency attitude has been experienced in many areas after the introduction of PSNP.

- vi. Food security task forces at the woreda, kebele and community level have not been established in many woredas; and in woredas where food security task forces are established, they are not as such functional.
- vii. The high turn over of employees at all administrative levels and particularly at the woreda level (up to 80 %) has reduced the effectiveness of the PSNP.
- viii. The number of chronically food insecure people is higher than the resources of safety net can cover. The study indicates that the number of eligible people in all study areas was higher than the quotas of safety net, making it both technically and socially difficult to distinguish households who need PSNP support from those who do not require the support.
- ix. Constraints on accountability and transparency. The targeting process has been more opaque and top down though there is some improvement in accountability and transparency in the targeting process in some woredas. As a result, there is a greater scope for corruption in those areas where there is low awareness of targeting procedures and where targeting is carried out in a top down and opaque manner. In some cases the local administrations have included well-off kebele officials and their relatives on the list of safety net beneficiaries.
- x. The principle of universal food security, which states that "food should not be used as an instrument by nations to impose political and economic pressures on others" was violated in some woredas and localities.
- xi. The payment rate for PSNP public works was low as compared to local unskilled labor wage, as a result of which some beneficiaries excluded themselves from the program voluntarily, in order to look for better income earning options.

4. Concluding Remarks

The food security strategy of Ethiopia has identified important elements/measures that are crucial to food security within the framework of ADLI. The strategic elements are hinged either on supply or demand side of food security equation, varying between moisture-rich and moisture-deficit and pastoral areas. Emergency response intervention by capable agencies (GOs and/or NGOs) at the required time and place is also a component with the aim of sustaining food security when either the supply or demand side fails.

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Technically all the measures suggested in the strategy document are essential. The framework upon which the food security strategy is based is the concept that agricultural development is the basis for industrialization with the market playing an overarching role as a driver of agricultural and industrial development and agriculture-industry linkages. The missing link to the framework is lack of a realistic model that translates the conceptual principles into practical programs and operations.

The point that deserves attention with regard to strategizing food security development is: knowledge of the required complementary inputs and conditions to realistically implement the strategy, which in turn implies the need for re-scrutinizing crucial issues for redesigning the strategy. The issues include: (i) motivated, educated and skilled manpower; (ii) understanding cultural behavior and change process in the rural societies; (iii) capacity and effectiveness of formal institutions in implementing and monitoring intervention projects and activities in an orderly manner following institutional rules and regulations; (iv) articulating market development and its functioning conditions and constraints so as to enable it to play the role of driving motor for agricultural and livelihood transformation; (v) land tenure security improvement in order to facilitate technological changes and business-orientation of the agricultural population.

The responsible institutional structures for implementing productive safety nets program could be made more efficient probably by shortening its ladders in the chain of responsibilities and decision-making process by empowering the ladders at the bottom (woreda and kebele levels).

Monitoring and evaluation is a crucial management tool that should be invigorated and applied continuously and constantly to identify weaknesses and strengths and succeed in improvement of the effectiveness and efficiency of the program

Targeting is a persistent problem in PSNP. More participation of woreda and kebele, beneficiaries and other grassroots farmer institutions in the screening process on the basis of well defined vulnerability indicators would help to minimize the problem of targeting beneficiaries.

Re-gearing PSNP in a way that enables beneficiaries to be self sufficient by gradually integrating and incorporating themselves into a sustainable market-based national and local economic system need to be closely scrutinized. In this regard, forging PSNP to be more instrumental in building household assets, increasing household market orientation and enhancing technological and institutional transformation of the rural socioeconomic systems is commendable. Since PSNP is a recent phenomenon, more empirical studies need to be conducted on its performance, issues and challenges.

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A Review of the National Population Policy of Ethiopia

Getachew Minas

1. Policy Context

The National Population Policy of Ethiopia was issued at a time when the country was engulfed with overwhelming problems of food insecurity, recurrent drought and famine, with nearly half of its population living below the poverty line. The rapid growth of population was a major factor that contributed to poverty by keeping the per capita income low. The economy had never grown at a rate higher than that of the population.

The Ethiopian Population has been increasing considerably since the turn of the 20th century. The size of the population increased from 11.8 million in 1900 to 23.6 million in 1960, doubling in 60 years. It took only 28 years to double to 47.3 million in 1988. The population was growing rapidly at the rate of 2.9 percent in the late 1980's. It is projected to reach 77.1 million in 2007 (CSA, 1999). The major cause for the rapid population growth was high total fertility rate. Total fertility rate was high at 7.7 children per woman of reproductive age around the time the National Population Policy was issued. Total fertility was about three times the replacement rate, which made it one of the highest in Sub-Saharan Africa.. Consequently, the growth of population is still high 14 years after the issuance of the population policy of Ethiopia.

1.1 Demographic Characteristics

The population dynamics of fertility and mortality, as well as the distribution and structure of population revealed the challenges of demographic factors to the attainment of the objective of sustainable development and poverty eradication in the country.

Some of the factors that contributed to high fertility rate were early marriage, low age at first marriage, low level of education particularly among women, the youthful population and low use of contraceptives. High fertility was also attributed to improved health condition that led to reduction in the prevalence of sexually transmitted diseases. Low level of contraceptive use also contributed to high fertility. Only 4.0 percent of the married women used contraceptives at the time the policy was issued in 1993.

Mortality was another population dynamics that influenced growth in the rate and size of population. Infant mortality rate (IMR) at country level increased from 110 deaths per 1000 live births in 1984 to 116 in 1994 and this was one of the highest rates by African standards. According to the CSA medium variant projection IMR is projected to decline to 110 in 2000 and to 97 by 2005, and to 85 by 2010. Children under age 5 faced high mortality rate, which increased from 159 per 1000 in 1984 to 171 in 1994. It is projected to decline to 140 and 120 in the years 2005 and 2010 respectively (CSA 1999). Lack of access to skilled health care, pregnancy complications, or lack of emergency services, and HIV/AIDS could cause death. Barriers to such accesses could be physical, economic, and socio-cultural in their nature. The physical barriers could be related to distance, and lack of transport; the economic barriers to lack of resources to pay for the services; and the socio-cultural factors are related to low status of women, lack of decision making and restrictions on their mobility. As an indicator of mortality conditions life expectancy at birth, declined from 51.9 years in 1984 to 50.7 in 1994 for both sexes. Life expectancy for males was 50.6 years and 53.1 for females (Ethiopian Population Profile, 1999). Though mortality rate was high it was on the decline as indicated above. However, high fertility rate which is declining at a lower rate than mortality rate is causing an ever increasing size of population.

Considering the population structure, the population of Ethiopia was youthful. Ethiopia has young population due to high fertility. In the first census (1984) it was found out that Ethiopia had 19.3 million youth who were less than 15 years of age or 48.2 percent of the total population. During the second census (1994) the number increased to 24.1 million comprising 45.4 percent of the total population (CSA 1999). Those aged 65 years and over comprised 4.6 percent of the population. Such an age structure of population created high dependency burden. This might create a situation where most of the income is consumed leaving lesser savings for investment.

The spatial distribution of population revealed a fall in land holding and per capita food output. Due to rapid rate of growth of population and environmental degradation. As the population increased from 23.5 million in 1960/61 to 48.6 million in 1989/90, the per capita food output declined from 240.2 Kg to 141.7 Kg in the same period. At the same time per capita land holding almost diminished from 0.28 ha to 0.10 ha (Befekadu and Berhanu 1999/2000).

The geographic distribution of population reflected that the rural population constituted 85 percent, with high man/land ratio. The population density for the whole country was high with the gross population density of Ethiopia of 49.3 persons per square kilometer in 1999. The urban population was showing a rapid population growth due to natural increases and high rural-urban

migration. Dire Dawa has the fastest growth rate of population with 4.0 percent, followed by Harari with 3.50 percent. Net migration has contributed to the fast growth rate of population in the urban areas of the country. In Dire Dawa the net in-migration was 1.46 percent, while it was 1.18 percent for Harari. The rate of growth for Addis Ababa was estimated to be 2.9 percent out of which the share of net migration was 1.69 percent (Ethiopian Population Profile, 1999). The urban population created pressure on economic infrastructures, social services and employment creation capacity of the country.

Taking into account the sex distribution of population, the female population was slightly higher than the male population. The overall sex ratio is 101 in 1994 and it is projected to remain the same for the next three decades (CSA, Analytical Report, 1999).

1.2 Population and Development

With these brief demographic characteristics of the Ethiopian population, it would be vital to look briefly into the interaction between population and development. This interaction could be observed using critical factors of development, in particular the environment, agriculture, health focusing on maternal and child health, education, housing, employment, situation of women, and other social relation.

With the rise in size and growth of population, the carrying capacity of the environment decreased. Rudimentary technologies and techniques of land exploitation applied to meet the needs of the rapidly increasing population were environmentally destructive. Both man made and natural disasters caused immense deforestation and soil erosion without a commensurate effort on resource conservation. Massive movement of people, due to war and internal displacement, as well as movement of livestock in search of water, aggravated environmental fragility. The land with forest cover has been devastated at alarming rates. It is believed that the land size covered by forests has been reduced from 40 percent at the turn of the century to about 3.0 percent at the present time. About 88,000 hectares of land is deforested every year, while only 6,000 hectares is replaced through afforestation every year (Population Policy, 1993). The accelerated degradation of woodland throughout Ethiopia is an ecological challenge for decades to come. Wood charcoal account for 62 percent of the total household energy consumption in urban areas and 66 percent in rural areas. Dung and crop residue together account for 27 percent and 34 percent in urban areas and rural areas, respectively (Tedla 1997). Deforestation leaves the topsoil exposed to rain and wind and soil erosion leaves farmers vulnerable to crop failures.

Agricultural productivity was severely affected by rapid population growth. Though increasing in size small farmers were not supported by adequate and modern agricultural services such as farm implements, fertilizers, pest control, techniques of harvesting and storage. This limited their capacity to be food self-sufficient. The rise in man/land ratio was a factor that constrained crop production. Associated with this was the declining size of arable land that was covered with crops (Befekadu and Berhanu 1999/2000).

A factor that was seriously affected by the increase in population was the provision of health services. Health service coverage was very low due to shortage of health personnel, drugs, health facilities and equipment. This is illustrated by the facility to population ratios. There is 1 hospital to a population of 587,620; 242 health centers to 222,850; 1175 health posts to 44,509 and 2515 health stations to 20,195. Despite the low coverage, the health care facilities are unevenly distributed among the regions. About 85 percent of the population reside in rural areas where the infrastructure of health service delivery is weak or underdeveloped.

The nutritional status of the people was low with daily caloric in-take below the recommended rate 2200 calories per person per day. People residing in rural areas had limited access to safe water for drinking. Basic health services, including immunization, were not accessible to the majority of the people. So were the maternal and child health services. Wherever, fertility was high maternal and child mortality rate were high. Unregulated fertility caused infant and child mortality, and low weight at birth. Short birth intervals, teenage and unwanted pregnancies, prevalence of sexually transmitted diseases and malnutrition negatively affected the reproductive health of mothers. Budgetary support for the health sector was limited due to lack of resources. The problems of health service delivery continued to be compounded by the rapid growth of population.

Though enrolment was on the rise in absolute terms, a significant proportion of the school age population did not have access to education at all levels. The rising level of enrolment constrained the available educational resources causing decline in the quality of education. Some indicators of quality, such as student/teacher ratios, number of students per textbook and number of students per classroom have all increased due to increase in school age population with its resultant increase in the cost of education. The school age population is expected to increase from 12.0 million in 1984 to 42.5 million in the year 2020. Under this situation it is not difficult to appreciate the cost implications of achieving the goal of the education policy of the country. Moreover, enrollment ratios remain low; rural areas and girls are not well served; the quality of education is low; the system is inefficient; funding is inadequate; and capacity for planning and management is weak (MOE1999).

The housing sector was seriously affected by increase in the size of population. Housing units were below standard, lacking adequate living space. Most of the houses are shared by more than one household, and they lacked basic sanitary facilities. The serious over-crowding in the urban areas is an evidence of the shortage of housing in the urban centers of the country. The spreading of homelessness also attests to the existence of the problem. The number of homeless persons or squatters who live in bus stations, pavements, church verandah, mosque compounds and in any open space has increased (Tadesse 2000). Provision of housing units for the increasing population required immense resources and budget.

The rapid growth in population widened the labor force that grew at even higher rate than the growth rate of the economy. The working age population is located in the age group 15-64. The size of the working age population was 28.7 million in 1995 and it reached 33.8 million in 2000, and it is projected to be 39.6 million in 2005. It comprises 53.2 percent of the total population and it is expected to increase in the future both in absolute and relative terms. The size of population of age 10 and over in 1994 was calculated to be 36.6 million. With an annual average growth rate of 5.3 percent the proportion of the population of ages 10 and over increased from 51 percent in 1984 to 68 percent in 1994. Such a change in the structure of the population has impacts on the labor force and hence unemployment, given the capacity of the economy to generate employment (MEDAC 1998). The size of school leavers seeking jobs was increasing at an alarming rate. The economy could not create adequate employment for job-seekers as needed.

Women of reproductive age are those women of childbearing age of 15-49 years. This group is an important demographic element that has a bearing on the characteristics of the population. The size and growth of women of reproductive age have strong impact on fertility and on reproductive and family planning services in the country. The total number of women of childbearing age in Ethiopia is nearly 15 million in year 2000. This is projected to increase to 20 million in 2010 and to 27 million in 2020. It is expected to reach 34.3 million by 2030. The proportion of the rural female is 82.3 percent of the total number of women of reproductive age in the country.

The situation of women in Ethiopia was described by the low status they were subjected to. This had a bearing on the level of fertility in the country. Women were subjected to the expectation that they bear a large number of children and also maintain them. As a large majority of women were economically dependent on men, the decision to have children was the sole responsibility of the husband. Moreover, high mortality of children induced high fertility to compensate for children lost due to death. The low level of women literacy and education strengthened the belief that women undergo the household

chorus alone instead of participating in productive economic activity to earn income. The traditional value of preference of male to female child by parents forced them to incur more in male education. This resulted in low participation of women in the labor force.

2. The Need for a National Population Policy

The interaction between population and development contributed to the state of underdevelopment which Ethiopia found itself in. As indicated earlier the rapid growth of population caused negative effects on economic and social development. By increasing the level of consumption it reduced the opportunity for increased savings and investment. The pace of economic development depends largely on investment, which also depends on the amount of national income that is saved. A study shows that savings and investment ratios were low before the population policy was issued. The low and declining savings ratio could not cover the investment required at the time. Consequently the resource gap reached an overall average of 7.7 percent of the GDP, and the yearly comparison shows that over time the resource gap has widened. This has led to an increase in debt burden (Befekadu and Berhanu 1999/2000).

The decline in the savings ratio could be explained by a rise in total consumption. Total consumption was 93.1 percent of the GDP. A greater proportion of income was spent on consumption, which would not abate in the face of increasing size and growth of population. With high proportion of income spent on consumption little is left for savings and investment. With a per capita income of USD 110 Ethiopia is one of the poorest countries in Sub Sahara Africa (Befekadu and Berhanu 1999/2000). The increase in population continued to depress the per capita income which remained almost constant for most of the past decades.

As indicated above, the rapid growth of population exerted harmful effects on economic and social development. Low levels of economic and social development, low investment in education and health, in turn, depressed the level of productivity. Thus, Ethiopia found herself in a “vicious circle of poverty.” To break this circle, there was a need to design effective, supportive, and realistic economic development policies, including a population policy

3. Policy, Strategies, Programs, Action Plan and Legal Framework

3.1 Population Policy Goal, Objectives and Targets:

The National Population Policy of Ethiopia was issued by the Transitional Government of Ethiopia in April 1993. This policy has the goal of “harmonization of the rate of population growth and the capacity of the country for the development and rational utilization of natural resources to the end that the level of welfare of the population is maximized over time.” The assumption behind this goal is that in addition to curbing the growth of population, creating of capacity to develop and use natural resources of the country would contribute to economic development. But, productive use of natural resource is predicated on the capacity to manage the economy at all levels, including households. Had there been such a capacity in place, the size of population would have negligible effect on economic development of the country. The need for capacity building was appreciated late in the development process. Moreover, resource management is beyond the purview of a single policy. Thus the goal of the population policy needs a revisit in view of the Ethiopian reality, which calls for developing a comprehensive multi-pronged approach to economic and social development in the country.

The policy also aims at pursuing general objectives that focused on closing the gap between high population growth and low economic productivity; expediting economic and social development through integrated development programs; reducing rural to urban migration; improving the carrying capacity of the environment; raising the economic and social status of women and vulnerable groups.

If we consider the assumptions behind some of these objectives, we would be able to appreciate the extent to which the policy is realistic. The objective of closing the gap between high population growth and low economic productivity, for example, is based on the assumption that one factor has to be reduced for the other to increase. This is not a necessary condition for economic development to take place. If we invest on the development of the productive capacity of the factors of production, including land, labor, capital and entrepreneurship, the consequent fast growth of the economy would productively employ the human resources of the country. These factors of production, however, need free economic operation for them to be productive.

The objective of reducing rural to urban migration is based on the assumption that such migration hampered the achievement of the goal of the policy. Contrary to this assumption, migration is fuelled by entrepreneurial

qualities that contribute to self-realization and consequently to economic development wherever it is. It leads to urbanization, which is an important ingredient in the economic development of a country. Urban centers are bi-products of successful policy of industrialization.

The policy has also designed specific objectives or targets against which performance could be measured. These include: reducing total fertility rate from 7.7 children per woman of reproductive age to 4.0 by 2015; increasing contraceptive prevalence rate from 4.0 percent to 44 percent in the same year; reducing maternal, infant and child morbidity and mortality; increasing female participation in education and economic activity; ensuring environmental security through balanced population distribution; improving agricultural productivity and ensuring employment diversification; promoting small family size through population information and education program.

The population policy is targeting to increase the contraceptive prevalence rate from a low level to high level. This target is based on the assumption that contraceptives are provided to females on the basis of their needs without any disruption. The type and quantity of contraceptives required is assumed to be available whenever it is needed. The cost is also assumed to be covered with donor assistance. However, taking the cost aspect and its free supply to the needy, the target is beyond the reach of the country. Moreover, access to contraceptives is affected by distance of service delivery points that provide contraceptives to women. The issue of male-involvement in contraceptive use is also assumed to be practical, which was not a realistic assumption in a male dominated society.

In summary, there is no mechanism in place to monitor and evaluate the population policy goal, objectives and targets. It would have been possible to measure progress towards the achievement of policy goal had there been a population program for its implementation. The policy was developed without an "approved" program. Attempt was made to develop a draft program, which could not see the light of day for unknown reasons. This led to the use of donor programs and component projects for partial implementation of the policy. The UNFPA Country Program, signed between Government and Donor, was used for population activities financed by the donor. Other donors and NGOs operated using their modality of operations, but closely supervised by the government.

3.2 Strategy

To implement the population policy a number of strategies have been designed within the policy document. Some of these strategies were: expanding clinical and community-based contraceptive distribution services, promoting breastfeeding, raising minimum age at first marriage, designing and

implementing policy for integrating women in the modern sector of the economy; planning and implementing counseling services in the educational system to reduce the high attrition rate of females; providing career counseling services at secondary and tertiary level institutions to make appropriate career choice; creating a system for providing technical and credit support to those engaged in small and medium sized private enterprises; making population and family life education and information available through formal and informal media; amending all laws impeding access of women to all resources and control over them; ensuring governmental and non-governmental agencies involved in social and economic development programs to incorporate gender and population content in their activities by establishing appropriate units within their organization.

What are the bases for stipulating the strategies contained in the policy document? Regarding the strategy of expanding clinical and community based contraceptive distribution services it is assumed that the Ministry of Health would take the responsibility of providing such services through its health structures at all levels. NGOs and the private sector are also assumed to be engaged in the delivery of contraceptives through their outlets. Breast-feeding is also assumed to be encouraged through awareness creation activities. Age at first marriage is also expected to be raised to 18 years by law and it did. The strategy of creating a system for providing credit support to those engaged in small and micro enterprises is being implemented to some extent.

However, the practicality of other strategies is doubtful. For example, designing and implementing the policy of integrating women in the modern sector the economy requires entrepreneurial quality on the part of the individual woman. However, the provision of equal opportunities for women to operate in the economy is guaranteed by the Women's Policy of Ethiopia. The Ministry of Women Affairs is in charge implementing the policy. Like any other policies, this policy requires development of capacity to implement it. The strategy of planning and implementing counseling services in the educational system to reduce the high attrition rate of females; providing career counseling services at secondary and tertiary level institutions to make appropriate career choice is a good example of excessive ambition.

The operationalization of the strategies of the population policy is possible only where there is a program and action plan to implement the policy itself. We do not have a program and action plan for the implementation of the policy. Thus, the implementation of the strategies is left for those institutions that implement them. Donors have their mechanism of monitoring and evaluating performance of activities which they have financed.

The lack of population program and action plan made the monitoring and evaluation of the operationalization of strategies a difficult task. Benchmarks could not be established to measure progress in the performance of strategies, and therefore, achievement of the goal of the policy.

3.3 Population Program, Action Plan and Legal Framework:

Population Program: There is no officially endorsed population program to date to facilitate the implementation of the population policy of Ethiopia. The agency responsible for the execution of the policy was the National Office of Population, which was in its infancy, operating with a few expertise, and therefore not in a position to develop the required population program on time. Yet an attempt was made to form ad hoc committee to develop a draft population program. But, the draft was not endorsed. It is believed that the fund required on the part of the government and donors to implement the “draft program” was enormous and therefore left without being endorsed.

The absence of such a program has significant implication in terms of interpreting the policy in specific, measurable, real and time-bound outcomes and outputs to be achieved through performed activities. It also leads to mystification of resource requirements and inputs for undertaking real and anticipated activities. This ultimately blurs responsibility and accountability for coordination of inputs, financial as well as material and human, at the desirable quality and quantity. Lack of population program has led to difficulty of mobilizing resources from bilateral and multilateral sources, except the official designated UN-agency. International financial institutions could not be approached without such a population program. With this situation on the ground the population policy was bound to be non-viable, however important it might be.

Both Government and donors continued to allocate budget for population activities in the absence of a national population program. The Government earmarked recurrent budget for agencies responsible for population activities at Federal and regional levels without a population program, while donors such as the UNFPA provided fund based on their own country programs. These programs were jointly approved by both the Government and donors and had been used as a basis for budget allocation for population activities. However, such donor programs may not reflect properly the national need for population activities. One may ponder what would happen to population activities in case donors withdraw or drastically reduce their support to population activities. Similarly, in the absence of a population program, NGOs are guided by the policy, which is neither specific nor measurable in time and place, and therefore difficult to evaluate performance. However, sector ministries regulate the

activities of NGOs engaged in population activities, particularly in reproductive health.

Action Plan: In the absence of a population program it is unthinkable to develop an action plan for the implementation of the population policy. Action plans accompanied by work-plans clearly indicate what, when and where to perform activities designed to achieve the goal of the population policy.

Legal Framework: Though the policy clearly stated the duties and responsibilities of agencies implementing the national population policy at the national and regional levels, these agencies were not given legal framework with which to operate (Assefa and Sisay 2004). This has seriously affected the coordinative and executive roles of these agencies. As a coordinating agency, but lacking legal entity, the National Office of Population could not officially deal or negotiate with donors interested in supporting population activities in the country. The same is true with the Regional Offices of Population.

4. Policy Appraisal

4.1 Lack of Synchronization between Population and Development

The population problem is two-pronged, originating from both supply and demand sides. Though the goal of the policy emphasized “harmonization” of demographic forces with development factors, the implementation strategy focused mainly on the demographic aspects. The assumption behind such a strategy is that efforts to be made in the economic and social sectors would take care of the problems of development. Since the policy lacks a program, one would not expect achievement of demographic objectives and targets indicated in the policy document let alone address development issues. In fact, the population factor is out of synch with development and it has become more of a threat to development than ever before. This situation is obviated by the low level of per capita income the country experienced for decades.

Currently, the population is growing by two million persons annually. This clearly indicates that to achieve the goal of the policy, there is still a need to synchronize population and development in all fronts. This requires a comprehensive population and development program. In other words, the development of sectoral programs, have to seriously consider the population factor as critical input. All developmental efforts have to be human-centered. Therefore, population issues should be integrated in all programs of economic development in the country.

4.2 Issues of Gender and Marginalized Groups

The policy addresses gender issues and devises strategies to tackle them. It stipulates a mechanism for raising the minimum age at marriage for girls and counseling services in the school system to reduce the high attrition of females. It also provides for career counseling for girls in higher learning institutions in making appropriate career choices. It calls for a long-term strategy for increased integration of women in the modern sector of the economy. The policy also calls for the creation of a system for the provision of technical and credit support to women so that they could be engaged in micro and small scale enterprises. It requires the amendment of all laws impeding the access of women to all social, economic and cultural resources and control over them. It promotes male-involvement in family planning and/or use of contraceptives to share responsibility of contraception with females. The policy has provoked all concerned policy makers and implementers to respond to gender issues.

Though issues related to gender are spelt out in the policy document, there are no targets set for achieving objectives related to gender. For example, reduction of maternal mortality is not given target. Similarly the specific objective of “significantly increasing female participation at all levels of the educational system” is left without objectively verifiable indicator to measure performance. The objective of “removing all legal and customary practices” militating against the rights of women is without a target that allows objective measurement of performance. Most of the strategies stipulated in the policy with respect to gender such as male-involvement in family planning, counseling services, integration of women in the modern sector, technical and credit support to women, etc. are not given verifiable targets. Where actual measures related to gender were stipulated they took longer time than that needed, for example, as in the case of raising the minimum age at first marriage that took seven years to enact into a law after the policy was issued.

With respect to marginalized groups, the policy clearly stated its objectives of significantly improving the social and economic status of vulnerable groups. It particularly focused on women, youth, children and the elderly. The marginalized groups are treated marginally in the policy document. There was no targeted activity related to these groups of people, in particular the elderly. One could not trace activities related to, for example, the elderly in the UNFPA Country Program endorsed by the government.

The lack of targets with respect to gender and the marginalized groups could be attributed to the absence of a population program and action plan, as well as lack of interest on the part of those responsible for the implementation of the policy.

5. Achievements, Challenges and Constraints

5.1 Achievements

Achievements are presented here with reference to major targets set in the policy document. It should, however, be clear here that these achievements are attributed not only to the population policy, but also to other related policies that have programs and action plans for the implementation of activities. For example, the health, women and education policies address certain aspects of the population policy. It should also be noted that population activities are multi-sectoral in nature, and could be complementary with sector policies.

The major targets were reduction in total fertility and increase in contraceptives prevalence rate or use of contraceptives by married women. Other achievements are also presented below. Total fertility rate was to be reduced from 7.7 children per woman in 1993 to 4.4 in 2015. Reports show that total fertility rate declined to 6.7 and 6.4 in 1994 and 1998 respectively. The Demographic and Health Survey (CSA, 2000) reported that total fertility rate was 5.9 children per woman. This is projected to decline to 4.8 by 2015. Fertility reduction has several social and economic aspects. The most important being the willingness of women and men to curtail fertility rates. In traditional societies women are expected to produce as many children as possible and care for their maintenance. There is, therefore, a need to convince couples and community and religious leaders on the value of “small family.” In this regard, efforts have been made to inform and educate the target groups. Quite a number of “behavior change communication” schemes have been designed and communicated through the mass media at large and through mini-media in schools and youth organizations.

The next target of the policy is to increase contraceptive prevalence rate from 4.0 percent in 1993 to 44 percent in 2015. The Demographic and Health Survey (CSA 2005) reported that contraceptives prevalence report was 15 percent while Ministry of Health reported it to be 28 percent. An independent survey reported it to be 21 percent. All the reports indicate the increase in the use of contraceptives by women. Most of the increase was attributed to wider use of pills and injectables. Knowledge of any modern methods of contraceptives among all women aged 15-49 was 81 percent in 2001. It was reported that in the same year 85 percent of married women and 90 percent of married men had knowledge of modern methods of contraceptives (Hiruy 2004).

The achievement in fertility reduction was possible not only through the population policy, but also through closely related policies of the government such as the health policy and Women’s policy. The participation of donors and NGOs in the provision of reproductive health services has also made positive

contribution. In the absence of a population program, donor and NGO programs related to reproductive health services have been used to coordinate activities for fertility control. Donors and NGOs such as the UNFPA, Packard Foundation, Pathfinder International and other NGOs have been working in the area of reproductive health. They were monitored by the Ministry of Health to check that they stick to the policies.

Among the specific objectives mentioned in the population policy is the reduction of maternal, infant and child morbidity and mortality. Infant and child mortality rates still remain unacceptably high with 97 and 196 deaths per 1000 live birth respectively in 2000. Maternal mortality is estimated to be 871 deaths per 100,000 live births (Ermias 2004). Efforts have been made to reduce maternal, infant and child mortality at all levels. Relevant health institutions have been created and decentralized through the Program of Action for Health Sector Development Program (HSDP I, 1998) which enhanced their technical capacities. A growing number of NGOs and public health facilities were created to deliver reproductive health and family planning (RH/FP) services at all levels. Most of the existing health institutions introduced RH services, with improved quality mix and availability of contraceptives. The Program of Action for HSDP was instrumental in addressing not only the objectives of the health policy, but that of the population policy. Reduction of mortality was and still is an objective for both policies, which are closely inter-related.

Though efforts have been made by government and NGOs to reduce maternal, infant and child mortality, there were no specific targets set for the reduction of mortality rates. Thus, measurement of performance toward set targets seems difficult.

One of the strategies of the population policy is to create conditions facilitating an increased integration of women in the modern sector of the economy. In this respect, the Government has taken legal measures to ensure that women are given proper treatment through affirmative actions. Women civil servants are now given special consideration during promotions. Girls are allowed to join universities with lesser GPA than their male counterparts. More and more women are assuming management roles in business enterprises. It is reported that there are now more women parliamentarians and government officials in the country (Hiruy 2004).

Though the integration of women in the modern sector and the affirmative action to support girls' education is appreciable, one finds it difficult to attribute such achievements to the population policy only. The Women's policy, Education policy and the civil service reform program have made critical contribution in this respect.

The Government issued in year 2000 a “Revised Family Code” that has immense implications on the social and economic lives of the Ethiopian women. It stipulated that marriage should take place only when the spouses have given their full consent. It also provided that the minimum age at first marriage for both men and women should be eighteen years (Federal Negzetta, July 2000). This would help reduce fertility, if implemented properly.

Providing women and men with technical and credit support is a strategy stipulated in the population policy document. In line with this, both Government and NGOs are providing women with training and credit to start their own businesses. Also credit services have been expanded in the rural areas for enabling farmers to have access to modern inputs for rural industrialization, which would help reduce rural unemployment. Though the population policy identified the strategy, it lacked target for providing technical and credit support to women and men. The credit support given to micro businesses is an outcome of the banking policy of the government that could be taken as supplement to the population policy.

A re-settlement scheme has been developed and implemented by the Government through which people from densely populated areas are voluntarily moved to sparsely populated areas. This scheme is believed to engage the rural people in productive agricultural employment. Those farmers who remained behind are also expected to work more productively (Hiruy 2004). The resettlement scheme was a program which addresses the issue of high population density, but implemented through agricultural program. This shows that in the absence of a population program, sector programs have directly or tangentially covered the objectives of the population policy.

A country wide Population Information, Education and Communication (POP/IEC) program was mounted to address issues related to small family size and its relationship with human welfare and environmental security. This was done in partnership with the Educational Mass Media Agency (EMMA) in the Ministry of Education, and Radio Fana. Through workplace intervention, agricultural extension program, NGO involvement, and peer education and youth initiative programs, it was possible to conduct POP/IEC activities.

One of the achievements that should be recognized is the Government’s commitment not only to issue the policy, but also provide institutions and resources for implementing the policy. It has created population offices at Federal and regional levels with duties and responsibilities as stipulated in the policy document. These offices were given the required budget, staff and materials to start their work. Several capacity building programs have been designed and implemented to enhance the capabilities of these institutions. Specialized agencies were given support in their area of work. Research and training institutions such as the Population Research and Studies Center and

Institute of Gender Studies in the Addis Ababa University have been strengthened to improve the skills of staff of population offices at all levels. The population offices at Federal and regional levels and the research and studies institutions have been established and strengthened to implement the policy goal and objectives through the instrumentality of the UNFPA Country Program, which served as a transient substitute for a population program, until such program is prepared and implemented.

The NGOs have been encouraged to work and contribute to the fulfillment of the goal of the National Population Policy. In return, the NGOs have rendered their services in various fields of population and within their mandates. Most of them were engaged in reproductive health services, mainly provision of contraceptives (Hiruy 2004). The NGOs used the population policy as a lodestar that guided their activities, but under close supervision by relevant sector Ministries. Those NGOs engaged in reproductive health services were, for example, closely supervised by the Ministry of Health and they performed within the purview of the Health Sector Development Program, which addresses some the reproductive health issues covered by the population policy.

The estimate of the population growth rates indicate that it was growing by 3.0 percent in the period 1985-90 and by 2.92 percent in 1995-2000 and by 2.73 in 2000-05. The projections show further decline in population growth rates in the coming years (Ethiopia 2007). This could be taken as indicators of modest success in achieving the goal of the population policy.

5.2 Challenges

High Growth Rate of Population

The demographic profile of Ethiopia is still characterized by high population growth rates, high fertility rates and high mortality rates. Though on the decline, as indicated earlier, the population growth rate is still high, fuelled by the declining but high fertility rate. The fertility rate of 7.7 in 1993 declined to 5.9 in 2000, but it is still three times higher than the replacement rate (Demographic and Health Survey 2000). This is negatively affecting individual welfare and the nation's efforts for social and economic development. Notwithstanding efforts made by the Government to support basic social services such as education, health, water and other services, the people are still suffering from shortage of these services. In addition to intensification of poverty high fertility is also affecting women's lives and empowerment, which is important for the economic development of the country. The rapid increase in population also contributes to environmental degradation, rural-urban migration, and unemployment (Proceedings of the National Population Conference 2003).

Though growth rate and absolute size of the population is on the rise, it does not seem to be translated into higher demand for goods and services, whose demand is price elastic. Due to low purchasing power, reflected in low per capita income, the large majority of the people, trapped in poverty, could not purchase manufactured goods, except those essential for existence. People thrive on the natural growth of the economy, not adequately supported by modern technologies that boost labor productivity and income. In other words, population variables are not synchronized with development factors.

High Dependency

Though on the decline, fertility is still high and the population is still growing fast due to its young age structure. This results in high dependency which frustrates efforts to reduce poverty. Thus, restraining the future population growth will have a positive impact on sustainable social and economic development in the country.

The Absence of Population Program

The absence of a population program will definitely affect realization of the goal of the policy. It is through a comprehensive population program that significant achievements could be registered in a tangible manner. It is believed to improve the quality of life of the Ethiopian people by reducing mortality, empowering women, alleviating the pressure on environment and enabling the people and Government to achieve sustainable development.

5.3 Constraints

Weak Institutional Arrangement

Because of the multi-disciplinary nature of the population policy, it was deemed necessary to create a National Population Council to be chaired by the Prime Minister and a National Office to serve as a secretariat to the Council. Though the Council is responsible for the overall guidance and coordination of the policy, it has never been established to perform its duties. Similarly, Regional Councils of Population and Woreda Committees responsible for population policy execution were not established. However, the government has recently drafted a proclamation to rectify this constraint. In the draft proclamation, the National Population Council would be chaired by the Minister of Finance and Economic Development (MOFED), and the Council members would be constituted by Ministers of State of the respective ministries indicated in the

policy document. The Department of Population in MOFED would serve as a secretariat. The status of the secretariat as a department is a matter of concern at this juncture.

Poor Coordination

The UNFPA Country Program, endorsed by both the Government and donor, served as a proxy for population program and, therefore there was a need to coordinate, monitor and evaluate population activities financed by the donor. In this respect, constraints have been observed during the process of execution and implementation of activities. We begin with weakness of coordination as presented below.

Among several duties and responsibilities of the National Office of Population stipulated in the National Population Policy document, a few are presented here to show its functions as a coordinating organ. The National Office of Population was responsible for coordinating the activities of the various sectoral agencies operating population and development related activities at different administrative levels. As a coordinating organ it was also responsible for monitoring and evaluating the impact of population program. It also had the duty of ensuring that programs conducted by various ministries and agencies comply with the population policy and council guidelines. It was also supposed to ensure that inter-sectoral programs in population activities were effectively coordinated by instituting information exchange system. Included in the duties of the coordinating Office was the facilitation of conditions that will promote the creation of a domestic capacity for the production of a variety of contraceptives.

Though the duties and responsibilities of the National Office of Population were clearly spelt out in the policy, the Office was not established by a proclamation. This seems to have hampered the coordinating and executing role of the Office. The same is true for some regional offices of population (ROP). Regional offices were created long after the policy was issued, for example the Addis Ababa ROP was established about five years after the population policy was issued. The Addis Ababa Population Office was the last to be established and the first to be restructured with limited duties and responsibilities.

The capacity to coordinate implementation of policy goal and objectives as well as duties and responsibilities of implementing agencies at all levels was weak. This weakness was reflected in terms of feeble leadership, inappropriate skills and structures at national and regional levels. Currently, the National Office of Population established with three line departments has been reduced to a department and thus practically disabled to perform its duties and responsibilities as prescribed in the policy document. Similarly, the Regional Offices of Population have been re-structured with diminished structures and

resources not commensurate with their duties and responsibilities for implementing the policy (Proceedings, August 2003).

Weak Monitoring and Evaluation

There was no strategy for monitoring and evaluation of population activities to measure impacts of interventions at all levels. However, sporadic and piecemeal monitoring and evaluation activities were undertaken to satisfy the requirements of the UN-agency responsible for population affairs. And such evaluation could be considered donor-driven, needed only for release of funds. Whatever the nature of evaluation reports, there was not evidence to suggest actions taken based on these reports. In other words, the objectives of monitoring and evaluation seemed to be forgotten as far as population activities are concerned.

Budgetary Cuts

Since the adoption of the National Population Policy, the Government of the Federal Democratic Republic of Ethiopia (FDRE) financed the implementation of population activities through establishing offices at the Federal and regional levels. It provided financial, material and human resources needed for population activities. Financial, material and technical assistance has also been provided by donor governments, bilateral and multilateral agencies. Donor governments provided funding to local NGOs working in the area of population, particularly in the Reproductive Health Services. The major donor agencies include UNFPA, WHO, USAID, and the Packard Foundation, which have been important funding sources for population activities in Ethiopia. However, the UNFPA has been playing a leading role in promoting population as an issue of development. It has been financing a number of population related activities since 1981. In its fourth country program (1998-2001) the UNFPA allocated USD 30 million, but only 50 percent was released. Similarly, in its fifth country program (2002-2006) it initially allocated USD 25 million, but already a budget cut of 65 percent was made (Proceedings 2003). UNFPA assistance to Ethiopia has been continuously declining even after committing funds through officially signed documents. The budget cut in donor funding has severely affected the regional offices of population whose local budget was curtailed by as much as the decline in external funding. Sometimes, they lose from both ends, since local budget is also withdrawn.

Delay in Budget Release

Normally budget is released after approving and signing of project documents. In the case of population programs and projects the process of formulation, approval and signing of documents between the Government and donors took a longer time. The time lag is too long and it puts a break on the flow of fund to the country. Complicated financial rules and regulations of donors are sometimes a cause for delay in the start of a population project (Assefa and Sisay 2004).

6. Policy Recommendations

6.1 Revision of the Population Policy

It is time now to revise the National Population Policy of Ethiopia so as to incorporate new developments since it was first issued in 1993. The revision process should take into account efforts made to achieve the goal and objectives of the policy and problems encountered in the process of implementation.

6.2 Legal Framework

Any policy envisages institutional arrangements for achieving its goals and objectives. In the case of the National Population Policy of Ethiopia, the major executing and implementing agencies at Federal and regional levels should have been established by a proclamation that defined their duties and responsibilities. It is still advisable to re-structure these agencies/offices in the Ministries that are mainly engaged in population activities of reproductive health, data and research or information and advocacy. Ministry of Women Affairs or Ministry of Health could be appropriate for establishing such an office or a commission with new mandates and legal autonomy as an executing agency.

6.3 A Comprehensive National Population Program

In line and parallel with the revision of the National Population Policy, it is necessary to develop a comprehensive population program that serves as a vehicle for the achievement of revised policy goal and objectives.

6.4 Role Identification

The roles of Government Coordinating agencies, executing agencies, and implementing agencies should be clearly defined by legal means. Such

specification of roles is useful for authority, accountability, responsibility, and transparency at levels of the Government structures. The role of civic societies and other stakeholders in population affairs should be clearly stated in the law.

6.5 Development of Technical Capacities

The technical capacity of implementing agencies in program formulation, implementation, monitoring and evaluation should be enhanced through training. Institutional capacities should also be improved through provision of equipment that facilitate implementation of population activities.

6.6 Performance Measurement

Population programs and projects should have in-built monitoring and evaluation mechanisms for measuring performances toward achieving stated goals and objectives.

6.7 Provision of Resources

Since population policy and program implementation require resources, it is absolutely necessary to provide adequate financial, human and material inputs at the disposal of implementing agencies.

6.8 Demarcating the Role of NGOs

The role of International and local NGOs in implementing the National Population Policy should be clearly demarcated. Relevant sector ministries should also have specified mandates in regulating the activities of these NGOs.

6.9 Program-based Budgeting

Currently the Government is allocating recurrent budget for agencies responsible for population activities at Federal and regional levels without a national population program in place. To ensure proper use of budget for implementing the population policy, it is necessary to earmark budget based on a national population program.

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A Review of Education Policy, Strategies and Programs

Amdissa Teshome

1. The State of Education in Ethiopia: A Historical Perspective¹

A foundation for modern education in Ethiopia was laid at the beginning of the 20th century when Emperor Menilik II established the first public school in 1907. The Ethiopian Orthodox Church, which up to this point had a virtual monopoly over education, opposed the establishment of modern education and in particular the increasing role plaid by foreign missionaries because they were seen as undermining its values (Markakis 2006).²

Partly due to this resistance and other factors, the pace of expansion of modern education was extremely slow. By 1935, there were only 8000 students enrolled in 20 public schools. By 1952, a total of 60,000 students were enrolled in 400 primary schools, eleven secondary schools and three institutions offering college diplomas. In the 1960s, mission and private schools boosted access to education for thousands of children, thus contributing to the overall enrolment rate. As shown in Table 1 below, higher education began with the establishment of Trinity College in 1950 which later became University College of Addis Ababa (UCAA). Between 1950 and 1960, a number of colleges were established within and outside Addis Ababa (e.g., Alemaya Agricultural College, Gonder Public Health College). In 1961, these were brought together to form Haile Selassie I University (Habtamu 2003; Markakis 2006), which was renamed 'Addis Ababa University' by the Dergue.

However, the education system in Ethiopia remained the least performing in Africa in terms of key indicators - access, quality, and relevance. The relevance of the system to the Ethiopian condition was particularly questioned to the extent that it has been dominated by western thinking thereby alienating the educated from its roots (Fikre 2007; Tjeldvoll et al. 2005; Tesfa 2004). In his review of educational reforms, Seyoum Teferra (1996) described the then education system as elitist, too academic-oriented, wasteful, inequitable, not relevant, rigid and highly bureaucratic. Tjeldvoll et al. (2005) commented that the western educated Ethiopians were not fully utilized because the society did not change enough to absorb them.

According to Seyoum Teferra (1996), the Ethiopian education system has undergone three major reforms owing to such criticism, public dissatisfaction and official recognition that the education system has a problem. These are: (i) the Education Sector Review (ESR) launched by the Imperial Regime in 1971 (ii) the Evaluative Research on the General Education System in Ethiopia (ERGESE), undertaken in 1980 by the Provisional Military Administrative Council (PMACE) – commonly known as the *Derge*, and (iii) the 1994 Education and Training Policy of the Transitional Government of Ethiopia.

The Education Sector Review started in October 1971 and was completed in June 1972. It is widely acknowledged as the most comprehensive of its kind and the boldest attempt at educational reform (Taffara 2006; Seyoum 1996). The objectives of the review were to ensure: (i) basic education for all, (ii) development of scientific outlook, (iii) quality education, and (iv) creation of an integrated society. Although the regime took the initiative to review the education system, it was clear that these objectives stood in contradiction to the status quo and was unpalatable to it. As a result there was little confidence that the regime will implement the resulting recommendations (Seyoum 1996).

The review came up with a series of recommendations that included: (i) attaining universal primary education as quickly and inexpensively as possible, (ii) making education relevant to rural conditions and the overall national development plan, (iii) that education was a task of at most importance and that it must be broadly based if it is to achieve its purpose, (iv) the review envisaged a certain amount of self-financing and loans at tertiary level, and (v) a re-orientation of curriculum was also recommended to increase relevance and make it work oriented. In this regard, the review proposed that students should be divided into two streams – one group continuing with general education with a prospect of university education and others attending technical and vocational streams, which has striking resemblance to the present day structure. In the opinion of Taffara Deguefe (2006, 351), it was this feature of directing students into two streams that aroused much antagonism.

Table 1. Chronology of the development of education in Ethiopia

Event	Year
First public school	1907
First school for girls	1931
First technical school	1942
Trinity College (later University College of Addis Ababa)	1950
First polytechnic institute	1960

Event	Year
University College of Addis Ababa (later Haile Selassie I University)	1961
Conversion of high schools to comprehensive secondary schools	1962
Declaration of Universal Primary Education in Ethiopia	C1971
Education Sector Review	1971
Nationalisation of all private schools (except religious schools)	C1975
National Literacy Campaign	1975
Higher Education Commission	1977
Postgraduate Program	1978
International Reading Association Literacy Prize for Ethiopia	1980
Evaluative Research of the General Education System in Ethiopia	1980
Alemaya Agricultural College upgraded to a university	1985
Education and Training Policy	1994
First Education Sector Development Program (ESDP-I)	1997
Second Education Sector Development Program (ESDP – II)	2002
Third Education Sector Development Program (ESDP – III)	2007

SOURCES: Tesfaye Semela. 2007; Markakis 2006; Taffara Deguefe 2006; EEA/EPRI (2000/01); Seyoum Tefera 1996.

Despite its attempt to address some of the chronic problems of the education system, the review met stiff resistance from left wing teachers and students, who were left out of the preparation of the review. They saw it as opening better opportunities for the better off and restricting the rural poor's access to higher education. The fall of the Imperial Regime was partly attributed to this resistance.

Driven by its socialist ideology, the *Dergue* made education a crucial instrument for improving the plight of the rural people. The number of primary schools increased from 3196 in 1974/75 to 7900 in 1985/86, over 100% increase in about ten years. The majority of these were constructed in rural areas with the participation of the newly formed Peasant Associations (PAs). The number of children attending primary schools increased from under a million in 1974/75 to over 2.4 million in 1985/86. The regime also reduced the proportion of schools in highly favoured urban areas from 80% to 40% thereby paving the way for equitable distribution of education (EEA/EEPRI, 2001).

The *Dergue* is remembered for its literacy campaign that was intended to liberate the rural population from illiteracy. Although there were mixed feelings about the effectiveness of the campaign, it received international acclaim when it was awarded the UNESCO International Reading Association Literacy Prize in 1980.

Efforts made to improve higher education provision were also noteworthy. The Commission for Higher Education was established in 1977 by Proclamation No. 109/77 to ensure that higher education produces the required managers and planners and medium level personnel to meet the immediate needs of the socialist economy. To this end, Alemaya Agricultural College, previously part of Addis Ababa University, was upgraded to a university in 1985, thus increasing the number of universities from 2 to 3, namely, AAU, Asmara University and Alemaya University. A Postgraduate program, the first of its kind, was also established in 1978 at Addis Ababa University. Furthermore, regional higher education institutions such as Bahir Dar Polytechnic, Bahir Dar Pedagogical College and Jimma Agricultural College were strengthened.

There are three additional features of higher education expansion during the *Dergue* regime. First, a “quota system”³ was introduced to increase enrolment from the disadvantaged remote parts of the country. Second, there were increased opportunities for study abroad in the then socialist countries, most notably, the Soviet Union and the German Democratic Republic as well as Cuba. These opportunities played a dual role of releasing space in the national system to accommodate more students and generating graduates that the socialist system required to function. Third, the *Dergue* also demonstrated its determination to ‘Ethiopianise higher education’ at least by increasing the number of Ethiopian lecturers at universities and colleges thereby reducing dependence on lecturers from abroad. .

Notwithstanding these achievements, the education system was unable to cope with the increasing population, and enrolment ratios at all levels of education remained low even by sub-Saharan standards (Derebssa 1999; FDRE, 2004).⁴ The drive to increase access compromised quality. The *Dergue* took a number of measures that contributed to low quality, including but not limited to: (i) constructing primary schools that did not meet the “minimum standards”, (ii) recruiting teachers without basic teaching skills (the so-called “direct teaching” method), and (iii) overemphasis on promoting socialist ideology thereby undermining the teaching of core subjects.

Concerns about low quality of education in the face of expansion have been in the minds of educational researchers and the general public. The regime was also aware of these concerns and initiated its own reform in 1980 – the Evaluative Research of the General Education System in Ethiopia (ERGESE).

The objective of the review was to provide a picture of the overall status of education and make realistic recommendations to improve quality.

Unlike its predecessor, the Derge launched the review from a position of strength and confidence, having consolidated its power. The taskforce obtained views from teachers, students and parents making it more participatory than the ESR. However, given the nature of the system, the extent to which these subjects have expressed their views openly and critically was questionable. Furthermore, the initiative was more for political gratification than genuine attempt to reform the system (Seyoum 1996).

The problems facing the Ethiopian education system can not be attributed to one political system or the other. It is a cumulative effect of decades of neglect. It is with this understanding that the Transitional Government of Ethiopia (TGE) formulated the Education and Training Policy (ETP) in 1994. The policy has paved the way for expansion of education by opening up all levels of education to the private sector and aggressive government expansion plan (Kedir 2007). When TGE came to power, the country had two public universities and no private HEIs. Presently, there are over 20 public universities at varying levels of development and over 70 private and NGO operated HEIs at various levels of accreditation (HERQA c2007).

The overall goal of the policy is enshrined in such democratic values as equality, liberty, justice, truth and respect for human rights. As a matter of fact, scanning through the list of objectives shows that there are more political objectives than the fundamental educational objectives of equipping students with literacy and numeracy (see Section 2).

The policy was formulated by experts from the Ministry of Education, AAU, sectoral offices such as agriculture, industry, health, culture, science and technology and institute of agricultural research. Meetings were held with teachers in Addis Ababa and the regions to explain the draft policy.⁵

This historical review shows that all the attempts made at reforming the education system have one important characteristic in common. They were all initiated from the top with little or no involvement of stakeholders. Where there was some evidence of consultation (e.g., ETP), it was simply to endorse the document rather than make fundamental changes. The top-down nature of policy formulation means that through the years, the architect has been a strong central Ministry of Education that laid down the rules of the game. Even under the present decentralised system of governance, the country has a dominant Ministry of Education that goes as far as prescribing courses, syllabuses and more recently the proportion of social science and natural science/engineering students to be admitted into higher education.⁶ It has strong institutions of curriculum development, media and the production and distribution of educational materials that made the regional education bureaus dependent on it.

The following sections examine the content of the present education policy, strategies and programs that drive the country's education system and identify gaps in the policy, strategies and programs.

2. An Overview of the Education Policy, Strategies and Programs

2.1 Education and Training Policy

The importance given to education in the Education and Training Policy (ETP) is almost biblical:

Education is a process by which man transmits his experience, new findings, and values accumulated over the years, in his struggle for survival and development, through generations. Education enables individuals and society to make all-rounded participation in the development process by acquiring knowledge, ability, skills and attitudes (TGE 2004:1).

However, the education system in Ethiopia has not been able to play this role because, according to the policy, it was entangled with complex problems of relevance, quality, accessibility and equity.

At the time of formulating the ETP, the system suffered from multiple problems. It was of low quality due to inadequate facilities, insufficient training of teachers, overcrowded classes, shortage of books and other teaching materials. The gross enrolment rate (GER)⁷ at primary level was below 25% and large number of these relapsed into illiteracy because of the high dropout rates. The disparity among regions was high. Opportunities for higher education and technical and vocational education were limited to urban centres. The necessary infrastructure to provide relevant quality education to the rural population was inadequate. More importantly, education did not take cognizance of society's needs and adequately indicate future direction.

The ETP sought to remedy these chronic problems of education by introducing a series of education reforms, some of which have been highly contentious over the past decade. Nevertheless, it is the most comprehensive of its kind encompassing formal and non-formal education, from kindergarten to higher education and special education.

The overall goal of the ETP is to produce citizens endowed with humane outlook, countrywide responsibility and democratic values having developed the necessary productive, creative and appreciative capacity in order to participate fruitfully in development. Some of the objectives of the policy are stated as:⁸

- To develop the physical and mental potential and the problem-solving capacity of individuals by expanding education;
- To promote relevant and appropriate education and training through formal and non-formal programs;
- To satisfy the country's need for skilled manpower by providing training in various skills and at different levels;
- To provide secular education;
- To recognise the rights of nations/nationalities to learn in their language, while providing one language for national and another for international communication;
- To provide education that can produce citizens who possess national and international outlook on the environment, protect natural resources and historical heritages of the country.

Cognizant of the fact that the public sector alone cannot meet the skilled manpower needs of the nation, the TGE, through its policy, made specific provision for the development of private sector education: "The government will create the necessary conditions to encourage and give support to private investors to open schools and establishment of various educational and training institutions" (TGE 1994:32).

This has paved the way for private schools at all levels of education including the exclusive ownership and management of pre-school education.

Since the promulgation of the ETP, there have been a number of developments that either extend or limit the scope of the policy. One such development is the restriction of the mandate for training teachers to government owned and operated Teacher Training Institutes (TTI) on grounds of quality. This announcement contradicts the facilitating role the government promised above.

One observation can be made on this latest development. As noted by key informants, the decision to exclude private TTIs is not based on any systematic assessment of quality. Therefore, it is possible that there are low quality institutes in the public institutes as there are in private institutes.

In May 2008, the government expressed its intention to introduce capping on the number of (i) natural science/technology students, and (ii) social science/humanities students admitted to higher education. It is envisaged that as of 2008/09 academic year 70% of entrants will be natural science/technology students and 30% will be social science/humanities students. The government has always taken a position that past education systems failed because, among other things, they focused on theoretical subjects. The expansion of TVETs is

meant to curb this trend but as presented later in this review, there are a number of reservations on the implementation of these programs.

What are the motives of what is now referred to as “70/30 policy”? First and foremost, the government is convinced that the industrial sector is growing faster than the agricultural sector and therefore the labour force must be adjusted accordingly. Secondly, the nation’s future labour resource could not be left to individual student’s choice only. The government knows better than individual students what type of labour force the county is likely to need in, for example, 20 years’ time. As indicated in a newspaper article, which brought the debate into public domain (*Addis Neger*, Sene 7, 2000E.C.), these assertions are based on analysis of the experience of developed countries such as the Germany and the USA and those of Asian countries.

Evidence from other countries suggests that capping is not necessarily the best way to go about meeting the desired goal. For example, the National Academy of Sciences (1995) states that the US system of graduate education in science and technology evolved when the demand for research in these fields was either stable or rising. That is, the national-security demands of the Cold War and domestic priorities such as health stimulated and supported a strong science and technology infrastructure. Despite the end of the cold war, the demand for scientists and engineers has remained strong. But there were changes in the demand for traditional type research and the pressure to establish linkage with industry, which led to some departments reorganising and shrinking. On students’ choice as a guide for future labour force, the Academy has this to say (1995, 4):

... we have an obligation to inform graduate students accurately and explicitly about career options so that they will be able to make better educational choices, formulate more realistic career expectations, and achieve greater satisfaction in their careers while contributing more effectively to fulfilling national goals.

Therefore, unlike the Ethiopian government’s thinking, meeting national manpower goals and individual preferences are not mutually exclusive, provided the necessary information is made accessible to help individual decisions.⁹

2.2 Education Sector Strategies

The TGE outlined a series of strategies to meet these general and specific objectives.¹⁰

- i **Develop curriculum** that will ensure relevance and participation of all stakeholders; educational materials are up to international standards; and the integration of research, education, development and societal needs.¹¹
- ii **Introduce a new structure of education:** kindergarten will prepare the child for formal education. Communities, the private sector and NGOs will be encouraged to operate it. Primary education will be increased from 6 to 8 years consisting of two cycles: first cycle (Grades 1-4) and second cycle (Grades 5-8); secondary education will consist of two years of general education (Grades 9-10) and two years of preparatory education (Grade 11-12). Technical and vocational training in agriculture, industry, and commerce will be provided for those leaving any level of education. Higher education will consist of diploma, first degree and graduate levels and will be research oriented. Non-formal education will be introduced at all levels of education.
- iii **Introduce continuous assessment:** Continuous assessment will be the main instrument of ensuring that educational objectives are met. Formal examinations are eliminated at primary level up to grade 3 (automatic promotion is introduced) to reduce repetition and dropout. National examinations will be conducted at grade 8 and 10. Previously, national examinations were conducted at Grades 6, 8 and 12.
- iv **Improve the training of teachers:** Ensure teacher trainees have the ability, diligence, professional interest and physical and mental fitness appropriate for the profession. Only qualified and certified teachers will be allowed to teach and women will be encouraged to qualify as teachers. Self-contained approach to teaching is introduced to make effective use of teachers and provide continuity for learners at that level.
- v **Use mother tongue as a language of instruction:** there are pedagogical advantages of learning in mother tongue and the nations and nationalities have the right to use their language as instructional media. Therefore, primary education is given in “nationality languages”. However, nations and nationalities can use their languages or choose from among those used elsewhere in the country.
- vi **Provide the necessary educational support:** ensure the education system gets the necessary educational materials, technology and facilities.

vii **Decentralise the organisation and management of education:** to create the necessary condition for increasing access, improve the relevance, quality and equity of education and training. Ensure educational management is democratic, professional, coordinated, efficient and effective. Encourage the participation of women in educational management. Ensure educational institutions are autonomous and boards provide democratic leadership.

viii **Introduce sustainable educational finance:** provide public finance up to the completion of Grade 10. Introduce cost-sharing at higher levels of education and training. Provide scholarships to outstanding students, particularly women, from poorer families. Encourage and support private education and training and encourage institutions to generate income.

These strategies are translated into actions through education sector development programs (ESDP). The country has completed two ESDPS and the third is on-going. These are reviewed below.

2.3 Education Sector Development Programs

The Education Sector Program (ESDP) is the Government's flagship for improving access, relevance, quality, and equity in education. It is a 20-year program rolled out phase by phase. To date, two ESDPs have been implemented and the third is on-going. In this section, the process of developing the programs, key features and contents are briefly described.

2.3.1 ESDP I (1997-2001)¹²

ESDP I was developed through an intensive consultative process between the federal and regional governments and members of the donor community. There is no indication that the most important stakeholders – teachers, students and parents – were part of this consultation.

By the end of 2001/02, ESDP I was expected to:

- Increase primary enrolment from 3.1 million to 7 million.
- Increase girls' share from 38% to 45%
- Improve quality of education by providing a textbook for each child in core subjects, improving facilities and teacher training.
- Make education more relevant by reforming the curricula.

- Make education more efficient by reducing dropout and repetition rates.
- Improve education finance by increasing education budget from 3.8% in 1995/96 to 19%.

ESDP I was the first attempt to implement the ETP and its strategies. It explicitly linked the national education goal with the Millennium Development Goal of achieving Universal Primary Education (UPE) by 2015 and it declared that a significant proportion of funding for education (73%) would come from the tax payer.¹³

The program identified six critical issues that necessitated change in the education system and established key indicators to address them.

- (i) **Low enrolment at all levels:** enrolment is a function of availability of schools (physical access) and economic factors. In Ethiopia, schools are in short supply and unevenly distributed. In economic terms, parents are unable to pay the meagre fees and children's labour is often needed on the farm during peak agricultural seasons.
- (ii) **Rural areas and girls are not served well:** urban areas are better served by schools than rural areas. In 1995/96, primary enrolment ratio for Addis Ababa was 83% while in Afar it was only 8%. Girls are less likely to attend in all regions but it is worse in pastoral areas like Afar and Somali.
- (iii) **The quality of education is low:** factors contributing to low quality are inadequate facilities; shortage of books; inadequate teacher training; inappropriate examinations system and curricula that is too theoretical and did not relate to real life.
- (iv) **The education system is inefficient:** quality and efficiency in education re-enforce each other. Dropout and the repetition rates are high (e.g. only 50% of those enrolled complete primary education). It took almost nine years for an average child to complete six years of primary schools.
- (v) **Funding is inadequate:** there has been a steady increase in educational spending since 1991. Its share in the overall budget rose from 2.6% in 1992/3 to 3.8% in 1995/96 and to 13.7 % in 1999. ESDP I planned to further increase education's share to 19% of which the share of primary education will increase to 65%.

- (vi) **Planning and management capacities are weak:** as per the decentralisation process, the responsibility for implementing ESDP by and large rests on woredas, where the capacity is at its weakest. ESDP I promised that head teachers and officials will receive training in educational management.

Although ESDP I gave priority to primary education, secondary education was not entirely forgotten. Expansion of schools, more books and better trained teachers were planned for the sub-sector. It was also envisaged that cost sharing will be introduced from Grade 10 on wards.

Technical and Vocational Education and Training (TVETs) were designed to produce skilled labour force that industry, commerce, and agriculture require, largely based on experiences from China and India, where these institutions are believed to have contributed to creating a “knowledge society”.¹⁴ ESDP I made explicit provision for private sector engagement in this sub-sector.

Access is the principal concern for ESDP I. However, quality also received some attention, particularly by setting standards for teachers:

- First cycle primary (grades 1-4) - Certificate in teaching from a recognized Teacher Training Institute (TTI),
- Second cycle primary (grades 5-8) - Diploma in teaching from a recognized Teacher Training College,
- Secondary (grades 9-12)¹⁵ and higher education – degrees in the subject taught.

The program proposed a massive upgrading of teachers using a variety of modes of training including in-service training and distance education (using the extensive transmission network that has been developed).

ESDP I had very little to say about higher education. The higher education proclamation was promulgated in 2003 – two years after completion of ESDP I. Therefore, this program did not have a framework for systematically reforming and developing higher education.

2.3.2 ESDP II (2002-2005)

The process of developing ESDP II was similar to ESDP I except that the findings and recommendations of several studies during the life of ESDP I have contributed to its formulation. ESDP II had four objectives which are in line with those stated in the ETP:

- To produce good citizens who understand, respect and defend the constitution.

- To realize the goal of UPE.
- To meet the quantitative and qualitative demand for trained manpower.
- To build the capacity within the education system for sustainable development.

ESDP II established explicit link with the Education for All (EFA) and claimed that the Dakar Framework for Action (2000) was in line with the goals of the ETP set in 1994 – six years earlier than the Dakar Framework!¹⁶

There were a number of innovative features of ESDP II that included adoption of low cost formal schools, alternative basic education (ABE)¹⁷ and improving not only the professional capacity of teachers but also their ethical values.

In terms of programming, ESDP II provided detailed measures that were necessary to improve education at all levels. As in the case of ESDP I, pre-primary education was left to the private sector, NGOs and the community. The role of government was limited to policy development and standard setting.

In primary education, the government admitted that in view of the growing access and coverage, the attention given to the quality of education has been low. Therefore, ESDP II focused on providing a number of inputs to improve quality. For example, (i) upgrade professional qualification of untrained teachers so that they introduce child-centred, gender sensitive learning approaches and apply continuous assessment and make teaching attractive (ii) train English language teachers using native English speakers; (iii) establish school clusters to strengthen school-based training; (iv) conduct an assessment of some “nationality languages” used as medium of instruction, and (v) develop Minimum Learning Competency to better assess educational standards.

At secondary level, ESDP II adopted a dual pronged strategy of expansion and quality assurance. Thus the program aimed to increase GER for first cycle secondary (Grades 9 - 10) to 16% and that of the second cycle (Grades 11-12) to 8% at the end of the program. To this end, the program planned to build new schools, additional classrooms and upgrade/rehabilitate existing schools. The program also planned to increase enrolment in distance secondary education from 14,000 to nearly 18,000.

In order to improve quality at secondary level, the following measures were envisaged:

- evaluate and revise syllabi for grade 9 and 10.
- produce and distribute gender sensitive text books.
- produce and broadcast radio programs in various subjects.
- improve library facilities.

- reduce the class size to 60.
- introduce the introduction of Information Communication Technology (ICT).
- upgrade nearly 7000 teachers to degree level through in-service and on the job distance education programs.
- strengthen the practice of continuous assessment to reduce educational wastage.

The expansion of TVET is explicitly linked to the needs of the PRSP and the skilled manpower needed for the expansion of roads, education, health, agriculture and natural resources management. ESDP II envisaged establishing a legal framework (TVET Act) to improve the governance and standard of TVET institutions and TVET Councils at Federal and Regional levels with participation of all important stakeholders. It also planned to improve modular curriculum for 10+1, 10+2 and 10+3 and introduce new programs in areas such as law, health, and physical education. Incentives in a form of land will be provided to private sector participation in the delivery of TVET.

Adult and Non-formal education and distance education received an extended coverage in ESDP II. It promised that educational opportunities for out of school children (7-14 age groups) will be created; literacy programs for over 15 age group and offering basic skills for youth and adults in the Community Skill Training Centres (CSTC).

Despite having an extensive transmission network and one of the most experienced educational broadcast systems in Africa, distance education has been underutilised in Ethiopia. In ESDP II distance education is seen as a tool for promoting formal, non-formal and teacher education. Regional Education Bureaus will establish Distance Education Units to implement and evaluate distance education programs.

ESDP II coincided with the publication of the Higher Education Proclamation (No. 351/2003) and therefore the program was better placed than its predecessor to give direction for the sub-sector. The higher education system overhaul is expected to bring about higher quality and greater efficiency and radical change in the management and leadership of the system. According to Article 6 of this proclamation, higher education shall have the objectives to:

- produce skilled manpower in quantity and quality that will serve the country in different professions,
- expand higher education services that are free from any discrimination on grounds of race, religion, sex, politics and other similar grounds,

- provide equitable distribution of higher education institutions,
- lay down problem-solving educational and institutional system that enables to utilize potential resources of the country and undertake study and research,
- provide higher education and social services that are compatible with the needs and development of the country,
- lay down an institutional system that ensures the accountability of the institutions,
- ensure the participation of all those concerned bodies in administration decision-making create and promote participatory culture,
- develop and disseminate the culture of respect tolerance and living together among the people.

The Proclamation addressed the widespread confusion over the status of higher education institutions (Articles 4 and 60-75).¹⁸ Accordingly, all higher education institutions public and private are grouped into four: (a) universities; (b) university colleges; (c) colleges or junior colleges; (d) institutes. Articles 18-21 of the Proclamation outlined requirements for each of these categories and distinguished between “accredited” and “pre-accredited” institutions. Pre-accreditation is essentially a permission to start a program. This permission lasts for one year and renewable based on the performance of the applying institutions (HERQA, 2006). Article 7 of the Proclamation makes provision for institutional autonomy and academic freedom.

The Proclamation (Articles 78 and 86) also established the Higher Education Relevance and Quality Agency (HERQA) and Higher Education Strategy Centre (HESC). HERQA is mandated to ensure the relevance and quality of higher education in both private and public institutions. HESC has the mandate to formulate vision and strategy in order to make higher education compatible with the country's manpower needs with due consideration to global situations, and advise the Government on such matters.

The Proclamation sends contradictory messages regarding instructional autonomy. On the one hand, both institutions are established as autonomous organs with their own legal personality. On the other hand, they are both accountable to the Ministry of Education, which also hand picks the Board members from a narrow band of stakeholders. The Proclamation states “the number, representation and term of office of the members of the Board ...shall be determined by directives issued by the Ministry” (p. 14).

The list below shows the board membership for HERQA:

- Representative of the Ministry of Education (Chairperson),
- Two representatives from the association of government HEIs (Members),
- Two representatives from the association of private HEIs (Members),
- Two representatives from the Ethiopian Chamber of Commerce (Members),
- Other three notable educators? assigned by the Ministry (Members),
- The Director of the Agency (Secretary).

Under these conditions, the autonomy of the two institutions is highly questionable. Board membership of parents, teachers, students, civil societies and professional associations, which is crucial to the transparency and democratisation of these institutions, is lacking.¹⁹

As part of its function, HERQA publishes the list of private and public higher education institutions accredited, pre-accredited (see HERQA, c2007). Institutions are grouped by, (i) ownership (i.e., public/private), (ii) accredited program and level (e.g., advanced diploma in Metal Technology), (iii) academic year accredited, (iv) campus accredited. For example, Unity University College is accredited to offer Accounting at Diploma and Degree levels in all its campuses. The same College is pre-accredited to offer a Degree in Market Management in one of its campuses. A number of other colleges have several combinations of accreditation and pre-accreditation, which is too complex for the consumer to grasp.

3.2.3 ESDP III (2006-2010)

The process of developing ESDP III by and large remained similar to ESDP I and II. The consultations were limited to federal and regional level educational bureaus. A review of the document shows that ESDP III has certain important features that represented departures from its predecessors. To begin with, there is a clear statement of the inter-sectoral integration between rural development and education. Accordingly, an integral part of the rural transformation strategy involves enhancing access to primary education for all school-age children and thereby producing educated farmers and other workers who utilise new agricultural technologies. The importance of literacy in productivity enhancement is also acknowledged – a person with at least 4-5 years of schooling is more productive than someone who is illiterate.

In order to implement the poverty reduction strategy, the economy will need substantial additional skilled and trained manpower at all levels – low, middle and top. The responsibility for training the required additional skilled manpower will fall on the tertiary and TVET sub-sectors.

In terms of education provision, like its predecessors, ESDP III left pre-primary schools to the non-state sector (communities, NGOs and the private sector). But the government is expected to play a more extended facilitation role than it played in the previous ESDPs. These included: (i) review and revise curricula and the standard of facilities; (ii) provide technical assistance in supervision and teacher training to improve quality; (iii) undertake baseline survey of pre-primary experience; (iv) prepare general strategic document to establish pre-primary education in all primary schools; and (v) increase enrolment for pre-primary from 3% to 20% by the end of ESDP III.

ESDP III focused on improving quality at all educational levels. In regions that have succeeded in meeting primary access targets, the key indicator will shift from GER to net enrolment rates (NER) and primary completion rates (PCR). The program lists extensive measures that will be taken to improve quality of education (see page 53-56). Some of these measures are to revise the curriculum every five years so that it becomes relevant and responds to parental expectations; conduct National Learning Assessment (NLA)²⁰; enrol a third of all students admitted to higher education in teacher education in order to alleviate the shortage of qualified teachers in secondary schools; strengthen existing school cluster resource centres; establish efficient school leadership and management; and improve textbooks to the highest quality possible.

ESDP III is also the final push to realise UPE. Ensuring that all children are able to attend schools opens up new opportunities for disadvantaged children including girls, children with special needs, and children from pastoral, semi-agricultural and isolated rural areas. To this end, formal schools, alternative basic education centres and village schools will be established and multi-grade classrooms will be introduced wherever necessary.

During ESDP III, adult and non-formal education will be promoted in order to combat the persisting problem of adult literacy. Each region is required to organise adult literacy classes and develop materials in mother tongues of learners.

With respect to TVET, the focus will be on providing relevant and demand-driven education and training that correspond to the needs of economic and social sectors for employment and self-employment. Quality is a prime concern at this level and ESDP III intends to develop curricula based on Occupational Standard and Occupational Training Standard by involving experts from the world of work. The government will undertake tracer studies to

ascertain the career paths of TVET graduates and modify or strengthen the program accordingly.²¹

ESDP III envisages a shift in the flow of students from lower to higher levels. The current level of enrolment in secondary education is much higher than the absorbing capacity of tertiary and TVET programs because of high level of transition from primary to secondary. Therefore, the program envisages that the transition rate from primary to secondary will gradually reduce to match the demands of higher levels of education.

2.4 Some Gaps in Policy, Strategies and Programs

2.4.1 Gaps in policy

It is evident from the above synopsis that the government has demonstrated the political will to improve access, relevance and quality of education. However, there are gaps between what is desired and what is actually practiced.

- a) Throughout the history of Ethiopian education, what has been consistently missing is the lack of genuine consultation with the primary stakeholders – parents, teachers and students - on the shape and content of education policy. Despite the rhetoric, the tradition continued to the present day and the policy formulation process has by and large remained top-down. The government continues to come up with policy statements that surprise teachers, students and parents. As discussed earlier, the latest one is the intention to attain a mix of 30% social science and humanities and 70% natural science and technology in student enrolments into higher education.
- b) The policy objectives are loaded with political objectives such as democratic values, human rights and good citizenship to the detriment of basic educational objectives such as literacy, numeracy and problem solving capabilities. An education policy should have a fair balance between political and educational objectives.
- c) The policy lacks clarity on the concept of relevance. This lack of clarity has transpired into the education strategies and programs. A key informant described relevance as “an illusive term”. Another felt that it is “subject sensitive” and could not be universally applied. What is relevance? Is it teaching a subject (e.g., engineering) in the context of a particular region? Is it producing graduates with employable skills? Since past education systems have been criticised for being elitist and too academic, there have been calls for education to be more relevant by

reducing theoretical aspects of a subject and increasing its practical aspects. For example, students or society in general may question the relevance of teaching mathematical functions such as logarithms, anti-logarithms or quadratic equations unless these are directly applied in the world of work. However, this perception fails to recognise the indirect effect of mastering analytical techniques, which contribute to the development of problem solving skills, patience/persistence until the solution is found, and examining issues from different angles. These are indispensable abilities in any area of employment.

2.4.2 Gaps in strategies

The strategies address the chronic problems of education identified in the policy. However, as in the case of policies there is gap between what is desired and what is practiced.

- a) By reducing secondary education to two years, the new educational structure has diminished the status of secondary education. As a matter of fact, the debate about quality of education is so polarised at primary and HE levels that little has been said on secondary education. Traditionally, secondary education is a stage of education where individuals are prepared for the world of work or higher education. The sector that cannot afford, or has no desire, to employ graduates, or absorb secondary school leavers (e.g. the service sector). Therefore, secondary education deserves more attention.
- b) In line with the overall decentralisation process, the education strategy envisaged that the sector is better served within a decentralised management. This means that gradually, the power of the central ministry diminishes whereas the regional, zonal and woreda education offices will have the power and responsibility to design and implement regional policies, strategies and programs. However, in practice, the Ministry of Education remains the most powerful and has the sole responsibility to design policies, strategies and curriculum.
- c) The strategy introduced continuous assessment and the “self-contained” approach as mode of teaching at primary level but has not sufficiently articulated the conditions under which these modes are implemented. Hence, it has remained contentious since its introduction.²²

2.4.3 Gaps in programs

The ESDPs represent the government's determination to move away from the traditional project type intervention to sector-wide approach.²³ Projects try to remedy specific problems in a given sub-sector without proper linkage to other sectors and sub-sectors. The Sector-wide approach looks at the sector in a holistic manner (has intra-sectoral integration) and also establishes links between sectors (inter-sectoral integration). Although it is not the purpose of this review to test if this principle has been strictly followed, it is fair to comment that ESDP is a good example of the approach.

- a) However, ESDP I did not indicate how education links up with the various economic policies and strategies. Subsequent ESDPs, ESDP III in particular, have addressed this issue by stating how education would respond to the PRSPs.
- b) As a direct reflection of the strategy, the programs have not paid adequate attention to secondary education. ESDP I focused on primary education and the government has clearly stated that completion of 4-5 years of primary education is enough to increase productivity in agriculture and other sectors. ESDP II paved the way for expansion of higher education by introducing regional universities and private colleges, which mushroomed during this time. ESDP III has gone for full blown expansion of higher education, and TVETs are at the centre of the debate. However, secondary education is a crossroad between higher education and work. Contrary to government beliefs that primary education is enough for gainful employment, the minimum requirement for most rudimentary jobs has gone up to secondary education. Consequently, secondary education should be at the centre of the educational debate and quality should be of high importance.
- c) The Higher Education Proclamation is pre-occupied with accreditation. It does not make specific provisions for program equivalency and credit transfer between public and private and within public and private institutions except that Article 69 of the Proclamation states "Diplomas awarded by institutions with an accreditation permit shall have equal privileges and honour" but does not say equal to what. In a world where people are highly mobile, credit transfers and school equivalency are important elements of continuing education. More importantly, they increase public confidence in the education system. . If a student starts his/her education with Mekelle University, and moves to SNNPR, can

he/she continue his/her education with Debu University with little or no loss of credit? This appears to be possible within public institutions, but it is not clear about transfer within private and between private and public institutions.

Notwithstanding these gaps in policy, strategy and programs, the education system has achieved a great deal and also faced challenges. The next section reviews these achievements and challenges.

3. Achievements and Challenges of the Education Sector Development Program

Have the policy and strategies delivered on their promises? The policy promises are fulfilled through the implementation of programs. The section examines some of the achievements and challenges faced by the three ESDPs.

3.1 Achievements

3.1.1 ESDP I

- a) **Access** - The government of Ethiopia, in collaboration with communities, donors and non-governmental organisations has made considerable progress towards ensuring physical access by bringing schools nearer to villages. As shown in Table 2, in 1995/96 (pre-ESDP), the GER was 38%, which increased to 61% at the end of ESDP I. In absolute terms, enrolment increased from 3.8 million (1995/96) to 7.1 million (2000/01).

In order to accommodate this surge in enrolment, the number of primary schools increased from 9,670 in 1995/96 to 11,780 by the end of ESDP I. Nevertheless, this achievement was below the target of 12,595 schools that the government set itself. Therefore, overcrowded classes were inevitable. The expansion of ABEs has also contributed to increased access.

Secondary education was expanded to allow those who complete primary education to progress to the next level of education. This is particularly an issue in rural communities - the further away a secondary school is the greater the chances of dropping out. In order to mitigate against this, the total number of secondary schools increased from 369 in 1996/97 to 424 in 2000/01 – a 15% increase over four years. Enrolment also increased from 426,495 in 1996/97 to 736,174 in 2000/01 – a 72%

increase in four years. A 15% increase in infrastructure has led to a 72% increase in enrolment!

During ESDP I, the TVET sector was in its infancy. The government began a major restructuring and expansion in 2001/02 – after the completion of ESDP I. Four new universities were established in Tigray, Amhara, Oromia and SNNPR through either amalgamation or upgrading the existing colleges. Enrolment also increased by over 100% from 42,132 in 1996/97 to 87,410 in 2000/01. The private sector mushroomed largely encouraged by the general policy direction stated in the ETP and captured about 17% of the total enrolment in higher education under ESDP I. However, the major policy push for improving higher education (both public and private) came with the promulgation of the Higher Education Proclamation in 2003 (two years after the completion of ESDP I).

- b) **Reduced gender and regional disparity** - Historically, the Education system has been criticized for being male and urban biased. As a result, today the number of women professionals in every sector is minimal. The emerging regions (Afar, Benshangul, Gambellla and Somali) also lacked the necessary skilled manpower because they were neglected by the past education systems. Attempts have been made to reverse this situation during ESDP I. As shown in Table 2, the proportion of boys and girls enrolled in primary education is 67% and 47%, respectively. ESDP I aimed to increase enrolment in pastoral areas to 25% but achieved only 10.8%. These indicated that regional equity remained a challenge.
- c) **Quality and relevance** - Although the focus of ESDP I was on expanding access, some considerations were given to quality. This was particularly true in upgrading teachers to the standard set for each level of education. The government concluded long before the ESDPs that qualified teachers are the critical input for quality education. Accordingly, at the start of ESDP I, the proportion of qualified teachers at primary first cycle was already 85% and the program raised it to 96%. The plan for the second cycle was to increase qualified teachers to 54% but achieved only 21%.

Secondary school was less successful in this respect. ESDP I inherited 40% qualified secondary school teachers and aimed to increase it to 61% but by the end of its life, the system was left with 36% qualified teachers. ESDP I did not set target for student/textbook ratio, another key indicator of quality. Nevertheless, it achieved 1 book for 2.5

and 1.5 students for primary and secondary, respectively. Secondary school appears to be doing better than primary in the supply of books but worse in putting qualified teachers in the classroom. It is exactly the opposite in primary education. This indicates that targets are not set in such away that they can have synergy. For example, a high proportion of qualified teachers with 1:1 book/student ratio will create the synergy that is required to deliver quality education.

Table 2. Key performance indicators monitored during the implementation of ESDPs

Indicators	Pre-ESDP (1995/96)	ESDP I		ESDP II		ESDP III
		Target	Result	Target	Result	Target
<i>Budgetary & Expenditure Indicators</i>						
Education's share of the total budget (%)	13.7	19.0	13.8	19	16.7	19.0
Primary education's share of the total education budget (%)	46.2	65				
<i>Access Indicators</i>						
Total number of primary schools ('000)	9,670	12,595	11,780	13,201	16,078	13,201
Total primary (grade 1-8) enrolment ('000)	3,788		7,100		8,100	11.4
• Girls	na	Na	47.0%	57.0%	71.5	62.0
• Boys	na	Na	67.0%	72.8%	88.0	78.0
Gross enrolment rate at secondary (9-10)	na	Na	12.8%	16.0%	27.3	16.0
• Girls	na	Na	10.8%	14.4%	21.6	14.4
• Boys	na	Na	14.8%	17.0%	36.6	17.0
Admission to TVET	na	Na	25,000	55,000	N/A	-
Admission to undergraduate program	na	Na	13,000	30,000	N/A	-
Admission to graduate program	na	Na	900	6,000	N/A	-
Share of female students in HE enrolment	na	na	21.4%	30.0%	N/A	-
<i>Quality Indicators</i>						
Share of qualified First Cycle teachers (grades 1-4) (%)	85.0	95.0	96.6	99.0	97.1	99.0
Share of qualified Second Cycle teachers (grades 5-8) (%)	20.9	54.4	21.1	80.0	55.0	80.0

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Indicators	Pre-ESDP (1995/96)	ESDP I		ESDP II		ESDP III
		Target	Result	Target	Result	Target
Share of qualified secondary teachers (%)	40.4	61.6	36.9	73.2	41.0	73.2
Number of core primary textbooks in schools	2,273	51,000	-	-	-	-
Primary school student/textbook ratio	-	-	2.5	1.0	2.0	-
Secondary school student/textbook ratio	-	-	1.5	1.0	2.0	-
Grade 4 sample assessment of learning achievement (%)	-	-	47.0	50.0	-	-
Grade 8 examination pass rate (%)	61.7	80.0	-	-	-	-
Efficiency Indicators						
Primary student/section ratio	52.0	50.0	70	60	69	60
Secondary student/section ratio	63.0	50.0	78	60	78	60
Grade 1 drop out rate (%)	28.5	14.2	27.9	14.2	22.4	14.2
Total primary dropout rate (%)	8.4	4.2	17.8	8.9	14.4	8.9
Average primary dropout for girls (%)	-	-	16.9	8.5	13.6	8.5
Average grade 4 to 8 repetition rate (%)	12.8	6.4	10.3	6.4	5.3	6.4
Average grade 4 to 8 repetition rate for girls (%)	16.2	8.1	13.4	8.1	6.2	8.1
Coefficient of primary school efficiency (%)	60.0	80.0	31.8	50.0	52.0	50.0
Equity						
Gross primary enrolment rate in Afar and Somali (the two most under-served areas)	16.2	25.0	10.8	20.0	22.1	20.0
Share of girls in primary enrolment (grade 1-6)	38.0	45.0	40.6	43.3	44.2	43.3
Share of female teachers in primary	-	-	-	31.1	35.6	N/A

SOURCE: Compiled from MoE (1999); MoE (2002) and MoE (2005).

With respect to ensuring relevance, the most significant steps were to (i) allow regions to conduct primary teaching and learning in mother tongue (or language of their choice)²⁴; (ii) adopt the curriculum to local history,

geography and cultures, and (iii) decentralise the management of education to regional and woreda levels.

The quality and relevance of higher education received less attention during ESDP I than in the other stages of education because, as stated earlier, the legal and institutional framework for quality assurance was not provided until the HE Proclamation in 2003.

3.1.2 ESDP II

- a) **Access** - The second ESDP continued the drive to meet the MDG goal for education. Accordingly, by the end of ESDP II, primary GER for the nation reached 79.8%. The NER enrolment increased from 24.9% to 73.2%. The fact that the NER has grown faster than the GER reveals that the age structure at primary level is changing towards the appropriate age (MoE, 2002). In absolute terms, the number of primary school students has reached 8.1 million.

The physical expansion of secondary schools was considerable under ESDP II. The number of schools increased from 369 in 1996/97 to 706 in 2004/05. Secondary schools were traditionally concentrated in urban areas. By 2004/05, the proportion of rural secondary schools has risen to 12.7% from a low of 7% in 1996/97.

Enrolment in the first cycle secondary (Grade 9-10) in 2005/06 reached over 1 million (36.4% girls), an increase of 23% compared to the previous year's 860,734. The GER for this level of education for the same year was 33.2%. Enrolment in the second cycle secondary was 123,683 (25.7% girls), an increase of 33.7% over the previous year (MoE, 2005/06).

During the implementation of ESDP II, TVETs expanded - number of institutions increased, vocational areas diversified, and enrolment increased. The Ministry of Education reports that in 2005/06, there were a total of 269 TVET institutions (113 government and 156 non-government) enrolling 123,557 students in regular and evening programs (50.3% female). The regional distribution of TVETs is such that Addis Ababa enrolled 45,665 students in 78 institutions (eight government and 70 non-government), which represented 37% of the total enrolment. In its attempt to respond to manpower requirements for rural development, the government has also established 25 agricultural TVETs managed by the Ministry of Agriculture and Rural Development. In 2005/06, a total of 37,029 students were enrolled of which 13.8% were female.

As shown in Table 3, both private and public HEIs enrolled 180,117 undergraduate students in all programs, of which the private sector accounted for 22%, excluding institutions that are not accredited by the

Ministry of Education. The proportion of female students in private and government HEIs is 30.6% and 22%, respectively (MoE, 2005/06).

Table 3. Enrolment in Public and Private HEIs

Program	Enrolment					
	Government		Non-government		Total	
	Both sexes	Female	Both sexes	Female	Both sexes	Female
Undergraduate	134,210	30,924	39,691	12,142	173,901	43,066
Postgraduate (MA/MSc)	6,159	610			6,159	610
Postgraduate (PhD)	57	3			57	3
Total	140,426	31,537	39,691	12,142	180,117	43,679

SOURCES: MoE, 2005/06 and MoE, 2005.

- b) Regional and gender disparity** - Regional disparities remain and gender equity has yet to reach the desired level. Addis Ababa was the best performing region achieving primary GER of 125% in 2004/05. The GER for Amhara, SNNPR and Dire Dawa ranged from 75.9% to 83.9%. The two predominantly pastoralist regions of Afar and Somali had GER of 20.9% and 23.3%, respectively.

A number of measures were taken to reduce the gender gap at primary level. First and foremost a gender mainstreaming guideline was developed and implemented. Based on this guideline, awareness was raised on the importance of girl education; the school environment was made girl-friendly; female head teachers were appointed; girl clubs were established and special guidance and counselling for girls was provided. Furthermore, attempts were made to address the economic barriers to girl education by providing scholarships to poorer families in order to encourage them to send girls to schools. These efforts have contributed to increased girl enrolment from 40.7% in 1999/2000 to 71.5% in 2004/05. The gender gap was reduced from 20 percentage points to 16.9 percentage points.

TVET institutions are playing an important role in reducing the gender gap. TVET is the only mode of education in which the number of female students is greater than male students. However, the regional distribution of TVET institutions continues to be urban biased and concentrated in the four or five big regions. As shown in Table 4, the emerging regions of Afar, Somali, Benshangul-Gumuz, Gambella and Harari have a total of 11 TVET institutions (8 government and 3 private).

Table 4. Regional distribution of TVET institutions

Region	Enrolment			No. of TVET Centres		No. of teachers
	Male	Female	Total	Gov't	Non-gov't	
Tigray	4835	5692	10527	18	9	673
Afar	101	101	202	2	-	41
Amhara	16763	15954	32717	21	47	1695
Oromia	6731	9610	16341	37	2	869
Somali	366	222	588	1	-	52
Benshangul-Gumuz	577	493	1070	2	3	84
SNNP	5957	5674	11631	20	20	653
Gambella	568	406	974	1	-	11
Harari	610	677	1287	1	-	81
Addis Ababa	23668	21997	45665	8	70	1913
Dire Dawa	1239	1316	2555	2	5	62
Total	61415	62142	123557	113	156	6134

SOURCE: MoE 2005/06.

c) **Quality and relevance** – the government continued to use qualified teachers as critical input for quality education. Pre-service training was expanded both in public and private institutions. First cycle primary has increased its share of qualified teachers to 97.1 during ESDP II. The second cycle primary continued to lag behind. By the end of ESDP II, only 54.8% were qualified teachers, a substantial increase over ESDP I. A variety of capacity building programs are underway to reach the desired level. These include distance education, extension classes and summer programs. The secondary school continued to suffer. Under ESDP II, it was planned to raise the proportion of qualified secondary school teachers to 73% but only 41% was managed. The pupil/textbook ratio for both primary and secondary made little progress towards the ideal target of child/book ratio of 1:1. It stood at one book for two students. As a matter of fact, the ratio for secondary school deteriorated.

In its quest to improve quality of education at secondary level, the government introduced Information and Communication Technology (ICT) infrastructure that enable schools to receive satellite education transmission. The School Net project has also provided schools with personal computers to set up internet laboratories and improve school information management.

3.1.3 ESDP III

It is too early to assess the achievements of ESDP III since it is an on-going program until 2010. However, some preliminary observations can be made on the chances of meeting the education MDG in terms of access. At primary level, ESDP III is regarded as the final push towards UPE. At the start of ESDP III, GER has reached 91%. Other things being constant, this trend shows that the country is well on its way to achieving UPE and this is the official position of the government. However, an NLA analysis (ONE, 2004) has already pointed out that with the current high level of wastage, the country is unlikely to reach the intended MDG target. A further analysis that takes account of population growth may push the country further away from the MDG target.

At tertiary education level, ESDP III is beginning to see the number of public HEIs increase by at least 13, which will go a long way in addressing the regional imbalance in the distribution of HEIs but as pointed out earlier, this poses serious challenges with respect to quality.

3.2 Challenges

The ESDPs have been faced considerable challenges during implementation. Particularly ESDP I, being the first attempt to implement the ETP, brought to light many persisting challenges to the education system. This has been well articulated in the government's own assessment and by independent evaluators. The ESDP II document published in 2002 provides a useful insight into the challenges ESDP I faced. It states that:

- a) Despite significant progress in increasing access and coverage, efforts to narrow gender and regional disparities were not satisfactory;
- b) Community participation in the management of education remained inadequate;
- c) Implementing educational practices such as continuous assessment and "self-contained" posed considerable difficulties;
- d) With the exception of first cycle primary, the government has not been able to assign adequate qualified teachers at all levels of education;
- e) Inadequate planning and management capacity at woreda level;
- f) ESDP I also became the victim of the border conflict with Eritrea when donors suspended funding the program.

Independent evaluators (e.g. Lasonen, et al., 2005) also commented that Ethiopia has made progress towards the Dakar Education for All (EFA) goals as measured by the GER but according to NER, it is among the countries with the lowest enrolment rates. The researchers also stated that the gender gap in primary-school enrolment remains unacceptably high. Quality of education is suffering because of low proportion of qualified teachers at all levels except first cycle primary. There is also a shortage of teachers in rural and remote areas, and quality varies between the regions. Ethiopian schools operate with very modest facilities. According to Lasonen et al. (2005), only about 60 per cent of students in Ethiopia survive to Grade 5, which makes it impossible to achieve measurable outcomes for all children in literacy, numeracy and essential life skills.

As pointed out above, quality continues to challenge the Ethiopian education system. In 2004, the NLA, one of the instruments of quality assurance, found that the mean score attained at national level in English, Maths and Environmental Sciences were 40%, 39% and 48%, respectively. A similar study for Grade 8 found that the students achieved less than the expected minimum standards. The overall performances in all subjects were lower than 50% except reading and environmental sciences. This is confirmation that quality has suffered in the face of expansion.

Relevance is frequently cited in the policy, strategy and program documents but not sufficiently defined and no benchmark exists (see also Section 2.4). Does relevance mean putting local examples in textbooks? Or increase practical component of a theoretical course? This is an area where grassroots implementers such as teachers and local administrators are challenged and need clearer guidance.

The decision to use mother tongue for primary level instruction is based on pedagogical advantages and nationality rights but has not given sufficient attention to parents' rights to educate their children in the language of their choice. As a result, there have been contentions in areas where there are significant minorities within a majority (e.g., Amhara within Oromia or vice versa).

Similarly, the introduction of automatic promotion has not gone down very well among the general public. The NLA has confirmed that automatic promotion has not achieved the desired effect of reducing repetition and dropout at this level thereby casting doubts that if the present rates of dropout and repetition continue, the goal of achieving UPE will remain elusive for Ethiopia. According to the NLA, dropout rates must be brought down close to five percent or below in all primary grades as soon as possible in order to achieve UPE. This is the biggest challenge facing the Ethiopian education system!

However, the official line argues that Ethiopia will meet the MDG for education well before the 2015 deadline. "The goal of making primary education

accessible to all school age children in Ethiopia is expected to be attained before the conclusion of Millennium Development Goals time-frame” (Getachew 2007, 46).

This statement contradicts with the reality on the ground. To begin with, GER is not a good indicator for UPE. Secondly, the attrition rate is still too high which leaves millions of children out of school unless alternative modes of education expand to capture those dropping out. Third, poor quality, gender and regional disparities still characterise the Ethiopian education system. How can a country claim UPE when millions of pastoral children are still out of school? How can a country claim UPE when millions of children dropout and fall back into illiteracy?

The government has done very well in increasing the proportion of qualified teachers at primary levels although more needs to be done at secondary and tertiary levels. The challenge facing teacher education is the government's ambitious target of producing “ethically sound, diligent and committed” teachers. These are values that are difficult to instil in a short period of time – one-year teacher training course for example. Securing commitment from teachers requires among other things, improvements in pay, working environment and respect for the independence of the profession, and not just through training.

The role of the private sector in teacher education has recently been thrown into confusion by the government's declaration that teacher education will only be provided by the public sector, apparently in the name of ensuring quality. This decision is not based on systematic evaluation of the strength and weakness of private and public teacher training institutions. The decision reduces public confidence in the private sector's ability to deliver not only teacher education but also other important areas such as health.

Technical Vocational Education and Training (TVET) is closely scrutinized primarily because of its potential role in the country's economic development and partly because it is relatively new to Ethiopia.²⁵ Some of the issues include misperception of TVET by the public, students and teachers (Abraham 2006; Teklehaymanot 2002); streaming of students to TVET (Nahom 2006) and overall implementation problems (Babisso 2006).

These researchers found that (i) the general public, including parents, look down upon TVET because of streaming of students who failed to join preparatory schools,²⁶ (ii) students feel they are forced to join TVET without their interest and after joining they are not streamed into courses they would like to pursue. The researchers see this as denial of a students' fundamental right to pursue a career of their choice.

The government realizes the challenges emanating from the expansion of this relatively new mode of education and training. It has acknowledged that at

present most TVET graduates do not meet the expectations of employers primarily because TVET in Ethiopia today is largely institution based, which favors theoretical instruction, as opposed to workplace based, which is practical (MoE 2005).

A serious challenge is posed by expansion of education in general and HE in particular. Kedir Assefa (2007) examined the implication of massification²⁷ on educators and identified three interrelated “disempowering” factors: (i) over-engagement of the staff and routinisation of intellectual activities; (ii) peripheralisation of educators manifested in silencing, side-stepping and removing from decision making and reducing them to implementers; and (iii) de-professionalisation of teaching. These factors reduce teacher moral and love for the profession and ultimately affect the quality of teaching.

Massification is driven by one primary objective: ensuring equitable distribution of public universities among the regions of the county (Yohannes 2007). This is a noble idea but one-sided. Regions are happy inaugurating new buildings for HE but they will face the challenge of filling them with qualified teachers, appropriate books, laboratories and other facilitates that contribute to quality teaching. Expansion requires commensurate resources to fulfill these requirements. World Bank (2003) cited in Yohannes (2007) stated that expansion of higher education system without maintaining and improving quality will be counterproductive and in the long run destabilizing.

The government will face challenges as it sets off to implement its recent initiative of 70/30 for natural/technology and social science/humanities streams, respectively. The teaching and research staff of HEIs generally recognize the need for a shift of emphasis from social science to natural science/engineering streams as the structural transformation of the economy moves towards manufacturing. But they also argue that this takes time and should be based on careful analysis of growth trends and the socio-economic reality on the ground. Implementation will need to be by phases, and in tandem with level of sustainable economic growth, rather than abruptly, by political writ from above regardless of lack of essential preparations, including buy-in from key stakeholders and actors. Hence, the shift will require considerable investment in teaching and research facilities (e.g., advanced machinery, computing), which the HEIs, in particular the newly established ones, are not equipped with. In addition, the number of secondary/preparatory students currently in the natural science stream may not be up to the required quota of 70%, which would result in allocating students to streams without sufficient preparation or inclination.

The establishment of HERQA and HESC with a view to improving quality and relevance in higher education is welcome. These institutions have developed guidelines for self-assessment and have the mandate to undertake quality assessment in both private and public institutions (HERQA 2006a and 2006b).

However, their independence is questionable because first, they are accountable to the government (i.e., Ministry of Education), and second, although they are managed by a Board, it is the Ministry of Education that handpicks Board members, a further evidence of the continued interventionist culture.

Efforts are being made to tighten up the procedures for accreditation as one of the mechanisms for ensuring quality. However, the rules are laid down for private HEIs only. The public HEIs are automatically accredited regardless of their level of development (see Table 5). They are recognised as universities as soon as the buildings start going up. Simply because an institution is established by the government should not be taken as a sign of quality. New universities should go through a rigorous process of accreditation as should the private HEIs, least because the public HEIs should not feel complacent – “we are going to be granted university status no matter what”. Creating a competitive environment between institutions (public and private) can only be beneficial to the customers – students and parents as well as employers, including the government!

Table 5. Partial list of institutions accredited by the Ministry of Education

Type of Institution	Institution	Accredited programs and level	Academic year accreditation is obtained	Campus accreditation is given to
Under the federal gov't	Universities, Colleges and Institutes	For different degree and diploma programs	Starting from the academic year authority was given from the Higher Education Commission	All campuses
Under NGO's	Menschen fur Menschen Harar technical training college	Advanced Diploma/12+3/ Metal Technology, Automotive Technology, Electrical Technology	From Sep.1996-Aug.2004	Harar campus
Under private investors	Alpha Distance Higher Education Institute	Diploma/12+2/ Auto Mechanics General Management, Accounting Management	From Sep.1996-Aug,2004	Main campus in Addis Ababa and branch centers

SOURCE: HERQA c2007 (www.higher.edu.et).

With respect to institutional autonomy and academic freedom, the policy stated:

Educational institutions will be autonomous in their internal administration and in the designing and implementing of education and training programs, with the overall coordination and democratic leadership by boards or committees, consisting of members from the community (society), development and research institutions, teachers and students (TGE, 1994:30).

However, in practice educational institutions, higher education in particular, have not enjoyed the promised autonomy. A series of case studies commissioned by Forum for Social Studies (FSS) to assess the status of governance, academic freedom and teaching personnel in Ethiopian Higher Education, using the 1997 UNESCO Recommendation as benchmark, found that (Tesfaye 2007):

- most of the UNESCO Recommendation's standards on institutional autonomy and academic freedom are not observed;
- accountability and transparency are not insured and the staff are not involved in institutional policy/decision making processes;
- the terms and conditions of service are not negotiable.

Amare Asgedom (2005) also examined academic freedom with respect to the right to set the contents of academic courses²⁸ and found that Addis Ababa University began losing its academic freedom during the *Dergue's* interventionist era. In spite of the policy provision, the interventionist policy has continued at least in two areas. First, there is a shift of emphasis to skills and vocationalism at the expense of general education which is aimed at developing intellectual capacities. Second, the much talked about higher education reform prioritised efficiency gains at the expense of academic excellence. For example, the old four-year undergraduate program was shortened to three-years. All of these initiatives were dictated by the Ministry of Education.

The government's own Commission of Inquiry (MoE 2004) on governance and leadership recommended that higher education institutions need to, among other things:

- develop a less authoritarian management system,
- institute a two-way communication between and among top managers, teachers and students,
- create a results-focused system and relieve top managers from mundane activities so that they could focus on strategic issues,
- establish independent and effective Boards.

The Government introduced the long awaited (rather anxiously) cost-sharing scheme, which has been in the policy/strategy document under “sustainable finance”²⁹. However, the management of cost-sharing is challenging to the civil service and other employers, as collecting the money from graduates’ salaries is an administrative burden. What happens if graduates default? Some (e.g., Chapman 1999, cited in Teshome Yizengaw 2006) argue that defaulters are rare under income contingent repayment. Teshome Yizengaw (2006) on the other hand argues that there are issues of default in the context of Ethiopia. He cites some of the reasons for the default:

- lack of information on the whereabouts of the graduates (beneficiaries of cost sharing);
- beneficiaries may leave the country and never come back (from defaulter to defector);
- weakness in the tax collection system.

The government has devised mechanisms for ensuring repayment such as making students sign an agreement and transmitting this agreement to the employer. The employer hires graduates on condition that they submit this signed agreement. In the event that the graduate leaves the country (before completion of repayment) for longer than six months, he or she should provide a guarantor. All these measures have limitations which are beyond the scope of this review.³⁰ (For a detailed treatment of the subject see Teshome 2006 and for a review of international experience in cost-sharing see Wana 2004).

4. Conclusion and Policy Recommendations

4.1 Conclusions

Ethiopia has over one hundred years of modern education and yet it has one of the least educated population in the world. There have been numerous academic debates on the state of education in Ethiopia and the country is not short of recommendations. Some have attributed this backwardness to the fact that consecutive governments implemented education that is not grounded on Ethiopian history and culture. Others have argued that the education system should be primarily evaluated in terms of its capacity to address the needs of the people irrespective of whether it is grounded on local or external traditions.

The present government designed the Education and Training Policy, strategies and programs that aspired to address the chronic problems that beset the education system – access, quality, and relevance. Considerable strides have

been made in ensuring access to education as measured by the GER. More recently, more refined indicators such as net enrolment rate are being used...

However, there are a number of gaps in the policy, strategies and programs design. First, the policy has failed to provide clarity on issues like relevance thereby creating confusion among practitioners as well as the academics. Second, the process of formulating policy, strategies and programs is top-down leading to controversies over a number of aspects of education. Third, the policy has more political objectives than educational objectives. Fourth, the policy does not prepare students to take advantage of regional (Africa) and global opportunities. Fifth, with respect to higher education, the government is pre-occupied with accreditation of private HEIs with little concern about equivalency and credit transfers within and between institutions.

The policy, strategies and programs also faced several implementation challenges. With respect to equity, there are still fewer girls than boys attending school and the education of children in emerging regions, pastoral areas in particular, remains a serious concern.

Quality has been neglected for longer than necessary and some of the consequences may be irreversible or too expensive to reverse. The government's own study has concluded that at the present rate of dropout and repetition, the country may not achieve UPE by 2015.

The government has done very well in promoting private investment in education. However, its recent action against those who provide teacher training will damage the status of the private sector in the eyes of the public. If they are incapable of producing appropriately qualified teachers, how can the public trust them to produce appropriately qualified nurses?

Since education is an instrument of freedom – freedom from poverty and oppression - it has to be conducted in an environment of freedom and institutional autonomy. Although there appears to be the political will on the part of the government to grant these (as expressed by its policy statement), the reality on the ground is different.

4.2 Policy Recommendations

As noted earlier, there is no shortage of recommendations for the education sector. What is lacking is the readiness to accommodate independent views and recommendations. Therefore, the government should consider the following.

Policy process recommendations:

1. In the formulation of the policy, strategies and programs, the government's consultation process has been limited to regional offices and donors. It

should adopt a genuinely bottom-up policy process in which the concerns of the primary stakeholders (parents, teachers and students) are heard. This consultation should provide opportunity for ideas to be generated at micro level (teachers, parents and students); second, these ideas are validated/enriched at meso level (professional association, donors, thinkers in education, and other opinion leaders); and finally discussed at macro level with policy makers prior to formulation.

2. Following the steps proposed above, the government should revisit the Education and Training Policy and the strategies. It should take the concerns of teachers, parents and students that have accumulated over the last decade.
3. Grassroots implementers of policies and strategies (regional, zone and woreda education offices) lack the capacity to contextualise policy and strategies to local conditions. It is not uncommon to find these implementers saying “it is the policy” when confronted by angry parents! The capacity building programs should be intensified both for educational managers and experts. This is particularly important where staff turnover is very high.
4. There are a number of professional associations in areas such as agriculture, economics, law, medicine and the sciences. However, they have not contributed to and/or influenced the education policy process. They do not have any role in examining/testing or certifying new entrants into their profession. The government’s perception is that they lack capacity to engage at this level. However, it should create the framework and encourage professional associations and civil societies to engage in the education policy-making process. The relevant professional and civil societies should also demand their right to engage in this process rather than waiting for invitations from the government.

Primary education

5. The NLA has sent out a strong early warning that if the present trend in drop-out and repetition continues, UPE may not be achieved. The government should heed this warning seriously and take measures to reduce wastage to an acceptable level.
6. The NLA has shown that there is a tendency to shift the focus of education from Language and Mathematics to other subjects (e.g., environmental sciences). Although these are equally important, competence in languages (local or foreign) and mathematics develops children’s communication and critical thinking and builds their confidence. There should be a concerted

effort to re-instate Language and Mathematics as a focus of education. This requires re-orienting policy and strategic objectives to literacy, numeracy, problem solving and development of critical thinking.

7. Building more schools alone cannot ensure UPE. Economic policies and strategies need to be well integrated with education to address the economic factors for dropping out and repetition. This may be in a form of conditional safety nets for poorer families – transferring a given resource to poor parents on condition that they send their children to school.

Secondary education:

8. Secondary education is not much debated about. It needs to be at the centre of debate just like primary, TVET and higher education. Although the government is confident that it can capture secondary school leavers through preparatory and TVET, it is likely that some will leave the system without any credible certification. Therefore, some form of “safety net” is required for those who may fallout of the system without any credible certification, which are most likely to join the formal and informal service sectors. The proposed safety net may take the form of: (i) on the job training to help them develop career within the sector they are working, (ii) off the job training to help the unemployed acquire marketable skills.

TVET and Higher education:

9. TVET has the potential to contribute in producing a skilled and flexible labour force just as it did in Europe, USA and recently in a number of Asian and Pacific countries. The Ethiopian Government has good intentions of using this mode of education for the same purpose. However, in this transition period, TVET has a long way to go to convince the public that it is a viable alternative to, for example, university education. Independent assessment and public awareness on the role of TVET in economic development should be intensified. Students should be streamed into TVET based on interest and aptitude.
10. The government should re-consider the manner of implementation of its latest policy of “70/30” professional mix in student allocation to higher education. Government short, medium and long-term manpower plan should be in the public domain so that students can make informed decisions. Concerned academic institutions should be authorised to use a combination of academic and administrative criteria to make adjustments.

11. The accreditation process of private higher education institutions is too complex. Reading the table of accredited and pre-accredited institutions, one gets very confused to see, for example, an institution to be accredited in one campus and not in the other; in one course and not in the other; for one academic year and not for the other. The government should take steps to simplify and streamline the accreditation process and sensitise the public.
12. The newly established public universities should go through a similar process of accreditation as do the private HEIs. Creating a competitive environment between and within institutions can only be beneficial to students and employers.
13. Program equivalency and credit transfers should receive adequate attention and guidelines should be produced by the joint efforts of public and private institutions.
14. The government should implement the academic freedom and institutional autonomy provisions stated in ETP, Higher Education Proclamation, and the 1997 UNESCO Recommendation. It should open up Board membership of institutions and other leadership positions to wider stakeholders while maintaining its proper stake.

Monitoring and Reporting:

15. The Ministry of Education produces the most comprehensive and most authoritative educational data through its annual publication known as the Education Statistics Annual Abstract. The coverage of this publication has expanded over the years (e.g., new entries like ABEs, private sector) and the indicators are refined from time to time (e.g., NER). This culture must continue and the publication should be made widely available to the public.
16. Further refinements should be made to the indicators. It is misleading to report that since the country has achieved 97% GER, it is on its way to meeting the MDG before the deadline. The report should factor in (i) wastage (dropout and repetition), and (ii) population growth to give a realistic estimate of when the country can meet the MDG.

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Notes

1. The state of Ethiopian education is passionately written and debated about not only by educators but also by experts from a cross section of disciplines, including historians, economists, philosophers and bankers. Examples include Tekeste Negash (1996); Befekadu Degefe, Berhanu Nega and Getahun Tafesse (2001), Messay Kebede (2006), Fikre Tolossa (2007), Markakis (2006), Damtew Teferra and Altbach (2003). In his autobiography, Taffara Degueff'e (2006), talks a great deal about Ethiopian education and devotes a section to the "Education Sector Review" as one of the factors for the demise of the Imperial Regime.
2. Many of the writers in footnote 1 have credited the Ethiopian Orthodox Church as the pioneer in providing basic education through the teaching of the Bible. Among them, Markakis (2006) pays tribute to Muslim religious leaders who also played a noteworthy role in promoting basic education through the teaching of the Koran.
3. Cognizant of the fact that educational facilities in remote areas of the country were lower than in central parts of the country, the government reduced the entry requirement for students from remote areas in order to allow more students from these areas to enter higher learning institutions. This measure raised concern that lowering the entry requirement might lower quality but there was no doubt that it had opened higher education opportunities to several communities that would otherwise not get it.
4. Derebssa Dufera (1999) analyses the impact of population growth on enrolment and finds that although in absolute terms the increase in enrolment may look impressive, in relation to population growth it may actually be falling.
5. The government has often appeared to be presenting its policy documents for endorsement rather than genuine consultation. This was what happened with the preparation of the PRSP.
6. The Ministry of Education has been implementing a series of education system overhauls, namely, Basic Education System Overhauls (BESO), Teacher Education System Overhaul (TESO) and Higher Education System Overhaul (HESO).
7. Monitoring access has become more sophisticated in recent years. The Education Statistics Annual Abstract (MoE, 2005/06) presents two variables in addition to the conventional Gross and Net Enrolment Rates. These are Apparent Intake Rate (AIR) and Net Intake Rate (NIR). The former measures the gross new entrants and the latter measures the net new entrants.
8. The ETP contains 21 general and specific objectives. Only about five objectives specifically mention problem-solving and cognitive skills. The others talk about

bringing up citizens who respect human rights, democratic values, women and work.

9. Similar trends are observed in Asian countries over a period of time. These countries sent many of their outstanding students to Germany, the United Kingdom, and the United States to pursue advanced study in the areas of science, technology, policy, law, and so forth. Later these individuals rose to influential government and university positions so that many of the policies, organizations, and training approaches they implemented were influenced by Western culture.
10. Initially, the policy and strategies were presented in the same document. At a later stage, the strategies were published as a separate document with little or no substantial change to the content.
11. Integration of research, education and development is also listed as a separate strategy in the document.
12. The program document was published in 1999 - two years after commencement of implementation.
13. When substantial amount of funding for education comes from the tax payer, this should in principle lead to better accountability on the part of the government to the people in general and tax payers in particular.
14. Maddi Ramesh (2006), writing from Indian experience, stated that technical education system produces "skilful human resources" in adequate numbers according to the market needs for the development of the country, which will be the foundation stone for the economic growth of the country.
15. Secondary education is also split into two: first cycle (9-10) and second cycle/preparatory (11-12).
16. The Ethiopian Government's attitude of "we are ahead of the game" also runs through the other development programs. For example, during the formulation of the Poverty Reduction Strategy Paper (PRSP), it claimed that all its development programs since the early 90s were poverty reducing in nature and did not need to design new programs. It, therefore, simply repackaged existing programs and presented them to the public for endorsement to meet the PRSP requirements.
17. ABECs are low-cost mode of education that bring schools closer to communities. They have flexible schedule to satisfy the labour demands of parents and use innovative teaching techniques to cover larger portion of the curriculum in a short period of time. Therefore, children are able to complete 4 years of first cycle in three years and join the formal schools at Grade 5. ABEs are pioneered by Non-governmental Organisations such as Action Aid, Save the Children UK, Save the Children Denmark and ultimately adopted and scaled up

by regional governments (e.g., Amhara and Somali National Regional States). For further details, see Save the Children UK (2006) and Stage et al. (2003).

18. A few years ago, some private higher education institutions suddenly declared themselves as universities, shocking the government and the general public. The government issued a notice that only some of these will have the status of “university colleges”, as defined in the Proclamation, whereas the majority will remain colleges.
19. Some argue that professional associations and civil societies are not mature enough to be Board members of such institutions because they don’t have the capacity. According to one key informant, “some are not able to call their own General Assemblies let alone participate at such high level”. . However, engaging them in such a process is one way to build their capacity. The relevant associations and civil societies should demand to participate in such process rather than wait for invitations from the government, which may never come.
20. The NLA is conducted at Grades 4 and 8 to measure the level of achievement. Grade 4 is a terminal point for investigating the outcomes of the first cycle and Grade 8 for investigating the outcomes of the whole primary education (MoE, 2004a and 2004b).
21. The government’s concern about the absorbing capacity of the economy has recently come to light with its bilateral agreement with the Kingdom of Saudi Arabia to export 5000 TVET graduates per year.
22. Controversy over policy issues is not necessarily a bad thing because it demonstrates dialogue but it should be during formulation of policies, strategies and programs. If policies are designed through a bottom-up consultative process (as recommended in Section 4.2), there will be little or no controversy during implementation.
23. There are similar programs for health known as Health Sector Development Program (HSDP) and Water Sector Development Program (WASDP). The donors commit to supporting the sector as a whole rather than a specific component of it. If a given donor is able to support only a specific component, then it makes sure that its efforts are coordinated with others.
24. However, there are places where parents’ wishes were not fulfilled. For example, on September 13, 2001, the national radio reported that parents in Gambela wanted their children to learn first cycle primary in Amharic instead of in the local languages (e.g. Nuwer and Agnuak). The Gambella Bureau of Education (BoE) rejected the request saying that it could not go against the policy. The parents’ request is by no means a disrespect to their native languages but the desire for their children to enhance their future employability outside their Region and achieve greater competitiveness in the labour market.
25. TVET has been instrumental in supplying skilled and flexible manpower to meet the demands of a growing and changing economy both in the developed

countries like the United States and the United Kingdom and the Asian and the Pacific countries (ADB, 1990).

26. Experience from other countries (ADB, 1990) shows that TVET accommodates students with practical and technical orientation or aptitude rather than academic and research type aptitudes. By implication, it opens opportunities for those unable to pursue university education. As a result, in the early days of TVET, public perception has been lower for TVET but as soon as its contribution to economic development increases, the profile of TVET begins to rise.
27. Yohannes (2007) compares “massification” and “expansion” in the Ethiopian context and concludes that expansion is more appropriate because the gross enrolment rate is still too low to suggest a massive program in place.
28. The other aspects of academic freedom are (i) freedom of inquiry; (ii) freedom to disseminate the truth as one sees it; (iii) freedom to express doubts and criticisms of any belief; (iv) freedom to decide who shall be members of one’s own academic institutions; and (v) freedom to decide upon the competence and certification of others (Bligh, 1982: 118-137 cited in Amare Asgedom, 2005).
29. The introduction of cost sharing is based on three premises or beliefs. First, higher education benefits the individual student more than it benefits society – higher salaries, other privileges and values such as respect they get from society. Second, it is also based on the belief that considerable amount the nation’s resources are expended to produce a few graduates when compared to the number that completes primary and secondary. A third argument is that higher education students are over 18 and they should start taking responsibilities for their lives. It is therefore logical to shift the burden from parents to the government and the individual student (Teshome Yizengaw, 2006).
30. There are a number of ways of making students share the cost of higher education. These include special education tax, school fees, vouchers, loans, graduate tax and national service. It is not clear if the government has done a systematic assessment of these options to arrive at one mode.

A Review of National Policy on Ethiopian Women

Sosena Demessie & Tsahai Yitbark

1. Introduction

Women comprise 49.9 percent of the estimated Ethiopian population of 77.1 million (CSA 2007). Among the total heads of households, 25.5% are females with 23% of them in rural and 39% in urban areas (CSA 2007). Like many of their counterparts in developing countries, women in Ethiopia face a set of multiple, crosscutting and interrelated problems. These problems limit Ethiopian women's access to productive resources, basic health-services, and educational and employment opportunities. Most of them do not participate in planning and decision-making processes. Women and girls also suffer from harmful traditional practices (HTPs). They also lack necessary information and participation on important development issues. Therefore, improving the status of women in Ethiopia requires a multi-dimensional approach.

In view of this situation, since its establishment in 1991, The Transitional Government of Ethiopia (TGE) had taken several initiatives to promote the status of women. Hence several laws and policies, including the 1993 National Policy on Ethiopian Women, were enacted in order to address poverty, gender inequality, capacity building and improvement of the socio-economic and political status of the citizenry.

Furthermore, the 1995 constitution of the Federal Democratic Republic of Ethiopia (FDRE) reaffirmed commitment to gender equality by recognizing major international Conventions and instruments which have been ratified by Ethiopia. Those conventions include: (a) Convention on the Elimination of All Forms of Discrimination Against Women, (CEDAW), (b) Beijing Platform of Action, (BPA), which sets an international commitment to the goals of equality, development and peace for all women, (c) Cairo Declaration on Population and Development, and (d) Convention on the Right of the Child and the Millennium Development Goals (MDGs), etc. However, despite all these globally accepted commitments and the National Policy on Ethiopian Women, gender disparity still persists. This would form the basis for the need to review the National Policy on Ethiopian Women (NPEW) and other related policies, strategies and

action-plans as well as their implementation. This review examines the content of NPEW and related policies, strategies and action plans in terms of their adequacy, appropriateness, gaps and implementation constraints. Other key national development programs such as SDPRP and PASDEP are also reviewed in terms of their gender mainstreaming efforts.

2. Evolution of Policy Approaches to Women's Involvement in Development

Historically as women's movement developed, the policy approaches to women's involvement in development evolved from Welfare to Empowerment. At the same time, the terminology used in relation to the issues evolved from women to gender.

In the 1950's women were regarded as passive recipients whose major role was only child raising. This is called "welfare approach" and its objective was to bring women into the development process as better mothers and wives.

In the 1960's and early 70's development policies began to focus on meeting basic needs for food, shelter and security with the assumption that women were among the poorest of the poor. Therefore, programs began to focus on helping women improve their economic position through education, skills training, health and family planning services. This is called "anti-poverty approach".

In 1970, Ester Boserup demonstrated that women made important economic contributions, which were being ignored by governments to the detriment of national development efforts. Boserup also showed that development had different effects on women and men. Agricultural mechanization, industrialization and urbanization assumed to benefit everyone. However, in reality they have increased workloads for women and made greater demand on them as food producers and casual laborers. The Women In Development (WID) movement, grew out of Buserup's work aiming for more efficient, and effective development by incorporating women-specific projects in to existing development process (Boserup 1970).

Women In Development (WID) was one of those initiatives by which feminists from different shades tried to solve the women's problem by introducing women based actions and activities. There was a great deal of emphasis on the need to assist women by integrating them into the development process. This promoted institutional changes in governments and in bilateral and multilateral organizations for responding to recommendations emanating from world conferences. Many governments established women's offices to handle women's issues with mandates to ensure that development projects and policies

adopted would benefit women. Bilateral and multilateral organizations created WID units to articulate WID policy and prepare WID plans. Several women-focused projects were developed and implemented. The majority of these projects focused on income-generating activities.

The realization that separate development only continued to marginalize women led to the emphasis on mainstreaming, that is, the integration of women in all areas of economic, social and political life. That led to the Gender And Development (GAD) movement in the 1980's. GAD recognizes women's reproductive role while maintaining that the traditional division of labor is by and large socially constructed and can therefore be changed and that the exclusion of women in development has not been due to any natural laws but to man-made division of labor, socio-cultural attitudes and ideologies of oppression. GAD, therefore, calls for greater involvement of women and men in development process and fair distribution of the fruits of development. It underscores the need to integrate women's needs, both practical and strategic, into the picture. This is the empowerment approach (Sosena 2000).

3. Approach and Methodology

This review was prepared using primary and secondary sources of information. The National Policy on Ethiopian Women and its strategies, programs and plans were reviewed chronologically. The team held various discussions with Government officials, NGOs and international organizations' representatives. These include three department heads of Ministry of Women's Affairs (MoWA), four department heads of WAD from sectoral ministries (Agriculture, MoFED, Health and Education), UNCIEF, ACGD, CSOs and NGOs, including NEWA, ZEMASETOCHE, WISE, EWLA & YWCA .

4. The National Policy on Ethiopian Women (NPEW)

The Transitional government of Ethiopia in 1993 adopted the first national policy on Ethiopian women, underscoring the need to move toward an institutionalized strategy for enhancing women's development through policy measures. Recognizing the productive role of women and their contribution to the national economy, the policy moved the government's focus from welfare to development. For the first time, it provided a broad framework for including women in the planned development process. As a result, there is greater awareness of women's economic potential and growing acceptance and recognition of women's demands and aspirations.

The policy adopts a three-pronged approach. First, it calls for fundamentally reordering national priorities in favor of increasing women's access to basic health care, education, and employment opportunities and outlines three objectives. It requires that all economic, social, and political policies and programs, as well as cultural and traditional practices and activities, ensure equal access of men and women to the country's resources.

Second, it stresses the need to eliminate all forms of discrimination (in the labor market, at work place, or in customary practices) and to create awareness of women's legal rights. It requires laws, regulations, systems, policies, and development plans issued by the government to ensure the equality of women and men, placing special emphasis on rural women.

Third, the policy also calls for adequate institutional support to ensure that women benefit from the financial assistance provided by government or donors and to facilitate the formation of women's associations or groups. It also requires that all development institutions, programs, and projects ensure women's access to, and their involvement in, all interventions and activities.

The following strategies were set for the implementation of the NPEW:

- Take measures in order to ensure the democratic and human rights of women, their right to work in governmental or non-governmental organizations, to form and join lawful organizations and their right to vote or be elected are respected;
- Create a conducive atmosphere for the participation of women in the decision-making process at all levels;
- Take appropriate measures to ensure that women are made beneficiaries on equal basis with men in all social, economic and political activities;
- Take appropriate measures, including legislation, to ensure the right of women to equal pay for equal work;
- Ensure the right of women to get career and vocational guidance at any institution of education, to have access to the same curricula as that for men and to choose their field of study;
- Create awareness among the public about HTPs;
- Ensure the right of women to have easy access to basic health care facilities and information about family planning methods;
- Create awareness among the society to eliminate prejudices against women and to repeal all national penal provisions which constitute discrimination against women;

- Provide the necessary conditions whereby women can have effective legal protection;
- Give special attention to women in case of any natural or man-made disasters;
- Create Women Affairs Departments within all ministries and governmental organizations with the responsibility of organizing and promoting women's interest;
- Conduct research to lighten the workload of women, especially rural women, to increase their technical proficiency and develop their self-confidence;
- Ensure that women are the beneficiaries of external aid which the country receives;
- Take appropriate measures that women are treated on equal basis as men in regard to retirement age, protection of the law and a fair trial in court (TGEOPM 1993).

To implement the objectives of NPWE, institutional mechanisms were designed. Accordingly, Women's Affairs Office, at the Prime Minister's Office, which was created in 1991 preceding the formulation of the NPEW, was given responsibility for the coordination, facilitation and monitoring of women's affairs activities at national level. Simultaneously, the Women's Affairs Departments (WADs) were established within government ministries, commissions and agencies/authorities, whose main function were mainstreaming of gender in the formulation and implementation of development plans in their respective institutions (WAO 2005).

Similarly, with Government's decentralization and regionalization process, and according to the organizational structure indicated in the NPEW, Women's Affairs Bureaus (WABs) and offices were established at Regional, Zonal, Wereda and Kebele levels, all linked only informally and each having a line of command with respective administrative bodies (council at regional, wereda, and kebele levels and committee at zonal levels) (TGEOM 1993). The functions of WABs are mainstreaming gender in development plans and implementation in their respective regions. Wereda and Kebele offices have the same functions in their respective areas. Focal offices for women affairs are also established at sectoral level in the regions with the objective of mainstreaming gender in their respective plans of sectoral bureaus.

In general, so far, women's affairs machineries are not part of the government decision-making structure; only few WAB representatives are members of the cabinet. Most of these cabinet memberships do not extend to the Zonal, Wereda or Kebele levels. At sectoral bureaus as well they are not part of the decision-making bodies (WAO 2005).

5. National and International Instruments Supporting NPEW

Convention for the Elimination of Discrimination Against Women (CEDAW) deals with human rights of women and commits states to incorporate the principle of equality of men and women in their legal systems, political participation, economical, social and cultural matters as well as abolish all discriminatory laws and adopt those that prohibit discrimination against women. In 1979, the UN General Assembly adopted CEDAW and it is ratified by Ethiopia (UN 1996). This was the basis for NPEW formulation.

Furthermore, the Ethiopian constitution that was adopted in 1995 guarantees gender equality in social and economic matters. It also incorporates international agreements ratified by Ethiopia. Article 13 of the constitution requires all government organs to comply with and interpret the provisions "in conformity" with international human rights conventions to which Ethiopia is a party. With regard to employment, Article 35 requires equality in all matters related to employment. With respect to property, women are accorded equality in acquisition and management of property, including land, and equal participation in policy decision making. Sub-Article 35(3) permits affirmative and remedial measures to rectify the consequences of historical discrimination against women. With regard to customary practices, the state is obliged to prohibit laws or customary practices that harm women. Since the promulgation of the 1995 constitution, a number of strides have been made in the past few years in amending discriminatory laws: for example, giving the pension benefits of women civil servants to their survivors, extending maternity leave from 45 days to 3 months, and revising the family law (Haregewoin and Emebet 2002).

The Beijing Platform for Action (BPA) showed a renewed commitment to the goal of equality, development, and peace for all women in the 1995 World Conference on Women. It identified 12 critical areas (poverty, education and training, health, violence, armed conflict, the economy, decision making, institutional mechanisms for the advancement of women, human rights, mass media, the environment and the girl child) that must be addressed to ensure equality. The 1994 International Conference for Population and Development (ICPD) and BPA advocates women's independent decision on their sexuality

free of intimidation, discrimination and violence. Women's empowerment, gender equality and the elimination of all kinds of violence against women are some of the guiding principles of ICPD (Hareg Consult 2005).

The MDGs (2000-2015) is a global consensus on poverty reduction and the improvement of human well-being and is expected to enhance the commitment of nations to fight poverty. The goals have been commonly accepted as a framework for measuring development progress by 2015. The MDGs are integrated into the country's national development plan and provides the framework for implementing PRSPs and other national policies (UNDP 2002). It also supports the implementation of women's policy and action plans by targeting reduction of poverty, promoting gender equality, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria and other diseases and ensuring environmental sustainability.

All the above international and national instruments contributed to the formulation of NPEW and the development of its action plans as well as strengthening the implementation process in as much as possible. WAO, in collaboration with regional states, women's bureaus, and WADs at federal ministry level, developed the first five-year action plan (2002-2006) to implement the policy based on the experience gained.

6. The First National Action Plan for Implementing NPEW

After eight years of the policy's formulation, the first National Action Plan on Gender Equality (NAP-GE) in Ethiopia was prepared as an instrument to implement NPEW in 2001. The action plan was initiated on the basis of the review of women's situation made at the Forth World Conference on Women that was held in Beijing in 1995. During the conference, all UN member governments were called upon to formulate a national action plan to further promote gender equality in their respective countries and to implement CEDAW. Hence, keeping the commitment made to the BPA, the government of Ethiopia through WAO formulated a national action plan for gender equality. It was enriched through support and contribution made from bi-lateral and international organizations. To facilitate the preparation of the action plan, WAO organized meetings and workshops for representatives of concerned government institutions, NGOs and donor agencies. Participants were expected to identify specific priority areas for Ethiopian women to be implemented in line with NPEW and accordingly they identified the following five critical areas:

- Poverty reduction and economic empowerment
- Education and training of women and girls
- Reproductive rights and health of women
- Human rights of women and elimination of violence against women/girls
- Institutional mechanism for advancement of women in decision making (WAO 2001)

In addition, the NAP-GE (2002-06) stated environment, HIV/AIDS and globalization were considered as crosscutting issues. However, due to limited data on the impact of globalization on urban and rural women in Ethiopia it was suggested to make further study (WAO2001).

As organizational set-up for implementing NAP-GE (2002-06), a national committee for gender equality (NCGE) was formed. The NCGE consisted of representatives of WADs from federal government ministries, WABs of regional states, international organizations, national NGOs, registered women's groups, associations and donors (WAO 2001).

WAO was designated as the body responsible to facilitate and coordinate the implementing agencies at national level based on the Women's Policy of 1993, and ensure gender mainstreaming in all development policies and strategies.

Three sources of fund/budget for the implementation of NAP-GE (2002-06) indicated in the document were:

- Allocation from federal and regional governments;
- Donations from donor communities, bilateral, multilateral and NGOs;
- Fund raising programs.

Even though it was commendable to have the first action plan after eight years, as an instrument for implementing the NPEW, the action plan (2002-06) was not strictly in line with women's policy; rather it was an instrument to implement BPA in which the critical areas were adopted. In addition, NAP-GE (2002-06) did not have targets and baseline data on the basis of which the changes can be measured. Also, the budgets for accomplishing the activities were not earmarked. This prevented the study team from seeing to what extent the action plan was able to bring the desired change. Moreover, the team could not find any activity report which indicated the implementation of the action plan. Moreover, the action plan was not translated into local languages to facilitate the implementation.

During the discussion with MoWA, the study team found out that NAP-GE (2002-06) was not known by current staff. This may be due to frequent turn

over of staff and lack of institutional memory - which the study team considered to be one of the major problems to be addressed.

7. The Implementation of the Action Plan in Addressing the Identified Critical Gaps

a) Poverty Reduction and Economic Empowerment of Women

In order to address the widespread and deep-rooted poverty that confronts its people, the Ethiopian Government drew a Poverty Reduction Program called “Sustainable Development and Poverty Reduction Program (SDPRP)” to be implemented from 2002/03-2004/05. Since the NPEW was prepared ten years earlier, the issue of poverty was not addressed. But later in the action plan (2002-2006), it was considered as one of the critical areas to promote gender equality. The objective of poverty reduction and economic empowerment of women as indicated in the action plan was to ensure that women would secure independent and sustainable livelihoods, and fairly participate in the social and economic development of the nation. Even though there were indicators that were stated in the action plan to verify the achievements, as already mentioned, it was difficult to measure the outcome as there was no evidence of systematic reporting to verify the activities conducted based on the action plan during the plan period.

The action plan (2002-2006) falls more or less within the same implementation period of the national poverty reduction program “Sustainable Development and Poverty Reduction Program (SDPRP)” that was implemented from 2002/03-2004/05. However SDPRP did not integrate the action plan and mainstream the activities into its program and a budget was not allocated for the implementation of NAP-GE. In addressing women’s poverty and economic empowerment, some women-specific and income generating activities were initiated during SDPRP. For instance, the Ethiopian Women Development Fund (EWDF) and the Women’s Development Initiatives Project (WDIP) were launched with the objective of improving the socio-economic well-being of poor women through the provision of grant, and capacity building training. In addition, the Ethiopian Rehabilitation and Development Fund (ESRDF) was implemented with the objective of promoting small scale projects and the intervention targeted 50% of the beneficiaries to be women (MoFED 2002).

Even though the above project initiatives are commendable, it targets only a limited number of women from four selected regions. Since there are no reports showing in measurable and concrete terms, how many beneficiaries exhibited sustained change. What is being done to increase the number of the

beneficiaries and what is the coverage in terms of regions? It is not easy to see the impact of the initiatives in SDPRP.

The action plan for gender equality (2002-06) envisaged to address poverty reduction and economic empowerment of women by increasing the percentage of rural women with access to agricultural land, employment opportunities, agriculture inputs, extension services, improved food crop production and animal husbandry as well as improved households consumption and nutritional status of the families.

However, a number of studies and findings showed that this has not been achieved. For 83.5% of Ethiopians, their livelihood depends on agriculture and out of this about 50% of them are women (CSA 2007). Considering this fact, after more than a decade of its existence, the implementation of the action plan did not address in real terms the needs of rural women with regard to access to agricultural land and extension services. The CSA Agricultural Sample Survey report (2005/06) indicates that out of the total landholders, only 17.9% were women with total holding of 11.4% and that the average area of land owned by female heads of households is only 0.71 hectares while for the males it is 1.12 hectares.

The Agricultural Census Survey of 2001 showed that women's access to agricultural extension services was only 9%, due to inability to pay the initial payment of up to 25% for input purchase. Credit services are linked to agricultural inputs (fertilizer, improved seeds and pesticides) that are associated with land endowment and other resources required for agricultural production, thus marginalizing poor farmers, mainly women (Hareg Consult 2005). The 2001 figure indicated that the participation of women in cooperatives is very small: only 10% with great variations among regions (Sosena, Emebet and Abebe 2004).

Food insecurity is taken as one of the defining features of rural poverty. The nutritional status of young children and women of reproductive age indicates the seriousness of poverty in the country. According to the 2005 DHS on the nutritional status of women in the reproductive age group, 27% of women in Ethiopia, with 28% in rural and 19% in urban areas, were found to be chronically malnourished, due to inadequate food as well as other factors which are related to gender inequality. It is also interesting to note that 20% of the chronically malnourished women are found in the highest wealth quintile, which shows women and girls might be faced with unequal distribution of resources. The Household Income, Consumption and Expenditure Survey (2007) also shows the proportion of FHHs in the lowest quintile has increased from 43.5% to 49.5% over the 10 year period from 1995 to 2005 (CSA 2007).

All the above facts indicate that despite a few initiatives taken by the government to address poverty of women, particularly in rural areas, the effect

has been insignificant and poverty may have even increased. Thus the study team believes that the implementation of NPEW and the action plan are inadequate to address the problem of women's poverty.

With regard to employment of women, the NPEW says "The Government shall take all appropriate measure, including legislation, to ensure that the right of women to work in the Civil Service in any capacity they prove to be competent for, their right to equal pay for equal work and to perform public functions, including decision making in both their local communities and at the national level, are respected". Above all, the Federal Constitution has also affirmed that women shall have a right to equality in employment, pay, and the transfer of pension entitlements (35(8)). Further, taking into consideration the historical inequalities, sub-article 3 of the same article has entitled women to affirmative measures. In addition to prohibiting discrimination on the basis of sex, the Federal Civil Service Proclamation (2002) has allowed preference to be given during recruitment to female candidates having equal or close scores to that of other candidates (NEWA & EWLA 2003). With all these provisions in place, the statistics on gender in the employment sector paint a grim picture showing still big differences between women and men. In the civil service, women represent 32% of permanent employees with wide regional variations. They also concentrate in routine type and low paying jobs, 10% professional and sciences and 23% in administrative positions (Hareg Consult 2005). The implementation of affirmative action package in the civil service is very limited. Even though it is stated in the constitution, the NPEW has not yet included this provision as an element of the policy. Therefore, the NPEW should include affirmative action and a clear policy guideline must be developed so that affirmative measures can produce tangible results. Steps taken by the government to translate affirmative action into practice in the area of employment are not satisfactory (NEWA & EWLA 2003).

Moreover, in unpaid family work, the number of females is higher than males (63.6% and 34.3%, respectively) which greatly contributes to their poverty. Women are mostly involved in the informal sector which represents 65% of urban employment (CSA 1999). Many are engaged in small business, requiring small capital such as street vending. Instead of getting different support as stated in the NPEW to come out of poverty, these women face constant police harassment as they often operate without license (Hareg Consult 2005).

In the industrial sector, out of the total workers in large and medium-scale manufacturing industries, only 27.9% are female (CSA 2006), which shows that the impact of the policy and the constitution are very limited.

b) Education and Training of Women and Girls

The issue of education and training of women and girls is one of the strategic objectives of NPEW. It is also incorporated into SDPRP. Furthermore, education is among the government's priority areas and different initiatives have been taken in this respect. Even though the NPEW does not have an elaborated education and training objective and provision for affirmative action, the introduction of affirmative action by the education policy for girls and women's education and literacy, scholarship for girls, the initiatives of rewarding individuals and institutions to promote girl's education, and strategic measures to eliminate systematic discrimination and provide less fortunate girls with the necessary assistance to ensure their education have made contributions (NEWA & EWLA 2003).

The NAP-GE (2002-06) had an objective to increase female participation in education and training at all levels by creating an enabling environment, and devised strategies to implement the objective.

Despite the great efforts to attain universal primary enrollment by 2015, through the introduction of the education sector programs I, II and III, covering 1997/98-2001/02, 2002/03-2004/05 and 2005/06-2009/10, respectively, in the year 2004/05 literacy rate for women was 34% while for men it was 49%. The gross enrollment ratio (GER) for primary school was 87% for boys and 71% for girls, with much variation in the regions. The GER in the secondary school (9-10) was 22% for female and 37% for male students (MoFED 2006). The gap is even more visible as one goes up higher the educational ladder. In addition, the school dropout rate caused by early marriage, abduction, rape, and unexpected pregnancy adds to the problem of gender gaps in schools. Along with the affirmative action program, a number of steps are undertaken to ensure admission, completion, and transition rates of girls to increase their number and match with that of boys. ESDP II has set targets and presents indicators for improved access, quality, efficiency and equity. A number of guidelines have also been prepared by MoE with initiation by WAD to address the challenges faced in the education of girls and the participation of communities in the decentralized education system. Some indicative figures are given to show the status of enrollment of girls/women at higher education level in government institutions. For example, for a 2-3 year diploma program, it 16.2%, for the four-year degree program 22.5%, for the masters' degree program 9.2% and for PhD program only 6.4% were female (Hareg Consult 2005). This implies that attainment of achieving gender equality in education by 2015 will be quite a challenging task unless more effective and focused strategies are developed and put into effect. According to a study made, the weakness of female affirmative action programs implemented in Ethiopia's higher learning institution is the fact

that it lacks comprehensive strategies which encompass access, success and outcomes. To increase the number of female students and reduce the attrition rate in higher learning, the university environment has to be more gender sensitive in the areas of policy, program, curriculum, instruction and improve gender relationship in the campus community (Anteneh 2000).

Even though NAP-GE (2002-2006) promotes counseling and guidance to support female students in career choice and vocational skills training on marketable fields, a closer look at the situation reveals that female students are concentrated in areas that are considered 'female's'. For example, for the academic year 2004/05 in the Ministry of Education's programs, among the students enrolled, 97.2% in secretarial science, 77.4% in dress-making and 71.3% in food preparations were females. Females are also underrepresented in building construction and auto mechanics. Data from MoE for 2004/05 shows that among students enrolled in building construction and auto mechanics, females represent only 22.8% and 6.9%, respectively.

Despite the fact that high numbers of girls/women are out of school, NPEW did not consider the role and benefit of non-formal education (NFE) as a viable program for women/girls. However, later, one of the strategies of the action plan was to promote NFE. In NFE, women's enrolment and success rate is lower than men's. Women's participation in NFE is negatively affected because of the constraints that the program faces, including budget support, systematic follow up, practical skills of teachers, teaching materials, workload of women, distance to NFE centers, and unfavorable community attitudes towards women's education (Hareg Consult 2005).

It is also noted that NAP-GE (2002-06) had a strategy that envisaged increasing the number of female teachers at various levels and in school's administrative and leadership positions. However, the number continued to decrease as one goes up the ladder of education and institutions of higher learning. This deprives female students of the opportunity of looking up to role models.

Since education is key to development and the improvement of the status of women, the fact that it is a priority agenda in the government's program is appreciable. However, as reported above, there are gap between the education policy and its implementation as far as girls and women's education status is concerned. Unless policies and implementation measures are harmonized, gender disparity cannot be effectively addressed.

c) Reproductive Rights, Health and HIV/AIDS

NPEW also includes the provision for women to have easy access to basic health care facilities, information about family planning methods including suckling and other services (TGEOPM 1993). However, nothing was said about communicable diseases and other common health concerns. Later the action plan tried to address the gap and particularly included HIV/AIDS and STDs. In addition, the objective of NAP-GE of 2002-06 envisaged to reduce mortality and morbidity rates of mothers and children and enable women to make decisions on their bodies (WAO 2001).

However, access to basic health services, particularly by poor women, is still minimal. Ethiopia's health indicators remain near the bottom of the world ranking: with one of the highest maternal mortality ratio (MMR) being 673/100,000. The female mortality rate is 6.4/1000 and is 8% higher than the male mortality rate of 5.9/1000 (DHS 2005). Limited access to family planning services and high fertility rate, low reproductive health and emergency obstetric services as well as poor nutritional status, infestations, etc., impact negatively on women's health in general and worsens the high maternal mortality rate (MoWA 2006). The magnitude of maternal mortality is highly severe on maternal health outcomes and has been described as "one of the shameful failures of development" (Freedom and others, 2003).

One of the strategies of NAP-GE (2002-06) is to provide prenatal and post-natal care in an accessible and affordable manner by constructing health infrastructures that are equipped with professional staff along with basic medical services both in urban and rural areas. However, maternal health care services such as ante-natal, delivery and post-natal do not still reach the majority of Ethiopian women, who are constrained with distance, lack of financial resources, lack of knowledge and decision-making power. The use of family planning, mismatch between demand and supply, particularly getting contraceptive of choice, heavy workload and negative cultural attitudes are also major problems. According to DHS data, professional assisted delivery rate is only 5.7% in the country, with great variation in rural and urban areas(3% and 45%, respectively). Antenatal care (ANC) coverage is 27.6%, with great variation between urban and rural areas (69% and 24%, respectively). Regional variation with ANC is quite significant, the highest being Addis Ababa with 88% and the lowest is Somalia 7.4%. Postnatal care (PNC) within 2 days of the birth is 31% in urban, compared with 2% of mothers in rural areas. Regionally the variation is also significantly great, the highest being Addis Ababa with 49% and the lowest is Somalia with 3% (DHS 2005).

Even though there is a slight improvement in infant and under-5 child-mortality rates during SDPRP, which is 77/1000 and 123/1000, respectively,

with great variation in rural and urban settings and within regions, it is still a major health challenge for the years to come.

Contraceptive prevalence rate (CPR) is 14.7% nationally (47% urban and 11% rural areas), with substantial variations by regions, which makes Addis Ababa the highest with 57%, the lowest being Somali Region at 3% (DHS 2005). Family Planning (FP) services have also a great role to play in curbing undesired fertility that contributes directly to maternal death and population pressure.

The estimated HIV/AIDS prevalence rate at the end of SDPRP period was 4.4% (MoFED 2006). HIV/AIDS and STIs disproportionately affect women who are even in married life.

The other major health challenges, malaria also became a leading public health problem in Ethiopia in the last decade, accounting for 17% outpatient visits, 15% of hospital admissions, and 29% of inpatient deaths. It is also a primary cause of health problems among female patients attending health facilities and accounts for 15 % of outpatients, 19% of admissions and 29% of inpatient deaths (MoH 2005a). In view of the changed circumstance in the past decade, some of the health issues affecting women particularly HIV/AIDS, STIs and malaria, etc., were not addressed in the NPEW. As can be seen from the health indicators above, even those health issues addressed in the action plan did not show a significant improvement.

d) Human Rights and Violence Against Women

The UN declaration on violence against women (VAW) which was adopted in 1993 defines VAW as “Any act of gender based violence that results in or is likely to result in physical, sexual or psychological harm or suffering to women, including threats of such acts, coercion or arbitrary deprivation of liberty whether occurring in public or private” (UN1993).

In the NPEW, human right issues were not dealt with clearly but they were later elaborated in the action plan as one of the critical issues identified and promoted. The objective of NAP-GE (2002-06) on human rights, particularly that of women, addressed the issue of violence against women and girls. This would enable women and girls to enjoy and exercise their respective human rights with full provision of legal protection.

In terms of gender rights, the government has made significant constitutional and legal reforms such as revision of Penal Code of 1957 to incorporate provision for VAW and promulgated a new family law.

However, women in Ethiopia are still subjected to violence unique to their sex and widely prevalent, which includes female genital mutilation (FGM), affecting 73% of women and girls nationally; early marriage, with 33% of women still married at an age below 15 years; abduction, which is often followed by forced marriage; rape; all of which pose huge health risks (Hareg Consult 2005).

A study conducted in Addis Ababa by Ethiopian Women Lawyers Association (EWLA) on VAW among female students, housewives and working women reported that most of the interviewees had faced violence at some points in their lives. But most of them failed to report it due to lack of awareness that it is a crime against their basic human rights. The majority of them also feel ashamed and/ or afraid of reporting because they think it is pointless or dangerous, as it may in fact make the abuse and violence worse since there is no systematic protection and enforcement of the law. The authorities who are responsible for executing and enforcing the laws are not well versed. In most cases they don't even have copies of the laws, policies and programs. Only a few have seen or read the Federal Constitution and the NPEW (Hareg Consult 2005).

In order to effectively implement the legal reforms, there is a need to increase girls/women's level of awareness and capacity to claim their rights while those enforcing the law should also be well versed with the provisions. Such measures include legal literacy and education, legal aid and social mobilization, etc. To this effect, the strategy of the women's policy stated that the necessary conditions whereby women can have effective protection of their rights shall be facilitated (TGEOPM 1993). However after 14 years of the policy's implementation, the study team found out that some of the intended measures as indicated were not being addressed except by a few NGOs such as EWLA, ZEMASEF and WISE. Given the magnitude of legal and social problems faced by women, especially poor women, the effort is far from adequate.

One of the strategies of the action plan in this respect also stated to undertake studies on causes and effects of violence against women/girls, and take measures based on the findings. However, up to now, there is no comprehensive nationwide study apart from limited studies, police and media reports. Those reports indicate VAW is not only prevalent but is also increasing each year. Moreover, there is no responsible body to either monitor VAW or disseminate human rights information consistently to the public.

The formulation of women's policy, preparation of action plan, adoption of gender sensitive constitution, and changing the old laws to be compatible with the basic principles of the constitution, is one thing, but not a guarantee by itself for its effective implementation and enforcement. There was no compatibility between the policy, constitution and other subordinate laws as far as the reality

on the ground goes. In this regard a lot remains to be done in order to bring about desirable changes.

e) Leadership and Decision Making of Women

With regards to women's decision making, NPEW states "Eliminate step by step, prejudices as well as customary and other practices that are based on male supremacy and enabling women to hold public office and to participate in the decision making process at all levels" (TGE 1993). The Federal Constitution's Article 3 affirms the right of women to vote and be elected as well as ensures women's equal access to full participation in power structures and decision-making. The government ratified several international conventions, enacted national laws and formulated policies that aim to address the rights of women to participate in decision-making processes.

NAP-GE also stated that women should be represented at all levels of decision-making positions in social, economic and political power structures.

In spite of all measures, women's participation in decision-making positions is still very low. In 2004/05 elections, the number of women in the House of People's Representatives was 116 (21.9%). In the executive branch of the government, among 20 cabinet members of Federal Democratic Republic of Ethiopia, only 2 (10%) are female. Out of the total 33 State Ministers, only 5 (15%) are females, among the judges at Federal and Region Courts 13%, among judges presiding over Supreme, Higher and First Instance Courts in 2002/03 women were 25.5%. There are only 4 women among the 28 ambassadors that Ethiopia appointed to different missions abroad (WAO/UNFPA 2004). Despite some improvements, there is still a long way to go for women to be empowered to the level of a decision maker at a proportional rate with men at all levels. The persistence of a predominantly male dominated culture in most organizations makes it even more difficult for those few women who have even penetrated the "glass ceiling" to ensure that their voices are effectively heard. The increased presence of women in the legislatures, the executive branches and other structures of government will make it possible for women politicians and civil servants to promote women's interest through new legislation as well as through an increasingly strong lobby to transform male-dominated institutional norms, values and cultures. The policy needs to be revised and provided with effective strategies and an action plan to increase the number of women at decision-making and leadership positions.

At the grassroots level, in a field work conducted in three weredas, namely, Delanta-Dawnt, Hirshana, Bolosso Sorre in 2005, Yigremew, Nega and

Haregewoin examined whether decentralization has empowered women. The study reports that there are only limited economic empowerment, health service delivery, access to information and participation in political leadership and community development. A decentralized structure is expected to change women's role through the enhancement of access to services, and to a greater level of decision making and empowerment at the local level. The few studies that dealt with gender and decentralization have concluded that there are also needs for more gender-sensitive policies, plans and programs. The reports of studies also emphasized that the existing decentralization structures have not benefited women from the point of view of empowering and providing them with access to decision making. The number of women leaders and decision makers at various levels of the decentralized government structure is still very low. According to the studies, some improvements in the role of women in Ethiopia are believed to be due to NGOs' activities rather than decentralization (Taye and Tegegne 2007).

f) Women and Environment

NPEW did not at all address environmental issues. The first NAP-GE (2002-06), apart from mentioning that environment is a crosscutting issue, did not address the issue in relation to women. However, the second NAP-GE (2006-2010), which was prepared in 2006 and the environmental policy of Ethiopia, have spelled out gender as one of the key principles. The environment policy states "As key actors in natural resources use and management, women shall be treated equally with men and empowered to be totally involved in policy, program and project design, decision making and implementation"(FSS 2003).

Ethiopia is currently confronted by an urgent need to halt and reverse land degradation in order to bring about sustainable environment. Reversing environmental degradation and poverty eradication are mutually reinforcing imperatives and have to be implemented together in Ethiopia's development initiatives (MoFED 2006). This means that it is urgent for Ethiopia to take the necessary action, as envisaged in Goal 7 (targets 9-11) of the MDGs, to integrate the principles of sustainable development into the country's policies and programs and reverse the loss of environmental resources. It is also envisaged to increase the proportion of population with sustainable access to an improved water source by half and address the issue of access to improved sanitation and secure tenure.

Women in rural areas in particular are more affected by environmental factors such as natural resource degradation. The main energy source in Ethiopia are biomass fuel: wood, dung cakes, crop residue, all taking a share of 90% (CSA 2001). Use of modern energy sources such as electricity, solar, kerosene, and

diesel are not widely available and are very expensive even in the urban settings. Biomass energy sources are in general very inefficient and the smoke from the burning of biomass fuel has adverse health effects. Time spent in collecting the fuel wood also adds to women's burden. Women suffer from the consequences of shortages of fuel wood, as they are responsible for food preparation and processing. Thus, environmental degradation worsens the poverty situation of women and poses more time shortage. Moreover, poor women depend to a greater extent than men on common property resources for their household subsistence needs (WB 1998). These include the use of biomass for cooking, the sale of any surplus, raw food, or fodder for livestock, medicinal plants for health ailments, and raw materials for a variety of small household tools and articles. Such products provide security to the household subsistence economy. Degradation of land, population pressure, deforestation and conversion of land to farmland are some of the factors that have reduced the effectiveness of such informal security provisions and have had an adverse impact on the economic status of poor households in general and on women in particular.

NPEW emphasized research work on ways and means of lightening the work-load of women. However, the government has managed to introduce only very few packages of energy saving appropriate technologies when compared to the magnitude of the scarcity of energy supply. The program is also largely limited to the upgrading of the traditional technology. Yet these devices are in most cases practical in urban areas than in rural areas due to constraints such as space and affordability.

Higher tariff of electricity is also forcing women, even in urban areas, to go back to fuel wood. This shows also little understanding of the complex nature of environmental issues by the government, and the importance of easy access to efficient energy sources not just for cooking but also for subsistence and environmental considerations. Taking into consideration that environmental degradation worsens women's poverty, NPEW should be revised to include environmental considerations and develop implementing guidelines on environmental management to address women's concern.

g) Institutional Mechanisms for the Advancement of Women

As stated in NPEW, WAO is responsible for coordination, facilitation and monitoring of women's affairs activities at the national level. It promotes, catalyzes, and monitors women's issues concerning programs and projects in various sectors and plays an equally important role in coordinating the operations of donors and non-governmental organizations. It also maintains

functional linkages and coordination with WAOs established in all the regions, within central ministries, and public organizations. In turn, these women's organizations are expected to foster collaboration and to develop a system for monitoring the role, participation, and integration of women at the policy and program levels (WAO and WB1998).

WAO, starting from 2001/02 (1994 E.C.) has been conducting annual meetings with all organizations working on women's affairs. The annual meetings have been used as a follow-up mechanism for achievement and challenges faced in implementing the NPEW.

A review of the functionality of the women's institutional mechanisms, and their compatibility with the government's current structural set-up and human resource requirements was made by WAO in 2001/02 (1994E.C). The review revealed that the inadequacy of the structures at different levels of government institutions have been one of the major obstacles to the implementation of the women's policy (WAO 2005).

According to the review, the following problems were also identified as constraints to the implementation of the women's policy (WAO 2005):

- Informal vertical and horizontal linkage between women's affairs offices;
- Non-biding relationship with implementing agencies, as well as unclear line of command and accountability;
- Lack of legal personality of the structures;
- Except for a few, non-membership of the offices to the cabinet and missing out from decision making exercises;
- The misguided requirement of women's affairs units to involve in women association's activities;
- Failure to extend the structures to all levels (Zones, Weredas and Kebeles) as envisaged in the NPEW.

As already discussed, to implement the policy, the first national action plan for gender equality (NAP-GE) for the years 2002-06 was put in place in 2001. Since the policy and the action plan were not initiated at the same time, the action plan had accommodated issues that were developed after the policy initiation and tried to include national and international commitments into consideration. However, the consulting team found out that adequate attention was not given to the allocation of the necessary human, financial and material resources at national and regional levels to implement the plan. The primary responsibility to finance the NAP-GE rests with the government of Ethiopia.

This responsibility involved the integration of the plan in SDPRP and the allocation of resources for its implementation. That was not done and the NAP-GE (2002-06) became like any other paper which was not popularized enough amongst policy makers, implementers and stakeholders, even WAO staff. Above all, there was no monitoring and evaluation in place to assess results against plans and the action plan was not also translated into local languages in order to facilitate the implementation.

In 2006, WAO was upgraded to Ministry of Women Affairs (MoWA), with the definition of powers and duties of the executive organs of the Federal Democratic Republic of Ethiopia Proclamation No 471/2005. MoWA is entrusted with the responsibility of planning, coordinating, and facilitating programs that would allow women to contribute to and benefit from the country's development process. It is also responsible for creating a conducive atmosphere for the implementation, monitoring and evaluation of the women's policy/programs in various government and other organizations. The ministry, headed by a minister and a state minister, has four departments for implementing its objectives:

- Women's Policy and Strategy Implementation
- Gender Monitoring and Evaluation
- Mothers and Child Affairs Department
- Capacity Building and Participation enhancement.

MoWA formulated the second NAP-GE in 2006 as an instrument to translate the women's policy for the years 2006-2010. Moreover, since the conditions of women have not improved as envisaged in the NPEW and the first action plan, the ministry prepared "Women's Development and Change Package" for advocacy and social mobilization purposes in 2006.

8. The Second National Action Plan for Implementing NPEW

The National Action Plan for Gender Equality is a 5-year national action plan which is envisaged to achieve a gender equitable development. The second action plan, like the first one, is not in line with NPEW. In order to prepare NAP-GE (2006-2010), a gender situation analysis was conducted to identify gender gaps and priorities. Based on the identified priorities, the second Action Plan for Gender Equality (2006-2010) was formulated. It is a framework which clearly indicates the problems that women are facing currently, and the planned actions to be undertaken to address these problems. Unlike the first NAP-GE, the

second action plan for gender equality is intended to mainstream gender into policies and programs, particularly PASDEP, for a more gender equitable poverty reduction outcome. Since both PASDEP and NAP-GE are consistent with the international development goals, they are used as frameworks that bring the government, the donor community and other development partners to work around a common objective for negotiation and shared commitment.

The government reaffirms its commitment to gender equality by stating one of its strategic pillars in PASDEP to be “unleashing the potential of Ethiopian Women”. It further emphasized that “the objectives of PASDEP can only be achieved when the multidimensional problems faced by women are adequately addressed and resolved” (MoFED 2006). To translate the commitment into practice, the government promised to scale up its efforts to implement the gender policy in a more effective manner.

The plan is not only to meet requirements of BPA, but also to form the basis for PASDEP implementation process, which is currently ongoing. The NAP-GE also works towards the attainment of the MDGs and the objectives of gender equality expressed in the Ethiopian constitution of 1995 (MoWA 2006).

A review of the NPEW in the gender situation analysis has led to the recommendation of a revision of the women policy in view of the significant changes and existing realities since its formulation in 1993. Nationally, the current constitution and subsequently promulgated legal reforms and gender sensitive policies have created an enabling environment for the promotion of gender equality. Internationally, instruments such as the BPA and MDGs created global awareness for the strategic interventions that promote gender equality. Moreover, at the time of the policy formulation 14 years ago, data on gender relations were scarce. Since then more gender focused researches have been undertaken that can be used for the revision of NPEW, with broad gender objectives encompassing national and international commitments (MoWA 2006).

Based on the situation analysis to develop the action plan, seven priority areas were identified that need to be tackled in order to ensure gender-equitable development. Accordingly, NAP-GE (2006-2010) focused its attention on these priority areas and the only difference from the first action plan was the inclusion of women and environment.

Unlike the first action plan, the government tried to integrate the second plan of action in PASDEP and made all ministries responsible to implement women's five year action plans including allocation of budget (MoFED 2006). The objectives were linked to the four pillars (Enhanced Rapid Economic Growth, Improved Human Development, Democratization and Governance, and Improved Public Institutional Performance), which were designed to facilitate integration of the NAP-GE into the PASDEP document (WAO 2006). To

popularize the action plan and to facilitate the participation of various stakeholders in the implementation of NAP-GE, Network of Ethiopian Women's Association (NEWA) has translated the action plan into three local languages: Amharic, Tigrigna and Oromiffa.

The content of NAP-GE (2006-10) was improved in some ways from the previous action plan, such as the provision of refined indicators for effective implementation, inclusion of environmental issues, integrating the plan into PASDEP, etc. However, it does not still have targets and an estimated budget for all the activities listed in the plan. A gender sensitive M&E tool with indicators, baseline values, method of data collection, schedule, and frequency of data collection should have been elaborated and put in place for monitoring and evaluation process.

9. Challenges in Implementing NPEW

In the absence of a reliable monitoring and evaluation system which can assist to assess the impact of NPEW and the action plans, the study team reviewed the annual meeting minutes of WAO for the years 2001/02 and 2005. According to the minutes of the 2005 meeting, there were representatives from 10 regional WABs, 18 sectoral WDAs, 9 regional women's associations and 7 women professional associations and NGOs. The reports from the different organizations were not structured in uniform manner and none of them reported in line with the action plan. The major challenges indicated in the report of 2005 (Nehase 1997) are summarized as follows (WAO 2005 Amharic text) while their frequency is indicated in the annex:

- Lack of sufficient and qualified staff;
- Inadequate budget allocation and shortage of working equipment (computer, vehicle, etc.);
- High frequency of structural changes;
- Insufficient support to the women's affairs desk by zonal officials;
- High turnover of staff;
- Lack of structure at Wereda level and in some cases closure of the existing posts
- Poor reporting system;
- Absence of Women Affairs representation in the cabinets;
- Lack of gender mainstreaming in different offices;
- Attitudinal problems on the part of male colleagues and officials;
- Incompatibility of the power and responsibilities of the office

- Lack of enforcement to implement affirmative action;
- Insufficient support to women affairs;
- Lack of awareness among female employees in regard to their rights;
- Overload of limited staff due to participation in different committees (WAO 1997 E.C);

In 2001/02 during the first meeting of WAO in Awassa, the challenges mentioned were more or less similar with that of the challenges reported at the 2005 meeting, which shows that the problems are rolling every year and become more of constraints in implementing NPEW.

Conclusions

The NPEW formulated in 1993, with the objective of improving conditions for women, took into consideration by and large In Development (WID) approach. But both the action plans considered combination of WID and GAD approaches. Both approaches, even though they are different, aim at getting rid of inequalities between men and women and by so doing close the gender gap and thereby achieve sustainable development.

In this policy review, the NPEW, the action plans and other relevant documents have been assessed in relation to their implementation and ultimate outcomes related to poverty reduction, education and training, reproductive rights, health and HIV/AIDS, human rights, VAW, empowerment and environment. Regrettably, they are found to be good on paper, but little in terms of application.

Initially, the problem with NPEW has been lack of implementation instrument (action plan) in line with its objectives. Eight years later, when the action plan was developed, NPEW was not revised to accommodate the changed situation nationally and internationally and consequently became outdated. Therefore, the first action plan was not fully in line with NPEW; it was prepared to address BPA where all UN member governments were called upon to formulate a national action plan to promote gender equality in their respective countries and to implement CEDAW. However, as already discussed in the report, since the action plan was not mainstreamed in SDPRP, and a budget was not allocated, its implementation was not significant.

The second National Action Plan for Gender Equality was formulated to mainstream gender into policies and programs, particularly PASDEP. Since both PASDEP and NAP-GE are consistent with the international development goals such as MDGs, they are used as frameworks to bring the government, the donor community and other development partners for negotiation and shared commitment.

As much as the second NAP-GE (2006-10) is an improvement in some ways over the previous action plan, it still needs targets and a budget for the activities listed in the plan, which would help monitoring of the outcomes as well as the total and proportional expenditure on gender. It has been over a year since the plan has been in place; however, there is no implementation report in line with the plan during this period.

In the absence of monitoring mechanisms for NPEW and action plans, the team tried to review the 2001/02 and 2005 annual minutes of WAO in order to identify the challenges faced in implementing the policy. Accordingly, the major challenges reported by the participants were: shortage of sufficient and qualified staff, budget limitations (government budget covering only running costs, the rest coming from NGOs and other external sources), lack of structures, frequent structural changes, lack of enforcement of affirmative action, incompatibility of power and responsibility of the office, WAOs non-membership in decision-making structures, the non-formal and unbinding link-up of WAO with other units, lack of gender disaggregated data, lack of awareness and knowledge about international commitments Ethiopia made. At Wereda level, problems emanate with the name of the department “Women Affairs”, which disassociate male employees. Moreover, most of the challenges reported in 2001/02 and 2005 were similar which shows government’s inability to respond to the challenges in a timely manner.

However, the successful implementation of NPEW and the action plans would depend on several factors. The first and most important is government’s commitment. Others include allocation of the necessary staff and budget, the wide dissemination of the action plans to all regional government heads and stakeholders. The wide dissemination of NAP-GE to other stakeholders will also help key players to know the national plan and mainstream gender within their respective institutions.

Since there is no systematic reporting and monitoring in place, based on limited official statistics and indicators on poverty, human development, environment, human rights and VAW, leadership and decision making, there is no clear evidence as to what has been achieved owing to the introduction of the women’s policy and the action plans.

Recommendations

1. There is a need to undertake a periodic assessment and review of policies to get an overall picture of the impact on the target groups and

subsequently examine progress made as a result of the policy's implementation.

2. NPEW should be revised taking into consideration both WID and GAD approaches, the identified gaps in the action plans, the provisions in the constitution and adopted international instruments with regards to the status of women.
3. In order to promote gender issues and put in the development agenda, there is a need for **Gender Policy** (as recommended by different studies and forums), rather than "women policy", given the fact that gender is about the relationship that is socially constructed and thus accepted by society.
4. The human and institutional capacities of WOAs should be strengthened to follow up the implementation of the policy and have a regular monitoring and evaluation system. Moreover, a well equipped resource center with proper documentation should be in place, in order to maintain good institutional memory.
5. The study team realized that a lot of work needs to be carried out in creating public awareness, especially among women, about women's policy, the constitution and other relevant subsidiary laws to bring about enforcement of such rights. Strong enforcement of policies and laws should be in place to protect women against violence. The role of media with appropriate messages should be enhanced in this respect.
6. The revised Policy and NAP-GE (2006-2010) need to be widely disseminated to all regional government heads and all other stakeholders, in order to secure commitments and initiate Regional Action Plans that are in accordance with the NAP-GE. The wide dissemination of the policy and NAP-GE to stakeholders will also help key players to know the policy and action plan and mainstream gender within their respective institutions.
7. For successful implementation of existing policies and laws, challenging social and cultural issues need to be addressed widely in the country. For example, women's access, utilization and control of productive resources is restricted not only due to lack of existing policies but because of social and cultural barriers and lack of enforcement of the policies and laws. Therefore, the government should be accountable to its commitments by taking concrete actions.
8. To make informed decisions and monitor and evaluate the impact of development interventions on men and women, sex-disaggregated data,

baseline surveys, targets for the action plan and gender budgeting to implement the plan should be in place.

9. It is important to empower WABs and WADs to fulfill their mandate as articulated in the women's policy. WABs should act as coordinators and watchdogs and ensue through a network of horizontal and vertical linkages that all development plans and processes are gender sensitive. They should be given a seat where important decisions related to development planning are made, including macro-level decisions on the allocation of resources among sectors. MoWA and WAB should require sector ministries and bureaus to mainstream gender in their action plans and should hold them accountable for their failure to prepare gender sensitive sectoral plans.
10. In order to implement NPEW and the action plans successfully, the first and most important factor is the government's commitment. Therefore, the government should address all the challenges faced in implementing the NPEW and the action plan.

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Annex

Frequency and types of problems cited at the August 2005 meeting of representatives of women's affairs offices at the Prime Minister's Office, Sector Agencies, NGOs, and women's associations

No.	Types of problems cited, by Region, Sector Agency and NGO/Association	Frequency
<i>Region</i>		
1.	Shortage of skilled manpower	4
2.	Lack of competence or work overload of managers	1
3.	Insufficiency of budget and transport facilities	2
4.	Non-mainstreaming of gender in sectoral program activities	1
5.	Mismatch between the powers and duties of the bureaus	1
6.	Donors' failure to release budget support on time	1
7.	Impact of restructuring processes on timely accomplishment of tasks	1
8.	Failure of invited participants to attend meetings on women's issues	1
9.	Shortage of human resources at Regional and sub-city levels	1
10.	Inadequacy of counseling services provided in sub-cities	1
11.	Delayed payment of salaries to those working on HIV/AIDS and gender	1
12.	Non-establishment of women's affairs desks (in 19 towns)	1
13.	Little attention given to civil service reform in zones and woredas (districts)	1
14.	Little attention given by executives of zonal and woreda administrations to women's activities of affairs desks	1
15.	Failure of some woredas and zones to submit reports on time	1
16.	Non-representation of women's affairs officer at the cabinet	2
17.	Failure of some woredas to report on time their budget utilisation	1
18.	Removal of women's affairs positions at the woreda level	1

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19.	Inability of women's affairs office to find skilled personnel	1
20.	Inadequate support given to woredas	1
21.	Less than diploma level qualification of Woreda desk officers and their ineligibility for zonal coordinator's position	1
Sector Agencies		
1.	Lack of clarity of the working relationship with the World Bank	1
2.	Documents for review by the Women's Department not submitted on time and could not be used for assessing progress	1
3.	Lack of procedure for monitoring implementation of planned trainings at Regional level	1
4.	Limited promotion opportunity for sector ministry staff assigned to provide support	1
5.	Inadequacy of efforts initiated at regional level to address in a coordinated manner problems of women's education	1
6.	Lack of enforcement mechanism in the national women's policy to address discriminations in employment, promotion and training	1
7.	Shortage of skilled humanpower	7
8.	Lack of personnel solely responsible for handling women's affairs in regional bureaus	1
9.	Priority given to BPR studies is negatively impacting on regular work	1
10.	Non-availability of up-to-date data from the Region's concerning women	1
11.	Lack of information due to non-availability of gender representatives	1
12.	Inadequacy of budget	5
13.	Insufficient computers	1
14.	Plans not well supported by budget or initiatives	1
15.	Lack of gender sensitiveness of staff	2
16.	Lack of experts and documentation to conduct surveys	1
17.	Poor initiatives on the part of women to protect their rights	1
18.	No Group-level Unit in the organizational structure of the Department	1

Sosena Demessie & Tsahai Yitbark.
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19.	Little attention given to women's affairs by some executives	1
20.	Non-mainstreaming of gender in organizational structures	2
21.	Lack of opportunity for visiting other countries to share their experiences on gender matters	2
22.	Inability to operate on regular budgets	2
23.	Tendency to alienate men due to the Unit's nomenclature, "Women's Affairs"	1
24.	Failure to attend trainings regularly	2
25.	Attitudinal problems	1
NGOs/Associations		
1.	Inability of women's groups to include most women in their business activities	1
2.	Problems of bookkeeping	1
3.	Lack of adequate training	1
4.	Frequent resignation of support personnel and GMT trainees	1
5.	Lack of sufficient support from coordinators and donors	1
6.	Inability to secure title deeds for land granted to NGOs	1
7.	Lack of a standard administrative and financial procedure for operations of income generating units	1
8.	Failure to submit reports on time	2
9.	Failure to open bank accounts with co-signatories and lack of stamps	1
10.	Pressures of cultural values and traditional practices	1
11.	Shortage of human resources	4
12.	Procedural problems to replace the leadership	1
13.	Shortage of vehicles	2
14.	Limited training opportunity abroad	1
15.	Inadequate office space	1
16.	Inadequate budget	3

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17.	Failure of members to pay their monthly contributions	1
18.	Lack of smooth working relationship between women's affairs offices and associations	1
19.	Senior government officials' failure to give serious attention to women's affairs	1
20.	Limited public awareness of gender	

Informants

N.O	Name	Date Contacted	Office	Position	Department
1	Ms. Atsede Guta	6/13/99	MoWA	Dept. Head	Mothers & Children Dept.
2	Ms. Addis Work Dosejaw	6/13/99	MoWA	Team Leader	Policy & Strategy Implementation Dept.
3	Ms. Hana Abate	6/13/99	MoWA	Team Leader	
4	Ms. Tsige Haile	15/1/00	WISE	Executive Director	NGO
5	Ms. Roman Tesfaye	16/1/00	MoWA	Dept. Head	Women's Policy Implementation Dept.
6	Mr Ashenafi Asheber	6/1/00	WAD	Dept. Head	MoWR
7	Ms. Tiruwork Tezazu	7/1/00	WAD/MoFED	Dept. Head	Women's Affairs Dept.
8	Ms. Muluemebet Melaku	8/1/00	WAD	Dept. Head	MoA
9	Mr Berhanu Kassa	8/1/00	World Bank	Librarian	Library
10	Ms. Zewde Abegaz	9/1/00	UNICEF		
11	Ms. Meaza Ashenafi	9/1/00	ECA		
12	Ms. Frehiwot Beyene	10/1/00	MoWA	Secretary	Vice Minister's Office
13	Mr Gashu Belay	13/1/00	MoARD	Dept. Head	Extension
14	Ms. Tsigereda Abera		WAD	Dept. Head	Health
15	Ms. Asmare Berihun		WAD	Dept. Head	Education
16	Ms. Melate G/Tsadik	17/1/00	YWCA	Executive Dir.	NGO
17	Ms. Netsanet Mengistu	18/1/00	ZemaSef	Executive Dir.	NGO

Ethiopia: Agriculture Policy Review

Dessalegn Rahmato

Introduction

This review will be concerned primarily with the farming sector and the livelihood of crop cultivators, with only a passing reference to pastoralists and pastoral production. Public policy on the pastoral economy is still evolving, with new measures and institutional programs planned for sometime in the future. Moreover, rural development policy is heavily biased towards crop cultivation, and even when the subject of livestock management is dealt with it is frequently about livestock among settled farmers and not among pastoralists. I shall discuss government policies and strategies on rural development, agricultural–development-led industrialization, and land tenure and certification. Before we begin the review, however, a short discussion of two major issues that have an important bearing on rural development and agricultural production is in order.

The first is the agro-ecological diversity of the country. Government extension programs frequently identify three main ecological categories based on moisture availability. These are areas with adequate rainfall, those which are said to be moisture stressed, and pastoralist areas. The customary classification employed by peasants is based both on moisture availability and altitude, the main categories here being *degga* (areas of high altitude), *woyna-degga* (mid-altitude), and *qolla* (lowlands). Several efforts at classification have been undertaken in the past but the one frequently used by students of the subject is that prepared by the Ministry of Agriculture in the 1980s. This is based on the use of modern scientific techniques, and identifies fifteen agro-ecological regions, which are then subdivided into 140 agro-ecological zones (MoA/FAO 1984). An ecological zone is a micro-region which is sufficiently uniform in climate, physiographic and soil patterns. What is important to note here is the immense diversity of the country, the complex impact this has on farming systems, land management techniques and labor practices.

The second issue is concerned with population and demographic change. The 1984 census, the first census in the country's history, revealed that the country's population, 42 million, was much larger than had been previously estimated, and that it was growing at 2.9 percent per year, which would mean that the population would double in about 27 years. The population had a pyramidal shape: over 46 percent of the population was found to be below 15 years of age and only 4 percent above 65. This is indicative of a population with

a high dependency ratio, high reproductive potential and hence high growth rate. Moreover, the overwhelming proportion of the population was rural, over 88 percent, which makes Ethiopia the least urbanized country in Africa. More than 77 percent of the population was found to live in the *degga* and *woyna-degga* ecologies, that is areas above 1800m, but these areas make up a little over 35 percent of the total land surface of the country. The second census undertaken in 1994¹ reveals a demographic profile and structure with a similar spatial distribution and age structure. While the population has grown to over 53 million the structure and distribution remain about the same. Young persons below 15 years make up 48 percent of the population, those 15-64, 49 percent and over 65s, 4 percent. As in the past, the population is concentrated in the *degga* and *woyna-degga* areas. Current estimates show a population growing by about 2.9 percent per year, or an increase of 2 million persons annually. The population of the country will have doubled (according to CSA's medium variant projections) by 2020, i.e., in about 25 years, by which time the rural population will have grown from 46 to 85 million. A quarter of a century hence, the country would still remain one of the least urbanized in Africa, with an urban population estimated to be only 20 percent of the total. We will soon have more accurate figures as the results of the third population census undertaken in 2007 are released.

The point to bear in mind is that the rural areas will continue to carry an immense and growing demographic burden, but on the other hand there will be *no increase* in the natural resource base in the years to come. On the contrary, unless the massive environmental degradation that is taking place now is soon reversed, the land resources of the country will have shrunk by anywhere between 10 to 15 percent, according to some estimates, in the next few decades, depriving several million people of their means of livelihood (MOA/FAO 1984).

Policies and Strategies

Rural Development: Betting on the Smallholder

There is some controversy regarding the meaning of “policy” and “strategy” and the link between them, but it would serve no useful purpose to enter into the arguments on definition here. Suffice to say that we shall take “policy” to mean the broad framework defining fundamental assumptions, principles, objectives and priorities and “strategy” to mean long-term measures planned and taken to achieve the objectives of the policy.

¹ For the censuses see CSA 1999. Also World Bank 2007b

The broad framework of the government's policy on rural development were spelt out in the mid-1990s and further refined in a major document issued in 2001 (FDRE 2001). The policy has served as a framework for development planning and program management for well over a decade. The central plank of the policy was that the country's overall development was to be agriculture and rural centered while the basis for the rural sector was to be agricultural-led development. From the time of the transitional period following the assumption of power of the present government, policy makers have insisted that "agriculture should be the starting point for initiating the structural transformation of the economy..., and peasant farmers and pastoralists constitute the cornerstone" of economic growth (MOPED 1993, 5). The justification was that the country's chief and abundant resources are land and labor and that the great majority of the people live in the rural areas and are agriculturalists, hence the country does not have any alternative but to employ these resources soundly and efficiently in order to bring about rapid growth and sustainable development. Within agriculture, the predominant focus is on smallholder farms with greater weight given to crop production than other aspects of the peasant economy. The policy gave only limited attention to the other sectors of the economy, particularly industry and services, and only scant reference to urbanization. The chief object of the policy was to bring about rapid growth in agricultural production so as to enable the country to be self-sufficient in food, and to increase the marketed surplus, particularly for products needed by the industrial sector.

The strategy was to provide peasant farmers with new technologies and improved farming practices to enable them to increase productivity and boost output. Improvements in human resources and labor practices, sound land management, provision of area specific technical packages, and encouraging the production of market oriented farm goods were key elements of the strategy. In rain deficit areas, the strategy called for a planned program of resettlement. The dissemination of new technologies was envisaged primarily in the form of what may be called "soft" technologies, i.e., agro-chemicals, improved seeds, good management and utilization of water resources, and more efficient farming practices. "Hard", labor saving technologies were not given any consideration. The document strongly argues that rural development policy and strategy was compatible with the existing land tenure system as defined by the constitution and the Federal and Killil (Regional state) land laws, and there were no plans envisaged to reform the system.

According to the first poverty reduction program document prepared by the government in 2002, the SDPRP, the agricultural development program consisted of increased extension services, particularly better designed extension packages; more investment in agricultural training which included training

extension agents in Technical, Vocational Education and Training (TVET) initiative as well as training of farmers in newly established Farmers' Training Centers (FTCs); increased effort at water harvesting and irrigation; improved marketing opportunities for farmers; restructuring peasant cooperatives and support to micro-finance institutions (MOFED 2005). These efforts, government documents claim, have resulted in considerable progress in the rural economy with agricultural production increasing steadily in the last four years. At the end of the period of the SDPRP, 2004/05, agriculture is said to have grown by 13.4 percent, and the number of farmers who have benefited from the extension packages had reached 6.9 million (PASDEP 2006).

The main vehicle for improving peasant agriculture has been the extension program. The program has changed a good deal since it was first initiated under the new policy framework in the mid-1990s. The key services provided are technical packages, improved farming practices and natural resource management skills, credit for the purchase of inputs, and demonstration and counseling². Unlike the past, demonstrations of new farm methods and inputs are not undertaken in specially designated government plots, which was the case during the time of the Derg, but on peasant farms. The technology packages for cereals, for example, which are frequently menu-based, include fertilizer and improved seeds. Initially, the program was conducted on a campaign basis and the packages were similar for all farming systems and agro-ecologies, but gradually attempts have been made to vary the services and technologies according to broad regional conditions, though independent evaluation indicates that the change has been quite inadequate. There are similar packages for livestock production, for coffee and spices, and other sub-sectors.

Cooperatives have played an important role in the delivery of inputs: in many areas they are the ones that purchase, store and distribute fertilizer and improved seeds. Peasants are allowed to purchase the inputs on credit, and poorer peasants are given some consideration in terms of the method of payment. Nevertheless, there has been considerable dissatisfaction among peasants with regard to the timing of the payment of the credit which is set at harvest time when grain prices normally go down. This benefits the urban-based grain trader who is able to buy cheap, and penalizes the farmer who is forced to sell cheap. Finally, improved natural resource management and investment in resource conservation, in the form of efficient management of water resources, irrigation, and watershed management schemes, are also part of the extension program

The extension program relies on a network of local-based extension agents placed throughout the rural areas. These are responsible for demonstrations,

² For independent evaluation of the extension program, see Tenkir et al 2004, EEA/EEPRI 2006

advice to the farmer, and on-the-spot training. The number of agricultural extension workers has increased dramatically and now stands over 25,000, allowing considerable expansion of coverage in the last six years. The TVET initiative is the main vehicle for training these agents. The government is planning a further expansion of the training program to place more agents in the rural areas. In recent years, extension training has been complemented by a training program for farmers, with FTCs established at the kebele level in many rural areas. Such training is meant to enhance the technical capability of farmers, to introduce new technology, and to help peasants run more efficient and productive farm enterprises. There are at present some 5500 FTCs established.

Since 2001, there have been subtle changes in the original policy and considerable readjustment of the strategy. The second poverty reduction program document, PASDEP (whose coverage extends from 2005/06 to 2009/10), while careful not to be seen as trying to change existing policy has, nevertheless, attempted to redress the balance between the earlier neglected sectors (particularly urbanization and industry) on the one hand and the agricultural sector on the other. It has made efforts to define the modalities of the linkages between one and the other. The document states:

While the focus of much pro-poor development must inevitably remain rural-based, urban development will play a more central role in the next phase of Ethiopia's development, and in the PASDEP, than it has done in the past. There are a number of reasons for this which include:

- The concentration of people, infrastructure, and services that take place in urban areas ... are an essential ingredient for modern sector development and economic activity;
- Urban areas provided the essential market and demand for rural production, and the essential source of skills, services, innovation and investment that need to spread out to rural areas;
- An inevitable shift in demographic patterns is taking place, as people move from saturated rural areas; and
- Urban poverty is a growing concern.

The document goes on to note that the government is planning major investments in the urban areas to improve roads, markets, power, water supply and housing. Job creation schemes and support for small and micro enterprises are part of the new emphasis on urban development (MOFED 2006, 161-162). In view of this changed perspective, there may be those who may argue that ADLI and the rural-centered development policy has been quietly abandoned.

In terms of programs, there is also a new direction and new emphasis. The fundamentals of agricultural development strategy now emphasize not just

improving human resources through training, education and delivery of packages but other factors as well. These include a more differentiated approach to input delivery. There is a strong emphasis on taking agro-ecological diversity into account in providing technical packages (MOARD 2005). Moreover, the strategy also envisages greater diversification and specialization in production on the one hand, and of more concerted efforts on commercialization on the other. The latter is to be realized through the establishment of an effective agricultural marketing system, which will consist of the setting up of a commodity exchange center, enhancing capacity of marketing institutions, establishment of an agricultural information system, strengthening quality control and standardization and other measures (MOFED 2006, 69).

The extension system is planned to be revamped, with greater access of farming households to extension services and agents (see MOARD 2005). According to recent plans, there will be more agricultural agents and the package approach will be improved by designing it to provide services both at the group as well as household levels. The household approach will be based on the resources of each household, i.e. access to land, labor, household assets and the ability to produce. Participating households will then be given a menu-based choice of technologies from which they will be able to select what is appropriate for their own needs. Extension agents will provide training and the necessary information to enable farmers to make informed choices. The group approach, on the other hand, will service what are called "development teams" (the old *mengistawi bouden*), i.e., 20-30 households organized for the purpose which will be provided either a menu-based technical package or minimum package. The training of agents through the TVET and farmers through FTCs will be expanded, with the latter established at each kebele in the country. But despite the claim that the provision of the technical packages will be sensitive to ecological diversity, the program still relies on the old approach, distinguishing farm areas only on the basis of rainfall or moisture availability. The new approach will also include variations in technology supply: there will be alternative technology menus giving users the choice between so-called low and high technologies. The earlier extension program was criticized for being more gender biased and less female-inclusive, the new one is planned to overcome that by giving more attention to rural women and their needs. The new approach will also make efforts to provide reliable information to farmers to help improve peasant knowledge, marketing and pricing institutions. Finally, an important aim is to bring closer together agricultural research, extension and peasant farming and strengthen their linkages.

A new venture is the establishment of so-called development villages, which will be the new focal point of the extension program. The government is planning to embark on what by any measure will be a massive program of

villagization in the coming years, the legal framework for which was broadly set by the Federal land law of 2005. Indeed, according to the plan drafted by the Ministry of Agriculture and Rural Development in early 2006, ten model villages are envisaged to be constructed in a number of kebelles in each of the four main Killils by 2007, and, based on this experience, Killil authorities are to prepare detailed programs for constructing development villages in their areas (MOARD 2006). In fact, villagization is already underway in resettlement sites. While the program is supposed to be based on the consent of rural households, past experience shows that once the program is underway peasants will be pressured, in one way or another, to participate or face serious consequences. Initially, villagization will be undertaken (or completed) in resettlement sites and among people displaced by large-scale development projects, but later it will be expanded to involve annual crop cultivators and those in the enset-based farming systems. The plan does not envisage villagization to be accompanied with land redistribution but it is expected that some plot reallocation will be necessary since there will be peasant displacements and land alienation in the course of the program.

The justification given for villagization is that it will facilitate rapid improvements in living standards and accelerate community development, enable better access to basic services, including agricultural extension services, create more interactive rural communities, and provide opportunities for more efficient use of land and other resources. This was more or less the same justification used by the Derg to undertake large-scale villagization in the 1980s which in the end led to massive loss of resources and failed to create the development benefits that the program was supposed to bring about.

The new agricultural strategy also envisages rural cooperatives to play an important part. Cooperatives were re-established in the latter part of the 1990s, and at present the cooperative effort is in full progress with a variety of measures for growth and consolidation. According to official sources, nearly 20,000 primary cooperatives have been established throughout the country (Federal Cooperative Agency 2006). The main functions of the cooperatives at present is distribution of inputs, marketing services for farm produce (especially coffee marketing), and providing credit to members. The number of cooperative unions (which consist of bringing together five to six primary cooperatives) has grown in the last half decade. Despite the progress made in terms of organization, however, cooperatives are still burdened by shortage of funds, lack of management expertise and effective leadership. As a result, the organizations are dependent on state tutelage, and have yet to establish an independent identity and an assertive voice.

One of the government's major objectives for agricultural growth is to address the problem of persistent food insecurity in the country. The long term

goal is to make the country self-sufficient in food through increased food production and higher farm productivity, and to end the country's dependence on external food aid. The government now admits that rural food insecurity is a structural problem, and that in times when conditions are poor, up to 15 million people will face severe food shortages. Following the NCFSE initiative in 2003, PASDEP speaks of populations which are *chronically* food insecure (meaning people not capable of feeding themselves under any circumstances) and those which suffer *transitory* food insecurity (i.e., farmers who fail to meet their food needs due to vulnerability to short term shocks). The chronically food insecure are said to number 8.29 million while the transitory ones 6.7 million (PASDEP, 94). The specific modalities to achieve food security have changed over time, but according to current thinking expressed in the food security program drafted in 2003 by the NCFSE, they include enabling the chronically food insecure to attain food security within five years and to improve the resilience of the transitory ones so that they can withstand short term disasters on their own. According to PASDEP, the key interventions designed to bring about food security at the household level in the coming five years consist of: a) building up household assets through improvements in farm-based activities; b) voluntary resettlement; c) a safety net program; and e) income from non-farm activities.

The first intervention is essentially the extension program which we have discussed earlier. Through access to improved technical packages and natural resource use, households are expected to achieve better access to food grain, to build up their livestock possessions and gain increased income. The fourth intervention is part of the diversification of income streams through off- and non-farm employment that is part of the agricultural strategy discussed above.

On the other hand, the government's resettlement scheme has raised controversy and the effectiveness of the program continues to be a moot question. The resettlement program is viewed by the government as a lasting solution to chronic hunger and food insecurity and has been under way since the beginning of 2003. According to the NCFSE document prepared in 2003, the program plans to settle 440,000 households or about 2.2 million people at an estimated cost of 217 million US dollars or 1.9 billion *Birr* (NCFSE 2003: Vol. III). At present more than half of these households have already been relocated, and the remaining are expected to be settled at the end of the PASDEP period.

In 2001 the new rural development policy document, noted above called for planned resettlement programs within each Killil involving peasant populations living in highly vulnerable or drought prone areas (FDRE 2001, 116-123). Such a program, the document insists, must be based on voluntary participation and the full consent of the beneficiaries concerned. It criticizes the Derg's resettlement program of the 1980s, arguing that the main reason for its failure was because it was based on coercion and not on consent. Planned

resettlement is expected to relocate a sizeable portion of the population from vulnerable areas to areas within the same Killil where there is sufficient rainfall and arable land. The NCFSE document carried the argument a step further and issued a program for large-scale "voluntary resettlement". The main "pillars" of the program consist of the following: a) resettlement will be based on voluntary participation; b) it will involve moving people from their current homes to areas within the same Killil where there is sufficient "underutilized" land suitable for peasant agriculture; c) settlers are expected to be self-sufficient in food after the first harvest; d) settlers can return to their original homeland if they are unhappy about the conditions in the settlement sites; e) settlers will lose their rights to their land in their original homes if they do not return before three years; f) the settlement package offered by the government includes: 2 ha of "standard quality" land for each household (more if the quality is below standard), food rations for the first year, small farm tools, credit for the purchase of oxen, and basic services such as clean water, health and education.

The main issues that have been the subject of controversy are: is large-scale resettlement a viable option and will it lead to food security? Is there sufficient unused arable land with adequate moisture availability to support such a massive relocation of peasants? Do we have adequate resettlement expertise and infrastructure to manage such a program? Could the resources earmarked for the program be better utilized to address food insecurity without resettlement? (Pankhurst and Piguet 2004) The debate on the subject was initiated right from the launch of the program and still continues. There is no independent assessment of the results of the program although government sources are emphatic that the program has been a success.

The productive safety net program, which began to be implemented in 2005, is aimed at providing food and other asset transfers to the chronically food insecure through a scheme involving employment in public works in the community. The identification of the chronically food deficit families is the responsibility of the kebele authorities. The program has three elements: a) food insecure families who are able to work are given employment opportunities to earn income (in kind or in cash) to enable them to achieve a minimum level of food security in the year; b) food deficit households which are unable to work due to old age, infirmity and other reasons are given free food aid as long as they are in the program, and finally c) there is what is called a household package for selected households aimed at building up their asset base and helping them to be protected from asset depletion. The program is expected to cover all the chronically food insecure in the country for the next five years with an estimated cost, according to PASDEP, of 2.5 billion Birr per annum. It involves considerable transfers of food and other resources to rural communities.

ADLI: Walking on One Leg

This section will have to be brief because much of the ground has already been covered in the preceding section.

The central element of the ADLI approach to overall development is agriculture which is seen as the engine of national economic growth. ADLI, in a word, is anchored in the rural centred and agricultural led policy and strategy that we have discussed above. The main arguments are: improving the performance of smallholder agriculture will lead not just to increased income for rural households and thus to poverty reduction, but also to increases in the marketed surplus. As the peasant economy grows, it will be able to provide more farm products to the urban economy, in particular to industry. This in turn will stimulate greater industrial production and more consumer products for both the rural and urban consumer. There is thus a dynamic link as well as the possibility of a balanced growth, with the rural sector providing the propulsive force.

This is essentially the agriculture growth approach to modernization that was the dominant model of development adopted by the major donors in the 1960s. But there are two main differences between this model and the ADLI approach. The earlier model saw large-scale modern agriculture as the main stimulant to growth; the smallholder was taken to be backward and too poor to move out of subsistence production. Secondly, agricultural growth was complemented and went hand in hand with investment in and growth of the industrial and other sectors, financed either from domestic sources or through heavy foreign involvement, neither of which is part of the ADLI approach. Moreover, rural development in the older model also came together with the development of small towns: these provided the demand for the farm surplus, became centres of trade and commerce, and provided off-farm employment to the rural population.

There are two more significant issues which neither ADLI nor the rural development policy have given sufficient attention to or altogether ignored. The first is the structure of land holding among peasant cultivators. How small are smallholders in this country? What is small and suboptimal of course depends on the nature of the farming system and the type of crops grown. Food crops in this country consist mainly of cereals, though there is a sizable population which relies on roots crops for its staple diet but even here the root crop is complemented by grain crops or pulses of one sort or another. The average household needs not less than two and half hectares of land and a pair of oxen to produce enough food for the family for a year. According to a recent agricultural census, only a small percentage of households in the country, about 13 percent, have land measuring above two hectares. Table 1 gives a breakdown of holdings.

Table 1. Distribution of holdings by size (in ha.) (%)

Killil	Less 0.1	0.1 – 0.5	0.51-1.00	1.01-2.00	2.01-5.00	5.01-Over
Tigray	7.0	33.5	29.9	21.4	7.6	0.4
Amhara	7.6	22.0	25.8	30.5	13.6	0.5
Oromia	5.9	24.6	25.3	26.2	16.1	1.9
Southern	9.9	46.5	25.4	14.2	3.8	0.2
National	7.6	29.5	25.7	24.3	11.9	1.0

SOURCE: CACC 2003.

More than 37 percent of holders possess land measuring half a hectare or less, nearly two-thirds manage with one hectare or less, and 87 percent have below two hectares. The point that has not been given sufficient weight is that in this country, especially in view of the fact that the farming system is predominantly cereal-based, the great majority of farmers can only be considered *micro-holders*. Moreover, farm oxen, the main traction power for farmers, are unevenly distributed in the rural areas. According to the census, more than a third of farmers do not own any farm oxen at all, and another third own only one ox per household. To expect substantial and sustained productivity growth in agriculture in this context is thus unrealistic.

According to the World Bank, there has not been any productivity increase in the last decade despite increased use of chemical fertilizers by small farmers (2007a). This means that the agricultural surplus will continue to be far less than what is needed to provide the stimulus to increased industrial output. Moreover, the evidence indicates that the increase in gross agricultural output registered in the last four years is attributable to good weather (the absence of drought and other shocks) and to the expansion of the areas of cultivation, more than the use of new technical inputs and benefits from the extension program.

The second important issue, that of demographic change and the spatial distribution of the population, has been noted at the outset of this discussion. The implications of the demographic trap are obvious and far-reaching. Because of population pressure there is a high degree of fragmentation of farm plots. Each generation of peasants inherits land which is smaller than before. Moreover, due to the high concentration of farming activity and settlement in the highlands, there is an equally high pressure on environmental resources. The rate of soil degradation, deforestation and clearance of the land cover is one of the highest in Africa. The loss of soil nutrients means that the land is getting poorer by the year, which in turn reduces agricultural production and the quality of livestock

kept by peasants. Grazing land is becoming more scarce partly because hard pressed peasants are turning such land into farms, and partly because of the loss of vegetation cover.

Another aspect to the demographic issue is the low level of the country's urbanization which has also been noted earlier. Towns provide the demand for food and other farm products and offer opportunities for trade and manufactured goods to farmers. Towns are more dynamic than rural areas; they are where new ideas, new knowledge and new products are to be found. Poverty and its reduction, I believe, are tied to settlement and location. While there is admittedly great poverty in the urban centres, overall, townspeople in this country are better off than rural residents by all the measures commonly used, such as access to education and health services and clean water supply, nutritional status, morbidity and mortality, income per capita, etc. I think this holds true in other African countries as well. A World Bank study of well-being and poverty in Ethiopia found that households employed in the non-agricultural sector were less poor than those in agriculture. Within agriculture itself, cash crop producers were less poor than food crop producers (2005, 24-26). My own finding in this connection is that the twenty poorest countries listed in UNDP's annual Human Development Reports, which includes Ethiopia, are also the least urbanized countries in the world.

Land Tenure and Certification: Limited Security

Following the overthrow of the military government and the seizure of power by the EPRDF, a wide range of political, economic and social reforms were initiated, among which was a new constitution, the setting up of an ethnic-based federal system of political administration, and reforms having to do with property, economic activity and investment. Many of these were a radical departure from the system established by the Derg and the imperial regime; however, in many respects, the new government's land policy remained quite similar to that of the Derg, though there were a number of differences and several new initiatives. Despite these initiatives, however, and despite the recent program of land certification discussed below, the land system has failed to provide peasant farmers robust tenure security.

Federal legislations pertaining to land include the constitution issued in 1995, the Federal law of 1997 which has been repealed and replaced by a similar law issued in 2005, and a law on land expropriations and payment of compensation (FDRE 2005b,a). The Regional Administrations are responsible for land administration in their jurisdiction but within the Federal legal framework, and any laws issued by them have to conform with Federal laws. Regional legislations on land, the most recent of which were issued in 2002 (by Oromia) and 2004

(Southern Killil) have been superseded by the latest Federal law and all Killils are now in the process of issuing new ones as a consequence. At present, the underlying basis of the land policy is Article 40 of the constitution, which makes access to land for rural persons a right and which promises each adult in the rural areas “land sufficient” for his/her livelihood. Land is here defined as the property of the people but is administered on their behalf by the state, and cannot be sold, exchanged or mortgaged. Land is in effect state property, and peasant farmers have only use rights over plots they have in their possession. This principle is reproduced in all Killil constitutions.

Killil land laws spell out in some detail rights and obligations pertaining to land holding, its use and administration, as well as rights of transfer or disposal. They also contain provisions having to do with land redistribution, registration and certification. All the laws share many ideas and provisions in common, and the following discussion is a summary of the commonalities that appear in all of them.

In line with the Federal constitution and land legislation, all Killil laws stipulate that land is state property and cannot be sold or exchanged in any way. Rights of use for peasant land holders are conditional and carry a number of obligations, the main ones being the following: a) that the land holder is, or willing to be, engaged in farming for his/her livelihood; some Killils stipulate that land is provided only to those who are residents of the Killil; b) that the holder is resident in a given rural kebele; the residency requirement is less binding in Oromia than in the other Killils, which stipulate that holders absent from the kebele of their residence for three consecutive years will forfeit their rights to the land; c) that the land is farmed on a regular basis and not left unused for any length of time (the duration varies among Killils); d) that the holder takes “proper care” of his/her holdings, though what exactly “proper care” means and who is to determine it are not clearly spelt out. Failure to meet any of these obligations may lead to the forfeiture of one’s land rights or to various punitive measures not clearly defined. Moreover, some Killils have imposed a limit to the size of land that a household is allowed to possess. The Tigray law stipulates that no one is allowed to possess more than two hectares, while the Amhara legislation leaves the determination of the size limit to future legal or policy instruments. Anyone found to possess land over the upper ceiling will lose the “excess” land without compensation.

One important aspect in which current land policy is an improvement over that of the Derg is that it allows limited forms of land transfers, the main ones being inheritance and renting. Land holders can pass their possessions to their heirs; however, some Killils impose conditions on inheritance. The Tigray law in particular prohibits persons who already possess farm land, who are not engaged in agriculture, or who are urban residents from inheriting rural land (TNRS

2006). The right to rent out land either to fellow farmers or outside interests is not prohibited but it is circumscribed with a number of conditions, chief of which include limits on the duration of the transfer, and limits on how much of the individual's possession can be rented out. The Oromia land law, for instance, stipulates that holders can rent out not more than half the land in their possession. Other Killil laws also require the notification of the relevant local authorities when the period of the rent is of more than two or three year duration, and any written contract signed by the parties concerned must be registered at the local kebele office.

One of the major causes of apprehension among many land holders has been the practice of periodic land redistribution. During the Derg, there were repeated land redistributions in many localities, with some having had as much as three rounds in the space of ten to twelve years. The present government has been a lot more restrained in this regard than the Derg; nevertheless, the high profile and contentious redistribution in Amhara in 1997 has left a legacy of insecurity and rancor among many peasants in the Killil, and doubts and uneasiness in other rural areas (see Dessalegn 2007). Redistribution has not been entirely ruled out in the new Federal and Killil legislations, though it is framed with a number of conditions which makes frequent redistributions quite difficult. The Federal law is less stringent in this regard than some of the Killil laws.

Rights and responsibilities over rural land are dispersed among many actors, each of which has some say over the disposition and management of land. As we noted above, rights of ownership are vested in the state, Federal and Killil; however, lower level public authorities have decision-making powers of various degrees. The woreda and kebele administrations have regulatory responsibilities as well as the authority to alienate and expropriate land for a variety of purposes, as we shall see below. Moreover, these authorities, together with the Killil, have the power to decide, plan and carry out land redistribution. There are also a number of specific line agencies that have discrete powers over land, and these include the offices of agriculture, environmental protection, water resources development, investment agency, and, in peri-urban areas, the office of public works and urban development. The humble peasant has the right of managing the land, which means essentially deciding on farming strategies, cropping plans, utilization of farm inputs, as well as matters having to do with land transactions under the conditions set by law as noted above. Even here, however, there are occasions when local authorities intervene to impose on the farm household what it can and cannot grow on its land.

The Federal constitution provides assurances against the eviction of peasants from the land or pastoralists from their customary grazing areas, except where the land is required for "public purposes". However, Proclamation 455 of 2005 gives the woreda administrator the power to expropriate lands and evict

peasants from them on the grounds that the lands in question are needed for “public purposes”, or will be more valuable if they are utilized by private investors, cooperatives societies or “other bodies” (Article 3/1). The woreda administrator has the power to identify the lands for expropriation, without consultation with the land users concerned, or order expropriation on lands already identified for such purposes by higher Killil or Federal authorities. He is expected to establish an ad hoc compensation committee to determine the value of the land earmarked for expropriation. Compensation is paid, in kind or in cash, to peasants whose land is expropriated but almost all peasants involved are very dissatisfied with the compensation offered. At present, a growing number of peasants near large urban centers or in areas of prime investment interest are being evicted from their possessions which are being leased or contracted out by public authorities to private investors. In other areas, peasants may be dispossessed of their land for a variety public purposes: for government service centers, offices, demonstration sites, etc.

The government's justification for its land policy is grounded on what may be described as social equity, the central element of which is the provision in the laws that every rural individual has a right to a plot of land sufficient for his/her livelihood and should claim the right in his/her kebele. Moreover, the government argues that private ownership will give rise to peasant dispossession through distress sale or evictions, high concentration of rural property in the hands of a few, in particular in the hands of the urban bourgeoisie, and widespread poverty and landlessness. These arguments are based on unsubstantiated fears, and very little hard evidence is available to support them. There is no evidence in this country or elsewhere to show that in the absence of the restraining hand of the state peasants will readily sell their land at the first opportunity. Though flawed in many respects, the recent study by the Ethiopian Economic Association found that most peasants were not keen to sell their land if they were given the chance (EEA 2002).

Another aspect of the equity principle is the expectation that state ownership will do away with the problem of landlessness but the reality on the ground is the reverse. Since the initial land reform of the Derg in the mid-1970s, landlessness has become a problem of the young. Young people who were not old enough to benefit from the last redistribution end up landless when they become adults. The main instrument employed to deal with landlessness so far has been periodic redistribution. Other means include the expropriation of landholders who fail to meet the obligations specified in each Killil's land legislation, and the distribution of their plots to the landless. A recent measure which has also been employed for the same purpose is the "privatisation" of hillsides. In both Amhara and Tigray Killils, degraded hillside have been divided up and distributed to members of the surrounding community. This was

originally an environmental rehabilitation measure but officials are now using it as a measure to tackle the problem of landlessness. However, under present circumstances, landlessness is a dynamic problem: each generation that comes of age is landless and demands rights to land, and the end result of accommodating its demands is increasing land fragmentation and the progressive levelling down of holdings.

A third element of the equity principle is the promotion of social equality in rural society. State ownership, it is argued, will ensure that the gap between the rich and the poor is narrowed and that inequalities of wealth and property leading to social antagonism and class conflict will be minimized. True, the existing land system discourages rural differentiation based on land size. As a result of periodic redistribution and other measures imposed by the dictates of the land system, differences in land ownership among households is narrowing down. Equality of holdings is being achieved in a two-fold process: a) larger holders are losing some of their land through a process of unilateral levelling down; what is taken from them does not lift smaller holders up but goes to benefit some of the landless; b) larger holders are losing some of their land and smaller holders are gaining as a result. The term "large" and "small" holder should be taken in its relative sense: compared to the situation in other African countries, the largest holder in Ethiopia would be a small holder elsewhere in the continent. At any rate, social equality has come at a heavy price, and that the equality that is unfolding in the countryside is equality of poverty.

As noted above, the government has embarked on new measures to try to promote greater tenure security and partly to address the serious food crises that the country continues to face despite increased food aid and new agricultural development programs. Land certification and registration is one these measures.

The government has pinned its hopes on land registration and certification to provide tenure security to peasant farmers and to deflect criticism of its rural development policies by citizen's groups, academics, and the donor community. Land registration, which was launched in a limited number of localities in 2003, has since been turned into a massive program undertaken at an accelerated rate throughout the country. By the end of 2006 more than half the rural households in the country have had their lands registered and received user certificates. The program has been implemented for the most part without the use of modern surveying, mapping and cadastre technology, and the registration system in place at the moment is cumbersome and does not allow timely updating and efficient management, both of which are of crucial importance if the goal of an effective and secure system of land administration is to be achieved. There are a few pilot schemes, supported by donor agencies, in which GPS techniques have been employed but this is considered to be a costly undertaking which the government

is unlikely to adopt without substantial financial and technical support from the donor community.

On the whole, peasants have welcomed the certification program, but interestingly enough the two main reasons given by certificate holders for their satisfaction were the following: a) certificates mean the right to compensation in the event of dispossession, and b) certificates were important proof of claim to a given plot of land in the event of land disputes. The government and its supporters in the donor community, on the other hand, expect land registration to achieve a wide range of objectives, of which the following are seen as significant: a) provide secure rights of tenure to peasant farmers and protect the rights of vulnerable groups such as women; b) reduce land disputes and litigation; c) facilitate land use planning and management of community and state lands; d) increase investment by smallholders on their plots; and e) provide better opportunities for access to credit services (Solomon et al. 2006; Deininger et al. 2007). It will be sometime before we have sufficient evidence to assess whether or not these objectives have been fully achieved, but the evidence available so far raises considerable doubt in respect of these objectives, and, rather, confirms that in so far as peasant empowerment is concerned there has been very little change indeed. Let us look briefly at the available evidence but bear in mind that it is too early to make definitive conclusions since the registration program has been underway only recently.

Land certification is a new experience in Ethiopia, and initial surveys of the program prepared in 2004 and 2005 reveal a mixed picture with regard to the expected achievements. The works in question were divided on the issue of whether certification has led to greater tenure security³. While some were positive others were skeptical. A work commissioned by USAID in 2004 notes that landholders do not have strong tenure security even with certification as this would not prevent the government from undertaking periodic land redistribution. As far as land disputes are concerned, the findings are even more disturbing: it appears that certification has either had no discernable impact on land conflicts, or, as in the Amhara case, has aggravated conflicts. With regard to the impact on women's land rights, the works were divided in respect of what has been achieved, with some noting that women were at risk during the process of certification while others arguing that women were one of the main beneficiaries of the program. Evidence was not available whether certification has led to increased opportunities for access to credit services or increased incentives for investment. On the other hand, there was broad agreement that there is insufficient institutional capacity at the local level where registration is processed and managed.

³ I have reviewed these works elsewhere; for the references see Dessalegn 2006

Since these works were issued, there have been other works on the subject which have recently appeared, including a case study of mine (2007) and a national survey published by the World Bank (Deininger et al. 2007). Overall, the findings of the latter present a very positive picture in terms of the program objectives, arguing in fact that Ethiopia's successful and cost-effective experience provides valuable lessons for other African countries. My own findings are different in many respects and suggest that land registration has not fully succeeded in ensuring robust tenure security nor in providing full confidence on the land system on the part of peasant households. I show that while the registration program has been welcomed by many peasants, it has not done away with many of the root causes of peasant subordination. Many peasants in south Wollo are still apprehensive that despite the certification program there could be another round of redistribution, and this of course would involve losses for most of them. Indeed, in one of the kebelles of our study here, registration was accompanied with land redistribution in which many peasants lost land or were given poorer parcels in return for those they had lost.

Moreover, land expropriation by public authorities, ostensibly for "public purposes", has continued even after peasants had received their certificates. In terms of land disputes, registration has not had any significant impact. While the kebele social courts in our study did report a reduction of cases involving land disputes after registration, evidence from the woreda courts showed an increase in land cases in the same period. Finally, my findings indicate that land registration and the institutional changes that accompanied it have given local government increased authority over peasant households.

Conclusion

It has been over a decade since the policy of agriculture-centered development was initiated, and while there have been some refinements and revisions over this time, the core elements of the policy have remained unchanged and have informed government planning and decision making in these years. Criticism of the policy has come from academic circles, civil society organizations as well as the donor community. Despite the policy and the implementation of a technology driven extension program, Ethiopian agriculture is dependent on the rains and thus continues to be vulnerable to the vagaries of nature. The government claims impressive achievements in both macro-economic performance as well as in the agricultural sector, particularly in the period since the SDPRP. The last four years from 2003 has seen increases in agricultural output as a result of good harvests, but as was noted above, this was mainly due to fortuitous circumstances rather than the benefits of policy interventions. Major and minor food crises have continued to cause suffering and increased poverty in

the 1990s and 2000s. The World Bank, which is a friend of the government, has argued that in terms of productivity improvements, agriculture has performed poorly with little or no productivity growth to date. Moreover, despite some recent gains in specific activities:

... the rates of growth remain below those needed to reach Ethiopia's development goals, and below potential... There is no evidence of an overall economic take-off since the early 1990s. The evidence of a broad-based and sustained agricultural productivity takeoff is weak ...Indeed it is possible to construct gloomy scenarios for peasant agriculture since agricultural output per capita evidences long-run decline (World Bank 2007a, 33)

The Bank, therefore, recommends what it calls "walking on two legs": a broad-based rural development, expansion of services and small town development together with the pursuit of dynamic new activities (World Bank 2007a, 38).

The policies and strategies pursued by the government since the 1990s have many limitations, some of which have already been noted in the discussion above. Here, in view of the limitation of space, we would like to briefly look at only a few of the main ones.

To begin with, the policies in question have not given the reality on the ground adequate consideration. The most pressing reality in my opinion is the following: high population growth and intense pressure on natural resources; the fact that most peasants are micro-holders and agriculture is progressively turning into a system of micro-farming; and the immense natural resource loss that is taking place in the countryside due to many factors including the saturation of living and working space. These severe problems have not sufficiently been included in the policy framework. Secondly, the policy formulation process itself leaves a lot to be desired. It is top-down, undemocratic and has not sought to benefit from broad-based consultation. The top-down approach is employed not just from the top of the policy-making pyramid but also down at the local level.

The strategy for agricultural development relies heavily on one formula: the provision of a package of modern technologies and the technical and human resource arrangements for providing the service. It is not complemented with wide-ranging institutional inputs. The technology itself is not diversified but relies for the most part on agro-chemicals and improved seeds, which in aggregate may help to bring about land productivity but not necessarily labor productivity. Until very recently, this technology was provided uniformly to all cultivators without taking into account the diversity of their ecological and agronomic surroundings. Farmers in effect had no choice, nor did they have a say in the selection of the technologies they were offered. The planned

improvements of the extension program in the PASDEP period is expected to change many aspects of service delivery, although we will have to wait and see if this indeed will occur.

An independent assessment of the extension program recently carried out made a number of significant observations (EEA/EEPRI 2006). The study found that a little over half the respondents, 56 percent, had participated in the package program at one time or another in the decade since the program was launched. There was a high degree of variation across regions and farming systems: participation was high in moisture reliable but lower in moisture stressed areas. A good proportion of participants did not stay with the program all through the period in question, and many were not significantly impressed with the results they achieved. While 44 percent of participants recognized the benefits of the program, only 36 percent of the participants showed interest in continuing with it. The study notes that the extension program was based on supply driven technologies, that technologies were pushed on farmers, and that the planning is top-down with little attention to market demands or farmer's needs. Resource poor farmers are at a disadvantage because the available technologies do not meet their needs. The packages are selected to meet the conditions of three broad agro-ecological categories only, namely, moisture reliable, moisture deficit and pastoralist areas. Planners have ignored the wide diversity of the farm areas as was noted earlier in this work.

With regard to the land tenure question, there is ample evidence that despite the new certification initiative tenure insecurity continues to be a major concern among peasant farmers. Insecurity is further exacerbated because of growing population pressure, the scarcity of land resources, and growing poverty. Many people are apprehensive that as landlessness becomes a serious problem, there will be increasing pressures for fresh land redistribution and a further leveling down of holdings. There is an increasing fragmentation of plots as parents sub-divide their holdings to give to siblings as inheritance or marriage endowments. The restrictions on land transactions and the fear many peasants have of renting out their land for long periods has meant that there is only limited movement of land and a restricted land market.

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Agricultural Extension in Ethiopia: Historical Evolution, Relevant Policies, and Challenges

Habtemariam Kassa

1. Agricultural Extension

1.1 Introduction

Five to six million are chronically food insecure and food insecurity affects as many as 15 million Ethiopians (FDRE 2005a). As a result, addressing this challenge through agricultural development has been the top priority of the Government. Agricultural development helps reduce poverty and ensure food security. Agricultural extension is key to bringing about agricultural development and promoting improved management of the natural resource base. The objectives and functions of an agricultural extension system, however, are shaped by the policy framework. This chapter gives the background to extension, analyses the historical evolution and current status of agricultural extension in Ethiopia, reviews the relevant policies that could influence the scope and focus of the extension system, and identifies the technical and policy related constraints to effective and efficient extension service delivery in the country. It concludes by pinpointing the need for having an extension policy that defines the objectives and functions of a pluralistic agricultural extension system, including how best different institutions would be involved in extension service delivery and how programs should be planned, implemented and evaluated to maximize learning at individual and institutional levels.

1.2 Definition, Functions and Objectives of Agricultural Extension

It is difficult to give a definition of extension that is universally acceptable as extension itself is a dynamic concept. In general, however, extension is understood as a policy instrument and a legitimate tool for a government to bring about desired changes in political, socio-economic, cultural and/or environmental aspects. The specific goals and functions of a particular extension program, however, are dictated by the context and development priorities of the country.

Agricultural extension is one of the various forms of rural extension. Feder *et al.* (1999) describe agricultural extension system as both a system and a set of

functions performed by that system to induce voluntary changes among rural people. The authors included the following sets of functions in the service of an agricultural extension system:

- transferring information and technology for sustainable agricultural production, transformation, and marketing;
- building organizational capacity of farmers to better organize themselves to identify their capabilities as a group, clarify their own goals and the means to realize them, and
- building their capacity in managerial (how best to manage their human power, natural resources, and capital), technical (e.g., in integrated pest management, market intelligence, farm management, in negotiating financial and market services, etc.) administrative and legal aspects.

Agricultural extension must focus both on technological innovations (to increase production and technical efficiency), and on institutional aspects (on organizational and leadership development) to help rural people have better livelihoods. It assists them to identify and overcome production, management, processing and marketing problems. It should also help farmers to improve the use of their resources in most economical and also in a sustainable way. By so doing, it achieves its main objective of empowering farmers and building their confidence to break out of the poverty trap and to participate in the overall national development process.

Agricultural extension is visualized not only as a set of functions or services to be performed but also as a system to provide efficient and equitable extension services. The system aspect of agricultural extension includes all public and private institutions that transfer technology, provide technical advice, and mobilize and educate rural people (Feder *et al.* 1999). An effective agricultural extension system is one that provides need-based extension service to as many farmers in an efficient way. By building on experiences throughout the world and in an attempt to meet growing challenges of equity, effectiveness and efficiency, approaches to extension are evolving, mainly from conventional linear model of technology transfer using instructive communication to innovative and participatory extension where extension becomes a co-learning process through interactive communicative function. But in Ethiopia, evidences are lacking to suggest that critical assessment of plans and programs is done to improve relevance and efficiency of the extension system. The following sections present the evolution of agricultural extension in Ethiopia, with emphasis on focus, programs and limitations.

2. History, Scope and Focus of Agricultural Extension in Ethiopia

Though Ethiopian agriculture is said be thousands of years old, organized attempts to transform it have a short history. Ethiopia has moved from Imperial governments with a feudalistic economy, to a Marxist Military regime, before finally moving to an Ethnic-based Federal system that advocates decentralization and market economy. The review of agricultural extension in Ethiopia since the 1890s has been presented here under these three different political and economic systems.

2.1 The Imperial Era

During the 1890s, innovations such as better farming practices, rubber tree, new tree species (e.g. Rubber and Eucalyptus trees), and improved irrigation systems were introduced with the assistance of expatriates (MoA 1984). Coordinated and formal government support to develop agriculture and improve resource management began with the establishment of the then “*Yersha Messriabet*,” which became a Ministry in 1908. The establishment of Ministries in 1908 by Emperor Menilek marked the beginning of major efforts by the state to modernize the agricultural sector of Ethiopia. The Ministry was mandated to provide advice on crop and livestock production practices to farmers, to protect forests and wildlife, to provide animal health services, and to collect pertinent statistical information. Rewarding systems for adopting better livestock and crop management practices were institutionalized through legal notices (Haile Selassie 1959; MoA 1984; Elias and Agajie 2001). During the 1910-1930 period, the activities of the Ministry were mainly regulatory, protecting game animals, skin and hide processing, and encouraging farmers to plant trees (Haile Selassie 1959; Belay 2003). In 1931, the Government of Emperor Haile Selassie promulgated the first constitution that established 11 ministries, and the Ministry of Commerce, Industry and Agriculture was in charge of agricultural development (MoA 1984). But the 5-year Italian Occupation during mid-1930s caused disruption in the government system. The building up of road networks, the enactment of a number of forestry acts, and the introduction to some areas of new crops such as ground nuts marked the occupation period.

In January 1943, the Imperial Government established the Ministry of Agriculture as a separate Ministry. Soon, the Ministry began establishment of demonstration farms to test the suitability and adaptability of more productive temperate breeds of cattle, sheep and poultry (MoA 1984; 1992, 1994a).

Production of vaccines also began to combat major livestock diseases. In 1953 the Ministry established Alemaya College of Agriculture to nationally coordinate and lead agricultural education, research and extension. Alemaya College coordinated extension programs at national level until 1963. Its extension agents worked on research and demonstration sites, visited and advised farmers nearby, and organized adult educational meetings and agricultural youth clubs (MoA 1992 and 1993).

MoA reassumed the national mandate for coordinating extension when Alemaya College was put under Addis Ababa University in 1963. Many consider this as the time that marked the separation of agricultural research, education and extension institutions in Ethiopia (Habtemariam 1996; Elias and Agajie 2001; Belay 2003). MoA set up a department to lead activities of planning and implementation of agricultural extension in the country. It deployed provincial supervisors in all provinces, followed by assignment of staff at Awraja and Woreda levels. Extension agents were assigned to work along the main roads and in about 25 to 30 km radius from their offices (MoA 1993; Belay 2003). In 1967, through the FAO sponsored Freedom from Hunger Campaign, fertilizer trials commenced on farmers' fields in six provinces. The Comprehensive Package Program (CPP) also began in 1967. CPP emphasized the need for focusing activities and bringing together the necessary elements at the same time and place in view of achieving significant increase in production and income. It envisaged concentrating inputs and activities in geographically delimited areas to promote agricultural development. It attempted to improve technology multiplication and distribution, marketing and credit services, and rural infrastructure (water and roads), and emphasized on organizing farmers into cooperatives (MoA 1993).

Later on, it was realized that implementing CPPs throughout the whole country could not be feasible because of the high manpower needs and costs involved. As a result, the Minimum Package Programs (MPPs) were initiated in 1970/71. It was designed to provide small-scale farmers with minimum essential services for agricultural development, i.e., extension of tested technologies, facilitating access to credit, and provision of marketing advice (MoA 1993). MPPs were to be implemented in 220 woredas during the first phase, and in 440 woredas during the second phase. The services were to be provided only to habitations within 3-5 km on either side of a motorable road, covering only one-fifth of the productive land (Nair 1984). In 1971 the Extension and Project Implementation Department (EPID) was established under MoA to facilitate implementation of MPPs. But the implementation of MPPs was halted when the Government of Emperor Haile Selassie was overthrown in 1974.

To conclude, the extension system during the Imperial era had limited coverage, and its clients were mainly land lords, commercial farmers and only those smallholders in and around project areas (MoA 1994b; Belay 2003). The overall

development policy sidelined the development of the agricultural sector as agriculture received less than 2% of the budget allocation (World Fact Book 2004). Though the transfer of the extension mandate from the then Alemaya College to the Ministry of Agriculture had improved coverage and the launching of a number of donor financed projects, signs of improvements in terms of focus and quality of extension, linkages with research and the much needed complimentary services (credit, input, market, etc.) left much to be desired. Besides, the land tenure system had a crippling effect on the contribution that the extension system could have made to the millions of smallholder farmers, as the aristocrats and the Church owned most of the farmland.

2.2 The Marxist Military Regime

After toppling Emperor Haile Selassie in September 1974, the Military Regime, called *Derg*, stayed in power until 1991. *Derg* issued the Land Reform Proclamation (Provisional Military Government 1975). The extension program of EPID was decentralized in 1976 to facilitate implementation of the land reform. Some of the responsibilities of EPID were taken over by the Agricultural Development Department of MoA. In 1977, the Ministry sub-divided extension activities into crop, animal, forestry, and soil and water conservation departments. This move resulted in the fragmentation of efforts, weak integration, multiple chain of command and proliferation of administrative staff, and bureaucratisation. Above all, it created confusion regarding the management, coordination, and supervision of extension activities at field level (MoA 1993).

In 1978, the government passed a legislation to organise smallholder farmers into co-operatives. Consequently, working with model farmers was replaced in 1981 and service and producers cooperatives became the focal points for introducing innovations. Simultaneously, implementation of MPPs took place between 1981 and 1985 but only in selected woredas. Due to budget limitations, MPPs did not attain the set coverage of 580 districts. Extension agents were engaged in additional tasks of tax collection, loan repayment, labour mobilization, co-operatives promotion, and villagization programs.

In 1983 a team of experts, based on India's experience, recommended the testing in some selected sub-districts of the Training and Visit (T&V) System as extension management strategy. Accordingly, T&V was initiated as a pilot project in 1983 in three woredas. T&V was adopted by MoA as an extension management system in the majority of surplus producing districts as of 1984 (MoA 1992 and 1994b). In 1986, the Peasant Agricultural Development and Extension Project (PADEP) was introduced both as a follow-up and replacement of MPPs (Tesfaye 2003) to be implemented in surplus producing districts. PADEP also gave attention

to lowland areas through specifically designed livestock development projects. In January 1988, the government announced policy changes, which lifted price controls, allowed free movement of goods, and provided farmers with better security of tenure. The economy responded to the policy changes favorably and agricultural output grew by about 3% in 1990-91 (World Fact Book 2004).

To conclude, the 1974-91 period is marked by a land reform that abolished the tenant-landlord relationships and private ownership of land, and by the introduction of institutional innovations such as PAs and cooperatives. National agricultural research and extension systems were also strengthened. But increased incidence of drought, unstable political and institutional environment, government's policy of controlling prices and free movement of agricultural products from surplus to deficit areas, dislocation of rural communities through less voluntary and hurried resettlement and villagization programs, and the conscription of young farmers for the military retarded agricultural development. Reports indicate that agriculture grew at an annual average rate of 0.6% between 1973 and 1980 and at 2.1% *per annum* between 1980 and 1987 (World Fact Book 2004). The contribution that agricultural extension could have made to agricultural development during this period was seriously undermined by such factors as giving utmost priority to state and collective farms at the expense of smallholder individual farmers, and the engagement of DAs in many other non-extension activities that would share their time and hurt their credibility.

2.3 Post-1991

The modified T&V system continued as the national extension system until the mid 1990s. A task force set up to evaluate previous extension approaches concluded that extension management systems thus far were entangled with organizational (as extension services were provided by different Ministries and even by different departments within MoA and the teams were organized based on disciplines but not according to AEZ or production functions), attitudinal (workers focused more on political issues) and administrative problems. Less attention was given to organizing farmers. As a result, farmers could not become stronger partners in technology multiplication and distribution. Besides, the link between research and extension on the one hand and with credit and marketing agencies on the other were extremely weak. Problems of coordination and integration among programs and projects remained apparent, and the participation of farmers remained low (MoA 1994c). In response, the National Extension Intervention Program was designed at federal level and government financing for extension increased significantly. The established Regional National States were given full authority to plan, implement, monitor and evaluate their own extension programs. In the mean time, Sasakawa Global 2000, also known as SG-2000, after having

made an inventory of available technologies with the support of the national agricultural research and extension systems, initiated an extension program in 1993 (SG2000, 2002). After adopting some elements of the SG-2000, the National Extension Program evolved into a new system, referred to as Participatory Demonstration and Training Extension System (PADETES).

PADETES was proposed as a remedy to rectify drawbacks observed during the planning and implementation of extension programs in the past. PADETES aims at increasing the supply of food, industrial and export crops, improving productivity and income, ensuring rehabilitation and conservation of the natural resource base, and in empowering farmers. To this end, it emphasizes the package approach to agricultural development and nurtures the research-extension and the input-credit distribution linkage (MoA 1994c; Quiñones *et al.* 1997; Belay 2003). Farmer participation is to be ensured through planning and implementing on-farm trials and demonstrations, establishing rural development committees at various levels from the development center to regional level, and assisting farmers to organize themselves. In addition, systematic inclusion of women and the youth into extension programs is emphasized. It stresses the need for assisting rural communities to organize themselves, promoting technologies for women, emphasizing social mobilization and integrated extension messages, developing packages for the different AEZs, including the low lands. PADETES envisages also supporting provision of inputs through credit under local governments' collateral arrangement. Regional Governments play a major role in guaranteeing and jointly administering agricultural credit with Commercial Bank of Ethiopia and Development Bank of Ethiopia.

As of the 1995/96 cropping season, PADETES has become the extension management system in all Regional States. Though the focus was initially on food crops, later on implementation of packages of high value crops (spices, oil crops, vegetables), livestock (dairy, poultry, beekeeping, fattening), and natural resources (forestry, soil and water conservation) followed. These packages are being refined to fit the different AEZs of the country. Attempts are also being made to address the needs of the dryland areas by formulating relevant packages. The role of DAs in the PADETES revolves around training and organizing farmers to have access to and make use of innovations.

Close to 4 million farmers were reached by PADETES, and helped to significantly increase the overall agricultural production of the country (EEA 2006; MoA Annual Reports)¹. But participation of farmers in extension planning remained very limited even though extension coverage has expanded significantly and credit availability improved a lot. So far there is no extension policy that

¹ For the contents and performance reports of the annual extension package programs, see MoA (1994d, 1995, 1996, 1998a, 1998b and 1999).

defines what extension is, its objectives, functions and modes of delivery. As a result, interpretations of what extension is and expectations of the actors along the innovations system continue to vary with individuals and institutions. Thus, it is time that the Century-old extension gets a clear policy to better define its future course.

3. Legal Documents and Strategies Influencing Agricultural Extension

Since coming to power in 1991, the Ethiopian People's Revolutionary Democratic Front (EPRDF) Government has formulated a number of policies and strategies to bring about rapid economic growth and social justice in the rural areas. The major strategy and policy documents that could have influenced the objectives and functions of agricultural extension and its organizational aspects are the Population Policy, the Agricultural Development Led Industrialization (ADLI), the Constitution, the Food Security Strategy, the Conservation Strategy, the Rural Development Strategy, the Agricultural Marketing Strategy, and the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP).

3.1 The National Population Policy

The population policy (TGE 1993) has as its major goal the harmonization of the rate of population growth and the capacity of the country for the development and rational utilization of natural resources. The policy specifically assigned to the Ministry of Agriculture (currently MoARD) to:

- integrate population and family planning elements in agricultural education and extension programs and services;
- promote female participation in rural areas in population activities in the context of general rural development programs;
- provide training to field staff in information dissemination; and
- increase efforts of enhancing agricultural productivity to meet the growing demand for food.

3.2 Agricultural Development Led Industrialization

The Economic Policy of the government (TGE 1994) states that Agricultural Development Led Industrialization (ADLI) will be the strategy to guide the

economic development of the country. ADLI gives higher priority to the development of the agricultural sector mainly through the improvement of the productivity of smallholder agriculture. The need for improving factor productivity, output diversification, greater market orientation was emphasized, and industrialization based on utilization of domestic raw material with labor-intensive technology was advocated. It was believed that the growth in the agricultural sector would increase output, create employment and help increase household income, thereby expanding markets for industrial commodities. ADLI envisaged wider dissemination of research results and technological options, improved management practices and know-how to the smallholder farmers. Accordingly, revitalized and effective extension service delivery system was sought to transform subsistence agriculture to commercial farming with more intensive farming practices.

3.3 The Constitution of the Federal Democratic Republic of Ethiopia

Decentralized administration (hence decentralized extension system) and promoting people's participation in the development process are the two major elements of the Ethiopian Constitution (FDRE 1995) that have a bearing on the extension system.

3.3.1 Decentralization of Administration and Service Delivery

In accordance with government policy of decentralization, the national agricultural extension system of Ethiopia has since then been managed at two levels: the Ministry of Agriculture and Rural Development (MoARD) at the federal level and the Bureaus of Agriculture and Rural Development at the regional state level. MoARD is responsible to formulate national agriculture related policies, identify and formulate extension packages, co-ordinate inter-regional development projects, and provide technical advice and training services to increase the performance of the Regional Bureaus. Regional Bureaus are mandated to plan, implement and evaluate extension programs relevant to their areas.

3.3.2 People's Participation in Development

The Ethiopian constitution recognizes the right of citizens to be actively involved in the development process and to live in a clean environment. Hence, farmers have the right to be actively involved in influencing extension plans and programs. Active participation of farmers in extension planning facilitates implementation and improves success in extension programs. Farmers'

participation during planning, implementation and evaluation process is vital to motivate them to be actively engaged in the process. It also benefits both farmers and extension staff to learn from each other.

3.4 The Food Security Strategy

Ethiopia's Food Security Strategy (FDRE 1996) highlighted the commitment of the government to address the root causes of food insecurity in a multi-sectoral approach in 156 food insecure woredas. The main objective of the strategy has been to increase the capacity of farmers to produce more through the introduction of more productive crop, livestock, and agro-forestry technologies and to undertake measures towards environmental rehabilitation in the degraded areas. The strategy has been revised recently. The focus is still on environmental rehabilitation as a means to reverse the current trend in land degradation, and the promotion of high value crops, livestock and agroforestry development in drought prone areas.

3.5 The Conservation Strategy

The Conservation Strategy (FDRE 1997) emphasizes environmental rehabilitation and sustainable use of natural resources through active participation of the people at all levels. It calls for the promotion of multipurpose trees and the widespread adoption of conservation based farming for reducing land and environmental degradation. It also envisaged identification and development of under utilised natural resources. It is recommended that all programs and projects be critically assessed for their impacts on the environment.

3.6 The Rural Development Strategy

The Rural Development Strategy (FDRE 2003) is the major policy document that strongly influences rural development programs of the country. It recognizes the need to address natural resource depletion (deforestation, soil erosion, hillside farming) through conservation and rehabilitation of degraded lands. It emphasizes integrated agricultural development using adoptable technologies to the different agro-ecozones (AEZs) of the country. For instance, improving livestock productivity through better animal health, marketing facilities, improved infrastructure and irrigation schemes have been identified as vehicles for the development of pastoral areas. It emphasizes optimizing and maximizing the use of available labor and land as a vehicle for rural economic development by improving access to marketing information and relevant technologies. Demand oriented farming is encouraged, and the rights and contribution of

women in the socio-economic development of the country are recognized. The plan is also to improve rural financing and marketing infrastructure to facilitate commercialization of the agricultural sector.

3.7 The Agricultural Marketing Strategy

This strategy (FDRE 2005b) was developed by MoARD to facilitate the market-led transformation of the agricultural sector. The plan is to establish

- an effective input supply system to enable farmers obtain quality inputs in the required quantity and type, at the place needed, at the required time, and at a reasonable price; and
- a transparent and efficient market information system, and mechanisms to directly link producers to markets so that marketing-related transaction costs can be significantly reduced.

The plan is to enable farmers to determine what product type is demanded, where (domestically or abroad), when, and at what price. Accordingly, farmers are expected to get market related information in a timely manner.

3.8 The Current Poverty Reduction Strategy and Its Targets

The main objective of PASDEP for the period 2005/06 -2009/10 is attaining food self-sufficiency within five years by accelerating the transformation of subsistence agriculture to market-oriented agriculture while protecting the natural resource base (FDRE 2005a). The plan is to create capacity to produce 20 million tons of food grain per annum by the end of the 5-year period. This is to be achieved through two trusts - promoting the commercialization of agriculture, and supporting pro-poor agriculture in drought-prone areas so that households become food self-sufficient.

To promote commercialization of agriculture, 35 commodities with potential for high growth impact have been identified. These include spices, cardamoms, sericulture, cut flowers, and lowland and highland fruits and vegetables. Indicative business plans are being developed for each of these commodities taking into account international demand, standards, duties, transport costs and competition.

As regards to enhancing pro-poor agricultural development, the Government plans major human capacity development (including improving the effectiveness of local level governance institutions) and infrastructure work, coupled with improvements in marketing of inputs and outputs and availability of appropriate technology and input supply. To this effect, the country is divided into four major zones. Areas with access to markets and infrastructure and hence

having significant potential for commercialization and diversification will be assisted to move towards commercial farming. Regions with adequate rainfall will get support in infrastructure development to improve market access and to enhance agricultural productivity. Environmental and food security will be the focus in drought prone areas through promoting irrigation and voluntary resettlement to more productive areas. Improving veterinary and marketing services and working towards environmental rehabilitation through improved natural resources management and water resources development have been proposed for pastoral areas. Interventions during PASDEP also include establishment of an information network, development of pest monitoring and forecasting system and promoting integrated pest management, improving livestock productivity with emphasis on small ruminants and poultry, and harmonization of regulations.

There are also plans to bring about changes to increase effectiveness in extension and research with particular emphasis at the grassroots level. The extension and research services are expected to provide special support for intensification of commercially important crops. For pro-poor agricultural development, the plan is to move services close to the people primarily through the establishment of a network of Farmer Training Centers (FTCs) where farmers would receive short term practical oriented training on specialized technologies and techniques (for example, for water-harvesting, or sericulture) in their vicinity, for which modules have been developed. The Centers also serve as fora for communicating day-to-day extension messages and as demonstration sites for crop trials and for two or three specialized activities (such as bee-keeping, or vegetable production) at each FTC that are particularly suited to the area. About 45,000 DAs trained at diploma level will be placed at the thousands of FTCs (three per FTC) to provide direct support to farmers. In addition, some 5,000 technicians will provide veterinary services, and another 5,000 experts will support farmer's cooperatives and unions.

PASDEP defined some specific measures that should be taken by the extension system. These include:

- Revising and converting 150 technologies into extension packages;
- Strengthening its link and improving coordination with the research system;
- Training nine million farmers;
- Introducing a mobile extension system;
- Preparing appropriate extension packages and training materials for pastoral areas;

- Promoting the use of improved farm implements and stores;
- Strengthening small-scale irrigation schemes (river diversion, micro-dam construction, ground water abstraction, etc.) for supplementary and double cropping, through provision of technical and material support for expansion and improved water use efficiency;
- Building the capacity of farmers to maintain implements and structures (e.g., irrigation);
- Supporting cooperatives to strengthen the power of small farmers to participate in the liberalized market environment, with a target of 70% of farmers being in cooperatives by 2010; and
- Supporting the government plan to establish a natural resources database including agro-climate, land use/cover, land suitability, etc. to facilitate preparation of development and investment plans.

To conclude, legal and strategy/policy documents have directly and indirectly stated what needs to be done to bring about sustainable development in the rural areas, where agriculture is the main source of livelihood. The extension system is expected to build human capacity, be demand driven and promote adoptable technologies to increase agricultural productivity and improve natural resource management. But as we have seen from the review of extension programs in Ethiopia, except for decenarlisied planning and management, evidences are lacking to suggest that the main aspects described in the different policies and strategies are reflected in the programs of the current extension system. There are no signs of realignment of extension plans and programs along with the major development strategies (e.g. PASDEP) and sectoral policies of the government.

Similar to the findings of this review, a recent study by the Ethiopian Economics Association (EEA 2006) clearly showed that the Ethiopian extension system in general and PADETES in particular has not been participatory, and was not gender sensitive. Its focus on farm enterprises other than crops was marginal. In particular, resource management has not received adequate attention as it accounted for less than 5% of the total extension work between 1995 and 2004 (EEA 2006). Lowland areas have not received attention until very recently. Thus, additional effort is needed to make extension more relevant to the diverse agroecological zones and socio-economic groups of the country and to align its programs and activities with government policies and strategies. To this effect, it is important to examine some of the technical and policy related challenges facing agricultural extension in Ethiopia.

4. Challenges of Agricultural Extension in Ethiopia

Limitations and challenges in agricultural extension can be broadly categorized under four categories, namely, the user environment, institutional constraints, technical challenges and issues related to policy (Habtemariam 2005), but the focus here is on technical and policy aspects.

4.1 Technical Challenges

The following are some of the technical challenges that need to be addressed to improve the performance of the Ethiopian agricultural extension system.

i) Managing the trade-off between coverage and focus – The intention to cover wider areas negatively influences the ability of the extension system to focus on specific commodities and/or areas. For countries like ours, where the vast majority of farmers are resource poor, commonly coverage is emphasized on the grounds of equity. To expand extension service, large, hierarchical and centralized public services are established with a large number of extension agents dispersed in wider areas. This makes the quality of planning and follow-up poor, and logistical requirements and operating costs become high. Increasing coverage by simply enlarging the public extension system and attempting to improve the management of its general services may not be sustainable in the long run. As Feder *et al.* (1999) remarked, better ways to address problems related to coverage include active participation of farmers and their organizations in the planning and implementation of extension services using appropriate media, using farmers themselves as extension agents, stratifying farmers into target groups, and using cost-recovery systems for commercial and rich farmers.

ii) Poor understanding of farming systems and farmers' real needs – The assumption that prevailing farming systems and farmers' practices are inefficient must be changed. Farming Systems studies have shown that these assumptions are oftentimes wrong though further improvements in total farm productivity are possible. Thus problems and potentials of localities must be adequately understood before planning changes to be introduced as problems identified by experts turn out to be farmers' coping strategies to other problems.

iii) Focusing mainly on technology transfer and less on problem-solving skills - The focus of agricultural extension has been on technology transfer. There has been little attention on skill development, and organizational aspects to help farmers help themselves.

iv) Accepting technologies as are - Extension has uncritically accepted the products/findings of research (innovations) as being improvements, and taken a 'promotional posture toward technological change'. Extension should

also consider, as one of its tasks, the assessment of the appropriateness (both technical and economical) of technologies for intended users.

v) Issues of targeting and in-built biases – So far extension has been gender- and location-biased. The extension system has not been easily accessible to the poor. It should be more useful for young farmers, and capable of addressing special concerns of women. Only accessible areas benefit, and even then the extension services only reached the well-educated and wealthy farmers who would readily adopt the technologies.

vi) Use of one-size-fits for all type of extension methods – Different extension methods are expected to work differently for different types of innovations, for the different categories of adopters, and for users at the different stages of the adoption process. The extension methods being used need to be tailored and diversified. Besides, farmer-to-farmer extension and use of such institutions and individuals as religious establishments and leaders, schools and teachers, marketing centers, and festivals to transfer information and introduce technologies have so far been very limited.

vii) Success indicators - Measures of success in extension have been oriented towards coverage (*e.g.*, implementation of a specific task such as kilometers of terraces constructed) and not output-oriented (*e.g.*, changes in behavior/attitude or practice of people).

viii) Effectiveness of agricultural education and research – Agricultural education and research are co-determinants of the effectiveness of extension. The fact that education and research have not made smallholder farmers as their primary clients has negatively affected extension. The technologies being generated are mainly for crop production. Technologies at cropping and farming system levels are rare for a farmer that makes decisions and optimizes at farm and livelihood system levels. Thus scaling up agricultural and policy research to the livelihood systems level will undoubtedly benefit the extension system as its clients, the farmers make decisions on adoption of technologies by considering their impacts on their livelihood system.

ix) Links with complimentary agricultural services – Unless the wider barriers to the rapid development of the agricultural sector are addressed (*e.g.*, technology stocks, input supplies, credit systems, price incentives, human resources, socio-cultural, etc.), the impact of extension on agricultural production and household income will remain limited. Thus, effective links with the complimentary agricultural services of research, input supply, credit and marketing systems remain key aspects.

x) The number and quality of extension personnel – Until recently, the number of DAs has remained very low. For instance, in the late 1970s, the total number of supervisors and extension agents was less than 3,000 (CSA 1980) while in the neighboring Kenya, with less than half the population of Ethiopia,

had over 5,000 extension agents in the mid 1950s (MoA 1989). The number of DAs has shown dramatic increase since the last few years, and is expected to reach close to 45,000 DAs to be stationed in the thousands of FTCs being constructed across the country. To be effective extension agents, DAs need to have a solid technical expertise to analyze farmers' situation and be resourceful in problem solving, in selecting information and technologies relevant to their area, and in testing their merits. The realities on the ground do not support this as their professional competence leaves much to be desired, particularly in communication skills (EEA 2006). Thus, continuous upgrading of the quality of DAs is necessary. To be effective, DAs need to be competent in technical aspects (subject matter), in management, and in communication skills. Increasing the number of extension workers should be accompanied with improvement in quality that makes them capable of working competently in the development of that specific extension area.

xi) Lack of *ex-post* assessment - There has not been well planned, regularly conducted and properly documented follow up studies on the effects of innovation adoption/rejection on the actions and behavior of the clients, and also on the different approaches implemented. This limited learning at individual and institutional levels, and business continues as usual.

4.2 Policy Related Constraints

The following elements could be cited as limitations and challenges related to policy.

i) Lack of clarity in what agricultural extension can and should do. The fact that there is no national extension policy has resulted in gaps as to what the extension system should do and how. Different institutions (*e.g.*, MoA, research centers and higher learning institutions) and employees of these agencies have different views as to what extension is and extension workers should do. Having an extension policy that clearly defines the objectives, functions and implementation strategies of extension and the roles of governmental agencies and NGOs would certainly help clarify issues and build in accountability of institutions.

ii) Rapidly changing policy signals –The government frequently sends signals that in some case are changing in a very short period of time. For instance, the focus moved from food crops to cash crops, from rainfed agriculture to water harvesting in only a few years. This frequent change in emphasis may create confusion at field level as there will hardly be enough time to plan, implement, evaluate and learn from programs and projects.

iii) Inadequate attention to smallholder farming - Up until the mid 1960s, policy makers paid little attention to the development of smallholder

farming. As Belay (2003) noted, it was only during the Third Five-Year Development Plan (1968-73) and following the pressure from donors that formal recognition was given to the peasant sector and to modernize it. In fact, in the First (1957-61) and the Second (1963-1967) Five-Year Development Plans, agriculture received only 13.7% and 21.3% of the total investment, respectively. Even then, almost all the investment allotted to the agricultural sector was channeled to the expansion of large-scale commercial farming that produced cash crops for export. It is only after the 1990s that explicit emphasis was given to increasing productivity and income of individual smallholder farmers.

iv) Gaps in decentralization and linkages – Power is being devolved to the woredas to plan and implement extension services. But this has to be supported with making required resources available, building capacity of the staff to plan and implement extension activities efficiently, and building in accountability of experts and Woreda Administrators. Successful decentralization requires competence and leadership quality at Woreda level (calling for assigning extension leaders according to their technical merits but not based on their political affiliation), societal democratization to engage communities, and build in accountability of experts to users. In this regard, observations in the field indicate that there is much to be desired. As Mulat (2001) stated there are still institutional and administrative gaps in Ethiopia's decentralization process, with bearings on extension services at the grassroots level. The current Federal-Regional linkages need to be rethought and strengthened.

To conclude, if Ethiopian farmers are to benefit from effective and efficient extension service, it is important that the extension system addresses the technical challenges by itself, and the Government of Ethiopia comes up with an extension policy to respond to policy related challenges constraining the extension system in Ethiopia.

5. Conclusions and Recommendations

The population of Ethiopia is approaching 80 million. About 15 million are affected by food insecurity. In addition to recurrent drought and shrinking farm sizes, the challenges of Ethiopian agriculture include rapid population growth, severe natural resources degradation, the HIV/AIDS pandemic that is decimating the productive youth, and worsening state of poverty. A thriving agricultural economy is critical for reducing poverty, ensuring food security and managing natural resources. Agricultural extension is an accelerator of rural development.

Reviewing the historical development and the current status of agricultural extension in Ethiopia helped identify areas that need to be revisited. It was highlighted that the extension system in Ethiopia has a relatively longer history

than many sub-Saharan African countries. Review of the evolution of the Ethiopian extension system clearly shows that its focus and organization was very much influenced by different political systems and their development strategies.

The extension system under the Imperial regime remained limited in its coverage. Development policies favored industrial development, neglecting the agricultural sector. Agricultural development plans also sidelined smallholder farmers. Agricultural extension benefited mainly landlords, commercial farmers, and only those smallholders in and around major project areas. Inappropriate development policies, the land tenure system, and restrictive credit policy severely undermined the contribution that the national extension system could have made to the development of agriculture. Complimentary agricultural services (research, input supply, credit, marketing, etc.) were all underdeveloped. Besides, most extension programs were donor driven. The pre-1974 period also marked the beginning of the separation of agricultural research and extension in Ethiopia.

During the 1974-91 Period, the extension system substantially expanded its coverage. But the political environment favored collective and state farms at the expense of individual farmers. DAs were involved in non-extension activities, extension planning was very much centralized, and there were less donor supported extension projects. Institutional innovations such as PAs and cooperatives that were initially believed to promote popular participation in development were used to advance the then Party's objective. Distorted macro-economic policies, political unrest, and massive villagization and resettlement programs undermined the contribution that the extension system could have made.

The post-1991 period also saw marked expansion of the public extension system due to unprecedented government support to public extension. In recent years, the number of DAs has increased substantially, aiming at stationing three DAs with diplomas at each PA. There have been devolution of power and movement of staff and budget from the Federal to Regional levels, and since recently from Regional to Woreda levels. Efforts have also been made to promote the production of cash crops aimed at export markets and to expand coverage of extension in previously neglected lowland areas. A number of extension package programs have been launched, that have been oftentimes successful mainly in resource rich areas. But there is not that much of change in the way extension activities are planned, implemented and evaluated. Overstretching of staff to implement package programs, underdevelopment of complimentary agricultural services (technology shopping and multiplication, and input supply, credit and marketing systems), focusing only on crops, being activity oriented than outputs, frequent restructuring of institutions and changing

policy signals in terms of focus and priorities have created uncertainty and lack of continuity in local level planning and implementation. So far, objectives and functions have not been clearly set for the extension system.

In all of the three periods, the general trend of agricultural extension in Ethiopia followed the international paradigms for agricultural development that were prescribed by international institutions and bilateral donors (community development and package programs of the 1960s and 1970s, T&V of the 1980s, food self-sufficiency and participation of the 1990s, etc). The tendency seems to have been from integrated and multi-faceted programs in smaller and focused areas to smaller and thinner programs dispersed in a wider area. Several extension approaches have been followed during the last fifty years alone. Agricultural extension moved from one approach to another without a thorough and systematic evaluation of the previous approaches. Most of the changes were driven by donors, not through internally driven critical assessment by the Ministry of Agriculture or independent bodies. Besides, the organization of the Ministry kept on changing. Though the service has increased its coverage significantly, extension planning has remained top-down. Accountability of staff has been to their superiors and not to the farmers, involvement of farmers and/or their organization in determining the course of extension has been almost nil. This causes institutional and staff instability. The system focused mainly on crops, with very limited attention to livestock, forestry, farm implements and marketing aspects. Focus on the youth, women, and pastoral areas has been marginal. Hence, during the past few decades, extension has had minimal success in improving the living standard of the majority of the rural farming community (Habtemariam 2005; EEA 2006). The extension service needs to do more to better serve poor farmers who constitute the largest majority.

For drought-prone countries like Ethiopia, an effective agricultural extension system is one that promotes responsible natural resources management, is market sensitive, and capable to help farmers identify and exploit opportunities and overcome production, management, processing and marketing challenges. To do so, it constantly evaluates and upgrades itself, seeks and introduces appropriate technologies to users, and serves as vehicle to exchange timely technical and market information. It is equally important that extension programs and activities be aligned to the policies and strategies of the government.

Agricultural extension must be guided by an extension policy that defines its scope and approach and also the role of the different actors in the national extension system. The Ethiopian extension system still operates without a concrete extension policy, and there are no clearly defined implementation strategies and spelled out modalities for actively engaging NGOs and other non-state actors in the national extension system. The danger of reducing the role of

agricultural extension to input distribution or overstretching its role to assume the entire activities related to technology transfer and sustained use by farmers emerges when the role of public extension in the national extension system is not clearly stated. The would-be extension policy should clarify also the role and responsibility of the local government (woredas). It is important that local administrators, to whom the extension system at woreda level is accountable, have a clear understanding of what the extension system can and should do. Unless policy related issues are clarified and technical challenges are addressed, the contribution of agricultural extension will remain limited.

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A Review of Financial and Monetary Policies of FDRE

Tekle-Birhan Gebre-Michael

1. Finance Policy

Finance policy is here taken in its widest definition to include public (government) finance, banking, insurance, micro-finance, corporate finance and the securities market. No official financial policy document has been issued by the government to date as is the case for some other sectors such as health, industry and energy. Hence, most of the material contained herein is gleaned from alternative official documents and legislations with significant financial policy and strategy content such as Financial Administration Proclamation No.57/1996 and Monetary and Banking Proclamation No. 83/1994.

1.1 Government Finance

1.1.1 Reforms and Major Features

Both the federal and regional governments in Ethiopia have taxation powers authorized by law. Tax and other legal revenues are collected by the federal government, regional governments and jointly. Taxes collected by the federal government include import taxes and personal taxes on incomes of employees of the federal government. On the other hand, taxes collected by regional governments include rural land use fee and profit tax collected from enterprises licensed by regional governments (Proc. No.33/1992).

Tax revenues are shared among the central government and regional administrations on the basis of criteria such as population size, revenue effort and degree of development (Keller 2002). Both central government and regional administration expenditures are typically classified into recurrent and capital expenditures, the latter being allotted to investment and development activities and projects and the former to re-current outlays of working capital nature.

In the original revenue sharing proclamation (No. 33/1992), regional administrations were allowed to borrow from the domestic banking system under certain conditions. But this prerogative has since been rescinded under separate legislation (IMF 1996). By contrast, the federal government has the power to

borrow money both from domestic and foreign sources provided such borrowings are approved by parliament. Borrowing from the domestic sources should be consistent both with requirements and the objective of maintaining price and exchange rate stability. The maintenance of foreign exchange reserves and their management is the sole preserve of the central government as delegated to the National Bank of Ethiopia (the country's central bank).

The administration of central government funds is governed by Proclamation No. 57/1996 which sets rules regarding collection and deposit of public money, budget ceilings, budget transfer, supplementary budget, disbursement, etc. The main implementation instrument is the annual government budget which must be approved by parliament and is issued as a proclamation in the *Negarit Gazette*. The annual government budget contains summary and detailed budget revenues, expenditures and appropriations to federal and regional governments. The budget per se is issued as "Federal Government Budget" with regional appropriations shown as "subsidies".

Revenues collected by regional administrations are budgeted and disbursed by themselves while joint revenues are collected by the federal government but allocated by the House of the Federation and the House of Peoples' Representatives (IMF 1996). The National Bank and the rest of the banking system are used to deposit government funds and effect payments to authorized officials and agents of federal and regional government institutions. Fiscal audits are the responsibility of internal auditors, the Auditor General and the Audit Service Corporation.

As may be discerned from political developments in Ethiopia over the last 16 years or so, the current fiscal decentralization is a result of the policy of ethnic federalism and territorialization pursued by the incumbent government. The salient features of the policy are revenue sharing, revenue and expenditure budgeting mainly by the federal government, but also to some extent by regional administrations; domestic and foreign borrowing powers vested in the federal government, restraint on federal government domestic borrowing which is to be consistent with price and exchange rate stability, and the requirement to conduct fiscal audits.

Overall, FDRE's fiscal reforms, apart from fiscal devolution mentioned above, have been highlighted by attempts to boost revenue through the introduction of new taxes such as value added tax (VAT) and capital gains tax; to improve tax administration through simplifying the tax code (e.g. reducing the number of tax bands) and undertaking institutional changes (e.g. the establishment of a separate Revenue Board and introducing a tax identification number system); and to re-orient to some extent government expenditure to what are perceived by the government to be high priorities including road construction, hydro-power development, education, etc. (IMF 1996).

1.1.2 Achievements, Challenges and Constraints

Achievements: Although Birr devaluation and depreciation has contributed to the rise in the size of the government budget, it has increased significantly in real terms as well, thanks to larger real inflows of foreign aid and moderate real GDP growth. Hence, the annual nominal government budget has increased from around 3.4 billion Birr in 1988/89 to over 45 billion in 2006/07 (projection), representing a remarkable achievement in terms of augmenting government financial resources (IMF 1988, 2006). Official figures indicate that budget implementation rates (i.e. budgeted amounts as compared to actual expenditures) have most of the time been quite high. At the same time, fiscal decentralization is believed to have been instrumental in realizing a more even distribution of infrastructure development across broad regions (e.g. Kilils), particularly in the construction of roads, schools, colleges and universities. However, several challenges and constraints remain including the major ones outlined below:

Challenges: Government financial resources are still meager compared to the development needs of the country. For example, the total costs estimated for achieving Ethiopia's Millennium Development Goals (MDG's) are about USD 101 billion, the underlying assumption being "a six fold increase in the per capita aid flows to USD 64 in 2015" (IMF 2006). The magnitude of foreign aid inflows required indicates the huge development financing gap the country faces and the general paucity of resources vis-à-vis its multifaceted development needs. Similarly, the government has often resorted to the domestic banking system to augment its financial resources as domestic revenues have invariably fallen short of total expenditures. As a result, outstanding loans of the government borrowed from the commercial banking system (mainly through Treasury bills and bonds) stood at 12.9 billion Birr as of 2005/06, increasing from the level in 2004/05, which was 7.3 billion Birr. Similarly, outstanding government debt owed to the National Bank of Ethiopia rose from 24.8 billion Birr in 2004/05 to 26.4 billion Birr in 2005/06 (NBE 2005/06). Although it is well nigh impossible to isolate the impact of government borrowing from the domestic banking system, particularly from the NBE, on domestic price inflation, it is almost certain that it does contribute significantly to inflationary pressures.

Another big challenge is in the area of prioritization of government expenditures. Although defense expenditure has decreased over time, it still commands more budgetary resources on current account than health, agriculture, trade and industry, mining and energy, tourism, urban development and housing, etc. For example, in 2004/05 the officially reported actual expenditure on

defence in the government's current account was 2.9 billion Birr as compared to the following high priority sectors in billions of Birr:

Agriculture and natural resources	1.01
Trade and industry	0.09
Mines and energy	0.03
Tourism	0.02
Transport and Communications	0.06
Urban development and construction	0.10
Health	0.07

In the capital expenditure, mining and energy and industry received far less allocations than their strategic importance would indicate (IMF 2006). Correct prioritization of government expenditures (both current and capital) is of the utmost importance, as their efficiency and effectiveness should be reflected in overall real GDP growth, investment and employment through their direct and indirect contribution to infrastructure and institutional development and in general to the creation of an enabling environment.

Constraints: A few general constraints could be identified, including dependency on foreign aid engendered by the low domestic tax base, inefficiency in tax collection (despite recent improvements) and poor auditing and accounting.

Foreign grants increased from about 15 percent of the total government revenue in 1999/2000 to nearly 23 percent in 2004/05 (IMF 2006). The foreign aid dependency constraint (part of it used to promote project and contract-tied investments and sometimes motivated by political considerations) emanates from the country's general low taxable income, itself a result of low per capita income and a low level of economic activity. In previous years, when the loan component of foreign aid was high, external debt-servicing was a major constraint, draining real resources which would have been utilized to augment the productive capacity of the economy through modernization and expansion. Global debt relief initiatives have now substantially reduced the country's external debt stock to around USD 3 billion.¹

As regards tax collection, some improvements have been made in terms of institution building and computerization, but the tax effort as measured by the tax revenue/GDP ratio is still rather low at about 13 percent as of 2004/05. This is partly explained by the reduction in the average tax rate as pointed out in the

¹ Web site: <http://www.unidep.org>.

"Tax Policy" section of the study. Although it is quite difficult to cite figures in this respect, shortage of skilled manpower, a low degree of computerization, tax evasion on the part of tax payers and official corruption are often blamed for low tax collection. On the other hand, the maintenance of proper accounts of government revenues and expenditures and auditing them are a long-standing problem which has in recent years become ever more complicated with the advent of fiscal decentralization (IMF 1999).

1.1.3 *Critical Appraisal*

The vigorous attempt by the government to substantially augment government financial resources from external and domestic resources is commendable. However, the magnitude of what might be described as "wasteful or superfluous government expenditure" is believed to be quite significant, with obvious repercussions on the overall effectiveness and efficiency of fiscal outlays. Hence, high priority development projects in critical development areas such as irrigation, malaria control and eradication, oxen distribution, cadastral surveys, urban and rural potable water supply systems, town planning, oil and gas exploration, export development, quality education, etc., have not received the high degree of attention they deserve. Further, fiscal decentralization, although commendable in principle, has in Ethiopia actually tended to exacerbate centrifugal sentiments because of its ethnic underpinnings. Only anecdotal and theoretical evidence and arguments can be adduced in this respect. The main complaint is that political power is not, ethnically speaking, proportionately distributed as a result of which the ostensible patronage system is not free of ethnic favoritism in the allocation of public resources, despite attempts by the government to introduce a more sophisticated budget allocation formula (Keller 2002). As pointed out above, another notable weakness pertains to the auditing of government accounts, which is either not done at all or done irregularly or improperly, thus leaving room for legitimate doubts and allegations.² Yet another policy area in government finance which needs to be looked into is government deficit financing which at present is not subjected to any clear-cut regulation and control other than being subject to parliamentary approval, which, in and of itself, cannot guarantee technical restrictions on its impact on inflationary pressures to tolerable levels.

² According to the Ministry of Finance and Economic Development, fiscal audits are not open for public scrutiny; it is not known whether such audits are conducted on a sample or comprehensive basis and the last audited accounts prepared are for E.F.Y. 1997.

1.1.4 Policy Recommendations

As pointed out above, the government's remarkable efforts to augment the country's fiscal resources are highly commendable, but it would be advisable to consider the following broad recommendations in order to improve the state of government finances:

- Revisit the country's basic economic and social development priorities and re-configure government expenditure accordingly, with a view to minimizing and eliminating wasteful and superfluous expenditure such as expenditures on non-essential or redundant government institutions including, for example, Ministry of Capacity Building, Civil Service College, Anti-Corruption and Ethics Commission, Ombudsman, etc. (Capacity building should be tackled by each government institution. At any rate, why create a new giant ministry when strengthening the already existing Federal Civil Service Agency (FCSA) might well have been sufficient. (ECSC 2007). The Civil Service College should be incorporated into the conventional system of higher education. If police and judicial services are strengthened, there will be very little justification for the Anti-Corruption and Ethics Commission. These are just a few examples which could be multiplied several fold by going through the list of govt. institutions) (Tekle-Birhan 2006).
- Maintain a strict time schedule for the production and presentation of fiscal audits by qualified internal and external auditors; and
- Put technical restrictions linked to the growth of money supply, the rate of inflation, exchange rate depreciation, etc., on the magnitude of government deficit financing.

1.2 Banking, Microfinance, Insurance and Corporate Finance

1.2.1 Main Policy Reforms and Features

Banking and Microfinance: The broad policies on banking as a sub-sector of the finance sector emanate from the types of functions performed by the National Bank of Ethiopia (the central bank), commercial banks, development banks and microfinance institutions, the latter being nothing but mini-banks.

The National Bank of Ethiopia exercises supervisory authority on banks and insurance companies in order to ensure their financial and operational soundness. It performs this duty through enforcing regulatory and supervisory directives issued by it from time to time. Policies related to the functions of the National Bank itself include the maintenance of adequate foreign reserves, formulating monetary policy consistent with stable inflation and exchange rates and sustainable overall economic growth, ensuring the soundness of the country's financial system and providing banking services to the government and to other banks.

With regard to commercial banks, insurance companies and micro-finance institutions, the major policies include the following:

- Foreign ownership of financial institutions either partially or wholly is prohibited by law;
- Minimum capital requirements must be met by local companies;
- NBE's foreign exchange regulations must be observed in foreign financial transactions;
- Other supervisory and regulatory directives issued by the NBE must also be complied with;
- Microfinance institutions may develop into conventional banks provided certain regulatory requirements are fulfilled; and
- Financial institutions are allowed to perform all customary functions and services unless specially prohibited by law.

Of course, all these policy measures are being enforced within a financial-sector context which has been significantly liberalized compared to the Soviet-type banking system under the Derg regime, whereby the central bank (the NBE in Ethiopia's case) played the pivotal role of servicing the country-wide financial plan, partly prepared by the NBE, through the extension of loans and credits by the NBE itself and a few specialized banks (CBE, AIDB, and HSB) on the basis of instructions from high-level decision - makers. In the case of insurance, the state-owned Ethiopian Insurance Corporation had a monopoly on insurance business. Likewise, the formation and running of saving and credit cooperatives, in reality the equivalents of today's micro - finance institutions, was state-driven, the NBE serving as a coordinating and supervisory authority (World Bank 1998).

All this has changed since the advent of the EPRDF's government in May 1991. The banking and insurance sector has been opened up to domestic investors (but not to foreign ones). As a result, several new private banks and insurance companies have been established. Although quite a few micro-finance institutions were partly the results of regional-government initiatives, many others were established through untrammelled private enterprise. Except for the

minimum bank deposit interest rate, all interest rates have been liberalized and are basically now determined by the market forces of demand and supply.

As regards corporate finance, the main basis for policy formulation is still the Commercial Code of Ethiopia issued in 1960. Corporate bodies are allowed to raise capital and other funds through the issuance of shares and debentures and taking recourse to the domestic banking system. Their foreign exchange transactions, including the transfer and remittance of dividends and profits, are subject to NBE's foreign exchange regulations.

Regarding pension funds in the public sector, they are collected from government and employee contributions on the pay-as-you-go basis while in the private sector the main instrument is the provident fund system. Public sector pension funds may be invested in relatively safe assets including treasury bills and government bonds, ostensibly for the benefit of pensioners (World Bank 1998). The major financial implementation instruments in the banking and micro-finance sectors are demand deposits, savings and time deposits, drafts, CPOs, LC's, etc.

1.2.2 Achievements, Challenges and Constraints

Achievements: There is little doubt that Ethiopia's financial sector has been significantly liberalized with the establishment of some 18 private commercial banks and insurance companies and nearly 30 private-sector-owned micro-finance institutions. Interest rates and premiums are largely market-determined. The private banking sector is now among the most profitable sectors, earning handsome dividends for private shareholders (NBE 2005/2006). However, two of the state-owned banks namely the Ethiopian Development Bank and Construction and Business Bank do not seem to have performed nearly as well. The latter was long slated for privatization, which never came to fruition, giving rise to what one analyst described as "a sort of operational limbo". The former is said to suffer from the effects of "directed credit" (loans extended on instructions from the powers that be) which has saddled it with a considerable number of what are known in the jargon as non-performing loans.³

On the other hand, monetary policy formulation and supervisory and regulatory capacity of the NBE has improved appreciably but not to the desired level. Although even sophisticated econometric methods are used to estimate the relationships between and among monetary and other variables, failure to utilize existing internal high-level organizational bodies (particularly the

³ These well-founded allegations cannot be statistically confirmed as access to detailed official accounts is restricted.

Executive Committee) for regular monetary and macro-economic policy discussion has diluted the serious technical efforts being made in this respect.

Similarly, financial sector supervision and regulation by the NBE has made significant technical strides. The supervisory and regulatory work is now being done on the Basel-inspired and monitored CAMEL basis, the acronym standing for the beginning letters of each of the major evaluation factors, namely capital adequacy, risk-weighted assets, etc. (NBE Supervision). However, NBE is not fully independent in presenting its findings as they are. It has often tended to be rather "economical with the truth", for example, by not being forthright with sensitive issues such as "directed credit", non-performing loans (NPL'S), sizeable "non-performing loans" to Eritrean banks, the financial profitability and sustainability of micro-finance institutions, etc.

Perhaps the most remarkable development has occurred in the micro-finance sector where the number of such institutions increased from practically zero to nearly 30 in a matter of only a few years. Micro-finance is an area where gender issues and marginal groups are prominently addressed. Women and poverty-stricken individuals have been the main beneficiaries (approaching 2 million) of the micro-finance system in Ethiopia. Similar quantitative expansion is observed in the insurance sector (9 private insurance companies are in operation at present), but the extent is below expectations. For example, domestic re-insurance services are limited, implying foreign exchange leakages to obtain such services.

A finance policy synthesis would be incomplete without mention of the securities market, which in Ethiopia mainly comprises treasury bills, although an intermittent bond market is also in existence. Only primary markets for these instruments exist, implying their limited impact as a result of the absence of secondary markets, which in fact are the sine qua non for a vibrant such market.

Challenges: Several challenges could be identified here, namely the issues of promoting fair competition in the sector, of what to do with the three state-owned banks and one insurance company, making use of technical progress in monetary policy formulation to attain practical results, making micro-finance institutions truly financially independent and last, but by no means least, getting rid of the existing excess liquidity (now mainly with CBE) in the commercial banking sector.

The challenge of promoting competition in the financial sector is contingent on further real-sector reforms being undertaken. Entry to the financial sector by domestic investors is not all that difficult at present even after the minimum capital requirement was raised from 10 million Birr to 75 million Birr. The main underlying problem so far appears to have been, at least until recently, lack of business caused by, despite official claims to the contrary, the rather low level of economic activity in the real (non-financial) sector of the

economy. The dominance of EPDRF-affiliated/sponsored business enterprises has stifled extensive free and fair competition, the result being a situation more like oligopoly than anything remotely representative of what economics textbooks would describe as "perfect competition"; prohibition of private ownership rights on rural and urban land has severely restricted the extent to which private enterprise would have flourished; particularly, failure to privatize nationalized urban houses has stunted and deformed urban development, with dire consequences for financial-sector business in terms of mortgages and house(home) insurance. Economic short-termism engendered especially by political uncertainties has also played a part in dampening private business initiative in the financial sector as well as in other sectors. In such a real - sector context, competition from foreign financial enterprises operating in Ethiopia would seem to be a veritable threat to their domestic counterparts - hence, the existing ban on foreign competition in the financial sector.

As regards the question of what to do with the three state-owned banks, the IMF has several times proposed that the CBE be broken up into 2 or 3 banks and be privatized. This has consistently been rejected by the government. On the other hand, the government had agreed to privatize CBB which, however, is still in government hands. The Development Bank of Ethiopia has been allowed to continue as a state-owned development bank focusing on medium and long-term investment financing, with funds sourced both from the government and international donors. The proviso is that it should operate mainly on commercial principles with independent management. Western donors, as represented by IMF and World Bank, still press for privatization of CBE and CBB on the ground that state ownership in the sector would undermine management based on commercial principles, and distort competition. On its part, the government has argued that state-ownership of banks is not such an uncommon practice including in developed economies such as that of Germany. At any rate, the issue still remains to be a challenge which should be permanently resolved one way or another.

The challenge pertaining to monetary policy (and the related exchange rate policy) involves making it the centerpiece of NBE's policy work by utilizing existing institutional mechanisms such as NBE's Executive Committee. The thinking here is that with such focus, the NBE would eventually succeed in overcoming underlying constraints such as the existence of huge excess liquidity in the banking system, which have hitherto hindered the application of conventional monetary policy instruments either to keep inflation in check or promote overall economic growth when the downside risks to inflation appear to be subdued.

With respect to micro-finance institutions, two challenges figure prominently: how to wean them from dependency on donor funds (domestic and

external) and how to graduate them to the next level of banking operations (BKP Development 2007).

Constraints: The main constraints on the desired rapid development of the financial sector include the low level of IT (information technology) development, shortage of skilled manpower, the low level of economic activity in the real sector and the prohibition of foreign participation in the sector. As a result, the expansion of banks and insurance companies has been limited (as against in Nigeria where the number of banks was over 80 before recent consolidation to about 25), the types and range of financial products are few and narrow, with services such as mobile phone banking, ATM's, consumer credit, mortgages, car loans, etc., still at a rudimentary stage. Similarly, IT connectivity through LAN and WAN is a novelty introduced almost on a pilot project basis by only two or three banks (e.g. Dashen Bank).

1.2.3 Critical Appraisal

As outlined above, substantial financial sector liberalization has been effected by FDRE; NBE's capacity in monetary policy formulation techniques and financial sector supervision and regulation has improved appreciably; and micro-finance institutions, catering mainly to the needs of micro and small-scale enterprises, have shown almost exponential growth.

However, the quantitative expansion of banks and insurance companies is still limited compared to the situation in other African countries. The quality and range of financial products leave much to be desired; competition in the financial sector is constrained by the low level of domestic real-sector activity as well as the ban on foreign participation; the dependency of micro-finance institutions on domestic and external donor funds is still quite high, thereby casting doubt on the true extent of their financial sustainability and profitability; and monetary and exchange rate policy is ineffective largely owing to the existence of huge excess liquidity in the domestic banking system.

1.2.4 Policy Recommendations

The problems, challenges and constraints assessed above would suggest that the following major policy measures would be in order:

- Convene NBE's Executive Committee regularly as recommended by the KPMG⁴ restructuring study to continuously deliberate on issues related to monetary policy, exchange rate policy, macro economic policy,

⁴ KPMG is a well-known professional services firm. The acronym stands for each of the names of the four original partners of the firm (Wikipedia).

financial sector prudential supervision and regulation, currency notes and coins management, reserve management and the like based on the relevant study reports to be provided by the Economic Research and Monetary Policy Directorate of the Bank;

- Undertake further structural economic reforms, especially in the area of private land ownership rights, privatization of extra houses nationalized by the Derg and re-configuration of government expenditure on strictly elaborated development priorities;
- Privatize CBB as planned;
- Do away with government intervention in the operations of CBE and DBE; particularly eliminate state-directed credit and intervention in operational management of the banks;
- Allow graduated foreign participation in financial institutions in Ethiopia, starting, for example, with a 15 - percent equity share;
- Wean micro-finance institutions away from government direct/indirect and foreign and domestic NGO grant assistance so that they may attain full financial sustainability and profitability in due course of time; and
- Initiate a joint and collaborative effort between government and the private sector to set up a stock exchange in Addis Ababa with a view to laying down the groundwork for the development of the country's securities market.

2. Tax Policy

2.1 Major Reforms and Features

Several tax policy departures from the policy under the Derg regime have been effected under FDRE. Among these, the devolution of taxation powers to regional administrations stands out prominently. Proclamation No. 33/1992 empowers regional administrations to levy and collect taxes on specified incomes and properties including land use fee and on profits of enterprises incensed by regional administrations. Other reforms include the introduction of capital gains tax, value-added tax and tax on interest income and the abolition of all taxes on exports except that on coffee (IMF 2006). Mention should also be

made of the introduction of "Taxpayer's Identification Number" (TIN)⁵ to facilitate registration of tax-payers and revenue collection.

Further, marginal tax rates have been reduced significantly. For example, the maximum marginal tax rate on income from employment has been slashed from 85 percent under the previous regime to 35 percent at present. Tax deduction and exemption thresholds have been raised; e.g. from 50 Birr to 150 Birr for monthly employment income. The number of taxable income brackets has been reduced from 16 (in some cases) to 5-6 currently.

Current tax policy uses tax exemptions and holidays as investment incentives more extensively than was the case in the past. Accordingly, agricultural investors are exempt from rural land use rent and income tax for the first ten years of operation compared to no such exemptions under the previous regime. Tax incentives are also given for export in the form of a duty drawback whereby customs duties paid on raw materials imported are refunded if the raw materials are processed domestically and re-exported.

Overall, the tax policy of FDRE is attuned to broadening the tax base (e.g. the introduction of a tax on interest income), reducing marginal tax rates, using tax exemptions selectively as incentives to promote investment and exports and to improving tax administration to boost revenue collection (IMF 1987).

Seen from the perspective of the so-called "canons of taxation" which lay down the fundamental principles informing taxation in general, FDRE's tax policy as a whole is at least nominally progressive as higher income brackets are taxed at higher marginal tax rates. However, as the 15 percent flat rate of VAT (value-added tax) does not exempt food, which constitutes over 60 percent of the expenditure of the poor and the very poor, its tax incidence may well be less than progressive although the relevant evidence is at present more anecdotal than anything that is broadly valid.

2.2 Achievements, Challenges and Constraints

Achievements: FDRE's tax policy has succeeded in broadening the tax base by bringing more taxable income sources into the tax net. Among the new tax bases interest income and capital gains are worthy of mention. The significant reduction of the maximum tax rates should also be regarded as an achievement as excessive taxes are a potent deterrent to business expansion and new investment and to the resultant output increase and employment generation. The use of tax policy to promote domestic and foreign investment and exports is also a positive development. In addition, the introduction of presumptive taxation (whereby tax obligations are estimated by indirect methods) and tax

⁵ <http://www.mor.gov.et/ecaweb/>

identification numbers, together with computerization, has modernized tax administration and improved the revenue collection potential although presumptive taxation has often been a bone of contention between taxpayers and the tax authorities. On the other hand, the granting of tax-levying and tax-collection powers to regional administrations is a moot point, given the weakness of their administrative capacities and the alleged exacerbation of centrifugal sentiments which such powers seem to have engendered.

Looking at some relevant statistics, we observe the following: total tax revenue as percent of GDP increased from 10.1 percent in 1999/2000 to 12.7 percent in 2004/05, indicating that some of the positive tax measures mentioned above may have contributed to the appreciable increase in the ratio. However, compared to periods under the previous regime, the comparison does not come out all that favourably. For example, the domestic tax and non-tax revenue as percent of GDP in the period from 1981/82-1984/85 averaged above 21.7 percent compared to only 16.4 percent (including non-tax revenue) for the 2001/02 - 2004/05 period, showing that, excessive though the tax rates were, the actual tax effort was significantly higher in the past (IMF 1986, 2006). On the other hand, the putative positive effects of the tax incentives on GDP growth and exports are difficult to ascertain as several other factors also contribute to the growth in these variables. At any rate, for whatever it is worth, one may cite the positive developments in the ratio of total value of exports to GDP, which picked up appreciably from 6.1 percent in 1999/2000 to 7.4 percent in 2004/05, indicating the increasing foreign orientation of the country's GDP- i.e. an increasing percentage of it is being exported. Official national accounts figures indicate high growth for GDP in the last four years, averaging above 9 percent per annum, but as pointed out above, it is extremely difficult to isolate the impact of tax incentives on these favourable developments.

Challenges: Tax collection from micro and small and some medium scale businesses is difficult as they largely operate in what is known as the informal sector or the underground economy, with only rudimentary books of accounts or, in the majority of cases, no such accounts at all. Another challenge is the difficulty of applying the "canons of taxation" which, among other things, propound that taxes should be levied in accordance with the principle of "ability to pay" and "benefits received". In this connection, as hinted above, tax rates which appear to be progressive in nominal terms may turn out to be quite regressive in their incidence, thus effectively taxing the relatively poor more heavily than those who are relatively rich. Some allegations have been made against VAT in Ethiopia in this connection, although empirical evidence to verify it is rather hard to come by at present. VAT is also blamed for tax cascading (which in effect is a sort of internal double and multiple taxation)

although firm verification here too is quite difficult, except repeated complaints coming from shopping customers.

The low effectiveness of tax incentives in the absence of complementary and structural reforms is a challenge which cannot be ignored. In this respect, the problem of persistently low foreign direct investment inflow into Ethiopia despite substantial tax incentives in the form of income tax holidays and customs duty exemptions is a case in point. Foreign direct investment inflows into the country are among the lowest in Africa, with an annual average well below the 500 million USD mark in recent years compared to, say, 9 billion USD for Egypt in 2006/07. Tax incentives should be combined with good infrastructure, secure property rights and, above all, peace and stability to make Ethiopia a truly attractive destination for foreign direct investment.

The problem of what one may call unintended consequences is another challenge. As in the case of all taxes, the maximum customs tariff on imports was slashed from about 200 percent under the previous regime to 35 percent at present. Unfortunately, while cheap Chinese imports were an unmitigated boon for consumers in Ethiopia, domestically produced import substitutes suffered significantly, leading some to describe the situation as a "catastrophic process of de-industrialization". In other words, industrial products from China and other countries undercut their domestic counterparts so much so that some local industries were driven to bankruptcy. Shoe, textiles and garment factories were particularly hard hit.

Constraints: With respect to tax policy per se, the main inherent constraints may be broadly identified as: the low tax base attributable to the low per capita income of the population; high population growth requiring ever-expanding government expenditure for basic services such as health and education; the danger of opening up the economy to foreign competition through substantial tariff - reduction; the necessity to put in place a whole incentive package to attract foreign direct investment, and not just a tax incentive package; the "underground" nature of most businesses in Ethiopia from which tax collection is a gargantuan task.

Low per capita income implies the foregoing of significant tax revenue through higher thresholds for tax exemption, but a burgeoning population requires increased tax revenue and government expenditure; global competitiveness demands foreign trade liberalization through tariff reduction, but this could prove lethal if not properly calibrated and sequenced; a substantial amount of revenue may be sacrificed by way of tax incentives given in the hope of promoting domestic and foreign investment, but this may come next to naught if complementaries are not adequately factored into the broader equation. As indicated above, these inherent constraints have actually led to practical problems of no mean adversity.

2.3 Critical Appraisal

The government's attempts to rationalize and streamline the country's tax system and policy should be appreciated. The effort to improve tax administration through the introduction of TIN and computerization is also a positive development. On the negative side, abrupt reductions in tariffs on imports have had visible adverse effects on as-yet-uncompetitive domestic industries. The popular impression that VAT is fraught with tax cascading should also be considered to be more of a minus than a plus. The fact that tax incentives alone cannot attain the desired objective is no less than a glaring reality in Ethiopia. In other words, tax incentives work only when packaged with other critical financial and non-financial inducements. Presumptive taxation will continue to face stiff resistance on the part of assessed taxpayers unless it somehow manages to "err on the side of mercy".

2.4 Policy Recommendations

The problems outlined above would indicate that efforts should be made to improve tax policy in Ethiopia with a view to attaining the following major objectives:

- to better coordinate tax incentives with other economic and financial incentives;
- to allow an adequate period of adjustment for domestic industries;
- to dispel doubts about the alleged cascading effect of VAT, and
- to correct the reported bias of presumptive taxation towards over-estimation.

To this end, the following recommendations are put forward for consideration by the concerned authorities:

- improve and consolidate property rights (including those on land), allocate more budgetary funds to physical infrastructure and education and maintain internal and external peace and stability in order to enhance the effectiveness of tax incentives through complementarities and synergies;
- raise customs duties on imports which are domestically produced as major import substitutes for a specified period of time (say, for the next ten years);

- undertake an empirical study to determine whether VAT has led to internal multiple taxation as alleged by some and take action on the basis of its findings;
- establish a flat mark-down rate for presumptive taxation arrived at through standard estimators to reduce its alleged bias to over-estimation.

3. Monetary Policy

3.1 Policy Reforms and Features

Monetary policy aims to strike a balance between economic growth and inflation, the objective being to foster overall growth without triggering a rate of inflation considered to be unacceptably high. What is considered to be a high rate of inflation still remains a debatable issue. In developed European countries, anything above 2 percent annual inflation is being frowned upon.⁶ The same holds true for USA although the Federal Reserve Board (America's central bank) does not have an explicit inflation target.

In developing countries, a much higher rate of inflation may be tolerated on the ground that the magnitude of idle resources, particularly land and labour, is higher and that as a result the volume of monetary expansion that can in due course be absorbed is likewise significantly higher. On the other hand, the counter argument that, despite the existence of larger idle real resources, inflationary pressures could prove persistent and disruptive because of weak supply responses attributable to institutional rigidities, cannot easily be disposed of. In other words, the gestation period between the conception of a project idea and its final commissioning is very long, implying that the credit financing of development projects may well be excessively inflationary in its monetary impact.

Be that as it may, Ethiopia's monetary policy does appear to be based on considerations such as those cited above, but with hardly definitive practical applications and results. NBE's (National Bank of Ethiopia's) current monetary policy aims to contain domestic inflation within a single digit, i.e. no higher than 9 percent (NBE 2006). Inflation here is defined as core inflation which means inflation other than food price inflation. The NBE failed to meet its core inflation target beginning around January 2007 when a rate significantly higher than the 9 percent maximum target (12.4 percent in Jan. 2007) was recorded (NBE 2007). In response, the NBE did raise the minimum bank deposit rate from 3 percent to 4 percent in July 2007, hoping that the move would induce

⁶ See, for example, WWW. Bank of England. com.UK.

people to save rather than spend money and discourage domestic borrowing as a result of higher lending interest rates. However, core inflation has remained well above the target rate, suggesting that NBE's monetary policy measure has been ineffective so far.

The philosophy behind NBE's monetary policy is the same as in other countries, i.e., to control the determinants of money supply in order to reduce domestic credit which in turn would restrict monetary expansion, the main putative cause of domestic inflation. Domestic credit is only one of the major components of money supply, the other being the increase in net foreign assets (foreign exchange). However, this latter component is self-correcting in the sense that with increased foreign exchange, more goods can be imported from abroad, thereby offsetting the potential inflationary impact. Increased foreign exchange becomes inflationary only when its local currency counterpart (after conversion) is spent on domestically produced goods, particularly on such goods without satisfactory import substitutes- e.g. Teff in Ethiopia's case.

As is the case with other central banks, the NBE attempts to use the policy instruments listed below to implement its monetary policy:

- the rate of interest
- the reserve requirement
- open-market operations
- government deficit-financing limit and
- moral suasion

Theoretically and in practice, the NBE should have used the NBE's own bank rate or discount rate for the purpose of moderating monetary expansion when it proves to be beyond reasonable targets. The bank rate or discount rate is typically the rate at which other banks borrow from the central bank either directly or indirectly through discounting commercial paper or any other eligible financial instruments. Such transactions have not yet materialized, thus forcing the NBE to use the minimum bank deposit interest rate as a proxy. The main reason why such central bank - commercial bank transactions have not so far transpired is largely because of the more than sufficient liquidity (in fact excess of liquidity) of commercial banks, particularly that of the Commercial Bank of Ethiopia, which is still by far the largest commercial bank. The relatively high liquidity of the commercial banking system in Ethiopia is attributable to several factors including increased inward foreign currency remittances from Ethiopian expatriates, higher domestic savings kept in banks for lack of alternative investment outlets such as stocks, lower than potential economic activity, etc.

The minimum bank deposit interest rate is used as an alternative interest rate monetary policy instrument as described above. When inflation accelerates

and approaches the maximum single digit level mentioned above, the NBE raises the minimum deposit rate, hoping that this would force commercial banks to raise their lending rates to their customers who would presumably reduce their recourse to bank borrowing, deterred by the higher rates. As pointed out above, this has not been the usual outcome.

The reserve requirement monetary policy instrument operates in a slightly different manner. Commercial banks are by law obligated to maintain a certain percentage of their liabilities with the NBE. This percentage varies depending on the macro-economic situation. If inflation is low and economic activity appears to be rather sluggish, the NBE would have no cause to increase the reserve requirement as this would theoretically make things even worse. However, if inflation and credit expansion are high, then the NBE may raise the reserve requirement, the logic being that by so doing commercial banks would be deprived of extra cash on the basis of which they would "create money". This would hopefully moderate the rate of monetary expansion and therefore the rate of inflation. This in fact is what the NBE did in response to the recent bout of inflation and credit expansion. It raised the reserve requirement from 5 percent to 10 percent in July 2007 - i.e., together with the rise in the minimum bank deposit rate.

With respect to open-market operations (OMO), the idea is to mop up liquidity in the economy through the sale of securities (say, treasury bills) when inflation threatens and release liquidity back into the economy through the repurchase of securities when inflationary pressures are low. Treasury bills, which in fact were introduced under Haile-Selassie's regime in 1969 (IMF 1970) are the main OMO instrument, although their main purpose originally was for use as a mechanism for government deficit-financing. At present, T. bills are used both for monetary policy and deficit-financing purposes. In the former-role, treasury bills are sold to commercial banks in the hope of restricting their money creation powers via depriving them of reserves (cash). For example, nearly 49 billion Birr worth of Treasury Bills was sold to commercial banks during the first nine months of 2006/07, part of it for deficit - financing and part for monetary policy purposes. In the latter case, the proceeds of the sale are sterilized in the NBE so that government spending will not offset the initial liquidity withdrawal from the banking system. However, the OMO mechanism has largely failed owing to the existence of excess liquidity in the domestic commercial banking system. In other words, there would have been no clients to borrow the money and spend it (thereby creating inflationary pressures) even if the commercial banks had not bought the T. Bills.

The other, not usually explicitly stated, mechanism for monetary policy is the limit put on the magnitude of government deficit financing. Although the NBE has no power to set this limit, it is consulted by the government to ensure

that deficit financing is in line with price and exchange rate stability. This is done through the high-level Macro-Economic Team composed of ministers of key economic ministries and institutions including the NBE. The monetary policy objective behind the deficit-financing limit is to restrain government spending with a view to reducing pressure on real resources in the economy.

In conjunction with these major monetary policy instruments or separately, the NBE may use moral suasion to persuade commercial banks to act in a manner consistent with the dictates of the macro-economic situation of the day.

Broad comparisons with the Haile-Selassie and Derg periods show some striking differences and similarities. During the former period, the NBE's discount rate, direct advances to commercial banks, the reserve requirement and moral suasion were used as monetary policy instruments (NBE 2006). During the Derg period, monetary policy in the conventional sense of the term was non-existent, the so-called financial plan (including bank credit) being subservient to central planning. Preferential interest rates were used to promote the then high-priority socialization process (NBE 2006).

3.2 Major Achievements, Challenges and Constraints

Achievements: In the area of monetary policy, the major achievement is largely technical. The theoretical foundations of monetary policy and the transmission mechanism from monetary expansion to inflation have been better mastered by qualified professionals. Econometric techniques are now used to quantify the relationship between money supply and inflation and other relevant variables.⁷ Liquidity and inflation forecasting is done more or less on a regular basis. The various monetary policy instruments are now better understood, although not much can be done about their low effectiveness. Organizationally, the term "monetary policy" has been added to the previous Economic Research Dept., which has also been upgraded to a Directorate status to better reflect the core importance of monetary policy in NBE's functions and activities. A separate Monetary Policy Committee has also been set up to deliberate largely on monetary policy matters. Quarterly, bi-annual, nine-month and annual monetary policy reports are prepared as backgrounds for these deliberations. However, meetings are not regularly held and the effectiveness of the Monetary Policy Committee has often been called into question.

Challenges: The overarching challenge is how to make monetary policy effective in Ethiopia. This means being able to take monetary policy measures that will dampen inflation when it goes out of hand and stimulate overall

⁷ See, for example, Macro-Econometric Model developed by the Economic Research and Monetary Policy Directorate of the NBE.

economic growth at a time of recession if this is not occurring in its worst form of stagflation (i.e. recession plus high inflation). This challenge far transcends mere technical capabilities which admittedly should continue to be improved and enhanced. The challenge embraces far-reaching structural economic reforms, including land property rights, which would give rise to a reasonably well functioning free-market economy with a high degree of credit financing, high responsiveness to interest rate changes and a well-functioning securities market.

Constraints: The constraints appear quite numerous: the existing excess liquidity in the commercial banking system emasculates monetary policy. As pointed out earlier on, the excess liquidity is partly a reflection of inadequate demand for credit which in turn can be traced to real-sector constraints; core inflation, which excludes food prices, is the relevant measure of inflation for monetary policy, but food constitutes over 60 percent of the consumer basket. Some may ask : "Of what use is it to control inflation, if inflation leaves out 60 percent of the problem?" This is quite a legitimate question. In developed economies, food and energy prices are excluded on the ground of volatility, but their share in the consumer basket is relatively low (about 14 percent in US). Best-practice statistical conventions recommend the exclusion of food prices, but the Ethiopian case seems to render the standard practice somewhat meaningless. Another major constraint has to do with the functioning of the entire economy. It has not been freed up sufficiently; so it is performing at a low level. Access to land is not free and fully competitive; private land ownership is prohibited by law; house title deeds are separated from the lands the houses stand on, although floors are integral parts of houses; government contracts are not awarded in a fully transparent manner (FEACC 2007).⁸ Infrastructure development is far from satisfactory (there is a considerable amount of superfluous expenditure in the government budget); the commercial law framework is not extensive and predictable enough. These and other constraints have generally caused the economy to perform far below its potential, which means demand for credit is relatively low, which in turn has given rise to excess liquidity in the commercial banking system (particularly the CBE). This, as pointed out above, has been the major constraint which has rendered monetary policy virtually ineffective.

3.3 Critical Appraisal

As stated above, the NBE has made strides in the technical formulation of monetary policy. Distinctions are made between headline inflation and core inflation as in developed economies. Liquidity and inflation forecasting is done almost on a regular basis. A macro-econometric model has been developed

⁸ FEACC - Federal Ethics and Anti-Corruption Commission.

containing a monetary policy block. A Monetary Policy Committee has been set up on the model of that of the Bank of England and the US Federal Reserve Board, and periodic monetary policy reports are being prepared. However, all this appears to be largely confined to the staff of the Economic Research and Monetary Policy Directorate of the NBE.

The technical knowledge and overall appreciation of the complexities of monetary policy do not seem to have fully reached the highest echelon of the Bank, putatively the Executive Committee which actually only exists on paper. As a result, the Executive Committee does not deliberate on monetary policy matters on a continuous basis. Only a select few are capable of relating the phenomenal rise in the world price of oil, the almost unprecedented decline of the US dollar against the Euro and sterling, the implications of oil subsidies by the Ethiopian Government, etc., to monetary policy. The above mentioned Monetary Policy Committee is now almost defunct. As a result, the paramount problem of the virtual ineffectiveness of monetary policy in Ethiopia has not been properly and systematically addressed. As indicated above, monetary policy in Ethiopia has been rendered ineffective largely because of the existence of excess liquidity in the commercial banking system. Even common sense would suggest that if there is an excess of loanable funds in the banking system, there must be something wrong on the demand side.

3.4 Policy Recommendations

A major part of the analysis above would almost automatically suggest that:

- monetary policy has been rendered largely ineffective as a result of factors beyond the immediate control of the NBE;
- however, the NBE's Executive Committee (which still exists on paper) has not given the issue of monetary policy the priority attention it should be given as the most important core duty of the NBE;

These fundamental problems would lead to the following recommendations:

- The Executive Committee of the NBE should convene on a regular basis to intensively deliberate on the findings of the periodic monetary policy reports and related memos and studies;
- The NBE as a member of the National Macro-Economic Team should actively forward concrete proposals to further free up, liberalize and reform the economy so that increased use of bank credit to finance productive economic activities may eventually get rid of the excess

liquidity in the banking system, thereby making monetary policy much more effective than has hitherto been the case;

- Adaptations should be made to international measures of inflation for monetary policy purposes taking into account the fact that food constitutes over 60 percent of the consumer basket in the Ethiopian case;
- Finalise the macro-econometric model and put it to use for the regular projection of monetary policy variables such as broad money, money supply, monetary base, consumer prices, etc.

4. Micro and Small Enterprises Development Strategy of Ethiopia with Particular Emphasis on the Role of Micro-Finance Institutions

4.1 Main Features and Policy Reforms

FDRE's development strategy regarding micro and small enterprises is articulated in its policy document entitled "Micro and Small Enterprises Development Strategy (MOTI 1997). The document defines micro enterprises as having a paid-up capital of not more than Birr 20,000 while small-scale enterprises are identified to be those with a paid-up capital of between Birr 20,000 and Birr 500,000.

An estimated 89 percent of all micro and small-scale enterprises (MSE's) are engaged in manufacturing, trade, hotel and restaurant activities. The number of people employed in MSE's is very significant (a sample survey conducted in 48 major towns in Ethiopia indicate a total of nearly 740,000). The sub-sector of small-scale manufacturing is comprised mainly of food processing, metallurgy, furniture and garments. These activities account for over 85 percent of the total. Other important details on small-scale manufacturing are as follows:

Average employee per industry	2
Average annual wage of employee	1914 Birr
Average annual operating surplus	18934 Birr
Average capital per industry	38354 Birr

The contribution of MSE's to GDP is not insignificant at nearly 3.5 percent. When compared to total industrial GDP and manufacturing GDP, MSE's contribution (33 percent and 52 percent, respectively) is quite considerable.

As in most other developing countries, problems and constraints faced by MSE's in Ethiopia include the following:

- shortage of raw materials
- inadequate availability of working premises
- lack of capital
- marketing problems

Using these observed problems and constraints as a starting point, FDRE will endeavour to create a generally enabling environment by providing the following tangible support services on a "fee basis":

- awareness creation
- needs identification
- training and skill upgrading
- marketing services
- micro-financing
- infrastructure
- establishment of a data bank on MSE's, and
- technology package

FDRE's MSE policy will accord high priority to MSE's which are based on local raw materials, are labour-intensive, show high intra and inter - sectoral linkages, are engaged in import - substitution with potential for exports and promote tourism. Because of the relative vastness of the MSE sector, the policy attempts to establish target groups and activities which are listed hereunder:

- small manufacturers with focus on food, textiles, leather, clothing, metal work, crafts
- self-employment (with focus on school leavers, disabled and unemployed youth)
- start-ups and business expansions with particular emphasis on those owned by women
- small enterprises in nomadic and disaster areas
- agro-businesses and small-scale farming and fishing
- small builders/contractors
- small exporters with comparative advantage and
- small-scale tourism-industry operators

In order to concretize the support services to be rendered to SME's, the government is committed to taking specific measures including the issuance of

appropriate legislations, (MSE finance proclamation, cooperatives promotion law, etc.), the streamlining of the regulatory framework, establishing links between MSE's and conventional banks and micro-finance institutions, providing tax incentives, facilitating access to appropriate technology, markets and technical and financial information, improving physical infrastructure, etc.

Several institutions have been entrusted with the task of implementing the FDRE's MSE development strategy, the most important of which are the following:

- Ministry of Trade Industry (MOTI)
- Regional bureaus
- Micro and Small Enterprises Development Agency (Federal Agency)
- Regional micro and small enterprises development agencies or designated organs
- Micro and small enterprises support service centers at local levels (zonal and wereda levels) and
- Business associations

An action program covering the period from 1998-2000 was prepared (see table 1) together with tentative sources of funding.

Table 1. Action Program (2998-2000)

Ser. No.	Tasks	Implementing Agency	Time and Schedules
1	Elaborate and approve MSE development strategy	MOTI	January 98
2	Establish technology database	ESTC	May 98
3	Define marketing support programs	MOTI/Reg. Govt.	March 98
4	Define infrastructural support programs	MOTI/Regional Govt.	March 98
5	Establish MSE development agency at federal level	Federal Govet.	February 98
6	Put in place private sector institutional arrangements	MOTI/Regional Govt.	January 98
7	Work out training program for training of trainers	MOTI/Federal MSED	March 98
8	Establish monitoring and evaluation system	MOTI	March 98
9	Establish regional MSE development agencies or designate organs	Regional Govt.	July 98
10	Select target towns for the programs	Regional Govt.	May 98

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11	Start implementing training of trainers program	Regional MSEDA	July 1998 onwards
12	Start implementing the program	Regional MSEDA	July 1998 onwards
13	Undertake midterm review	MOTI/Reg. Govt.	June 1999
14	Start implementing the expanded program-more towns covered	Regional MSEDA	July 1999 onwards
15	Redefine micro, and small scale enterprises to expand the target group	MOTI Reg. Govt.	1999/2000
16	Implement the expanded program	Regional MSEDA	2000 onwards

Note: MOTI - Ministry of Trade and Industry; ESTC - Ethiopian Science and Technology Commission; MSEDA - Micro and Small-Scale Enterprises Development Agency.

As may be recollected, policies towards private-sector activities under the Derg regime were generally inimical although handicrafts and small-scale industries were tolerated, even promoted, on the argument that the degree of labour exploitation was low or nil in the case of single-person self-employment or generally family employment. Accordingly, a Handicrafts and Small Scale Industries Development Agency (HASIDA) was established to cater to the needs of MES's. However, capital and licensing restrictions on private-sector enterprises were in force to ensure that private activities did not go beyond the pale (Gebre Hiwot and Wolday 2005). Similarly, access to bank loans and foreign exchange was restricted for private-sector enterprises in general, particularly for those which were not eligible on account of capital and licensing restrictions. On the other hand, preferential treatment was accorded to those handicrafts and small-scale enterprises which formed producers' or service cooperatives in line with the government's policy of promoting what was then called the socialization process.

4.2 Micro-Finance Institutions

FDRE's practical move to foster micro and small-scale enterprises came with the promulgation of Micro-Finance Institutions Proc.No. 40/1996. The preamble to the proclamation states the non-existence of legal instruments for "micro-financing institutions catering for the credit needs of peasant farmers and others engaged in small-scale production" (Proc. No. 40/1996), thereby justifying the need for such a proclamation. Micro-finance institutions in Ethiopia are actually mini-banks rendering most of the services provided by conventional banks including deposit-taking, drawing and accepting drafts, buying treasury bills and other similar securities, and above all, providing small loans and credits.

By the end of June 2007, some 27 micro-finance institutions were operating in Ethiopia, both in urban and rural areas. The largest two micro-finance institutions, namely Dedebit Credit and Saving Institution (DECSI) and Amhara Credit and Saving Institution (ASCI) account for more than 65 percent of the total micro-finance market (Befekadu 2007). The total number of clients, mostly poor, is fast approaching the 2 million mark, a considerable outreach when compared to the expansion rates of older similar institutions such as Grameen Bank, whose members numbered about 6.7 million in 2006 after over 30 years of operation.⁹ Outstanding loans and credits as of June 2007 reached the remarkable figure of 2.7 billion birr, with an average default rate of about 3.3 percent, indicating an impressively high rate of loan recovery, which is, however, somewhat less than that of Grameen Bank which is reported to be over 98 percent. The average loan amount is below Birr 1350 or about USD 150, which indicates the orientation of micro-finance institutions (MFI's) in Ethiopia to the poor. It is estimated that about 50 percent of the beneficiaries of the services of MFI's are women (Befekadu 2007).

4.3 Achievements, Challenges and Constraints

Achievements: Studies indicate that nearly 80 percent of MSE's now operating were actually established after the policy reforms effected by FDRE (Gebrehiwot and Wolday 2005). This is to be expected, given the policy bias in general against private enterprise and profit during the Derg period and by contrast the policy support given to private initiative under the current regime.

Evaluating the FDRE's implementation of its MSE development strategy, its most successful components are those related to the provision of micro-financing and institutional development. As mentioned above, micro-financing services are playing an increasingly critical role in the development of MSE's while the establishment of the Federal MSE Development Agency has provided an institutional framework for policy formulation, work coordination, guidance and feedback in SME development in the country:

As pointed out above, the number of micro-finance institutions, their outreach and their capacity to address gender issues as well as the common basic problem of poverty have expanded and improved over the years.

Challenges: Foreign competition, particularly from low-cost countries such as China and India, is a serious challenge especially in SME sub-sectors such as textiles (garments), shoes and leather, and furniture. Another big challenge is in the area of technology. What sort of technology would be appropriate to SME's whose domestic outputs should successfully compete with

⁹ Wikipedia.

their mass-produced import counterparts? Ethiopian-made shoes produced in small-scale factories are facing stiff competition from Chinese and Turkish imports. On the part of the government, a detailed identification of activities in the areas of both physical production and services which are relatively immune from aggressive foreign competition and which at the same time enjoy substantial domestic demand remains a challenge yet to be addressed more systematically than has hitherto been the case. For example, activities such as petty and small-scale trade, catering, personal care (e.g. barber shops), metal work, garages, etc., appear to be relatively free from the kind of stiff competition faced by products such as shoes and garments. Classification and standardization of SME's is still a huge problem. The definitions of micro and small-scale enterprises have varied as in the differences existing between those provided by the Central Statistical Authority and those used in the FDRE's Micro and Small Enterprises Development Strategy. Adopting uniform definitions is important both from the point of view mapping out the growth trajectory of SMES and from a legal perspective.

Constraints: The major constraints facing SME's have remained more or less the same over the years, with the possible exception of finance which seems to have been alleviated considerably with the expansion of micro-finance institutions. Lack of working premises, which is perhaps the most serious constraint at present, continues to pose a formidable threat to the future expansion of SME's. Relentless population growth and government monopoly ownership of land have caused acute land shortages both in urban and rural areas, leading to skyrocketing implicit land prices and explicit house rents (Wolday et al. 1997). Other major constraints include the lack of:

- Entrepreneurial and managerial skills
- infrastructure
- marketing facilities, and
- skilled manpower.

4.4 Critical Appraisal

The remarkable quantitative expansion of micro-finance institutions, which cater to the needs of SME's, is worthy of commendation. Although MFI's are still significantly subsidized, their financial sustainability, as measured by return on assets and return on equity is reported to have improved in recent years (2001-2007) (Befekadu 2007). Other indicators such as the dependency ratio (donated capital to total capital ratio) and the ratio of retained earnings to total capital evince similar financial sustainability trends. The so-called NPL's (non-performing loans) are also moving in the right direction, i.e., down.

However, care should be taken in the interpretation of official statistics on MFI's as they are often colored by political considerations. Although alternative statistics are difficult to obtain, critics cite anecdotal data to argue that dependency ratios and default rates of MFI's are substantially higher than depicted by official figures. They also maintain that MFI profitability is also lower despite interest rate changes as high as 24 percent. Be that as it may, there is little doubt that MFI's have contributed to SME development in Ethiopia since their inception in 1996. Major activities financed by MFI's include cattle fattening and rearing, crop and cattle trading, small shops in rural areas, wood and metal work and urban trade.

On the other hand, not much is done on the part of the government to insulate MSE's from aggressive foreign competition either through providing technical advice on products and services which are relatively immune from external competition or through some sort of selective tariff protection. In fact tariff protection was slashed from a maximum of more than 200 percent under the Derg regime to less than 40 percent now. Likewise, the government's monopoly on land ownership has significantly arrested building and house construction, thus perpetuating the major MSE constraint of working premises mentioned above.

4.5 Policy Recommendations

Some of the policy recommendations that come to mind after the kind of analysis done above may well be quite obvious, but what is extremely difficult is their actual implementation; for example, consider the following major proposals:

- As part of the country's overall town planning work, allocate specific areas for MSE's in zones designated for industrial development in general;
- End state monopoly on land ownership and lay the groundwork for the establishment of a well-functioning land-cum-house market (where land speculation is prohibited by law) so that, particularly in urban areas, the construction of houses, buildings and other premises may be accelerated much more than at present through private sale and purchase of urban properties - the outcome being a rapidly increasing building and housing stock some of which may be used to house MSE's.
- Redirect what may be described as "superfluous expenditure" in the government budget towards essential infrastructure development in

order to improve such facilities available to MSE's (water, electricity, access roads, markets, storage facilities, etc.)¹⁰

- Strengthen NBE's (National Bank of Ethiopia's) on-site and off-site supervision of micro-finance institutions with the aim of:
- ensuring that qualified personnel are assigned to key positions in MFI management;
- Making sure that basic risk management techniques are applied in the granting of loans and credits; and
- ensuring that reasonably accurate books of accounts are maintained.

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¹⁰ See, for example, expenditures on government institutions which may sound valuable but actually are far from being high priorities such as Ethiopian Civil Service College and Science and Technology Commission.

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A Review of the Ethiopian Energy Policy and Biofuels Strategy

Bekele Bayissa

1. Background and Introduction

Energy is the motive force that drives the modern economy. It is the basis of industrial civilization and without energy; modern way of life would cease to exist. All production activities: be it industrial, agricultural or mining; and basic services such as transportation, communication and health are not possible without the provision of energy. Energy is, therefore, very essential for socio-economic development and as such a strategic service and/or commodity that has to be made available at all times and desirably at affordable price.

The Federal Democratic Republic of Ethiopia (FDRE) has formulated several sectoral policies with the objective of enhancing the development of the respective sectors and the socio-economic development of the nation as a whole. However, the wider public, including key stakeholders, generally have limited access to and awareness of the sectoral policies and implementation instruments of the policies. The following review presents an analysis of the energy sector.

The review first presents sections that deal with issues related to the energy policy. This is then followed by sections on the biofuels strategy, which is based on the energy policy. The sections that discuss the energy policy first present the synopsis of the energy policy, following the sequence of the chapters of the policy document, which is only prepared in Amharic. The synopsis is, therefore, based on unofficial English translation and the author's own translation. The content and brief descriptions of the issues raised in each chapter of the policy document are given in the synopsis.

Following the synopsis, a critical review of the policy document is presented. The review is also made on each of the sections of the policy document. The appropriateness of the policy statements, their shortcomings and the gaps are discussed. Next to the critical review, achievements, challenges and constraints in the implementation of the policy are assessed. The achievements and the problems encountered are evaluated in terms of meeting the objectives set in the policy.

The sections that deal with the biofuels strategy are also presented in a similar manner outlined above for the energy policy. First, the synopsis of the biofuels strategy is presented followed by a critical review of the strategy

document. Then, achievements, challenges and constraints in the implementation of the strategy are discussed.

Finally, conclusions and recommendations with measures that have to be taken to improve both the policy and the strategy and also their implementations are given one after the other.

2. Synopsis of the Energy Policy of Ethiopia

The 1994 Energy Policy of Ethiopia was prepared during the period of the Transitional Government of Ethiopia (1991 to 1994) and issued in May 1994. It is the first ever energy policy in Ethiopia, although there had been a lot of sectoral energy plans and programs, and several attempts to formulate a national energy policy.

The policy document has the following six chapters:

- i) Preamble,
- ii) Rationale for the Policy,
- iii) Main Policy Objectives,
- iv) General Directions of the Policy,
- v) Priorities of the Policy, and
- vi) Main Policy Issues.

The preamble consists of two sections discussing the general role of energy in development, and the relationship between energy policy and the strategy for economic development. It indicates that 94% of the country's energy demand in 1990 was met by traditional energy sources such as fuelwood, charcoal, branches, dung cakes and agricultural residues. The balance (6%) was met by commercial energy sources such as electricity and petroleum. The document further points out that the per capita energy consumption in the country in 1990 was 292 kg of oil equivalent, which at the time was very low even among the per capita energy consumption of many of the developing countries. Similarly, the GDP per tonne of oil equivalent was Birr 1,513 in 1990. This figure was very low compared to that of developed and developing countries.

The chapter on the rationale for energy policy presents the basis for the need for the energy policy. It emphasizes that in order to properly address the energy problems in the country in all aspects, it is necessary to formulate a comprehensive national energy policy which ensures least-cost development consistent with the country's energy resource endowment and socio-economic policies. The need for the policy is further indicated to be based on eight major points that include:

- Making the development and utilization of the country's energy resources on the basis of overall development strategy priority, along with the introduction of energy conservation and efficiency strategy;
- Saving scarce foreign exchange resources and ensuring that energy is efficiently utilized;
- Ensuring reliable and secure energy supplies to cushion the economy from external and internal disruptions of supply as well as price fluctuations; and
- Changing the current energy production and utilization practices and ensuring that energy development is based on sound management practices and is benign to the environment.

The general objectives of the policy, presented in chapter 3 of the document, include the following:

- To ensure a reliable supply of energy at the right time and at affordable prices, particularly to support the country's agricultural and industrial development strategies adopted by the government;
- To ensure and encourage a gradual shift from traditional energy sources use to modern energy sources;
- To streamline and remove bottlenecks encountered in the development and utilization of energy resources and to give priority to the development of indigenous energy resources with a goal toward attaining self sufficiency;
- To increase energy utilization efficiency and reduce energy wastage; and,
- To ensure that the development and utilization of energy is benign to the environment.

Chapter 4 presents general directions for the energy policy. It is argued that the energy policy enables to enhance economic development, and should, therefore, be coherent with the energy potential of all economic sectors and focus on the means to satisfy their needs for energy. The document enumerates fourteen main directions that would enable the country to achieve the policy objectives. The general policy directions indicated are the following.

- To enhance and expand the development and distribution of hydroelectricity with emphasis on mini-hydropower development in accordance with the general economic and social needs of the country;

- To promote and strengthen the development and exploration for natural gas and oil;
- To greatly expand and strengthen agro-forestry programs;
- To provide alternative energy sources for the household, industry, agriculture, transport and other sectors;
- To introduce energy conservation and energy saving measures in all sectors;
- To ensure the compatibility of energy resources development and utilization with ecologically and environmentally sound practices;
- To make effort so that the development, supply and utilization of energy is based on the principle of self-reliance;
- To facilitate and encourage the participation of the private sector in the development of the energy sector at various levels in accordance with the economic policy of the country;
- As women are the first to be affected when there is energy crisis, to ensure the participation of women in energy development, supply and utilization planning and find means and ways for using the time and labor wasted to fetch energy for other productive purposes;
- To integrate and raise the development of rural energy with the activities of agriculture, environment protection and general rural activities;
- To enact, regularly evaluate, and implement energy pricing policy coherent with the energy policy and incorporating various evaluation criteria.
- To strengthen energy science and technological research and development, and institute energy information management in all economic sectors and at the country level;
- To create awareness, through schools and mass media, among the general public regarding energy resources development, supply and utilization;
- To create an appropriate institution to follow up and implement the energy policy.

Chapter 5 states that as the process of development and consumption of energy is inseparable from and supportive to the growth of other economic and social sectors, the consumption of one form of energy could enhance or hamper

the development of another form of energy. It further asserts that priorities would be given to six areas in developing the energy sector. The priority areas include the following:

- Development of modern energy shall be based on hydro-power resource development;
- Expanding reforestation to meet the traditional energy needs and taking appropriate policy measures to achieve a gradual transition from traditional energy fuels to modern fuels;
- Creating conducive situations for direct use of petroleum and natural gas development and exploration studies for power generation, households and the industry, giving high attention to energy efficiency;
- Development of competent and sufficient human resource in the field of energy;
- Installing infrastructure in areas where energy development activities are carried out and taking other measures to encourage investors to participate in the development of the energy sector.

Chapter 6 is the part where the main policy items are presented. It has the following five major sections:

- Energy Resource Development,
- Supply of Energy,
- Energy Conservation and Efficiency,
- Comprehensive (Cross-Cutting) Policy Measures, and
- Energy Institutional Issues.

The policy elements put under the section on energy resource development are six and focus on traditional and modern energy, especially on energy from local resources. The policy measures stated are:

- Countrywide afforestation program will be undertaken to enhance the supply of fuelwood to consumers;
- Modernize and increase the efficiency of utilization of agro-residue as energy source in order to reduce the negative effects of agro-residue use for energy on soil fertility;
- Hydropower will form the backbone of the country's energy sector development strategy, as it is the country's most abundant and sustainable energy resource;

- Geothermal, coal, solar, wind and other energy resources will be developed for electric and other power generation on the basis of their economic profitability;
- Natural gas resources will be developed and utilized to meet as much of the country's energy demand as possible; and
- Promising areas for oil and natural gas will be explored by providing incentives to private companies engaging in exploration activities.

The section on the supply of energy stresses that it is required to improve and adjust the supply of energy in order to meet the demand for energy of the economic sectors. Accordingly, it provides four policy items including:

- Increasing the supply of fuel wood, introducing alternative fuels and modern energy, and taking other measures to narrow the gap between supply and demand for household fuels and to stabilize their prices;
- Ensuring sufficient and timely supply of transport energy by partially substituting petroleum products used in the transport sector with locally produced other forms of energy;
- Enhancing the development of the agriculture sector by supplying the sector with modern energy generated from hydro, geothermal, solar, wind, etc. sources;
- Making industrial energy supply compatible with the industrial development and economy of the country, and based on local energy resources; and
- Industrial project studies shall properly consider energy demand, supply and use, and various alternatives.

The measures provided to improve energy conservation and efficiency in all sectors are:

- Energy generation, distribution and utilization equipment will be widely produced and distributed in order to improve the capacity to produce, distribute and utilize energy and expand energy efficiency methods; and
- Take measures in all economic sectors so that the demand for energy and energy efficiency of production and auxiliary equipment shall adhere to standards and wastage of energy due to improper utilization will be reduced by employing energy saving techniques.

The cross-cutting policy measures stated in the policy document focus on areas that integrate all economic and energy development sectors and include:

- Ensuring that the development of energy projects, energy generation, transmission and use is benign to the environment;
- Creating awareness about energy science and technology and build national capabilities in energy science and technology with focus on traditional energy supply and utilization and development of modern energy based on local energy resources;
- Creating and maintaining an energy database to assist in energy planning, management and informed decision making; and
- Developing the necessary manpower on all aspects of energy development and utilization.

The policy measure provided in the area of energy institutional issues is the establishment of a strong organization which is entrusted with policy formulation, priority setting and coordination of all energy sector development activities in order to coordinate and ensure consistency in energy resource development, and to avoid wastage of resource and duplication of efforts.

3. Critical Review of the Energy Policy

The Ethiopian Energy Policy document is a well-prepared policy document despite that it is over a decade old and has some minor gaps. In terms of content, the document covers all the essential components that a sectoral policy document should contain. However, a number of the policy statements are very general and in most cases don't indicate specific measures. Moreover, it is observed that the policy has no comprehensive implementation strategy (except the recently prepared Biofuel Development and Utilization Strategy), program, and action plan. In fact, this deficiency has been noted early in the year 2000 when a national policy seminar, which was organized to enable both public and private sector agents involved in rural energy development to exchange ideas and set sector development strategies and priorities, was convened on 22nd - 23rd November 2000 (Mengistu 2000). The participants of the seminar clearly concluded that the national energy policy document does not provide policy instruments. They further recommended that "*these policy instruments should be prepared and implementing agencies and other stakeholders should participate in their preparation.*"

The review provided hereafter tries to indicate the gaps or important policy measures that the author of this chapter believes should have been included in the policy document.

3.1 The Rationale for Energy Policy

In Chapter 2, where need for the policy is indicated, the document clearly spells out the vital roll that energy plays in economic development and justifies the need for energy policy in order to guide the development of the sector and solve the problems encountered in energy generation, supply and consumption. Two major points that may require mentioning under the heading are:

- The importance of *energy security*; and
- The *role energy plays to achieve food security, enhance rural development and improve rural livelihoods*.

According to some studies, the share of modern energy (petroleum and electric power) consumption in Ethiopia is only 5.5% of the total. Of this, the share of consumption of electricity does not even come up to 10% (Mekonen 2000). This means 90% of the modern energy source comes from petroleum products that are imported from abroad. Although the share of these modern energy sources is low in Ethiopia, the role they play in the modern economic sectors, that is, industry, transport, construction, mining and services is enormous as they are the major driving forces of these sectors and the development of the country. Thus, *energy security* is an important factor that has to be considered in designing the energy policy of the country.

The *role energy plays to achieve food security, enhance rural development and improve rural livelihoods* is also very high. Quite obviously energy is required for food production, transportation and food preparation/processing. In development activities, it has been repeatedly observed that once access to electric energy is achieved, development, particularly rural development and livelihood improvement follow suit. Therefore, this role of energy also has to be shown in the policy document.

3.2 Objectives of the Energy Policy

The major objectives of the policy stated in Chapter 3 of the policy document cover most of the essential items. However, it would be important to add the following:

- National energy technology capacity building and utilization; and
- Encouraging investment activities in energy development.

These are important policy objectives, although the issues have been raised elsewhere in the policy document.

It is obvious that having energy resources is not a sufficient condition to satisfy the energy needs of a country. It is also essential to have technological

and financial capacity in order to develop and utilize the available resources. Technological capacity is expressed, among others, in terms of the number and quality of engineers and scientists engaged, technological institutions/facilities running, and financial resources allocated to the particular field. Thus unless there is a commitment and deliberate effort to build the technological capacity in the field, it would be difficult to achieve the desired development of a particular sector, the energy sector in this case.

Providing incentives and taking other encouraging measures in certain socio-economic activity areas would obviously have the effect of developing the particular area in a relatively shorter period of time by attracting investment to the area. Thus, one of the major objectives of the energy policy should be encouraging investment activities in energy development.

3.3 Directions of the Energy Policy

The directions or the general energy policy given in the document (Chapter 4) also provide for most important points. In addition to giving emphasis to the development of hydro electric power, natural gas and petroleum, and agro-forestry, the policy stresses the need to make efforts to improve energy efficiency, avoid harming the environment, follow the principle of “self sufficiency”, and encourage the involvement of the private sector.

Other important policy directions such as improving gender inequalities (participation of women in the decision-making of energy development, utilization and planning, and looking into ways and means of utilizing the time and labor wasted in fetching energy for productive purposes), regularly revising and issuing energy pricing policy, and strengthening research and development in energy science and technology have also been presented in the policy.

However, regarding the development of renewable energy resources, the policy emphasizes the development of hydroelectricity, particularly small hydroelectricity, only. The development of other renewable energy resources such as biofuels, solar, wind and geothermal, is not spelt out as an important energy development direction. As Ethiopia is endowed with large biomass (source of biofuels), solar, wind and geothermal energy resources, it is essential to properly incorporate this energy development direction into the policy.

The policy puts integration of development of rural energy with agriculture, protection of the environment, and general rural activities among the general policy directions. This policy direction may indirectly indicate the focus given to the rural communities’ access to modern energy. However, it is important to clearly and explicitly indicate this aspect in the direction.

The policy doesn’t give any direction on *energy trade and regional cooperation*. There should be written policy statements encouraging energy trade

and regional cooperation, although this is well noted and being well-practiced by the Ethiopian Electric Power Corporation (EEPCo), the state-owned national utility, and the Government.

3.4 Priorities of the Energy Policy

The items set as priorities (Chapter 5) of the energy policy: development of hydroelectricity, natural gas and petroleum; afforestation and transformation of traditional energy into modern energy supplies; energy efficiency etc. are all vital. As discussed above, it is also important to add the following points in the priority areas, although they have been raised in other chapters of the policy document.

- Development of renewable energy resources such as biofuels, solar, wind and geothermal; and
- National energy technology capacity building and utilization.

3.5 Major Policy Items

The major policy items presented in the document (Chapter 6) are all important and comprehensive. However, there are some gaps that need to be filled in.

3.5.1 Energy finance

The policy doesn't have any explicit statement or section on *energy finance*. Of course, this doesn't mean that it has no policy statements that imply the need for allocating financial resources and providing financial incentives. There are a lot of policy statements in this regard. The point the reviewer wants to stress here is that explicit policy statements should be there in the document regarding budget allocation and providing financial incentives to energy development and energy efficiency improvement activities.

3.5.2 Energy mix

The section on Energy Development (Section 6.1) states that the major portion of the electric energy generated and consumed in the country shall be based on hydroelectric power since the country has high hydropower energy resource. Obviously, exploitation of the available high hydropower energy resource in a sustainable way is quite desirable. However, the policy doesn't state the need for taking due care not to overlook the development of other available energy

resources so that there would be proper *energy mix* and to avoid dependency on only one type of energy resource.

Proper energy mix is important in energy development and supply because dependency on only one type of energy resource could cause energy shortage if for one reason or the other scarcity of the particular resource is created. A case in point here is the power shortage created in Ethiopia in 2002 and 2003 because of insufficient water in the dams of hydroelectric power stations as a result of the drought that prevailed during the period.

3.5.3 Development of biofuels

It is stated (Sub-section 6.1.4) that renewable energy resources such as solar, wind and geothermal shall be used for the generation of electricity and other types of energy. However, despite the large potential the country has for the *development of biofuels* such as ethanol and biodiesel, the development of these fuels have not been mentioned in this section. However, as discussed later in this document, the Federal Government issued a regulation to blend bio-ethanol with gasoline/petrol back in 2000 (CM-FDRE 2000) and has recently (September 2007) prepared a biofuels strategy document. This shortcoming is, therefore, due to the fact that the policy document has remained not updated for a period of over thirteen years.

Also no mention of motivating measures for developing renewable energy resources (other than for the development of fuelwood as mentioned in 6.1.1) are given in the policy document although, as mentioned earlier, the use of renewable energy resources for the generation of electricity and other types of energy is stated. It would be important to give some indicative policy measures such as reduction and/ or removal of import duty and other taxes on renewable energy equipment and technologies (e.g., solar energy equipment).

3.5.4 Independent power producers

Many appropriate policy statements are given under Section 6.2. However, nothing is said about independent power producers (IPPs) who could generate and supply power to communities or the national grid. There needs to be policy measures to encourage IPPs, for their growth would benefit the country. Therefore, in addition to providing general policy statements such as the provision of incentives to IPPs, it is also necessary to indicate some concrete measures, such as exemption from duty and income taxes for a limited period of time. It would also be important to indicate that favorable power purchase tariff will be set by the responsible authority.

3.5.5 Lack of specific policy measures

Most of the policy statements intended to improve the energy efficiency situation are too general. It is important to include specific policy measures in at least some major energy consumption areas such as households and transportation. Some important policy measures that could be sighted in this regard in view of the current development of energy technologies are:

- Initially promoting and eventually making the use of energy efficient (fluorescent) lamps mandatory;
- Establishing building codes that initially encourage and eventually make the use of solar water heaters in big buildings mandatory;
- Promoting the import and local production of fuel efficient vehicles; and
- Control of fuel efficiency of vehicles through annual road worthiness examination and/or other means.

3.5.6 Energy institutional issue

The energy policy mentions energy institutional issue as one of the main policy items. It stresses the importance of creating an institution which is entrusted with policy formulation, priority setting and coordination of all energy sector development activities in order to coordinate and ensure consistency in energy resource development, and to avoid resource waste and duplication of efforts. This is proper and commendable.

However, the policy doesn't give any indication on how to organize the sub-sectors within the energy sector. The issues of organizing the rural energy, energy R&D, and energy and mines, without losing the necessary bondage between the two, are some of the major organizational issues that are not dealt with in the policy document. As organization of energy institutions has been found to be one of the major causes for weak performance of the energy sector in many countries, including Ethiopia, this area has to be addressed adequately (Amare 2002).

This issue was a major focus of discussion of the Ethiopian Network for Sustainable Energy Development (ENSED), a civil society established for the promotion of sustainable energy development and management in Ethiopia, when it convened the first panel discussion on July 03, 2003 on "Institutional Framework for Energy Development and Management in Ethiopia" and recommended to the Government "to look into establishing an energy sector coordinating institution perhaps with a ministerial portfolio (Araya 2003)." This

panel discussion was conducted about two years after the reorganization of the executive organs of the FDRE as per Proclamation No. 256/2001 when the former Ministry of Mines and Energy was reorganized into the Ministry of Mines and a new ministry, the Ministry of Infrastructure, was established to take the responsibility of handling the energy sector and other sectors like roads and telecommunications (FDRE 2001). However, a second reorganization was made in November 2005 and the Ministry of Mines and Energy was re-established as per Proclamation No. 471/2005 (FDRE 2005). The proclamation dissolved the giant Ministry of Infrastructure and gave its responsibilities to various ministries including the Ministry of Mines and Energy, which is given the responsibility of “undertaking studies concerning the development and utilization of energy; and promote the growth and expansion of the country’s supply of electric energy”, among others.

Fracturing the energy sector and giving the responsibility of developing and managing the sector to many ministries including the Ministry of Infrastructure wasn’t in tune with the Energy Policy of 1994 and made the sector to loose focus. Therefore, it is proper to bring all energy organizations under one umbrella ministry in order to give focus to the sector. Moreover, giving the responsibilities of varied nature to one organization should be avoided as much as possible.

4. Achievements, Challenges and Constraints in the Implementation of the Policy

It is preferred to discuss issues regarding achievements, challenges and constraints of the implementation in terms of fulfillment of the set policy objectives stated in the document.

The first policy objective stated is “*to ensure a reliable supply of energy at the right time and at affordable prices, particularly to support the agricultural and industrial development strategies of the country adopted by the government.*” This is a broad and too challenging objective. The achievements obtained over the last 13 years (1994 to the present, 2007) could be seen in terms of the supply of the two broad categories of energy - traditional and modern energy. The supply of traditional energy comes from biomass and this is dwindling from time to time (Konemund 2002, EFAP 1994). The main causes for these are increase of the population at a very high rate, shortage of agricultural land and increase in deforestation, and lack of major tree planting programs except the one witnessed this year (2007) in relation with the celebrations of the Ethiopian Millennium (Ethiopian year 2000). Moreover, the

effort made to substitute alternative energy sources for traditional energy is quite limited compared to the large size of rural population.

The major focus of the government institutions mainly appears to be on big hydro and grid electrification. The number of NGOs and private institutions working on traditional energy are also few. Thus, regarding the supply of traditional energy, the policy objective stated above is not met.

Regarding modern energy, which consists of petroleum and electric power in Ethiopia, the supply situation has to be examined with respect to these two sources. Supply of petroleum products has been quite smooth over the past years. The Government is also cross-subsidizing kerosene, which is mainly used as a household fuel, in order to make it affordable to the urban poor and the rural population, which mainly uses kerosene for lighting. However, all petroleum products are imported from foreign sources and also heavily affecting the balance of trade of the country because of the sky-rocketing oil prices.

No significant change has also been observed regarding supply of alternatives or exploitation of other locally available fossil fuels - natural gas and coal. The main problems in this regard are shortage of investors in the sub-sector that requires high investment and technology, security problem in resource-rich areas such as the Ogaden and a relatively small size of the deposits to attract big international companies.

Regarding electric power, significant and commendable efforts have been made. The Government has started big development programs with the launching of the first Five Year (2000/01-2004/05) Power Sector Development Program (PSDP) in the year 2000 and currently the second PSDP (2004/05-2009/10) is being implemented. The installed power generating capacity has increased by more than 56% in the past six years, from 521 MW in 2001 to 814 MW in 2007 (Mulugeta 2002, World Bank 2005). Moreover, there is now an ongoing plan to increase the electric power supply to 1,110 MW by the year 2010 and to 1,745 MW by the year 2015. The longer term plan is to increase the generating capacity to 7,159 MW and to export power to the neighboring countries in a bigger way (World Bank 2005).

The tariff for electric energy has been increased over the years, but not terribly. Thus, the first policy objective is partially met regarding the supply of modern energy.

Some major efforts are also being made regarding the implementation of the second policy objective, which is *to ensure and encourage a gradual shift from traditional energy sources use to modern energy sources*. The Government has also launched a program entitled "Universal Electricity Access Program" as part of an ambitious electricity access program that aims at raising the level of

access¹ (the right terminology could be *electrification rate*) from 17% in the year 2006 to 50% in the year 2010. The five-year program aims at supplying electricity to 1,000 rural towns out of the total 5,000 with a population of 2000 and above (World Bank 2005). Already hundreds of towns and nearby villages have been supplied with electric power over the last years and the electrification rate has reached 22% in 2007². However, there are no big programs to supply remote rural homes with modern energy sources, such as solar home systems. A solar home system is mentioned here because it is too expensive and quite difficult to supply the highly scattered Ethiopian rural homes with grid electricity even if there is large installed generating capacity. The off-grid electrification program known as Rural Electrification Fund (REF), which is a good start and discussed further hereafter, is not a comparable big program.

The REF is an off-grid electrification program with an objective of facilitating expansion of and access to electricity in rural off-grid areas and is financed by the World Bank - Global Environmental Facility. It has an overall plan to install 122-diesel units, 5,000 to 8,000 PV systems and 10 micro hydro power plants over its lifetime. The total earmarked budget is USD 15.33 million. The Fund/Program has so far supported 16 diesel based cooperative projects, 200 institutional PV systems, and one solar home system (private operator) having 350 units³. The total installed capacity of these projects is estimated at a few scores of kilo-watts.

This is very small compared to the huge need of the rural population, which is about 85% of the total population of the country. Moreover, the approach is different from the highly aggressive rural electrification program being implemented by EEPCo. While EEPCo runs the program by itself through contracting and monitoring the activities, REF approves loans when a rural electrification project financing request from an IPP or a cooperative comes to its office. Thus, the pace of the program implementation is based on organs outside the control of REF. It is also reported that the system of release of funds from the World Bank is also bureaucratic and this slows the pace of implementation.

The key constraint to modern energy supply for rural communities is access to the initial capital needed to buy the equipment to harness the resources. Moreover, though it is evident that the stand-alone power systems are most

¹ Unlike the conventional definition of “access” to mean direct connection, the Government of Ethiopia defines it as the number of people living in areas with electricity. The proper terminology could be “electrification rate”.

² Speech of the Minister of Mines and Energy to Solar Energy Panel Discussion, 27 November 2007, Addis Ababa, organized by Stiftung Solarenergie – Solar Energy Foundation.

³ Information found from the Rural Electrification Fund Secretariat in December 2007.

appropriate to rural electrification in Ethiopia, the affordability of the price to people living in rural situations remains the major bottleneck to the dissemination of the technology. The low organizational and managerial capacity and experience for mobilizing communities and potential investors to develop resources are the other limiting factors for rural electrification (Aklilu n.d., Davidson and Sokona 2002).

The above is with regards to electricity. Regarding modern fuels, a major shift in urban households from traditional biomass fuels to kerosene that has been started during the late 80s and early 90s has continued. However, there is no significant change or effort made to change the situation in rural areas. All rural areas are still using traditional biomass fuels for their major energy needs - cooking. Only, very few households are using modern renewable fuels such as biogas, which can be easily produced from the plentiful livestock dung. Therefore, it is possible to conclude that the second policy objective is partially implemented with little success.

The third and fourth policy objectives focus on removing bottlenecks for the development and utilization of *indigenous energy resources* with a goal toward attaining *self sufficiency*, and increase of *energy efficiency*. As done before, it would be better to examine the implementation of these policy objectives in terms of traditional and modern energy.

Regarding removing bottlenecks for the development of traditional energy, there is no positive development to speak of. As mentioned earlier, the resource is excessively utilized beyond its regeneration capacity and no significant measures have been taken to facilitate the improvement of this situation. However, regarding improving the energy efficiency of traditional fuels, some commendable efforts have been and are being made by the Government (including Regional Governments) and by NGOs in partnership with the Government. The development and dissemination or commercialization of tens of thousands of improved traditional charcoal and biomass stoves with much higher efficiency is an outstanding case that has to be mentioned here (Araya 2003).

Regarding removing bottlenecks for the development of modern energy sub-sector, especially electric power, some changes have been made in improving the investment law so as to attract the participation of the private sector in power sub-sector investments. According to the re-enacted investment proclamation, Proclamation No. 280/2002, the participation of foreign investors in the production and supply of electric energy is no more limited to the earlier indicated installed capacity of above 25 mega-watts (FDRE 1996 and FDRE 2002). Any private investor can invest in the production and supply of electrical energy without any limit of installed capacity. However, significant private

sector investments are to be seen yet. This shows that more measures and efforts are required to attract investment into the sub-sector.

Regarding petroleum and other fossil fuels development, however, a number of companies have shown interest to participate in the exploration and exploitation of petroleum and natural gas, and a few companies have entered some type of contractual agreements with the Government in recent years. In the area of facilitating the development of modern renewable energy, some significant measures have been taken to attract investors in biofuels and also encourage import of renewable energy equipment, such as solar panels, by reducing or removing import duties.

The Federal Government has also issued a regulation in 2000 to blend the bio-ethanol produced from cane molasses at Finchaa Sugar Factory with gasoline/petrol in a proportion not more than 10% ethanol and use it as a fuel for automobiles (CM-FDRE 2000). However, the regulation could not be enforced as yet because of the unsettled problems with the oil companies. Recently (October 2007), the Ministry of Mines and Energy informed the media that all problems have been resolved and automobiles will start to use ethanol blended fuel very soon (in 2007/08).

Regarding improvement of *energy efficiency*, little has been done in the modern energy sub-sector. Replacing the energy wasting incandescent lamps with the highly energy efficient fluorescent (energy saving) lamps such as compact fluorescent lamps (CFLs) should have been a big measure to be taken for improving energy efficiency in the power sub-sector. Studies show that CFLs could save as much as 80% of electric energy consumed by ordinary lamps (Aronsson and Nilsson 1991), and save EEPCo over 150 mega-watts (Bekele 2005). However, no major CFL program has been designed yet by the Government or EEPCo, although the issue has been discussed at the gatherings of civil societies and the management is quite aware about it (Bekele 2005 and 2007).

The last major policy objective is to ensure that the development and utilization of energy is benign to the environment. As discussed above, the major developments done in the energy sector so far are in large-scale hydropower plants, grid extension to rural towns and in dissemination of improved efficiency traditional biomass stoves. It is known that although large-scale hydropower plants use renewable source of energy, they are not in all cases environment friendly. The dams usually affect the flora and fauna of the area, and displace the local population. Moreover, they also cause generation of marsh gas (methane) by the decomposition of the vegetation of flooded area (NATTA 2001). Thus the focus needs to be changed to small and medium hydropower dams, except in areas where their environmental impacts are minimal, as indicated in the policy document.

The dissemination of improved efficiency traditional biomass stoves is obviously good to the environment. In addition to saving forests, they also reduce generation of emissions.

On the other hand, the utilization of petroleum fuels in the country is increasing over the years. The major consumer is the transport sector. No significant major measure has been taken so far to reduce the emission of the vehicles, which is bad to health and the environment. Thus, much is left to be done regarding the protection of the environment with respect to development and utilization of energy.

5. Synopsis of the Biofuel Development and Utilization Strategy of Ethiopia

The Biofuel Development and Utilization Strategy of Ethiopia was prepared by the Ministry of Mines and Energy of the FDRE and issued in August/September 2007. It is the first of its kind and is based on the energy policy and other relevant policies of the government. The strategy document is prepared in Amharic and has no official translation in English. The synopsis of the strategy presented here is based on the author's own translation of the document.

The preamble of the strategy document defines *biofuel* as "any fuel obtained from products of plants and animals", *ethanol* as "alcohol produced from sugarcane and corn" and *biodiesel* as "fuel obtained from oil of plants such as jatropha, castor, palm and rape seed, and oil from animal fats and the like through processing by alcohol (ethanol or methanol)", and indicates that *biofuel* only refers to ethanol and biodiesel in the document. The preamble also states the economic viability of development of biofuel and gives some brief agronomic descriptions of *Jatropha Curcas*, castor crop and palm tree.

The rationale for biofuel strategy presents two fundamental reasons for the need for designing biofuel strategy. The first reason provided is the challenge posed on economic development, especially on developing countries, by increase of oil price from time to time. The document further states that there is a huge international effort to halt the demand for fossil fuels and replace them with renewable energy for their use is believed to be the main cause for air pollution and increase of temperature of the Earth (climate change). Based on these reasons, it is pointed out that countries are following the general direction of energy conservation and using renewable energy resources.

It is further indicated in the document that the high level increase of oil price in Ethiopia has caused a negative impact on the balance of external trade. It is also argued that comparatively, Ethiopia has large human power, land and suitable climate for development of biofuel. Because of these reasons, it is stated

that Ethiopia can drastically reduce the local demand for oil and even supply biofuel on the international market by widely developing biofuels. In addition, it is indicated that the country can strengthen financial and economic cooperation on international scale by undertaking development of biofuel. The need for the strategy is thus justified to be essential in order to speed up the development of the country.

The document presents the status of biofuel development in Ethiopia and international opportunities. It points out that, among the three existing state-owned sugar factories, currently only Finchaa Sugar Factory has a bioethanol plant with annual production capacity of 8 million liters. Furthermore, it is shown that there is an expansion plan of all existing sugar factories and one new factory that would boost the annual bioethanol production to 35 million liters and 128 million liters per annum by the years 2009/10 and 2012/13, respectively.

Regarding the current status of biodiesel development, the document indicates that there is a total of an estimated 23.3 million hectares of land (73.8% of which is in Oromia) that could be used for biodiesel development. It is further stated that a total of 14 foreign and local private companies are getting prepared to start, and already five have started project implementation by late mid 2007.

The document also points out that Ethiopia could get an additional benefit through carbon trading under the Clean Development Mechanism (CDM) if the country implements biofuel development program.

The objective of the biofuels strategy is to replace imported petroleum products by fuels produced from plant sources and further to produce biofuels in excess of local consumption in order to supply the export market.

The main targets of the strategy are stated as follows:

- To replace mineral fuel products by biofuels and save foreign exchange; earn foreign exchange;
- To enhance the agricultural development and development of the agro-processing industry through expanding development of biofuel;
- To create the condition that makes agricultural land more beneficial through integrating biofuel development with effective land use policy; and
- To lower environmental pollution and support international efforts in this direction through expanding and improving utilization of biofuel.

The biofuels strategy document presents the following eight basic principles in order to “ensure the continuity of the biofuel development and full beneficence of the community.”

- Development of biofuel shall be implemented in such a way that supports the key objective of ensuring food security;
- Development of biofuel shall be implemented in a way that doesn't harm economic, environmental and cultural values. It would be implemented without especially competing with the farm land, grazing land, water and other benefits of the peasant and the pastoralist;
- Development of biofuel shall be implemented by designing a strategy that would involve and benefit the peasant and the pastoralist;
- Development of biofuel shall be implemented in such a way that supports sustainable development of the environment. In this respect, it would be carried out especially in a way that protects and improves soil, water and biodiversity resource;
- Biofuel development byproducts shall be used for economic purposes; byproducts that do not give economic service shall be avoided in such a way that protects the safety of the environment;
- Utilization of biofuels shall be confirmed to be carried out in a way that improves the sustainability of economic resource of the country and protects the safety of the user;
- Production of biofuels shall be made coherent with international principles that reduce greenhouse gas emissions;
- Follow-up and evaluation shall be carried out to ascertain that the above listed principles are followed in biofuel development, distribution and utilization.

Finally, the document provides the following seven major strategies that comprise several strategy elements.

- i) To accelerate biofuel technology transfer, research and development;
- ii) To intensify biofuel development;
- iii) To increase utilization of biofuel, to increase export trade and to gain foreign exchange through exporting biofuel;
- iv) To involve forces (actors) that contribute to biofuel development;
- v) To satisfactorily coordinate and lead biofuel development;
- vi) To increase the supply of finance for biofuel development; and

vii) To strengthen international cooperation on biofuels development.

6. Critical Review of the Biofuel Strategy

The Ethiopian biofuels strategy document is a well-prepared strategy document despite some shortcomings. In terms of content, the document covers all the essential components that a sectoral strategy document should contain. It has a preamble followed by the need for the strategy. It has also objectives, targets and principles. The principles are general guidelines that have to be followed during the implementation of the strategy. Finally detailed strategy statements or elements are provided.

The stated objectives are all achievable for it has been proven possible all over the world that biofuels can be produced in large volumes at competitive costs and replace petroleum fuels. It is also true that biofuels development would develop the agricultural sector and the agro-processing industrial sub-sector for the raw material source of biofuels is the agriculture and industrial processing is required to convert the sugar and oil in the plants into ethanol and biodiesel, respectively. Use of agricultural land could also be made more beneficial provided that the development is made in areas currently less favorable for agricultural development as stated in the strategy. However, the implementation could be difficult, and has already proven to be, for there is no control over the land given to biofuel developers. It has been seen that the land given to biofuel developers is not marginal land.

The objective of lowering environmental pollution is also achievable with respect to reducing emissions of greenhouse gases for biofuels production is nearly carbon neutral and vehicles when using biofuels emit much less pollutants. However, it has to be clear that there are other environmental problems such as excessive water usage by ethanol plants, process waste disposal difficulties, use of chemical fertilizers and pesticides, mono cropping, loss of biodiversity etc., associated with biofuels development. Due care and control is required to reduce negative environmental impacts so as to achieve the desired objectives.

The strategy statements have comprised: accelerating biofuels technology transfer and R& D, intensifying biofuels development, increasing utilization and the export trade of biofuels, involving forces that contribute to biofuels development, providing coordination and proper leadership, increasing the supply of finance, and strengthening international cooperation. These are all appropriate strategies to achieve the set objectives.

One of the main shortcomings of the strategy is that it has no measurements (benchmark figures) for the set targets. No time limit is set to achieve the said targets either. As a strategy is a sort of long-term plan or a

method of approach developed in an effort to successfully achieve an overall goal or objective, it has to have measurable targets and a time limit(s) to achieve the stated targets. For instance, the first target of the strategy is “to replace mineral fuel products by biofuels and save foreign exchange; earn foreign exchange.” This, obviously, doesn't have any indication of the volume of replacement or substitution and there is no time frame attached to it. No one can tell from the statement how much of the gasoline and diesel Ethiopia imports are going to be substituted by bioethanol and biodiesel, respectively, by the year 2010, 2020 or any other future year.

The second shortcoming of the strategy is that it is repeatedly stated in the document and also clearly indicated in the principles of the strategy that biofuel development programs will be undertaken “without affecting food security, the livelihood of the pastoralist and the farmers, and also in a way that the environment is protected and enhanced.” This is the right principle to follow, especially in view of the threats being felt by conscious citizens and people all over the world who are concerned for the environment and sustainable development. However, no well-defined instruments are placed or program implementation monitoring systems are given in order to avoid the feared bad consequences or to mitigate negative environmental impacts.

In this regard, no mention of the environmental impact assessment (EIA) is made in the document. EIA is a very important tool that would help to know negative environmental impacts ahead of time, and also the Ethiopian Government has made it mandatory for investors to undertake EIA for new projects as given in Proclamation No. 299/2002 (FDRE 2002). This should have been mentioned in the document and referred to for proper coherence of the strategy with other laws in addition to its usefulness for mitigating negative environmental impacts that could be caused by biofuel development projects. In fact it would be proper to add EIA as one of guiding principles of the strategy.

The document also mentions and gives a very big figure, 23.3 million hectares, of land available for biofuels development. This is too big and, therefore, questionable in view of shortage of agricultural and grazing land being witnessed in many parts of the country. This could be illustrated by making some comparisons. The total land area of the country is 111.5 million hectares, of which 66% (i.e. 73.6 million hectares) is estimated to be suitable for agriculture. Out of the total land suitable for agriculture, 16.5% (or 12.1 million hectares) is estimated to be under cultivation for the production of annual and perennial crops (MNRDEP 1994).

Comparing the land indicated to be available for biofuels development with the total arable land and the land under cultivation, it becomes 31.7% of the total arable land and 1.9 times (almost twice) the land under cultivation. Moreover, most of the available land (73.8%) is said to be found in Oromia. If

we compare this with the total land in Oromia, it becomes about 50% of the land in Oromia. Therefore, it is difficult to estimate that such huge amount of land could be made available for biofuels development. Even if this much of land were available, its properness is questionable and would be difficult to justify its use only for biofuels, especially in a food insecure country like Ethiopia.

Furthermore, increasing the supply of finance for biofuels development is stated as one of the main strategy element of the strategy and accordingly it is indicated that the Federal Government would increase its investment on biofuels development; would provide sufficient financial support for technology transfer and improvement activities; and would give financial incentives to biofuel manufacturing industries. However, these have no indicative figures of the amount (in % or some other form) and difficult to know how much is the commitment.

7. Achievements, Challenges and Constraints in the Implementation of the Biofuel Strategy

The biofuel strategy is prepared a few months ago. Therefore, one can expect that it is at a stage of preparation for implementation of the strategy. Therefore, it is difficult to comment on the implementation of the strategy. However, there are already environmental challenges that have been encountered due to biofuel development projects under implementation.

Two cases in point are the encroachment of the Babile Elephant Sanctuary in the East Hararge Zone of Oromia Regional State by a biodiesel developer Flora Eco Power Holding AG. Land adjacent to the sanctuary was given to the company to develop biodiesel (Wudineh 2007). Moreover, the company has now started production and is planning to expand. However, the concerned offices of the Federal and Oromia Regional Governments now seem to note the setback and are working on ways of resolving the problem.

Another case in point is the forest land in Benishangul Gumuz Regional State given to National Biodiesel Corporation, which later made a joint venture with a trans-national company known as Sun Biofuels Plc., and was later abandoned after destroying some hectares of the forest for agronomic testing purposes. The company later moved to the Southern Nations and Nationalities Regional State and got some forest land area for its biodiesel development program. The company has not yet started production of biodiesel.

It has been noticed that land for investors in biofuels is provided by *Woreda* officials, who have less knowledge about the policies and strategies of the Federal Government and the environmental impacts of development projects. As most of big investors in biofuel projects are foreign companies who do not

know about the situation in the country, and also are not requested to present EIA reports before going into their ventures, it is becoming a common phenomena to see new agricultural and forestry investments being undertaken in the remaining pockets of forest lands that are situated at far away places from densely inhabited areas. This is against the principle stated in the biofuels strategy document that says "Development of biofuel shall be implemented in such a way that supports sustainable development of the environment. In this respect, it would be carried out especially in a way that protects and improves soil, water and biodiversity resource."

Therefore, it can be understood that what is on the ground and in the document are different. There are already big challenges, and more challenges are coming ahead that need to be resolved in order to carry out the strategy as presented in the document. Due attention is required to deal with the problems from both the Federal and Regional Governments in particular, and the public in general.

8. Conclusions and Recommendations

8.1 Regarding Energy Policy

As discussed earlier, the Ethiopian Energy Policy (1994) is a well-prepared policy document despite some minor gaps. In terms of content, the document covers all the essential components that a policy document for the energy sector should contain. However, most of the policy statements are very general and in most cases don't indicate specific measures. Moreover, it has been noted that the policy has no comprehensive implementation strategy (except the recently prepared Biofuels Strategy, which is treated separately), program, and action plan.

The policy also lacks some essential points that have been discussed earlier. Therefore, it is suggested to include the following items in the document.

- The preparation of good policies, strategies and programs can only result in good outcomes if only provided with adequate finance, including financial incentives, and implemented properly. Accordingly, the document should contain explicit statements or section on *energy finance*.
- Giving more focus to the development of a resource that is more abundant and most beneficial both in economic and social terms is important. However, it is also important to have a proper *energy mix* in order to avoid energy shortages that may arise due to the dependency on only one type of energy resource. As the current situation in Ethiopia

seems to overlook this aspect, it is important to include the need to attain a proper *energy mix* in the policy.

- The development of biofuels has not been mentioned in the policy document despite the large potential the country has for the development of renewable fuels such as ethanol and biodiesel. Even then, the Government has already issued a strategy of biofuels recently. This could be due to the fact that there is a long time gap, more than thirteen years, since the promulgation of the policy and the issuance of the recent biofuels strategy. Anyways, it is important to include some policy statements encouraging the development of biofuels in the document together with due care that has to be given to avoid negative environmental impacts of such developments.
- Although the policy states the use of renewable energy resources for the generation of electricity and other types of energy, it is quite about the incentives needed. It would be important, therefore, to give some indicative policy measures such as reduction and/ or removal of import duty and other taxes on renewable energy equipment and technologies in order to promote the development and much wider utilization of the technologies.
- Similarly, it would be useful if the policy could indicate incentives such as exemption from duty and income taxes for a limited period of time and favorable power purchase tariff needed to be provided for independent power producers (IPPs) in order to encourage generation and supply of power to communities or the national grid by the IPPs.
- As already indicated, most of the policy statements intended to improve the energy efficiency situation are too general. Accordingly, it is important to include specific policy measures such as: initially promoting and eventually making the use of energy efficient (fluorescent) lamps mandatory; establishing building codes that initially encourage and eventually make the use of solar water heaters in big buildings mandatory; promoting the import and local production of fuel efficient vehicles; and control of fuel efficiency of vehicles through annual road worthiness examination and/or other means.
- Organization of energy institutions is a serious issue to be treated in the policy document. The issues of organizing the rural energy, energy R&D, and energy and mines without losing the necessary bondage between the two are some of the major organizational issues that are not dealt with. Moreover, it would be proper to bring all energy

organizations under one umbrella ministry in order to give focus to the sector.

- Although being practiced very well, there should be written policy statements encouraging energy trade and regional cooperation.
- Considering that petroleum products, which currently are totally imported from abroad, cover 90% of the modern energy needs of the country, *energy security* is an area that deserves due attention and accordingly has to be well emphasized and incorporated in some policy statements.

8.2 Regarding Biofuels Strategy

As discussed earlier, the Ethiopian Biofuel Development Strategy (2007) is a well-prepared strategy document despite some shortcomings. In terms of content, the document covers all the essential components that a sectoral strategy document should contain. However, the strategy has three or four main shortcomings that have to be rectified. One of the main shortcomings of the strategy is that it has no time-bound measurements (in figures) for the set targets. Although the main objective of the strategy is to substitute imported petroleum fuels with locally produced biofuels, no one can tell from the strategy document how much of the gasoline and diesel Ethiopia imports are going to be substituted by bioethanol and biodiesel, respectively, by the year 2010, 2020 or any other future year. Thus, it is recommended to set targets with measurements and time limits.

The strategy also lacks instruments and mechanisms for the mitigation negative impacts of the biofuels development program, although it is repeatedly indicated that the biofuel development programs will be undertaken “without affecting food security, the livelihood of the pastoralist and the farmers, and also in a way that the environment is protected and enhanced.” Therefore, it is recommended to include environmental impact assessment (EIA) as one of the guiding principles of the strategy. Mentioning EIA and referring to it would help proper coherence of the strategy with other laws in addition to its usefulness for mitigating negative environmental impacts that could be caused by biofuel development projects.

The land size indicated to be available for biofuels development is 23.3 million hectares, which is 31.7% of the total arable land and 1.9 times (almost twice) the land under cultivation. Moreover, most of the available land (73.8%) is said to be found in Oromia. It appears that the land size indicated is not well surveyed. Moreover, even if so huge amount of land is available, its properness

is questionable and would be difficult to justify its use only for biofuels, especially in a food insecure country like Ethiopia.

Lastly, it is stated in the document that increasing the supply of finance for biofuels development is one of the main strategy elements. However, it has no indicative figures of the amount and is difficult to know how much the commitment is. Indicative figures (in % or some other form) should be attached to these statements so as to make them concrete and show commitments from the side of the Government.

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Industrialisation Policy and Industrial Development Strategy of Ethiopia

Admit Zerihun

I. Background: The Need for Industrialisation

Industrialisation is an evolutionary process that signifies the transition from a primitive, low productivity, low-income economy to one that is dynamic, sustained and diversified (Chenery et al. 1986). Industrialisation is nothing but a sustained increment in productivity, a constant improvement in the efficient use of resources and acquiring technological capabilities. Successful industrialisation is associated with improvements in local technological know-how, i.e., in the process of imitating, assimilating, transferring and adapting production techniques. The Ethiopian Economics Association (EEA) summarised how we should understand industrialisation as follows:

Industrialisation needs to be understood ... as a revolutionary process that sets in motion a chain of reinforcing activities in all sectors of an economy.... It is industrialisation that leads to the transformation of primary goods producing sectors, such as agriculture... and which also enables the provision of a wide range of quality services in transport, ... and the like (EEA 2004, 150).

Industrialisation is also a learnt process which can be visualised both historically and technologically. Historically, as late as the 1750's, only one country was on the way to a successful industrial revolution - England. Since then, the industrial revolution has spread across the world first in Northern and Western Europe and Northern America, and subsequently in Japan, Southern and Eastern Europe (Easterlin 1981). If countries in the South entered into the phase of industrial revolution with an increasing number and at different paces and patterns, then industrialisation is a learnt process in which the latecomer accumulates knowledge on the successes and failures of the predecessors. Technologically, the process of acquiring technological capability is the process of industrial development and the costs of achieving international competitiveness are the costs of acquiring technological capability (Pack and Westphal 1986). The capacity to operate, assimilate, adapt and modify processes determines industrial development. Stewart (1984, 833) argued that any successful industrial

expansion is associated with some local technological activity since adaptation to local conditions is part of the process of successful industrial activity.

Empirical evidences justify the strong linkage between industrialisation and growth of total factor productivity. The first source of evidence is the prevalence of high rate of total factor productivity growth in industrialised economies. The second evidence for the linkage is the rise of rate of total factor productivity growth, on average, in developing economies as time goes and as their industrialisation rises at a higher level (Admit 1998, 7:3). Industrialization is crucial in countries like Ethiopia, given the fluctuating and persistently deteriorating prices of primary products vis-à-vis industrial products on world markets and the fixed nature of land and its low productivity with population pressure.

1. The Genesis of Industrialisation Policies, Strategies and Programs

Modern industry began to emerge mainly in the later half of the 1950's and 1960's with the express aim of import substitution of consumer goods. Except for a few large enterprises, units established were small-scale. The bulk of the enterprises thus established were not equipped for modern industrial production as they depended largely on manual operation. As the non-monetised sector of the economy was predominant, many of the industrial units in operation suffered from excess capacity. This was further constrained by the very low income of the rural population.

The meagre industrial activities discerned throughout the fifties and early sixties were not so much the results of a conscientious effort on the part of the government as it was with the initiative of individual entrepreneurs seeking to invest in profitable activities. Only in the mid-sixties did any elaborate official policies relating to investment appear, although various legislations existed as early as 1954. In all cases, however, the impact on industrial development was very limited.

The history of Ethiopian manufacturing industry is more or less related to the post Ethio-Italian war. In the second half of the 1940s, there was very little manufacturing industry, which accounted only for 1% of the national income. Industrialisation in the proper sense began in the 1950s and was consolidated following the three successive five-year developments plans.

Strategies pertinent to the industrial sector started to be formulated between 1950 and 1974. The "Statement of Policy for the Encouragement of Foreign Capital Investment in Ethiopia" was the important legal notice in this regard. A decree to provide for an encouragement of capital investment in

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Ethiopia, the revised investment proclamation of 1964, agricultural and industrial expansion Proclamation Number 242 of 1966 were important initiatives and refinements relating to the expansion of modern industry in Ethiopia. Moreover, Ethiopia implemented three successive five-year plans. The fourth five-year plan was under preparation on the eve of the 1974 Revolution. With regard to the policy environment, it was following the Mutual Aid Agreement with the USA in 1943 that the Ethiopian Government, with the help of a US technical mission, initiated a ten-year program of industrial development (1945-55), followed by the three successive Five-year Development Plans (1958-1962, 1963-67 and 1969-74). With respect to industrial development, the recommendation was import substitution (Getnet and Admit 2004).

The import substitution goal underlying the various legislations enacted to attract both domestic and foreign investment ushered in, especially in the second half of the sixties, a period of unprecedented establishment of new industries, primarily in the consumer goods sector. These industrial ventures were established with tariff barriers as well as various incentives and tax relief. As import substitution progressed in this fashion, the adverse effects of the policies pursued began to appear. The policy of import substitution resulted not in the reduction of import dependence, but shifted the dependence from consumer goods to intermediate inputs. The inward-looking nature of import substitution further led to the neglect of the export sector. Supportive extractive industries were forgotten altogether.

The then government placed much hope on the contribution of foreign capital. This was evident from its first measure in the area of economic policy, which puts much emphasis on foreign direct investment. The issuance of Notice for the Encouragements of Foreign Capital Investment in 1950 showed less concern for indigenous investment. This kind of policy gave many incentives to foreign investors, which was not available to existing or potential local investors until the issuance of the Investment Decree of 1963 and the 1966 Investment Proclamation. Despite the first five-year plan and the investment proclamation's emphasis on the role of local investors, the 1966 investment Proclamation provides many incentives for those investments with not less than \$200,000 capital, which was beyond the reach of most local investors. Because of this, most of the manufacturing firms were owned and operated by foreigners.

The period that followed, the early seventies, was no help in improving the situation in that it ushered in a central planning system of economic management that frustrated whatever little there was in private initiative that began to appear in the earlier period. This period saw a wholesale nationalisation of rural land, major industrial establishments, and urban land and extra houses. The state became by far the most dominant economic actor and the government followed a policy of deliberate discouragement of private sector development.

With regard to industrial policy, no major deviation was observed from the import substitution strategy even after nationalisation. There was not any type of economic plan for the first four years (1975-1978), with all sectors of the economy becoming run down. At the end of 1978, the Central Planning Supreme Council was set up as an instrument to control and allocate resources. Following its establishment, Six Annual Development Campaign Plans were successively launched between 1979 and 1984, with the aim of rehabilitating the war-ravaged economy of the country. It should be noted, however, that these were annual programs, short-term in nature, intended to meet the immediate challenges of food shortages, low capacity utilisation in industry and the like, and could by no means be construed as comprehensive development plans. In September 1984, the regime issued a comprehensive and long-term development plan, which came to be known as the Ten-Year Perspective Plan, covering the period from 1985 to 1994. The development strategy was the same, import substitution industrialisation. The major difference of the socialist regime was that the strategy was state-led (Getnet and Admit 2001). The basic theme of the policy remained the same. There were declared intentions to move towards the production of intermediate and capital goods, particularly in the Ten-year Perspective Plan. The plan had envisaged building a self-reliant national economy with strong inter-sectoral linkages. For various reasons, this plan was not realised and ultimately did not provide much impetus to the development of the sector.

With the demise of communism in Eastern Europe and the former Soviet Union, the nineties brought major reversals in policies, especially with respect to the role of the private sector in economic development. Measures that have been taken since, if pursued to the extent desirable, are believed to offer opportunities to join in the worldwide economic expansion amidst formidable challenges and competitive pressures that would, if accorded the proper response, result in enhanced efficiency gains and competitiveness.

The FDRE government is pursuing an agricultural development-led industrialisation (ADLI) as opposed to the previous regimes. It is believed that priority to agriculture in the short and medium term will create a big domestic market for industry and supply food and raw materials to industry. This is anticipated to strengthen the inter-sectoral linkages between agriculture and industry and lead the economy towards industrial development.

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2. The Ethiopian Industrial Development Strategy Document – A Synopsis

The Ethiopian Industrial Development Strategy is the strategy document of the government published by the Ministry of Information in 2004 in Amharic. This section provides a synopsis of the strategy document.

2.1. Introduction

The industrial development strategy focuses on issues not covered by documents made available earlier. In this context, the industrial development strategy focused mainly on the manufacturing sector, even though the term industry has a wider meaning covering construction and other sectors. Hence, the strategy covers activities under the industrial sector, in addition to manufacturing activities. Other activities considered not industrial but affecting industrial development have also been included to make the strategy comprehensive. Industrial development strategies within the framework of the global and free market economy need to emphasize private investment as an engine of industrialization. Therefore, the strategy discusses the role of private investment and how to develop the same.

2.2. Core Principles of the Strategy

A) Recognize the Private Investor as an Engine

Ethiopia's industrial development strategy gives the private investor its pivotal role. Industrial development can be achieved only by acknowledging the private investor as an engine of development and by enabling the private investor to play its role. Ethiopia's industrial development strategy will only succeed when actions are taken to develop the capability of the developmental investor. Eliminating rent-seeking behaviour and making the private investor the engine of industrial development by building its capability is one of the core principles of the industrial development strategy.

B) Pursuing Agricultural Development-Led Industrialization (ADLI) Strategy

The strategy assumes that the living standard of the people will attain a high level and Ethiopia's share and benefit in the global order will grow to the highest level when it becomes industrialized. Therefore, the prime goal is indisputably creating an industrialized country. The government believes ADLI is the way to

a faster economic development. ADLI implies that only agricultural development plays the leading role, setting the pace and structure of industrial development. Any strategy in the Ethiopian context should economize capital and utilize extensively labour and land, both relatively abundant resources. No sector compares with agriculture in economizing capital and utilizing labour and land. The strategy focuses on agriculture in order to achieve efficiency in resource use and attain rapid development.

C) Pursuing Export-led Industrialization

The export sub-sector of the industry determines the direction and pace of industrial development. Since large and reliable markets for value-added agricultural products are available abroad, exporting successfully to these markets determines the pace of the industrial growth. This is the first reason why export should determine the pace of industrial development. Raising foreign exchange earnings by exporting more agricultural products ensures rapid industrial development by importing the highly needed capital goods. The agricultural sector can earn foreign exchange that will be used to speed up industrial development. However, agricultural products can obtain large and reliable markets when exported after adding value to them. The sector ascertains its rapid growth when it earns foreign exchange. This is the second reason why the export sub-sector should take the lead in determining the pace of the industrial development.

D) Focus on Labour Intensive Industries

If the industrial development strategy is agriculture-led, industry should focus on supplying inputs to agriculture and marketing value added agricultural products, which in their nature are capital saving and labour consuming. Hence, if industrial development is agriculture-led, one has to concentrate on agro-processing industries, which economize on capital and utilize labour extensively. Ethiopian companies cannot compete given the technological advancement they have attained; their source of competitiveness is cheap labour. Their chance of being competitive is if they engage in industries that use labour extensively. The reason why the domestic market is being flooded by foreign products even in sectors in which we should be competitive is the extremely low productivity of our workers even more than their wages. Focus on labour-intensive industries can lead to successful industrial development if the productivity of workers increases to a very high level.

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E) Use of Foreign and Domestic Investors

Ethiopia has to use both private domestic and foreign investment to create a situation for rapid industrial development. Using only one of them cannot ensure the rapid industrial development. The domestic investor should play the main role while his foreign counterpart takes a subsidiary position. Ethiopia should create an enabling situation for them to work jointly and in a coordinated manner. Ethiopia should receive those who come to use their marketing networks for goods and services produced in the country. Those with modest capital, but willing to utilize their modern management knowledge in coordination with the domestic investor should also be warmly welcomed. Equally welcomed are those who receive in-country semi-finished raw materials and sell them after adding value to them. Ethiopia needs to create conditions for those foreign investors who are willing to work and invest in coordination with domestic investors.

F) State Playing Strong Leadership Role

There are wide-ranging market failures in Ethiopia, inviting government intervention on carefully selected failures using carefully designed policies, which also take into account government capacity and financial ability, inviting government intervention. There is also a need for a developmental state, as existence of objective conditions is not enough for industrialization.

G) Pursue Popular Participation for Industrial Development

Industrialization can be achieved only when the government, the private sector and the citizen exert efforts jointly and in a coordinated manner. Countries like Korea and Malaysia achieved their development following this path. The government's playing its leading role would not be enough to attain the desired level of development. It should work in coordination with the private sector. It would also be necessary to incorporate the peasant in the process and create opportunities to play its proper role. Failure in industrial growth would imply peasants would be unable to access industrial inputs that increase their productivity. Unless the industrial sector adds value to agricultural products and makes it exportable, peasants would suffer from lack of markets.

2.3. Creating an Enabling Environment for Industrialization and the Private Sector

A) Drain the Pit of Dependency and Create an Enabling Environment for the Investor

The strategy aims to abolish dependency and create an enabling environment for the developmental private investor in order to speed up industrialization. Without such an environment, the private sector cannot serve as an engine for industrialization.

B) Ensure Macroeconomic Stability

Macroeconomic stability is a fundamental prerequisite for development, foreseeing a longer-term perspective. If macroeconomic condition is unstable, long-term investments are risky. While these parameters need not be constant, their stability would make long-term planning easy. If not, the situation would favour the rent seekers. For a stable macroeconomic environment, appropriate policies need to be developed and implemented. Government needs to desist from printing money or over-borrowing and spending. The banking policy of the government needs to result in low and stable exchange rates. There is a need for a system whereby the investor would acquire sufficient bank loan, create a banking system that is convenient to the investors and assist development activities directly. Where the market and the investors are unable to create such an environment, it would be incumbent on the government to do so.

C) Create a Modern and Development-friendly Financial Sector

The financial system in Ethiopia is beset by problems in the mobilization of financial resources for investment; in allocating these resources in activities that are accorded priority in terms of their positive impact on development and in providing an efficient payment system for the economic transactions. Providing appropriate solutions for these problems is an urgent task. The first step in creating a development friendly banking system is to build the capacity and capability of the central bank. In an environment where the activities and operations of the banking system are complex and change very fast, it would be necessary to equip the central bank, with capacity to generate appropriate and timely rules and regulations that would enable it ensure a healthy operation of the banking system and their effective implementation. It has also to have the skilled manpower to develop and implement monetary policy that is supportive

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of development, installs macroeconomic stability, and creates institutional mechanisms that enable the indirect determination of the interest rates, while at the same time improving the process of the direct determination of the interest rate. The major task of banks will be resource (saving) mobilization and enhancing investment. The savings mobilized through strong institutional mechanisms can assist and strengthen the developmental investors by providing them with medium and long-term credit to finance their investment.

Government must make a concerted effort to render banks strong, capable and endowed with the latest technology. The government must make sure that standards of the highest quality training be provided to employees and managers of banks on a sustainable basis. The directives issued by the National Bank need to be of a kind that will install transparency, accountability and efficiency. The government shall create a conducive environment to encourage the development of a modern system of telecommunications to assist and support the modernization of the payment systems; also create a system that will enable and encourage foreign firms and individuals with extensive relevant experiences. An additional point that needs to be looked into is the policy on foreign banks working in the country. Foreign banks, despite their contributions, should not be allowed to operate in Ethiopia if it has to continue on the path of macroeconomic stability and enable the financial system to play the significant role it should. Before opening, there is a need for building the controlling and supervising capacity of the national bank, improve the competitive position of commercial banks.

Pension and insurance schemes need to be broadened as they ensure social security. The sector needs to be focused upon since it generates a large volume of savings that could be used to extend long-term loans. It is therefore necessary that this sector be given due attention and the focus that it lacked in the past. In addition to banks, contractual saving schemes play a significant role in the mobilization of investable resources. There must be an inter-bank loan system to broaden and deepen the money and credit market. All financial resources should be optionally utilized by channelling the excess liquidity of one bank to those that are short of loanable fund. The treasury bills market lacks depth and width. Treasury bills market should also be broadened and deepened. Machinery leasing companies play a vital role for companies short of start-up capital. It is, therefore, necessary to revisit the performance of this sector, and address the factors that constrained lease companies. Companies providing venture capital play an important role in investment and supply of capital. It would be necessary for the government to create conditions in which a healthy share/stock market would develop.

D) Provide Reliable Infrastructure Services

One of the main requirements for development is a reliable infrastructure, mainly road and road transport, railway and railway transport, telecommunication, electric powers and water supply.

Road infrastructure: The government should increase efforts to access foreign loans/grants, best use the road fund, build implementation capacity and search for additional sources. Since the major roads are built using foreign loans/grants with conditionality, domestic construction companies have not been able to gain the opportunities and experiences. Many of them lack capital, skilled manpower and modern project implementation capacity. The government must ensure that the road network expansion should contribute to the strengthening of the domestic contractors, by working closely with foreign construction companies. The non-availability of standard roads and their limited network increases transport expenses. Road transport is not complemented meaningfully with railway transport.

Railway infrastructure services: No land transport compares with railway transport in carrying many passengers and freight at a time. As economic development increases, there is a need for an efficient and competitive railway transport network. However, enough attention has not been given to railway transport. The government should take measures to change this situation, the first being improving the Djibouti-Addis Ababa railway line (through concession). Other railway lines should also be constructed, in harmony with a road network system.

Air transport facilities: One of the aims is to make Addis Ababa the centre of air transport services in the Horn of Africa. Accordingly, the construction of new runways and terminals has been completed. Five international standard airports have also been built at major tourist sites and other areas. The main task remaining is the optimum use of the existing airports, while maintaining the runways. Ethiopia has an airport system that stands in good esteem in Africa and uses this esteem as a launching ground for creating an even stronger air transport system. Ethiopia also should not impose too many restrictions for fear that our airlines may be exposed to undue competition from elsewhere. It is possible to guarantee the safety of the airline only by improving its capacity for competition, not by blocking others to compete with it.

Telecommunications services: The government is currently on the move to create conditions that favour a cooperative and partnership venture with foreign telecommunications companies, with the view, first of all, to ameliorating our problems in the area of laying down a modern management system and, secondly, to securing the much needed capital for the improvement of the network. The government should consider a scenario in which the winning

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company could buy up to 30% of the Corporation's shares, without, however, risking the Government's major hold on the Corporation, while at the same time ameliorating the capital shortage the sector faces. In order to make sure that telecommunications services expand to cover the whole country and, based on this, benefit from the contribution the sector makes to the development, the Government must intervene in the task of expanding the sector's services. It is, however, believed that, when the government intervenes in the running of the sector, it would come up against problems in the area of management. Consequently, it can and must hire telecommunications companies with the experience and the capacity in order to make up for the existing lack of managerial capabilities in the sector.

Ethiopia requires to expand the profit-making sub-sectors of the telecommunications sector and accumulate the profit garnered from these sub-sectors and use it in the short-term to speed up the accomplishment of tasks to provide telecommunications services to those sectors that are not profitable. Unless there is some monopoly, even if temporarily, and profit is not made out of such a monopoly, it would be impossible to make up for the money needed to provide for the running of the non-profitable sectors.

Electric power services: Ethiopia has abundant hydroelectric potential. Because the potential of hydroelectric power supply is much more than the consumption needs over decades, we can get high income by developing and selling it to neighboring countries. We can also minimize deforestation, which is precipitated by lack of alternative energy sources at household level. It also enhances growth in other economic sectors. Realizing the importance of expanding the available electric power source, the government has been making a concerted effort to develop the sector (Gilghel Gibe, Abbay riparian around Blue Nile and around the dam at Fincha, Tekeze). The geothermal power has also started generating electric power.

Access to potable water and land: The Government insists on continuing providing/managing the water supply sector. The management of water supply services in the urban centres must be improved to the highest possible level. Conditions should be created in which the running cost of the sector shall be reduced and consumers are urged to pay the full fees for the services, thereby highly strengthening the sector's financial capacity and improving the quality of the services it provides.

E) Carry out an Effective Manpower Training

Ethiopia simply does not have a leadership and management force with a strong sense of professional ethics and hard work that the industrial development program needs. It has become virtually impossible to train and produce the kind

of manpower that is equipped with modern management skills, a manpower that has the professional qualification and capability to muster the manpower available to it and equip it with the capacity to work efficiently to the extent that the capital it commands allows. Hence, it has become impossible to produce commodities and provide services capable of competing on global markets. Cognizant of these problems, the government is making efforts to overhaul the educational system in such a way that it would be able to produce the required labour force. The government is making efforts to expand access to higher education institutions including technical and vocational education. Moreover, Ethiopia must make efforts to improve the leadership in its institutions, while continuing with providing training for the existing labour, by hiring foreign companies with experiences to provide training in leadership, by deploying Ethiopian volunteers who have already been retired, or through engaging in cooperative ventures with international investors. The Government is expected to collaborate with such trail-blazing companies in the area of cost reduction and sharing, by facilitating issuance of work permits for expatriate professionals and easing the taxation system and procedures, by cooperating with countries to send their retired professionals, or through partial cost sharing arrangement.

F) Institute Development-Friendly Governance

Efficient, transparent and accountable system: The main thing expected from any government, whatever the services it renders, is to provide them efficiently. The existence of transparent and accountable systems of operation is crucial, even for combating corruption. The civil service sector in Ethiopia did not accomplish its tasks. Realizing the problems, the government has started taking measures. Efforts are being made to realize a mode of operation that ensures the prevalence of transparency, accountability and efficiency within the sector and to improve the professional capacity and work initiative of the sector's personnel (through the government capacity building program, called PSCAP), for the speedy implementation of the industrialization program.

Building a competitive market system: Establishing a strong competitive market and a comprehensive support to private investors facilitate competitiveness. Government has to support investors to enable them build their capacity to compete. It has to ensure the existence of such competition in the country (by promulgating and enforcing competition laws) in order to strengthen investors and weaken freeloaders, and to ensure a speedy industrial development, as one of its fundamental policy objectives.

Building an enabling taxation system: Ethiopia has taken measures to reform the institutions responsible for collecting taxes that had proved to be a bottleneck in the process. Mechanisms have been designed by which taxpayers

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systematically record their incomes and expenses and by which all of them are allotted their respective identity numbers. The withholding tax has also been reformed to facilitate collection and reduce the chances of corrupt practices. The excise tax has been replaced by the more modern system of value added tax. The government believes that making the tax rate constant or invariable will provide a long-term stability to investors and an opportunity for them to have long-term development plans. The government also believes that this system must be maintained for sometime to come.

G) Establishing an Efficient Judiciary System

A free market economy is essentially a contractual economy. In a country where contracts are not observed, people do not trust contract agreements for establishing any form of economic relationship. A system and culture of contract administration has not yet been established in Ethiopia. Most of the time, contracts are not made out in black and white. Even if they were so made out, nothing is done with care enough to ascertain their legality. The judiciary system has to be so structured as to be able to overcome this problem. Clients have to develop experience about securing legal contracts that fulfil the necessary preconditions and make sure they are all written down. The society, too, must be educated in order for this kind of procedure to become the norm. The government and associations of private investors have to work very hard towards this end. Similarly, a situation must be created where the contract administration system will be efficient so that cases of conflict will not be postponed endlessly in courts of law.

2.4. Provision of Direct Support and Guidance to Developmental Investors

Detailed strategy and policy should be prepared for those sectors requiring special attention. Creating an enabling environment does not preclude supporting investors directly. In the Ethiopian context, while the challenge to create an enabling environment is daunting, the major shortfall is the lack of plan to link those conditions with concrete development problems of industries at sub-sectoral level. Focus areas in this respect are the following.

A. Textile and Clothing Industry

In Ethiopia's situation, it would be appropriate to consider textile and clothing as one of the industries deserving special attention. The textile and clothing industry meets the basic principles: saves capital, employs large labour and uses

agricultural outputs. The industrial development strategy should focus on expanding this industry. Expanding the industry requires working with all stakeholders jointly. There is a need to create a forum, constituting all stakeholders, which would counsel on the development of the industry and examine plans and their implementation. In order to effect high growth in the industry, both domestic and foreign investors have to be involved, the latter to bring new technologies and market opportunities.

What government should do is to prepare a plan on how the industry can move towards a high growth path by eliminating its problems and put this in practice. Once this is done, then banks would extend credits to the sector on their own discretions, as the prospects of recovering loans would be reliable. It is the responsibility of each company to market its product. During the initial period when concrete plan to improve the competitive status of the sector is drawn and made operational, it is appropriate to provide protection on profit for establishments, to allow time to gain some experience, with a time limit. For those establishments, which managed to move to export trade faster, appropriate incentives should be provided.

The success of securing markets comes along with producing quality competitive products. Thus, improving productivities of establishments is a basic task. Maintaining their quality standard is also a critical matter. Quality and Standard Authority should devise a system to ensure that quality of products exported from this sector maintain the required level and do not adversely affect the good name of the country's products. An exporter who has secured reliable external market or export shipment should get financial credit at an encouraging rate. One, who managed to export in one year, should be able to secure financial credit the next year.

B. Meat, Leather and Leather Products Industry

The meat, leather and leather products industry should be given special attention in the development plan. Important points in the meat, leather and leather products industry, too, are to form a joint forum which will coordinate the development process, study and resolve the problems, identify the role of each actor in the sector, and finally make a joint effort to implement these in practice.

The major problem to livestock resource development is quality, at farm and marketing level. Ethiopia cannot supply live animals on a large scale to foreign markets as it hardly fulfils the sanitary requirements. Abattoirs also should be given high attention particularly in urban areas. What should be given special focus is establishing a system to ensure the quality and health of products and make continuous follow up. Acquiring verification of quality should be given weight, since it is difficult in the absence of such verification to have

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market access. Additional work is necessary to secure further market opening, including diplomatic efforts to have access to major markets to attract companies, which play major roles in the main international markets, into our country. Attracting companies into the country deserves special attention, studying major companies engaged in the sector, identifying those with some interest to invest in the country and discussing with them what their requirements would be and fulfilling their demand.

The tanning activity has been in operation for a long time and a number of additional tanneries have been established. What should be given priority is enabling these factories to operate at full capacity, addressing the poor quality and inadequacy of hides and skins, and the market inefficiency associated with it. It is important to shorten the marketing chain between the primary producer and tanning factories. As the leather products industry is capital saving and labour intensive, Ethiopia could compete in the international market, especially in the footwear industry, if the shortage of labour, management and the finished leather are addressed. A great deal of work must be done to improve the production capacity of establishments, according priority to those with better capability to penetrate the market and fulfil the requirements of big companies abroad, and to enable one or two companies to sign contracts. If a few companies manage to make a breakthrough, it is possible to expand the industry rapidly. Ethiopia needs to have a long-term plan to attract companies, controlling the international markets in the sector, by carrying out a detailed study of the companies and by fulfilling their requirements to invest in Ethiopia.

C. Agro-processing Industry

The agro-processing industry – the process of adding value to agricultural products and bringing them to the market – is a vast and complex industry. Industries of textile, meat, hides and skins might fall in this category. The agro-processing industry also includes the food industry. Its scope is wide ranging, from bakeries to sugar factories and extends from edible oil processing factories to complex chemical industries that use agricultural products like maize. The emphasis here will be on those industries that are geared toward the export market.

The industry is essential for the growth of the agricultural and industrial sectors by creating linkages between the sectors and by facilitating extensive use of labour force and efficient use of capital. It enables to compete in the international market and facilitates the implementation of the industrial development strategy. It is therefore evident that the agro-processing industry should be given much attention.

Although processing sugar cane requires a considerable amount of labour, when compared to capital needed to establish the factory, the employment opportunity it created is not satisfactory. As a result, the industry is not the type that deserves priority. Currently, a number of state-owned industries exist. The primary concern is to help these industries produce to their maximum potential and make them competitive in price and quality, while the idea of exporting sugar needs to be emphasized. Ethiopia needs to build up its capacity and export highly demanded sugar in the world market at the standard international price.

Private investors need to engage in the expansion of the sugar industry, as the demand for sugar has reached a level where it will be difficult to satisfy even domestic consumption. There are not as such a considerable number of agro-processing industries similar to sugar that are based on modern and extensive agricultural products. However, a favourable environment must be created to expand similar agro-processing industries to follow the direction set for the sugar industry.

The following are what should be done in the agro-processing sector. The first step is to improve the production of agricultural products in quality and quantity. As it is difficult to give a general solution to the development of the agro-processing industry, it is important to investigate in detail the behaviour of each component of the industry to come up with a solution that is specific to each sub-sector. Furthermore, rather than simply wait for foreign investors to come, we need to investigate, search and attract those investors that we think are crucial for implementing the industrial development strategy.

D. The Construction Industry

To trigger fast growth in any of the economic sub-sectors, it is of great importance to establish an efficient and viable construction industry. The construction industry by its nature is labour intensive in countries like Ethiopia. Thus, the construction industry is a sub-sector that enables Ethiopia to implement one of the fundamental principles of the industrial strategy – using labour-intensive techniques. In the short and medium term, the major target would be to focus on meeting the domestic demand for construction and to substitute imported services. The high-level linkage effect of this sub-sector is the other important point that forces policy-makers to consider it as a priority sector.

The sub-sector accommodates small to large-scale companies, opens up opportunities to the development of micro enterprises and small-scale companies, and creates a smooth transition of companies to higher levels. This attribute also makes the sub-sector a priority. As in any other priority industries,

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priority issues in the construction industry are to organize a joint forum where the actors of the sub-sector participate, to identify the problems and prepare a plan for solving the problems and articulating the role of each actor, and putting them into effect. It is important to enable the joint forum to play its role by identifying the problems and drawing a plan of action, and by taking a common action on the problems.

The sub-sector is characterized by shortage of capital while it should be one of the priority sectors to which banks extend loans. The two sectors ought to look into possibilities of covering part of the cost of acquisition of machineries. It would be important to draw a plan and work towards its implementation. It would be worthwhile to establish companies that lease out machineries to small-scale construction companies. Establishing such renting companies can significantly minimize the initial capital constraint by renting not only to the small-scale construction companies but also to any company in other sectors.

The government and various financial institutions can play a major role in introducing the mortgage business, as it can bring about a major change by creating job opportunities to the construction industry. The government should provide the mortgage companies with land on condition that they use it for the construction of residential houses for individuals. The construction industry is also characterized by serious shortage of skilled labor. The government is currently making efforts to solve the problem by expanding tertiary level education. Along with this, it is expanding technical and vocational training that takes into account the demand for skilled labor in the construction industry. The forum is expected to play a significant role. The government education and training program can be geared towards providing the required amount of labor with the necessary standard skill. Investors in the sector can take the initiative to organize on-job training facilities for graduates from training institutes. It is necessary to conduct short-term on-job-training programs and skills exchange schemes, to be the main tasks of the coordinating body. The other issue that should be considered with regard to the serious shortage of skilled labor is the absence of a system of skill accreditation. Much effort is expected from the institution that will be assigned to coordinate the sub-sector.

With the expansion of construction industries, other industries, which specialize in the production of inputs to the construction industries, also expand. If there are no effective and efficient exchange and linkage mechanisms among these sectors, we may not be able to effectively utilize the growth potential of other sectors that would be triggered by the construction industry, and as a result the economic growth may not be as rapid and sustainable as it would be otherwise.

E. Cottage and Small-scale Manufacturing Enterprises

Small-scale enterprises employ labor. The majority of the urban dwellers earn their living from small-scale enterprises. Providing special focus to the development of cottage and small-scale enterprises ensure mass utilization of human resource. Given the capital requirement of such enterprises is minimal, encouraging their development coincides with the industrial development strategy. Young people graduating from the education and training system could easily engage in self-employment if the establishment of such enterprises is encouraged.

In order to promote and develop the sub-sector, the existence of a strong joint forum that mobilizes the different actors in the area is a key factor along with a maximum effort needed to implement a carefully prepared plan that addresses the bottlenecks facing the sector. There is a federal government institution established to support and coordinate cottage and small-scale industries. This institution needs to be strengthened and continue to operate. The focus of activities by federal government institutions should lie on supporting regional and municipality level institutions that would be established to support cottage and small-scale enterprises. Regional and municipality institutions should create a joint forum comprising actors in the area at different levels to coordinate the activities in the sector. Along with strengthening and expanding the technical and vocational training system, there is a need to design a training program that is specifically geared to enhancing entrepreneurial management and improve their productivity and quality.

Shortage of finance for start-up and expansion is a challenge for cottage and small-scale enterprises, requiring appropriate strategies for tackling this fundamental constraint. Traditional saving mechanisms, for example, could greatly contribute in ensuring availability of funds as initial capital. The government also has to play a key role. By linking directly the promotion of cottage and small-scale enterprises with public development plan, it is possible to address the problems associated not only with start-up capital but also with serious marketing problems that enterprises face. The establishment and strengthening of machinery lease companies would enable cottage and small-scale enterprises to lease machineries without mobilizing the large capital needed for such purchase and start business with small capital. It has been some time since a law was passed that permitted the establishment of such companies. The government should go beyond creating the necessary conducive legal environment and make effort to ensure that machinery lease corporations are practically established. It is necessary to study the experiences of other countries' that have been successful in such a scheme. Banks could play a great

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role by making the necessary finance available for the establishment of cottage and small-scale enterprises. Rural banks and micro credit institutions could provide a small loan to fresh investors in urban areas as they are doing in rural areas.

Lack of market access is the other problem cottage and small-scale enterprises face, partly due to their low productivity and poor quality of production. Improving their competitiveness in quality through provision of training and technical support that address their management problem could have a positive impact in improving their market access. Integrating enterprises' activities with the national and government development plans could also contribute to address market problems. The promotion of sub-contract arrangement between cottage and small-scale enterprises and medium and large-scale enterprises would play a significant role in addressing problems faced by the former.

3. Main Strengths, Gaps and Limitation of the Strategy

3.1. Strengths

The preparation of the industrial development strategy has been a bold move by the government. One could claim that the country had never put in place such an elaborate and articulated industrial development strategy in the past. "...Though a favourable policy package to introduce and develop a modern economy was in place [*during the imperial regime*], there was not any deliberately drawn and explicitly specified industrial policy to accelerate industrialisation in the country" (EEA/EEPRI 2005, ix).

The strategy outlined the core principles, mapped out the basic enabling environments to be created and, within a constrained world, identified strategic sub-sectors in which the government would directly engage and provide support. The thesis of the strategy is that resources should be directed to areas that provide the highest benefit to the largest number of people, which in the Ethiopian case is obviously the agricultural sector. The strategy asserts that Ethiopia should use resources that it has in abundance (labour) and less of its scarce resources (capital), for which the agricultural sector strongly qualifies.

The strategy aims to develop the agricultural sector and hence raise the income of small farmers that make the great majority of the farming population of the country, which in turn contributes to a significant increase in the demand for manufactured products leading to a 'demand-led industrialisation' in the country. The strategy supports the provision of the required raw materials and inputs to the industrial sector; the revenue earned from export of the agricultural

products serves as a means to import the necessary inputs, raw materials and machinery for the industrial sector. The strategy envisages linkages between agriculture and industrial sectors, which provides the opportunity for the expansion of the service sector. Being export-oriented and led by the industrial export sector ensures that the sector will be ready for the rigorous competition in the international market.

The adoption of the strategy is expected to reinvigorate the government to take measures to address the investment climate issues in key areas to stimulate private sector development. The government has significantly reduced the cost of doing business by simplifying regulations and improving the quality and effectiveness of the institutions supporting the industrial sector. The time required to clear customs for export has been reduced, the cost and time required for registering and securing a business license have been substantially lowered. The government took important steps in improving access to and quality of physical infrastructure – tele-density has improved, road network and road conditions have improved, power supply and rural electrification has intensified.

Moves towards the growth of the industrial sector are now on foot. Increasing access to finance through creating the conditions for banks to lend to private firms has been a priority agenda item for the government. The agenda includes strengthening the credit environment and broadening access to financial services, reducing the existing debt overhang of the banking system while preserving viable firms; increasing the efficiency of the banking sector through measures to improve contestability. Interest rates have been restructured with a view to encouraging savings and investment. The concept of universal banking has been re-introduced, reducing monopoly in the sector with the re-introduction of private banks. Moves are also being taken to address issues of collateral.

3.2. Achievements

There are some achievements in the effort to transform some of the elements of the strategy into actions, of which the following are crucial:

- Preparation of a master and a business plan for leather and leather products industry, one of the strategic sub-sectors identified for direct support and guidance by the government;
- Strengthening of leather and leather products technology institute;
- Establishment of the textile and apparel industry institute;
- Establishment of industrial and sugar industry development fund; and
- The development of the strategic plan of MoTI focusing on the strategic sub-sectors of the strategy.

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As a result, the share of manufacturing export from the total has been raised to more than 20%, export diversification has been seen and a structural shift has been observed during the last four years.

Besides, MoTI has reorganised its structure to cope with the requirements of the industrial development strategy. It has created new departments and centres in line with the focus of the industrial development strategy such as agro-processing, textile and leather, industry support, export promotion and foreign trade relations departments. Other support institutions are realigned, strengthened and detailed to go with the need of the industrial sector. Nevertheless, there are gaps, limitations and weaknesses that have to be taken seriously immediately.

3.3. Main Gaps, Limitations and Weaknesses of the Industrial Development Strategy

- a) The industrial development strategy has not been fully translated into policies, sector development programs and action plans, as that of the education, health and water sectors. The strategy still lacks other **pertinent interventions and actions tailored to** the needs of the industrial sector, what has been so far achieved are pieces and some elements of the ought-to-be-packages. The strategy identifies strategic sub-sectors and discusses about the general enabling environment, but these have not yet been tailored in a comprehensive manner to the mandates of the competent authorities or synchronized with the strategic objectives of the relevant bodies. An industrialisation strategy requires actions that are quite different from that of the general development strategy. While the latter facilitates the former, it cannot necessarily bring about industrialisation as deep and as fast as required. The enabling environments mentioned in the strategy are as crucial to the rapid industrialisation of the country as they are critical to other sectors. It is because of the fact that setting these enabling environments takes time that there is a need for a sectoral strategy or policy. If Ethiopia could manage to get the above-mentioned enabling environments right, there would not have been a need for formulating an industrial development strategy. If the infrastructure service is a hindrance for industrialisation, the industrial strategy has to look into ways of providing the same services to the sector, until it gets right, by setting up industrial estates, export processing zones and the like. If the financial sector is weak, the strategy has to design a tailored financial support scheme to the industrial sector, until conditions improve. Industrialisation should not wait until the enabling environment gets right; and, that is what the strategy is meant for. The industrial strategy lacks such kind of tailored interventions, actions, or

investments. An industrialisation policy is a tailored intervention/investment by the government to support the industrial sector to circumvent these constraints.

- b) The industrial strategy faces a **strong ownership dilemma** and a **champion institution**, too, lack of which has resulted in inadequate translation of the strategy into comprehensive, synchronised, inclusive and holistic **policy and program action plan**. The Ministry of Information is the publisher of the industrial development strategy, and the owner seems, implicitly, the Government of the Federal Democratic Republic of Ethiopia, not the Ministry of Trade and Industry. This implies that there is no specific responsible and accountable sectoral agency owning the industrial development strategy document. Neither does the strategy create an accountable and responsible entity to implement the strategy, by converting it to policies, programs and action plans. When one observes the enabling environments to be created and some elements of the focal sub-sectors mentioned in the industrial strategy, they are beyond, given the current Ethiopian setting, the mandate of a particular organisation. The Ministry of Trade and Industry (MoTI) tends to buy in the strategy, but not successfully, as only a few of the focal strategic sub-sectors are translated into master/strategic/action plans, if they are to be implemented. The meat sub-sector, the textile and garment sub-sector, the diverse agro-processing industries, cottage and small-scale industries have not yet translated to master plans. The construction sector and most of the enablers are beyond the mandate of MoTI (finance, macroeconomic stability, etc). If MoTI has bought in the industrial strategy, it has to tailor the strategy to its mandates, roles and responsibilities; it has to support the strategy with **pertinent policy, directives, programs and implementation manuals**, popularise it through dialogue and partnership, and engage all the relevant stakeholders – private sector, development partners, civil society organisations and government. MoTI has so far managed to incorporate only a few of the elements of the strategy to its strategic and annual plan; it has not yet developed a functional **industrial development policy**, as well as program action plans, and it has not yet tabled the issue to stakeholders for partnership. “What is required ... is an industrial policy capable of transforming the economy as a whole. Industrial policy necessitates placing the manufacturing sector at the centre of the program” (EEA/EEPRI 2005, 68).

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- c) One of the core principles of the industrial development strategy is ADLI – agricultural development to provide the basis and impetus for industrialisation. ADLI, however, is one-legged to a faster industrialisation or to a rapid economic development in Ethiopia. “The experience of the last decade or so in Ethiopia, and international evidence, indicate that there is a case for shifting to ‘walking on two legs’ in ways that allow for strategic experimentation in alternative activities” (World Bank 2007a, 19). ADLI assumes that industrialisation and, along with it urbanisation, is to be a derivative process that naturally comes with the rapid development of the agricultural sector. The approach, as EEA/EEPRI indicated (2005, 69), has inherent problems both in theory and practice. Demand-led approach assumes that demand for industrial goods, which could lead to industrialisation, comes only from agriculture. The larger demand from the service sector and from within industry is not taken into account. Nor does it recognise that higher productivity and competitiveness of the industrial sector would lead to greater access to international markets, thereby rendering demand as less of a problem. Agricultural development, as it is currently configured and implemented, will not be able to generate the desperately needed rural transformation let alone achieve rapid economic development and industrialisation. “... The institutional framework, the state ownership of land, which denied farmers the very motive to invest and work hard to secure their livelihood and the risk-prone rain-fed agriculture amid a high rate of population growth, led to a declining per capita production and income. Hence, agriculture, which was expected to generate high real income and induce industrialisation, remained a wishful scenario” EEA/EEPRI (2005, x). There are also serious concerns about the possibility of reducing poverty significantly through this strategy. “... Despite more than a decade of focus and significant public support, Ethiopian agriculture remains stubbornly low-input, low-value and subsistence oriented, and subject to frequent climatic shocks. Given this performance, a simple scaling up of past approaches is not likely to produce acceptable growth and poverty reduction targets” (World Bank 2007b, 31).

A number of distinct features of the manufacturing sector - economies of scale, externalities and linkages and productivity increases - enable **the same** to play a dynamic role in economic development. The significance of expanding the industrial sector lies in its capacity to help transform other sectors, particularly agriculture. The transformation of agricultural output requires the expansion of the manufacturing sector (EEA 2004, 236-237). The industrial strategy, led by ADLI, badly needs some re-thinking along this line. The success of ADLI should be measured not in terms of growth in smallholder agricultural output but in terms of reducing labour cultivated

land ratio, increasing volume of marketed surplus and mobility of agricultural labour force towards other sectors of the economy (Getnet and Admit 2001, 161). Ethiopia does not have the luxury to wait until the interplay of market forces transforms, on its own, uneducated, smallholder subsistence farmers into entrepreneurs that could either process agricultural products into industrial products or manufacture inputs to the agriculture sector. This will not happen soon unless efforts are marshalled through a holistic, comprehensive industrial development policy, and investment incentive packages. Promotional measures need to be comprehensive to include investment, financial, technological, production, marketing and other related supports. One without the other may be ineffective, even counterproductive.

- d) The strategy marginalized **competitive advantage**, while focusing on **comparative advantage**. The strategy unwisely stressed sub-sectors (meat, textile and leather) that **lack both domestic and international competitiveness**. Studies indicate that first, local-resource-based manufacturing activities did not reveal any tendency of being internationally competitive, with the exception of the manufacture of sugar. Interestingly, import-based manufacturing activities revealed consistent cost advantage at border prices. Secondly, the cost of capital did not significantly influence the competitiveness of manufacturing activities (Getnet and Admit 2001, 46). While the strategy should have focused on those sectors or sub-sectors that tend to be competitive internationally with little effort, the strategy dwells much on those that are unlearning and de-learning, such as textiles, apparels, leather products and meat processing. A more important parameter, which the government can use to select activities or sub-sectors for direct government intervention/support, is cost advantage at border prices. A manufacturing activity that reveals cost advantage at border prices is, at the same time, capable of penetrating international markets with a minimum of extra effort. Hence, what should be more important to the government is competitive than comparative advantage.
- e) **Access to finance** has received little focus, while it is by far the most significant setback limiting the growth of industrial enterprises in Ethiopia mainly due to difficulties in both supply and demand factors.

The supply is constrained by the limited availability of financial products, stringent collateral requirements and lack of credible competition in the financial sector. Financial intermediaries (commercial banking, non-bank financial institutions, and capital markets) are nearly absent¹ in

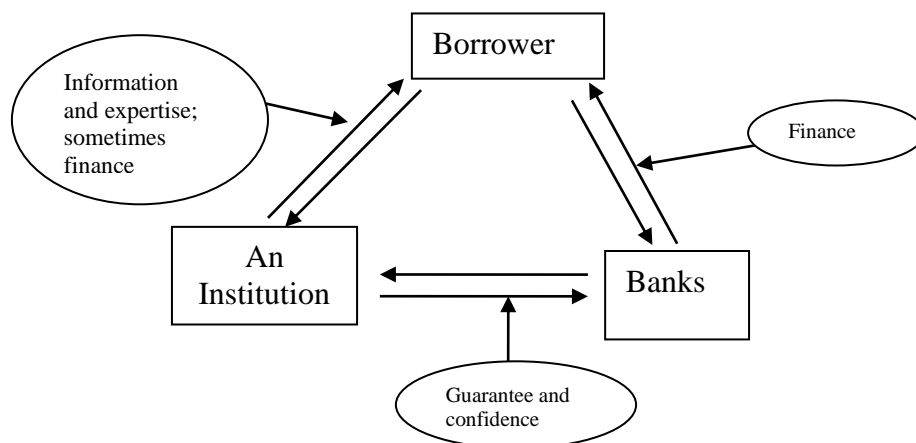
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Ethiopia except for the few in the sphere of the commercial banks. The supplies of the financial products delivered by the existing financial intermediaries in Ethiopia are even constrained by the procedures of commercial banks, specifically by the stringent collateral requirements. The absence of foreign banking institutions is still a severe restriction on the financial sector's possibility to serve the industrial sector in financing risky projects.

Putting aside the supply side constraints, entrepreneurs did not make use of what little is available mainly due to poor capability of the majority of the entrepreneurs in project and business plan preparation, poor business management skill, absence of accounting and financial reporting standards, lack of loan guarantee and absence of direct credit schemes. Support institutions providing Business Development Services (BDS) like Chambers, Associations, private and public institutions are either nonexistent (for instance, chambers at secondary cities) or extremely weak or hampered by financial and expertise problems. Banks are not ready to provide support to borrowers in managing the loans; nor are BDS providers sufficiently available to augment the deficiency of borrowers. 'No-collateral no-loan' syndrome persists in the Ethiopian banking system.

Specialised institutions that have the advantage/capability of making finance and expertise available to those borrowers that the formal financial institutions are hesitant to lend to for different reasons are non-existent and need to be set up. The diagram hereunder indicates the triangulation among these three agents.



Through such mechanisms, good projects that may fail to secure finance (because of lack of collateral or because of being small or because of lack of strategic business plans) can be made to realise their aspiration. Lack of an institution blocked many aspirant entrepreneurs from the highly needed access to bank loans.

Such kinds of institutions are vital to serve as a bridge linking banks and businesspersons. The specialised institutions, while giving a guarantee to banks, can fill these knowledge gaps of the businesspersons, too. Such an institution will always remain relevant in any economy, let alone in an infant economy such as Ethiopia. The government of Ethiopia should hence embark on instituting² it before it is too late.

- f) Nothing significant has been done on **fair competition**; as a result, **an unlevelled playing field** haunts the industrial sector. The heavy hand of government still pervades the productive and distributive sectors. Despite the privatisation process, “the net number of large- to medium-sized enterprises in Ethiopia has actually increased from 119 in 2001/02 to 154 in 2004/05” (World Bank 2007b, 79). State owned enterprises account for more than half of the output of medium to large manufacturers. Overall, as the World Bank indicated, the role of the state remains very large (World Bank 2007b). The government views the private sector still with suspicion; the sector is considered, in the minds of policy-makers and civil servants, as rent-seeker despite public utterances and policy papers that one encounters frequently underlining the critical role of the private sector. IMF, in its 2007 Article IV consultation with the government of Ethiopia, noted the same. “... The environment is not yet fully conducive to private sector-led growth” (IMF 2007, 2).

The government recognised the need for an effective competitive law³ and enacted the Trade Practices Proclamation in 2003, which contains provisions against collusive behaviour and abuse of market position. The Proclamation, however, has serious setbacks. It lacks provisions for reviewing policy impediments to competition, lacks provisions against mergers and acquisitions that may increase market power (especially a privatisation program not to create monopolies), and even exempts state owned enterprises from purview. As the World Bank (2007b, 84) indicated, there is a risk that large state owned enterprises and party-affiliated firms – some already noted for their anti-competitive business practices – would attempt to further entrench their market positions.

The current government allows foundations, which are controlled by political parties, to own enterprises. A number of party-affiliated business concerns are reportedly under the supervisory umbrella of the Endowment

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Fund for the Rehabilitation of Tigray (EFFORT), Endeavour (Amhara Region), Tumsa (Oromia Region), and Wondo (SNNP Region); senior EPRDF members head major decision-making positions of the same (see Bogale 2003, Berhanu 1999 and 2000, Young 1997). “Endowment companies became a political issue in the last elections, and there were allegations that depicted party-owned enterprises as a vast economic empire. Because hard evidence does not exist to either support or refute these claims, many in the private sector assume the worst” (World Bank 2007b, 81). The World Bank summarised the consequences of such perceptions as follows:

This perception is one of bad economic governance, and the cost is likely to be one of a loss of credibility with potential investors. A program of gradual divestiture of party-affiliated enterprises is likely to have minimal cost to the government with significant benefits in terms of policy credibility and investor confidence. Therefore, from a strategic standpoint, the government may eventually reevaluate the trade off between the benefit of endowments and their cost in terms of a perception of an unfair environment for private investment (World Bank 2007b, 83).

The concern about the role of these holdings is multifaceted. First, such firms in effect create two distinct private sectors – one politically connected, and another that is not. The former can exploit political strings (through party cadres in the bureaucracy) to practice unfair competition for government or party-affiliated business, and to engage in rent seeking in the form of tailored state subsidies or protection, and insider privatisation. Second, the government’s near monopoly over the banking system (the three government banks account for the lion’s share of the banking system in Ethiopia) lends itself to directing credit to favoured enterprises on less than commercial terms. Third, one can only wonder how the existence of these organizational economic assets has shaped the government’s attitude toward future reforms especially in banking, the commercial code, and the judiciary.

Ascertaining a level-playing field requires that the government remains neutral to all economic actors. This is best done by detaching itself from direct and indirect involvement in the running and ownership of sectors of economy that are best left to the private sector and dissociating itself from party-affiliated entities. Short of that, the World Bank proposes (World Bank 2007b: 83) four types of reforms that may help contain the real or perceived distortions caused by party-affiliated businesses. These are the following:

- “A fairer financial sector – a fair and level playing field for access to equity capital;
- Standards of transparency for politically-owned holding companies;

- Strong secured lending and bankruptcy laws and practices which provide strong disincentives to engage in non-commercial activities with funds ultimately owned by the citizen; and
 - A strong competition secretariat, with the capacity to investigate and remedy the contestability of key markets and to differentiate between monopoly positions that are related to a commercial advantage vs. monopoly positions related to unfair practices.”
- g) The industrial development strategy sidelined **strategic industries**. Industrialisation is largely developing knowledge based-technological capabilities, involving technologically advanced hardware and technically skilled labour force. As these are the critical elements that most Ethiopian manufacturing industries are lacking, the longer-term focus of the industrial policy should have been mainly on moving from simple labour intensive processing and assembling activities to technologically leading industrial activities. A balanced structure of consumption and intermediate and capital goods industries is the distinguishing feature of a self-propelling and less externally dependent economy. In the Ethiopian setting, not only capital goods but also intermediate goods are largely imported. The literal absence of technologically leading industries, which have also been instrumental for the relatively fast industrialisation of both earlier and newly industrialised economies, reveals the underlying structural weakness of the manufacturing sector in Ethiopia. The Ethiopian industrial development strategy completely ignores strategic capital and intermediate goods producing industries, which are technologically leading and creating significant positive externalities, thereby generating new and dynamic comparative advantage for the economy. Industrialisation in Ethiopia requires a radical change of investment towards the strategic industries without which industrialisation could not be thought of. This calls for specific policy measures to induce significant investment flow towards these industries.
- h) **Policy based budgeting** is impractical, in the sense that the industrial development strategy is without a commensurate resource to implement it. The federal budget proclamation indicates that only about 0.4 percent of the EFY 2000 budget is allocated to trade and industry sectors. This signifies that the industrial development strategy is without the necessary resources, hence translating it into practice will be challenging. Budget is a reflection of priorities.

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- i) Compared to the SDPRP, **PASDEP gave more space to the industrial development strategy.** The PASDEP is more comprehensive as it encompasses sectors that were not adequately articulated in the SDPRP. It has also articulated policy and institutional innovation in agriculture and rural development, rural-urban linkages, and pastoral development, and spatial dimensions of the growth agenda. Though PASDEP, as the overarching Five-Year Development Plan of the country, gave greater emphasis to the industrial and private sector, the targets and indicators, pertinent policy actions and the monitoring framework have not been well designed as that of pro-poor sectors.

4. Policy Recommendations

The preparation of the industrial development strategy has been a bold move on the government's side. One could claim that the country had never come up with such type of an industrial development strategy for years. There are achievements, as well. Some of the elements of the strategy are transformed into actions, mainly the preparation of master and business plans for leather and leather products and establishment of the textile and apparel industry institute. Besides, MoTI has reorganised its structure. It has created new departments and centres such as agro-processing, textile and leather, industry support, export promotion and foreign trade relations departments.

However, there are gaps and limitations that the strategy should consider and revisit for rapid and sustained industrial development in the country, as elaborated in the previous section. These include:

- a) MoTI has to continue to buy in and fully own the strategy, by supporting it with specific policies, regulations, guidelines and budgets, as there is no industrialisation policy or a 'White Paper' for the private sector development. The strategy as well should be translated into action plans, in a holistic and comprehensive manner with the relevant targets, indicators, and monitoring and evaluation framework. The health and education sector can be emulated in this regard. Piecemeal translation of the strategy into master and action plans will lose the opportunities of synergies and linkages of different actions. Tailored actions addressing the crucial constraints of the industrial sector have to be thought of until the basics are fulfilled.
- b) Of all tailored actions to circumvent the constraints of the industrial sector, access to finance should get priority. The Ethiopian banking system cannot serve the purpose of rapid industrialisation due to difficulties both in the supply and demand side of the services. There is

an urgent need for establishing specialised institutions that have the capability to avail finance and expertise for businesspersons, which is still relevant even in the USA, let alone in an infant industrial private sector like Ethiopia.

- c) A non-level playing field that haunts the private industrial sector needs to be addressed objectively and squarely. The heavy hand of both the government and the ruling party in the productive and service sectors, unless utterly imperative, needs to be abolished since it is an entry point for distorting the level field. Ascertaining a level-playing field requires that the government remains neutral to all actors, by detaching itself from direct and indirect involvement in the running and/or ownership of enterprises in the economy that are best left to the private sector and by dissociating itself from party-affiliated entities.
- d) The strategy should keep a balance in the emphasis on rural and urban development. As ADLI is instrumental to transform the rural economy, manufacturing-led industrialisation should assume its place not only to make *best use of the outcomes of ADLI* but also to fasten the rural transformation. The same is true in balancing the emphasis among sectors with comparative advantage and those with competitive advantage. The latter allows for easy and quick entry into the international market and the former guarantees a durable world market in the long run.
- e) Policies, strategies and plans achieve little if not supported by resources. The strategy will have value when accompanied with relevant and sufficient budget. Hence, policy-based budgeting is crucial; a strategy or a plan with no accompanied budget will remain only on paper. There has to be a balance between a pro-poor and pro-growth budgeting, as the former focuses on creating human capabilities and physical facilities and the latter emphasizes using these capabilities and facilities.
- f) The strategy should include strategic industries as a focal area, too. Industrialisation in Ethiopia requires a radical change of investment towards the strategic industries without which industrialisation could not be thought of. The Ethiopian industrial development strategy needs to include strategic capital and intermediate goods producing industries that are technologically leading and create significant positive externalities, thereby generating new and dynamic comparative advantage for the economy.

Notes

1. *The following are the respective products of these financial intermediaries:*

- Commercial Banks: Business investment loans, working capital loans, letter of credit, household instalment loans, credit card, equipment loans, mortgage loans;
- Non-bank financial institutions: leases, equipment, auto finance, major real estate investments, capital market instruments;
- Capital markets: household investment advice, investment banking services (financial arranging, mergers and acquisitions, underwriting), investment partnership shares, mutual fund shares, investment management, public capital market services (listing, trading, settlement, depository), publicly traded stocks, publicly-traded bonds (government, municipal, corporate), private placements of stocks and bonds, private equity.

The banking sector dominates the financial services sector in Ethiopia (holding 80% of total financial sector assets), 10% each held by the insurance and micro-finance sectors. The Ethiopian banking sector consists of 11 banks, of which three are state-owned. The private and the public banks have respectively 210 and 240 branches. Private Banks' share in assets, even though steadily growing, is still 23.4%. The CBE has more than two thirds of total banking assets (three times larger than all private banks). The public banks still have a dominant position in deposits and outstanding loans, holding about 70.6% of the deposits and 59% of the outstanding loans. Banks (both state and private alike) have shied away from retail lending. Banks so far have focused on corporate lending. A major feature of the Ethiopian banking sector is the accumulation of large excess liquidity (Birr 22 billion on October 2007) and it is particularly high for the public banks. The financial market in Ethiopia is still shallow. Treasury bills are the only active primary securities. Secondary markets do not exist. To finance government expenditure and/or to absorb excess liquidity in the banking system, the NBE occasionally issues long-term securities such as bonds.

2. *The US Small Business Administration (SBA)*

In the Small Business Act of July 30, 1953, Congress created the Small Business Administration, whose function was to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that the SBA would ensure small businesses a "fair proportion" of government contracts. By 1954, SBA already was making direct business loans and guaranteeing bank loans to small businesses, as well as making loans to victims of natural disasters, working to get government procurement contracts for small businesses and helping business owners with management and technical assistance and business training. The Investment Company Act of 1958 established the Small Business Investment Company (SBIC) Program, under which SBA licensed, regulated and helped provide funds for privately owned and operated venture capital investment firms. They specialized in providing long-term debt and equity investments to high-risk small businesses.

Basic 7(a) Loan Guaranty serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. It is also the agency's most flexible business loan program, since financing under this program can be guaranteed for a variety of general business

purposes. Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets. SBA offers multiple variations of the basic 7(a) loan program to accommodate targeted needs. 7(a) loans are the most basic and most used type loan of SBA's business loan programs. Its name comes from section 7(a) of the Small Business Act, which authorizes the Agency to provide business loans to American small businesses. 7(a) loans are only available on a guaranty basis. This means they are provided by lenders who choose to structure their own loans by SBA's requirements and who apply and receive a guaranty from SBA on a portion of this loan. Commercial lenders make and administer the loans.

3. The aim of this policy is to maintain and encourage competition in the domestic economy in order to promote economic efficiency, competitiveness, and consumer welfare. The policy aims at: Ensuring a 'level playing field' between State Owned Enterprises engaged in commercial economic activity, 'party affiliated' foundations (companies), and private sector firms; Eliminating or lowering unnecessary regulatory and other policy-based barriers to entry; Preventing anti-competitive and monopolistic business practices; and Broadening the opportunities for new Ethiopian investors and entrepreneurs to participate in their own economy by increasing accountability and transparency in government—business relations.

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Annex 1

Pertinent Documents for Industrial Development Policy and Strategy

This section summarises the documents (proclamations, regulations, industrial strategies, strategic plans, government and independent reviews of the policy and strategy) pertinent to the Ethiopian industrial development policy and strategy. Relevant documents are those currently in use; those repealed are not relevant and not reviewed here. All these documents are, directly or indirectly, associated with and for guiding the development of the industrial sector and the industrialisation process of the country.

The hierarchy of federal legal instruments is the following:

- The *Constitution* of the Federal Democratic Republic of Ethiopia,
- *Proclamations* passed by parliament and signed by the FDRE President,
- Council of Ministers *Regulations* approved by the cabinet and signed by the Prime Minister,
- Ministerial *Directives* issued by an authorised Ministry and signed by its Minister,
- *Guidelines* and *manuals*, which explain policies, rules and procedures but which are not themselves legally binding documents.

Proclamations, regulations, development strategies and medium-term strategic plans considered relevant to the industrial development and the industrialisation of Ethiopia are the following:

- Proclamation No. 411/2004: A proclamation to amend the reorganization of the executive organs of the Federal Democratic Republic of Ethiopia (FDRE),
- Proclamation No. 341/2003: Chambers of Commerce and Sectoral Associations Establishment,
- Council of Ministers Regulation No. 118/2005: Textile and Apparel Industry Institute Establishment,
- Proclamation No. 277/2002: A proclamation to provide for the establishment of the Industrial Development Fund,

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- Proclamation No. 412/2004: A proclamation to provide for the establishment of the Privatization and Public Enterprises Supervising Authority,
- Proclamation No. 415/2004: A proclamation to provide for the establishment of the Sugar Industry Development Fund,
- Council of Ministers Regulation No. 41/1998: Leather and Leather Products Technology Institute Establishment,
- Council of Ministers Regulation No. 280/2002: Council of Ministers Regulations on investment incentives and investment areas reserved for domestic investors,
- Proclamation No. 329/2003: Trade Practice Proclamation,
- A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/06-2009/10), Volume 1: Main text, MoFED, September 2006,
- FDRE Industrial Development Strategy, Ministry of Information, August 2002,

Ministry of Trade and Industry (MoTI) five years (2005/06-2009/10) strategic plan, MoTI, December 2005.

Annex 2

Summary of Proclamations and Regulations, Strategy Documents and Action Plans Relevant to the Industrial Development of Ethiopia

Relevant documents	Provisions
Proclamations and Regulations	
Proclamation No. 411/2004: A proclamation to amend the reorganization of the executive organs of the FDRE	<p>(Article 2.1) The following executive organs shall be accountable to the MoTI:</p> <ul style="list-style-type: none"> b) The Ethiopian Investment Commission; c) The Quality and Standards Authority of Ethiopia; d) The Privatisation and Public Enterprises Supervising Authority; e) The Leather and Leather Products Technology Institute; f) The Federal Micro and Small Enterprises Development Agency. <p>(Article 2.2) The MoTI shall have the powers and duties to:</p> <ul style="list-style-type: none"> a) Promote the expansion of trade, industry and investment; b) Create conditions for the promotion of the country's export trade; c) Strengthen the country's foreign trade relations and negotiate and implement agreements on trade as well as port and transit services d) Maintain efficient marketing system and fair trade practices to promote and develop the domestic trade; e) Create conducive conditions for the rapid industrial development; f) Provide support to industries considered to be of strategic importance; g) Improve the performance of public enterprises and accelerate their privatisation; h) Create conducive conditions to attract forewing and domestic investors.

Admit Zerihun.

Industrialisation Policy and Industrial Development Strategy of Ethiopia

Relevant documents	Provisions
Proclamations and Regulations	
<p>Proclamation No. 341/2003: Chambers of Commerce and Sectoral Association Establishment</p>	<p>Preamble for the proclamation:</p> <ul style="list-style-type: none"> a) It has been necessary to re-establish Chambers of Commerce and Sectoral Associations in line with free market economic policy of the country; b) It is believed that Chambers do play significant role in the promotion of trade, industry and investment; c) It has been necessary to use chambers of Commerce as a forum for the business community to conduct discussions on activities they are engaged in and in economic development issues in general and submit their proposal or recommendations to the government. <p>(Article 3) Chamber shall have the following objectives:</p> <ul style="list-style-type: none"> a) To provide different services to the business community; b) To safeguard the overall rights and benefits of their members; c) To promote and publicise products and services of the country; d) To enhance trade and investment of the country; e) To serve as a bridge between the business community and the government <p>(Article 4) the Ethiopian Chamber of Commerce and Sectoral Associations, having its own juridical personality, is hereby established</p>
<p>Proclamation No. 277/2002: A proclamation to provide for the establishment of the Industrial Development Fund</p>	<p>(Article 11) the Sugar Industry Development Fund is hereby established;</p> <p>(Article 13.1) the fund shall be utilised for the following purposes: a) to finance project studies b) to finance the capital expenditure required for upgrading c) to replenish the capital of a public enterprises which has sustained loss</p>

Digest of Ethiopia's National Policies, Strategies and Programs

Relevant documents	Provisions
Proclamations and Regulations	
<p>Proclamation No. 412/2004: A proclamation to provide for the establishment of the Privatization and Public Enterprises Supervising Authority</p>	<p>Preamble for the proclamation:</p> <ul style="list-style-type: none"> a) It has become necessary to change the role and participation of the state in the economy and to encourage the expansion of the private sector and thereby promote the economic development of the country; b) So long as public enterprises have to continue under state ownership, it is necessary to provide them to be competitive and profitable and thereby play appropriate role in the implementation of the country's industrial development strategy and the enhancement of economic growth; c) To achieve these objectives it has become necessary to amalgamate the EPA and the PESA with a view to coordinating the implementation of the privatisation program with the activities of supervising public enterprises. <p>(Article 3.1) the PaPESA is hereby established as an autonomous federal government office having its own legal personality.</p> <p>(Article 3.2) the Authority shall be accountable to the Ministry (<i>MoTI</i>)</p>
<p>Proclamation No. 415/2004: A proclamation to provide for the establishment of the Sugar Industry Development Fund</p>	<p>Preamble for the proclamation:</p> <ul style="list-style-type: none"> a) It is understood that there is a conducive environment to undertake the development of sugar and that there is an opportunity to undertake same competitively; b) The private sector lacks, in this stage, the capacity to participate in the said development on account of the high-level investment requirement; c) To bridge the gap that exists between the rapid domestic and international demand for sugar and the shortage of supply calls for undertaking of concerted effort; d) The government, in order to undertake the afore-stated development wishes to establish a fund that will finance the intended investment. <p>(Article 3) the Sugar Industry Development Fund is hereby established</p> <p>(Article 5) the fund shall be utilised for the financing of studies of sugar industry projects for establishing new sugar producing companies and for the expansion of existing sugar producing companies.</p>

Admit Zerihun.

Industrialisation Policy and Industrial Development Strategy of Ethiopia

Relevant documents	Provisions
Proclamations and Regulations	
<p>Council of Ministers Regulation No. 41/1998: Leather and Leather Products Technology Institute Establishment</p>	<p>(Article 3.1) There is hereby established the LLPTI as an autonomous federal government institutions having its own legal personality;</p> <p>(Article 3.2) The Authority shall be accountable to the Ministry (<i>MoTI</i>);</p> <p>(Article 5) The objective of the institute shall be to produce trained manpower to the sector by providing theoretical and practical trainings and conduction research and consultancy activities in all aspects of leather and leather products manufacture, raw materials, chemical processes, mechanical operations and quality control methods.</p>
<p>Council of Ministers Regulation No. 118/2005: Textile and Apparel Industry Institute Establishment</p>	<p>(Article 3.1) It is hereby established the Textile and Apparel Industry Institute as an autonomous federal government institutions having its own legal personality;</p> <p>(Article 3.2) the Authority shall be accountable to the Ministry (<i>MoTI</i>);</p> <p>(Article 5) The objective of the institute shall be to assist the textile and apparel industries in market development and by giving long and short term trainings that will result in the upgrading of their management, supervision and production of manpower kills and in sustainable supply of technicians needed by the industries, so as to enable them become competitive in domestic and foreign markets by acquiring product quantity and standard recognition internationally.</p>

Digest of Ethiopia's National Policies, Strategies and Programs

Relevant documents	Provisions
Proclamations and Regulations	
<p>Council of Ministers Regulation No. 280/2002: Council of Ministers Regulations on investment incentives and investment areas reserved for domestic investors</p>	<p>(Article 4.1) Where an investor engaged in manufacturing or agro-industrial activities or in the production of agricultural products to be determined by directives to be issued by the Board a) exports at least 50% of his products, or b) supplies at least 75% of his product to an exporter as a production input, he shall be eligible for income tax exemption for 5 years.</p> <p>(Article 7) An investor who has incurred loss within the period of income tax exemption shall be allowed to carry forward his loss for half of the income tax exemption period, after the expiry of such period.</p> <p>(Article 8.1) An investor shall be allowed to import duty free capital goods and consumption materials necessary for the establishment of a new enterprise or for the expansion or upgrading of existing enterprises.</p> <p>(Article 8.4) An investor eligible for duty free importation of capital goods pursuant to these regulations shall be given the same privilege for spare parts whose value is not greater than 15% of the total value of the capital goods to be imported.</p>

Admit Zerihun.

Industrialisation Policy and Industrial Development Strategy of Ethiopia

Relevant documents	Provisions
Proclamations and Regulations	
<p>Proclamation No. 329/2003: Trade Practice Proclamation</p>	<p>Preamble for the proclamation:</p> <ul style="list-style-type: none"> a) It is necessary that trade practice must be undertaken in accordance with the free-market economic policy of the country; b) It is desirable to establish a system that is conducive for the promotion of competitive environment, by regulating anti-competitive practices in order to maximize economic efficiency and social welfare; c) It is believed that the regulation of price and equitable distribution of certain basic goods and services in times of irregular and short supply is necessary to safeguard the public. <p>(Article 3) the objective is a) to secure fair competitive process through the prevention and elimination of anti-competitive and unfair trade practices, and b) to safeguard the interests of consumers through the prevention and elimination of any restraints on the efficient supply and distribution of goods and services.</p> <p>(Article 6.1) No person may directly or indirectly enter into any written or oral agreement that restricts, limits, impedes or in any other way harms free competition, in the process of production, supply, distribution or marketing of goods and services.</p> <p>(Article 10.1) Any act or practice, in the course of commercial activities, that aim at eliminating competitors through different methods shall be deemed to be an act of unfair competition.</p> <p>(Article 12) It is hereby established an Investigation Commission which is accountable to the Minister (MoTI) to exercise such powers and discharge functions as are conferred on it by this proclamation.</p>

Digest of Ethiopia's National Policies, Strategies and Programs

Relevant documents	Provisions
Proclamations and Regulations	
Policies, Strategies and action plans	
<p>A plan for Accelerated and sustained development to end poverty (PASDEP) (2005/06-2009/10), Volume 1: Main text, MoFED, September 2006</p>	<p>(Page 14) Industrial development is acknowledged as the driving force for the overall development of the economy;</p> <p>(Page 151) industrial development strategy is one of the strategies of the government to accelerate economic development and to improve the living standards of the people. The enabling environments to be created/strengthened are summarised (see next section);</p> <p>(Page 152) targets for selected strategic sub-sectors are elaborated. Textile and garment will export US\$ 500 million in 2010. Leather and leather products will export US\$ 178 million, 74 factories will be established and produce 405,000 pieces of leather products. The sugar development master plan will be completed in 2010, capable of producing 1.2 million tons of sugar and increase the export share of the country in the international sugar market by 2.5%. Cement production is expected to increase by 300%.</p>
<p>FDRE Industrial Development Strategy, Ministry of Information, August 2002</p>	<p>(Feature) The strategy is a very courageous and articulate industrial strategy that Ethiopia had ever developed for years.</p> <p>(Core principles) private sector as an engine, ADLI, export led industrialisation, labour-intensive industries, effective combination of domestic and foreign investors, developmental state and populace participatory.</p> <p>(Enabling environments to be set up) draining pit of rent-seeker, macroeconomic stability, modern financial sector, reliable infrastructure, effective training scheme, good governance and effective judiciary system.</p> <p>(Direct support by government to be given to) Textile and clothing industry, meat, leather and leather products, agro-processing industry, construction industry and cottage and small-scale industries.</p>

Admit Zerihun.

Industrialisation Policy and Industrial Development Strategy of Ethiopia

Relevant documents	Provisions
Proclamations and Regulations	
Ministry of Trade and Industry five years (2005/06-2009/10) strategic plan, MoTI, December 2005	<p>(Role of MoTI) Play instrumental role in implementing the industrial development strategy by giving due attention to focus sectors and by restructuring itself to the same.</p> <p>(Major goals) Trade, industry and investment promotion; export promotion; direct support to strategic industries; and creating enabling environment for industrial development strategy are the major goals.</p> <p>(Strategic issues) lack of implementation capacity (civil service reform), under capacity utilisation of enterprises (joint venture, lease, management contract), lack of international competitiveness in price, quality and quantity (design new strategies), inadequate expansion of domestic and foreign investment (promotional activities), prevalence of unlevelled playing field (anti-competition) and inadequate expansion of infrastructure services (industrial zones)</p>

Ethiopia's Trade and Investment Policy

Bulti Terfassa

1. Introduction

A country's trade policy influences both domestic and foreign investment and is important for any development strategy. It is related to the structure of incentives to produce and consume tradable goods and services. Trade policy provides an enabling environment for development by encouraging investment. Investment has long been recognized as a key ingredient to economic growth and development. Trade has consistently outperformed domestic output. The volume of world merchandise trade is 16 times greater today than it was in the 1950s, as compared to over six fold increase in the volume of world production (OECD, 1999).

Trade and investment induced market integration has led to deeper forms of economic interdependence among nations as a growing number of developing and former centrally planned economies have become more closely linked to the global economy.

Ethiopia is regarded as an ancient trading nation. It had longstanding trade routes to Asia and the Middle East (Pankhrust 1999, 2002). However, compared to other developing countries, Ethiopia does not have a strong trade position in the world. In fact as measured by export per capita (DFID 2005), Ethiopia is the least trading nation compared to other developing countries. According to UNCTAD, Ethiopia commands a mere 0.05 percent of world's merchandise and service export and ranked 114th among 123 countries (UNCTAD 2007). Some of the contributing factors to such a poor performance are that Ethiopia's structural policies needed to promote a more developed financial sector, level the playing field and strengthen the business regulatory environment, and strive for more intense trade and integration in the global economy have lagged behind regional comparators. (World Bank 2007) Since 1992, the government has been implementing a comprehensive trade reform program in the context of broad liberalization package. The trade reform included a significant reduction in import duties and other charges, the elimination of quantitative restriction and export taxes, devaluation of the Birr, the introduction of a system of export incentives (duty drawback, bonded manufacturing warehouse scheme systems) and establishment of Export Promotion Agency (later absorbed as a department in the Ministry of Trade and Industry). The reforms were initiated to create an environment conducive for economic development and poverty reduction. The purpose of this paper is to provide a brief review of the trade and investment

policies and the extent to which they facilitated the attainment of intended objectives.

2. Trade Policy Formulation

Constitutionally, the formulation and implementation of trade policies is a preserve of the government through the Ministry of Trade and Industry. Depending on the nature of the issue the MoTI consults with relevant ministries and other institutions. Though not often, the Ministry also consults with the private sector through workshops and policy sensitization campaign sessions to which various stakeholders would be invited. There is little tradition to closely work with Business Membership Organizations (BMOs), which are the collective organs that voice the concerns of the business community.

The implementation of trade policy is done by the Ministry's statutory bodies. Under the Federal structure Regional Trade and Industry (Transport/ Tourism, etc.) bureaus are obliged to implement trade policies within their respective regions in harmony with the Federal Policy. However, foreign trade policy -making is fully the domain of the Federal Ministry of Trade and Industry.

The trade policy implementation structure in Ethiopia does not adequately involve all interested stakeholders in the consultation process. Internally, MoTI is supposed to be coordinating and monitoring the activities of the statutory bodies in order to avoid duplication and make them more effective.

Regarding the process of developing national negotiation positions for regional and multilateral trade protocols, the structure that comprises the Department of Foreign Trade forms the apex.

3. Trade Policy

The EPRDF-led Government of Ethiopia has not formulated a separate trade policy as it did for Industry, Rural Development and Social Sectors such as Education and Health. It may be due to the assumption that trade cuts across all sectors and is a macro issue whose elements can be gleaned from sectoral and macro policies. The following elements have been identified and reviewed within the context of trade policy.

- Releasing the operation of market forces
- Legal and institutional framework for Trade and Investment
- Commercial Transport Policy
- Financial sector reform
- Trade protocols

3.1 Releasing the Operation of Market Forces

3.1.1 Price Deregulation

For many decades, Ethiopia has been a low inflation country owing to (a) strong currency and prudent monetary and fiscal policies (1960-1973), (b) general price control (1974-1992) and (c) implementation of economic reform and stabilization program (1992-2004), (National Bank of Ethiopia 2005).

The government has successfully implemented a series of reform programs since 1992 in order to transform the economy from command to market economy, speed up the integration of the economy into the world economy and encourage the wider participation of the private sector in the development of the national economy. Market liberalization and price decontrol are among the policy measures taken to support economic stabilization and structural adjustment. As a result, most restriction and hindrances to free market operation were lifted and limits on the movement of goods and services, quota imposed on producers particularly forced requisitioning (of the command economy) of grain were removed. The policy objective is to institute an economic system governed by market forces of supply and demand guided by the price signal.

As part of its poverty reduction program (PRSP) the FDRE government has kept inflation low (single digit) up to 2004. This was recognized as “prudent monetary and fiscal policy similar to the 1960s”. However, the government has lost the battle against inflation since then. Since 2004 price continued to increase and a two digit rate was sustained over three years reaching 25% for food items and 18.5% for general index, to the extent that in April 2007 the government began distributing food in Addis Ababa at below market price and increased salaries of civil servants by August 2007 as short run measures. This was believed to stabilize price in Addis Ababa and ultimately for the whole country. Critics, however, argue that this does not actually address the basic issue as the root cause to the problem was not identified and appropriate policy measures have not been designed. In particular increasing salaries of civil servants was considered as adding fuel to the fire since both the public and private sector will soon adjust salaries and wages for their employees. The World Bank, however, attributes the inflationary trends to the shift of small scale producers from food production to pulses and oil seeds which are less fertilizer intensive due to fast increase in the price of fertilizer in recent years and heavy government borrowings from domestic banks to finance budget deficit (See Accelerating Equitable Growth, Country Economic Memorandum, April 2007). The government on its part argues that it has made huge investment on infrastructure

and social services with long terms returns but which may have triggered inflationary trends in the short run.

3.1.2 Exchange Rate Policy

Among the measures taken to liberalize the market and integrate the national economy into the world economy is the devaluation of the National Currency i.e. the Birr in 1992. Initially the Birr was devaluated by 142%. At the beginning of the period the exchange rate was determined at the bimonthly auction made by the National Bank that makes available a fixed sum of foreign exchange for auction that is made known to the bidders in advance. All importers of goods and services participate in the bid by filling the forms prepared for the purpose by the bank. Only winners of the foreign currency are eligible to open letter of credit in favor of their suppliers. This pattern was suspended and replaced by a system that allows the commercial banks alone to participate in the foreign exchange auction and importers are allowed to buy foreign currency from commercial banks to import goods and services. Over this period the birr has depreciated by over 330% and by October 10, 2007 the exchange rate stood at Birr 9.22 to a US Dollar.

The devaluation of the Birr was considered to have a significant advantage on account of encouraging export by increasing payments in local currency for exports per dollar earned and by discouraging imports making imported goods more expensive in the local market thus improving the balance of payment conditions. The exchange rate adjustment was made in stages i.e. the first stage was moving from administrative allocation to an auction system by the National Bank and the second stage was moving from the auction system to a floating exchange rate where daily auction is undertaken among the commercial banks who in turn retail the currencies to holders of valid import licenses and any other users of foreign exchange. However the foreign exchange is not yet fully liberalized. A further problem related to the exchange rate is tying of the Birr to the US Dollar. The continued depreciation of the US Dollar and the corresponding appreciation of major currencies of Ethiopia's trading partners are likely to result in compounding depreciation of the real effective exchange rate.

While devaluation has also contributed to increased government revenue, increasing prices of essential goods such as fertilizer, fuel and certain basic consumer goods consequent upon devaluation has resulted in extra cost on the economy.

3.1.3 Tariffs

One of the components of trade policy and trade liberalization program was gradual reduction of tariff. Tariff ranges were narrowed from 0-80 in 1995 to 0-32 in 2002. Weighted average custom tariff rates on imports were reduced from a maximum of 28.9% to 17.5% making Ethiopia one of the most liberal traders in the world. In the bid to encourage export Ethiopia has also removed duties on exports as the first move. The policy instrument, in combination with other factors, has had a positive impact on export volume and earnings have continued to increase over the last years.

3.1.4 Removal of Fertilizer Subsidies

Ethiopian farmers (peasants) are the least users of agricultural inputs. Two of the most widely used inputs are fertilizer and improved seeds. It is believed that subsidy for fertilizer would encourage producers to adopt the input to increase productivity. However, the first liberalization move by the government has removed fertilizer subsidy and allowed it to be available at full cost. The rationale for removing subsidies was that it was better to reduce marketing costs than offering direct subsidies. This involves a series of measures such as reducing port fees, coordinating the time of fertilizer clearance from the port, reducing transport cost through port, road improvements, reducing fuel costs and reducing uncertainty associated with distribution program. However these measures were not taken and fertilizer have continued to be supplied without subsidy increasing costs of production and pushing grain prices upwards. In recent years fertilizer prices continue to grow due to international oil price hike. Annual agricultural survey made by statistical office reveals that whatever marginal growth observed in some years is the result of expansion in area cultivated than increase in productivity.

3.2 Commercial Road Transport Policy

The Ethiopian government has no formal policy particularly for Commercial Road Transport except the statements in the economic policy during the transition period and proclamation governing road transportation.

Commercial Road Transport is one of the most important elements of the trade sector. Commercial road transport in Ethiopia accounts for 95% of public and freight movement, creates direct and indirect employment for over 165,000 people, provides services to all sectors of the economy and contributes 12% to GDP. An efficient transport system for both people and goods enable an economy to develop optimal allocation of resources, thus maximizing wealth.

Inefficient road transport system, on the other hand, wastes resource and weakens the economy.

At present the Ethiopian commercial road transport sector is inefficient because, most of the fleets for both public and cargo transport are aged and there is no replacement policy. Productivity measured in annual km covered is low compared with neighboring countries. Freight transporters operate below cost because supply of vehicles exceeds that of the demand and competition among carriers pushes the price to rock bottom. The widening gap between export and import also leads to underutilization of capacity. Import volume is five times the volume of export and vehicles travel to port empty to transport imported goods. Weak support services in maintenance, packaging, banks and insurance, maritime and transit services affect the efficiency of road transport. Low level of infrastructural development and capacity problem in transport sector planning are also some of the major constraints to the development of commercial road transport.

3.3 The Legal and Institutional Framework for Trade and Investment

Ethiopia has long recognized the importance of appropriate legal system to govern both domestic and foreign trade and manage the inflow of foreign investment by introducing the Commercial Code in 1960. The Commercial Code provides the legal basis which assures stability and security in business transaction while at the same time providing a sufficiently articulated, yet flexible, framework within which trade and commerce may flourish and grow. Some of the articles in the Commercial Code were not applied due to low level of commerce while some aspect of trade and commerce have changed since then as the result of which the commercial code is currently under revision. Despite the existence of the Commercial Code, both the institution and operation of business in Ethiopia have remained traditional hindering further integration into the global economy. There is no modernized company registration system, no accounting and auditing standards, as a result of which companies and operators are subjected to annual license renewal that involves long bureaucratic hurdles of clearance from tax authorities to prove payment of taxes while tax assessors impose subjectively assessed taxes which are sometimes beyond the capacity of payers.

The legal system is weak and contract enforcement is difficult. As a result business transaction is in cash or on advance payment basis in order to avoid the risk of repayment failure. This has an adverse effect on business growth and development. Though the Commercial Code does not allow banks to hold title deeds of property as collateral, they customarily keep the title deeds with them

until the loans are fully paid, thus putting the real assets out of market even when the loan accounts for the small proportion of the value of the asset.

One of the major institutional failures often complained by the private sector in Ethiopia is the absence of level playing field as required by the institution of the market economy. Private companies operate in the same market, side by side with public enterprises and endowment companies but the legal system is not equally applicable to all actors. For example, public enterprises and endowments were not seen being foreclosed for failing to repay bank loans or to pay taxes. But banks and tax authorities foreclose private companies assets for non repayment of loans and taxes. Access to land and credit is also easier for public enterprises and endowment companies than private companies. Service giving public institutions are more responsive to public enterprise and endowments for facilitation than for private companies. Although there is no instruction or policy that requires institutions to be partisan to endowment companies, civil servants usually respond to them because they believe that the companies are backed by powerful elements in the government or party in power capable of making their jobs security at risk if they fail to do so. The private sector often complains about low level of service compared to endowment companies because it results in higher transaction costs and weakens their competitiveness.

3.4 Financial Sector Reform

The deregulation in the Banking and Insurance sector is to open it up for domestic investors. As a result there are currently over eight new private commercial banks and a number of insurance companies. This number is quickly growing in recent years as a number of banks are under formation at the time of writing the report (National Bank of Ethiopia). However, the sector is not open to foreign investors. The rationale given by the government for refusing to open up the sector for foreign banking are as follows:

- The National Bank of Ethiopia (NBE) does not have the capacity to monitor and control the sophisticated foreign banks. Therefore, prior to inviting foreign banks into the country, the government seeks to strengthen the monitoring and control capacity of the NBE.
- The government is responsible for managing the macro economy to provide stable macro economic environment for domestic and foreign investors. One of the mechanisms is to channel foreign exchange through local banks only rather than allow buying and selling at the exchange bureaus. It would be very difficult to implement this prudent

macro economic management policy if foreign banks are allowed to operate in Ethiopia.

- The government believes that domestic banks should play a leading role in mobilizing financial resources for investments. If experienced and strong foreign bank are allowed to appear in Ethiopia, they are bound to take this role away from local banks which the government believes is detrimental to the development process

The Ethiopian experience confirms the conclusions of previous studies which indicate that developing countries have higher barriers to trade and investment in services than in goods (OECD 2004a). Some empirical studies suggest that for developing countries, service trade liberalization could yield benefits up to four times greater than liberalizing trade in goods because its benefits go beyond the service sector (OECD 2005). It is believed that liberalizing service trade especially in telecommunication, banking and finance sectors can help to promote trade in goods and facilitate the diffusion of knowledge in key sectors such as financing techniques (World Bank 2003b). The recent UNCTAD report also holds that trade liberalization, if coupled with strong physical infrastructure and financial market would help Ethiopia to integrate into the dynamic trade exchange between countries (UNCTAD 2007, quoted in *Fortune*, 18 November 2007).

3.5 Trade Protocols

Ethiopia is a signatory to a number of multilateral and regional trade agreements which present challenges and opportunities. Currently Ethiopia is a member of COMESA, a signatory to Cotonou and in the process of accession to WTO. She also benefits from non – reciprocal preferential treatment under the US African Growth Opportunity Act (AGOA), many industrial countries GSP and the EUs Everything But Arms (EBA) initiative.

Regional trade agreements (RTAs) help countries to attract domestic and foreign investment by creating larger markets and enhancing dynamic gains from trade. Depending upon the industry, such large markets combined with economies- of- scale can make investment more profitable. In the context of global value chain, market size is no longer defined by national boundaries. Market size will also depend on the network of trade agreements signed by a country which no longer depend upon geography. RTAs can thus generate both market-seeking and efficiency seeking domestic and foreign investment.

Although there are a number of constraints on the domestic front which need to be simultaneously addressed to benefit from accession, speedy actions are underway to accede to WTO in anticipation of enhancing credibility and

overcome perceptions of high risk of policy reversals and uncertainty. To benefit from expanded market opportunities, Ethiopia should consider the issue of supply side constraints like low level of investment and other factor (high cost of production, low productivity and high freight costs) which are making our local production unable to take advantage of market access, offered by AGOA, EBA, and WTO as well as other initiatives.

The main cause of supply side constraint is the low rate of investment, implying that the trade and investment liberalization made so far are not adequate to attract enough resource, market and efficiency seeking firms.

While the WTO system ensures market access to exporters, only countries having strong competitive firms can reap the benefit of accession. Poor countries like Ethiopia with weak private sector and few competitive firms will be challenged by widening merchandise trade deficit, (unless minimized through increased export and an appropriate import management strategy) and increased and unsustainable external debt and continuing external sector disequilibrium. In addition, none tariff barriers such as sanitary and photo sanitary as well as advance in technology continue to make market access difficult for poor countries like Ethiopia. Meeting these challenges requires creating and putting place, the condition necessary for competitiveness on the world market, as well as adapting the required standards.

Foreign and domestic firms can be attracted to investment by taking trade facilitation measures which include continuously improving the efficiency of customs administration, reducing transaction costs by more transparent and more predictable procedures, impartial and uniform boarder requirements, simplified clearance systems, harmonization of administrative requirements, the suppression and streamlining of unduly burdensome procedures, coordination, risk management and introduction of electronic custom clearance system.

For example the US Trade and Investment Policy in connection with AGOA requires that eligible Sub-Saharan African countries need to develop vertically integrated –cotton to textile to apparel – sectors that are more competitive. It also advises AGOA eligible countries to move beyond apparel and diversify their exports to maximize AGOA benefits by producing any of the over 6000 products eligible for duty free treatment under AGOA.

Ethiopia attempted to benefit from AGOA by promoting the garment sector with no adequate regard to backward linkage to fabric and cotton production. The Acceleration act of 2004 of AGOA which extends AGOAs authorization until 2015 eliminates third party fabric provision by 2007. Thus the garment factories cannot make use of third country fabric to take advantage of AGOA and there are no local textile firms which meet the quality and quantity requirements of export standard apparel.

3.6 Issues Related to Trade Liberalization

Trade liberalization is one of the major components of conventional economic policy reforms that has occurred in the last two decades. The major argument for trade is embedded in the view that trade improves a nation's resource allocation and economic growth. The experience based on the Asian Miracle so far reveals that countries that pursue export oriented policies do economically perform better than those that pursue inward looking policies. It is argued that trade broadens consumer choices and provides producers with a chance to operate at full capacity or engage additional idle resource in production that generate more income from broadened market. The neo liberal theory is, however, not much about trade policy but more about trade liberalization. The basic assumption of the theory of trade liberalization such as full integration of the market and complete information are unrealistic and have also practical constraints for the least developed country like Ethiopia. It fails to address the indirect impact on poverty of changes in a country and pattern of trade, and the long term dynamic of that change. The most important effect of trade on poverty is likely to occur through indirect impact and long term effect of sustained economic growth and development.

The neo- liberal trade theory establishes the link between trade liberalization and poverty reduction in terms of efficiency and welfare gains that can be achieved from encouraging export production away from import competing activities and from non –tradable to exportable. The theory presents that removal of boarder trade barriers (tariff and non - tariff) affect the income of households in developing economies. This is believed to have income and employment effect as a result of changes in the remuneration of factors of production. The theory, however, has a number of shortcomings as well as practical limitations. Reduction or removal of export taxes and import tariffs on agricultural commodity exporting country like Ethiopia is an increase in the price received by commodity exporters and reduced price of imported goods for consumers. This effect is dependent on market integration such that price increase/decrease is passed on to producers and consumers. In a country like Ethiopia, this is hardly the case. The price increase is usually captured by middlemen and neither the small farmer nor the producer benefits export tax removal or tariff reduction (EEA 2005).

The poor, in Ethiopia and elsewhere in LDC live in the rural areas engaged in subsistence agriculture, mainly in food production for own consumption and not for export. This group cannot benefit from increased prices unless they shift food production to production for export. Such shifts are not always possible due to the risk- adverse nature of the produces and other structural constraints.

Trade liberalization and export oriented policies for agricultural – commodity exporting country like Ethiopia is associated with falling world price for agricultural commodities. As a result the potential benefit that agricultural producers can gain through higher prices at national level can be offset by lower prices at international level. The cogent example in this context is the case of the Ethiopian coffee growers where the margin between the producer and consumer is wide apart such that the producer receives 6% of the final consumers' price.

Within the urban context, too, cheap import will affect the import competing industries adversely.

Local industries which fail to compete with cheap imports will close down or reduce their production capacity due to limited market outlet. The Ethiopian shoes industries and garment enterprises are cases in point. The closed factories lay off their employees which add to urban unemployment. Operating enterprises, too, would be under pressure and halt salaries and wage increment due to low profit level.

The difference between manufactured export and commodity export should also be taken into account. Less developed countries like Ethiopia are commodity exporters whose short term demand and supply are subjected to major fluctuations. They are also confronted with intense competition as a result of which productivity gains will be transferred to consumers rather than the producers.

Due to weaknesses in domestic productive capacities and the least integrated domestic market economy, the export response to market liberalization has been smaller in countries like Ethiopia.

In a least developed economy which depends on in a narrow range of low value-added primary commodities and has deep mass poverty, there is strong tendency for vicious circle of domestic stagnation and persistence of poverty to be reinforced by external trade and financial relationships. In this situation, trade can be part of an international poverty trap in which low and unstable commodity prices interact with unsustainable external debts and debt servicing system. In contrast, some relatively advanced countries which have managed to upgrade their exports and diversify into exporting manufactures have been able to use international trade to achieve high rate of economic growth (EEA 2005).

UNCTAD argues that 'the incidence of poverty has increased unambiguously in those countries that adopted the most open trade regimes and in those that continued with the most closed trade regime (UNCTAD 2004). Though the volume of export since trade liberalization has increased, it however, has worsened the trade balance and the current account. In general there is little correlation between trade liberalization and poverty reduction (UNCTAD 2002)

Table 1 below shows the performance of the Ethiopian export and trends in imports in recent years. The volume of export particularly, agricultural products have continued to grow although it fails to cover even a quarter of imported value. This can be best explained by the balance of payment conditions

Table 1. Balance of payment (in million USD)

Particulars	2003/04 A	2004/05 B	2005/06 C	(C-B)/B*100
Trade Balance	-1983.56	-2785.8	-3383.2	21.4
Exports	600.45	847.2	1000.3	18.1
Imports	2584.01	3633.0	4383.5	20.7
Net Services	246.17	242.2	108.4	-55.2
Current Account Balance	-1737.39	-1732.8	-2413.5	39.3
Private Transfer Current Account Balance including pub transfers	671.32	810.8	861.2	6.2
Public Transfers	-1066.07	-983.1	-1547.1	57.4
Non-Monetary capital	566.53	749.7	866.4	15.6
Net Errors & omission	379.74	585.1	515.4	- 11.9
Overall Balance	306.8	-101.4	-327.1	222.6

SOURCE: National Bank of Ethiopia.

As can be seen from table 1, import is growing at a faster rate than exports. In addition, import is growing from a large base while export is growing from a low base, making the two magnitudes to diverge wide apart. For example, import grew by 20.7% in 2005/06 and its base was 3633 million USD. Export on the other hand grew from a low base of USD 847.2 million by 18.1% which means even if it grows by double the current rate it is unlikely to catch up with import if the trend in imports continues. Export was able to cover only 23.2%, 23.3% and 22.8% of import value in the three consecutive years (2003/04, 2004/05 & 2005/06)

Despite government's priority to develop agriculture as per its Agricultural Led Industrialization (ADLI), agricultural productivity failed to increase and whatever incremental output obtained were from expanding the land under cultivation. For example between 1989/90 and 2003/04, yield grew by 18.3 percent and area cultivated by 51.3 percent. It is the combined effect of these two and other factors that resulted in total grain production by 74 percent during the reference period (EEA 2005). Stagnation or decline in agricultural

productivity is a result of low modern input such as fertilizer and improved seeds and outmoded agricultural practice. In recent years the price of meat and milk, eggs and chicken has escalated at unheard of rate mainly due to declining production as a result of substitution of grazing land for crop production in the high lands and drought and diseases in the low lands and partly due to growing export of live animals and meat. One of the major weaknesses in the structure of the economy so far is that prices do not effectively guide resource allocation because the market is not well integrated due to the subsistence nature of the economy. In general the cost of liberalization is heavy on the urban poor due to loss of jobs as a result of closure of many local industries particularly in the shoes and garment sector as well as agro processing because they were unable to compete with low priced imported products. The rural poor are equally affected due to the removal of fertilizer subsidy which resulted in reduced productivity at household level lower income. On the other hand the rural poor could not benefit from national and international commodity price increase because such price increase is reaped by middlemen due to low bargaining power of producers. It can be concluded that, in the context of a poor primary commodity producing country like Ethiopia trade liberalization intensifies poverty rather than reducing it in the absence of supportive measures in the productive sectors of the economy

4. Investment Policy

Investment is one of the crucial determinants of economic growth and poverty reduction. With respect to the private sector, the decision to invest is influenced by a host of factors including the level of risks in terms of business climate, policies and incentive structures. The role of the Government is to formulate and implement appropriate policies, establish effective institutions and provide efficient regulatory system and enforcement mechanisms aiming at removing constraints and building confidence of investors.

As reflected in the Industrial Development Strategy (IDS) [Ministry of Information 2002] and Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) [MoFED 2006], the private sector has been regarded as an engine of growth. The task of organizing and operating business enterprises is that of the private sector while the government would limit itself to provision of infrastructure and creating enabling legal and regulatory framework as well as correcting market failures. To this end, the government has fully liberalized foreign trade, promulgating liberal investment laws for the promotion and encouragement of private investment, both foreign and domestic, issued a new labor law and created a forum for consultation between the private sector and the government, strengthening and enhancing institutional support for the export sector through the strengthening/revitalizing existing institutions.

Within a broad liberalization framework the elements of investment policy consists of the following,

4.1 Liberalization of Foreign Trade

As indicated in part two above, tariff rates on imports have been reduced, export taxes have been removed and the national currency, the Birr devalued. Tariff reduction exposed local enterprises to competition while removal of export taxes improves their capacity to compete. However in the initial years, local industries were damaged due to dumping effect from East Asian suppliers (particularly China) which resulted in the closure of many local industries especially those in leather shoes and garment sectors. Although the devaluation of the currency was expected to encourage export and discourage import, it was followed by major tariff reduction that resulted in growing imports both in value and volume. Export earnings could not catch up with the fast growing imports in the past years resulting in a huge deficit in trade balance to the extent that export of goods now covers only around 20% of imports. This high level of trade deficit discourages foreign investment because a huge trade deficit is considered as a risk factor for a country like Ethiopia.

4.2 Promulgation of Liberal Investment Laws

The legal framework for private investment has evolved overtime to accommodate more features that respond to the needs of investors. Accordingly the following proclamations were issued at different times to expand the range of incentives and the areas of participation of the private sector.

- First Investment Code No.15/1992
- Proclamation No.37/1996
- Proclamation No.116/1998
- Proclamation No.280/2002

Each of the proclamations has specific features that are either expanded or improved by the latter versions. Accordingly the improvements of each proclamation over its predecessors are provided below.

Proclamation No. 15/1992 of May 1992

The incentive structure in this proclamation is restricted to broad sectoral categories, mainly to Agriculture, Manufacturing and Natural Resources Development.

Proclamation No. 37/1996 of June 1996

This proclamation brought improvement over the previous one by introducing the following changes.

- Specification of areas eligible for incentives based on ISIC code,
- Inclusion of additional sectors such as health, education, tourism and consultancy service under the incentive scheme,
- Rationalization of the minimum entry capital for FDI,
 - 500,000 USD for wholly owned
 - 300,000 USD for joint investment
 - 100,000 USD for technical consultancy
- Removal of the requirement for foreign investor to deposit USD 120,000,
- Exemption from payment of custom duty for small scale investment activities (less than birr 250,000 capital).

Proclamation No. 116/1998

- The following amendments were made to the preceding proclamation
- Redefinition of domestic investor
- Allowing private- government joint investment in defense & telecommunication
- Opening up hydropower generation to local and foreign investment.

Proclamation No. 280/2002

- This proclamation exempts capital goods and spare parts worth up to 15 percent of the Value of capital goods from customs duties and other taxes levied on imports
- Grants tax holidays ranging from one up to five years depending on location for new Investment
- Allows carrying forward losses made during the tax holiday period for three to five
- years following the expiry date of tax holiday

The above proclamations and accompanying regulation determine the size of initial investment and areas of investment, areas reserved for domestic investors, and provide an array of incentives. Some of the most important incentive schemes designed to attract foreign direct investment (FDI) and encourage domestic investors are: hundred percent exemption from payment of import custom duties on import of investment goods and up to fifteen percent of the value of imported capital for spare parts, exemption from custom duties or other taxes levied on imports of raw materials necessary for production of export goods. In accordance with proclamation no.249/2001, three duty free incentive schemes are available to producers for export. They are duty draw-back scheme, voucher scheme and bonded manufacturing warehouse scheme. Taxes and duties paid on raw materials are drawn back at the time of export of finished products. In addition, any income derived from an approved new manufacturing and agro-industry investment or investment made in agriculture shall be exempted from the payment of income taxes depending upon the areas of investment, the volume of export, and location in which the investment is undertaken. Profit tax holiday is granted subject to council of ministers regulation No. 84/2003 issued on the basis of the investment proclamation No.280/2002. The council of Ministers may also award profit tax holiday for greater than 7 years. Business enterprises that suffer losses during the tax holiday can carry forward such losses for half of income tax exemption period following the expiry of the exemption period.

In addition to the generous incentive the following guarantees are provided to investors

Repatriation of capital and profits

Capital repatriation and remittance of dividends and interests is guaranteed to foreign investors under the investment proclamation. Any foreign investor has the right, in respect of an approved investment, to make the following remittances out of Ethiopia in convertible currency at the prevailing exchange rate on the date of remittance: profits and dividends accruing from an investment, principal and interest payments on external loans, payments related to technology transfer or management agreements, proceeds from sales or liquidation of an enterprise, proceeds from the sale or transfer of shares or of partial ownership of an enterprise to a domestic investor, compensation paid to a foreign investor and expatriates employed in an enterprise may remit, in convertible foreign currency, salaries and other payments accruing from their employment in accordance with the foreign exchange regulation or directives of the economy.

Guarantee against Expropriation

The constitution of the Federal Democratic Republic of Ethiopia protects private property. The investment proclamation also provides investment guarantee against measures of expropriation and nationalization that may only occur for public interest and in compliance with the requirements of the law. Where such expropriations are made, the government guarantees to provide adequate compensation corresponding to the market value of property and such payments shall be effected promptly.

Other Guarantees

Ethiopia is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency (MIGA) which issues guarantee against non commercial risks to enterprises that invests in signatory countries. Ethiopia is currently concluding bilateral investment promotion and protection agreements with a number of developed and developing countries and it is ready to conclude such treaties with any country at any time. Ethiopia has also signed the World Bank treaty, “the International Convention on Settlement of Investment Disputes (ICSID)” between states and Nationals of other States.

4.3 Gaps in the Incentive Structure

Economic growth driven by productivity and technology requires the articulation of the appropriate FDI promotion strategy. Investment promotion strategy needs to be merged with those for building domestic capacity, motivating domestic investment and linking domestic enterprises into global production network. In the absence of such well crafted investment promotion strategy provision of package of incentive alone cannot attract the right type of FDI and the required quantity for economic growth. Foreign investors survey carried out by UNIDO in selected African countries reveals that: competition between Sub Saharan Africa to attract FDI to manufacturing and service sector has degenerated into incentive based rivalries that have not been well calibrated (UNIDO 2005). They are increasingly marginalized from global production networks and the failure to provide the correct policy framework and enabling environment has raised risk premium on investors. The same study presents investors own evaluation of their performance in Ethiopia whereby out of 72 foreign investors covered by the survey, 13.9% of them reported that their performance to be above their expectation, 40.3% in line with their expectation while the remaining 45.3% reported that their performance has been below their expectation. This signifies

existence of high level of risk that discourages foreign investors from flowing to Ethiopia.

There are major differences between the general development strategy of the country which is based on Agricultural Development Led Industrialization strategy (ADLI) and the design of investment package to attract investment for development. The country's development strategy is anchored on development of the agricultural sector, where as, the incentive package is rather designed to promote export. The incentive packages are more in line with Industrial Development Strategy (see Ministry of Information 2002) than ADLI. The Industrial Development Strategy (IDS) presents the overall development strategy as "export led", though does not provide clear theoretical and practical justification. It is argued in the strategy document that 'development is dependent on the country's capacity to earn foreign exchange and attract foreign investment'. Accordingly, generous incentive schemes have been accorded to those sectors that partially or wholly export their products. Thus, the incentive scheme has not been designed to promote the priority sector, i.e. agriculture. Moreover the incentive package in operation reveals sectoral bias. The following sectors for example, are not eligible for tax holidays.

- Tourism
- Construction
- Education

There is no rational for excluding these sectors from incentive scheme.

4.3 Taxation

The principal taxes currently in place are profit tax, turnover tax (TOT), and value added tax (VAT), excise tax, customs duty and income tax from employment. VAT has replaced sales tax. TOT and withholding taxes have been introduced recently. Other taxes include corporate, dividend income tax, royalties and stamp duties.

In an effort to expand the tax base, the government has introduced new taxes and made some reforms on existing ones. The value added tax is one of the modified tax system replacing sales tax. However, the method of assessment remained traditional and is mainly subjective. Assessors often require some tax payer to pay quite above what they ought to pay while others pay less than what they should have paid, as a result of which the equity and fairness of the tax system is always challenged by the business community. Because of absence of accounting and auditing standards tax authorities do not rely on audited statements of companies and depend on their subjective assessment methods to collect taxes. This is why the business community is strongly demanding for the

modernization of the tax system by standardizing the accounting and auditing system that can be applied by business units and form the basis for tax assessment.

4.4 Responsible Institution to Facilitate Investment in Ethiopia

The Ethiopian Investment Commission (EIC) is the principal government organ responsible for promoting, coordinating and facilitating foreign investment in Ethiopia. EIC is accountable to the board of investment (BOI) which has 7 members. Regional Investment Offices (RIOs) have also been established to promote and handle local investment in their respective regions. There is strong linkage between EIC and RIOs with respect to technical assistance, the exchange of information and provision of investment facilities.

Unlike its counterparts in many developing countries the EIC is not playing developmental role but limited to facilitating investment. Investment Promotion Agencies (EPA) that play developmental role control resources such as land that they can develop and allocate to investors. They also provide complete information and basic services that reduce the cost of doing business. Such EPAs have investment promotion strategies to guide their actions.

The EIC does not control resources and does not have investment promotion strategy based on the national development goals. The investment strategy is designed based on the country's development goals and priorities. It requires thorough study in the trend of international trade, benchmarking, SWOT analysis and identifying unique attraction of the country as investment destination for foreign Investors. A well designed investment strategy would capture the demands of the different categories of FDIs and respond to their needs. In this regard Dunning identifies four main motives that prompts firms to undertake foreign direct investment (Dunning 1995).

- a) Market seeking FDI- driven by location factor and the relevant dynamics and size of the market.
- b) Natural resource seeking FDIs- driven by the availability of natural resources
- c) Efficiency seeking FDIs-driven by search for efficiency through cost saving and maintenance of competitiveness.
- d) Asset Seeking FDIs-driven by the enlargement of existing assets through joint venture or acquisition in order to sustain a competitive position.

Investment strategy should identify the different category of investors and properly target them by providing unique attraction that of particular interest to the foreign investor.

At present it is understandable that the country and the responsible institution have low capacity to target, inform and service the categories of investors that can deliver the kind of FDI impact that are desired and better link FDI to domestic industry. Thus designing incentive package alone is not sufficient to attract investments that stimulate growth.

It is also worth noting some studies that question the relationship between investment and growth (Asiedu 2005; Devarajan et al. 2001). Other studies conclude that FDI enhance growth only under certain conditions (OECD 2002)- when the host country's education level exceeds a certain threshold; when domestic and foreign capital complements; when the country has achieved a certain level of income, when the country is open and when the host country has a well developed financial sector (UNIDO 2005). However, (Asiedu 2005) states that there is a room for optimism. The policies that promote FDI to Africa also have a direct impact on long term economic growth. Thus there is a need to place FDI into an industrial growth context and merge investment promotion strategies with those for building domestic capacities, motivating domestic investment and linking domestic enterprises into a global production network.

4.5 Access to Land

In Ethiopia land is public property. Both rural and urban land is made available to investors at competitive prices on lease- hold bases. Leaseholders have the right to use urban land for a periods ranging from 50- 99 years, lease right over land can be transferred together with on built facilities. Each regional government delivers, based on the federal law and its own laws the required land to an investor within 60 days after receiving application for allocation of land for an approved investment. The Ethiopian Investment Commission, in cooperation with the concerned regional Government entities facilitates and follows up the allocation of land for approved foreign investment.

Investors who intend to invest in export-oriented projects are given priority to acquire land at reduced lease price.

Access to land for investors is a major constraint to investment. Although, the policy provides for availability of land on lease bases, there is no cadastre survey of land to determine the size and location of land that can be available on lease bases to investors. The government has made an effort to make land ready for investors in industry and flower culture but it is not sustainable as it is a one-time effort and not institutionalized. Moreover, land for other types of investment continues to be a major constraint for both foreign and domestic investors as priority has not been accorded to them. Since Addis Ababa is attracting the major share of investment, shortage of land for industrial activity is more pronounced here than in regional towns and is pushing up the lease price of

land. The effort to establish industrial zone in some part of the city was a one time affair and the prepared industrial lands are now almost fully booked. Thus lands that can be used by potential investors must be identified including purposes of uses and connected with infrastructure to attract investment, and such information should be available at the investment offices of the country.

5. Impact of Liberal Investment Regime

Over a period 1993/94- 2005/06 a total of 23670 investment projects involving Birr229.23 billion capitals was licensed. Of the total projects, 20993 (or 88.6 percent) were domestic. Ownership of 2559 (or 10.9 percent) licensed projects were foreign, and 118 (or 0.5 percent) public. In terms of investment capital, Birr 132 billion (or 58 percent) were domestic, Birr 61.1 billion (or 26.8 percent) were foreign and Birr 34.9 billion (or 15.3 percent) public.

Looking at the level of implementation only 18 percent of the total number of projects and 16 percent of the total investment went operational during the period under review. The operational investment accounts for 15% Gross Capital formation and 3% of GDP. The gross capital formation, itself which is less than \$30 per capita is one of the lowest in sub Saharan Africa. This indicates that the range of incentives designed to attract investment were not as effective as desired.

The sectoral distribution of investment projects in 2005/6 reveals that 736 or 12.6 percent are in agriculture, 333 or 5.7% in construction, 1330 or 22.7 percent in manufacturing industries, 2328 or 39.8 in real estate renting and business activities, 497 or 8.5 percent in hotel and restaurant, 262 or 4.5 percent in education while the remaining 364 or 6.2 percent of the projects are in other sectors. Thus, the sectors that attracted the major part of investment in terms of the number of projects are real estate renting and business activities followed by manufacturing and agriculture.

Region wise the distribution of approved projects were uneven with Addis Ababa attracting the major share of 2972 projects or 50.81 percent of the total projects approved in 2005/2007. This is followed by Oromia with 1027 projects or 17.51 percent and SNNPR with 887 projects or 15.16 percent of the projects approved for the period. Amahra Region has a share of 7.21 percent or 422 approved projects distantly followed by Tigray Region with a share of 200 projects or 3.42 percent.

The level of project implementation has been extremely low and the sectoral and regional distribution of investment projects reveals high concentration which put the effectiveness of the policy and incentive scheme in place under question. Moreover there is a need to review the investment climate and identify factors that hinders investors from realizing their projects after

approval. Low level of implementation of approved projects indicates that investors cannot be attracted by packages of incentives alone and they are not sufficient to stimulate growth and investment. The country's investment climate is equally important to promote investment. The general business climate is explained by variables of ease to do business. The variables that measure the ease of doing business are : starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. These variables were measured for 178 economies of the world and Ethiopia ranked 102 among them (Doing Business report 2008). For Ethiopia ranks corresponding to each variable are shown below;

• Starting Business	106
• Dealing with Licenses	58
• Employing workers	89
• Registering property	147
• Getting credit	97
• Protecting investors	107
• Paying taxes	29
• Trading across border	150
• Enforcing contracts	77
• Closing business	70

Thus Ethiopia is way off with respect to registering property and protecting investors, starting business and trading across border while paying taxes and dealing with licenses are relatively easy. The overall rating, however, does not make the country an investment destination for a serious investor

6. Export Promotion Strategy

In recent years, Ethiopia is adopting export led strategy to enhance economic growth. One of the central elements of the strategy is to increasingly open the economy to foreign competition with the view of benefiting the economy from expanded markets and increasing its efficiency. Some of the strategic instruments employed to realize the broader aims are:

- Substantial reduction of import tariffs,
- Lifting of non tariff barriers except in areas of national security, environment, health and safety regulations,
- Duty drawback on import of raw materials for production of exports,
- Elimination of export duty,
- Foreign exchange surrender requirement on exporters was replaced by permitting them to sell their foreign exchange receipts at freely negotiated rate to Banks or permitting the use of foreign exchange proceeds for current account transaction within four weeks. Exporters were also allowed to hold 10% of their foreign exchange earnings indefinitely.

Target product or sub sector focused support measures were designed to encourage export. The sub sectors selected for promotion of export are:

- Agriculture and agro processing
- Horticulture including cut flowers
- Leather and leather products
- Textile and garment
- Tourism

The government support investment and export of these sub sectors by facilitating access to credit, access to land and through dialogue with sub sector representatives by which sector issues discussed and obstacles are removed.

7. Conclusion and Recommendations

7.1 Conclusion

The government of FDRE has no specific trade policy except those that can be gathered from macro economic liberalization and structural adjustment programs. Despite its long history of trade the country remained one of the least trading nations in the world with a mere share of 0.05 percent in worlds merchandise and service export, ranking 114th among 123 countries in 2007. Trade liberalization program initiated since 1992 has not substantially improved the country's trade performance except a few changes observed in recent years. Trade reform measures were aimed at crating an environment conducive for economic development and poverty reduction. It aimed at attaining stable price

to protect the poor who are most vulnerable to price shocks. Thus, the price level remained stable with single digit inflation for almost a decade since liberalization. However, since 2004 inflation has increased by two digit with serious concern to the government which responded by increasing salaries of civil servants and distributing grain at below market price in Addis Ababa as a short- run measure.

Inflationary pressure, in recent years is attributed to a shift of small scale producers from food production to less fertilizer intensive crops like oil seeds and pulses as a result of fast increase in fertilizer prices. This has affected the supply of food whose price has substantially increased pushing the general price index higher as its weight in the general index is the largest.

Trade liberalization was not, however, been accompanied by trade modernization. Both institutions and operation of business in Ethiopia have remained traditional hindering investment and development as well as integration into the global economic system. Some of the key areas where Ethiopian institutions lag behind are: the company register is not modernized to provide all necessary information about business. Accounting and Auditing are not standardized and banks, tax authorities, investors and trade creditors do not trust audited accounts of business to give loans, assess taxes, to enter into joint venture or to give suppliers credit. As a result the government linked annual license renewal subject to clearance from the tax authority for tax payment. This process is cumbersome and time consuming.

The legal system is also weak and contract enforcement is difficult. As a result business transaction is in cash or advance payment in order to minimize risk. This narrows business activities and contrary to modern practices where most transaction are on credit and less cash is involved. Institutions are not governed by the country's law of commerce. The basic law of the land for commerce is the commercial code. The commercial code does not allow the banks to hold title deeds for property put as collateral. But banks hold title deeds of assets put as collateral until the loan is fully paid even if the loan is a small proportion of the asset put as collateral. This put substantial amount of asset out of the market.

Trade and investment is facilitated by transport and communication. Commercial road transport plays a crucial role in facilitating trade and investment in the context of Ethiopia. At present the commercial road transport is inefficient because most of the fleet are aged, have low productivity, low level of infrastructural development, weak support services like maintenance, banking and insurance, packaging of cargo and long loading and unloading times all contribute to inefficiency of the transport sector. The compound problem of the transport sector will contribute to inefficiency of the trade sector.

Finance and telecommunication are major vehicles in trade and investment. Telecommunication is still under state control while the banking sector is open for the local private sector alone. Some empirical studies suggest that for developing countries like Ethiopia service trade liberalization could yield benefits up to four times greater than liberalizing trade in goods because its benefits go beyond the service sector.

Encouraged by the results of trade liberalization so far, the government has initiated the process of accession to WTO membership. WTO membership commits the country to a number of obligations whose costs are high and have to be born upfront while future benefits are small or none. Accession to WTO often is done with abroad participation of the business community and developing the capacity for negotiation but in Ethiopia the level of involvement of the private sector is limited and awareness about its implication on the part of the business community is almost none since the major actor is the government. Accession to WTO is expected to open wide market as well as attract investment. However, it is often argued that for Ethiopia, at present and for sometimes to come, the problem is not market access, but supply side constraint due to low rate of investment and institutional constraints. As the country has already made important steps in the process of accession the issue for discussion is how to broaden the scope of participation of the private sector as an active player in the process, raise awareness, build the capacity for negotiation at all level while at the same time addressing the supply side constraints.

Trade liberalization policy has its theoretical foundation in the neo-liberal theory of trade which links trade liberalization with poverty reduction in terms of efficiency and welfare gains that can be achieved from encouraging exports. However, the basic assumption on which the theory was founded such as full market integration is unrealistic and trade liberalization for primary commodity producing poor countries has increased the incidence of poverty rather than reducing it (UNCTAD, 2004). In the context of Ethiopia trade liberalization has intensified urban poverty through loss of jobs due to closure of factories and rural poverty through removal of fertilizer subsidy which made access difficult for many poor farmers, reducing their production and income.

Parallel to trade liberalization the government has also enacted liberal investment laws to attract foreign direct investment and encourage domestic investors. To this effect, it has designed a package of incentives which were improved from time to time. However, the investment policy is not well grounded in the national development objectives and supported with well articulated strategy. A realist investment strategy involves thorough study, including the country's overall development strategy, investment trends, mapping of resources and identifying their unique attraction to investors as well

as mapping of investors, matching available investment attractions with target investors. This will result in design of appropriate investment incentive.

A review of investment promotion practice in Ethiopia shows some inconsistency between the overall development strategy (ADLI) and the sectors that the incentive package promotes. Some sectors were also left out of the incentive scheme without adequate justification. Sectors like tourism, construction and education are not eligible for tax holidays.

As noted by UNCTAD least developed countries mostly compete among themselves to attract investors by providing generous incentives. As there is no specific targeting, the cost of incentives quite often exceeded the benefit to the economy.

The performance of investment promotion using incentive packages over the past years is not satisfactory. Only 18 percent of the total projects approved and 16 percent of total investment were implemented. This accounts for 15.2 percent of the gross capital formation and 3 percent of the GDP over a period 1993/1994-2005/2006. This amount is very small even by the standard of Sub Saharan Africa.

7.2 Recommendations

- a) Trade liberalization has not been accompanied by trade modernization. As a result the institutions and operating systems remained largely traditional. Hence it is necessary to modernize the institutions and operating systems supporting trade and investment. It is also essential to, modernize company register, standardize accounting and auditing systems, introduce corporate governance, and develop capital market to attract investment and promote growth.
- b) Prepare and implement transport sector policy and strategy to ensure its efficiency to support the competitiveness of the trade sector.
- c) Enlarge the participation of the private sector in WTO negotiation, build the capacity of the private and public sector negotiators, identify sectors that are soft targets after accession and develop support program that facilitates their adjustment. Pay special attention to supply side constraints and develop sectors like textiles and garment, live stock, tourism and human resources skill development.
- d) Liberalize the financial and telecommunication sectors and open them up for foreign investment.

- e) Ensure that public and private institutions operating in trade sector operate according to the law and ensure level playing field for all actors in the market.
- f) Strengthen the legal system and improve contract enforcement and protection of investors as well as property.
- g) Continuously develop land and make it available for all investors including those engaging in the agricultural sector.
- h) Review the investment incentive package and design appropriate incentive scheme for the sectors that are not so far eligible.
- i) Develop a clear investment promotion strategy based on national development strategy.

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A Review of Ethiopia's Water Sector Policy, Strategy and Program

Tesfaye Tafesse

Overview

Freshwater is a basic natural resource which sustains life and satisfies various social and economic needs. In its natural state, water is an integral part of the environment whose quantity and quality determine how it can be used. Safe drinking water and good sanitation practices are basic considerations for human health. The use of contaminated sources poses health risks to the population as evidenced by the incidences of water borne diseases such as diarrhea and cholera. Despite its importance to our lives and development, water is unevenly distributed in time, space, quantity and in quality. Furthermore, water is a finite and vulnerable resource.

The social and economic circumstances prevailing today have made particular demands upon Ethiopia's water resource base and the environment, and its sustainability is threatened by human-induced activities. Over the years these demands have intensified with the increase in population and concurrent growth of economic activities requiring water as an input such as in irrigated agriculture, hydropower generation, livestock keeping, industries, tourism, mining, domestic use, fisheries, wildlife and forestry activities. Water scarcity is perceived at many places due to unreliable rainfall, multiplicity of competing uses, degradation of sources and catchments. Water scarcity threatens food security, energy production, sanitation and environmental integrity and consequently there are water-use conflicts between sectors of the economy. There are also increasing challenges in managing the multiple transboundary watercourses that the country possesses and strengthening water resources management policy and legal and institutional frameworks. Inadequate regulations to monitor groundwater resources development has led to underutilization of the resources. Fragmented planning that is implemented following sectoral, regional or local interests aggravates this situation further.

Various sources indicate that Ethiopia possesses a dozen major river basins having an annual surface run-off estimated at 122.80 billion m³ and draining a total catchment area of 1,136,816 km². The ground water potential of the country is also reckoned at 2.6 billion m³.

The Ethiopian Water Resources Management Policy (WRMP) was prepared at a time when people with access to clean and safe water were not more than 20%, sanitation services were almost non-existent except in the capital, Addis Ababa, and a handful of urban centers, only 3% of the potentially irrigable land of 3.7 million hectares was utilized and a fraction of its hydropower potential was exploited. It is against the backdrop of these facts and figures that the current water policy, strategy and programs will be reviewed.

The chapter is divided into four sections. Following the introductory remarks given in the first section, the second section will dwell on the genealogy of institutions and organizations in the water sector and their approaches. The third section is devoted to the synthesis of the current policy, strategy and programs while the fourth section appraises the policy. Lastly, the ways forward will be suggested in the fifth section.

1. A Brief History of Water Resources Management in Ethiopia

Water resource development approaches and organizations in Ethiopia have evolved over time. Prior to the mid-50s, only a small portion of Ethiopia's water resources was developed and the government's administrative role was minimal. In 1956, a Water Resources Department was established under the Ministry of Public Works and Communications to handle a multi-purpose investigation of the Blue Nile (Abbay) Basin. Over the years, it undertook river basin studies and water well drilling programs. Parallel to this, the Awash Valley Authority (AVA) was established in 1962 assuming responsibilities for all water activities in the Awash Valley. Its mandates included water planning, development and operation, including water rights administration, in the valley.

Due to the growing need for water in many parts of Ethiopia, a National Water Resources Commission (NWRC) was established in 1971 under the then Ministry of Public Works and Water Resources. The Commission's purposes and objectives covered the full range of responsibilities related to water resources management and use in the country. The Commission's powers were broad but were not fully exercised and implemented due to financial and organizational constraints as well as lack of commitment and willingness of public authorities to accept a national authority over water resources development and management (Gizaw 2004). As a result, the Ethiopian Water Resources Authority (EWRA) was established in 1975 under the Ministry of Mines, Energy and Water Resources. Three agencies, namely, Land and Water Studies Agency, Rural Water Development Agency and Urban Water and

Sewerage Agency were established under the umbrella of the Authority. The AVA, however, retained its responsibilities for the Awash Valley.

In another measure of reorganization, the Valleys Agricultural Development Authority (VADA) was established in 1977. It had similar powers and duties as AVA except that its jurisdiction was extended to water resources encompassing the whole country. In order to avoid conflict with AVA, VADA created the Awash Valley Development Agency (AVDA). However, the latter had diminished powers compared to those that were enjoyed by AVA.

A further re-organization took place in the water sector when a new 'National Water Resources Commission' (NWRC) was established in 1981 by incorporating VADA and AVDA under the Water Resources Development Authority (WRDA). The new NWRC, in fact, was composed of the Water Resources Authority, the Water Supply and Sewerage Authority (WASSA), the Ethiopian Water Works Construction Authority (EWWCA) and the National Meteorological Services (NMS).

After about decades of operation, NWRC was dissolved and all the aforementioned Authorities, save EWWCA, were made accountable to the Ministry of Natural Resources and Environmental Protection (MNREP), which was established in 1993. Following the dissolution of MNREP in 1995, water resources management in Ethiopia has been elevated to a ministerial level in the same year when the government established the Ministry of Water Resources (MoWR) as a federal institution for the water sector by Proclamation No.4/95.

The powers and duties of MoWR that are outlined in Proclamations No. 4/95 and No. 471/2005 include:

- Undertake basin studies and determine the country's ground and surface water resource potential in terms of volume and quality and facilitate their utilization,
- Determine conditions and methods required for the optimum and equitable allocation and utilization of water bodies that flow across or lie between more than one Regional States among various uses,
- Undertake studies and negotiations of treaties pertaining to the utilization of boundary and transboundary water bodies and follow up the implementation of same,
- Carry out the study, design and construction works to promote the expansion of medium and large scale irrigation dams,
- Issue permits and regulate the construction and operation of water works relating to water bodies,

- Administer dams and hydraulic structures constructed with federal budget unless they are entrusted to the Authority of other relevant bodies,
- Ensure the provision of meteorological services.

Currently, there are other institutions affiliated to MoWR, including the Meteorological Service Agency, Awash Basin Water Resource Management Agency and specialized public enterprises engaged in the study, design, supervision and construction of water related activities, such as Water Works Design and Supervision Enterprise and the Water Resource Development Fund.

2. A Synthesis of Water Sector Policy, Strategy and Programs

In what follows, the salient features of the policy, strategy and programs of the water sector in Ethiopia will be described.

2.1 Water Resources Management Policy (1999)

The Ethiopian Water Resources Management Policy (WRMP) was issued in 1999. It contains two sections addressing three sub-sectoral issues, namely, water supply and sanitation (WSS), irrigation, and hydropower. The overall goal of the policy is to 'enhance and promote all national efforts towards the efficient, equitable and optimum utilization of the available water resources of the country for significant socio-economic development on sustainable basis'. This Policy contains the following specific objectives:

- Enhance the integrated and comprehensive management of water resources that avoids fragmented approach,
- Recognize water as a scarce and vital socio-economic resource that should be managed on strategic planning basis with long term visions and sustainable objectives,
- Ensure the integration of water resources development and utilization with Ethiopia's overall economic development framework,
- Ensure that water resources management is compatible and integrated with other natural resources as well as river basin development plans and with the goals of other sectoral developments in health, mines, energy, agriculture, etc.,
- Recognize and adopt the hydrologic boundary or 'basin' as the fundamental planning unit and water resources management domain,

- Promote and advocate institutional stability and continuity in water resources management and ensure smooth transition during times of changes,
- Promote and enhance traditional and localized water harvesting techniques in view of the advantages provided by the scheme's dependence on local resources and indigenous skills,
- Promote the full involvement of women in the planning, implementation, decision-making and training as well as empower them to play a leading role in self-reliance activities,
- Promote the involvement and meaningful participation of the private sector in the management of water resources,
- Promote appropriate linkage mechanisms for the coordination of water resources management activities between the Federal and Regional Governments,
- Establish phase-by-phase Basin Authorities for efficient, successful and sustainable joint management of the water resources of the basins through concerted efforts of relevant stakeholders,
- Create a conducive environment for the enhancement of linkages and partnerships between the Federal and Regional States on the basis of the Constitution for the realization of efficient, sustainable and equitable water resources management.

The fundamental principles of the Ethiopian WRMP that guide the equitable, sustainable and efficient development, utilization, conservation and protection of water resources in Ethiopia include:

- Water is a natural endowment commonly owned by all the people of Ethiopia;
- Every Ethiopian citizen shall have access to sufficient water of acceptable quality to satisfy basic human needs;
- Water shall be recognized both as an economic and a social good;
- Water resource development shall be underpinned on a rural-centered, decentralized management, participatory approach as well as integrated framework;
- Management of water resources shall ensure social equity, economic efficiency, systems reliability and sustainability norms;
- Promotion of the participation of all stakeholders and user communities in water resources management, most particularly by women.

The policy is developed giving due attention to general, cross-cutting and sectoral issues. Inland water transportation, aquatic resources and tourism and recreation issues have been addressed under the general aspects of the policy. Issues related to water allocation and apportionment; environment; watershed management; water resources protection and conservation; technology and engineering; water resources management information systems; monitoring, assessment and auditing; water cost and pricing (economics of water); ground water resources; disasters, emergencies and public safety; transboundary waters; gender; research and development; water quality management, and enabling environment have been dealt under the umbrella of cross cutting issues. The sectoral part of the policy discusses specific issues in areas of WSS, irrigation and hydropower.

Notwithstanding the equal importance of the aforementioned policy issues, highlights will be made hereunder on issues related to water allocation, integration of developments, basin development, transboundary water, value of water, water pricing and tariff setting and the financing of water supply.

(a) *Water allocation and apportionment:* The following provisions are made by the policy on how water should be allocated and apportioned:

- Recognize that the basic minimum requirement for basic human and livestock needs as well as the environment deserve the highest priority in any water allocation plan,
- Ensure that water allocation gives the highest priority to water supply and sanitation, while apportioning the rest for uses and users that yield higher socio-economic benefits,
- Enhance and encourage water allocation that is based on efficient use of water resources that harmonizes greater economic and social benefits,
- Ensure that water allocation shall be based on the basin, sub-basin and other hydrological boundaries and take into consideration the needs of drought prone areas,
- Adopt the principle that water allocations shall not be made on permanent basis but rather on agreed time horizon that fits best with the socio-economic development plans, most particularly with water resource plans.

(b) *Integration of developments:* The WRMP document underlines the importance of 'integrated approach to water resources development for optimal utilization of the country's water resources'. An integrated water resources management (IWRM) promotes the coordinated development and management of water, land and related resources to maximize the economic and social welfare in an equitable and sustainable manner. The concept of

IWRM, which seeks an efficient blend of all available resources (fresh surface water, ground water, precipitation and drainage water) to meet demands of the full range of water users (including agriculture, municipalities, industry and in-stream flows), is adopted in the management of water demand as well as water supply.

(c) **Basin development:** The water policy has recognized and adopted the hydrologic boundary or 'basin' as the fundamental planning unit in water resources management domain. It also indicates that water resources management need to be compatible and integrated with other natural resources as well as river basin development plans and with goals of other sectoral developments in health, mines, energy, agriculture, etc.

(d) **transboundary water issues:** The policy addresses issues related to transboundary waters in the following ways:

- Study on sustainable basis Ethiopia's stake and national development interests in the allocation and utilization of transboundary waters,
- Promote the establishment of an integrated framework for joint utilization and equitable cooperation and agreements on transboundary waters,
- Ascertain and promote Ethiopia's entitlement and use of transboundary water based on those accepted international norms and conventions endorsed by Ethiopia,
- Foster meaningful and mutually fair regional cooperation and agreements on the joint and efficient use of transboundary waters with riparian countries based on 'equitable and reasonable' use principles,
- Comply with those international covenants adopted by Ethiopia and manage transboundary waters accordingly.

(e) **Value of water:** The WRMP has also given importance and recognition to the value of water. In the general objective of the policy, it is stated that 'the development of the water resources of the country is to be for economic and social benefits of the people on equitable and sustainable basis'. The fundamental principles of the policy have also highlighted the following with regard to the value of water: "Water is a natural endowment commonly owned by all the peoples of Ethiopia. As far as conditions permit, every Ethiopian citizen shall have access to sufficient water of acceptable quality to satisfy basic human needs".

The policy has also recognized the disadvantaged groups of the population by stating that "although all water resources development ought

to be based on the economic value of water, the provision of water supply services to the underprivileged sectors of the population shall be ensured based on a special social strategy”.

The most important role of water valuation relates to demand management and better allocation of water among the various uses. The value of water depends on its quantity, quality, location, access, reliability and time of availability. Valuing water is linking the concern that water uses must be able to meet different social, economic and environmental functions. Priority in water allocation is given to human and animal consumption, followed by irrigation.

(f) Water pricing and tariff setting: The policy relating to water pricing commits to:

- Recognize water as a natural resource with an economic value and ensure that fees are paid for services rendered,
- Recognize water as a vulnerable and scarce natural resource and ensure and promote that all pricing systems and mechanisms should be geared towards conservation, protection and efficient use of water as well as promote equity of access,
- Ensure that the price for water should neither be too high to discourage water use nor too low to encourage abuses and overuse of water,
- Promote that tariff setting shall be site specific, depending on the particulars of the project, location, the users, the cost and other characteristics of the schemes,
- Ensure that the basic human needs of water for disadvantaged rural communities, who cannot afford to pay for development of water systems, shall be borne by the government, as appropriate, and in so far as the communities are able and willing to cover the operation and maintenance costs on their own,
- Ensure that pricing for urban water supplies shall aim at full cost recovery.

The water policy has also specific stipulations pertaining to tariff setting:

- Ensure that Tariff structures are site specific and determined according to circumstances,
- Ensure that rural tariff settings are based on the objective of recovering operation and maintenance costs while urban tariff structures are based on the basis of full cost recovery,
- Ensure that tariff structures in water supply systems are based on equitable and practical guidelines and criteria,

- Establish a 'social tariff' that enables poor communities to cover operation and maintenance costs,
- Establish progressive tariff rates in urban water supplies that are tied to consumption rates,
- Develop flat rate tariffs for communal services like hand pumps and public stand posts.

(g) **Financing water supply:** The Ethiopian water policy also considered the financing of water supply and advocates to:

- Promote self-financing of programs and projects at the local level,
- Provide subsidies to communities who cannot afford to pay for basic service on capital cost only based on established criteria and gradual phasing out of subsidy,
- Enhance self-financed and total cost recovery programs in urban water supplies,
- Ensure that all water supply undertaking will adequately address costs associated with operation and maintenance and be based on 'cost-recovery' principle,
- Ensure transparency and fairness in the management of water supply services so as to enhance readiness to pay and participation by the users and communities in the financial management of the system,
- Ensure responsibility and financial accountability in the management of water supply service and promote the participation of local banks, other investors as well as popular and traditional self-help social associations (*Idir*, rural credit service, etc.) in the development of water supply through appropriate incentive mechanism.

As part and parcel of the WRMP, the *irrigation policy* stipulates the following irrigation related provisions:

- Ensure the full integration of irrigation with the overall framework of the country's socio-economic development plans, most particularly with agricultural development led industrialization (ADLI),
- Develop a hierarchy of priority schemes based on food requirements, needs of the national economy and requirements of raw materials and other need,
- Recognize that irrigation is an integral part of the water sector and consequently develop irrigation within the domain and framework of overall water resources management,

- Earmark adequate resources towards the development of irrigated agriculture particularly in capacity building and infrastructure,
- Promote decentralization and user-based management of systems by taking into account the special needs of rural women in particular,
- Develop strategies for the development of small, medium and large scale irrigation schemes to meet the country's food and raw materials and to foster economic development,
- Support and enhance traditional irrigation schemes by improving water abstractions, transport systems and water use efficiency,
- Protect irrigation water from pollution, reduce damage and maintain irrigation water quality,
- Develop water allocation mechanisms to ensure social equity, economic efficiency and environmental sustainability,
- Integrate the provision of appropriate water drainage facilities in all irrigated agricultural schemes,
- Enhance greater participation by the regional and federal governments in the development of large scale irrigated farms in high water potential basins but with low population density.

The main actors in irrigation development are also identified as farmers, cooperatives and other relevant bodies who should have strong participation in plan setting, study, implementation, and operation and maintenance. Besides, governmental and non-governmental organizations are also identified as important stakeholders who can be involved in bulk water storage and transfer schemes. With regard to financing the development of irrigation schemes, the policy suggests to establish norms and procedures for financing sustainability and viability of the schemes by promoting credit facilities and bank loans.

The *hydropower development policy* has also been put as an integral part of the WRMP. Its overall objective is to 'enhance efficient and sustainable development of the water resources and meet the national energy demands as well as cater for external markets to earn foreign exchange'.

Some of the provisions of the hydropower policy set out to:

- Ensure that hydropower development is an integral part of the multipurpose uses of water,
- Ensure that hydropower development is affordable and development is in phases, i.e. short, medium and long terms,
- Subject hydropower development scheme to strict environmental and stakeholder considerations as well as meeting economic criterion,

- Create a conducive environment for the export of hydropower,
- Encourage the involvement of domestic investors in the development of hydropower resources.

2.2 National Water Sector Strategy (2001)

The Ethiopian Water Sector Strategy is taken as an instrument to translate the Ethiopian WRMP into action. Put another way, the Strategy aims at providing a road map to attain the water policy objectives. The goals and guiding principles are more or less the same with the policy. The strategy has, however, set guidelines on how to make meaningful contribution towards improving the living standards and the general socio-economic wellbeing of the Ethiopian people. In order to realize the policy's goal, the following objectives are spelled out in the water sector strategy:

- Realizing food self-sufficiency and food security in the country,
- Extending water supply and sanitation coverage to large segments of the society
- Generating additional hydropower,
- Enhancing the contribution of water resources in attaining national development priorities,
- Promoting the principles of IWRM.

The Strategy is elaborated in four sub-sectors, namely, water resources, hydropower development, water supply and sanitation, and irrigation. In what follows, a brief description of the sub-sector strategies will be made.

(a) Water resource strategy: The overall goal of the water resource strategy is 'to enhance and provide all national efforts towards the efficient, equitable and optimum utilization of the available water resources of Ethiopia for significant socio-economic development on a sustainable basis'.

The following actions are proposed to realize water resources development in the country: (i) undertake assessment and development of the country's water resources, (ii) develop groundwater resources and ensure its optimal utilization for different water uses, (iii) make effective and optimum use of available water resources by giving priority to multipurpose water resources development projects, (iv) follow the integrated approach rather than the fragmented approach for water resources development, (v) strengthen and expand hydrological and hydro-meteorological activities for attaining long-term reliable records for safe, effective and sustainable water resources development, (vi) update and take follow-up actions on completed

Integrated River Basin Development Master Plans (e.g., Abbay, Ghibe-Omo) and prepare master plans for the remaining river basins (e.g., Wabi Shebelle, Awash), (vii) harvest rainwater through the construction of small check dams to meet domestic water supply and irrigation needs at the local level, (viii) reclaim existing wetlands and prevent the formation of new ones, (ix) enhance and promote water transport on sustainable basis over rivers, lakes and reservoirs, (x) undertake proper assessment, preservation and enrichment of aquatic resources in rivers and lakes, and (xi) include the development of tourism and recreation resources associated with water.

- (b) **Hydropower development strategy:** It recognizes the relative advantage that the country has in terms of hydropower potentials, which is estimated at 160,000 GWh/ year. Some of the main aspects of the hydropower development strategy include: (i) establishing hydrological, topographical, socio-economic and environmental database for each of the candidate sites to facilitate subsequent feasibility studies and analysis, (ii) ensuring that an adequate number of potential small, medium and large hydropower sites are studied over the planning horizon, (iii) negotiating with neighboring countries on possibilities and arrangements for exporting electricity, (iv) preparing inventories of the complete hydropower potential of the country and identifying the site specific conditions that should be put into place to exploit this potential, (v) defining the size and scope of hydropower schemes for each region, and (vi) implementing appropriate watershed management measures to ensure the long life of hydro dams by minimizing siltation of waterways and reservoirs.
- (c) **Water supply and sanitation strategy:** The principal objective of this strategy is 'to secure the basis for the provision of sustainable, efficient, reliable, affordable and users-acceptable water supply and sanitation services to the Ethiopian people, including livestock watering'. Some of the elements of the WSS strategy include: (i) identifying and promoting the development of appropriate, efficient, effective, reliable and affordable WSS technologies which are demand driven and have greater acceptability among the local communities, (ii) developing appropriate procedures and standards to determine and evaluate water requirements, types of water sources and services, (iii) developing standards for different types and levels of sanitation systems, including both on-site and off-site non-water dependent systems, (iv) conducting studies and research on traditional WSS technologies and alternative appropriate and low cost WSS technologies, (v) developing and enforcing standards and guidelines for maintaining water

quality in all recognized water uses, and (vi) promoting and encouraging water conservation through regulatory and demand management measures.

(d) Irrigation development strategy: The main objective of this strategy is spelled out as follows: 'exploiting the agricultural production potential of the country to achieve food self-sufficiency at the national level'. The more specific objectives of the irrigation strategy include expanding irrigated agriculture and improving irrigation water-use efficiency and agriculture. Some of the elements of the irrigation development strategy include: (i) initiating the planning and implementation of a comprehensive, well-coordinated and targeted irrigation development program, (ii) designing appropriate irrigation schemes by taking into account the physical conditions, hydraulic characteristics, irrigation engineering, management capacity of the users, and detailed agronomic and agricultural considerations, (iii) adopting improved and affordable systems and tools for water harvesting and pumping in order to reduce seepage losses in canals, (iv) undertaking measures to improve water conveyance efficiency, (v) establishing water allocation and priority criteria as well as fair and transparent management systems, (vi) pursuing integrated planning approach in the development and implementation of irrigation projects by using sub-basin/valley approach, and (vii) considering development of groundwater resources as supplementary means of irrigation in drought-prone areas.

2.3 Water Sector Development Program

Following the issuance of the WRMP and the development of the Strategy, the MoWR embarked upon the preparation of the Water Sector Development Program (WSDP), which was published in 2002. The most important framework of the WSDP was identified and the target also set. The following are the guiding principles adopted for the preparation of the WSDP:

- Be consistent with the national water management policy and the national water strategy,
- Be in line with the national economic development strategies that are relevant to the socio- economic development of Ethiopia,
- Promote sustainable development and management of water resources,
- Take the 'Basin' as a planning unit for the development and management of water resources,
- Incorporate linkages with on-going and planned projects.

In view of the enormous water demand in the country, the WSDP has adopted the following water resource development priorities:

- Making clean water available for drinking and sanitation to the larger segments of the society,
- Making water available for livestock in critical areas such as the pastoral areas,
- Expanding irrigated agriculture to the maximum possible extent and meeting hydropower generation capacity needs arising from power demand in the economic and social sectors,
- Providing water for industrial development,
- Availing water for fisheries, tourism, transport and other uses.

Within the overall priority provided above, the highest priority has been given to the programs and projects that (a) are on-going and their implementation is expected to continue during the plan period, (b) require rehabilitation and reactivation, (c) have already started but for some reasons their implementation has been discontinued, (d) have already been subject to appraisal and are already being considered for possible funding, (e) have been identified in master plan studies, (f) are considered for capacity building, and (g) are indicated in the Nile Basin Initiative (NBI) and the Eastern Nile Subsidiary Action Program (ENSAP).

The Ethiopian government has developed a 15 year WSDP spanning from 2002 to 2016. Having fully realized the inadequacy of supplying clean water to the population and its implications for the various dimensions of social and economic developments, the government is considering to supply adequate clean water in the plan period. The provision of clean water is expected to improve the health conditions of people and to release labor for productive engagement, especially the women population who spend a lot of their time on fetching water for domestic use.

Access to safe potable water in the year 2000 for urban areas was 72%. If one excludes Addis Ababa from the picture, the figure would drop to 38%. On the other hand, access to safe potable water for rural Ethiopia in the same year was restricted to about 23%. With the exception of Addis Ababa and possibly a few other urban centers, sanitation services/facilities are almost non-existent in the country. WSDP aims to improve the state of sanitation services in Ethiopia.

The 15-year WSDP (2002-2016) has three main sub-sectoral development programs, namely, water supply and sewerage, irrigation and drainage, and hydropower development. A brief description of each will be made hereunder:

(a) **Water supply and sewerage:** As part of the WSDP, the water supply and sewerage sub-sectoral program consists of urban, rural and livestock water supplies as well as urban sewerage projects. It has set targets to be achieved over the 15-year program period. The targets are therefore set for the national water coverage with urban and rural water supplies to be attained at the end of the program period in 2016. The program is further sub-divided into 3 sub-programs and three five-rolling years which are deliberately designed to streamline them with the government's Five Year Plans. As a result, the WSDP is divided into short-term (2002-2006), medium-term (2007-2011) and long-term (2012-2016) plans.

At the end of the program period (2016), the national water supply coverage is planned to hit a level of 76% from its 31% in the base year of the program, i.e., 2001. The settings of the targets are defined in accordance with the government's commitments to attain the Millennium Development Goals (MDGs). If the set targets are achieved, the number of people without access to safe water will drop to only 24%. Similarly, urban water supply coverage is also expected to grow to 98 % at the end of the program period, and rural water supply coverage to 71%.

(b) **Irrigation and drainage:** The national WSDP also sets targets in terms of irrigation development. Of the number of projects that are set for the plan period (2002-2016), 1568 of them are small-scale irrigation schemes with an average size ranging between 70 to 90 hectares. The total area planned to be developed is 127,138 hectares. The development of these schemes is expected to benefit up to 508,000 farm households. Similarly, 26 large (above 3000 ha.) and medium-scale (between 100-3000 ha) irrigation schemes are planned to be developed in the lifespan of the WSDP. The large and medium-scale irrigation development program outputs (147,470 ha) will benefit up to 300,000 farm households or provide employment for up to 30,000 permanent and 300,000 seasonal workers.

(c) **Hydropower development:** This has been considered as one of the pillars of the water sector. In this respect and by taking local demand for electricity and export demand, the hydropower development program has set targets for the plan period. The plan indicates that a total of 6 medium hydropower plants with an aggregate installed capacity of 950 MW will be constructed. This will raise the total installed capacity of hydro plants in the 'interconnected system' (ICS) of the National Electric Company to about 1300 MW by the end of the program period. A total of 15 medium hydropower sites and 37 small sites are to be studied for feasibility during

the program period. Accordingly, the per capita generation of electricity will grow from 27 kwh/year in 2000 to 52 KWh/year in 2016.

WSDP is a national water plan addressed to all stakeholders for their concerted actions. Public and private sectors, NGOs, international development partners and communities are believed to be important stakeholders for the implementation of the program. To this end, the WSDP study has come up with the following main elements of implementation strategy:

- Capitalize and build upon existing government institutional structures without necessarily waiting for new institutional set-ups. New institutions are to be established as appropriate and required in due course of the implementation process;
- Coordinating and integrating program components during implementation by realizing the specificities of each program;
- Tailor the program implementation in order to cope with financial resource requirements, i.e., consideration of different funding scenarios;
- Priorities are to be given to ongoing and start-up projects/programs, most of which are included in the short-term program period of WSDP, i.e., 2002-2006;
- Continuous resource mobilization efforts are taken as a key implementation strategy, and envisage decentralized management of program implementation of all the program components. This will be done according to the outcome of the ongoing preparation of the Program Implementation Manual (PIM);
- Innovative partnership is to be promoted and created among stakeholders;
- Reliance on national expertise is to be pursued without overlooking external technical assistance;
- Continuous adjustment of the program is another strategy, which is to be based on the PIM using monitoring indicators that are to be outlined in the manual. The necessary adjustments will be made on financial, technical and institutional issues.

The water sector development program has detailed implementation arrangements that address the roles of stakeholders. For example, government institutions such as the Federal Ministry of Water Resources and Regional Water Bureaus are expected to have the lead role during the implementation of the program. Other federal and regional institutions are also expected to have a significant role. High profile decisions and policy reviews and issues concerning large investment projects are among the most important functions of the MoWR along with its partner federal institutions. Other functions also include inter-

organizational collaboration and enhancing departmental and regional implementation capacities. Regional level Water Sector Bureaus and other relevant sector bureaus are expected to assist and coordinate activities of local level water desks, which are responsible for planning, budget preparation and implementing planned projects and activities. All stakeholders are provided with the PIM.

3. An Appraisal of the Water Sector Policy, Strategy and Program

This section will attempt to appraise the water sector policy and strategy, the sector's development program and its linkages with other sectoral policies and programs.

3.1 Water Sector Policy and Strategy

Although water sector policies vary from country to country, there are some common denominators that are shared by all, most particularly in developing countries. In general, water policies possess or address (a) cross-sectoral interests in water and watershed management, (b) the issue of sustainable development in the management of water resources, (c) the prioritization of water uses so as to ensure that socio-economic activities and the environment receive their adequate share, (d) sustainable water use, conservation and ground water resources development, (e) the protection of the environment, ecological system and biodiversity, (f) water resources assessment, planning and development procedures, (g) the correct and timely availability of data and information for design, construction and operation of different projects, (g) research and technical development aimed at increasing knowledge, information and communication between community and resource users, (h) capacity building geared towards implementation of different water resources activities, (i) disaster management through flood and drought management plans, (j) transboundary water resource shares and usage, (k) institutional framework that can bring effective management of water resources, (l) legal and regulatory framework for water resources management, and (m) the financing of water resources management.

Water policies should also include the following four main objectives: (i) ensure the availability of water to all elements of society, including the poor and the underprivileged, and to take into account the particular needs of women and children, (ii) develop a legal and regulatory environment that will help the process of decentralization and sound environmental management that will

improve the investment climate for the private sector in water development and management, (iii) bring institutional changes that will help decentralize the management of water resources and enhance the role of women in the water development, and (iv) develop a state of knowledge and capability that will enable the country to design future water resources management plans by itself with economic efficiency, gender equity, social justice and environmental awareness.

In general terms, the Ethiopian WRMP addresses almost all the aforementioned issues by calling for an integrated approach; the incorporation of cross-sectoral interests; the special treatment of women, the disadvantaged, the underprivileged and rural communities; the participation of the private sector; a decentralized approach (rural-centered); prioritization of water uses; and the adoption of a basin approach.

Although the private sector has been mentioned here and there in the Ethiopian water policy document, it failed to be robust enough to attract and involve the sector. Implicitly, it seems that the policy is inclined to sustain the status quo under which the state will serve as the sole investor, implementer and manager of water projects in the country. Any future water policy should, therefore, attempt to switch the government's role from service provider to that of coordination, guidance, formulation and regulation.

The policy also failed to mention and underline the need for the establishment of a permanent legal and institutional framework on shared river basins, most particularly on the Blue Nile (Abbay), which could entitle Ethiopia to equitable and reasonable share of the common water resources. It is incumbent upon any future water policy or the revision thereof to take this framework into consideration. In addition, the future water policy should include provisions on transboundary water resources by appraising the ongoing NBI and ENSAP activities.

Given the vulnerability of Ethiopia to natural disasters (e.g., drought, flood), the policy document underlined the recognition and adoption of the management of disasters associated with water. However, the policy failed to mention social disasters, such as wars, inter-ethnic conflicts, epidemics and sudden changes in market conditions that can equally require water-related interventions, say by way of water tariff adjustment, provision of water and sanitation for war victims and the displaced.

The strategy adopted for the implementation of the Ethiopian WRMP has outlined technical, economic and financial, and institutional instruments. The technical instruments are meant to control water uses, such as water metering; the economic one for water pricing and charges; while the institutional instrument to reorganize and strengthen public sector and local involvements in the management of water resources. The national water sector strategy, however,

has failed to include the legal and regulatory instruments. The legal instruments include restrictions and prohibitions imposed or permissions made by the regulatory body, i.e., MoWR, and the government. These include individual licenses for abstractions and their revisions; guidelines; standards; discharge permits; codes of conduct; environmental impact assessments; and agreements, treaties and protocols for transboundary water resources. Similarly, the regulatory instruments include appropriate management structures and procedures. These include applications for and granting of permits, a clearly defined water right system, appropriate standards and guidelines that control water abstractions from water bodies, controls on specific technologies aimed at reducing water use or waste loads, control of discharge of waste products into water sources and standards for water provided for specific uses or for goods or materials which are potentially polluting.

Although the policy has in many instances raised the issue of harmonizing water and environment, the strategy on the contrary stated: 'reclaim existing wetlands and prevent the formation of new ones'. Since wetlands serve as sanctuaries to specific types of flora and fauna and since a sizeable number of people earn their livelihood from them, the measure suggested in the strategy could do social and environmental injustice to those who depend on it. This should be taken care of while revising the strategy or promulgating a new one.

3.2 Water Sector Development Program

The Ethiopian water sector development program (WSDP), which includes mainly water supply and sanitation, irrigation and drainage and hydropower development, is planned to be effected in 15 years time spanning from 2002 to 2016. As of 2006/07, however, WSDP has been streamlined to fit into the objectives and targets set by PASDEP. The latter, which is considered as "an important strategic direction for accelerated, sustained and people-centered economic development" (MoFED 2005), aims at propelling growth in a span of five years (2005-2010) with the basic aim of scaling up efforts to achieve the MDGs.

Although WSDP aims at increasing the national water supply coverage to 76% by 2015, PASDEP sets to raise it to 84.5% by 2010. As outlined in PASDEP document (2005), the plan will be achieved by constructing 1,870 deep wells (374/year), 12,755 shallow wells (2,551/year), 101,355 hand-dug wells (20,271/year), 420 ponds (84/year), 780 cisterns (156/year), 15 surface water sources (3/year) and 11,455 springs (2289/year) up until 2010.

Given the fact that WSDP aimed at increasing the national water supply coverage by 3% per year in the planning time horizon, it achieved its plans for the period prior to its alignment with PASDEP. The national coverage of water

supply in 2002/03, 2003/4, 2004/05 and 2005/06 was 34.1, 37.9, 42.6 and 47.3 percents, respectively (MoWR 2007a and 2007b). However, after WSDP was streamlined with PASDEP with the intent to leapfrog the national water supply coverage by 7.44%/year, it showed a lower achievement than what has been envisaged with the figure for 2006/7 standing at 52.5%. Similarly, the construction of deep, shallow and hand-dug wells in the same year fell short of PASDEP's target by 37, 52 and 88 percents, respectively (MoWR 2007b). The above figures indicate that the anticipated water supply coverage plans by WSDP and PASDEP have not been realized. The MoWR document (2007a and 2007b) outlined the major problems and challenges encountered while implementing the projects. These include, among others, shortage of skilled manpower, high staff turnover, high and increasing costs of construction and maintenance materials, delayed release of loans and grants, and lack of physical infrastructure (e.g. access roads).

Owing to the long processes that irrigation and hydro-power sector developments go through, namely, pre-feasibility, feasibility, design and construction, and the length of time required for realizing them, it becomes difficult to objectively evaluate their annual performances. Whereas WSDP anticipates developing 127,138 hectares of small-scale and 147,470 hectares of medium- and large-scale irrigation fields up until 2015, PASDEP plans to construct 24 medium- and large-scale projects covering 322,630 hectares, undertakes feasibility and design of 19 projects (229,149 ha) and the pre-feasibility of seven others (117,116 ha). In terms of performance, MoWR managed to undertake feasibility studies and design for 10 medium- and large-scale irrigation projects in 2006/07 in places, such as Arjo-Dedessa, Humera and Lake Tana area. When these projects are realized, it is anticipated to develop 403,259 ha of land. In the same year, nine medium- and large-scale projects, which covered 14,321 ha of land, were constructed at various sites, including Kessem-Tendaho and Koga. Similarly, pre-feasibility and feasibility studies as well as designs were conducted on 63, 48 and 15 small-scale irrigation sites, respectively. If the aforementioned irrigation projects are implemented, they can even surpass the plans that are envisaged by WSDP.

WSDP's modest plan of constructing 6 medium hydropower plants (an addition to 950 MW) and undertaking feasibility studies for 15 medium and 37 small power plants by 2015 is surpassed by PASDEP which envisages increasing hydropower production from 791 MW to 2842 MW by 2010. In terms of achievements, up until 2006/7 detailed studies were undertaken for Baro (916 MW capacity), Kara Dobi (1600 MW), Genale GD-3 (353 MW), Wabi Shebelle (87 MW), Chemoga (268 MW), Omo-Ghibe (435 MW) and Awash IV (38 MW) while a pre-feasibility study was undertaken for Genale GD-6 (257 MW), Mendia (1600 MW) and Border (1700 MW). Construction is also underway on

Beles (460 MW), Gilgel Ghibe II (420 MW), Tekezzie (300 MW), Ghibe III (1870 MW) and Amerti Neshe (97 MW) sites [MoWR 2007a and 2007b]. Facts on the ground testify that both the WSDP and PASDEP plans can be achieved if all the projects are realized in the envisaged plan years. This will, however, depend on the number of studies (detailed and feasibility ones) that will be translated into action, i.e., construction of dams and power production.

3.3 Linkages with Other Sectoral Policies and Programs

There are federal ministries, organizations and regional bureaus that have some responsibilities and mandates related to the water sector. Whereas MoWR has a general responsibility of water resource planning, development and management, others such as EEPCO targets hydropower; MoARD has an interest in small-scale irrigation; EPA takes care of water pollution and conducts environmental impact assessment; NMSA is responsible for releasing early warning on adverse weather conditions leading to floods and droughts; ESRDF involves itself in water supply and small-scale irrigation development; MoH focuses on sanitation, and MoFA resolves resource-related conflicts, including water conflicts.

Although most, if not all, of the above-stated organizations supplement each other, there are overlaps of mandates among some of them. For instance, both EPA and MoWR have mandates in carrying out environmental impact assessment (EIA) of water-related interventions in the context of water quality monitoring, water pollution control and effluent standards. Similarly, MoWR and MoRAD have responsibilities in small-scale irrigation developments while MoWR and MoH in sanitation services. Ironically, there are no structural and coordinated linkages between MoWR and Regional Water Bureaus (Gizaw 2004).

In a country such as Ethiopia, where there are resource scarcities, overlaps of mandates related to the water sector could have financial and manpower implications.

4. The Way Forward

This step requires that course of the unfinished and continuing policy process, most particularly the implementation, is projected into the future. Notwithstanding the plans, achievements and challenges of the water sector policy, strategy and programs, it is still possible to raise some points that could be accommodated while revising the policy or coming with a new one.

- i) It is high time to anchor a water policy in a sustainable livelihoods (SL) perspective, which provides a framework within which the needs and priorities of the poor, the rural population, women and the disadvantaged could be covered with water resource-based policy. SL is geared to support livelihoods by addressing poverty. Put another way, the vision should be grounded on sustainable development, aiming to provide 'a better quality of life for everyone, now and for generations to come'. The application of the SL approach can meet four objectives at the same time: (a) social progress which recognizes the needs of everyone, (b) effective protection of the environment, (c) prudent use of natural resources, including water, and (d) maintenance of high and stable levels of economic growth.
- ii) The development of water policies and institutional challenges need to be seen within the wider social and political context of contemporary Ethiopia. Of critical importance are the moves towards decentralization and democratization as there has to be effective participation and a meaningful link between local communities and government agencies. In a way, the policy needs to treat access to a safe and adequate supply of water for all people, urban as well as rural, as a human right issue.
- iii) Given the facts that there is recurrent drought and an emerging natural disaster in Ethiopia, namely, flood, future water policy should give room to and sufficiently address these events. These natural events should, at least in the context of Ethiopia, serve as policy drivers. Such a focus is important in three ways: Firstly, the natural events set the priority: for example, the floods that were recently evidenced in Dire Dawa, the southern parts of Ethiopia, and in and around Lake Tana area signify that water management becomes equated with flood control as the first priority even where other issues become important. Secondly, they dictate the timing: policy changes can and do happen extremely rapidly in such circumstances, with the urgency of the situation perhaps being used to legitimize less than satisfactory consultation processes. Thirdly, the events can greatly raise the profile of issues that have not been widely considered or seen as a low priority.
- iv) In order to reduce overlaps of responsibilities between sectoral policies and strategies, an integrated water resources management (IWRM) should be put in place. Such a framework promotes the integration of all aspects of water resources in the country by reducing duplication of efforts and wastage of human and material resources. IWRM can also reinforce joint planning and coordination, institutional harmony and efficient information and resource flows in the water sector.

- v) What has been achieved so far in the water sector is at variance with what has been envisaged by PASDEP, most particularly in the realm of water supply coverage. Given this state of affairs, efforts should be made to come up with plans that are realistic and less ambitious. Plans should take into account the available manpower, budget, infrastructure and the objective conditions in the country and the regional states.

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Ethiopia's Environmental Policies, Strategies and Programs

Melaku Bekele

I. Background

1.1 General

A successful environmental management constitutes a means to keep a balance between consumption and conservation, i.e., sustaining the resource base while supporting livelihood and providing services. This can be achieved only by minimizing the 'conflict' situation between and among stakeholders by creating adequately functioning policies, laws and regulations as well as stable organizations to implement them effectively. Ethiopian natural resource (particularly forests, water and wildlife resources) are entangled with conflict of interests between and among stakeholders. It is extremely difficult to introduce a sustainable management system for resources under a conflict situation. Although it is impossible to create a zero level conflict situation, society, however, needs to build institutions to manage conflicts between and among resource users before they cause damage. Conflicts, if left for long, consume resource; on the other hand, if managed properly and in time, they may help in stimulating positive changes.

The ever-increasing deforestation, soil erosion and the associated problems of decline in soil fertility and loss of biodiversity have resulted in making livelihood improvement a very challenging task to countries like Ethiopia that are highly dependent on agricultural and natural resource products. High population growth, climate variability and change, drought and the associated famine reinforced resource depletion, poverty and, thus political instability. The latter, in its turn makes the formation of prudent natural resource policies and legislations, management systems and a stable organization to enable sustainable utilization a difficult task. As Rubensson (1988) rightly noted, environmental stress often resulted in political instability in Ethiopia. Historical evidences indicate that the reasons for century-old lack of sustainable natural resource management and environmental protection tradition are mainly related to the instability of successive governments, their rapidly changing political economy (land tenure systems, rural development policies or lack of it) and non-participatory top-down development programs. *Natural resource and environmental protection policies often reflect ideological preferences of those in power and are not allowed to mature in a*

continuous manner, being amended only when essential, as it ought to be under normal circumstances. Each turn in natural resource policy and law in this country, therefore, needs to be understood in the context of the ideological stance of the time.

1.2 Early Account of Natural Resource Protection

Looking into Ethiopian history, one might come across a few stories of successful natural resource management and environmental protection by the State. The earliest evidence indicating some form of protection of natural resources is found in the records of a traveller called Nonnus, who in his journey to Aksum from the coast in the fourth century AD, saw “*multitude of elephants, about five thousand pasturing in a broad field....none of the natives were allowed to come close to them nor to drive them from the pasture*” (Kobishchanov 1979). The number of elephants was probably an exaggeration or a misprint, but the remark about the existence of some form of protection indicates the State’s involvement. There is however, no indication if such protection includes other resources such as forests, or if such tradition was maintained throughout the Aksumite period. The other indicators come from the 14th and 16th century oral accounts about King David (1365-1395) and King Yacob (1597-1603), respectively. The first was said to assign guards to protect wild games from poachers, while King Yacob conserved the forests of Woff Washa and Jibat, and reforested Menagesha and Yerer mountains.

For centuries, the Ethiopian Royal Court and regional lords did not have a permanent political seat. They moved from one place to another for political and military reasons, and more for lack of the provision of firewood, as many European travellers from 16th century on noted. When scarcity of fuel and construction wood became critical even for the Royal Court as was the case at the end of the 19th century, Emperor Menelik (1889-1913) declared “*all forests including trees on private lands State property*”. Some tree species (Cordia, Juniper, etc.) were identified and felling them was forbidden. The declaration was not more than an expression of concern over a rapid deforestation at the time (Berman 1966; MoA 1986). Nevertheless, the decree had made a point by creating awareness among the people about the State’s concern or property claim to the country’s forest as public asset. Menelik had also tried to protect wild games and regulate hunting.

1.3 The Italian and the Restored Imperial Periods

Italians during their occupation (1936-41) issued over twenty forest decrees and circulars based on regional conditions; these included forest protection, forest resources utilization standard, rules for the collection of essence, and production of

palm fruit. They aggressively implemented forestry programs by forming an extensive organization having its headquarters in Addis Ababa and branches in most parts of the country (Milizia Forestale 1937/38). Their activities mainly focused on exploiting the available resource for their ambitious infrastructural development in the country. They favored their own companies at the expense of local people's interests and conducted little reforestation work (Breitenbach 1962).

The 1931 Constitution contained no clauses about the status of natural resources in general. The Sovereign had retained all the traditional kingly rights to dispose of land or other resources. The Revised Imperial Constitution of 1955, on the other hand, was more explicit and more assertive about the status of "*natural resources*" than the 1931 document. It declared (Art. 130) that all natural resources (water, forest, land, air, lakes...) State domain and are "*sacred trusts for the benefit...*" of all including the unborn. Exploitation of these resources should be only with the *principle of conservation*. The 1944 wildlife decree subjected hunting to government regulations. The same decree reserved over 3.4 million ha of land as wildlife protection zone.

The restored Imperial government's economic program emphasised the expansion of agricultural products for domestic consumption as well as exports. Forests were generously distributed to individuals who were encouraged to convert them into agricultural lands with tax incentive. The three forest draft legislations presented to parliament in 1952/53 were rejected on the ground of interference in private property. When rejecting the draft the parliament drew a parallel with the Italian attempt to expropriate lands of nationals during their occupation. The 1960 Civil Code put land, forests, etc. subject to the provisions relevant to private property. Here, these resources were to be used as purely commercial items and their constitutional "*sacredness*" seems to have been revoked by the subordinate law, the Civil Code.

Although the 1955 Constitution (Art. 130) conceived of the establishment of the *principle of conservation*, the necessary legislations governing utilization of forests did not materialize until 1965 – when the first comprehensive forestry laws were issued. These were: State Forest Proclamation No. 225, Private Forest Conservation Proclamation No. 226, and Protective Forest Proclamation No. 227. Even then it did not come into force before detailed regulations attached to the laws were issued in 1968. It took yet another four years to reconstitute a forestry organization that could implement the laws. The period was probably one of the most distressing phase in forestry management. The highland forest estimated by the Milizia Forestale in 1937 at nearly six million ha was reduced to 3 million ha in the early 1960s.

1.4 Natural Resource Policies under Ideological Influence

In March 1975 the age old tenure system changed into a completely contrasting system when all lands were nationalized and put under state control. The event created a new, if not improved, management approach in the ownership and management of natural resources. Contrary to the principle of prudence in policy making, the then rural development programs, natural resource management policies, including the 1975 agrarian change were made to be within a context of revolutionary upheaval, guided more by ideological and political rupture than by economic consideration. Related policies, laws and regulations emanated from the socialist principles in which the role of the State as owner of land and manager of related resources was magnified and individual initiative greatly discouraged.

The Military government drew ambitious rural development programs in which it envisaged to bring a revolutionary transformation to the old agrarian setting. In the field of natural resources management and rehabilitation of degraded lands, a Ten Year Perspective Plan (1984-94) was prepared to survey and demarcate, take inventory and prepare management plan for tens of thousands of ha of natural forests, and establish community, fuel wood and industrial plantations. Rehabilitating large tracts of degraded lands through area closure and soil and water conservation were among the plans. In reflection of the ideological inclination, the 1980 forestry proclamation fixed the forest property regimes at two: State and *Kebelle* forests. Following these proclamations, foresters took their occupational and expertise enthusiasm to the extreme and assumed the power to define what should constitute forestry and which land should come under trees. Thousands of ha of land belonging to communities and individual households came under plantation by force. However, most of the conservation and development activities in soil and water conservation, wildlife and forestry ended in destruction as seen during the 1991 change of government. Nevertheless, many people believe that the Military government had better commitment towards natural resource development than what was to be seen in the subsequent years.

1.5 Natural Resources Management under Changed Circumstances (1991)

The violent change of government in 1991 was followed by a contrasting policy shift in economic, administrative and rural development directions, though no radical change has been made in the property relation of land and natural resources. The 1995 Constitution of the Federal Government declared (Article 40) the ownership of rural and urban land and all natural resources, as being “*exclusively vested in the State and in the peoples of Ethiopia.*” And “*land is a common property of the Nations, Nationalities and People of Ethiopia and shall not be subject to sale or to other means of exchange*”. The Charter of the Transitional

Government, the National/Regional Self-Government Establishment Proclamation, the Definition of Powers and Duties of the Central and Regional Executive Organs of the Transitional Government, the Economic Policy, Agricultural Development Strategy, and many other sectoral and cross-sectoral policies greatly impacted on the earlier institutional arrangement and organizational settings of the natural resource management and environmental protection activities. The transition from unitary to federal state had created a power vacuum during which time destruction of resources took place on a large scale.

II. Natural Resource and Environmental Policies, Strategies, Programs

2.1 The Ethiopian Forestry Action Plan (EFAP)

2.1.1 Genesis and Highlights

The Ethiopian Forestry Action Program (EFAP, 1994) is an initiative that emerged from successive previous efforts that attempted to deal with natural resources and environmental degradation in Ethiopia like that of reforestation and soil conservation efforts under FaWDA. The plan that later developed into EFAP largely originated from the ten-year (1984/85-1993/94) national perspective development plan formulated by the Derg government in 1984. The national program on the conservation and development of forest, wildlife, soil and water resources of that perspective plan aimed to increase the country's forest cover to 24% over the plan period. The program was intended to follow the general framework of the Tropical Forestry Action Program (TFAP).

However, the implementation of that national program was constrained by shortage of resources. Consequently, the Derg government requested FAO, the international coordinating agency for TFAPs, to prepare EFAP, with the hope of securing donor support for its implantation. Following a preliminary document prepared by FAO in 1988, work on EFAP project document was initiated in 1990 and completed in 1994 through a collaborative work by the government of Ethiopia, FAO, UNDP, and the World Bank. The preparation of the document involved a five-phase process consisting of:

- Reviewing and reporting of various aspects of forestry and related sub-sectors by 12 national task forces and 3 national working groups. This phase represented an early and critical initiative of the EFAP process which provided an overview of the Ethiopian forestry sector, identified the major sectoral issues, and suggested priority areas for the development of the action programs.

- Preparation of proposals for action programs by international consultants based on the reports of the national task forces and working groups. The work in this phase provided a conceptual framework for the EFAP exercise and defined a set of appropriate forestry development objectives and concrete action programs.
- Preparation of the draft EFAP main report based on the international consultant's proposal for action programs.
- Review and adoption of the draft EFAP main report by the National Policy/Project Coordinating Committee (NPCC) and the World Bank management.
- Convening of a donors' conference to solicit support for the investment requirements envisaged in the EFAP document.

2.1.2 Objectives and Programs

- To increase production of major and minor forest products on a sustainable basis,
- To increase agricultural production through reduced land degradation and increased soil fertility,
- To conserve forest ecosystems and genetic resources,
- To improve the welfare of rural communities, especially women.

The action programs comprised a set of complementary primary and supportive development programs. The primary development programs were;

- *Tree and Forest Production Program*, which intended to increase the sustainable supply of forest products and conservation services for land management,
- *Forest Resources and Ecosystem Management Program*, which aimed to protect and develop the remaining natural forests and woodlands,
- *Forest Industries Development Program*, which aimed to contribute to economic and industrial development using the principles of commercial viability and sustainable use of forest resources.
- *Wood Energy Development Program*, which aimed to reduce dependence on traditional fuels.

These four primary programs were backed by four supportive programs: (a) Technology Development and Dissemination Program; (b) Sectoral Integration

Program; (c) Planning, Monitoring, and Evaluation Program; (d) Human Resources Development Program.

In line with these primary and supportive programs, EFAP, through its proposed project interventions over a 20-year period, projected to raise the sustainable level of annual wood production from 14.5 million m³s in 1992 to 30.2 million m³s by the year 2014. It covered a number of primary and secondary development programs some of which had cross-sectoral nature and needed institutional coordination. The financial requirement was held at \$1.23 billion, with the public and private sectors each expected to invest \$506 million and \$725.6 million, respectively.

2.1.3 Assessment

Strength

EFAP is the first comprehensive document to be produced concerning the current situation, the future trends, and the development needs of forestry and related sectors of the country. This is the first document to review the limitations of the forestry undertakings during the Military government, particularly the non-participatory approach of forestry activities. EFAP's primary and secondary development programs included the forest and ecosystem management, tree production, forest industries development, wood fuel energy development, technology development, sectoral integration, and the human resource development programs. These programs were integrated and mutually supportive to one another. The 45 projects that EFAP proposed satisfactorily address those primary and secondary development programs. Hence, the programs and projects of EFAP were well designed for the target it set.

The preparation of EFAP was largely a national effort that involved over sixty Ethiopian professionals drawn from nearly twenty departments of ten major ministries and coordinated by an Ethiopian natural resource scientist. In view of previous traditions wherein policies and programs are often produced by a small circle of authorities, the EFAP process can be considered as fairly participatory in terms of involving a multidisciplinary team of experts. The process involved a series of workshops that offered the opportunity for several hundred Ethiopians to express their views on the draft document.

EFAP addresses inter-sectoral linkages between forestry and related sectors (agriculture, livestock, industry, energy, etc.). Unlike past practices where forestry development was often seen in isolation without paying attention to its linkages to other sectors, EFAP can be considered as an inter-sectoral and integrative

program. The multi-sectoral membership of the NPCC has facilitated promotion of the inter-sectoral linkages and discussion of the policy implications of one sector's proposal with regard to the others in the process of producing the EFAP document.

Gaps and Limitations

- EFAP was an ambitious plan in view of the human, financial, and institutional capacities that were required to implement its proposed projects. It was also ambitious in view of some critical policies and legislations that had to be issued and some existing ones that had to be implemented. In order to overcome the challenges facing the Ethiopian forestry sector, EFAP had at the outset recognized the need for revised policies in three main areas: government economic policy, land use and land tenure policy, forestry sector policies, and population policy. Among them, the objectives of the Economic Policy Declaration (EPD) issued by the Transitional Government of Ethiopia and the Agricultural Development-Led Industrialization (ADLI) were in close conformity to the objectives of EFAP.
- Information used to develop the EFAP document was not sourced out of currently researched data and was largely outdated (rate of deforestation, forest area estimate and annual volume increment and utilization, etc);
- Since EFAP was developed partly within the political/administrative structure of the Derg (unitary government) and partly under the earlier transitional years of the new federal government structure that was just being introduced, the program did not have appropriate provisions for its implementation under the new decentralized federal structure that followed soon;

Although the role of women in forestry has been raised during the discussion phase, opinions were divided on how to deal with the issue. One view was to look into the case together with community issues in general, while the other opinion emphasized the need to deal with the issue separately. The final EFAP document, however, did not include an action plan that addresses the women issue separately.

2.1.4 Follow up Activities and Implementation Status

Although certain components are being undertaken as part of various development initiatives, EFAP has not been implemented as it was originally planned due to various reasons.

The Ministry of Natural Resources Development and Environmental Protection (MNRD & EP) of the Transitional Government, which coordinated the production of the EFAP document, was mandated to be the lead institution under which the EFAP implementation unit would operate. However, that ministry was dissolved in a new government restructuring that took place not so long after the completion of preparation of the EFAP document. Hence, EFAP was left without an owner to oversee its implementation at the Federal level.

Following the introduction of a federal administrative structure in the country beginning from 1991/92 and the subsequent decentralization of administrative powers, the planning and implementation of development programs were devolved to the new regional states. Accordingly, EFAP, which was originally developed as a country-wide program, had to be reformulated by each regional state and become a regional program. Although some of the regions developed regional forestry action programs that best suit their specific conditions, not much has been done in implementing the plans.

On the other hand, there have also been supportive policy and institutional developments that address part of the EFAP concerns and program components. These include the establishment of the Institute of Biodiversity Conservation and Research, as well as the Environmental Protection Authority. Other provisions are the investment proclamations that provide incentive schemes for private investors in commercial forest production, the new forest policy and proclamation, and issuance of rural land ownership certification.

2.2 Forest Conservation and Utilization Policy and Strategy (2007)

2.2.1 Policy Objective and Content

This is the first policy strategy document ever to be issued in the forest management history of the country. All previous forestry laws and legislations were issued in the absence of any policy to guide the future direction of the country's forest conservation and management.

The main objective of the new policy and strategy is to meet the forest product demands of the society and increase the contribution of forest resources to the national economy through appropriate conservation and management of the country's forest resources. The specific components the policy strategies attempt to address include: promoting private forest development and conservation; promoting

forest development technologies; strengthening forest product markets; administering and managing state forests; preventing deforestation; establishing up-to-date information database.

The policy strategies indicate that production forests may be managed by the State, communities or the private sector. One of the provisions the policy strategies attempts to deliver is a set of incentives that aim to encourage private investors to engage in forest production and industrial development. The proposed incentives include issuance of lease-free land, land tax exemption until trees mature for harvest, provision of technical support, giving out part of State forests for private forest developers through concessionary arrangements, facilitating supply of seedlings, and facilitating loans.

2.2.2 Proclamation to Provide for the Development, Conservation & Utilization of Forests (No. 542/2007).

This proclamation replaces the Forest Conservation, Development and Utilization Proclamation No. 94/1994. The proclamation legalizes the Forest Conservation and Utilization Policy and Strategy 2007. The sections and articles of the proclamation correspond with the objectives and the strategies that the policy document attempts to address.

One of the differences between this proclamation and its predecessor (Proclamation No. 94/1994) is in the categorizing of the types of forest ownership. While the previous proclamation recognizes three types of ownerships (State, community, and private), Proclamation No. 542/2007 recognizes only two types of forest ownership – State and private. The difference seems to be in the definition of “private forest”. The new proclamation’s definition of “private” includes “members of a peasant association”. It also includes “governmental organizations”. It is not clear how this could be so.

2.2.3 Assessment

The policy strategies are complete enough to address the forest conservation and utilization deficiencies of the country. The linkage of some aspects of the policy strategies with relevant sectoral policies and strategies of the country (energy policy, rural land use and administration policy, etc.) is appreciable.

The proclamation adequately addresses the provisions of the forest policy statements and strategies. The articles on prohibited activities in state forests as well as on production and movement of forest products, if properly enforced, are fairly strong to protect state forests from illegal activities. The proclamation also formalizes the “participation of local communities in the development and conservation and also in the sharing of benefits from the development of state

forests". This is the notion of joint forest management which has so far been conducted as some NGO initiative without formal institutionalization of it.

Among the **limitations**, is Article 8, sub-article 4 of the proclamation which states that "where the designation and demarcation of a state forest results in the eviction of the local community, priority shall be given to the protection of the interests of the community in accordance with land administration laws".

The meaning of this article is not clear. If protection of community interest includes preference to stay in the forest, much of which has been illegal and recent settlement, there may not be that much forest left to be demarcated and conserved. This article needs further elaboration.

The proclamation does not elaborate the provisions of incentives for private investors in forestry as the policy strategy document does. It looks as if the proclamation focuses more on the duties and obligations of private forest developers than on the incentives to attract them.

2.3 Conservation Strategy of Ethiopia

2.3.1 Genesis and Highlights

The Conservation Strategy of Ethiopia (1997) is a five-volume document constituting of information on the resource base, policy and strategy framework, institutional questions to implement the policy, plan of actions within the framework of eleven cross sectoral and the same number of sectoral programs, and list of projects. The 1997 CSE can be seen as the second (improved) edition of the 1994 (five volume) National Conservation Strategy (NCS) document. The main content of the final (1997) document is summarized below. The 1994 NCS was initiated after a national conference was held in Addis Ababa in 1990 where all government departments, delegates from the business community, United Nations, donors and NGOs were represented. According to the document the task forces created after the conference at the Regional and Zonal level conducted field visits, workshops and grassroots consultations to serve as sources of data to develop the document.

The World Conservation Union (IUCN) signed an agreement with the Government of Ethiopia in March 1990 to assist the development or the drafting of Federal Conservation Strategy within two years (May 1990 to April 1992). However, the then prevailing political and security situation did not allow the program to run as planned. The restructuring of the administrative regions and the creation of Regional States necessitated re-planning to implement the program. The National Conservation Strategy (1997), born out of this process was supposed to

serve as an umbrella strategy by coordinating the entire cross-sectoral and sectoral policies identified in the document. The CSE document asserts that since the start of the strategy results in areas of awareness and improved attitudes towards environmental issues at government level, institutionalization of an environmental body (EPA) and regional environmental bodies, and creation of a gender strategy were achieved. The document also claims to have taken into consideration the low standard of living of the people and thus their reluctance to invest in conservation that would not bring immediate return.

The CSE (1997) document indicates how rich Ethiopia is both in human and natural resources. However, the resources are not utilized sustainably and the environment is not given proper care. Consequently, resource degradation and poverty have created a vicious cycle reinforcing each other. To curb the situation, policies, strategies, means of implementation and action programs were formulated by classifying the focal areas into eleven sectoral and also eleven cross-sectoral issues. The identified sectoral and sub-sectoral issues reflect the major problems identified in the situation analysis.

The document provides nineteen guiding principles upon which the Federal natural resource and environment policy are based. It includes the principles of *the right every person has to live in a healthy environment*, sustainable environment, pollution minimization, efficient use of resources, environmental accounting, community participation, land and natural resource tenure security, awareness creation, species/biodiversity conservation, integrated implementation of sectoral and cross-sectoral policies and strategies.

2.3.2 Policy Goals, Objectives and Strategies

The CSE, unlike many other comparable documents, attempts to build the policy objectives and their implementation mechanism on a conceptual setting in which natural resources are looked at as *creations of human beings*, and thus the critical need to develop the latter in order to build a condition where resources are developed and conserved for sustainable use. It argues that the intimate linkage between the resource and the user is not always smooth. Therefore, creating a participatory management system will enable to ease the tension and establish sustainable utilization. It, however, indicates that participatory system needs to be monitored closely. The document expanded the sphere of what is understood as natural resources by including what it called *emotive* (monuments) and *orographic* (scenic) possessions.

The policy goal *is to improve and enhance the health and quality of life of all Ethiopians and to promote sustainable social and economic development through the sound management and use of natural, human-made and cultural resources and the environment as a whole so as to meet the needs of the present*

generation without compromising the ability of future generations to meet their own needs. Policy objectives are developed for both the cross-sectoral and sectoral issues.

The **eleven cross-sectoral strategies** refer to population growth, land use, participation, integration of social, cultural and gender issues in sustainable environmental management, valuation and accounting, correcting and avoiding market and policy failure, environmental information, and research, science and technology for sustainable development, impact assessment and environmental education and awareness. The **cross-sectoral policy objectives** are about aspects that have impacts on natural resources and the environment. They aim to improve human carrying capacity of the environment, empower resource users, provide tenure security, ensure the involvement of women and the disadvantaged, integrate environmental costs in development planning, carry out basic and applied research, collect and disseminate reliable information, and provide education and awareness.

The sectoral **policy areas** include: Soil husbandry and sustainable agriculture, forest, woodland and tree resources, genetic species, biodiversity, water, energy, and mineral resources, urban environment and environmental health, control of hazardous materials and pollution from industrial waste, atmospheric pollution and climate change, cultural and natural heritage. The **sectoral policy objectives** intend to: promote soil conservation, conserve natural resources and external inputs to nature: soil, rangelands, forests, woodlands, biodiversity (genetic, species and ecosystems), water resources, energy resources, mineral resources, settlements and environmental health, pollution (its control and management), climate change, cultural and natural heritage. Each cross-sectoral and sectoral policy is followed with a general objective, situation synopsis, a number of guiding principles and strategies.

2.3.3 Assessment

Strength

Generally, the document appears to be a well-structured and comprehensive document that addresses most issues related to natural resources management and environmental protection issues. To ease the burden of implementation, institutional framework, management structure and operational arrangement as well as action programs have been defined at regional and national levels for the sectoral and cross-sectoral issues. The federal institutional and operational works are there to provide an overall national framework whereas the regional ones focus on the regions specific policy issues and implementation matters. The action programs are reflected in the strategies developed for each of the sectoral and cross-sectoral policy issues. The strategies include actions taken on the natural resources and the

environment, aspects that have impacts on them and institutional and organizational arrangements.

The action programs are classified into immediate priorities, medium-term priorities and long-term priorities. Immediate priorities are those actions which are deemed essential for implementation and which can be accomplished within a period of two years. Medium-term priorities are those actions which can be started immediately or may be dependant on the completion of specific immediate actions, and which can be completed within a period of five years. Long-term priorities are actions which require the completion of immediate and/or medium-term actions and which will take a period of more than five years to complete.

Generally, the policy objectives, the programs and strategies drawn are relevant to address the country's need for natural resource and environmental management on a sustainable basis. The principle follows that of "wise use" rather than preservation. The notion followed to involve communities in the management of resources is also meaningful and attractive, and helps in facilitating implementation. Nevertheless, the necessary and appropriate legislations and organizational structures were absent to realize the objectives indicated in the document.

The CSE is an umbrella strategic framework for the management of natural resources and the environment of the country, following which sector and cross-sector specific policies are expected to be developed or reviewed. Although the CSE and EFAP were prepared almost simultaneously, the primary and supportive programs of EFAP are in close conformity with the sectoral and cross-sectoral programs of the CSE. EFAP as a sectoral action program focused on forestry issues constituting implementation details, including the amount of finance needed for the realization of the programs.

Gaps and Limitations of CSE

The policy focuses on natural resource and environmental management as well as improving production. But the linkage with marketing, which can make a difference and can create incentive to farmers, has not been adequately considered except in the case of rangeland management. Also, the human resource capacity building at regional and local level is mentioned as part of some of the strategies, while it is not indicated in others. Human resource capacity building at the different levels should be part of the strategies to implement the different policy objectives, not just for some.

The policy document addresses almost all major natural resource and environmental protection issues in the country. Policy statements, objectives, strategies and programs are set. But, a few critical questions remain to be answered: Is there a time frame for their implementation? What type of organizational settings

and human capacity are required? What legal provisions (laws, regulations) have to be put in place to assist implementation? What are the sources of finance?

2.4 Environmental Policy (1997)

2.4.1 General Overview

The Environmental Policy of Ethiopia issued in 1997 is the output of the CSE, a policy document initiated in 1989 and approved in 1997. The policy aims at improving the quality of life of the people through sustainable development of natural as well as cultural resources. The sectoral policies include: Soil Husbandries and Sustainable Agriculture, Forest, Woodland and Tree Resources, Genetic, Species and Ecosystem Biodiversity, Water, Energy, Mineral Resources, Human Settlements, Urban Environment and Environmental Health, Control of Hazardous Materials and Pollution, Atmospheric Pollution and Climate Change, Cultural and Natural Heritage. The policy also entertains various cross-sectoral policies without which the policy content would become incomplete, and the implementation difficult. Such issues like population and the environment, community participation, tenure and access rights to land and natural resources, land use plan, social and gender issues, environmental economics, information system, research, impact assessment, education and awareness are entertained.

The Environmental policy document also contains implementation principles of the policy where institutional framework, responsibilities and mandates, legislative framework, and importantly, monitoring, evaluation and policy review aspects are mentioned. The part of the policy dealing with implementation rights recognises the need for political and popular support, the importance of involving, not only government organization but also NGOs, community representatives, professional associations, etc. Decentralization of power, harmonization of sectoral interests, and integration of environmental planning with developmental programs are indicated.

The Specific Policy Objectives include: *ensuring sustainable use of natural resources developing currently underutilized resources, improving the social, economic and cultural environment of human settlements, adopting preventive measures of land, air, and water pollution, conserving, developing, and managing the rich and diverse cultural heritage, ensuring people's participation in environmental management, and raising public awareness about the environment.*

The above objectives are said to be based on the guiding principles of: the right to live in a healthy environment, the importance of peace and personal security for sustainable environment, empowerment of communities, affordable technologies, finding a balance between economic growth and environmental

protection, monitoring and accounting of environmental and social cost resulting from pollution, regulating market failures through measures like user fees, taxes, tax incentives, equal treatment of women in policy making and implementation, tenure security and social equity, promoting conservation culture, the interdependence of local, regional and international environmental issues, lateral and vertical integration of environmental management, the rights of species to exist, the importance of the integrated implementation of sectoral and cross-sectoral federal, regional and local policies to achieving the objectives of the environmental policy.

The policy document also emphasises the need to establish a legal document in reference to people's participation in the development of policies, laws and plans, to assure the people's fundamental rights to a healthy environment consistent with the Constitution, and also to create conditions reviewing and updating sectoral regulations and procedures for sustainable environmental and cultural resources,

As already mentioned above, the policy document contains a part in which monitoring, evaluation and policy review principles are pointed out. The responsibility of monitoring and reviewing projects and programs lies in the federal and regional bodies, although EPA assumes the overall monitoring and evaluation responsibility. Any recommendation for modification is needed to be in line with the institutional arrangement indicated in SCE and also be responsive to popular opinion. A Community Environmental Coordinating Committee (CECC) together with, relevant line ministries will annually review the status of the environment and the implementation of the Environmental Policy. The reports are to be evaluated at the village level together with CECC and report back their recommendation to EPA.

2.4.2 Assessment

Strong Points

- The idea of involving villagers in the decision-making process, particularly in the monitoring and evaluation of environmental programs,
- The recognition provided to the essential and complementary role of stakeholders (the private sector, community and State) in the development of natural resources,
- The recognition given to developing laws and regulations in a participatory way to assist a successful realization of the policy,

- The importance of looking into environmental issues in a holistic manner, i.e., each sector to be considered as part of the whole, for example, the need to look into the development, conservation and management of forests together with other related resources such as land, water, etc., (holistic approach),
- Integrating development strategies with the conservation of biological diversity outside protected areas.

Limitation

Ten years since its issuance, the Environmental Policy has little to show on the ground. The difficulties of implementation mentioned in relation to CSE are relevant for this document. The wide range of environmental issues addressed in the document, call for a bigger organization, trained man power and adequate finance which seem unavailable.

2.5 Wildlife Policy and Strategy

2.5.1 Policy Objective and Content

The Wildlife Policy of the Federal government issued in 2007 is the first of its kind for the country. Although a number of legislations and orders concerning wildlife and game hunting were issued at different times, they were not based on well composed policy document like this one. The 2007 wildlife policy has two objectives. These are:

- Properly developing and administering the country's wildlife resource, and enabling the sector to contribute fully to the nation building process.
- Protecting the wildlife resources and their habitats, maintaining the balance of nature for posterity in accordance with international wildlife conventions and agreements to which the country is a signatory.

The policy document is structured in such a way that each policy statement is followed by strategies and the instruments to realize the objectives. It has a brief introduction where the richness of the country in wildlife is mentioned, the threat to this resource are identified as: *being improper land use, population growth and poaching*. It is also mentioned in the introduction part about how the government attached due emphasis to wildlife protection and international conventions and enhancement the potential of the resource to support the economy, etc. Beside the introduction, the document is made up of five sections: wildlife development and

protection, utilization of wildlife resources, participation of the community and investors in the sector and, conservation education and information network.

2.5.2 The Wildlife Legislation (2007)

Wildlife legislation that transformed the Wildlife policy into an obligatory provision is promulgated by the Federal parliament not long after the policy was approved by the cabinet. It is composed of four parts, eighteen articles and a number of sub-articles. According to the legislation, the wildlife protection areas are to be formed as: national park, wildlife sanctuary, wildlife protective areas or controlled hunting areas. The administration of wildlife protection areas may fall under the Ministry of Agriculture, regions, or under collective management, private investors or community. The legislation also addresses issues like utilization of income from the wildlife resource (Federal, regional governments and communities), trade in wildlife products, power and duties of the Ministry and regional states, penalties, etc.

2.5.3 Assessment

Generally the policy document does not seem to be an output of serious work and prudent decision. Policies are *definite* or *settled* guides to arrive at certain well identified goals selected from among alternatives. Some of the 2007 wildlife policy statements are inadequately composed and are short of value settings assertive enough to justify their issuance and their definitive/authoritative goals. Some of the policy statements begin with such phrases like “*efforts will be made to ...*” As *settled* guides they should have been written more definitely. There is no hint in the document about the process followed to develop the policy and how and what type of information was gathered and used; there is no mention as to the level of participation by stakeholders during its formulation.

The responsibility to implement the policy is given to the Ministry of Agriculture, which is known for its notorious instability and overload of tasks. Moreover, the document misses one important content from among the policy statements, i.e., monitoring and evaluation. Policy documents should constitute a framework indicating the principles and strategies to be followed to monitor progress and evaluate results. Nevertheless, the very issuance of the wildlife document is by itself a success. Its implementation is yet to be seen, for it is only a few months old since it is promulgated.

The wildlife legislation remains problematic in one important way. There seems to be an overlapping of power and duties given to the federal ministry and regional states over the wildlife resources administration. It is unclear which one of the two will have the final say in the event of disagreement. Although one can hope

that the issue might be clarified in the coming regulations, it is difficult to be optimistic looking at the current limited institutional capacity of the Ministry and the strong assertive attitude of regional states.

2.6 Water Policy (1994)

2.6.1 Policy Objective and Content

The Ethiopian water resource management policy focuses on three areas: General Water Resource Administration Policy, Cross Sectoral and Sectoral Policies. The policy goal is *to enhance and promote all national efforts towards the efficient, equitable and optimum utilisation of the available water... socio-economic development on sustainable basis.*

As it is the case with other natural resources the water policy is built around the principles of public ownership of water, the rights of the people to sufficient and quality water, and decentralized and participatory (particularly of women) management on sustainable basis. Then, fourteen policy objectives are provided related to general inland water management, water transport, aquatic resources, and recreation policies.

Cross-sectoral policies include: water allocation, protection, technology, information water cost and pricing, ground water, public safety, transboundary, stakeholders issues, and enabling environment (capacity building, institutional and legislative framework). The sectoral issues include: water supply and sanitation, irrigation, and hydro-power. Each sectoral issue has its own detailed objectives and policies. The responsibility to implement the policy rests on the Ministry of Water Resources.

2.6.2 Assessment

The policy document covers most aspects of water resource utilization. In the introduction of the water policy document what are mentioned as the **big and main water resource problems** in Ethiopia are non-social, but natural, related to *spatial and temporal occurrence* and adequacy of the water resources and the erratic nature of the rainfall. This shows that the problem analysis (problem identification) phase, which should always be the first critical undertaking in policy formulation process, was not dealt with appropriately to indicate the real problem area in water resource management in the country. The water resources in Ethiopia, particularly the lakes, seem to have remained in an open-access situation where everybody can use them and no one cares for them. Generally, the omission of this step often leads to missing the opportunity to generate relevant and realizable policy objectives and substantive policy comprehensive enough to deal with most critical issues.

The policy document lacks a clear indication to integrate its objectives with other natural resource sectors such as forestry and agriculture. Deforestation and poor land husbandry practices, for instance, are decreasing recharge of ground water and increase run-off and siltation of reservoirs (dams). Moreover, in light of the human and probably the financial capacity of the Ministry, the policy objectives appear to be too ambitious, as is commonly the case with the other natural resource policies such as that of forestry.

2.7 Rural Land Administration and Land Use Policy and Strategy

2.7.1 Policy Objective and Content

The main objectives of the FDRE Rural Land Administration and Use Policy and Strategy (2004) are to establish sustainable use and favorable system of rural land administration in Ethiopia. Drawing from the FDRE constitution which confirms that the right to ownership of land is exclusively vested in the State and in the people, the policy strategies are based on two guiding principles: ensuring state and public ownership of rural land, and ascertaining participation of land users, including women, in the management of the land.

The document outlines policy statements and corresponding strategies on issues of ensuring acquisition and use rights of land, on land registration and issuance of holding certificate, duration and transfer of holding rights, obligations, and restrictions.

2.7.2 Rural Land Administration and Use Proclamation (456/2005)

This proclamation is a follow up legislation issued to implement the FDRE Rural Land Administration and Use Policy and Strategy (2004). The proclamation entitles peasant farmers/pastoralists engaged in agriculture for a living to be given rural land free of charge. It also states that private agricultural investors shall have the right to use rural land in accordance with the investment policies and laws of the federal and regional levels. Article 6 of the proclamation states that any holder of rural land shall be given a holding certificate that indicates, among other things, the obligations and the right of the holder. Article 7 on duration of rural land use right, while it provides unlimited time limit for peasant farmers, pastoralists, and semi-pastoralists, leaves the duration for other holders to be determined by the regional rural land administration laws. The proclamation further provides for rights of transfer, lease and compensation for and land properties developed on it.

2.7.3 Assessment

Under the circumstances the use rights guarantee given by the issuance of certificate to land holders can be taken as a positive undertaking by the government. The policy strategies adopted to provide unlimited use right duration, transfer and lease right and compensation for land holding in the event of repossession are important policy measures to make peasant farmers feel more secure with their holdings. Tenure security is critical for sustainable management and investment in land.

The right to get land through donation or inheritance is also limited to a family member of the same who has the right to use rural land. This policy statement seems to prohibit people who live in towns and have other means of living but who also want to supplement their living from agricultural activities and not to inherit land from their rural parents. This aspect of the policy not only violates inheritance rights of citizens, but also prevents improvement of rural development through the flow of capital and expertise from the better educated urbanites to rural areas. Moreover, the exclusive ownership rights of land by the State not only limits long-term investment in land by farmers, but also allows the political intrusion of the State in individual holding whenever it finds it necessary.

2.8 Environmental Impact Assessment Proclamation (299/2002)

2.8.1 Policy Objective and Content

The provisions of this proclamation are based on recognizing the importance of EIA. These are: to predict and manage the environmental effects of proposed developmental activities; to harmonize and integrate environmental, economic, cultural and social considerations into a decision making process; to implement environmental rights and objectives enshrined in the Constitution; to bring about administrative transparency and accountability.

The aim of the proclamation is to promote sustainable development and maximize socio-economic benefits. The proclamation prohibits implementation of any project that requires environmental impact assessment without authorization from the federal or regional environmental agency. Article 7 of the proclamation requires a proponent (government or private project initiator) to undertake an EIA of his project by approved experts and to fulfill the terms and conditions of authorization during implementation of the project. An EIA report is required to contain, among other things, the content and amount of pollutant that the project will release, and the estimated direct and indirect, positive and negative impacts.

2.8.2 Assessment

The issuance of the EIA proclamation is in principle very important. It is particularly important in developing countries where national as well as international investors tend to run business in cheaper and environmentally less friendly production technologies, exploiting weak or non-existent environmental regulations of countries. However, the enforcement of this proclamation is questionable. In view of the limited human resource competence the country presently has in the field of EIA, it is not realistic to expect that both the investor as well as the government environmental agency will fulfill their respective duties effectively and honestly. While concerns for environmental quality are in most cases of long-term nature, concerns for quick economic growth and poverty alleviation are of short-term. Hence, it is doubtful that the full implementation of the proclamation will win an enthusiastic political support. Although government environmental policies urge for environmentally friendly technologies and careful disposal of industrial wastes, it is difficult to believe that they (the policies) will be implemented vigorously at the expense of losing investors who in most cases prefer lesser control.

2.9 Plans for Accelerated and Sustainable Development to End Poverty (PASDEP)

The Federal government of Ethiopia, in its effort to enhance the economic development of the country in general and rural livelihood improvement in particular, adopted an approach where natural resource (land, soil, water and forest) management is looked at in an integrated manner. The program Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) is a five-year (1995/96 – 2009/10) action plan that aims to improve livelihoods and end poverty. The natural resource management component of PASDEP identifies watershed management as a key approach leading to sustainable management of the sector.

The following are some of the key activities and outputs that PASDEP envisages to undertake and achieve over the five-year plan period.

- *Sustainable land use management.* Establishing natural resource database in 550 *woredas*; preparing land use plans in 18 watersheds; issuing 1st and 2nd level certificates to 6.8 million households; conducting studies on property rights in the pastoral and agro-pastoral areas;
- *Water management for irrigation.* Construction of 470,000 water harvesting structures;

- *Soil and water conservation.* Establishing area closures (693,000 ha); soil fertility enhancement (2.1 million ha); moisture retention structures (6.2 million ha);
- *Forest resource management.* Rehabilitating degraded natural forest (4.7 million ha) to raise the total forest cover area of the country from 3.56% to 9% by the end of the planning period; surveying and mapping 1.44 million ha forest; collecting 2600 quintals of multipurpose tree seeds and distributing it to households/communities;
- *Wildlife management.* Strengthening 20 existing wildlife protected areas and two wildlife ranches/farms; developing infrastructures for 12 sites; conservation education and awareness creation for 100,000 people;
- *Biodiversity conservation and utilization.* Characterizing and popularizing over 14,000 species for research and conservation; establishing 10 field and 15 community gene banks and 14 in-situ conservation areas.

PASDEP as an action plan can be considered as a departure from the previous extension approach of rural development where the main focus was to increase agricultural production only through increase in input, i.e., selected seeds and chemical fertilizer. The watershed approach brings to light the interconnectedness of rural sub-sectoral economic units, and also appreciates the household strategy to livelihood diversification.

2.10 Synergistic Implementation of the Three Conventions in Ethiopia

The Contents

Ethiopia is a signatory of the United Nations Convention to Combat Desertification (UNCCD), the United Nations Convention on Biodiversity (UNCBD) and the United Nations Framework Convention on Climate Change (UNFCCC), all the outcomes of the 1992 Rio Conference. The UNCCD aims at combating desertification and alleviate the effects of drought. The Convention on Biological Diversity (UNCBD) intends to conserve biodiversity resources, introduce sustainable utilization, and fair sharing of the benefits of genetic resources. The objective of the third convention (UNFCCC) is to limit the release of greenhouse gases into the atmosphere so as to minimize the occurrence of climate change. The UNCCD, UNCBD, and UNFCCC were ratified by Ethiopia in June 1997, and May 1994, respectively.

In 1998 NAP was formulated by EPA followed by a road map to implement the conventions. In 2004 a synergetic document to assist implementation of the three conventions was prepared with the following

objectives: to plan a combined action to implement the Conventions, design feasible strategies and action plans, and suggest viable institutional arrangements for the implementation of the three conventions.

The activities so far undertaken to implement UNFCCC includes the country study conducted on Climate Change resulting in the outputs of the greenhouse gasses inventory report; sectoral reports on vulnerability, impact, adaptation and mitigation assessments. A draft Framework National Climate Change Action Plan (FNCCAP) has been prepared and National Greenhouse Gases Inventory data for the years 1990-1995 have been organized. Level of GHGs emissions by sources and removals by sinks and the associated trend, and mitigation measures that need to be taken to reduce GHGs emissions.

The major activities carried out to implement the Convention on Biological Diversity (CBD) are the re-establishment of the Institute of Biodiversity Conservation (IBC), biological resources identification through the Natural History Museum of AAU, demarcation of national parks, sanctuaries and controlled hunting areas, establishment of Community Gene Banks (CGB), preparation of National Biodiversity Strategy and Action Plan (BSAP), and projects related to *in situ* conservation of medicinal plants, invasive alien species, and indigenous/traditional knowledge.

The National Action Program to Combat Desertification, first issued in 1998, was updated in April 2007 and recently presented at a workshop held in November 2007. The three-volume document consists of information on the state of the environment, measures so far taken, and gap identification and proposed approaches to combat desertification. Ethiopia does not have as such a policy specifically meant to deal with desertification. Thus, the draft National Action Program counts on the already promulgated policies and legislations, and various State agencies designated to implement them. The document identified deforestation, soil erosion/land degradation, loss of biological resources, population pressure, climate variability and climate change, and pollution to be the major problems associated with the Ethiopian environment. Poverty, prevalent diseases, lack of potable water supply and environmental sanitation, energy resources utilization, resource use conflict are identified as socio-economic constraints impacting on the environment.

Among other things, NAP promotes people participation in NRM, improving knowledge on drought and desertification, intensification of agriculture, promotion of awareness, and empowerment of women. The following activities are reported to have been undertaken to implement the UNCCD in Ethiopia: awareness creation through various means, establishment of NGO/CBO network (2001) and National Desertification Fund (NDF); formulation of Regional Action Programs (RAPs), gender strategy for the NAP and a road map for the implementation of the NAP.

2.11 Limitations to Implementing the Conventions

The potential of the three conventions to contribute to sustainable natural resources management and environmental protection of the country remains enormous when looked at the possible international technical and financial input. The conventions are dependent for their realizations on the effective implementation of various relevant national policies. Nevertheless, such possibilities remained nominal because of various policy constraints and organizational limitations indicated below.

The synergetic implementation document identifies a number of constraints associated with the realization of the three conventions. These include: the failure of EPA to establish its own database on the environment, inadequate information exchange between the focal institutions such as EPA and lack of awareness about the relevance and objectives of the conventions by implementing agencies, and their frequent restructuring. The ad-hoc nature, lack of incentives and low capacity of groups assigned to implement the conventions are also identified as gaps. The lack of the active involvement of regions is mentioned as one of the constraints. Such weaknesses, according to the document, prevent the country from using earmarked international supports and dalliance of ongoing projects. According to the 2004 Synergetic implementation document, the conventions are not yet fully mainstreamed into the national development programs/projects. If the conventions are not yet integrated into the regular plans of the country ten years after their ratification, the seriousness to implement the conventions on the part of the responsible agency should come in to question.

3. Overall assessment

3.1 Process and Content Deficiencies

Natural resource policies, laws, regulations and the mechanism of their successful implementation necessitate institutional stability, organizational strength and flexibility. Policy formulation and their implementation require prudent approaches. Our past did not warrant such experience. In a relatively short period of time during the last century, Ethiopia passed through contrasting socio-economic and political settings. Each new system works to negate the preceding one, making policies and laws, in some cases, in sharp contrast to the old ones. The new contains little from the old, standing by its own without a background of sustainable improvement. In other words, the important experiences gained from the past were lost in the ideological struggle or elation of political or military victory. This tendency not

only makes the understanding of the progress made in natural resource policy making and implementation exceedingly difficult, but it also requires a costly rebuilding of institutions and implementation work.

Even taking the limited tradition of natural resource policy making in the country into account, it cannot be said that currently, Ethiopia is short of policies and programs. When sectoral and cross-sectoral policies related to natural resources and the environment are taken together, there are over fifteen documents waiting for implementation. Repeatedly enriched through workshops and seminars, the policy documents and programs are large and comprehensive enough to deserve any serious criticism for their content, although some still lack realistic objectives. If implemented, as envisaged in all the documents, Ethiopia would have long started to look into an encouraging future in its environmental management. Nevertheless, the implementing agencies seem content, probably for lack of choice, with organizing workshops and extracting declaration of intent from participants.

From the review of various policies relevant documents the following emerge as the major shortcomings:

- Availability of **up-to-date and reliable data** on natural resources and the environment is a big constraint in Ethiopia, as elsewhere in many developing countries. Policies, strategies, and action plans are formulated based on old data and rough estimates. With research works in the physical as well as the socio-economic aspects of natural resource and environment being very rare, the scientific basis for the justification of each policy direction and associated strategies and action plans is limited. Consequently, there appears to be sometimes unrealistic and ambitious action plans and expected target outputs in some components of EFAP, CSE, PASDEP, cross-sectoral and sectoral policies.
- Natural resource management is often surrounded by **conflict** particularly between local community interests and State objectives. A case in point is the conflict over access to natural forest resources, water, fishes, etc., that made State ownership and management of these resources in the country a failure. One of the purposes of natural resource policies is to reduce damages emanating from conflict of interests by creating incentives to cooperate among differing parties. The reviewed policies did not exhaustively investigate the causes for conflict, and set resolution mechanisms.
- Although the natural resource and environmental policies and strategies recognize the importance of peoples' **participation** as stated in all reviewed documents, they do not have clear operational guidelines on how to implement the policy strategies concerning participation. In practice,

participatory approaches in resource management are confined only to a few NGOs, and there is little space given in government's rural extension packages.

- Most of the policy documents claim that the formulation processes were participatory. Some mention how regional, zonal and district level government bodies were contacted for opinions. Such a process is not different from what is called expert- or government- dominated formulation of policies. Natural resource and environment policies include the land ownership, demand public debate and the accommodation of the interests of important stakeholders in the sector. There is no indication that this has been done for any one of the policies under review.
- The Federal government seems to believe that natural resource activities should be the responsibility of regional administrations and limited itself to provision of policies. Nevertheless, this retreat by the central State from its previous dominant involvement like that in forestry and wildlife had created an institutional and organizational vacuum to look after the resources. In fact EFAP was lost in this void.
- The rural development policy and strategy that came following the change of government gave less emphasis to conservation activities; it rather focused on increasing agricultural production through the increase of input, such as selected seeds and chemical fertilizer. In this context, programs like EFAP had little chance of implementation.
- Natural resource policies like that of forestry are not based on a stable system of administration and prudently worked out property rights that may change only when essential; even then a thorough investigation of the need (to change) is required. In Ethiopia, major natural resource policy changes came as a result of political upheavals – when popular, rather than rational, decision were more important, as was the case with the land tenure reform of 1975.
- There is a strong linkage between women, natural resources and the domestic economies. Women perform vital roles not only in the gathering but also in the processing, storing, utilization and marketing of freely-accessed biomass goods. The effects of depletion on women of natural resources are direct and high. Although most of the reviewed documents mentioned the important roles women have in the management of natural resources, the empowerment options (ownership) and the legal framework that should come with the principle are not clearly pronounced in the policy documents.

3.2 Implementation Limitations

- The major deficiency of natural resource and environmental protection in Ethiopia has not primarily been the lack of policies and legislation, but the enforcement of them. For example, in the forestry sector Ethiopia has issued at least six proclamations over the past 40 years. However, excluding the very recent one (Proclamation 542/2007), the enforcement of which is yet to be seen, none of the previous proclamations were implemented. As a result the forest resources of the country were being changed to open access resource. The government's capacity to implement even well designed policies is limited for reason of organizational fluidity, inadequacy in the number and type of expertise and finance. Following the introduction of the federal structure of government, the power and responsibility for planning and implementing development policies have been devolved to the new regional states. This being a new political culture and owing to lack of human capacity in some of the regions, there have been limitations in the implementation of the envisaged plan of actions and confusion in the relations between the regional and federal institutions.
- **Political will** and active administrative support to implement policy objectives are not strongly positioned. This was observed from reviewer's own frequent field visits and also evaluation undertakings of forestry and other projects run by NGOs. The policy objectives and programs indicated in CSE, Environmental policy, Forest, Water, Wildlife, Land Use, etc, policies and programs require political commitment for their implementation at all levels of government. In most cases, the highly essential administrative support for policy implementation is low mainly because of electioneering and problems related to cross-border resources.
- Implementing agencies like that of MoA remained one of the most **unstable** organizations in the country. In the last thirty years alone, the forestry department suffered seven organizational restructurings, while that of wildlife changed eight times since 1965. Similar events have taken place with soil and water conservation agencies. Such frequent shake-ups result in loss of institutional memory, a critical asset for policy reforms. Experts in various fields of natural resources are not only scarce in number, but are in a state of frustration due to the organizational fluidity and change of positions (e.g. Foresters).
- Excepting in the case of Environmental policy (1997), most policies do not have an established mechanism for following up and evaluating the

concerned agency which is supposed to implement a given sectoral or cross-sectoral policies.

- Policy is a general guideline in which government intentions, desires and in some cases strategies are expressed to achieve certain goals and objectives. Implementation requires the turning of policies into **obligatory provisions**, i.e., laws, and the latter into regulations. Most Ethiopian natural resources and environmental policies remain as at their promulgation stage. The 1994 forestry legislation was revoked in 2007 without it having regulation to enhance its implementation.

There are a few policy reviews conducted for the country in which most, if not all natural resources and environmental policies and programs are assessed. The review made by Birhanu Debele in 2005 concerning policies and programs of the natural resources of Ethiopia also identified such constraints as institutional instability, tenure insecurity, landlessness, free grazing, weak implementation capacity, inadequacy of basic infrastructure, etc. Birhanu concludes that the official positive statements by the government are not matched by allocation of adequate amount of resources for the realization of natural resource and environmental policies. In fact, most EPA produced documents such as the synergetic implementation and the NAP documents identified similar constraints retarding implementation.

4. Recommendations

- Conflict over natural resources commonly occurs. However, the driving force behind most conflicts over natural resources is a desire for absolute control over the resources on the part of local governments. The application of the theory of conflict to natural resources management is always advisable in countries like Ethiopia to base policies and strategies on actual ground and develop conflict minimization mechanisms.
- Natural resources (land, forest, wildlife, biodiversity, water, etc.) policies should be the outcome of rigorous analysis of alternatives after the real problem situation is identified.
- Any policy decisions in natural resource management and environmental protection should rest on solid ground of well defined property rights arrangements. Stable/secure, if possible, fair tenure arrangement facilitates implementation of policies.
- If we have to continue with the current "property" arrangement, it becomes essential to work towards the realization of decentralized resource

administration. Decentralization, allowing communities and individuals to access, manage and use resources, has to de-politicize resource administration.

- Institutions need to be reasonably stable and foreseeable and be able to create incentives for stakeholders to cooperate. Institutions reduce uncertainty by creating stable rules governing human interaction and also reduce costly transaction among individuals.
- Civil society associations and Think Tanks should have a place to provide policy advice in their respective areas of specialization.
- Community based institutions and knowledge should be given a place in policy formulation processes and their implementations. They should be considered as valuable complements to formal institutions and hard sciences.
- To help policy formulation and policy reform become regularly enriched, data centers at all administrative levels should be established. (The PASDEP initiative in this regard is encouraging).
- A legal condition should be established in which governmental organizations responsible for the management of State owned natural resources be accountable in case of mismanagement.
- In Ethiopia the State acts as owner/manager as well as regulator of natural resource utilization. Although, such a role is not uncommon in many countries, it has to come with adequate institutional arrangement and organizational capacity, political will and accountability. In the long run, mainly the regulatory role of the State should be enhanced with raised institutional and organizational capacity.
- The State should be actively engaged in the investment of natural resource development and environmental protection. The private sector and communities are not yet strong enough to replace the role of the State.
- A predictable and stable political system is essential for the making and effective implementation of natural resource policies. Such sectors like forestry are long time ventures, and need to consider diverse factors stable enough to be predictable. This may be achieved by further promoting the principle of good governance and encouraging involvement of civil society associations in the policy formulation process.
- Although it is imperative to consider the interests of communities in resource management, policy formulators should be more careful not to

idealize the principle extremely and create a legal loophole that may create a problem during implementation.

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The Ethiopian Civil Service Reform Program

Mesfin Taffesse

1. Background and Context

Modern public administration has a recent origin in Ethiopia. Historians agree that Menelik with his appointment of 9 ministers in 1909 heralded the birth of the modern bureaucracy (Bahiru 2002, 112). The civil service since then expanded along with the growing consolidation of the political processes of the centralization and modernization of the state. After the expulsion of Italy and the restoration of Emperor's power to run the country, one of the first acts of Emperor Haile Sellasie was, the strengthening of the ministerial system started by Menilik, the appointment of more ministers in more sectors and the establishment of the office of the prime minister and the council of ministers to run the day to day functions of government. Later on, in pursuit of his centralizations and modernization ambitions, he took, with assistance from international consultants, the additional steps of promulgating basic civil service laws and creating an institution for the purpose of administration of these laws.¹ The whole edifice of the civil service was constructed upon these basic laws and they in fact survived more than three decades and played a crucial role in making the civil service, at least rule-based, trying to curb patronage and other discriminatory practices in the administration of the civil service. Suffice it to say here that during the Emperor's period the basic rules of the game for establishing government institutions and creating the civil service system have been laid down.

The civil service underwent through no significant changes in the period of the military government (the Dergue), 1974-1991. Perhaps to mention the regressive steps and reflections of the prevailing ideology and the policies emanating from it, the civil service became a highly politicized environment and the basic laws supporting the system were routinely by-passed through unlawful

¹ The basic laws were "The Order to Provide for the Creations and Functions of the Imperial Ethiopian Central Personnel Agency No.23/62", and "The Public Service Regulations No. 1, 1961". Together with "The Public Service Position Classification and Scale Regulations No.2/1972" these laws provided the legal framework for the public service and governed the system for more than three decades and the later law is still in force.

practices of officials and also through a plethora of directives prepared to promote some political orientation or agenda of the incumbent government. Even though it grew in size, the conclusion was that it was not an efficient and effective civil service capable of delivering services to the citizens (OPM 2001, 1)

The May 1991 change of government was a turning point for the civil service which had to respond to a mass of new political and socio-economic changes occurring in the country at a pace which it was never used to. Some of the changes were:

- the policy of decentralization and the accompanying needs in terms of human resources, systems and structures,
- the political liberalization and its implication for the civil service in terms of accountability and transparency,
- the policy of economic deregulation and enhanced role of the private sector,
- the policy of having a "lean and affordable" government with implication on the size and the delivery culture of the civil service.

These are what some authors refer to "the first phase" (Asmelash 1998, 101; Paulos2001, 87-88) or "first generation reforms" preceding the CSRP. The new political and socio-economic context necessitated a fundamental social transformation that needed to go beyond restructuring and cost cutting measures that these initial reforms entailed, a social transformation that takes the country to aspirations stated in the new Constitution of 1994. The government was then confronted with the policy question of how to go about fundamentally reforming the civil service in such a way as to make it instrumental to bring about such transformation.

2. The Genesis of the Civil Service Reform Program

The government tried to tackle the question posed above by first trying to systematically articulate in detail what the problems of the civil service are. For this purpose it established in November 1994 what was known as a Task Force for Civil Service Reform (The TF) and various sub-committees composed of experts from various relevant institutions assisted by international consultants². In the words of the TF, its overall objective was "... to produce a reform

² The subsequent section on the problems of the civil service relies on the 6 volumes report of the TF.

program, suited to the needs of Ethiopia, which would lead to significant improvements in the management and performance of the civil service..." (TF Reports 1996, 1-2).

The aim of the reform program was:

to equip the civil service with the legal remit, regulations and guidelines, the structures, institutions, organization, systems and methodologies and as far as financial constraints allow, the skills, to be able to achieve (and continue achieving) government objectives in the most economical, efficient and effective manner possible" (TF Reports 1996, 1).

The program was expected to include the development of appropriate civil service management policy initiatives, required changes in structures, laws and regulations, necessary improvements in governmental systems and methodologies, for central institutions, line ministries and regional administrations and proposals for training and development of civil servants. In addition to its focus on the above institutions, the TF also looked at a sample of line ministries, semi-autonomous organizations, service delivery agencies, regions, zones and woredas. It also undertook surveys in selected institutions. The main findings and recommendations of the TF, as categorized in the following broad areas, will be briefly highlighted in this section as they form the basis of the design of the CSRP:

- Organization of the Central Institutions of the Civil Service;
- Expenditure Management and Control;
- Human Resource Management;
- Top Management Systems;
- Responsibility, Authority and Internal Accountability of Institutional Management;
- Service Delivery and Quality of Service and
- Ethics.

2.1 Organization of Central Institutions

The central institutions that the TF focused on were the OPM, the Ministry of Finance, the Public Service Commission (now Federal Civil Service Agency), the Ministry of Planning and Economic Development and the Ministry of External Economic Cooperation (The later two have now dissolved into what is known today as MOFED). These institutions were targeted because of their instrumentality to make government effective in its role of the formulation and development of appropriate policies, the allocation and management of the financial and human resources needed to implement the policies. They are also

key in helping the government play its overall responsibility of supervising, coordinating and managing the work of the civil service in general and to ensure that the development goals of the government stated in its policies in various sectors are achieved within a specified time frame.

The problems that the TF identified in this regard first refer to the role of the OPM. The TF highlighted that the OPM lacked clarity as to its role leading to a weakness in the monitoring and review of the performance of the government as a whole. Rather than limiting itself to strategic matters and oversight functions, the OPM was marked by a tendency to centralize problem areas and engage itself in detailed activities that should have been left to line institutions. Regarding performance reports, the OPM was not clear as to what performance data it required from line institutions and consequently was forced to focus not on results but activity and finance based reports. The authors of the report ultimately get no meaningful and systematic feedback on their reports. It was also pointed out that the office played little or no role in managing the civil service and was also plagued by internal organizational problems including high level of centralization with inadequate delegation of authority to lower level officials.

With respect to the other central institutions, the TF highlighted problems that are common to all of them. These are the lack of powers on the part of the central institutions to ensure the proper execution of their responsibilities, the fact that they have not played enough role in the formulation and development of policies, regulations, and directives or provision of assistance, guidance and training to line institutions, they were also viewed by line institutions as hindrances to their effectiveness, they do not exercise any sort of strategic planning and have no adequate manpower.

The minimal role of the central institutions in assisting regions was also criticized as one area of weakness. Foremost among the problems stated were the lack of consultation in the policy making process, the confusion created as a result of giving various interpretations for the basic law that allocated responsibilities among the federal and regional states, the detached nature of regulations and directives made at the centre from regional realities, and the absence of integration of efforts at any level.

2.2 Expenditure Management and Control

The categories of issues that fall under the rubric expenditure management and control are very broad spanning issues linked to financial legislation, budgeting, budget transfer (virement), disbursements and payments, cash management, accounting, fixed assets and stock, external financing, internal and external

audit, staffing and line institutions' internal controls. The TF came up with detailed problems it identified with respect to each of these issues.

Its starting point for the discussion of the problems in this category was the existence of incomplete and outdated financial legislation; and with regard to budgeting no long term or multi-year planning, activity and outputs based budgeting that is not aligned with strategic objectives, no legally binding budget calendar, budget focus on cash requirements, no manuals or training on budgeting for line institutions, no established procedure for supplementary budgets, lack of sufficient and timely information from line institutions and restrictive directives and consequent delays and inefficiencies in budget transfers.

Regarding disbursements and payments, excessive control from the center was identified as a problem. The then existing practice of requiring institutions to slice up the annual budget in to 12 roughly equal monthly portions was considered as uneconomical use of funds and too much dependence on the use of cash and cheques as the main means of payments, the failure of line institutions to conduct bank and cash reconciliations in the required frequency and the immobilization funds in their accounts were also stated as problems.

Concerning the accounting system, the TF identified the use of the then existing single entry system as disadvantageous from the point of view of the principles of best financial management system. It also stated as problems that significant non-cash items were not properly accounted for in the system, the financial regulations did not provide for adequate basis for accounting in the civil service, there were substantive delays in timely closing the national accounts due to many reasons including failure by line institutions to send in timely information, excessive centralization of the work by the then Ministry of Finance and the lack of power by the ministry to enforce compliance with accounting requirements.

With respect to fixed assets and stock, the TF noted that there was simply no proper management system both at the central and line institutions level to manage usage of assets and adequate stock control arrangements to ensure effectiveness and efficiency. Regarding external financing the following were identified as problems: lack of integration of external assistance with the planning and budgeting process, lack of clarification on the duty of financial reporting between different layers of government, weak monitoring of utilization of external funds, lack of consistency by line institutions to comply with the requirements of accounting for foreign assistance in the national accounts, and the existence of multiple arrangements for planning and external accounting of foreign assistance.

Regarding the audit function, the TF highlighted the absence of internal audit arrangements in many institutions. And those that have such internal audit

units did not contribute much as the units' function was confined to just checking transactions ex ante and apart from not being independent they also suffer from acute shortage of skilled staff and there was also practically no link between the units and the Ministry of Finance. The major shortcomings regarding external audit were mentioned to be the failure to produce national accounts on time hampering the audit function, the inadequacy of House of People's Representatives to seriously consider audit reports and take timely remedial action, and the acute shortage of professionals in the Office of the Auditor General. Concerning staff shortage, the task force identified the lack of qualified staff, qualified and graduate accountants and auditing professions, to do the finance function as a serious drawback in its own right. The lack of sufficient training and guidance for accountants and auditors had been reported to add fuel to the problems of shortage.

2.3 Human Resource Management

The civil service can only be as effective as the professional caliber of the workforce it has in its system. Therefore, one area of focus for the TF's scrutiny was the way the human resource in the civil service was managed, including human resource need assessment, job classification and grading, recruitment, transfer, promotion, training, staff assessment, time management and discipline and grievance procedures. Many problems of the existing system were identified in the system. Some of the most prominent ones are highlighted below.

Regarding human resource need assessment, there was no practice of human resource planning that was based on a strategic plan; plans tend to be based on organizational structures and don't take into account skill needs and training requirements. The job classification and grading system was said to be based on comparative exercise, not on pre-determined job specifications and descriptions, in other words there was no standardization, it was also not supported by sufficient training and guidance for line institutions personnel, it was highly centralized, and line institutions lack the expertise to do job evaluation and grading by themselves. The system that was in place for the recruitment, transfer and promotion processes in the civil service was marked by various gaps that weaken the system. Adequate procedures and control to guarantee a fair result in these processes were absent. To the extent they are available they are not informed by the latest findings in the area, not flexible and not properly managed.

The staff assessment was noted to be highly subjective, not based on previously defined objective work requirements, and focus on behavioral assessments rather than performance. It was not linked to staff development and was improperly operated by managers. It was also secretive and as such gave no

feedback to employees. Training on performance assessment or in general was almost non-existent in the civil service. There was no training policy, no training budget allocated to line institutions, no pro-active role by the central institutions to provide training in their respective sector and there was very limited supply of in-country training and concerning external training it was not mobilized and utilized effectively. A system for assessing training effectiveness was said to be absent.

Time management in the civil service was said not to be based on objective or work rather on institutional structure, recording systems to track and control the use of staff time were noted to be absent and managers also did not manage staff time appropriately. With respect to discipline and grievance procedures, the task force highlighted their inadequacy by focusing on the appellate system in which the right of appeal being limited to a few situations seriously curtailed access to justice of civil servants, the lack of independence by the Public Service Tribunal existing within the then Public Service Commission and its inability to enforce its decisions were also raised as serious drawbacks.

2.4 Top Management Systems

In the TF's words the top management systems refer to " the means by which Ministers, Vice Ministers and their senior civil servants (in the case of Ministries) ensure that the functions, activities, staff and resources of their institutions are oriented to achieving government policy in the best possible manner." (TF Reports 1996, 51) Aspects of the top management systems such as the setting of aims and objective, strategic planning, performance measurement and appraisal, structures and systems for reporting and top management decision making, program and project management and managing value for money were examined and the following major problems of the civil service were identified.

Most organizations, though clear about their broader aims stated in their constitutive legislations, did not cascade these aims into lower level objectives and as a result they focused on activities whose link to the aims was not obvious. Thus a match between resource allocation and achievement of objective was not ensured and performance evaluation was forced to tilt towards processing of activities rather than achievements of objectives. This was confounded by the absence of the practice of strategic planning in the civil service as well as the absence of performance measurement system. Regarding structures and systems for reporting and decision making noting the absence of adequate systems and procedures in this regard the task force highlighted the following practices that are flawed: the submission of reports was usually done just to meet deadlines, no adequate arrangements for ensuring the quality of reports were in place,

tendency to be informal and the existence of huge gaps in information management.

With respect to program and project management, the TF raised a number of problems relating to the identification of project ideas, the planning, monitoring and evaluation of programs and projects. Regarding the concept of managing value for money the TF highlighted the absence of the practice of managing value for money, of guidance on the matter or central body responsible for promoting the issue as serious problems.

2.5 Responsibility, Authority and Internal Accountability of Institutional Management

This refers to a category of issues relating to how well the civil service provided for the power of managers to carry out their responsibilities. The following problems were identified by the TF. Assignment of responsibilities lacked clarity and precision. Managers do not normally have objectives and targets for themselves as well as for their subordinates. Delegation over financial resources and human resource is highly limited. Top officials get too much involved in day to day operations rather than focusing on strategic matters. Serious gaps exist in the monitoring and evaluation systems leaving managers unaccountable at large. Much of what are stated as problems under the top management system also applies to this category. The bottom line conclusion was that the civil service lacked a cadre of competent and empowered managers capable of delivering results.

2.6 Service Delivery and Quality of Service

One of the chief functions of the civil service is the provision of quality services to the people. The TF by picking up some sample institutions with large client base like the Ethiopian Customs Authority, the Ethiopian Investment Office, etc. examined the institutional arrangements for review of the need for services, client group definitions and review of client group needs, setting of internal objectives for service delivery and quality, the internal management of service rendering, provision of information to clients, the organization and staffing of service delivery, the charging of fees and charges and clients' means of complaint and rights of redress. The following are the problems it outlined: the absence of policy on quality of service or service delivery both at the national and institutional level, the lack of consultation with clients on identification of client needs for services and the control driven nature of the supply of services, the absence of standards, objectives and targets for the supply of services and underlying or subsidiary processes necessary to deliver the services as well as a

the absence of a mechanism to monitor performance, the lack of holistic approach, of resources to support the services, of expertise and the absence of regular training and motivation to provide quality services, the lack of delegated authority, the absence of a mechanism to provide accurate and pertinent information to clients, the fixed nature of fees and charges and the uncertainty in the determination of the costs of service delivery, the absence of information to clients on where they can take their complaints, and of complaint handling and decision making procedures are identified as problems that needed to be tackled if the civil service was to improve its service delivery.

2.7 Ethics

The TF reviewed ethics in the civil service from the point of view of the existence of a code of conduct for civil servants and political appointees and instructions over the conduct of government business, the adequacy of arrangements to ensure compliance with the code and instructions and clients' means of appeal and redress when and where they are exposed to unethical or unfair practices.

Its findings indicate the absence of a code of ethics for civil servants and the few provisions on the topic that are found in existing legislation fail to accommodate the issue in a complete fashion. There are no special/professional codes of ethics relevant to the specific areas of employment of civil servants. Regarding institutional arrangement the task force noted the absence of a central body with overall responsibility for ensuring ethical conduct and leading and directing the effort against corruption. This is also compounded by the existence of gaps in the existing institutional arrangement for controlling unethical conduct such as through routine operations of the Ministry of Finance, the Office of Auditor General and the Public Service Commission.

3. The CSRP, Its Sub-Programs and Projects

Having outlined the problems in its findings, the TF recommended a range of actions to be taken by the government. Based on these recommendations the CSRP consisting of five sub-programs was designed in 1996. The problems that were raised in connection with the organization of central institutions and responsibility, authority and internal accountability of institutional management were to be addressed under the top-management systems sub-program. The other four sub-programs followed the nomenclature that was used in the identification and analysis of the problems. Hence the following five sub-programs formed the pillars of the CSRP:

- The Top Management Systems (TMS) Sub-Program

- The Human Resource Management (HRM) Sub-Program
- Service Delivery (SD) Sub-Program
- Expenditure Management and Control (EMC) Sub-Program
- Ethics Sub-Program

In the following sections, we are going to see the objectives of and the projects falling under each sub-program³.

3.1 The TMS Sub-Program

The problems stated in connection with top management system above form the background for this subprogram. The sub-program was designed to overcome the problems associated with the effectiveness of the political leadership and senior civil servants to formulate appropriate policies, mobilize the required financial and human resource to implement them and effectively monitor and evaluate performance. Its stated objectives are to enhance the capacity of members of the top political and civil service leadership to practice strategic planning and management, and to provide in an institutional framework the systems and structures for effective monitoring and evaluation of government policies, programs, projects and plans. The implementing agency for the TMS and the projects under it was the OPM.

The projects under this sub-program were designed following these objectives. They are:

- Strategic Planning and Management Project
- Top Management Leadership Capacity Building Project
- Policy Development and Management
- Performance Management Project
- The Council of Ministers and the OPM's Restructuring Project.

a) The Strategic Planning and Management Project

The objectives of this project are to build through continuous training the capacity of civil service organizations to do strategic planning and management and develop implementation directives and manuals for the system.

b) The Top Management Leadership Capacity Building Project

³ The description of the projects in this section relies on what are known as the CSRP Documents which are prepared in Amharic in 5 volumes. With an additional introductory volume and additional sections in volumes 2 (Ethics) and 4 (EMCP), the volumes altogether number nine.

The objectives of this project are to design and implement a program to develop the leadership capacity of top management and senior civil service leadership and to identify and provide continuous training for candidates with promising potentials for future leadership roles.

c) The Policy Development and Management Project

The objectives of this project are to develop and implement a complete framework for policy analysis and evaluation and to prepare competent personnel with the skill to do policy analysis, evaluation and management.

d) The Performance Management Project

The objectives of this project were to develop result based monitoring and evaluation system and performance standards and design information system to strengthen the monitoring and evaluation system.

e) The COM and The OPM Restructuring Project

The objectives of this project are to enable the two organizations to play a better strategic coordination role, strengthen their internal management and policy coordination and monitoring systems and train their management and employees with the right competencies for effectively carrying out their responsibilities.

3.2 The HRM Sub-Program

This sub-program was designed to address the many fold problems regarding the human resource within the civil service. It aspired to create a human resource management system that would help government achieve its development goals. The sub-program had the following eight projects under it:

a) The Recruitment, Selection, Promotion and Transfer Project

This project aimed at bringing about modern, efficient and effective merit based system by critically examining the existing policy and procedure regarding these basic personnel functions and make improvements in line with the latest developments and ideas from the global pool of knowledge and experience in human resource management.

b) The Performance Appraisal and Time Management Project

The objective of this project was to establish a system of performance appraisal system that is capable of meeting the objectives of measuring individual/team result based on predetermined goals, creating a work environment in which employees and their supervisors collectively set work objectives, quality, quantity and time of performance, preparing the sequence, resource and training and support necessary for performance, determining the training and developmental needs of employees, organizing performance information to be used for performance improvements and human resource planning, and rewarding sufficiently best performing employees.

c) The Civil Servants' Law and Grievance Handling Procedure Regulations Project

This project aimed at revising the basic law of the country regarding civil servants and grievance handling procedure in such a way as to make it compatible with the current level of development of the country, the constitution and reflective of, and providing the legal basis for, the achievements of other components of the CSRP itself.

d) The Human Resource Planning Project

The range of problems that the TF found out in this basic human resource function starts from the very absence of both the system and the practice of human resource planning in the civil service. The project's stated objective was to equip each organization within the civil service and the civil service in general with a system of human resource planning methods that would enable it to appropriately determine its human resource needs, assess appropriate options to meet those needs, improve its utilization of human resources and to produce a flexible workforce capable of accomplishing multiple tasks.

e) The Human Resource Development Project

It is a misnomer to call this initiative a project as, unlike the others; it was not prepared in a project style and consisted merely of a number of studies by national consultants that are not yet finalized. The problems that these studies tried to address are in no way less critical. Their objective is pave the way for the build up of a workforce capable of effectively implementing government policies and programs and with change oriented attitude and culture.

f) The Remunerations and Conditions of Service Project

This is a project that aims at addressing the various problems relating to pay and benefits within the civil service. Its objective was to design a pay scale and benefit package that are capable of attracting to and retaining competent professionals, capable of effectively implementing government policies and programs, within the civil service and motivating them to a higher performance.

g) The Job Evaluation and Grading Project

This project has the objective of developing a new system of transparent, simple and sustainable job evaluation and grading system to improve the effectiveness of civil service institution. This was supposed to replace the system established more than two decades ago.

h) The Human Resource Management Information System Project

The origin of this project dates back to the time before the beginning of the diagnostic work of the TF. Some sort of automation effort to improve the archive section of the FCSA was ongoing. This later on developed into a full-blown project. The objectives of the project were to create conducive conditions to organize, establish and implement human resource management information system, to assist in the human resource management and decision making activities of the federal and regional civil service, to establish a computerized data center on national civil service personnel statistics that will serve as an input to the formulation of human resource policies and research in the area, and to build the capacity of the human resources, and make available material resources necessary to establish the system.

3.3 The Expenditure Management and Control Sub-program

The vision of this sub-program has been stated to be the development of modern, efficient, effective, pro-growth financial management and control system that is based on a comprehensive legal framework and staffed with skilled manpower.

The sub-program has nine projects which aim at addressing the multifaceted problems that exist within the financial management and control practices of the federal, regional governments as well as individual institutions. The following section looks in brief at what these projects are all about.

a) *The Legal Framework for Government Finance Project*

This project was necessitated by the absence of a comprehensive and complete legal framework and supporting directives which should guide the financial management and control responsibilities of the government with appropriate coercive mechanism to ensure compliance with the law. Its objective was therefore to develop the legal framework and have it proclaimed as law by parliament and once the laws and supporting directives are finalized provide awareness training on them.

b) *The Budget Reform Project*

This project aimed at the establishment of budget calendar that makes the budget cycle efficient, the improvement of the existing line item budgeting practice to enhance control, the strengthening of the integration of capital and recurrent budget by improving the composition of government expenditure, the design and implementation of performance budget utilization methods.

c) *The Public Investment/Expenditure Reform Project*

This project was necessitated by the desire to link government policies and programs with the allocation of financial resources for their implementation within a medium term framework. The project aimed at the establishment of a system that will help government plan its expenditure based on its program, analyze and determine the outcome and impacts of current expenditure for the future and thereby allocate the limited resources at its disposal on priority economic and social development goals. In pursuance of this objective the project plans to put in place three basic outputs: the medium-term macro-economic and fiscal framework, public investment program and government expenditure program.

d) *The Accounts Reform Project*

This is a project that aimed at addressing the problems of delay by the federal and regional governments to close their accounts and the various gaps and weaknesses rampant in the existing financial accounting system. Its objective was stated to be to evaluate this dismal situation with a view to improve and organize government accounts system in such a way that it contains the necessary financial data accurately and completely and generates timely reports and, once the system is developed, pave the way for its country wide implementation.

e) The Internal Audit Reform Project

The problem diagnosis stage highlighted the insignificant level of attention given to the functions of internal audit and its limited role in the overall financial management and accounting system of the government. This project thus set out as its objective the promotion of internal audit functions, the building of the capacity of internal audit staff, the clear determination of the role and the responsibilities of internal audit units, the creation of an environment in which modern internal auditing techniques and profession are practiced and the establishment of an internal audit system that is properly led and managed.

f) The External Audit Project

The objective of this project was to build the capacity of federal and regional external audit institutions so as to enable them to produce to the legislature, external and internal donors and lenders quality audit reports that helps them play their role of oversight functions and decision making processes.

g) The Cash Management Reforms Project

The reforms in cash management systems arose from the problems identified in connection with the cash management practices existing in government institutions. Their objective was to modernize the practice, standardize the processes of submission of cash requests, supervision of cash expenditures and receipts and putting surplus fund into other productive use.

h) The Integrated Financial Management System Project

This project aims at establishing at a national level an integrated and centralized financial information system that is based on the latest technology and that provides a dynamic data base of financial information useful to policy makers, leaders, researchers and practitioners.

i) The Accounting and Audit Profession Development Project

The objective of this project was to ensure the sustainability of the achievements of the various projects under the expenditure management and control sub-program by developing the accounting and audit profession.

3.4 The Service Delivery Sub-Program

This sub-program is critical in the sense that it addresses problems not only of service delivery itself but also the problems caused by the various issues that the other sub-programs of the reform program as a whole try to address. All of them are reflected one way or another on the quality of services to be delivered to citizens. It therefore broadly shared the vision of the CSRP and stated its objective as establishing a system that enables the service rendering institutions of the civil service to provide services to citizens equally, i.e. without any form of discrimination, with commitment to public interest and responding satisfactorily both to the government and to customers and accountable when the quality of service is below the expected level.

3.4 The Ethics Sub-Program

This sub-program laid down the vision of creating a working system in which the values of willingness and ethical conduct to serve and satisfy the needs of citizens, highest concern for the use and upkeep of public property and effective, economical, and corruption free utilization of the limited public resources by civil servants would prevail. The environment envisage in such a way was to be secured through enhancing understanding and commitment in the community and the civil service by creating learning opportunities as well as establishing the structures and systems in the federal and regional states, through building the capacity of institutions within the legal system especially the police, the prosecution and the courts, and the media especially its capacity to investigate and report corrupt practices.

4. Current Status of the Projects within the CSRP

The CSRP since its inception in 1994 has come a long way through the stages of diagnosis, project design and implementation. All the time, the 5 pillars forming the CSRP have been kept in tact. The 37 projects under the 5 sub-programs and briefly described in the earlier sections are currently at different stages of existence. Some are completed, some are being completed, some have disappeared into oblivion and some new ideas have also surfaced as part of the CSRP framework. Table 1 indicates the progress of each project to date.

Table 1. Current status of CSRP sub-programs

1. Top Management Systems Sub-Program		
No.	Project	Current Status
1.1	Strategic Planning and Management	Training manual was developed and a series of training to a number of civil servants, senior and top management was given. Based on these most government institutions have actually developed their strategic plan
1.2	Top Management Development	Draft proposals were prepared by a consultant in July 2002. However, no action was taken based on the report. At present and with the support of UK's Department for International Development and in partnership with UK's National School of Government there is an ongoing effort to re-launch the project.
1.3	Performance Management	Initially an employee appraisal system based on the US Federal Government performance based management system was developed and training to selected federal institutions were given and the system was piloted in the institutions. Currently the system is being revised to incorporate organizational and team performance based on the Balanced Score Card Performance System. Training based on this new system is underway for selected federal institutions before civil service wide rollout.
1.4	Restructuring the Council of Ministers and the Office of the Prime Minister	Although minor restructuring of the offices were undertaken over the years, these were not part of the CSRP drive. The project is likely to be further delayed as the impacts of the CSRP outputs and expected outcomes have first to be fully integrated and appreciated before fundamental restructuring of the offices could be undertaken.
1.5	Review and Reorganization of the powers and responsibilities of the executive organ of the government	Following the formation of new government and policy initiatives, redefinition of the powers and responsibilities of the executive organ have been undertaken a number of times. Comprehensive review and redefinition seems to await the full impact of the CSRP outputs and outcomes.
1.6	Policy Development and Management	This has not yet started. The ECSC has recently established a unit for the study of this aspect of government endeavor and there is an ongoing discussion to strengthen this unit and convert it into a vibrant centre of research, training and consultancy for public policy development and management.

2. Human Resource Management Sup-program		
No.	Project	Current Status
2.1	Human Resource Planning	Draft policy and directives are prepared and are awaiting government approval for implementation.
2.2	Remuneration and Conditions of Service	<p>-As part of the remuneration study, a market and family consumption survey was conducted. There is now a plan to undertake a second survey because of continued changes in the labor market and the obsolescence of the data collected in the first survey.</p> <p>-Improved remunerations and conditions of work policy and implementation directive have been prepared and sent to the approving government organ.</p> <p>-Benchmark jobs have been identified and their generic job descriptions have been prepared. However the remuneration component of the project may further be delayed as the full impact of BPR on the Job Evaluation and Grading Project and this project has to be first understood.</p>
2.3	Recruitment, Selection, Promotion and Transfer	A revised directive was finalized and issued to institutions for implementation. Continued revision for the directive is deemed necessary as there are ideas to introduce talent management/fast stream scheme and senior management service. New elements incorporated in the latest civil service proclamation will have to be accommodated.
2.4	Civil Service Proclamation and Grievance Handling Procedure	The Civil Servants Proclamation No.265/2001 and Grievance Handling Regulations No.47/2001 were the outputs of this project. It must be noted here that the former has now been replaced by a new civil servants' proclamation No 415/2007 and a revision work on the later is also pending at the FCSCA.
2.5	Performance Appraisal and Time Management	The time management aspect was folded into the original and later versions of performance management system described in 1.3 above. The implementation of this project was halted because of the need to make it compatible with the new concepts such as business process reengineering, strategic planning and management and the balanced score card system. As a result the project is not considered as an ongoing concern.
2.6	Human Resource Development	A revised policy has been prepared by the ECSC and arrangements are being finalized to conduct consultative workshop to discuss the draft policy.

2.7	Job Evaluation and Grading	All study outputs envisaged at the project inception phase (drafts of new policy, new directives, new procedures for job evaluation and grading, etc.) excepting development of a position classification system for teachers, health professionals and board managed civil service institutions were lately completed. However, the relevance and applicability of project outputs to the newly developed and designed work processes, structures, systems and values resulting from BPR initiatives have cast doubts on the usefulness of the outputs of the project. It seems the project outputs need to be reviewed by an international consultant.
2.8	Human Resource Management Information System	The first component of the project which relates to software development for recording personnel related data has been complete and made operationalized though currently it is being updated with the assistance of consultants. The second component which aims at developing an all embracing HRMIS is awaiting the finalization of all the projects in the subprogram.
3. Service Delivery Sub-Program		
No.	Project	Current Status
3.1	Development of Service Delivery Policy	The Policy has been finalized and circulated for civil service institutions for implementation after approval by the COM in 2001.
3.2	Preparation of Grievance Handling Directive	Directive is finalized and sent for implementation by civil service institutions.
3.3	Development of Award Systems in the Civil Service	This has not yet started. The reasons for the delay relate to the absence of a system of performance management including performance measurement and a system of service delivery standards that should have been in place before launching a credible award system. There is an ongoing concern to address this by the introduction of the UK Charter Mark Scheme with options of performance evaluation mechanisms either through self-assessment cum peer review or independent assessors.
3.4	Preparation of Technical Directives for Improving Service Delivery of Civil Service Institutions	Although a draft of the directive was prepared in English earlier, the project was terminated because of its overlap with the SPM and BPR techniques.

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3.5	Preparation of Service Delivery Standards Directive	A draft guideline was developed by the service delivery team but this was neither reviewed nor approved. Now there is an ongoing consultation to treat this together with the Scheme contemplated in connection with the project stated under 3.3 above. The Scheme would also review the customers' grievance handling system stated under 3.2.
3.6	Development of Methods of Integration of Related Public Services (Centre Links)	This has not yet started. The project is likely to be terminated as the subject of integrating related services is one of the issues dealt with by the BPR initiative undertaken by institutions.
4. Expenditure Management and Control Sub-program⁴ (EMCP)		
No.	Project	Current Status
4.1	Legal Framework	-The finance law was promulgated, and attendant implementation directives were also finalized. -Proclamations and regulations pertaining to cash management, procurement of goods and services, administration of government property, maintenance of financial records, etc were promulgated.
4.2	Cash Management	A number of directives on cash management were finalized and are being implemented. System for ascertaining cash flow requirement and projection has been prepared and is being implemented.
4.3	Public Investment/ Expenditure	The public investment side of this project was finalized earlier with the completion of the public investment concept document and procedure manual and since 1999; successive medium term macro-economic and fiscal frameworks have been prepared. The public expenditure side is now been terminated after producing a concept document and developing and installing information system. The reason for the termination is that the issues it tries to address are already taken care of in the PASDEP and the macro economic and fiscal framework documents.
4.4	Budget Reform	Preparation of new budget manual, design and development of a computerized budget and disbursement information system and development of a financial calendar were the major works undertaken

⁴Supplies Management has emerged as a project by its own since early 2007. It was originally a part of the accounts reform project and built upon the progress made on that project. It has produced two outputs: draft revised manual and a training module on supplies management.

Mesfin Taffesse. *The Ethiopian Civil Service Reform Program*

		<p>by the project</p> <p>-The rolling out of the updated version of the budget information system BIS/IBEX is currently underway in the emerging regions (Benshangul-Gumuz, Afar, Gambella and Somali) and is expected to be finalized by the end of the current Ethiopian fiscal year.</p>
4.5	Accounts Reform	<p>-New government accounting system (the double entry modified cash basis accounting) has been finalized and implemented in all federal and regional government institutions and technical assistance is being given to deepen the practice. Rolling out the system is underway in the emerging regions.</p> <p>-New charts of accounts have been developed and implemented and are being rolled out to emerging regions.</p>
4.6	Integrated Financial Management System	<p>Offers for an international bid from international consultants to provide technical assistance to complete the preparation of the preliminary requirements of the integrated financial management system have been evaluated and sent for the approval of the WB. The ICT infra-structure laid out across the country is thought to provide a unique opportunity for the implementation of this project once its contents are finalized.</p>
4.7	Internal Audit	<p>Revised internal audit manual, standards, code of conduct for internal auditors, modalities of organizational structures appropriate to internal auditors have been finalized and are being implemented.</p>
4.8	External Audit	<p>Operational manuals and standards on financial, control, performance, fraud, environmental and IT audit as well as a code of conduct have been prepared and a series of trainings were conducted.</p>
4.9	Development of Audit and Accounting Professions	<p>Documents pertaining to evaluation of existing systems of external audit, a proposal on governmental external audit, institutional capacity building of external audit institutions, a draft charter to establish Ethiopian Accountancy and Auditing National Board and the Evaluation of National Accounting and Auditing Development Program (ENAADP) have been developed and the task of pushing forward this project including the design of curriculum for accountancy and auditing has been given to ECSC which is now in the process of evaluating prospective consultants which have</p>

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		competed for the bid.
5. Ethics		
No.	Project	Current Status
5.1	Establishment of Central Organ	The Federal Ethics and Anti-Corruption Commission was established 2001 and what are known as Ethics Officers were assigned in each institution. In large institutions, more than one person is assigned in a unit that is part of their overall organization structure.
5.2	Preparation of Code of Ethics	-Revised draft code of conducts for civil servants and government officials were recently finalized and are soon expected to be submitted to the COM for approval. -The draft codes of conduct for peoples' representatives and judges were earlier transmitted to the concerned government organs for their review and adoption. It is assumed that the draft code of conducts have been used as important inputs in the formulations of the existing codes of conduct for members of the respective branches of government.
5.3	Capacity Building of the Police, Prosecution and Courts	An integrated operational manual for the judiciary and an operational manual for civil service institutions on the prevention of corruption and embezzlement were prepared and transferred to the justice system reform program and the Federal Ethics and Anti-Corruption Commission respectively for their review and implementation.
5.4	Capacity Building of the Media	Studies on the protocol governing the relationship between the government and the media, curriculum for investigative journalism, draft code of ethics for journalists and publishers, and concept paper and guideline for the preparation of the law on press freedom were transferred to the Ministry of Information.
5.5	Ethics Education	Draft citizens charter, a guideline on the preparation of institutional charters, ethics trainees and trainers manual, ethics curriculum as well as students and teachers handbooks were developed and transferred to the Federal Ethics and Anti-corruption commission and the Ministry of Education for their respective review and implementation. The ethics curriculum and handbooks have been used for the design of the civic and ethics education curriculum.
5.6	Survey on Corruption	Survey report was published and the findings were made public. A plan for a second survey is currently

		underway.
5.7	Preparation of Regulations on the Protection of Whistle-Blowers and Witnesses	The project design was transferred to the Federal Ethics and Anti-corruption Commission and the Commission has now prepared a draft law.
5.8	Development of a Procedure for the Declaration and Registration of Properties	The Federal Ethics and Anti-corruption Commission is preparing a draft procedure.

5. The Revitalization of the CSRP

As can be seen from the table the level of progress varies from sub-program to sub-program as well as from project to project. One thing which all of them shared was however that they were not executed in the speed that the government desired to see. At a broad level of explanation, inter alia, two factors could have contributed for the general slow down of progress with respect to the program. First the Ethio-Eritrea border conflict caused the government to focus its attention to the conflict and spared little time for the program. Second, the political differences within the ruling party had its own adverse effects both in terms of giving full attention to the program and mobilizing the full support of the top leadership for the policies underlying the program.

The year 2001 was a critical point of departure for the CSRP. With the cessation of the border conflict with Eritrea and the emergence of the current political leaders as winners and the introduction of, in the party's parlance, of the Tehadso ("Renaissance") program, the political landscape for revitalizing the CSRP was created. A number of key policies were reformulated and consultative workshops were conducted with the public, civil servants, non-government organizations and bi-lateral and multilateral development partners paving the way for the implementation of the program. In the next section we will take a glimpse at some of these key policies only in light of the challenges they pose to the CSRP.

5.1 The Agricultural Development Led Industrialization Policy and Strategy

One of the means by which this policy strives to achieve its overarching objective of accelerated and equitable economic growth was through further

decentralization of government power to the woreda level. (MOI, 2001 Rural Development Policies, Strategies and Methods-*In Amharic*) This necessitated the creation of institutions, systems and procedures at the Woreda level leading to a huge demand for capacity building to fulfill the needs for basic services at that level. The challenges confronting the CSRPs both at the federal and regional levels were to develop its prototypes in such a way as to meet this need at woreda level and provide the necessary training to effect smooth implementation of the completed outputs of the program. To what extent it has met these challenges remains to be seen in the next sections.

5.2 The Industrial Development Strategy

This strategy after qualifying the existing civil service as an absolute obstacle in the way of industrial development as manifested in the absence of transparency and accountability, in the endless bureaucratic red tape one has to go through in order to get things done, and its over all anti-democratic culture, calls for the creation of effective, efficient and supportive civil service through speeding up the implementation of the CSRPs. This, the policy asserts, needs to be supplemented by putting in place the institutions, systems and procedures for strong market competition, tax and information system and efficient administration of justice. (MOI 2002, Industrial Development Strategy-*In Amharic*)

5.3 Policy and Strategy on Democracy and Good Governance⁵

This document emphasizes the instrumentality of the CSRPs in bringing about democracy and good governance and the need to create a national consensus about the problems encountered and the solutions suggested by the various policies and programs of the government including the CSRPs. As part of the good governance initiative it highlighted the need for the civil service to be transparent in terms of informing citizens about the details of the service that they are entitled to, the plan, performance and results of individual institutions, and their right of and the procedures for complaint. The principle of accountability is also emphasized in terms of delineating the responsibilities of political officers and civil service servants, enhancing the capacity of the judiciary, through the justice system reform program, to be able to check the

⁵ The title of this document reads literally "Issues of Building Democracy in Ethiopia". Its contents however start from stipulating principle amounting to policies and outlining in pedagogical fashion detailed strategy for implementing them.

works of the civil service, fighting corruption, setting up and strengthening the ombudsman and human right commission, and strengthening civil societies and community based organizations. The need for capacity building in all the branches of government was also emphasized. (MOI 2002, *Issues of Building Democracy-In Amharic*)

5.4 The Capacity Building Strategy and Programs⁶

Defining capacity as comprising the human, organizational and system aspects of institutions necessary for the realization of the development goals of the country, the strategy stresses the need to give priority, because of its catalyzing effect, to building the capacity of the government, vis-à-vis the other development actors: private sector and civil society, to design and implement, monitor and evaluate appropriate development policies, strategies, and programs. The issue of human resource development also takes center stage in the strategy by its emphasis on providing special attention to institutions whose primary function is capacity building: institutions of formal education like universities and colleges, vocational training institutes, research and consultancy service enterprises, etc. so as to meet the demands of the ADLI development strategy for skilled manpower. Such interventions in the education and training programs need to be reinforced with appropriate working systems and organizations within an institutional framework. It is in this light that the strategy underscores the importance of raising the momentum for the implementation of the CSRP across the country.

In addition to the CSRP the strategy further discussed two other programs: viz. the Tax System Reform Program and the Justice System Reform Program. Emphasizing the multi-sectoral and holistic nature of the capacity building interventions the strategy highlighted the importance of looking at other capacity building programs ongoing in the country. (MOI 2002, *in Amharic*). The capacity building programs were later on incorporated in the country's poverty reduction plan described in the SDPRP (2002) of the country. The program considered capacity building as one of its building blocks and, including the programs mentioned in the strategy, listed the following 14 programs as making up the national capacity building program framework:

⁶ Though this document is titled as strategy and programs, it contains the main policy statements regarding capacity building and for all practical purposes can be taken as a policy document. Note also that it is not exhaustive in its treatment of capacity building programs.

- i. Civil Service Reform Program
- ii. Tax System Reform Program
- iii. Justice System Reform Program
- iv. District Level Decentralization Program
- v. Urban Management Capacity Building Program
- vi. Information and Communication Technology Development Program
- vii. Technical and Vocational Education and Training (TVET)-Agricultural Program
- viii. Technical and Vocational Education and Training (TVET)-Non Agricultural
- ix. Higher Education Reform Program
- x. Private Sector Development Program
- xi. Construction Sector Capacity Building Program
- xii. Cooperatives Capacity Building Program
- xiii. Textile and Garments Capacity Building Program
- xiv. Civic Societies and NGOs Capacity Building Program

These programs were at different stage of maturity in 2001. Some had advanced into the stage of implementation and some existed only in paper. In fact it was difficult to get a completed program/project document for some of them.

In its effort to mobilize financial resources and technical expertise for the programs, the government, under the framework of the SDPRP, engaged in discussions and negotiations with multi-lateral and bilateral donors, especially with the World Bank, and as result of these discussions what is known as Public Sector Capacity Building Program (PSCAP) consisting of the first six programs emerged in 2004.

5.5 The Public Sector Capacity Building Program (PSCAP)

The objective of PSCAP is to improve the scale, efficiency, and responsiveness of public service delivery at the federal, regional, and local level; empower citizens to participate more effectively in shaping their own development; and promote good governance and accountability⁷. The program is expected to contribute to three key outcomes across the federal, regional, and local levels. These are a more effective delivery of urban, rural, and social services; greater empowerment at a grassroots level; and a more favorable investment climate resulting from improved public sector governance and rule of law. This was to

⁷ For further details, see Public Sector Capacity Building Program Document, Main Text, Ministry of Capacity Building, 2004

be achieved by scaling up the country's ongoing capacity building and institutional transformation efforts in the priority areas addressed by the six programs. Regarding the CSRP, PSCAP arranged its intervention repackaging the program in the following seven areas: strengthening the capacity of civil service reform coordinating structures at federal, regional and local levels, improving expenditure management and control activities, improving governance of human resources management and control, improving performance and public service delivery, improving accountability and transparency, strengthening top management systems and building the policy and institutional capacities of emerging regions such as Afar, Somalia, Benshangul-Gumuz and Gambella. This new form of channeling the World Bank's and other donors' support to the program of the government captured at least some of the contents of the original design of the CSRP and it strived to address the evolving challenges the CSRP existing at the moment of designing PSCAP. The intervention areas via the program were categorized into the following thematic areas: minimum mandatory activities, strengthened legal and policy framework, restructuring and performance improvement, strengthened expenditure management systems, establishment of intergovernmental fiscal and revenue mobilization mechanisms, strengthened personnel management system, and vertical and horizontal accountability. The program started in 2005. It is now in its third year of implementation.

5.6 The Launching of the Implementation of the CSRP

In dealing with the CSRP in particular, the capacity building strategy described above reiterated the problems that the TF diagnosed with respect to the civil service, affirmed the importance of the CSRP to deal with them, acknowledged the less than expected progress of the implementation of the program and called for accelerating the pace of the its implementation. The strategy identified the lack of skilled manpower, absence of integration among the sub-programs, too much focus on technical aspects, rather than trying to change attitudes of the workforce, impromptu start of implementation, and the lack of committed political leadership as the reasons for the slow progress of the implementation of the program. In charting the way forward, the strategy called for

- action on the part of the government to create awareness and a national consensus among civil service personnel, the political leadership and the community at large about the problems within the civil service and the policies, programs and projects by which the CSRP, and other programs as well, aspire to deal with them,

- an integrated and sequenced approach in the implementation of the program, i.e., integration among the three elements of capacity, viz. human resources, working systems and organization, among the five sub-programs of the CSRP, and among the federal and regional civil services,
- long-term commitment on the part of those spearheading the implementation of the program

5.7 Entry Points of the Implementation of the CSRP

New Implementation Arrangements

One of the issues that the national capacity building strategy addressed was the need to consolidate the capacity building activities ongoing across sectors in a fragmented way and create an institution to give them centralized leadership and direction at various levels. Thus during the 2001 reorganization of the executive branch of government, the Ministry of Capacity Building was created to play this role. In addition to this, two new developments have occurred in terms of giving a new impetus for the implementation of the CSRP. The first was the transformation of what used to be an office primarily with a secretarial role earlier into a semi-autonomous program office to be led by a State Minister entrusted with and empowered to drive forward the implementation agenda of the program. The second was the establishment of units in every civil service organization responsible for implementation of the program. This is true also at regional level. The MCB also grouped government organizations, including the police, into a number of categories and holds with each group a monthly discussion session to look at the progress made with respect to the implementation of the CSRP.

Awareness Workshops

The creation of a general public consensus on the nature and complexity of the social, economic and political problems the country faces, the various policies the government formulated to deal with them and the instrumental nature of the CSRP in translating these policies into actions was given a paramount importance in the capacity building strategy. Accordingly as a follow on the consultative workshop in connection with the preparation of the Poverty Reduction Strategy Paper, the government organized a series of consultative, rather awareness, workshops across the country and among different stakeholders including civil servants. These workshops were noted to be free

medium of exchanges between government and the public at large conducted with a new sense of openness, and as such, served as launching pad for the implementation of CSRP.

Change Management Initiatives

In addition to the awareness workshops, a number of workshops were organized on change management issues in connection with performance management, management by objective, etc. The necessity to effect institutional transformation within the quickest time possible was the motto of the government and to do that various change management theories and techniques were explored in these workshops.

Strategic Planning and Management

Strategic planning and management was found to be a good tool to cascade down the goals and objectives that the government formulated in its policies and mobilize the workforce towards their achievement. Though the practice was unknown in the civil service⁸, the government quickly developed a manual and started mass training of the political leadership and senior civil servants requiring them to apply the tool in carrying out their duties. To date almost all government organizations including those outside the civil service, e.g. the army, the police, the judiciary, etc. have passed through that exercise and some have completed one and started another strategic planning period.

Quick Wins (service delivery improvements)

Quick wins are defined as those results which are planned early and require little investment in resources. One entry point for the implementation of the CSRP was to require all organizations to do inward assessment with a view to identify and implement as much quick wins as possible. The identification and implementation is to be carried out continuously within the framework of the subprograms of the CSRP. Almost all organizations one way or another have reported instant successes in terms of delivering better or cheaper services to their customers. Whereas it may be difficult to verify the validity of quick win claims, some visible improvements as a result of the application of quick wins

⁸ With the exception of the health sector which with its development of sector development plan was exercising some elements of strategic planning. This was actually noted by the TF as a positive feature in its reports.

have been witnessed by customers themselves. This is true for instance in the new trade licensing activities of the Ministry of Trade and Industry. Service delivery improvements caused by the implementation of some of the outputs of the service delivery sub-program like preparation of staff name badges, information desks and client complaints procedures have also fuelled the efforts to launch quick wins.

Result Based Performance Management Directives

One of the most advanced projects within the Human Resource Management Subprogram of the CSRP is the performance appraisal and time management project and its outputs were a directive on performance appraisal system and a training manual to introduce the system. The system was also pilot tested in 4 organizations and the results of the pilot test were incorporated into the directive and the manual. Extensive training was given to many organizations. The system went into operation and all organizations were trying to grapple with it until it was suspended in 2001 due to the presence of basic flaws in it that basically perpetuate the old system. Both the directive and the manual were revised twice before they were declared ready for implementation in some 7 organizations. Later on with an expanded team of trainers, 13 more organizations were added. The new system emphasized the link between the system and strategic plan and over all integrated assessment of the employee, teams and the organization. Tools that go beyond measuring and appraising individual performance were called for. The latest addition to this effort is what is known as the Balanced Score Card Management System based on which a new training document has been developed and limited training has been given as recently as last September. The overall effort to implement this system, though faced with many technical and administrative problems, created the pressure necessary for speeding up the pace of the implementation of the CSRP.

Business Process Reengineering (BPR)

BPR is defined as the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed (Hammer and Champy 1996, 32). One will be disappointed if one tries to systematically trace BPR to any of the components of the CSRP. It was not devised as a project and it simply developed in the context of undertaking quick win initiatives that focus on cutting unnecessary processes and save in a huge way service delivery time and cost. Encouraged by the achievements scored in some organizations, the government, as recently as February 2007, organized training on the concept and

application of BPR to the heads and senior civil servants of government institutions. With the technical assistance of the Ethiopian Management Institute and the Ethiopian Civil Service College and in their own, almost all government institutions are undertaking BPR. It is now taken as a prerequisite before embarking on the implementation of the strategic planning and management system as well as the directives on result based management directive. Some of the efforts of introducing this system have been documented well by the organizations and there is also very limited attempt to assess the impacts of these efforts⁹.

6. Strengths and Weaknesses of the CSRP

6.1 Strengths

The strengths of the CSRP must be seen in the light of its achievements over the period of its existence.

Gaining good insight into the multi-faceted problems of the civil service

For its use of limited sample organizations, the TF had done a good job of defining the major problems of the civil service and identifying intervention areas to bring about changes¹⁰. It had clearly outlined steps that need to be taken by the government for many years to come and to this date the government is

⁹ One can get some insights about this particular experience within certain organizations by looking at the following presentations made in the First National Conference on the Achievements, Challenges and Prospects of the CSRP implementation in Ethiopia organized by Ethiopian Civil Service College: Assessing the Achievements and Gaps in Utilizing SPM, BPR, PPMS in Some Selected Ministries of Ethiopia: MOFED, MOR & MOTI , by Teka G/yesues, Fiseha Zelalem, Solomomn W/Tensaie, p.249, *The Challenges and Prospects of Business Process Reengineering as a Tool of Civil Service Reform Program in Ethiopia: The Case of Ministry of Capacity Building and Ethiopian Electric Power Corporation* by Tesfaye Digie p. 274, *Attitudes of Civil Servants toward the Civil Service Reform Program with Particular Emphasis to Business Process Reengineering and Related Issues* by Eshetie Abebe, p.226. Currently the electronic copy of the proceedings of this conference is available.

¹⁰ Dr. Asmelash seemed to suggest otherwise in saying in his article referred earlier that the reports of the TF were not duly considered by the COM and was endorsed merely by the then Deputy Prime Minister. This author believes that even if that was the case it in no way reduces the validity of the findings on the basis of which the CSRP was designed subsequently.

still grappling with problems expressed within the framework of the report of the TF. It is very hard for all stakeholders to disagree on the problem statement and that fact goes a long way in creating a common understanding and consensus as to what went wrong regarding the civil service.

Introducing decentralization, deregulation and flexibility in the civil service

The various outputs of the sub-components of the CSRP aim at empowering civil service institutions by devolving power to them and giving them appropriate capacity building training in order to effectively carry out their devolved responsibilities. Notable achievements worth citing here in this regard are most of the outputs of the EMCP mentioned in the table above. Some of the controlling functions centralized at the MOFED were devolved to the line institutions at the same time putting in place a legal framework by which they will be made accountable for their actions. Capacity building trainings that enhance the financial management and budget administration capacities of line institutions have been provided by the Ministry extensively. The HRM subprogram, though very delayed in many of its fronts contemplated by its projects, was able to decentralize some of its basic human resource functions like recruitment, selection, promotion, etc. and as a result of that, government organizations now have some years of experience carrying out these functions by themselves. This was deepened by the quick wins and BPR initiatives which eliminated many unnecessary and cumbersome processes which removed some rules and thereby introduced a level of flexibility to managers in the interest of efficiency and effectiveness.

Creating the pressure and momentum for change

The government has stressed in its policy that the CSRP is its tool of state transformation and made it all too clear to all stakeholders involved that there is no other option than to understand the contents of this tool and implement it fully. The series of workshops and training forums it organized helped get this message across and the sense of urgency created as a result forced, one way or another, all organizations to make utmost effort to know and implement the program. This was also strengthened by the new implementation arrangement in which government organizations represented by their leaders were grouped together under the leadership of the MCB for the sake of monitoring their progress and giving them guidance. These forums, apart from serving as learning grounds for the organizations to take lessons from each other, also served as a peer review mechanism to ensure that things are moving according to plan. The critical role of leadership to successfully carry the burden of the reform activities has also been acknowledged and tremendous pressure was exerted upon top

leaders of government institutions to genuinely lead the program compelling them to personally participate in all major change initiative. The traditional role of political leaders to sit back in the comfort of their offices and bless a final report prepared by civil servants was abandoned for a more proactive role, though this may not be the case for all officials¹¹. The civil service reform coordinating units established as a result of the revitalization effort across civil service institutions have also contributed in keeping the CSRP a constant agenda within the organization though their efficiency highly depended on the leadership support they get from the head of the organization itself as well as the technical and financial support they expected to get from the CSRP Office at MCB.

Building capacity at all levels

The training workshops and various discussion forums organized for the purpose of implementing the CSRP had exposed the political leadership as well as large number of civil servants both at the federal and regional levels to new ideas. This was an opportunity for normally training hungry civil service to familiarize itself with new management concepts and tools. The critical role of investing in human resource development in the effort to change attitudes and bring about a cultural shift within the framework of the CSRP also gained significance. The learning by doing approach that was reflected in the effort to introduce changes also helped government organizations to experiment with new ideas and learn a lot along the way.

Grooming possible champions of change

One of the goals of the implementation stage of the CSRP was to produce as much workforce as possible to carry forward the burden of implementing the reform. This task was especially given to the heads of organizations. Some have done quite a good job of selecting promising individuals to assist in the task of implementing the program. Other innovative ways to confront the huge challenge of preparing the skilled manpower trained in change management technique and effective communication include drawing individuals from training institutions such as the EMI and ECSC, and recruiting and borrowing

¹¹ This is witnessed by the fact that most change initiatives undertaken at an institutional level are led by the Heads of the Institutions themselves. The Heads also directly participate in the various training workshops designed for experts. The policy guidance from the MCB given at the various supervisory meetings also insists on the direct participation of the Heads of the institutions to ensure success.

individuals from sample organizations targeted for implementation. This was especially manifested in the effort to implement the result based management directive in three rounds.

Improving service delivery

Some of the changes introduced by way of the implementation of the CSRP like setting up information desks, wearing name badges, posting direction pointers, arranging complaint handling mechanisms, stipulating service standards, as well as the changes introduced by reengineering processes and undertaking quick wins have resulted in reported cases of service delivery improvements having a significant impact on customers. Early starters like The Addis Ababa Documentation and Authentication Office, the Main Department for Immigration and Nationality Affairs Authority, and later on institutions like Ministry of Trade and Industry, the Ethiopian Investment Agency, the Ethiopian Customs Authority, and others have registered significant results in improving their services.

6.2 Weaknesses

A huge reform undertaking like the CSRP is normally faced with a range of problems. It is in the context of problems one may locate the weaknesses or the challenges of the program. The following section notes down some of the weakness that create gaps in the overall effort to reform the civil service.

The Absence of a Comprehensive and Participative Policy on the CSRP

Expressions of policy on the problems and future directions of the civil service are abundant in various government documents including laws (The SDPRP, the various strategies discussed earlier, the Civil Servants' Proclamation, sectoral policies, implementation directives, etc.). Particularly, the capacity building strategy, though essentially a strategy document outlined important points that amount to policy statements. Considering the magnitude of the changes the program contemplates these are not sufficient. Apart from being non-comprehensive, they were just handed top down to all stakeholders. The CSRP deserves a policy statement in its own. The factual data that needs to inform the policy must be updated, all stakeholders must be consulted, and the linkages of the CSRP with the other major policies of the country and broad outcomes that the program aspires to achieve must be spelt out. Cross-cutting issues like gender and HIV need to be addressed adequately.

The Outdated Nature of the Diagnosis of the Problems of the Civil Service

As noted above, one of the strengths of the CSRP was the detailed articulation of the manifold problems confronting the civil service. Yet more than a decade has elapsed since the diagnosis was made and it needs to be updated. The country's experience of decentralized governance for the last 17 years and the challenges it poses for the civil service and the ways of addressing it in the design and implementation of the CSRP must be included. Whereas the diagnosis by the TF was based on a quick survey of federal and government organizations, its sample was very small and it did not put forward a quantifiable baseline data to compare against current data to ascertain, based on evidence, the achievements of the program.

The Lack of Properly Integrated and Sequenced Approach

The CSRP was originally designed to be made up of five pillars, i.e., the five sub-programs discussed in earlier sections. The documents prepared on the subprograms and the program as a whole treat the program merely as the sum of its parts and as such those engaged in the design and implementation of the program concentrated in each sub-program. The best integration and sequence of the sub-programs within the CSRP to bring about the outcome intended by the CSRP as a whole has not been made clear¹². This also applies to the projects within the sub-programs. It is not clear where some of the new systems being introduced in the civil service, e.g., the BPR initiative, fit into the design. This leads to much confusion on the part of implementers of the program to which areas they should be prioritizing their limited resources. It also keeps them in the dark about the effects of those projects that are contained in the overall CSRP architecture but have not yet been started at all. This is also compounded by the absence of regular horizontal consultations among sub-program lead institutions. It is not clear also how some of the cross-cutting issues like gender, HIV/AIDS, and information technology figure into the design. The place of CSRP as incorporated in PSCAP and its relationships with the other capacity building programs must come out clearly.

¹² This was actually identified by the capacity building strategy as one of the problems hampering the progress of the implementation of the CSRP. This was also identified as a problem during the conclusion of the second PSCAP Joint Supervision Mission of March 26-April 11, 2007 as recorded in the Aide Memoire of the Mission.

Weakness in the Implementation of the CSRP:

- i ***The absence of an implementation strategy that is known by all stakeholders.*** Detailed and integrated planning, monitoring and evaluation framework for the program that emanates from this overall strategy is also absent. Repeated calls for the preparation of a strategy have not been heeded.
- ii ***Some of the outputs that have been declared to be ready, e.g. the directives and training manual on performance appraisal, suffer from constant revisions giving way to cynicism on the part of stakeholder about the success of the whole program.*** Sufficient models and examples to explain some of the ideas contained in some of the outputs simply do not exist.
- iii ***The lack of skilled manpower both in quantity and quality, at the centre and the level of institutions.*** This is exacerbated by a high turn over rate that makes it difficult to retain professionals with some experience and knowledge about the CSRP and the capacity to champion the magnitude of the change program that the program contemplates. This is also further fuelled by the absence of adequate incentive mechanism to motivate professionals to stay the full course of the reform program.
- iv ***The absence of a reliable mechanism to supply sufficient and timely information about the CSRP to all stakeholders to mobilize maximum support to the program.*** The 2001 efforts to publicize the program were, just as the capacity building strategy cautioned against, turned out to be campaign style initiatives that were not sustainably carried over to subsequent years. There is also no effective mechanism in place that showcases the achievements of the CSRP.
- v ***The creation of an environment of uncertainty and complexity around the CSRP and its implementation due to the emergence of poorly conceived and organized new initiatives.*** Notable in this regard are the effort to introduce BPR and organization performance measurement systems. As seen elsewhere in the experiences of countries experimenting with the tools of change management as expounded in the New Public Management Theory¹³, some of the experiments that are being attempted here in this regard are imported from the theory. These difficult concepts, apart from not being

¹³The concrete manifestations of this theory are widely discussed by various authors (Nolan, 2001) Paulos Chane in his article referred to earlier dealt with what the theory means and tried to examine critically its applicability to the Ethiopian context.

designed as projects, did not have a systematic research base as a foundation justifying their compatibility to the realities of the Ethiopian civil service and the launching of their implementation across the whole of the civil service. The focus that all institutions have been forced to give to the implementation of these systems without the necessary knowledge and preparations impeded the implementation of the other outputs of the CSRP.

- vi ***The ad-hoc and informal nature of the implementation arrangement for the CSRP coupled with the absence of a legal framework for allocating implementation responsibilities caused the implementation process to take place in an environment of no accountability and to depend upon the drive and willingness of the political heads responsible for the program.*** The implementation arrangement described in earlier section is not stipulated by law. There are no official records of proceedings of high level meetings monitoring the progress of the program. There are no duties and sanctions imposed on implementing agencies for failure to implement.

- vii ***The demoralizing and discouraging role of negative rhetoric.*** Though some level of rhetoric is important and serves a catalytic role in reforms by boosting up the morale of or awakening a sleepy workforce engaged in the process (Pollit and Bouckaert, 2004, P. 137-142) some of the impassioned speeches made in various occasions including workshops organized for driving the CSRP forward, rather than serving the cause of the reform, play a negative and discouraging role on civil servants. Often times such statements are made by political appointees spearheading the reform programs. When the rhetoric is too much, not matched by concrete results on the ground, or filled with negative or blame apportioning language, it plays a destructive role and forces everyone to engage in verbal gymnastics that is divorced from reality. It also risks the politicization of the whole reform agenda. In the absence of a systematic assessment of results based on comparing the baseline data with current development, it is sometimes hard to distinguish the reality from the rhetoric.

- viii ***The growing diversity of the targets of the implementation of the CSRP.*** The CSRP was originally designed to address the problems of the civil service proper. The later stage has, however, been expanded to take into account almost all public sector organizations including public enterprises such as banks. The judiciary, the police, the prosecution, even the military, etc. are also included. The institutions and officials that oversee the implementation of the program have on their hands a range of very varied

institutions and their task is, to say the least, overwhelming¹⁴. The prototypes that have come out of the CSRP have not also been customized in such a way as to apply to organizations with inherent differences in their responsibilities and culture. This also applies to regions and institutions at the woreda level. The universality and the one size fits all approach took the CSRP to the level of ideology, straining the capacities of all involved to implement the program and reducing it, in some cases, to the level of mere rhetoric as mentioned earlier and as such shielded from reasonable and objective criticism.

- ix ***The lack of capacity to coordinate and manage the CSRP.*** The CSRP unit at the federal level which is entrusted with the task of coordinating and managing the CSRP does not have the resources, human, material and financial, to carry out its task effectively. Though it is expected to actively support regions to contextualize the CSRP with their own realities and implement its output, it is generally recognized that it did very little towards meeting the expectation. So is the case with federal institutions that seek the technical and financial assistance from the unit. This is also complicated by the lack of capacity at the institutional level and the absence of meaningful involvement from research or academic or management consultancy institutions with notable exceptions of the EMI and ECSC.

7. Recommendations on the Way Forward

The Need for a Comprehensive Policy on the Reform of the Civil Service: the CSRP as a program should have a strong policy backing and the policy statement should be self- standing and comprehensive dealing with all aspects of the program including updated problem statement, program redesign principles, implementation priorities, accountability for results, etc. It should also ensure the participation of all important stakeholders. A very short vision statement and a kind of motto most stakeholders can rally around should be crafted in the policy formulation process.

The Need for Revising the CSRP Architecture: As pointed out in earlier section, the five subprograms formed the pillars of the CSRP since its inception and the projects within those sub-programs are currently at different stages of progress. Some have been completed with the achievement of their output and

¹⁴ In this context, note that Dr. Asmelash in his article referred to earlier (p.113) mentioned in the context of discussing the scope of the CSRP, against "the danger of trying to swallow more than it can chew".

some have disappeared. It is now time to take stock of the results achieved and the drawbacks encountered with systematic evaluation of the whole program. The latest developments that have cropped up during the implementation of the program must also inform the future shape that the program needs to take. With technical assistance from professional consultants in the field, new areas and modalities of interventions must be explored and issues of integration and sequencing among sub-programs and projects must be satisfactorily answered. The capacity building strategy in fact advised this same action, though it has not been acted upon until now.

The Need to Get Rid of Ad-hocism - a Legal Framework for Accountability: Implementing the CSRP should not only be a political or moral duty but also a legal obligation imposed on institutions, leaders, managers and employees with a set of rewards and sanctions to be enforced to ensure compliance with the new systems and procedures that the CSRP places at the disposal of institutions. One exemplary gap that needs to be addressed with the implementation of this recommendation concerns the strategic planning exercise that is introduced across the civil service. Systems and procedures must be put in place and supported by a comprehensive legal framework to translate whatever is beautifully written in strategic plans into reality. The mechanisms that are in place to monitor the progress of the programs should not be undertaken in an informal/ad-hoc way. Formal recordings of meetings, progress reviews, consultative workshops, etc. must be organized and communicated to all stakeholders.

The Need for Consistent Change Management Tools and Practice: change management theories and models are abundant in books by management gurus and text books. The point is to analyze their suitability to the context of the country and make the necessary adaptation to implement them effectively. Their selection and application to the country's circumstances should be justified by an objective research and assessment. Once their suitability is confirmed, they should be applied consistently. The suitability of the menu of change management tools, BPR, Performance Management, Management by Objective, Quick wins, Strategic Planning and Management, etc. that are being attempted in the country right now must be reexamined adequately.

The Need to Groom "True" Champions of Change: there must be a strategy to address the need to cultivate talent with the right mix of commitment to push the CSRP agenda forward. This is a hard to come by asset. Yet efforts must be made in terms of providing relevant and sufficient training and putting in place adequate incentive mechanisms. The qualifier "true" must be emphasized here in

the sense that there must also be a mechanism to weed out the pseudo professionals that act like mercenaries to exploit the opportunities the reform offers for personal advancement just by pretending to be change agents and readily uttering "unqualified yeses" to whatever requests made by their political bosses with a view to impress and get their positive opinion. Leaders play critical role in identifying and grooming the true change agent and if there is a leadership development program that addresses this capacity, it needs to be provided to them.

The Need to Strengthen the Existing Organizations with the Responsibility to Coordinate and Manage the CSRP: The government has seen the need for a unit at a central level to plan, monitor and evaluate the CSRP. The MCB and the CSRPO in it play a critical role in this regard. The CSRPO is especially organized for exactly this purpose. Yet it is in no way equipped to carry out the heavy responsibility of technically leading the program. It lacks the systems, procedures, the leadership, the skilled manpower, the incentives, etc. necessary to play its role with competence. With little exaggeration it is an organization in a limbo state. A thorough organizational assessment to identify its problems and provide solutions must be made with the technical assistance of consultants and action must be taken to drastically change its current status by building its capacity in terms of human resources, systems and structures. In addition to the Office of the CSRP, the special organizations that have a role in the management and supervision of the civil service, what the TF calls "Central Institutions" like the OPM, MCB, MOFED, FCSA, and OAG must be given priority in the effort to build the capacity of government organization as reforming them first will have a catalytic effect in reforming other government organizations.

The Need for a Separate Strategy and Action Plan to Guarantee the Proactive Involvement of the Academy and the Management Consultancy Industry: Reforms of a similar nature undertaken elsewhere in the globe testify that the active involvement of the academy and the private sector dealing with management consultancy adds quality to the reform process by providing objective critical review of progress, researching and developing new ideas, and communicating the reform outputs and achievement to the public at large. Government must find ways of constructively engaging the academy as well as the management consultancy industry to benefit from its comparative advantage and a starting point will be to develop, in consultation with stakeholders, a strategy to point out the direction and modalities of involvement. The comprehensive CSRP policy suggested above must address this too. The two institutions gradually climbing upon the reform wagon, viz. the EMI and the ECSC, must be engaged even more intensely and must be reorganized in such a

way as to address the current and future knowledge needs of the CSRP. This must be done in a way compatible with the overall human resource development strategy that is being prepared.

The Need for a Regular Consultative Forum among Lead Institutions as well as Stakeholders: The lead institutions that spearhead each of the five sub-programs of the CSRP must meet regularly to discuss challenges and directions. It will also be one opportunity for them to effect some level of integration between the sub-programs and projects. This was relatively frequent at the early phases of the program but was markedly absent after the establishment of MCB in 2001. The stakeholders of the program should also get together regularly and consult with government about the CSRP. It will be beneficial for government as feedback mechanism if it goes even further and gives the forum some type of institutional framework, e.g. steering committees. The awareness creation programs that are undertaken in an on-and-off manner can also be carried out regularly and systematically within this framework as well as in alignment with information, education and communication strategy that needs to be developed by the government.

The Need for Leadership Development Programs Tailor-Made to Political Leaders: Political leaders play a critical role as they are the ones on whom ultimate political responsibility for the success or failure of the program falls. Some have the necessary competence and commitment that the responsibility requires. The mix of competency and commitment are not always balanced, and it may not need to be balanced. Yet when one has too much of the one and very little of the other, a number of challenges in effectively carrying out their responsibilities arise. The government must do a continuous assessment of its own and design a leadership development program suited to the level of competence and commitment that political leaders currently possess and the program must be executed in a regular way. This must also be reinforced by an accountability mechanism that is seriously enforced by the top political leadership. Leading by example with the right behavior of political statesmanship is an indispensable part of undertaking reforms. As a point of example the first institution to implement the CSRP must be the OPM and political leaders at all levels from top to down should refrain from inflammatory rhetoric and behavior that serves no purpose in promoting the reform.

The Need to Assist Regions Systematically: One of the weaknesses identified by the TF, i.e. the lack of effective coordination with and support to regions, has not been addressed adequately. Current modalities to engage regions are not simply sufficient. There must be a permanent mechanism by which current needs of

regions to reform their civil service shall be assessed on continuous basis, CSRP prototypes must be tailor-made to the context of each region, regular human resource development programs must be organized to enable regional staff to carry the expertise needs of the CSRP and regular consultation forums both among the level of politicians and professional civil servants shall be in place.

5.1 Conclusions

Since its establishment, the Ethiopian civil service has been confronted with huge challenges to effectively play its expected role of providing timely and quality policy advice to incumbent governments, implementing approved policies and laws and managing basic public services in such a way that is satisfactory for citizens. The CSRP is a unique opportunity as the right direction towards tackling the challenges.

The CSRP has passed through the diagnostic and design stage and is now in its implementation stage. Some concrete achievements have been scored as seen in the completion of the various projects under the five sub-programs but a lot remains to be done to achieve effective, efficient, transparent and accountable civil service. The weaknesses of the CSRP that have been witnessed over the years and mentioned earlier must be addressed systematically.

It is appropriate to conclude this paper with the following words of the TF about the need to update the CSRP: "reform of the civil service is not a static, once off process. The need for reform will continue over time as the nature of the society, and the economic and political context in which the civil service works changes (The TF Reports, Vol.2, 4).

It is perhaps time to give the CSRP a second look by taking stock of its achievements and failures so far and rethinking its architecture in the hope of laying a firm foundation for its future.

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A Review of the Ethiopian Justice System Reform Program

Mandefrot Belay

1. Introduction

Since the early 1990's, the world has witnessed an increasing emphasis on legal and judicial reforms by the World Bank and its partners in the development community. It is argued that in order to achieve sustainable development, the development process must be comprehensive, and that justice reforms should form a critical component of that process.

According to the World Bank a number of different factors have contributed to the prominence accorded to legal and judicial reforms in the international development agenda. The political and economic transformation in Eastern Europe and the former Soviet Union, the developing countries transition toward market economies, the development experiences of countries' over a longer period which has shown that rule of law promotes effective and sustainable development and good governance while lack of the rule of law and arbitrary enforcement of law significantly hinder economic growth and deprive persons of their individual and property rights, raise barriers to justice and keep the poor poorer.(WB 2004, 2) These experiences have forced development institutions to focus on the role of law in economic development and have prompted many countries to promote rule of law as a sine qua non of development. Despite theoretical arguments over what constitutes rule of law, there is a general understanding that rule of law prevails where every individual is treated equally under the law, that the government itself is bound by the law, that the human dignity of each individual is recognized and protected by law, and justice is accessible to all. Justice system reform is, therefore, seen as a means to promote rule of law.

Looking at the experiences of many countries, major elements in justice reform programs today include: promoting judicial independence, modernizing judicial administration and case management, training judges, prosecutors and court personnel, promoting integrity and accountability in the judiciary and other justice sector institutions, improving legal education, broader legal infrastructure improvements and need- based and responsive legal reforms, supporting bar associations and civil society organizations working in the justice sector,

developing alternative dispute resolution mechanisms and increasing access to justice. The purpose of this paper is to briefly review the Justice System Reform Program in general and its various components, to show how fast and integrated the implementation process is and the gaps and problems encountered in the process and to indicate actions to be taken as the implementation of reforms continues. The paper does not, however, intend to deeply scrutinize specific projects of the various components, nor does it attempt to give technical legal analysis of provisions and principles of law introduced in the various law reform initiatives.

2. Background to the Ethiopian Justice System Reform Program

The Ethiopian Justice System Reform Program (JSRP) was one of the 14 capacity building and reform programs of the government and one of the six public sector capacity building programs (PSCAP) supported by the World Bank and other bilateral donors.¹

The Justice System Reform Program was primarily necessitated by the promulgation of 1995 Ethiopian constitution, which provided for a bill of rights, a parliamentary system of government and a federal structure. The promulgation of the constitution of the Federal Democratic Republic of Ethiopia has brought about significant changes in the governance structure including the administration of justice and enforcement of laws in the country. The new constitution requires change in the structure, functioning and relationships of institutions of the justice system and reform of the laws to make them consistent with the provisions and principles laid down in the constitution. First, the constitution provides for the bill of rights which calls for adequate laws and policies and institutions to implement those constitutional provisions. Second, there is the structural change that the judiciary, the legislature and the law enforcement institutions underwent as a result of the adoption of a federal state structure. In addition to the federal courts there are now nine other regional judiciaries. The constitution provides for a federal parliament (the House of Peoples' Representative) as a law making body in all matters assigned by the constitution to the federal jurisdiction. In each state, the state council is given legislative powers for all matters falling under state jurisdiction. Division of power in the law making structure under the new constitution means that laws no more emanate from one central legislature to be applied across the nation. This change enables states to enact their own constitutions and other civil laws that govern personal relations other than those the House of the Federation deems necessary to fall under federal jurisdiction for the purpose of establishing and

sustaining one economic community. (FDRE Constitution 1995 Art. 52 (2) (b) and 55(6). The constitution also enables the federal and state legislatures to legally restructure law enforcement institutions like the prosecution, the police and correctional/prison services for effective and efficient law enforcement. In addition to recognizing a parallel court, police and prison structure the constitution also authorizes federal and state legislatures to legally recognize the jurisdiction of religions and customary courts to settle personal and family disputes between individuals where the parties so consent. (FDRE Constitution 1995 Art.34 (5) and 78 (5) States have also established and organized social courts which operate at kebele level in almost all Regional States.² One might say that the new federal structure has brought justice close to the people. This new phenomena has however, placed unprecedented huge demand on the justice system of the country which it cannot respond adequately. There was a huge demand for judges, prosecutors, trained police officers, legal councilors etc, to fill the newly created structures³. One might say that paralegals were ordained as judges and prosecutors overnight through ad hoc short term training arrangements.

3. Comprehensive Approach to Reforming Justice

In Ethiopia like any other country, the system of justice is not limited to the provisions of the constitution defining the structure, powers and jurisdictions of the courts at different levels. It necessarily extends to other institutions in the systems that enact laws, facilitates the functioning of the courts, and are changed with duty of law enforcement and those that provide legal education and training. All these institutions of the justice system are functionally linked to one another. Justice is therefore, served through a relay system where one institution having done its part would have to pass it on to the other to achieve a final result. Included here are the parliament, the courts, the prosecution, the police, correctional institutions etc. This approach has however, provoked some to raise questions and issues relating to the independence of the judiciary, the authority of parliament and executive functions of the law enforcement institutions to say that they all have to work together. Such issues were clarified through discussions and consultations in workshops and other forums organized to plan a comprehensive reform package.⁴

Before the government decided to launch a Comprehensive Justice System Reform Program (CJSRP) in 2002, there were separate reform initiatives to reform laws and improve the administration and efficiency of the justice system.⁵ Capacity building and reform efforts which centered on specific interventions were, however, recognized not to have attained the required impact

and result expected from the justice system as a whole. A comprehensive strategy and planning was, therefore, needed to reform the justice system of the country. This holistic approach was not specific to the reform of the justice sector, but was part of a wider government strategy of building capacity for national development. In a document published by the Ministry of Capacity Building it was acknowledged that "in the Ethiopian context capacity building involves more than human resource development. It simultaneously addresses issues of governance, transparency and accountability, consolidating democracy, empowerment at the grassroots level, and ensuring respect for human rights and rule of law". (MCB 2002) Similarly, in another document presented at the first national conference on Ethiopian's justice system reform, by the Ministry of Capacity Building, Justice System Reform Program Office, it was explained that "fragmented and piece meal approaches in reforming and building the capacity of justice institutions could not solve all problems and bring desired results. Effective resource utilization in the justice sector could only be achieved by working towards a comprehensive justice system reform program, which looks at the system as a coherent whole. To this effect, every effort should be made to (produce) a comprehensive reform program document and plan of action that will guide us in implementing the program over the next several years" (Mandefrot 2002, 41).

Based on this understanding and recognition of the fact that fragmented reform activities could not sustain the desired change in the justice system, a decision was passed by the National Justice System Reform Committee to engage independent international experts to conduct a comprehensive justice system need assessment and baseline study and produce a comprehensive reform program document with an indicative action plan and estimated resource required to implement the different components of the reform program.

4. Objectives of the Justice System Reform Program

The main objectives of the justice System Reform Program are:-

- i. To overhaul the existing system as a whole, in order to achieve the maximum level of justice in terms of possible attainable efficiency and quality as desired by the citizens and government
- ii. To enable organs of the justice system to be:
 - Learning institutions that can develop the necessary changes proactively and thereby acquire sensitivity to the needs of the public whom they serve.

- Effective institutions that can contribute fully to what is expected of them to achieve good governance and justice in the true sense.
- iii. To create institutions that can detect unethical and corrupt practices as early as possible and correct them.

5. Components of the Justice System Reform Program

The justice system reform program has five major components:

- i) Law Reform
- ii) Court Reform
- iii) Reform and capacity building of law enforcement institutions
- iv) Legal education and training
- v) Justice information system

6. Program Management Arrangement

Implementation of a huge reform plan such as the Justice System Reform Program requires an excellent co-ordination and well-structured management. Both ad hoc and formal structures were put in place to see to the implementation of the reforms. At the federal level there is the National Justice System Reform Steering Committee chaired by the Minister of Capacity Building. Members of the committee were drawn from all the three branches of government, (the legislature, executive and the judiciary). Accordingly, the Speaker of the House of People's Representatives, the Minister of Justice, the State Ministers of Capacity Building, the Commissioner (now Director General) of the Federal Police, the President and Vice President of the Federal Supreme Court, the President of the Federal High Court, the Director of the Justice and Legal Systems Research Institute and the Director of the Justice System Reform Program Office (as secretary) were assigned to be members of the National Steering Committee. Later on the Deputy Speaker and the chairperson of the Legal and Administration Affairs Standing Committee of the House of People's Representatives, the Vice/State Ministers of Justice, the Commissioner of the Federal Ethics and Anti-corruption Commission were added to the list.

A Justice Systems Reform Program Office (JSRPO) was created within the Ministry of Capacity Building with the responsibility of designing a comprehensive program, facilitating and coordinating the implementation of policies and plans approved by the National Steering Committee both at federal

and regional levels, coordinating the annual planning and budgeting process and preparing reports on the implementation of the various components of the reform program. The JSRPO also served as a secretariat to the National Steering Committee and a focal point for donor coordination with respect to the reform program in the Ministry of Capacity Building. Each federal institution which is responsible for the actual implementation of reforms, including the House of Peoples Representatives, the Ministry of Justice, the Federal Supreme Court, the Federal Police, the Federal Penitentiary Administration, the Law Schools of various universities, has a project manager or a focal person in charge of the day to day management and follow-up of reform works. The project managers or focal persons closely work with the JSRPO with respect to planning, procurement and reporting of performance in their respective institutions.

In the Regional States, a more or less similar structure exists. Each region has a Regional Justice Reform Steering Committee, a program coordination office and focal persons in each regional justice institution. The composition of the Regional Steering Committees varies from Region to Region. The same is true concerning their effectiveness in leading the reforms. Reform coordination offices were usually understaffed. In some regions steering committees and JSRP coordination office were established very late and to a large extent exist only in name. Although steering committees are believed to be responsible for setting policy directions for the proper implementation of the reforms at federal and regional levels, their actual competence and accountability was not clearly defined.

7. Implementation of Different Components of the Reform Program

7.1 Law Revision and Reform

As we have indicated earlier law reform as one component of the Justice System Reform Program was started ahead of other components. The law reform component of the JSRP has two main objectives:

- i. Revise existing laws especially the codes and harmonize them with the constitution.
- ii. Initiate and prepare new laws necessary to the effective implementation of the constitution and for the full-fledged development of the country's legal system.

7.1.1 Revision of Codes

The main Civil, Commercial and Criminal Codes of Ethiopia were enacted in the late 1950's and early 1960's. Since then, the Ethiopian Society has changed in many respects. But, no significant change had been made with the basic civil, criminal and commercial laws. An attempt was made during the Derg period to revise the codes, with a view to harmonizing them with the socialist ideology and principles. Revised drafts of the Civil, Penal, Commercial, and Civil and Criminal Procedure Codes were produced. However, none of them were enacted.⁶ So the codes have remained in tact for almost fifty years.

i) Family Law Reform

The Ethiopian family law was an integral part of the Civil Code of 1960.⁷ With respect to the family law, a policy choice was made by the FDRE government to enact a separate family code instead of an ordinary amendment to the Civil Code. (JLSRI 1999) Some have raised concern over this approach, arguing that enacting a separate family code would also require a separate succession code, a code on law of persons, property etc... and eventually lead to the breakup of the Civil Code and fragmentation in the legal system. No other part of the Civil Code has so far been enacted separately.

The Constitution of the Federal Democratic Republic of Ethiopia (FDRE) guarantees basic marital, personal and family rights in general and rights of women and children in particular under Articles 34, 35, and 36, respectively. The previous family law had limitations in many areas thus making full implementation of these constitutional provisions difficult. The constitution guarantees equality between men and women while entering into marriage, during marriage and at the time of divorce. (FDRE Constitution Art.34(1)) It further provides for the enactment of laws to give recognition of marriages concluded under religious and customary laws (FDRE Constitution Art.34(4)) and for the resolution of personal and family disputes in accordance with religions and customary laws when the parties so consent. (FDRE Constitution Art. 34(5)) In the Civil Code of 1960 to which the family was a part, there were discriminatory provisions against women relating to minimum marriage age, administration of common property and family management and division of property during divorce especially when the couples have lived together without a formal marriage certificate. The previous family law had also serious problems of inefficiency in the adjudication of divorce disputes through the system of family arbitration.

The new family law has addressed all these deficiencies by deleting obsolete provisions, amending provisions inconsistent with the constitution to the extent of their inconsistency and by introducing new and progressive mechanisms to solving family and divorce disputes in an efficient manner. The institution of family arbitration believed to have caused delays and injustice against women during divorce has been abolished. The courts are now the only authority competent to decide on divorce and other issues arising out of divorce. A system of betrothal which is a matter of agreement between the families of the future spouses often seen as a prelude to marriage has also been abolished and the provisions of the law are deleted from the code.

The territorial application of the new family code is limited to the federally administered chartered cities of Addis Ababa and Dire Dawa. Since personal and civil law matters, including family law, fall under the jurisdiction of states, many Regional States have enacted their own family laws based on the Revised Family Code and their own constitutions. Proposals were put forward by different sections of the society, including women groups and some MPs particularly in the women's Affairs Standing Committee of parliament, to have a uniform Family Code applicable to the whole country by recommendation of the Federation Council under Article 62 (8) and 55 (6) of the constitution. These proposals were discussed in various stakeholders' conferences and forums organized on the new draft family law, but were not accepted. The new family law was approved by parliament and came into force on 4th July, 2000 as the Revised Family Code proclamation No. 213/2000.

ii) Revision of the Penal Code

The Penal Code of 1957 was the second major law to be revised and reformed. Revision work on the code started both at the Ministry of Justice and Justice and Legal Systems Research Institute. Two separate drafts were submitted to parliament, making the legislative process cumbersome for the Legal and Administration Affairs Standing Committee of the House of People's Representatives. The reason for submitting two separate drafts was to give to the parliament the opportunity to see alternative proposals. The Legal and Administration Affairs Standing Committee of the parliament had to set up a new committee of experts to reconcile the two drafts and produce a single final draft for approval. Controversial issues in the drafts that require high level government decision were usually solved by the decision of the National Justice System Reform Steering Committee. Before the establishment of the National Steering Committee, the board of the Justice and Legal Systems Research Institute used to decide policy issues and choices to be made in the revision

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process where several alternatives were suggested by experts and in public opinion.⁸

Unlike the family law the Penal Code is a national law applicable to the whole country. Enacting a uniform Penal Code, Commercial Code and Labor Code fall within the jurisdiction of the federal government. (FDRE Constitution 1995 Art 55 (3-5)) States may however, enact penal laws in matters that are not specifically covered by Federal Penal Legislation. No such law has so far been passed by any state.

The new Criminal Code has filled gaps relating to crimes born of advances in technology and complexities of modern life. Accordingly, the new Code has incorporated crimes such as hijacking of aircraft, computer crimes, money laundering and environmental pollution. The new law has also criminalized certain acts hitherto unpunishable, including female genital mutilation, female abduction in anticipation of marriage and some other harmful traditional practices detrimental to the rights of women and children. Punishment for certain offences has also been increased in the new Criminal Code. One issue which is also related to the reform of the family law was the issue of decriminalizing abortion in the new Criminal Code. In the public discussions on the revised draft penal code there were arguments for and against liberalizing the law on abortion. The new Criminal Code still prohibits abortion, but has introduced additional grounds under which it can lawfully be permitted.⁹ The revision work on the penal code was finalized after over five years of work and the new Code was enacted in May 2004 as the Criminal Code of the Federal Democratic Republic of Ethiopia, Proclamation No.414 /2004.

iii) Revision of other Codes

Revision work on the other remaining codes of the country has also been carried out and revised drafts produced. Accordingly, the Civil and Commercial Codes of 1960, the Criminal Procedure Code of 1961 and the Civil Procedure Code of 1965 were revised. Several stakeholders work shops have also been held with the view to enriching the drafts. Many of these revised drafts were submitted to parliament. Except for the Criminal Procedure Code which is under consideration by Legal and Administration Affairs Standing Committee of the House of People's Representatives, no other draft code has entered the formal legislative process of the House. The Revised Criminal Procedure Code should have been enacted together with the new Criminal Code or within a short time after it. What we have now is a new Criminal Code with an old Criminal procedure Code.

7.1.2 Initiation and Preparation of New Laws

Law-making and law reform are basically the domain of the legislature. Given the realities in Ethiopia, however, the executive acting through its various agencies both at federal and regional level plays a critical role in initiating and preparing drafts of major legislations to be enacted by the legislature. As part of the law reform program, besides revising existing laws, many new laws intended to develop the country's legal system and enhance economic and social development have been prepared. The following draft laws were prepared to be enacted by parliament.

- Acts and Documents Registration and Authentication Law (Notary Public Law)
- Vital Events (birth, marriage, death) Registration Law.
- Federal Administrative Procedure Law
- Law of Evidence
- Securities and Exchange Law (Stock Market law)
- Private International Law

While all of these laws are equally important to the full-fledged development of the country's legal system and enhance its social and economic development, some were urgently required more than others. The vital events registration law is a case in point. The enactment of this law is crucial for the full implementation of the new family law. The Revised Family Code contain a provision requiring the federal government to issue registration law and establish the necessary institutions within six months of the coming into force of the code. (Revised Family Code 2000 Art. 321(1)) Except for the Acts and Documents Registration and Authentication Law¹⁰, the other newly initiated draft laws including the Vital Events Registration law have not been approved and enacted by parliament to date.

7.1.3 Public Participation in the Process of Reforming Laws

There has been unprecedented Public participation in the revision process of the family law and the penal law. In the reform process several national and regional conferences involving different sections of the society have been organized with a view to solicit ideas and reach consensus on different controversial issues, including the issue of liberalizing abortion, uniformity of family law, solving family disputes through the system of family arbitration, legality of irregular

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union, and issues relating to the desirability of incorporating new concepts and provisions in the Family Code such as introducing compulsory pre-marital medical examination as a condition of marriage. Civil society organizations, religious institutions, community leaders and individuals that took part in the conferences and public hearings have aired their views on those issues and have suggested what they believe should be included in the laws being revised. Some civic associations have even gone to the extent of presenting alternative drafts on certain aspects of the law to the drafting committees.¹¹ The participation of different sections of the society in the law reform process revealed views on certain issues different from what drafters and institutions in charge of reforms believe is appropriate, and in few cases have convinced drafters and parliamentary committees to accommodate alternative suggestions.¹² Although public participation and debates in the law reform process could be seen as a positive development, opinion expressed either in conferences or public hearings organized by parliament had little impact on the law reform process in general.

7.2 Court Reform

An independent and strong judiciary plays a pivotal role in the functioning of any justice system. Revising existing laws and enacting new legislations alone could not yield the desired reforms without adequate infrastructure to implement and enforce the laws. Building and reforming institutions needed for dispute settlement as well as access to dispute resolution mechanisms is crucial. Chief among these institutions is the judiciary. In Ethiopia as in many other countries in Africa, institutional and capacity weakness that are identified in the civil service institutions also hamper the judiciary at the federal and regional levels. The CJSRP Baseline Study Report published by the Ministry of Capacity Building identifies three core problems in the Ethiopian justice system. First, its inaccessibility and unresponsiveness to the needs of the people, second, corruption, abuse of power and interference in the administration of justice, and third, inadequate funding of justice institutions. (CJSRP Baseline Study Report 2005,14) Several of these problems were highlighted in the 2001/02 federal government work plan report presented to parliament by the Prime Minister with a promise to take effective reform measures in cooperation with the judiciary. (Federal Government plan for 2001, 14-16) Reforming the court system was therefore, an important priority area of the justice system reform program. Reforms in the Ethiopian judiciary started at the Federal Supreme Court with the support of Canadian International Development Agency (CIDA) through the Court Administration Reform Project known as CAR. Through this project various ways and means were explored to improve efficiency and effectiveness

in the operation and management of federal courts. Eight pilot projects were undertaken by the Federal Supreme Court. These projects basically aim to bring efficiency in the operation of courts by reducing/eliminating backlogs, improving filing system and recordkeeping, introducing modern and technology assisted working methods and training of court staff in the provision of quality service to court users. These projects were proved successful and were later extended to other federal courts and subsequently to all Regional Courts in the country with many additional features.

The CJSRP takes account of those early reform activities and builds upon them in recommending further reform actions. As many as twenty six recommendations were suggested in the CJSRP report to reform the courts and build the capacity of the Ethiopian judiciary. (CJSRP Baseline Study Report 2005, 213-227) These recommendations centered around solving problems relating to independence, improving outdated systems and procedures of courts, shortage of properly trained judges and support staff, lack of basic infrastructure and facilities, lack of adequate budgetary resources, lack of transparent and merit based selection and appointment of judges, lack of information flow within and outside of the judiciary, absence of performance orientation and absence of objective, regularized, merit based and transparent procedures for administering judge's career paths. In the course of the reform program over the past many years several important measures have been taken to improve the functioning of the courts at all levels and to strengthen their institutional capacity. But there is a long way to go to address all the problems identified by studies and to sustain the implemented reform measures.

7.2.1 Independence of the Judiciary

The division of powers and the independence of the judiciary are enshrined in the constitution of FDRE. The constitution provides that "courts of any level shall be free from any interference or influence of any governmental body, governmental official or from any other source" (FDRE Constitution Art.79 (2)). The constitution also guarantees the personal independence of judges by providing that "judges shall exercise their judicial function in full independence and shall be directed solely by the law." (FDRE Constitution Art.79(3)) The tenure of judges is also guaranteed by the constitution. Accordingly "no judge can be removed from his duties before he reaches the retirement age determined by law" except for misconduct, gross incompetence or inefficiency, inability to carry out responsibilities on account of illness. (FDRE Constitution Art.79 (4)) Similar provisions exist in the constitutions of all Regional States.¹³ To enable implementation of constitutional provisions on the independence of the judiciary, federal and regional laws have been enacted to establish the Judicial

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Administration Councils.¹⁴ The Judicial Administration Councils both at federal and state level have the power and responsibility to select persons for appointment to judicial office, issue judicial codes of conduct and discipline judges, decide on the promotion, salary, allowance and other benefits of judges and decide on termination of tenure of judges. The composition of Judicial Administration Councils varies between the federal and state Judicial Councils and also between states. In all federal and regional Judicial Administration Councils, judges hold the majority seat. Again in all Councils, the legislature is represented by at least two and at most three members. In some Regional Judicial Administration Councils the executive and civic associations are also represented.¹⁵ Some believe that this could expose the Councils to influence and weaken the independence of the judiciary. Others argue that opening up the Councils to outside input and making transparent their work procedures would strengthen the Councils. (CJSRP Baseline Study Report 2005, 57)

Independence of the judiciary should not only be seen to be a matter of constitutional principles and provisions of laws, but also one of behaviors and daily practice. The judiciary must have highly qualified judges with professional integrity. The quality of justice directly depends on the quality of individuals to be judges. Organizational and infrastructure facilities only support this. The independence of the judiciary begins with the selection and training of competent persons. One of the concerns usually raised around people in the legal profession is the lack of transparency in the selection of candidates for appointment to judgeship. The criteria for selection and appointment of federal judges are provided in the Federal Judicial Administration Council establishment proclamation. Article 8 of this proclamation enumerates the criteria for judgeship. Accordingly, "Any Ethiopian who is loyal to the constitution, has legal training or acquired adequate legal skills through experience, has a good reputation for his diligence, sense of justice and good conduct, consents to assuming judgeship, and is not under 25 years of age may be appointed as a federal judge". It is argued that these requirements are too minimal and overly general to guide those responsible for making decisions about who shall be the proper candidate. Although final approval of appointment of a new judge by parliament is seen as a sign of transparency, many details about opening of vacancies, search procedure, for candidates and the screening and evaluation of candidates and final decisions about candidates are not public.¹⁶ It is not also clear whether the evaluation system employed accords the same chances to candidates coming from within the judiciary and those from outside. Reform efforts in the judiciary did not address issues often raised with respect to career structure and promotion of judges. As the system stands now there is no promotion procedure for judges from the lower court to the higher court in the

judicial structure. A judge once appointed to one level of court would remain there unless reappointed by parliament to the higher court. The same holds true for judges in the Regional States. Whether there are additional criteria other than those used for initial appointment is not clearly known.

Another important thing in the judicial reform project is the perception of independence of the judiciary by the general public. The comprehensive justice system reform baseline report has indicated that the perception of the public on the independence of the Ethiopian judiciary is low. Perception of corruption is also high. (AAU Ethics Office 2006) It is not clear whether corruption takes the form of gratification (bribery) only or other means such as nepotism, influence, misallocation of resources, etc. Where perception of corruption is high in judiciary, using justice to curtail corruption in the other branches of the government will be difficult. So the vulnerability of the judicial system to corrupt practices should therefore, not be underestimated. Perceptions of lack of independence and corruption could be important impediments to using the legal and judicial system in the country. Whether real or imagined, perceptions exist. As no systematic and targeted survey is taken annually, one cannot be sure whether reform efforts undertaken in the judiciary has changed the negative image the public has about the courts.

7.2.2 Improving working Systems and procedures, Infrastructure and Facilities

One of the major causes for delay, absence of proper record keeping and poor working conditions in all justice institutions including courts is insufficient infrastructure facilities and budgetary resources. Courts do not have standard court house buildings, modern office equipment and libraries with required books and journals. To address these problems, many reform projects have been implemented. A massive computerization program has been carried out in the judicial structure both at federal and regional levels. A computer software program has been developed to enable courts manage and track cases and produce up-to-date reports. All federal and most regional courts are now using this program. All federal and most regional courts are supplied with copy machines, modern office furniture and communication facilities. Support staffs have been trained to use modern office facilities and computers. A recording and transcribing system has also been introduced to help trial courts efficiently handle records including testimony of witnesses. The highest federal and regional courts have information technology infrastructures to enable them access internet facilities. The federal Supreme Court is now trying to introduce e-litigation where clients of the court can lodge complaints and access the progress of their case via-the internet. Whether or not this could improve access

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to justice for citizens will remain to be seen. Compared to what was the reality five years before, the courts are now in a much better position in terms of facilities and equipment. The introduction of technology assisted working systems and successive on job training of judges and court staff has helped to relatively improve efficiency and reduce delays and backlogs. It has also helped to alleviate problems relating to lack of statistics on judicial performance. While these are positive results of the reform program, reforms should not only focus on improving efficiency but also upon improving the quality of justice delivered. The problem of having standard courthouses, however, remains unsolved. At the start of the court reform program an assessment of the state of court buildings have been carried out. Most courts occupy buildings originally built for other purposes and suffer basic functional problems. With the help of a Canadian courthouse expert and a local architect firm and in consultation with the federal and regional judiciary, a standard courthouses design has been produced (Zelege Belay Architects 2001). Unfortunately, those designs remain shelved¹⁷

7.3 Reform and Capacity Building of Law Enforcement Institutions

The law enforcement component of the justice system reform program focuses on three institutions in the justice system. Included here are the Ministry of Justice (Prosecution Service), the police and correctional institutions (prison).

7.3.1 Public Prosecution Service

Federal prosecution authority is vested in the Ministry of Justice. Hence, public prosecution service is formally part of the executive branch of government. (Proclamation No.471/2005) As the law stands today, the Minister of Justice combines both the power of the Minister and Attorney General.¹⁸ It is argued that the present structure might be harmful for the autonomy of the prosecution service due to the potential for political influence on the criminal justice system. The justice bureaus in the Regional States have similar functions. Prosecution authority is also given to the Federal Ethics and Anti-corruption Commission and its regional counterparts and the Customs Authority.¹⁹ The CJSRP Baseline Study Report has identified many critical problems of the prosecution service and has suggested twenty one recommendations for reform. Chief among these include improving organizational structure of the prosecution service, separating prosecution (justice) function of the Ministry of Justice from its executive (political) function, introduce prosecution policy consistent with the Criminal Procedure Code, alleviating shortage of trained prosecutors, improving the poor

working conditions in prosecution offices, improve information flow and record management, coordinate and effectively guide police criminal investigation, and improve working relationships with the courts, police and prison services for effective functions of the criminal justice system.

During the reform process in the last several years an attempt has been made to implement some of the recommendations. With the objective of improving file management and information flow within the prosecution service, a computer software program has been developed and piloted in the Addis Ababa Prosecution Office. The piloting has been proved successful. It was agreed to replicate it in all other federal prosecution offices and in regional justice bureaus. No significant progress has however, been made in the replication effort. Computer hardware and other office equipments have been provided to improve working conditions and lack of equipments in the prosecution offices. To build human resource capacity at all levels a special graduate program has been conducted. Short term skill upgrading trainings have also been given on several occasions to update prosecutors with new laws and developments. The more serious recommendations like separating prosecution (justice) function from the executive (political) function, adopting prosecution policy, bringing fragmented prosecutorial authority under the umbrella of the Ministry of Justice are yet to be considered. Other recommendations such as making the prosecution service in full control of criminal investigations by guiding police investigation from the beginning to the end if accepted have to wait for the enactment of the new Criminal Procedure Code.

7.3.2 Police

The Ethiopian police system consists of a federal police and nine regional police organizations. The chartered cities of Addis Ababa and Dire Dawa also have their own police structures. Organizational and structural changes have been carried out with the police in the past years. The federal police is now accountable to the Ministry of Federal Affairs. Military ranking of police officers has been abandoned which shows a clear tendency to make the police a civilian organization and a service rather than a force. In the context of the justice system reform program, reform and capacity building of police has focused on selected strategic intervention areas. These were training, improving technical investigation capacity, improving police information and communication system, and introducing community policing.

Training of police officers has been a top priority for the last several years. At the federal level, training is offered at the Federal Police College, which is now being upgraded to a university college level. The college now provides degree and diploma level training programs not only in police science but also in

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other disciplines including law and management. However, the number, quality and experience of teaching staff and the teaching methodology employed remain a concern to the sustainability and success of the program.

Technical crime investigation capacity of the Ethiopian police has been very weak as it was not supported by sufficient number of well trained investigators and scientific investigation facilities. In many countries proof in criminal cases largely depend on forensic evidence produced by utilizing highly specialized techniques of scientific investigation. (Zonderman 1999, 75ff, Gregoric and Horjan in Milan Pagon ed.1996:385ff) The reality in Ethiopia is different. In Ethiopia, there is only one forensic laboratory for the whole country with serious capacity limitations. (MCB 2002, 14) Evidence in criminal cases therefore, depends on oral testimony of witnesses which has its own problems in many respects, including unreliability and timely availability of individual witnesses during criminal proceedings. In the reform program a project has been developed to rehabilitate the existing forensic laboratory and establish four other medium level laboratories in four Regional States. In the course of implementation of the project some forensic investigators have been trained both at home and abroad. An automated finger print identification system is installed. Equipment necessary for rehabilitating the laboratory have been provided. Establishment of four forensic laboratories in the regions is yet to be implemented. An integrated police information communication project has been studied and designed but not implemented for various reasons mainly for lack of funding and weak implementation capacity. Attempts have also been made to introduce the concept of community policing in to the police structure and to create awareness on how it could be implemented with the involvement of the community.

7.3.3 Penitentiary

Penitentiaries/prisons were the most neglected institutions in the justice system. No one seriously considers prisons as one of the institutions of the justice system (MCB 2002, 14). It is when the government decides to undertake a comprehensive justice system reform program that penitentiary institutions start to get attention. The legal framework for prison services in Ethiopia can be traced from a law enacted in 1944 (proc. No.45/1994). No significant change has been made to improve the legal framework for the last so many years. Like, in police there is a Federal Penitentiary Administration and parallel organizations in the regions. The CJSRP baseline study has shown that the country's penitentiary system has serious problems in terms of training of prison staff, budgetary resource, administration of parole system, absence of clear rules and

regulations governing the relations between prison employees and inmates, information and data handling and processing concerning prisoners and rehabilitation work for sentenced prisoners.

The Justice System Reform Program has identified three areas of intervention in reforming the penitentiary system. Improving the legal framework and organizational structure, introducing new training system for penitentiary staff and putting in place efficient and reliable information system concerning inmates were the priority areas for the reform. A new federal Penitentiary law is enacted in 2003. (Proclamation No.365/2003) Some states have also enacted their own laws.²⁰ New organizational structure has also been studied for the Federal Prison Administration, but not fully implemented. The Federal Penitentiary Administration has a central training center at Aleltu 60 km north of Addis Ababa. The center trains prison officers drawn from the Federal and state prisons. However, the training offered at the center has little relevance to reforms envisaged in the Justice Reform Program. Over 70% of the training time is devoted to crime investigation and prevention, physical fitness, personal safety and self defense, history, geography, etc...(CJSRP Baseline Study Report 2005:115-16). Courses like rehabilitation, psychology and psychiatry, human rights, sociology and criminology are either not give the necessary attention they deserve or not offered at all. Courses like crime investigation and prevention are more relevant to police training than to prison staff. With a view to making trainings relevant to the reforms, a detailed study has been conducted to change the training system altogether. A proposal to upgrade the center to a college level together with a new curriculum has been developed and discussed with stakeholders. Despite willingness of several donors to support the initiative, it could not be implemented as desired for various reasons mainly for lack enthusiasm and weak implementation capacity.²¹ An automated data registration and information system project is well underway at the headquarters of the Federal Penitentiary Administration. A local IT firm is developing a computer soft ware program to assist authorities develop a better and reliable data collection and analysis capacity. It is hoped that this system will be replicated to regional penitentiaries.

The focus of the reform initiative in the above mentioned areas does not mean that the Ethiopian penitentiary system have no other problems. There are problems relating to sanitation and health care services, segregation of prisoners and rehabilitation activities. Despite clear legal provisions for Segregation of prisoners based on age, nature of the sentence and reason for detention, most prisons do not comply with these requirements mainly for lack of space and resources.²² Young offenders and adults, recidivists and non-recidivists are often kept together. Both the previous Penal Code and the new Criminal Code allow the courts to order conditional suspension of certain sentences and release the

criminal on probation where the criminal does not appear to be dangerous and the offence is punishable with fine, compulsory labor or simple imprisonment.²³ Proper implantation of law relating to probation would help to reduce prison overcrowding. This form of release of an offender however, presumes the existence of a well organized probation service which is long overdue in Ethiopia. Several African countries have introduced community service as alternative to custody for minor offences. The experiences of these countries have shown that community service schemes are cost effective, help to rehabilitate offenders and reduce prison congestion (Penal Reform International 1997, 9-10). Future reforms should therefore; seriously consider various modalities of establishing probation services and the possibility of involving non-governmental organizations, voluntary associations and charitable organizations in the process

7.4 Legal Education and Training

Legal education in Ethiopia started in the early 1950's with the opening of the University College of Addis Ababa (Krzeczunowicz 1972, 89ff). The objective of the legal training has been to produce competent lawyers and administrators that were needed for the public sector at that time. Legal education became more formalized with the opening of Haile Selassie I University in 1961 with a law faculty under it. Until the middle of 1990's legal education in the country has been limited to one law faculty producing an average of 45-50 graduates annually, which is much less than the number required in the justice system. The justice system reform program acknowledges that problems in the legal education system have highly impacted on the capacity and performance of the justice sector institutions. The CJSRP baseline study report also shows that the existing legal education and training system has many serious problems, including its inability to produce the required number of legal professionals, lack of responsive curriculum and delivery methods, lack of qualified and experienced teaching staff, absence of research and publication and lack of financial and other resources (CJSRP Baseline Study Report 2005, 202-5). It is also admitted in the government's capacity building strategy that the country's legal education and training system has problems in terms of number of and quality of legal professionals. The capacity building strategy document states that the higher education expansion plan should be executed in a manner that would also enable to expand legal education in the country and improve its quality (MCB 2002).

The Justice System Reform Program aims to address problems relating to inadequacy of legal professionals through the government's higher education

expansion program which seeks to open more universities and increase the annual undergraduate intake capacity of all universities. The newly established regional universities including Mekelle, Bahir Dar, Jimma, Debu, and Alemaya have all opened new law faculties and started undergraduate degree programs. Many private higher learning institutions have also opened law faculties and admit students in great number. It is hoped that when these newly established public and private universities start to graduate students, shortage of legal professionals will be alleviated nationally. Almost all of the newly established Law Faculties have started graduating students with degrees and diplomas. The number of students in the country graduating annually with law degrees is now much higher than used to be in the past.

Another problem of legal education which is associated with the problem of quantity is the question of quality. Although the opening of more universities and law schools in the different corners of the country is most welcome, law programs in many of the new universities were started without adequate preparations which clearly compromise the quality of legal education. Minimum requirements, including properly designed curriculum, teaching staff, library etc... were not put in place. Almost all of the newly established law faculties suffer from acute shortage of properly trained and experienced instructors and facilities. In most cases fresh graduates and few expatriates staff these law faculties. There aren't enough libraries, reference books and teaching materials. An attempt is being made to procure and distribute reference books and start developing teaching materials, but without much progress. So students graduating under these constraints are expected to fill existing human resource gaps in the justice system. The quality of legal education will obviously reflect on the performance and quality of services of justice institutions. Improving quality of legal education therefore, requires no less effort than expanding it. Absence of research and publication is another impediment to the development of the legal profession. There aren't enough regular legal publications on the problems of the country's legal and judicial system. Scarce financial resources of law schools do not motivate academics to do research and publish articles on many issues of concern in the justice system. Lack of legal publications has indeed weakened the legal debate and productive criticisms of legal and policy decisions. Not much has been done in this area since the reform program started.

Another important initiative in the context of the legal education and training component of the justice system reform program is the establishment of the "Justice Organs Professionals Training Center" under the Federal Supreme Court (Proclamation No. 364/2003). One of the responsibilities of the center is to "provide sustainable and continuous job training to professionals who works in federal and state institutions as judges, prosecutors, public defenders, registrars and others working in the justice organs to enhance their professional capacity"

(Proclamation No. 364/2003 Art. 6(2)). The center provides two types of training. Initial training for candidate judges and prosecutors, and in-service training for those who are already serving as judges and prosecutors. Since its establishment the center has organized several rounds of short term in-service trainings and two rounds of initial training. The effectiveness of the training program and its sustainability will depend on how the institutions of the justice system will use the center.

7.5 Justice Information System

The fifth key component of the comprehensive justice system reform program is development of Integrated National Justice Information System. Justice information is an important cross-cutting element of all the other components of the reform program. Sound and reliable information systematically collected and properly analyzed is key to decision and policy makers not only in the justice sector, but in all other sectors. Availability and accessibility of reliable justice information is also an important element of access to justice. While Article 37 of the constitution provides for the right of access to justice, actualizing this constitutional provision has many challenges. Lack of access to justice information could be one impediment. The condition of justice information in Ethiopia today (its availability, accessibility, reliability and timeliness) is in bad shape (MCB 2002, 27-28). While some statistical information is available with individual institutions, its existence may not be known to potential users. There is no central place that collects and disseminates justice information. There are also no agreed national standards as to which information should be collected, how it should be collected and what formats to be used for collecting data.

Another aspect of justice information is accessibility of legal materials. Access to current legal materials, including getting copies of existing and newly enacted laws and court decisions, is not an easy task for ordinary people including many in the legal profession as there is no systematic publication and distribution system throughout the country. Most justice institutions are now trying to develop their information system and to use computer systems for information management. Federal courts and at least higher courts of Regional States are now using automated case tracking system which has enabled them to produce different types of reports on time and enabled court clients to access court information without serious difficulties. The Ministry of Justice has piloted another system for use in prosecution offices. The federal police and penitentiary administrations also have information system development projects. Each institution now collects data and generates information for its own use and consumption. It is important that there be an integrated and agreed upon system

and pool data to share for the benefit of all institutions and decision makers and the public at large.

In the justice system reform program, it was recommended that a National Justice Information Center be established to centrally gather data from all key players in the justice sector and make available to all at one place. There are important social and economic benefits in putting in place an integrated justice information system. Firstly, it facilitates access to justice. Secondly, it increases public satisfaction and confidence on institutions of the justice system. Thirdly, operational and administrative costs will also be reduced when more efficient standardized methods of collecting, sharing and disseminating methods of information are adopted. There seems to be a consensus to entrust the responsibility of establishing a national justice information center to the Ministry of Justice. Attempts have been made to develop Terms of Reference for the project, solicit fund and reach consensus between justice institutions but without much progress to date. Attempts have also been made by individual institutions to publish and distribute laws and other legal materials. Consolidation of laws interrupted since the early 1970's is now underway in the Ministry of Justice. The Federal Supreme Court is publishing Supreme Court decisions. The Amhara Regional State Justice Bureau has also consolidated regional laws together with federal laws of national application in two volumes and has distributed to all federal and regional justice and other government institutions including universities. While this is a move in the right direction, distribution is limited to government institutions and its continuity not guaranteed. There are also attempts to create electronic database of laws, but not in a coordinated fashion.²⁴

With respect to publication, accessibility and distribution of existing and new laws, court decisions and consolidation of laws, it was recommended in the CJSRP baseline study to adapt best practices of other countries. It was suggested that one or two private companies be granted by agreement exclusive publishing license to annually consolidate laws and publish all laws including codes, court decisions and related legal materials for distribution throughout the country on a regular basis.²⁵ This recommendation is yet to be considered.

8. Gaps and challenges in the Reform Program

8.1 Gaps

The Justice System Reform Program has tried to follow a holistic approach to reforming the justice system of the country. General assessments made on the state of the justice system and baseline studies conducted by national and international experts have all highlighted legal and institutional weaknesses in the administration of justice, human resource gaps and deficiencies in the

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working systems and procedures of the justice system. Actual reform plans and interventions however, have failed either to include or give serious attention to several important aspects of the justice system such as the role of social courts, alternative dispute resolution mechanisms, legal aid and the role of civic legal associations in the justice system. Although social courts²⁶ are now playing important role and seen as a mechanism for decentralizing the administration of justice in minor disputes, they are not included in the court reform component of the program as the reform focuses only on regular courts. Alternative dispute resolution mechanism (ADR) is another area where the JSRP did not address properly. ADR mechanisms are becoming increasingly important in the justice system of any country. Studies conducted in many countries has shown that compared to formal court systems, using ADR mechanisms to resolve disputes including business disputes is speedy, cost effective and widens access to justice. (Lord Chancellor's Department (UK) 1998) Using various alternative dispute resolution mechanisms require a proper legal framework and greater awareness on the advantages and limitations of these systems and on how it can be linked to the formal judicial process. Except some attempts through private sector initiative to establish arbitration and conciliation centers organize some trainings, no comprehensive plan exist at a program level to introduce ADR mechanisms and link them to the formal justice system.²⁷ The legal framework governing the use of ADR is not also in place. Legal aid is another important area which the reform program has not seriously considered. People with legal problems may need a range of different services from advice to representation in a court case by a qualified legal professional. Only in criminal cases has the state the responsibility to provide legal counsel at state expense for persons accused of serious crimes where they have no means to pay for defense lawyer by themselves. (FDRE Constitution Art.20 (5)) Even under such limited circumstances public defense offices are not given the necessary attention they deserve to enable them discharge their responsibilities. In civil cases legal assistance for citizens who wish to assert their rights through the justice system, but could not afford to pay for the services is non existent. The law allows the Ministry of Justice to assist victims of crimes in civil proceedings for the recovery of damage resulting from grave injury where such victims are unable to institute civil proceedings in courts. (Proclamation No.471/2005 Art.23) No system has yet been put in place to implement the law. Professional associations, voluntary groups and NGOs working in the areas of justice and human rights could play important roles in improving the justice system by creating awareness, disseminating quality justice information, providing legal advice to the needy and representing vulnerable groups and indigents in courts. To achieve the maximum value and effect in this respect they have to be

coordinated around the justice reform agenda and get the necessary attention they deserve.

8.2 Challenges

8.2.1 Ambitious planning and Complexity

One of the main challenges in the implementation of the Justice System Reform Program has been its complexity and the desire to undertake many reform projects in a short time. Each of the five components of the program are wide in scope requiring change and reform in the legal framework, institutional arrangement, streamlining working systems and procedures and inter-institutional coordination. The Justice System Reform Program attempted to work on all of these at once and in a short time. Annual implementation plans and accomplishment targets were often highly ambitious and some times unrealistic.²⁸ Co-coordinating the various components of the reform across different institutions both at federal and regional levels is also not an easy task. Big projects are usually difficult to manage and co-ordinate and hence, tend to fail. Such risks are usually mitigated by starting small and progressing in phase. Although the JSRP has not failed, it has lagged behind in many of its components. In the law reform component, only the Family Code and the Criminal Code are enacted and implemented. Reform projects relating to the law enforcement institutions are not progressing as planned. As the progress of the work stands today, putting in place an integrated national justice information system may not be possible within the program period.

8.2.2 Weak Implementation Capacity of Individual Institutions

Weak implementation capacity of institutions is another challenge to the speedy implementation of reform projects. Most federal and regional justice institutions do not have adequate technical experts at the level required for the reforms.²⁹ Evaluating assessments and studies conducted by external consultants and providing the necessary feedback satisfactorily and on time was a problem for many of the institutions. Annual plan and budget preparation, timely and accurate reporting of physical and financial performance was difficult. Procurements needed for implementation of the various reform activities were also very slow and sometimes take more than a year. Experts leaving their jobs for various reasons and change of personnel due to internal restructuring at different offices were other factors contributing to the slow and weak implementation. Newly assigned experts often do not have the background on the reforms and take their own time to get to know about the reforms.

8.2.3 Funding

Implementation of the Justice System Reform program requires considerable amount of resource. It was estimated in the CJSRP plan that close to seven hundred million birr will be required for the different components of the program between 2005 -2010.³⁰ At the beginning, reform projects were largely funded from the government treasury and contribution from some donors. Later it was included in the PSCAP arrangement. Inclusion of the program in PSCAP has created problems during the implementation process. The World Bank largely views the programs as new programs. Request for retroactive financing by the Bank of already ongoing projects was, therefore, near imposable. The procurement process was also complicated, lengthy and slow. Another problem for JSRP in relation to financing within the PSCAP framework was the World Bank's inability to support reform projects within law enforcement institutions. The Bank has made it clear that its mandate does not allow it to support reforms in law enforcement areas, an argument not convincing for the people working in justice sector reforms. Capacity building and reform plans in the prosecution service, police and prison were, therefore, excluded. Provisions in PSCAP agreement allowing other donors to support interventions in law enforcement areas did not help much at least in the first few years of the implementation of the program.

9. Conclusions and the Way forward

Reforming the justice system requires working on several levels. It requires changing the laws, improving the capacity of existing and establishing new institutions, putting in place new working systems and procedures and coordinating efforts of different institutions into the broader objective of the program and overall development strategy of the country. There are different players/stakeholders in all these processes sometimes with conflicting interests. Dissemination of information on the progresses made and problems persist in the justice system is very important to reach consensus and actions for continued and future reform plans.

A good set of recommendations currently exist for reforming the justice system in general and recommendations specific to particular institutions. As we have indicated while discussing implementation of the different components of the program, some of the recommendations are already implemented taken as priority intervention areas. Others are under implementation many of them are still awaiting action. Some years have passed since studies were conducted. It is, therefore, important to revisit those recommendations against progresses made

by different institutions in implementing the reforms. Revisiting existing and recommendations against implementation should also create the opportunity to bridge the gaps that exist in the program and look for better planning and implementation modalities.

The law reform component of the program has made progress by revising the basic codes of the country and studying and preparing drafts of new laws. The Family and Criminal Codes have already been enacted and made operational. It is hoped that parliament will soon start debate and enact other laws whose revision and redrafting work is already completed. Enacting laws is one thing. Putting the laws in to effect is quite another. The two must go together. As the law-making system currently stands, parliament lacks systematic post-legislative scrutiny mechanisms to see whether the intended broad policy objective has been met by the new law and if so, how effectively and whether the law is working out in practice as intended, and if not to discover why and to address how problems can be remedied quickly and effectively. Various ways and means could be explored to employ post-legislative scrutiny along with strengthening the existing but weak pre-legislative scrutiny mechanism.

The Progress made in implementing the reforms actually varies between different institutions. Some have achieved more than others. An independent and critical evaluation of each program component and the various projects along with the institution responsible for implementation is, therefore, necessary and timely and take appropriate measures to account. Experience has shown that justice system reform is a long term process surpassing the time frame of a typical project or program set by a government in power or a development partner financing reforms. Genuine evaluation of reform projects should, therefore, take into account various factors including implementation capacity, implementability of reform plans and genuine long term commitments. Revisiting the existing management arrangement at national and regional levels and putting in place a project style management with the necessary technical experts in each of the implementing institutions should also be seriously considered to enhance implementation.

Notes

¹ PSCAP is a public sector capacity building support project financed by the World Bank and other development partners. The credit agreement between the Government of Ethiopia and the World Bank was signed in November, 2004

² Social Courts are not mentioned in the constitution but operate in all Regional

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- ³ States having jurisdiction in small claims and minor offences. The establishment of social courts goes back to the early days of the Derg and were later recognized by the 1987 Constitution of PDRE
- ⁴ Successive purges of judges and prosecutors for various in the 1990s have also contributed to the shortage of experienced professionals created within the justice system.
- ⁵ The first high level national conference on justice system reform was organized in May 2002 with the objective of advancing ideas for comprehensive framework for justice reform and to find ways and means for partnership between government, non-government organizations and donors and civil societies.
- ⁶ In 1997 the Government of Ethiopia established the Justice and Legal Systems Research Institute with objective of "revising the laws of the country in order to guarantee the effective implementation of the constitution, ensure the prevalence of rule of law and promote economic and social development". Council of Ministers Regulations No.22/1997.
- ⁷ These drafts are found in the Ministry of Justice archives and have some times been used as reference sources in revision works.
- ⁸ Book II, Title I and II, Articles 550 - 1225 of the Civil Code of 1960 deal with the laws of Family and Succession.
- ⁹ All members of the Board of the Institute also sit on the Steering Committee.
- ¹⁰ Intentional termination of pregnancy except on medical grounds was punishable in the previous Penal Code. The new Criminal Code has under Art. 551 (1) (a), added rape and incest as additional justifiable grounds for abortion.
- ¹¹ The Acts and Documents Authentication and Registration Law was enacted by parliament (Proc. No.334/2002) as a uniform law applicable to the whole country by recommendation of the Federation Council under Art.55(6) and 62 (8) of the Constitution.
- ¹² The Women Lawyers Association has been proactive in raising various issues in the reform process and has submitted alternative draft proposal on some aspects of the Criminal Code and the Family Code to the Ministry of Justice and the Justice and Legal Systems Research Institute.
- ¹³ Inclusion of Article 102 of the Family Code which deals with community of property of a man and a women living in irregular union and abandonment of the previous family arbitration system could be cited as examples.
- ¹⁴ See for example the Constitutions of Tigray National Regional State Art. 53 (3), Amhara National Regional State Art. 62 (2), Oromia National Regional State Art. 62 (2), Gambella National Regional State Art. 64 (2) and Harari Regional State Art. 32 (2) & (3)

- ¹⁵ Federal Judicial Administration Commission establishment proclamation No. 24/1996. For Tigray, Amhara, SNNPS, and Gambella, respectively, see Proc. No. 87/1997, No. 69/2002, No. 42/2002, No. 33/2003.
- ¹⁶ For example, in Tigray Regional State JAC, the Justice Bureau, the BAR Association, the Women and Farmers Associations are represented. In the Amhara JAC, the Justice Bureau, the BAR & Women Associations are represented.
- ¹⁷ The House of People's Representatives Rules of Procedure and Members Code of Conduct Regulations No. 3/2006 provides under Art. 95 (5) & (6) that the House may delay approval of appointment of a judge until additional information required is provided and reject the recommendation for appointment if it considers that there is a fundamental problem regarding a candidate to be appointed as a judge. But this falls short of defining what constitutes a fundamental problem.
- ¹⁸ Only one model court house has been built based on the recommended design at Assosa, Benshangul-Gumuz Regional State. Although lack of fund is usually mentioned as a reason for not building courthouses, courthouse standardization is not taken as a priority in the reform program
- ¹⁹ The Office of the Attorney General was abolished by Proc. 73/1993 with the objective of creating a strong law enforcement organ by merging the functions of the prosecution with the Ministry of Justice. Another proclamation, i.e., Proc. No. 74/1993 makes prosecutors directly accountable to the Minister of Justice.
- ²⁰ Customs Authority conducts prosecution on crimes relating to Customs violations upon delegation and general supervision by the Ministry of Justice.
- ²¹ See for e.g., the Amhara National Regional State Penitentiaries Administration establishment proc. No. 67/2002
- ²² UNDP and the International Committee of the Red Cross have expressed interest to support the reform initiatives.
- ²³ Article 110 (2) of the new Criminal Code provides that "prisoners who are sentenced to rigorous imprisonment or special confinement shall be kept separate from prisoners under the age of 18 years or from adult prisoners who are serving a sentence of simple imprisonment. Sub-article 2 of the same Article also provides that "prisoners awaiting judgment or persons detained for civil debts, or public servants who, by virtue of their official duty, had contact with prisoners and who are imprisoned for a crime or detained for civil debts shall be kept separate from prisoners serving sentence."
- ²⁴ For details of the law regulating suspension of penalty and release on probation, see Articles 190-200 of the New Criminal Code.
- ²⁵ The House of People's Representatives is working on this to make laws enacted by the House available on its website. Mekele University Law School has also developed a website for some of the Major laws of the country.

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- ²⁶ The experiences of France, the Netherlands and India were suggested for consideration should this recommendation be accepted.
- ²⁷ Social Courts are the creation of the Derg time and operate at kebele level. They occupy the gray area between customary dispute resolution mechanisms and formal court systems. Their jurisdiction is defined by legislation, but the judges are unpaid and have no legal training.
- ²⁸ The Addis Ababa Chamber of Commerce has established Arbitration center for resolution of commercial disputes. The Ethiopian Arbitration and Conciliation Center is also established by private individuals as a non-profit organization. The Ministry of Justice has coordinated a survey in 2004 to assess and compile existing customary dispute resolution methods in the country with the objective of recommending whether any of the existing customary methods could be integrated with the formal justice system.
- ²⁹ For example, in 2004/05 budget year it was planned to implement all court reform projects in 721 court sites through out the country. Actually only 72 courts were covered in that year. Similarly, when revision of the codes started the plan has been to complete revision of all codes in two year. Revision of most codes has actually taken more than seven years
- ³⁰ In some cases the MoCB had hired experts on contractual basis and seconded them to implementing institutions.
- ³¹ The estimated resource requirements for the different components were provided separately. The lion's share goes to the courts, prosecution and penitentiary institutions.

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A Review of the FDRE's Urban Development Policy

Meheret Ayenew

1. Background

Coming after Nigeria, Ethiopia is Africa's second most populous nation with an estimated 77 million people. About 85 per cent of the population live in the countryside and derive their livelihood from agriculture and a rural-based economy. Nearly 15 per cent of the total population or about 13 million Ethiopians live in urban centers¹ constituting largely of small cities and towns. In absolute terms, this figure represents a low level of urbanization in comparison with many other developing nations. In recent years, however, urban growth has been running at between 5-6 per cent per annum thus contributing to a projected 30 per cent urban population by the year 2020 (Meheret 2001; CSA 2007).

Partly because of low urbanization, the economic weight of cities in Ethiopia remains low in comparison with that of many other developing nations. For example, Ethiopia's urban areas contributed 55% to GDP as against 85% in sub-Saharan Africa and 75% for low-income countries (MoFED 2005). This situation can change by a policy that favors increased urbanization and its potential role in creating a more dynamic industrial and service-based economy as a possible source for robust growth and poverty reduction. Based on the experience of other countries, urban areas can stimulate the development of trade, industry and services; and encouraging private investment and employment creation in small and large urban areas can play an important role in support of a balanced growth.

Rural-urban migration is an important contributory factor to rapid urbanization in Ethiopia. As elsewhere, both push and pull factors contribute to a high rate of urbanization. According to a World Bank study, rural push factors associated with migration to urban areas are mainly shortage of land,

¹ The Central Statistical Agency has traditionally defined urban areas as 'localities with 2000 or more inhabitants'. However, for practical purposes, an urban center includes, regardless of the number of inhabitants, all administrative capitals of regions, zones and woredas, localities with kebeles or urban dwellers Association. It also includes localities a population of 1000 or more persons whose inhabitants are primarily engaged in non-agricultural activities (Meskerem 2000).

landlessness, destitution, the need to raise cash to pay the land tax and debts incurred in paying for agricultural inputs. On the flip side, perceptions of better employment opportunities, particularly in the informal sector and in construction, information on jobs from informal sources suggesting that there is demand for urban workers and better pay than in rural areas, and social support by long-term migrants are identified as important pull factors (World Bank 2007).

Since 1995, Ethiopia has formally become a federal state with a decentralized governance and administrative structure. Accordingly, the Federal Government has devolved powers, responsibilities and resources to formally constituted regional, woreda and kebele levels of government. The federal structure comprises 9 self-governing ethnic-based regions and 2 semi-autonomous administrative areas each with considerable formal self-rule authority. Within the framework of this structure, the Government of Ethiopia (GoE) has designated 927 towns and cities of different sizes as constituting urban Ethiopia. Table 1 provides data on the number of towns and cities and population estimates distributed across regions.

Table 1. Population estimates and regional distribution of cities and towns in Ethiopia --
- 2007 (in thousands)

No.	Region	Number of cities and towns	Population		%age of urban population
			Urban	Rural	
1.	Tigray	74	854	3,595	19.2
2.	Afar	28	132	1,286	9.3
3.	Amhara	208	2,299	17,325	11.7
4.	Oromiya	375	3,691	23,613	13.5
5.	Somale	69	768	3,676	17.3
6.	Benshangul-Gumuz	13	64	576	10
8.	SNNPR	149	1,338	13,983	8.7
9.	Gambella	7	49	204	19.4
10.	Harari	1	127	76	62.6
11.	Addis Ababa	1	3,059	-	100
12.	Dire Dawa	2	308	104	75
Total		927	12,689	64,438	16.5

SOURCE: Central Statistical Agency 2007.

As can be observed in Table 1, two major urban centers -- Addis Ababa and Dire Dawa-- house about 27% of the country's urban population. Among the regions, Harari has the highest proportion of its population, i.e., nearly 62.6%, living in urban areas. The substantial majority of the country's urban population or about 73% is scattered among 924 cities and towns of different

sizes. Most Ethiopia's urban centers have relatively small populations and, out of these, only 10 cities have residents surpassing the 100,000 mark (CRDA 2005; CSA 2007).

2. The Policy Challenges

Until recently, the Government of Ethiopia (GoE) has not accorded sufficient attention to the management and development of urban areas. The national growth strategy was anchored on Agricultural-Development-Led Industrialization (ADLI), which is aimed at boosting agricultural and rural development for sustainable economic takeoff. The accent on the rural and agricultural sector has resulted in the relative neglect of the development of urban areas and the marginalization of urban constituencies from the political process. As a consequence, urban centers have been beset with a myriad of problems accumulated over the years, including organizational and resource constraints that have put severe limitations on the capacities of municipal administrations to efficiently deliver services and infrastructure (Meheret 2001).

Ethiopian cities and towns face complex social and economic problems. Most municipal administrations are poorly staffed and experience shortages of professional personnel, including qualified urban managers, planners and architects, accountants and people adequately skilled in the management and delivery of urban services. In addition, severe budgetary and financial constraints have hampered the capabilities of urban governments for undertaking meaningful local development programs and providing critical municipal services, such as clean water, housing, urban transport and other amenities

Much of urban Ethiopia is gripped by rampant poverty that has reached alarming levels. Statistics abound to indicate the magnitude of destitution in Ethiopia's urban centers. At least 70% of the urban population can be considered slum dwellers on the basis of indicators of quality of housing, overcrowded living spaces, quality of infrastructure and services available to the households and to the neighborhood, security of tenure and citizenship rights (MoFED 2005). Between 1995/96 and 1999/2000, urban poverty increased from 37% to 45%; and there are few signs that it is abetting (CRDA 2005; Dessalegn 2003). Though on average it is less than in rural areas, there are large regional disparities in urban poverty, ranging from an estimated 61% urban poverty incidence in Tigray to 27% in Afar (MoFED 2005).

The urban poverty trap is particularly acute in some major cities, for example, Addis Ababa, where nearly 60% of the inhabitants are below the poverty line (Meheret 2001b). The manifestations of urban poverty include a plethora of deep social problems, such as widespread unemployment, deplorable sanitary conditions, prostitution, homelessness, beggary, unemployment,

streetism, and a fast increasing vulnerable population that includes the handicapped, homeless children, orphans and the elderly. Inadequate and deteriorating social services and infrastructure fuel the poverty of communities (Meheret 2002).

Ethiopian cities and towns are characterized by undeveloped services and infrastructure. Several studies point to a narrow revenue base and weak urban governance structures as important explanatory variables (Meheret 2001). As was argued earlier, apart from easily observable institutional and administrative constraints, most cities serve as centers of political power and administration rather than frontline outlets for public service. Modern production and service activities are at an embryonic stage (Shewaye 2001). This state of affairs coupled with awfully poor services and inadequate infrastructure has been the single most important factor exacerbating persistent and widespread poverty in urban areas.

3. The Policy Response

It is against the preceding set of formidable challenges that the Government of Ethiopia (GoE) formulated the National Urban Development Policy. The policy was approved by the Council of Ministers in 2005 and became operational immediately thereafter.

The Ministry of Works and Urban Development (MWUD) is the lead agency for the implementation of the urban development policy. The Ministry's mission is to promote urban development as part of the national growth strategy and transform cities to centers of democracy and good governance. In programmatic terms, the Ministry is also responsible for capacitating cities and towns and making them effective vehicles for services delivery and urban poverty reduction efforts by the government. Within the rubric of the general policy, the Ministry has to see to it that 'Ethiopian cities provide efficient and effective public services to residents; compliment and facilitate rural development; are models of participatory democracy and build accelerated economic opportunities that create jobs' (MWUD 2006).

4. Policy Components

The National Urban Development Policy has two principal packages: (i) the Urban Development Package; and (ii) the Urban Good Governance Package. According to the Ministry's Plan Preparation, Monitoring and Evaluation Manual, the Urban Development Package answers the question "WHAT" is the government going to do in the next 4 years (2006-2010) in terms of delivery of

urban-based public services – those direct and tangible services that benefit urban (and rural) communities: jobs, houses, roads, schools, clinics, water supply, etc. The Urban Good Governance Package answers the question “HOW” will the government deliver the public services in the next 4 years (2006-2010) of the Urban Development Package – those less tangible but essential attributes of government service delivery that are described in terms of efficiency, effectiveness, accountability, transparency, participation, sustainability, the rule of law and security (MWUD 2007).

Together, the Urban Development and Urban Good Governance Packages form an integrated and complimentary set of initiatives that comprise the government’s “urban agenda” for the implementation of the urban component of PASDEP. Both packages have a set of projects (sub-programs) that will, when implemented together, achieve the overall objective of sustainable urban development in the country.

As contained in the urban component of PASDEP, the Urban Development Package consists of 4 projects/sub-programs, namely (1) Housing Development Program; (2) MSE Development Program; (3) Land and Infrastructure Development; and (4) Urban and rural linkages.

By the same token, the Urban Good Governance Package consists of inter-linked and mutually reinforcing project/sub-programs, namely, (1) Land development and administration systems improvement sub-program; (2) Organization and human resource management reform sub-program; (3) Urban finance and financial management reform sub-program; (4) Urban infrastructure and service reform sub-program; (5) urban planning reform sub-program; (6) Justice reform sub-program; (7) Public participation reform sub-program; (8) Construction industry capacity building; and (9) MWUD capacity building.

As articulated in the document, the policy is aimed at overcoming constraints hampering urban development in the country, namely, (i) development related constraints; and, (ii) constraints related to democratic system and good governance. Cited as critical development problems are lack of adequate infrastructure, inadequate and poor quality of social services; lack of residential houses and dilapidation of urban villages; lack of recreational centers and environmental pollution, absence of strong rural-urban linkages in the settlement pattern of the urban centers; and absence of balanced development and linkages between urban centers. In addition, the policy document has identified lack of proper and adequate political administrative and resource allocation in line with decentralized system of governance; lack of participatory development; lack of political leadership with adequate competence; and lack of authority to collect and utilize their own revenue as manifestations of deficient urban governance (MWUD 2005).

5. Policy Strategy

It is explicitly provided in the policy that the Ministry of Works and Urban Development will develop a comprehensive strategy to steer the effective implementation of the national urban development policy. Among other things, this strategy consists of the following amalgam of key sub-programs that need to be carried out to insure the timely realization of important policy goals.

- Land development and administration systems improvement sub-program.
- Urban infrastructure and services improvement sub-program.
- Urban finance and financial management systems reform sub-program.
- Organization and human resource management reform sub-program.
- Public participation reform sub-program.
- Urban planning improvement sub-program.
- Law and justice reform sub-program.

Apart from the above, the strategy consists of key sub-programs and major issues to be addressed through the implementation of the sub-programs. To enhance the feasibility of the policy, an inventory of qualitative and quantitative performance/target indicators that need to be achieved are also identified. These will serve as benchmarks to monitor the overall success and achievement of the parent policy. To date, an in-depth and independent assessment of the progressive implementation of the afore-stated sub-programs has not been carried out and this has made it difficult to gauge the outcome as well as the overall success of the national urban development policy.

6. Core Focus Areas

The 2005 Urban Development Policy was adopted against a background of a significant shift in the Government's position towards urban development and its integration into the overall growth framework. This turnaround is reflected in the second generation overall development and growth strategy commonly referred to as PASDEP—a Plan for Accelerated and Sustained Development to End Poverty—2005/06-2009/10, which calls for a more focused attention to address multi-faceted problems affecting urban areas in the country. As contained in the document, six priority areas in urban development are identified and targets are set to achieve results that accelerate sustainable development to end poverty during the plan period. The details are provided as follows:

Urban unemployment and poverty: Fighting poverty in urban areas needs to focus on raising returns to labour (e.g., with vocational and technical training), and fostering job opportunities through labour-intensive community-based public work and support to the micro-entrepreneurs and the self-employed, especially through access to credit. Targeted programs to facilitate capacity building and inclusion in the labour markets for special groups now marginalized, such as beggars, street children, orphans and commercial sex workers, are also needed.

Improving urban governance is central to making cities more capable of responding to local needs and to create a good environment for private sector development and job creation. This involves increasing transparency, accountability and efficiency at all levels. Speeding up the ongoing municipal reform program and the effective implementation of the draft comprehensive national urban development policy will be instrumental to reach these goals.

Institutional capacity needs to be built and existing vacancies in municipal government at the managerial, professional and technical levels need to be filled. Reviews of organizational arrangements and appropriate equipment are needed, particularly for the cadastral system.

Infrastructure development calls for promoting community-based infrastructure upgrading and management programs, constructing and upgrading various types of infrastructure, supplying essential heavy-duty machinery principally through pool systems and establishing mechanisms for coordination among the agencies involved in the production and delivery of infrastructure. Pilot programs to experiment with standards and management approaches will also be designed.

Housing upgrading is a key component of a strategy to improve the life of slum dwellers. A comprehensive analysis is needed to determine the proportion of slum housing units to be replaced and those to be upgraded, the amount of land needed and the acceptable residential density to be targeted.

Urban environmental issues need to be tackled by putting in place and implementing a regulatory framework, by promoting community based environmental protection and upkeep programs and by launching programs for workable soil conservation and forestation.

Urban civil society, including professional women and youth organizations, and grassroot groups such as *iddirs* and *equbs* will be mobilised to collaborate in the

slum improvement effort. NGOs will also play an active role in supporting the urban poor to access land, shelter and services through the provision of micro-finance.

7. Cost Estimates

As outlined in PASDEP, the urban development policy is to be implemented within a timeframe of 10 years, i.e. 2005/06-2009/10, and is projected to cost about USD 6.3 billion. It is also indicated that housing will be the largest ticket item accounting for 58%; self employment generating activities account for about 7%; targeted programs for persons with disabilities about 6%; support for small and micro enterprise and job creation about 4%; improved access to land, infrastructure and services about 12% ;and liquid waste management and capacity building account for 5.2 and 4.1 percent respectively. Roads, out of which 70% are gravel access roads, account for 3.0 % of the total (PASDEP 2005).

Operation and maintenance, which is shared by all the areas of intervention considered, accounts for 8.5 % of the total estimated cost. These interventions will be gradually phased in with a modest build up of activities in the first 3 years, followed by 5 years of more expanded activities before going back to more limited activities.

8. Policy Outcomes

Significant outcomes have been registered since the start of the implementation of the national urban development policy. According to the bi-annual progress report put out by MWUD, these fall into two major categories. The first set of achievements relates to measures aimed at capacity building and preliminary steps that will facilitate the effective implementation of the parent policy. In this category can be included preparation of project guidelines for the various sub-programs; site selection and plan designs for urban housing projects in Addis Ababa and selected regional cities and towns; preparation of plans and tenders for the roads component of the policy; finalization of administrative and financial manuals and guidelines; preparation of training manuals for various categories of municipal personnel in service and infrastructure provision; completion of feasibility studies for the different components of the urban development package; and the launching of different workshops and seminars intended to enhance awareness on the various aspects of the policy.

The second category of outcomes of the urban development policy are more direct, tangible and lend themselves to evaluation in quantitative terms. Some of the major ones covering the July 2005/6-December 2006/07 reporting period are cited as follows:

- 30 urban managers trained at the masters'-level training in urban management in the Ethiopian Civil Service College.
- 4-month training offered to 723 municipal personnel in construction management and design; office engineering and contract administration; production quality control and supervision; technical/professional training in the management of MSEs.
- Site selection and design preparation completed for the building of 85,045 houses in 55 cities across the country planned for 2007/08.
- 1,093 houses built in Addis Ababa in 2000.
- Construction of 457 blocks of houses underway in Addis Ababa.
- An 815 ha. site selection finalized for the construction of 121,000 houses in Addis Ababa.
- An 366 ha. site identified for the planned construction of 4,392 houses in 1999 and an additional 40,000 houses in 2001 in Addis Ababa.
- Loans amounting to Birr 39,169,075 given out for MSEs.
- Construction of 3137 kms of roads completed in 2000.
- 9121.1 kms of roads of various grades built between July 2005/06-December 2007/08.
- In 2005/06, 400 urban managers started masters-level training at the Ethiopian Civil Service College in cooperation with the Institute of Housing and Urban Studies (HIS), Rotterdam, Netherlands. This will boost the human resource capacity of municipal administrations in the different regions of the country.
- 129,352 job opportunities created in the housing construction industry.
- In MSEs, 64,201 job opportunities created, the highest (37%) going to Addis Ababa.

The preceding achievements are indicative of the success of the policy so far, and are based on reports put out by the Ministry. The credibility of these accounts will have been enhanced if there has been a more systematic and

independent assessment of the outcomes as well as the challenges of the policy and the different sub-programs.

9. Policy Gaps

The National Urban Development Policy represents a comprehensive set of measures to promote sustainable development by providing quality and affordable services to residents in Ethiopia's cities and towns. Its effective implementation can help resolve some of the intractable problems, such as bad governance; grinding poverty; and poor and deteriorating services and infrastructure, plaguing urban areas in the country. For the policy to bear fruit, constant review of goals, targets and outcomes is necessary for the purpose of identifying gaps that might not have been envisaged when the policy was formulated.

9.1 Financing of the Sub-Programs is critical for the success of the Urban Development Policy

One possible gap that can be identified in the National Urban Development Policy is the issue of resource envelope that will be required for the successful implementation of the different goals and sub-programs. Simply put, the policy has missed out on providing projections of the resource contributions from the federal and regional governments, municipal administrations and expectations from development partners (donors). This should have been clearly spelt out as a critical element because such articulation will only enhance the political and economic feasibility of the policy within the projected period of implementation.

9.2 Appropriate time frames are necessary for the effective implementation of the different policy goals

Providing appropriate time frames for the attainment of different policy goals is one of the yardsticks of an acceptable policy. The Ethiopian National Urban Development Policy must also be assessed from the same parameter. Viewed from this angle, the policy has failed to draw a distinction among policy goals that require short- and long-time perspectives for their attainment. Such a gap reduces the policy's effectiveness as a guide to action, and may create difficulties in ensuring accomplishment of objectives as per stipulated deadlines and monitoring of policy outcomes against target indicators.

As has been reiterated earlier, the principal aim of the urban development policy is to promote sustainable development by addressing critical social and economic problems afflicting residents. At the centre of this concern is the

effective and efficient provision of services and facilities, including housing, urban transport, jobs, water, sanitation, education, health services, etc. to a fast increasing urban population. To be able to successfully achieve these goals, a number of inter-related steps have to be taken as integral components of a comprehensive urban development agenda. Some of these missing links are highlighted in the following discussion for the purpose of providing inputs to refine the current urban development policy.

9.3 The provision of basic services must be an essential component of an effective housing program

Provisions for the supply of badly needed infrastructure and services, such as roads, water and telephone, etc. are missing elements in the urban development policy. This has undermined government efforts to supply affordable housing. In many housing projects, be it either government-, cooperatives- or individual-owned, it has now become commonplace to find very many housing construction projects underway before essential services and infrastructure are put in place. Apart from rendering the policy ineffective, not many would-be homeowners will be willing to move into areas that are inaccessible and where critical services are lacking. This gap can be attributed to the fact that the cost of infrastructure and services are not factored in the design of the urban development policy. Hence, it is only logical that the costs of infrastructure and services should be considered as essential investments in the effective implementation of the policy.

9.4 Need for investment projections for infrastructure and services along with the supply of serviced land

Supplying serviced land is only one element of the equation for affordable and decent housing. In Addis Ababa and other major regional cities, city governments are generous in making available serviced land at affordable lease rates for private homes and commercial construction. However, most of these sites are either inaccessible or far removed from the nearest available electricity, telephone or water installation. This makes it extremely difficult for potential developers to initiate construction and are compelled to wait for years for the services to be provided. This has indeed affected the pace of implementation of the urban development strategy. It is proposed that the current urban policy be reformed by incorporating provisions to generate adequate resources for investment in infrastructure and services in areas slated for private and commercial housing development. Simply put, the cost of infrastructure and facilities must be recognized and integrated into the overall development

package. Cost-sharing arrangements and other alternative financing mechanisms, such as long-term bank loans to be repaid overtime from toll and/or user fees, can be considered to fill the gap.

9.5 An accelerated housing program is urgently needed to meet the massive backlog in the demand for housing

At present, there is an enormous backlog in the demand for housing in Ethiopian cities and towns. According to available studies, in Addis Ababa alone, there is currently a need for between 350,000 to 450,000 housing units to be supplied in the next 10 years to adequately 1) shelter new households being formed, including in-migration; 2) replace housing that is demolished or significantly below-standard; and, 3) make up the backlog of housing deficit for the existing, overcrowded population (Bertrand 2004; Curran 2007).

In recognition of the magnitude of the problem, the Addis Ababa City Government has started to take concrete steps. In recent years, the City Government's Grand Housing Scheme (also known as the "Low Cost Housing Scheme") has taken a significant step to meet some of this need by planning for 32,000 condominium units to be built in various sites in the center and in the periphery of Addis Ababa, of which about 3,000 have been completed in 2006, with many of the remainder due to be completed before the end of 2007 (Curran 2007). While this constitutes a good beginning, it is only a small drop in the ocean and is unlikely to address this overwhelming problem in the near future. Hence, what is needed is a comprehensive and integrated program of housing that encompasses the following courses of action:

- Reduce the cost of borrowing by making bank loans available at subsidized mortgage rates for potential home builders;
- Offset the escalating cost of housing and thus make it affordable by making it obligatory on Technical Departments of City Governments to provide technical and design services free or at minimal charges, particularly to home builders with low-to-median incomes;
- Provide incentives to the private sector (for example, making serviced land available at concessionary rates) to participate in the provision of affordable housing;
- Provide additional incentives to cooperative and self-help housing initiatives to encourage home ownership. This strategy can reduce overhead costs and associated charges; and make housing relatively affordable.

9.6 Democratically elected urban councils are a sine qua non for good urban governance

The absence of a clear articulation of the necessity for good urban governance stands out as a major gap in the current national urban policy. Apart from its services and infrastructure components, the Government's urban reform agenda will bear fruit if it also focuses on building democratic institutions and structures at the local level. For this, putting sufficient focus on democratically elected urban councils that are responsive to the needs and concerns of urban residents should be the first order of business to promote a good urban governance agenda. It is, therefore, absolutely necessary to lay out policies and procedures to provide for freely and competitively elected urban councils to manage Ethiopian cities and towns. This democratic dispensation can help institutionalize popular urban councils that are accountable, transparent, representative and inclusive of all social and economic groups in an urban constituency. Needless to say, this will also promote broad participation in urban governance and facilitate the efficient and effective delivery of services and infrastructure, including housing, roads, transport, health and education, to an ever expanding urban population.

9.7 The issue of adequate revenue needs to be highlighted as critical to the success of the urban development agenda

Adequate revenue is basic to the success of urban administrations. Simply put, the capacity of city governments to deliver services and infrastructure largely depends upon sustained and continuous availability of revenue. In this regard, the National Urban Development Policy says very little about means and mechanisms for financing urban services and infrastructure. Absence of clear policy guidelines on enhancing the revenue capacities of municipal/city governments does not augur well for an effective urban development program.

The financial reform sub-program of the Urban Development Policy broadly addresses issues pertaining to local financial management, such as computerizing the financial system and budget processes, audit reform and computerization of the system of accounts; preparation of model manuals, rules and regulations as basic to transparent revenue and expenditure management, and transparency and efficiency in accounting and disbursement practices of urban governments. While these are important technical concerns, they do not address the whole gamut of revenue and financing arrangements with important bearing on the efficient delivery of services and infrastructure by urban governments. It is, therefore, suggested that the policy present options to address the following concerns:

- How are municipal services and infrastructure to be financed on a sustainable basis?
- What should be the taxing power of urban councils?
- What kind of supervisory and control mechanisms should be employed to regulate the jurisdiction of urban councils to levy taxes or raise revenues?
- What kinds of charges and fees need to be introduced to provide for the continuous provision of services and infrastructure?
- Can municipal governments institute cost sharing arrangements for service delivery?
- What avenues and options are available to city governments to provide subsidized services to the vulnerable, poor and marginalized urban groups?

Providing realistic options to the preceding set of policy concerns will only enhance the practical implementation of the country's urban development agenda.

9.8 The need for a housing policy that targets low-income households

It is estimated that the median income in Addis Ababa is currently less than 550 birr per household (perhaps in the 500 – 525 birr per month range), and that over 60 - 70% of the population worked in the informal sector or were unemployed in 2006 (PADCO 1997; Curran 2007). Because of steep rises in construction costs, most of these households cannot make down payment on market rate housing or even partially subsidized housing, such as the condominiums currently being built for sale as part of the Low Cost Housing Scheme. In addition, they cannot also afford monthly payments that would adequately cover the real cost of even very basic standard quality housing. Simply put, for some years to come about 70% of Addis Ababans will not be able to afford a formal minimum house of 25 m² (the minimum allowable size), which means that providing improved, standard quality housing that is affordable to the urban poor cannot be achieved under current conditions.

Hence, given the extremely limited financial resources of the urban poor in Addis Ababa there is an urgent need to develop and implement mixed-use neighborhoods. Such a policy will make the availability of valuable commercial land conditional upon including a certain percentage of low- and moderate-income residential development; sufficient funds would be available to cover the

initial capital cost of standard housing for low-income households, to partially subsidize moderate income housing, and to provide adequate roads, sewer, and public space infrastructure to benefit both commercial and residential components of a mixed-use neighborhood (Betraud 2004; Curran 2007).

10. Concluding Remarks

Urbanization is an irreversible process in Ethiopia. Population pressure on limited rural land will continue to force more and more people to move to cities and towns in search of better economic opportunities and incomes. This will inevitably put increasing pressure on municipalities and city governments to provide affordable and quality services and infrastructure to a spiraling population. One of the requirements to live up to such a challenge is to put in place a comprehensive policy that will address critical social and economic problems plaguing urban Ethiopia. Equally important, such a policy should encourage the development of a vibrant industrial and service economy that can improve living standards; raise incomes; and generate employment for an ever-increasing urban population. .

Urbanization in Ethiopia can be either an opportunity or a challenge. It can be an opportunity because, given the right policies, urban areas can provide a dynamic setting for accelerated economic growth and sustainable development and poverty reduction. This can in turn augment revenues of city governments/municipal administrations thus enhancing their financial and institutional capacity to increase the range and quality of services to urban residents. The cumulative effect of such a scenario will lead to the drastic reduction of urban poverty, which has become a formidable threat affecting the socio-economic fabric of Ethiopian society.

On the flip side, if not properly managed, urbanization in Ethiopia can spell disaster. Failure to respond to demand for good urban governance including accountability, responsiveness, rule of law, effectiveness and efficiency, will not augur well for the future of urban Ethiopia. Equally critical, currently observable deficiencies in the provision of badly needed services and infrastructure, including provision of adequate housing, education, health, transport, proper sanitation; and the generation of a conducive environment for sustained urban growth, must be addressed to mitigate widespread poverty and create stable urban constituencies.

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