FEBRUARY 2003 • BACKGROUND DOCUMENTS
COUNTRY STRATEGY ETHIOPIA 2003–2007

Country Analysis

Ethiopia

Contents

Annexes:

Published by Sida 2003

Department for Africa

Print: Elanders Novum AB, 2003

Articlenumber: SIDA2137en

1. Introduction

Ethiopia is oldest recipient of Swedish development assistance. Development cooperation with Ethiopia started in 1954 with the provision of support to a technical institute.

Sweden resumed its relationship with Ethiopia after the fall of the Derg regime in 1991 when power was taken over by a coalition of parties named EPRDF (Ethiopian People's Revolutionary Democratic Front). The leading party in the coalition is TPLF (Tigray People's Liberation Front). EPRDF and TPLF were formed during the fight against the previous military regime following the marxist model of an elite, vanguard political movement. While the stance of EPRDF has evolved since it took power in 1991, it still does not easily embrace political pluralism.

Ethiopia began the 90's witth a vision of reversing the social-economic decline of the earlier regime and rapidly transforming the economy. Adjustment policies focused on liberalization, of prices and markets, the reductions of tariffs and so on. The reforms were complemented with fiscal and monetary discipline. The donor community embraced this new path to the future.

The Ethiopian-Eritrean war that broke out in May of 1998 haltered the Swedish development cooperation as well as the planned country assistance strategy. With a peace accord now in place and an acceptance of the ruling from the UN Border Commission, there seems to be new ground for intensified and increased development assistance to Ethiopia.

Given the country's deep and widespread poverty, development assistance plays an important part in the Ethiopian economy. Nevertheless, a clear ownership of its own development process is a characteristic of the Ethiopian government. However, when assessing the results of EPRDFs ten years in power, there is an obvious gap between the rhetoric and results actually achieved in reducing poverty among its citizens.

As Ethiopia is one of the poorest countries in Africa, the reduction of poverty is the main goal for the development assistance. For that reason, a poverty analysis is a natural point of departure for the country analysis. This approach is also coherent with the starting point for the recently developed PRSP, putting the reduction of poverty at the centre of Ethiopia's development efforts.

2. Poverty in Ethiopia

2.1. The characteristics of poverty in Ethiopia

Box 1: Ethiopia and the millennium goals

– Goal: Reduce extreme poverty by half by 2015. PRSP: Poverty headcount reduced from 44% 1999/00 to 38% 2004/05

– Goal: Reduce by half the proportion of people suffering from hunger by 2015. PRSP: Poverty headcount index reduced from 42% 1999/00 to 36% 2004/05

– Goal: Universal access to reproductive health services by 2015. PRSP: Access to health services 65% by 2004/05.

– Goal: Reduce maternal mortality ratio (MMR) in 1990 by 75% by 2015. PRSP: MMR reduced from 500–700 2000/01 to 400–450 per 100,000 by 2004/05.

– Goal: Universal access to education by 2015. PRSP: Gross enrolment ratio increased from 57% 2000/01 to 65% by 2004/05.

– Goal: Universal access to safe drinking water by 2015. PRSP: Access to clean water increased from 30% 2000 to 39% 2004/05

Source: PRSP, 2002

By all indicators Ethiopia is one of the poorest countries in the world. GDP per capita is about USD 100 to be compared with Tanzania at 240 USD and Mozambique at 200 USD (2000). The UNDP Human Development Index for 2002 places Ethiopia in 168th position of 173 countries.

Poverty in Ethiopia is broad, deep and structural. According to the 1999/2000 Household Income Consumption and Expenditure Survey (HICE), the proportion of people living in absolute poverty in is around 44% at national level with 45% in rural and 37% in urban areas. An independent survey carried out by Ethiopian Economic Association (EEA) estimated people living in absolute poverty to 53%.

The PRSP analysis on poverty reveals large differences in income poverty and social indicators across regions, which underscores the importance of the government's regionally differentiated poverty reduction strategy. Nationwide, the highest percentage of people living in absolute poverty is found in found in Tigray and Afar regional states. The regions populated with pastoralists are regarded as least privileged with health and education services. Tigray. Benishangul and the SNNPR are ranked at the end of both infant mortality rate and life expectancy. The HICE also indicates that poverty still is predominantly a rural phenomenon. The rural population amounts to approx. 85% of the total population while their contribution to total poverty head count index is 88%. The Gini coefficient in 1999/00 of 0.28 with higher income inequality in urban areas (0.38) than in rural areas (0.26). Compared to 1995/96 the Gini coefficient has declined in rural areas while it increased slightly in urban areas.

Rapid population growth poses an enormous threat to the development efforts in Ethiopia, and more specially on the reduction of poverty, leading to high dependency ratios, and pressures on natural resources and strains on the education and health systems. It might be that population growth is the most important challenge for the Ethiopian Government in the future.

The country has high levels of malnutrition; half the population has a calorie intake lower than the minimum recommended level. The food poverty in urban areas is increasing and exceeds the rural incidence (41 and 47% respectively). Child wasting is found to be higher in rural than in urban areas, 10 and 6% respectively. The prevalence of child stunting, a reflection of long-run malnutrition, is 58 and 44% in rural and urban areas. Both wasting and stunting has declined some 4 and 15% respectively since 1995. On average, the prevalence of wasting and stunting is less prevalent among girls than among boys.

Measuring change in poverty is extremely difficult since poverty reduction is a long-term process of sustained pro-poor growth and not amenable to improvements in a short period of time. Different studies also yield different results. According to studies carried out in 1989 and 1995 (on a small sample) the incidence of poverty fell and food consumption grew during the period. The results suggest that economic reforms increased crop prices, which fuelled economic growth. The growth process could be considered "pro-some-poor"; those with better endowments in terms of good land and location, mainly access to roads, towns and markets were able to move out of poverty. Returns to education also appear to have increased considerably during the period, however with marginal impact on growth given the low average levels at the time of the study. The findings are consistent with the HICE results based on data from 1995/96 and 1999/00.

However, the results from another survey by EEA as well as PRSP consultation reports, suggest on the contrary that poverty is increasing. The EEA study argues that over the last three decades there has been a shift from "smallholder (farming) to micro-agriculture …where households have insufficient capital assets and are trapped in production for survival". The number of poor below the poverty line is increasing because holdings are becoming smaller, in parts of the country they are too small to sustain a family. Already 11% of the rural population is landless and that number is also said to be on the increase.

Based on the most recent study carried out within the PRSP, poverty in Ethiopia is highly correlated with the size and composition of households, the education of the head and the wife of the household, asset ownership, particularly ownership of oxen in rural areas, the distance to infrastructure, social services and urban areas, the crop types produced by farmers and the occupation of the head of household. There is no significant difference between male- and female-headed households in rural areas. In urban areas, however, female-headed households have been found to have higher poverty incidence, depth and severity. However, the concept of poverty in the PRSP still lacks a multidimensional approach, not clearly pointing out the lack of opportunity, empowerment and security as determinants of poverty.

The dependency ratio seems extremely important in affecting poverty status, mainly in rural areas. If the dependency ratio increases with one, the probability of falling into poverty increases with 31%. The policy implications of this pattern seem clear, a need to address rapid population growth as well the provision of job opportunities for adult labour.

Encouraging the expansion of exportable goods, particularly non-traditional crops, seem to have an impact on the reduction of poverty. Also access to markets and public services clearly have a poverty-reducing effect. In rural areas closer to a big city or town with easier access to markets, poverty is less prevalent.

Moreover, the link between the lack of farming assets and poverty reduction seem clear. Based on the results of the HICE survey, the addition of one ox can result in a decline in the probability of being poor by almost 7%. However, very little is said in the survey of the impact of lack of land ownership in Ethiopia. The land ownership issue is of crucial importance when improving soil productivity and reducing poverty.

Finally, when comparing farming and off-farming activities, households involved in off-farming activities are more likely to be poor than those involved in farming. Thus, off- farming activities seem more of a coping mechanism for the rural population than a way to accumulate wealth and reduce poverty.

2.2. Food security

Food security is an overriding concern for the Ethiopian Government. It is the poor who generally have least access to natural resources, entitlements, employment opportunities and income, and who are most chronically food-insecure. They are also the most vulnerable to acute food insecurity resulting from external shocks, exacerbating their already precarious situation. The old, infirm and very young, as well as women in general, tends to be disproportionately affected by food shortages, both acute and chronic.

The increase in annual food supply is lagging behind the population increase. Overall land under cultivation remains stagnant and opportunities for expansion seem limited. As population is increasing farm size continues to shrink. Past attempts by the government and donors to intensify rain-fed agriculture using improved agricultural inputs have largely failed. Despite substantial potential for irrigated agriculture the area under irrigation is very small due to lack of knowledge and investment.

While the majority of the food insecure live in rural areas, food security is also emerging as a growing urban phenomenon. Rural/urban migration, itself fuelled by rural deprivation and conflict, has led to a breakdown in traditional coping mechanisms and to widespread urban unemployment.

Although food production does not always satisfy demand there is at times surplus production in some parts of the country where the agro-climatic conditions are more favourable. Lack of market infrastructure and poor roads cause high transportation costs and constrain the movement of produce between surplus and deficit regions. The fragmentation of the grain market also causes severe problems. If bottlenecks in the functioning of the grain market could be eliminated food security would be much improved.

2.3. How can poverty be attacked

As stated earlier, 85% of the population is rural and depends almost entirely on agriculture for its subsistence. Issues of poverty and food insecurity must therefore mainly be addressed within the agriculture sector. Increasing agricultural productivity alone cannot, however, solve the food security situation in Ethiopia. Arable land is limited and it is necessary to increase holdings to make farming viable and raise rural incomes; it is equally important to stop the fragmentation of holdings into tiny plots.

Measures to attack poverty and improve food security must not merely focus on increasing productivity but also concentrate on creating alternative sources of income. Expanding and improving the existing micro finance services can play a significant role in promoting non-farm income generating opportunities. There must also be an improvement in the marketing of food between surplus and deficit areas. Non-peasant private sector development needs to be further enhanced to promote both economic diversification and increased trade. The road network, market places and other rural infrastructure must be improved. These measures would create *opportunities* for poverty reduction.

The empowerment aspect of poverty reduction is equally important. The decentralisation process, which would imply increased participation at the grassroots level, form an important element of an empowerment strategy, which is at least rhetorically pursued by the Ethiopians government. The democratic deficit, landlessness, the situation and so forth for women clearly hamper the empowerment of Ethiopia's poor. A more thorough discussion on these aspects of poverty is found in chapter 3.

Moreover, the concept of security as a dimension of poverty also needs to be addressed. The vulnerability to different shocks suggests that growth and poverty reduction would benefit from safety nets in the form of food security, insurance systems and better markets for savings and credit. Also social sector development, environmental protection and gender sensitivity is of equal importance.

3. Democracy and rights issues

Box 2: The political parties
The political parties in Ethiopia can be divided into three categories: the parties belonging to the Ethiopian People's Revolutionary Democratic Front (EPRDF); the EPRDF-affiliated parties; and the opposition parties.

The EPRDF parties
- – The Tigray Peoples Liberation Front (TPLF)
- – The Amhara National Democratic Movement (ANDM)
- – The Oromo People´s Democratic Organisation (OPDO)
- – Southern Ethiopian People's Democratic Front (SEPDF)

EPRDF-affiliated parties
- – Afar National Democratic Party (ANDP)
- – Somali People Democratic Party (SPDP)
- – Harari National League (HNL)
- – Benishangul/Gumuz Peoples Democratic Unity Front (BGPDUF)
- – Gambella Peoples Democratic Party (GPDP)

Opposition parties
There is a wide range of legally registered opposition parties. Only a handful of these parties have the potential to play a role influencing existing power relations within a national context. These parties are:
- – Southern Ethiopian Peoples Democratic Coalition (SEPDC)
- – All Amhara People's Organisation (AAPO)
- – Oromo National Congress (ONC)
- – Ethiopian Democratic Party (EDP)

Seats in the national parliament
Today EPRDF has 447 of the 547 seats in the present parliament while the opposition has 25 seats and independent candidates have 75 seats. Most of the independent candidates are in practice EPRDF-supporters.

On assuming power in 1991 the EPRDF promised to implement an ambitious programme of political reforms, enshrining democratic standards and the respect of human rights. Their promise was followed up with a process of accession to international instruments of human rights. Acceding to these instruments implies that the Ethiopian government is obliged to draft and implement their policies in coherence with international human rights standards. The Ethiopian Constitution reconfirms this view and contains elaborate chapters on human and democratic rights.

3.1. The democratic culture

The concept of democracy is not deeply rooted in Ethiopia. During the emperor's regime and the subsequent military government, there was no real parliamentary opposition. When the EPRDF took power in 1991, a slow movement towards a parliamentary system was initiated.

However, the first elections to Parliament in 1995 were not free and fair. Representatives of the EPRDF dominated the elections, improprieties of various types occurred, and the opposition withdrew.

The next parliamentary elections were held in May 2000 with the participation of 17 opposition parties and the government coalition with its four main parties and several supporting parties (Box 1). The government encouraged the opposition parties to participate and permitted donors to contribute to a fund that financed their campaigns. However, the EPRDF won a decisive victory.

The parliamentary elections in 2000 were considered to have been held correctly, with the exception of one area in the SNNPR where the opposition has a stronghold. The election had to be held again in this area. Thereafter, there has been extensive harassment of the population in this area with elements of violence by the police and army. The local elections that were held in February/March 2001 were marred by harassment of this type against the opposition. In most constituencies opposition candidates withdrew and did not participate in the elections. The opposition was accused of participating in the riots in Addis Ababa in April 2001, and more than one hundred of its representatives were arrested. Most were later released by the courts and not prosecuted.

A point of departure for a discussion on the democratic culture in Ethiopia is the concept of revolutionary democracy used by EPRDF. According to a study of power structures[1] in Ethiopia commissioned by Sida as part of the country assistance strategy, that concept differs radically from the a more established concept of liberal democracy, based on individual participation, a diversity of interests and views and plural representation. EPRDF's concept of democracy is more rooted in communal collective participation, and representation based on consensus. The peasantry, which form the dominant power basis for the ruling party, is viewed as a homogenous mass with common needs, interests and political outlook. For that reason, EPDRF has never appeared as a political body committed to pluralism for its own sake.

The 1994 constitution created a system of governance characterized as "ethnic federalism", a federal state that recognizes the right of ethnic

[1] Structures and relations of power in Ethiopia Report for SIDA, Sarah Vaughan and Kjetil Tronvoll, May 2002

groups to certain self-government. This in combination with increasing competition for land and other natural resources appears to be the underlying reason for a rising number of conflicts between ethnic groups, particularly in the Southern Nations and Nationalities People's Region (SNNPR).

The constitution provides for the freedom of speech and of the press. However, the government uses legal and other mechanisms to restrict these rights in practice. The government has prosecuted journalists and editors for publishing articles that violated the law. There are complaints that the press law now in force includes clauses that provide for imprisonment of journalists for loosely defined and arbitrarily applicable crimes. Nevertheless, Ethiopia has a fairly vigorous and active private press but it only reaches a very small part of the population. Its independence however, should be questioned.

The broadcasting media are totally under government control. The populist and widely listened to Radio Fana has been a highly effective tool in EPRDF's mobilisation strategy. In 1999 the government issued a proclamation to create a broadcasting authority for reviewing applications for private radio and television licenses, but this authority has yet to be established. Regional radio and TV-stations are now established in three regions, Amhara, Tigray and SNNPR, but they are all operated by the government.

The process of democratisation in Ethiopia during the last decade has faced severe challenges, and the conduct of elections has partly been hampered by government interference and manipulation. The exclusion of plurality of opinions at the local level is a particular concern in view of the decentralisation reform process. Concrete action from the government authorities would be needed to back up the government's formal commitment to democracy on the ground. A genuine democratisation process in Ethiopia requires both transformation as well as democratisation of social and economic relations at all levels of society. Until now, the Ethiopian government exercises an almost monopolistic control over all resources, (i.e. state budget, land assets, job opportunities, specifically outside the major cities), making the question of expansion and equal access to resources and decision-making powers of the state crucial.

3.2. Recent political change

In March 2001 it became apparent that there had long been a schism within TPLF caused by different views on the war with Eritrea and on economic policy. The prime minister and his supporters prevailed, while dissidents were expelled from the party and some arrested accused of corruption. The rift within TPLF caused division and bitterness in Tigray that still obtains.

In October 2001, the government presented an overview of their new policies. The overview was self-critical and pointed out several weak points in the policies pursued during the last ten years, e.g. serious shortcomings in the public administration and the legal system. At the same time, it emphasised the importance of democracy and good governance. Democracy had to be built up from the bottom with the active participation of the people. Emphasis is placed on strengthening local assemblies at woreda and kebele levels. Ethiopia would continue to promote a market economy and economic reforms. The independence of the courts was given prominence, as was the need to reform old-fashioned legislation and strengthen the legal system. Both the opposition parties and the press would be respected in accordance with the constitution, as long as they observed the law.

3.3. Alternative political scenarios for the future

Given the recent political change that has taken place in Ethiopia as well as EPRDF's first ten years in power; what are the different scenarios that are plausible for the democratisation process in Ethiopia of today? The different scenarios will however, not be linked to the development of different aid packages but should rather be viewed as identifying areas of concern to which to concentrate the political dialogue.

3.3.1. Best-case scenario

In this scenario, many of the "renewal policies" adopted by the political leadership will actually be implemented. The self-criticism expressed on lack of democratic performance, both internally in Ethiopian society at large, transforms into an attempt to tackle past shortcomings, with particular regard to lack of internal democracy. The reform-processes vis-à-vis capacity-building, devolution of power to regional governments and *woredas*, can go on undisturbed, aiming at the facilitation of political liberalisation, and making the structures of government more effective, transparent, and accountable. Following that, the opposition parties can enter into a constructive dialogue. The Ethiopian society will mature politically, and the upcoming elections in 2005 are an important milestone in the consolidation of an inclusive, liberal democracy.

3.3.2. Most likely scenario

Whatever its intentions, the TPLF/EPRDF renewal and reform process remains focused on the elimination of internal dissent, with the political leadership concerned less with developing a more politically plural and open Ethiopia, than with containing internal party pressures and satisfying the immediate demands of the donor community. Unshaken in its commitment to revolutionary democracy, EPRDF will be continue to use repressive mechanisms to clamp down on opposition. Opposition parties, which are regarded as non-threatening, will be allowed to operate and argue, thus maintaining the illusion of pluralism. Since the opposition is so weak as it is, EPRDF will manage to keep a sufficient control in the short to medium term, until they are either pressured to liberalise (scenario above), or turn more repressive/authoritarian (scenario below).

3.3.3. Worst case scenario

The position of the EDPRF and Meles is weakened, particularly in Tigray. In order to tackle the growing tensions and conflicts throughout the country, the government has to turn more and more authoritarian and repressive. Ethiopia will slowly disintegrate, as the central government is loosing the control over peripheral regions (Somali, Benishangul-Gumuz, Gambella and western and southern Oromia). Regional resistance movements will operate within semiautonomous areas, creating an unstable situation throughout the Horn of Africa.

Obviously, it is quite possible that elements of all three scenarios will be evident in future developments.

3.4. Perspectives on external and internal conflict

Since they war with Eritrea ended with the peace agreement in December 2002, the peace process has held and was reaffirmed in April of 2002 when both countries accepted the ruling of the UN Border Commission. There is a cold peace with little prospect of normalisation as long as the current regimes remain in place, but it is unlikely that hostilities will resume. Demarcation of the border determined by the Border Commission is likely to require at least 18 months and has not yet started. UNMEE will remain in place until demarcation is complete.

Regionally, there are other factors that could have an impact on the development in Ethiopia as the country plays a crucial role in the stability of the Horn of Africa. Both internal conflicts in Somalia and Sudan as well as the international fight against terrorism could potentially have an impact on Ethiopia. The worsening internal situation in Eritrea could also have a destabilising effect on Ethiopia as well as the region as a whole. Access to the sea, specifically to the port of Assab is of crucial importance for Ethiopia, and needs to be resolved, lest it be a future source of conflict.

Internally, ethnically based conflicts and clashes between the government and opposition groups seem to be on the increase, especially in connection with local elections. The perception of a democratic deficit in combination with the ethnic dimension contributes to dissatisfaction with the government in many parts of the country. In 2001 and 2002 the authorities brutally have suppressed several demonstrations, such as in Awassa in May when 30–40 demonstrators were shot dead by the police.

3.5. Devolution of government authority

The transitional constitution from 1992 declared that Ethiopia was an ethnic-based federal state with 14 regions and launched the basic constitutional principle of "ethnic federalism". The constitution gives each region far-reaching political and economic powers. In practice the situation is somewhat different and the federal government exercises a great deal of control over political and economic development in the regions.

A party-controlled system exists at the lowest administrative level. Society is in both urban and rural areas divided into small units called kebeles, several kebeles form a woreda or municipality (each woreda has 150,000–300,000 inhabitants). Both kebeles and woredas are run by politically elected councils. The system was originally introduced by the former military regime, has been retained by the EPRDF regime and provides an effective instrument for political control by the government.

Since early 2002 the government is giving high political priority to a decentralisation reform that will make increasing human and financial resources for development available to the woredas (districts). In order to strengthen democracy at community level, the reform will provide non-earmarked financial resources, so-called block grants, to woredas to empower them to assume responsibility for their own development needs.

The reform will require many transfers of staff and massive training efforts at woreda level and is likely to slow down the implementation of programmes in the short term.

The reform has moved rapidly during 2002. The central government structure shall be replicated in all regions and *woredas* in the country. The zonal level will only have a coordinating function and be slimmed down to a minimum. The changes shall have been fully implemented in the four first regions, Amhara, Tigray, Oromiya and the SNNPR, already by the 2002/03 fiscal year. This requires urgent capacity building on a massive scale to provide ability for the *woredas* to administer the resources given to them. It is at present causing chaos in the four mentioned regions as staff is reassigned with a minimum of forward planning. Most observers agree that the pace is unrealistic and that government efficiency will be seriously hampered in the first years before the reform is completed.

A concern raised by many donors, including the World Bank, regards the accountability of the woreda administrations to their constituencies, local democratic procedures and real possibilities for local communities to influence decisions taken by the *woreda* councils. There is a worry that the politically elected councillors will use the reform to enhance their own power while leaving the communities with little influence. Some talk about deconcentration of power rather than decentralisation as long as empowerment of woreda communities is not improved.

3.6. Human rights

Almost a decade after EPRDF took power, wide-scale human rights violations still occur throughout Ethiopia. Detention without trial, torture, disappearances' and extra-judicial executions are regularly reported by international and national organisations. The conditions in prison are harsh – overcrowded, little food, and minimum medical treatment.

The Government is generally reluctant to admit any responsibilities for human rights abuses, and usually blames the incidents on action taken by local officials out of control of the central government. However, the EPRDF appears to be very sensitive to criticism on human rights abuses and is concerned about its international reputation. Rather than accepting responsibility for human rights violations, the EPRDF government defends itself behind the progress that have been made in economic, social and political development since the fall of the Derg, and the fact that to transform the political culture of the country will take time.

EPRDF is indeed facing enormous challenges in terms of economic, social and political constraints. The Government's preparations of establishing an independent Human Rights Commission and an Ombudsman's Office, which are currently recruiting staff, are encouraging steps forward. However, the seeming lack of appropriate action and determination to condemn and tackle the abusive human rights culture within their own midst is of grave concern.

3.7. Gender issues

The constitution attaches great importance to equality between women and men. It goes as far as assuring that affirmative actions would be taken in order to remedy the women's sufferings because of past inequalities. Ethiopia has also ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). It obliges states to ensure women equal access to economic, cultural and social fields and equal opportunities in political life. A national women's policy was proclaimed in 1993. A national action programme was adopted in 1997 and the government established women's affairs offices at all federal and regional agencies in the country.

In spite of the formal provision of equal rights for women in Ethiopia, the situation is very serious and shows no sign of improving. On the UN index for gender-related development, Ethiopia is ranked in 142nd position of the 146 countries for which statistics are available. The action programmes as well as the designated women's offices have not had much impact. The offices lack capacity and have problems with financial resources and qualified personnel. In agriculture women still work under harsh conditions over long periods of time. In the industrial sector their participation is only 19% of all those employed in public and private companies. Their numbers in commerce are just as insignificant. In the public sector women represent only 31% of all employees and are mostly concentrated to the routine low paying clerical tasks.

Women suffer as a consequence of frequent pregnancies, socially condoned violence against women through female genital mutilation (FGM), early marriage and premature childbirth, abduction, rape, physical and psychological stress. However, there are signs that FGM is declining through the persistent struggle by advocacy groups and with support from the government. The abduction of young girls for forced marriage still persists but is also thought to decline. HIV/AIDS poses another threat in the lives of the population in general and women in particular. Poverty, prostitution and culturally determined difficulties for women to refuse sexual relations mean that a greater number of women are at risk of being exposed to HIV/AIDS.

Heavy responsibility within the household is an impediment to girls' schooling and has also hindered women from availing themselves of the education opportunities open to men. Although statistical figures show an increase in the numbers of females in schools and universities, women remain disadvantaged in terms of access to education.

Women are underrepresented in political life since they often lack knowledge of the democratic process. Only one of the 19 ministers is a woman. Out of the 547 seats in parliament women (8%) hold only 42. Although better than the previous election this is still very low. Unless serious efforts are made to increase women's political participation at all levels, representative good governance will not be achieved.

The situation of women can be improved only when the government's political commitments are translated more into stronger recognition of the rights of women. In the formal sector priority should be given to equal opportunities for education, employment, training, if necessary with affirmative action. In this respect, providing adequate education for women at all ages seems crucial.

3.8. Children's rights

The government ratified the UN Convention on the Rights of the Child (CRC) in 1992, and the constitution in Article 36 specifically refers to legal protection of the rights of children. Ethiopia is living up to the reporting requirements of the convention and the report was examined last year in accordance with the provisions of the convention.

Since acceding to the Convention the government has expressed its political commitment to improve the situation of children. Committees on the rights of the child have been created at national, regional, zonal and *woreda* levels. The government has adopted a national action plan.

However, a decade after ratification of the CRC it is widely recognised that much more must be done to improve children's rights in Ethiopia. The shortcomings of the government and other stakeholders to implement the Convention are reflected in the widespread violations of civil and other rights of vulnerable groups of children, especially those affected by armed conflict, the girl child, disabled children, children born out of wedlock and occupied in harmful work, those living in the streets and those in conflict with the law.

The number of street children is estimated at 200 000 of which 150 000 are in Addis Ababa, and the number is thought to be increasing. Child prostitution is growing. Child marriages occur, particularly in rural areas. Trafficking in children over the borders to neighbouring countries is a growing problem.

The minimum age to be tried in court as an adult is 18 years. Special courts and prisons for juveniles exist in Addis Ababa and regional capitals. However, in practice many child offenders are tried as adults and incarcerated together with adults in violation of the CRC.

On a positive note, exposure and punishment of child abusers has increased. Public awareness has also increased regarding children's rights; many are angry and ashamed by crimes against children in a society that regards itself as decent with strong religious underpinnings. The government, the orthodox church and CSOs have made combined efforts to protect children's rights, e.g. through campaigns on HIV/AIDS and on harmful traditional practices affecting children such as circumcision.

One of the main problems regarding children's rights is the apparent lack of awareness and understanding of the provisions of the CRC among government representatives at all levels. Adequate training is not provided to politicians, government officials, law enforcement officials, teachers, social workers and medical personnel.

There is also a lack of mechanisms for the collection of reliable quantitative and qualitative data on the situation of children. This hinders the effective assessment by the authorities of the situation of children and renders difficult the application of targeted policies to protect the rights of children. Steps need to be taken to ensure the collection of such data on the situation of children.

3.9. Education

Enrolment in schools and literacy classes in Ethiopia is among the lowest in the world. There are around 12,700,000 school age children in the country, i.e. children between seven and 14 years of age. Only slightly more than half of them go to school. If regions are compared the differences in enrolment are considerable: in Gambela, Harari and Addis Ababa the gross enrolment ratio is more than 90%, while in Afar and Somali it is less than 10%. Only in Addis Ababa there are as many girls as boys enrolled in primary school. In four regions twice as many boys are enrolled as girls: Oromia, Somali, Benishangul-Gumuz and SNNPR.

There are around 570,000 students (41% girls) enrolled in secondary school and 68,000 students in higher education (22% girls). Of those enrolled in primary school, 68% come from rural areas, while the corresponding figure for secondary school is 2%. Young people in rural areas have almost no prospect of proceeding to higher studies, even to secondary school.

The average number of students per teacher in primary school has increased from 37 in 1996 to 56 in 2000. In secondary school, the figure is 44 students per teacher. These figures are still rising. In 2000 27% of the first graders dropped out. The inferior teaching quality is one important reason why students need to repeat classes or drop out.

Poor parents have difficulties in providing funds for the traditional local weddings, resulting in abductions of girls sometimes with the consent of the parents. Girls may therefore be withheld from going to school.

Due to the rapid expansion of enrolment and difficulties in matching this expansion with recurrent funds, many of the above problems are not addressed adequately. The enrolment increase has resulted in overcrowded classrooms, poor teaching, high drop out rate and an equally high repetition rate and a general decline in quality of primary education. The right of pupils to be taught in their mother tongue (for 19 different language groups) has further exacerbated the shortfall of trained teachers and textbooks.

Due to the expansion of secondary education some 97,000 graduated after 12th grade eligible for higher education in 2001. The same year 22,200 were admitted to diploma courses and 23,300 to undergraduate courses, another 6,200 were admitted to teacher training institutes, 4,600 to Technical, Vocational, Education and Training (TVET) institutes and 8,200 to skill development centres. This leaves 35,000 graduates without any further training possibilities and little prospect of employment. The government has recognised this problem and decided to expand the TVET structure to cater for about two-thirds of the graduates from lower secondary school (graduates from grade 10) and one third would continue in preparation classes for university education. The heavy expansion of TVET started in 2002 but will take some years to complete.

The government in 2000/01 allocated 13.8% of its budget to the sector. This share is expected to increase in future years. The government has developed a holistic plan for the expansion and development of the education sector, the Education Sector Development Programme (ESDP). The programme comprises all aspects of education from preprimary to tertiary and technical levels. Special emphasis has been given to development and training of teachers at all levels of the education system. The programme provides for alternative ways of expanding the system e.g. through engaging CSOs.

3.10. Health

Box 3: Statistics on the health sector

– 4 doctors per 100,000 inhabitants

– life expectancy 43 years (50 in SSA)

– fertility rate (women 15–49) : 6.4 rural
: 3.3 urban

– contraceptive prevalence: 8%

– maternal mortality: 871 deaths per 100,000 births

– child mortality: 97 deaths per 1000 live births

– health facilities in the country
hospitals: 110
health centres: 382
health stations: 2393
health posts: 1023

Sources: DHS, Ethiopia 2000
Health Related Indicators, MOH 2000/2001

The health system in Ethiopia is one of the worst in the developing world providing health services to only about half of the population (Box 4). Especially the rural population has very limited access to modern health care. The health delivery system is badly underfunded and suffers from shortages of drugs, lack of medical supplies, poorly maintained buildings and equipment, underutilised and demoralised staff. Lack of good management has contributed to the further decline in health care service delivery. With health needs rising faster than the allocation of resources, a serious worsening of health care delivery is being observed.

The HIV/Aids epidemic is indeed a very serious threat to Ethiopia's already strained health system as well as to the entire development process in the country (see chapter 6.2).

Population pressure poses yet another enormous threat. Fertility is twice as high in rural areas as it is in the urban densely populated areas (Box 4). On average every woman gives birth to 5.9 children. Contraceptive prevalence is only 8% and since women are married off very young their childbearing years are long. Of the total number of births, less than 10% take place in clinics or under the supervision of trained midwives, and maternal mortality is among the highest in Africa. Child mortality is equally high.

Generally, a large share of the burden of disease is attributed to environmental factors, for instance respiratory illness due to smoke from in-door cooking, diarrhoea and cholera from polluted water etc. The poorest are the hardest hit and the ones possessing the least possibilities to prevent or cure the diseases.

Seventy percent or over 45 million of the Ethiopian population does not have access to potable water supply and relies on untreated and unprotected supplies from rivers, lakes, ponds and springs. A far-reaching part of all diseases in Ethiopia are caused by lack of adequate potable water.

As part of the ongoing decentralisation, each region has been given responsibility to create efficient health service delivery systems through regional health bureaux and *woreda* health offices. There is a shortage of qualified staff, including medical personnel, at all levels. Many qualified staff have left the sector to look for more attractive financial remunerations elsewhere.

The existing and newly constructed health care institutions are still too few compared to the population, some are inaccessible with no roads or public transport. What little service fees are collected from patients cannot be utilised by the institution and must revert to the treasury. This makes it impossible for health care institutions to efficiently use resources available to them for local problems, besides depriving them of an incentive to do so.

Drugs and medical supplies are not only unavailable but also unaffordable to the majority of the population. The procurement cost of medicine internationally is expensive and distribution within the country inadequate.

With the collaboration of its partners in the donor community the government has prepared the Health Sector Development Programme (HSDP) in order to tackle the problems in the sector holistically. The HSDP has four major components: health service delivery and quality of care, health facility rehabilitation and expansion, human resources development and information, education and communication. All major donors active in the sector have expressed their support for the programme and committed funds to it.

The budget allocation for the health sector has increased over the last two years (of the national budget from 3.5% to 4% for recurrent and 4.75% to 13.6% for capital). In 2000/01 the total allocation to the sector was 5.2%. Some major legislative, regulatory and organisational reforms have been realised in relation to the decentralisation process. A health care financing strategy has been formulated and its implementation is under consideration.

3.11. Culture

The role of culture in Ethiopia's development throughout history is uncontested and evident, not least in term of its rich history comprising languages, customs and material heritage.

In 1997, the Ethiopian government launched a culture policy, underlining the major role of culture in the national development process. Participation in culture and access to cultural activities are seen as an integral part of social and human development and also as a human right. The policy that every one in Ethiopia the right to her own culture, including the right to speak, write and develop her own language; and preserve her history. However, the funds earmarked by the government for this purpose are simply insufficient to take care of the country's rich culture.

Generally, the capacity in the sector is low and there is a need for capacity building and training. The number of cultural institutions, schools, venues or other fora – governmental or private – are few or of insufficient quality to serve the needs. As a consequence the possibilities for young people of today's Ethiopia to develop their talents within any art form such as music, theatre or dance or pursuing cultural research and documentation is very limited. Despite such support by donors many of the heritage sites are left without proper conservation, as no effective controlling mechanism has yet been developed to safeguard cultural heritages from damage and looting.

Cultural differences and ethnical affinity have in the past been used in the struggle for power between different groups in Ethiopia. In order to create a stronger common value ground for different people, pluralism must be treated and utilised as a resource for the nation. Tolerance and respect for the other must be built. The cultural policy and public debate are very important instruments to achieve this.

3.12. Legal Sector and Judiciary Reform

The constitution adopted in 1994 brought about significant changes in the system of justice and enforcement of laws of the federal and regional state structure. The federal government and all member states of the federation have parallel legislative, executive and judicial organs that function independently

Judicial powers at federal and state levels are vested in the courts. There is a three-tier court structure at federal and regional levels, that is, each with supreme, high (zonal) and first instance (*woreda*) courts. The principal institutions involved in the administration of justice are the House of Peoples Representatives, the House of Federation, the state councils, the federal and regional courts, the ministry of justice, the regional bureaux of justice, the federal and state police, the federal and state penitentiary administration, academic institutions of legal education and research and the Bar Association of Ethiopia.

In addition to the three-tier court structure at federal and regional level the constitution provides legal standing to some religious courts. There are also social courts at *kebele* level. These courts resolve disputes for citizens living in rural areas with little access to the formal judicial system. The social courts are staffed by persons with little or no legal training.

The acute shortage of trained manpower both at federal and regional levels, and the outdated, inefficient methods and procedures of delivering justice have contributed to the inefficiency of the justice system. The consequences are that legal services are unnecessarily costly and unpredictable. Handling of criminal cases is so protracted that rights granted by the constitution are being set aside, as accused have to remain in jail on remand for long periods because of the poor capacity of the courts. The situation is particularly severe in the rural areas.

The constitution prescribes that the judiciary should be independent of the executive branch of government. Judges are appointed (and removed) by the elected political assemblies, by the federal parliament for federal judges and by the regional parliaments for judges in the regional court system. However, the judiciary operates in an atmosphere in which pressure of government influence is unmistakable and in rural areas often backed up by at least the latent threat of force. At the same time it has been possible lately to discern a certain degree of independence of the courts in Addis Ababa.

The government recognises that changes are long overdue and is concerned about how to strengthen the justice system to enhance the rule of law. With the assistance of UNDP, the government has developed a programme to support the justice system reform process. It will assist the government to develop a holistic approach to justice system reform and help generate donor support. A donors' conference to raise funds for the programme is planned for the first quarter of 2003.

The overriding objective of the Justice System Reform Program is to achieve a independent and well equipped justice system. The medium term objectives are to strengthen the performance capacity of the justice system, promote the practical implementation of democratic and human rights, promote an efficent system of justice that will expedite economic development, ensure a sustainable justice system as well as community participation in the justice system. However, explicit commitments to change are limited.

3.13. Civil society

Box 4: NGOs and CSOs

Around 204 international (101) and indigenous NGOs (103) in Ethiopia are organised under the umbrella of the CRDA and work on children, gender, HIV/Health, agriculture and resource conservation, urban development and appropriate technology issues as well as human resources development in general. Some 252 CSOs, registered at the Ministry of Justice, are also members of CRDA. Others which are not members of CRDA operate on their own.

Source: CRDA News, April 2002

Civil society organizations (CSOs) and the diverse group of non-governmental organizations (NGOs), both local and foreign, have been able to develop some hope of revival under the current regime, although the tendency to keep a tight restraint on them still prevails. Many NGOs view the regulatory environment as obstructive and inconducive to their operations. Moreover, NGO also complain about the lack of an institutional platform for dialogue between civil society and the government. Until today, that seems to be a missing link.

Most organizations, and especially local ones, are resource-weak and depend heavily on external support. Although established with good intentions, some lack a clear vision and others tend to lack organizational and managerial capability[2].

Some CSOs work with advocacy activities, but they have problems in communicating their ideas since the media reaches so few inhabitants. A few indigenous organizations are doing important work in Ethiopia. Among them are the Ethiopian Human Rights Council (EHRCO), which among other things, publicizes violations of human rights, and the aforementioned Ethiopian Women Lawyers' Association (EWLA). Many of them have shown strong commitment and resistance to government pressure.

[2] The concept of civil society organizations (CSOs) is wider than non-governmental organizations (NGOs), since it includes e.g. trade unions and religious associations. In the following all are referred to as CSOs.

The constitution gives workers the right to organise in trade unions and associations. In total some 300,000 workers are organised in trade unions. There is a national umbrella organization for the unions called the Confederation of Ethiopian Trade Unions (CETU), which has close relations with the government. The Ethiopian Teachers Association (ETA) was one of the oldest associations. However, ETA had a conflict with the government and was banned and replaced by another affiliated to the government.

However, the important contributions to society being made by CSOs are becoming increasingly evident. This is being recognized by the government, which is manifestly unable to cope with all societal problems, especially basic development needs at grassroots level. The government has therefore accepted the contribution of CSOs and included them as partners in development. There is new legislation being drafted by the ministry of justice to redefine and regulate the involvement of CSOs. But while the government has become more positive to CSOs as providers of services to complement those supplied by public authorities, it remains suspicious of CSOs in an advocacy role. This appears to be linked to EPRDF's concept of democratisation and its lack of commitment for genuine pluralism and the development of an open society.

4. The potential for pro-poor growth

4. 1. Economic development 1992–2002

When the present government took office in 1991, inflation was high, and the budget balance and balance of payments were untenable. With the support of the World Bank and the IMF, a structural adjustment programme was initiated in 1992, aimed at reorienting the economy from a command to a market economy. The smallholder farmer was made the focus of economic development. The programme was successful and GDP grew by up to 10% per year up to 1996/97. In 1999/00 the macroeconomic situation deteriorated substantially and GDP growth fell to 4.6%.

The war with Eritrea led to high levels of defence expenditure at the expense of other items in the budget, while development cooperation decreased. Severe drought and falling coffee prices resulted in lower production in agriculture and deterioration in the balance of trade. In 2000/01 a recovery took place as a result of the end of the war and a good harvest, and IMF estimated GDP growth in that year at 7.5%. Ethiopia will need stable growth at least at this level to significantly reduce its poverty.

However, few observers, including IMF, believe that present policies will permit sustainable growth at this level and predict an annual growth rate of about 5% in the next few years. GDP estimates have in recent years been reduced by falling prices for food grains and coffee. Another explanation is the government's ambivalent attitude towards the non-peasant private sector and its failure to attract much foreign direct investment (FDI). Besides, the main development strategy, ADLI, has so far failed to bring about significant economic growth.

In some areas the government has shown a disturbing reluctance even to discuss reforms, in particular land tenure and the banking system. The government has also been unwilling to discuss the grey sector consisting of companies controlled by the ruling parties.

The value of exports recovered to record levels and an average increase of 15% during the period 1992–1996. However, in the period 1998–2001 exports have again fallen dramatically by almost 30% as a consequence of the conflict with Eritrea and the deterioration in the terms of trade. As a result of the liberalisation of the economy and increasing availability of foreign currency imports increased throughout the 1990s. During the war years imports increased considerably while exports declined, and the balance of payments deficit deteriorated from 1.6% of GDP prior to the conflict to 7.9% in 1999. In 2001 it is estimated that the deficit will amount to 5.5% of GDP (all figures include grant aid). Inflation is expected to amount to some 5% in the next few years but has in the past year been negative due to the fall in grain prices.

At the end of 2000/01 the public foreign debt amounted to USD 5.5 billion in nominal terms. After the government submitted an I-PRSP the World Bank in February 2001 decided that Ethiopia would be eligible for extensive debt relief within the framework of HIPC II. Expressed as a percentage of exports, debt service is thus expected to decrease from 16% in 2000/01 to 11.5% in 2001/02 and to 8% 2002/03, and then remain at an average of 5.5% per year thereafter. The World Bank and the IMF reached a decision on Ethiopia's HIPC inclusion in November 2001 and it is expected that completion point will be reached in July 2003.

4.2. The agriculture sector – the backbone of the Ethiopian economy

Box 5: Agriculture in Ethiopia

– Plays a key role: accounts for 50% of GDP, 85% of exports and 80% of employment.

– About 90% of the rural population is engaged in agricultural activities.

– Agriculture is a source for 75% of raw material requirements of small-scale and medium size manufacturing industries.

– Crops constitute about 60% of total agricultural production.

– Coffee is the major foreign exchange earner, accounting for over 50% of total exports.

– Livestock population is of over 80 million animals, the largest in Africa.

– Average landholding per labour force varies between 0.3 and 0,9 hectares. Ongoing land fragmentation results in ever smaller farm plots.

– Less than 1% of total cultivated area is irrigated which is only about 4% of potentially irrigable land.

– Annual production growth (less than 2.5%) is lagging behind annual population growth rate of 2.5–3%.

Agricultural production in Ethiopia is based on the peasant sector and plays a key role in the country's economy (Box 7). Crop production is the dominant activity, especially in the highlands, but peasants keep a large number of animals as well.

The performance of agriculture over the last decade has been poor. Production has stagnated, averaging no more than 2.5% in annual growth. In the largely traditional peasant agriculture, crop yields are low and vary considerably in response to rainfall patterns from year to year. Livestock productivity is also low by African standards. This is mainly due to insufficient quantity and poor quality of feed. Attempts to secure increased feed supplies using traditional grazing practices have led to conflict with use of land for crop production.

Since 1993 the government has adopted a strategy known as Agricultural Development Led Industrialization (ADLI), which aims at stimulating food production and overall economic growth. The adoption of

ADLI presupposes productivity enhancement of smallholder agriculture and industrialization based on domestic raw materials using labour intensive technology. The underlying rationale is that agricultural growth will provide an increasing supply of raw materials for industry and a larger market base for manufactured goods and hence stimulate industrialization. Through increasing farm incomes it is expected that demand for local industrial goods will increase. For the government ADLI is a doctrine on which many other policies are built. It is also considered a building block for the PRSP.

However, ADLI has been heavily criticised for not having brought about the desired results. It is supply- rather than demand driven and it does not properly address the poverty issues. The poverty of the rural population and the low level of urbanization mean that the agriculture sector will have limited ability to serve as an engine of industrial growth. The donors have therefore recommended an evaluation of the impact of ADLI within the framework of the PRSP.

A main element of ADLI is the agricultural extension system. The system focuses on the supply of farm inputs on credit such as fertilizers, improved seeds and chemicals. Farmers are provided with a blanket recommendation for application without consideration to the substantial agro-ecological variations. While the provision of such inputs may have benefited more the surplus areas through rising productivity, the system is said to have indebted farmers in chronically food insecure areas where there have been few gains in productivity.

There are other key constraints to agricultural growth that continue to persist. Diminishing farm size, lack of security of tenure, and subsistence farming practices are serious structural constraints without the resolution of which significant improvements in the sector are unlikely in the foreseeable future. Drought and conflict are other factors that have exacerbated the problems of food production, distribution and access to food. Population is increasing faster than production, resulting in increased pressure on natural resources and on food security. Average farm size varies considerably between regions, ranging between 0.31 and 1.12 ha. Production technology reflects traditional rain fed practices. Land degradation is one of Ethiopia's main environmental problem. Deforestation is mainly caused by poor household's cultivation of new land, but also as a succession of their need for building materials and energy for food and heating. Soil erosion arise mostly as a consequences of cultivation of steep slopes and powerful but sporadically rainfall. The process is speeded up by the cultivation methods used, the choice of crops and insufficient soil conservation. The soil fertility loss is, besides the erosion, mostly caused by the fact that dung and other biomass is not returned to the soil, but is used as household fuel. The use of chemical and organical fertilisers are also too scarce. There is constantly increasing pressure on land and stagnating or falling crop yields.

Marketing and distribution systems for agricultural inputs and farm produce are underdeveloped. Competitive services have been constrained by the slow development of the private sector. Many farmers live far from input supply centres and all weather roads rendering transport costs high. Agricultural marketing infrastructure is poorly developed in most parts of the country.

The consequences of poor agricultural performance have been low overall economic growth, inadequate and stagnating nutritional standards, increased dependence on external food aid, vulnerability to natural disasters and degradation of the environment. A reversal of the low and falling productivity of land is a prerequisite for agricultural and economic growth in Ethiopia. This requires adoption by farmers of improved land and animal husbandry practices. Soil and water conservation and plantation of trees are essential parts of such improvements.

The government recognizes the importance of the agricultural sector and of peasant agriculture for economic recovery and growth. Improved agricultural performance is critical not only to raise effective demand but also to meet food security objectives, improve the balance of trade, increase employment opportunities and reduce poverty. But to improve performance in the sector the government will have to address policy failures with regard to e.g. land tenure, marketing infrastructure, agricultural extension and the role of the private sector. Here the land tenure issue stands out as the central one. This is also an issue in which there is great reluctance to reform by the Government. The land issue certainly plays out as a power issue for the government at different levels. Officials have an effective tool to restrain political opposition through control of land tenure, and even through making threats to take land away from individual farmers.

4.3. The role of the private sector and its possibilities to grow

The shift towards a market approach to economic development has entailed a gradual change in the government from that of a provider to one of facilitator and regulator. Today, the Ethiopian Government recognizes the important role the emergence of a vibrant private sector can play in creating job opportunities and wealth for the country.

The main reason behind the unproductive business climate in Ethiopia can be traced to the national mind-set. Ethiopia was until 1974 a highly centralised imperial monarchy followed by an equally centralised quasi-marxist military regime. The present EPRDF government that came to power in 1991 also had strong marxist roots, although it soon substituted its socialist stance for promotion of a liberalised economy. The entire present generation of Ethiopian leaders probably espoused marxism prior to 1991. Against that background as well as the historically very centralised style of governance in the country, pluralism in politics and in economic policy is not easily brought about. But it would be wrong to say that the attitude of the government towards the private sector has remained hostile. It would be more accurate to term the attitude of the government towards the private sector as “inept” or “clueless”. The government recognises the development potential of the private sector but does not know how to promote it.

A privatisation programme was started in 1995. Since then, 195 state-owned companies have been sold, mainly small companies in the retail sector, and the government intends to sell a further 115 companies by July 2003. Then privatisation would be complete in the industry and agriculture sectors. However, sales of companies are proceeding slowly and buyers have been mostly associated with EPRDF. The programme has been marred by accusations of corruption against senior officials involved.

New legislation has come into effect that permits local private and foreign investments, for example in the manufacturing and mining industries. Other measures taken include the elimination of price controls apart from those on petroleum products and, to a certain extent, pharmaceuticals.

After its restructuring in October 2001 the government seems more committed to involving the private sector in dialogue. So far there are only a few signs of substantial policy changes. A number of constraints on the private sector that need to be addressed.

The regulatory framework is difficult to master. In terms of investment climate Ethiopia is ranked as the second worst country in the world according to the World Bank Institute. Procedures for import and export are time-consuming, taxes are overlapping and the cumulative impact is significant and a complex legal system can seriously hamper private sector interest. The institutions governing the definition, use and trading of property rights are weak.

There is a lack of level playing field. Widespread concern is being voiced over favouritism of state owned and party-affiliated companies. Allegations include access to easier credit, tax reductions and access to privileged information.

The current investment regime appears designed to control and limit the inflow of private capital rather than nurture it and there are restrictions on foreign investments. FDI is lower in Ethiopia than in almost any other African country. Three-fourths of all investment projects approved by the Investment Authority die before they reach implementation. Fewer than 35 foreign companies have invested in Ethiopia today. It is illustrative that the 90% of the few new investments have been in two regions, Addis Ababa and Amhara (mainly Bahir Dar).

No developing country has been able to achieve sustainable growth in the absence of a competitive financial sector. State-owned or party-owned banks dominate the financial sector and reforms in the sector are not going well. At present the dominant state-owned bank, the Commercial Bank of Ethiopia (CBE), has 90% of the market but 3 billion ETB in non-performing loans. The banks offer mostly short-term and trade finance. It has become even more difficult to obtain credit. Lending and borrowing has declined since bank personnel, as well as potential borrowers are afraid because the corruption charges are so unclear. In the financial sector, some deregulation has taken place. However, the government refuses to discuss entry of foreign banks.

4.4. Economic infrastructure

With the exception of air transport infrastructure in Ethiopia remains grossly underdeveloped, even in comparison with countries in Sub-Saharan Africa.

A road sector development programme is under implementation. It is one of the largest road programmes in the world. Several donors, including the World Bank and the EC, support the programme.

Similar sector programmes have been prepared for water and sanitation, including hydropower, and for rural roads (the Rural Transport and Travel Programme, RTTP). The RTTP is of particular interest since it will aim at rural development centred on transport facilities. The design will be similar to the Sida-supported rural development programme in the Amhara region (SARDP), which also includes a large rural roads component.

The World Bank has engaged itself in a dialogue on the liberalisation of the telecom sector and has identified this as one of three most crucial policy issues with respect to release of balance of payment credit.

4.5. Trade policies and practices

Ethiopia's participation in the global economy is low. Trade and exchange reforms implemented in the early 1990s has lowered the export bias and enhanced the overall competitiveness of the economy. The trade to GDP ratio (the "openness" ratio) has increased, driven by import growth, but remains low compared with the average of sub-Saharan African countries. Ethiopia's trade to GDP ratio is below 50% while the average for sub-Saharan African countries is 61%.[3] Exports of goods accounts for only 7% of GDP (2000/01).[4] Ethiopia's real per capita exports of approximately USD 14–15 in 1999 is among the lowest in the world.

Information about the tariff structure indicates that duties have been progressively lowered in the 1990s. In 2001, the unweighted MFN (most-favoured-nation) average tariff was 20%, compared with 11.3% for less-developed countries. Information on other trade measures, such as licensing, prohibitions and quotas, have not been encountered.

Ethiopia is not a member of the WTO.[5] Furthermore, regional liberalisation has been undertaken only to a limited degree. Ethiopia is part of COMESA (the Common Market for Eastern and Southern Africa).

On the export side, Ethiopia needs to promote further export diversification. Ethiopia is heavily dependent on a few agricultural products as its main source of exports. During the past twenty years, coffee accounted between 50–70% of exports. The high dependence on coffee exports makes overall export performance vulnerable to shocks. It has been noted that growth of non-coffee exports has been hampered by certain rigidities, such as foreign exchange and trade regulations, and inadequate basic infrastructure.[6]

Further trade reforms should be co-ordinated with a consolidation of the financial situation. The fiscal deficit is somewhat high. In 2000/01 the general government fiscal deficit (including grants) amounted to 5.6% of GDP and it is projected to widen to 8.2% in 2001/02. With revenues from import tariffs and duties accounting for almost one-third of general government revenues in 2000/01, further tariff cuts should be carefully sequenced with tax reforms.

[3] Unless otherwise indicated, the data source in this section is World Bank (2002).

[4] Year ending July 7.

[5] As of August 2002, the WTO had 144 members.

[6] IMF (1999).

5. Government capacity and systems

5.1. Capacity and budgeting system

Ethiopia's capacity to absorb development cooperation is unevenly distributed between sectors and regions. Where accounting and financial reporting is concerned, capacity is fairly well developed throughout the country. Capacity for economic planning, implementation and monitoring is somewhat less developed. The government is now implementing the ongoing Civil Service Reform (CSR) which has four sub-programmes: (i) expenditure control and management, (ii) human resource management; (iii) improvements in the delivery and quality of public services, and (iv) a code of conduct.

Each year the government produces a long-term plan for the budget, the Macroeconomic and Fiscal Framework (MEFF), and Indicative Planning Figures (IPF) for all expenditure in the federal capital budget. In the PRSP, the government made a commitment to introduce long-term plans more specifically in the budget from the next fiscal year.

The bilateral donors together with the Bank do an annual review of public finances within the framework of the Public Expenditure Review (PER*)*. Prior to this year's PER, the World Bank made a special study of the capacity to account for public expenditure for poverty reduction. In general, the Bank has a high opinion of Ethiopian fiscal management. It states that the country has a long tradition of keeping expenditure within budgeted ceilings and that there is little evidence of improprieties or of expenditure not included in the budget. The annual PER also provides transparency and open debate on public expenditure.

One component of the CSR, the Expenditure Management and Control Programme (EMCP), aims to improve the management and control of public expenditure. The reform covers legal aspects, public control, reporting, procurement and internal and external audit. As mentioned, Ethiopia has demonstrated a high capacity for regular accounting, expenditure control and reporting. The EMCP has not yet achieved significant results in other areas, notably in respect of reporting on effects, long-term planning (MEFF above), production of regular welfare statistics, coordination between capital and recurrent budgets, and greater speed in the production of reconciled, audited accounts. But reforms in these areas are under way and partly included as benchmarks for the PRGF of the IMF.

Within the framework of the EMCP the Ministry of Finance is working on a reporting system intended to monitor flows of development cooperation, particularly to the sector programmes in health and education, and provide general reports on other support. As an effect of the reporting system the proportion of development cooperation in the regions' accounts has been found to increase from 26% in 1996/97 to 44% in 1999/00. Essential for success is that donors provide the government with information on both long-term plans (to be included in the MEFF) and actual outcomes.

One aspect of the Ethiopian budget system that has been much debated is the so-called offset principle. The principle is intended to ensure a fair and even distribution of development resources between the different regions, a constitutional requirement. MoFED makes deductions from the federal support to the regions calculated on the basis of a formula that takes into account i.a. population size, income level, resource endowments and that corresponds to expected flows of development cooperation to each region. No deductions are made for food aid in kind and a few other categories of assistance.

Even if the principle is easy to understand and appears justified to achieve evenly distributed development throughout the country, it has weaknesses. Regions have a negative incentive to obtain donor support, which could have the effect that the country overall receives less support than it would otherwise. Since the system is purely based on equity it does not give due attention to incentives for improvements and poverty reduction. Areas with stagnant poverty and development indicators benefit. The regions are also given an incentive to prefer support channelled outside the budget, e.g. through CSOs, which conflicts with the federal government's aspiration to include as much development cooperation in the budget as possible. In the PER for 2000 the following recommendations were made: (i) deductions should be made with a percentage rate that is lower than 100% in order to give regions an incentive to seek donor support, (ii) deductions should be based on historical outcomes rather than forecasts of future aid flows, (iii) clear guidelines should be drawn up which should not be changed from year to year and (iv) annual reports should be prepared on flows of aid funds to different regions to achieve transparency.

5.2. Budget allocations

Compared to last year federal allocations in the 2001/02 government budget to the financial sector increased by 24% and to the social sectors (health and education) by 16%. Allocations to the regions increased by 3%. Defence expenditure was reduced by 17% (from 13% of GDP in 1999/00 to 6% of GDP in this year's budget). The budget has the overall effect that poverty-related outlays in the agriculture, roads, health and education sectors are estimated at 45% of total expenditure (12.5% of GDP), while defence amounts to 22% of total expenditure. Of total public expenditure in 2000/01 (federal and regional), 5.2% was allocated to health and 13.8% to education. The regions finance the main part of social sector costs. The proportion of total public expenditure allocated to the social sectors increased in the budget for 2001/02. With this year's budget the government has largely fulfilled expectations that it would pursue an overall poverty-oriented policy, at least in fiscal respects. It has become credible when it is said in the PRSP that poverty eradication is the government's "core objective".

Tax revenues are supposed to increase from 14,3% of GDP in 2000/01 up to 17,7% of GDP in 2004/05. This will be achieved by reform measures in the areas of tax policy and administration as well as the introduction of VAT (planned for January 2003). Average SSA tax-to-GDP ratio corresponds approximately to 16%. Subsistence farming is the dominating economic activity and the degree of industrialisation is very low, leading to a narrow tax base. Therefore it seems reasonable to question whether it is realistic to tax the economy to a much higher extent than today without negatively affecting the economy.

6. Cross-cutting issues

6.1. HIV/AIDS

Box 6:Striking statistics on HIV/AIDS 2000

– 2.6 million people have contacted the virus, 250,000 of them are children

– 7.3% adult prevalence rate

– 1.2 million deaths so far, the projection for 2002 is 1.7 million

– Around 750,000 children are orphaned from HIV/AIDS

– Life expectancy is expected to decline by 10 years by 2014

(UNAIDS/Ethiopia 4/2001)

Ethiopia's response is focused on prevention, IEC, condom distribution and care. "At times like this when HIV is the leading cause of death, a basic minimum package of interventions that does not include anti-retroviral is no more considered as complete and worthy"

(ICDR News April 2002)

The HIV/AIDS pandemic in Ethiopia is escalating at such an alarming rate affecting every aspect of the Ethiopian society and the whole process of development. Ethiopia has the third largest number of people infected by the disease in the world (after India and South Africa). There is no doubt that unless extra efforts are made to halt or slow down the pandemic, AIDS will become one of the leading causes of death in Ethiopia, both among the 15–49 year age group as well as among infants and children.

Transmission modes of the infection in Ethiopia include sexual and prenatal transmissions, blood transfusion and illegal and harmful medical practices. The major cause, however, is sexual contact. Developing AIDS often has great psychological, demographical, social and economic consequences and often leads to divorce, the break up of families and an increase in the number of orphaned children. When it affects large groups of people, as in Ethiopia, the results are that the quality of the labour force deteriorates and its numbers decline. The country's progress to development is severely hampered.

With the worsening of the HIV/AIDS situation, Ethiopia developed a comprehensive HIV/AIDS policy in 1998. A national AIDS Council Secretariat has been established in Addis Ababa with branches in regions and *woredas*. However, it is weak and lacks ability to tackle the magnitude of the problem. Recently, churches and mosques have started to speak increasingly about the importance of combating HIV/AIDS. In 2001 a strategic framework for the national response to HIV/AIDS for 2001–2005 was drawn up to address the situation as an emergency undermining virtually all development and anti-poverty initiatives in the country.

Though improving, the level of awareness about HIV/AIDS in general and in the rural areas in particular is still low. The attitude and sexual behaviour of the young and sexually active population is difficult to change. Use of condoms, the easiest means of protection, is very limited. For those seeking medical help, there are few health care facilities equipped with the necessary testing kits or counsellors. Access to anti retroviral drugs is still under consideration because the drugs are very expensive.

Other factors contributing to the HIV/AIDS predicament are related to poverty – high unemployment, increase in prostitution and the inability of women to negotiate about sex, migration of population due to natural and man-made devastations and cultural vices like abduction, rape and FGM. The increase in the number of children living with HIV/AIDS is another aspect of grave concern.

A strategy already being applied is the IEC awareness creation campaign. This should be intensified covering wider segments of the population to change individual and community behaviour and outlook. Consistent messages need to be conveyed to break the silence on HIV transmission, to reduce the stigma, and to provide information to specific/targeted risk groups. Activities have started but should be intensified to be made more widely available.

The availability, promotion and wide distribution of condoms by government and by any capable private institution such as pharmacies, shops, recreation centres, hotels, etc. should be encouraged. Voluntary counselling and testing services should be made more widely available as one approach to prevention, creation of more personal awareness and care. Testing facilities should be provided to make blood donations and transfusion safe.

6.2. Corruption and transparency

A report from the World Bank in 2000 states that corruption on a large scale is not a serious problem in Ethiopia. It is probably correct that corruption is not as widespread as in many other African countries.
In 2002 Ethiopia was ranked 3.5 by Transparency International in its index, the same level as e.g. China and the Dominican Republic.
By comparison Tanzania was ranked 2.7, Uganda 2.1 and Angola 1.7 on the ten-point scale.

However, soon after the above-mentioned crisis in TPLF in March 2001 (section 1), some of those who opposed the prime minister were arrested and accused of corruption. Subsequently several businessmen were also arrested and some high military officers discharged for the same reason. In May 2001 the government launched a campaign against corruption and appointed a special commission to eliminate it.

Those who were accused of corruption and arrested have not yet been sentenced and court proceedings are ongoing. In several cases the accusations appear to be politically motivated. However, it is quite clear that many members of the leading political class have enriched themselves in a corrupt manner through their political connection. Corruption exists at lower levels also but not in the blatant form that is found in some other African countries.

Until recently EPRDF had effectively rejected even a principled commitment to the idea of transparency. The "renewal policies" launched last year reaffirmed a commitment to increased transparency as part of the decentralisation and democratisation process. Increased transparency inevitable form an important cornerstone in pursuing these reforms.

6.3. Environmental degradation

The government has adopted a variety of strategies and policies for protection of the environment and natural resources. It has also subscribed to a number of international conventions in this area. However, the deterioration of the environment continues unabated. Underlying fundamental problems include poor governance, violent change of government, lack of continuity, inappropriate policies, frequently changing and ineffective institutional frameworks, misuse of human resources and ineffective bureaucracy, resulting in low implementation and management capacity over the past several decades. Above all it is a problem of insufficient political attention and inadequate financial resources.

Land degradation is the major problem facing Ethiopian agriculture and particularly the highlands. It manifests itself through soil erosion, nutrient depletion and loss of organic matter, acidification and salination. Information on annual soil loss varies; studies made in the 1980's indicated an average net soil loss of 100 tons/ha while one recent study reported less than 12.5 tons/ha/yr for many parts of the country. The difference may be explained by the heavy loss of topsoil in the meantime.

To address these problems and improve the lives of the rural poor it will be necessary to revise the land tenure regime. Farmers and pastoralists should be guaranteed security of tenure, which should give them assured access to the same land.

Only then will they be disposed to undertake the permanent improvements on their land, such as building bunds and planting trees, which will be required to arrest soil erosion, the principal environmental issue, on a sustainable basis.

6.4. The urbanization process

Although Ethiopia is on of the most populous states in Africa, it is also one of the least urbanised with about 15% of the population residing in urban areas. The process of rapid urbanisation is however taking place not only in Addis Ababa but also in a number of secondary cities across the country. The prevalence of poverty in urban areas is estimated to 33% with an annual growth rate of 6%. Given the fact that a lion share of the Ethiopian population reside in the rural areas, facing severe poverty, lack of social and economic infrastructure as well as lack of opportunities to grow out of poverty, a further urbanisation process in

Ethiopia is inevitable. Needless to say, urban migration is an attractive alternative, especially for young people.

Recently, there has been a clear change in government policies and sustainable urban centres are now seen as necessary base for the rural development. The challenge however for Ethiopia in coping with the increased migration to urban areas is to strike a balance between on the on the hand positive effects of urbanisation, mainly in promoting rapid economic growth, with the lack of social and economic infrastructure for the urban migrants, causing unemployment, severe poverty, and high crime rates.

7. Development cooperation

Ethiopia is a major recipient of development assistance from a large number of donors, however not proportionally to its big population. A comprehensive list of donor activities in Ethiopia can be found in annex 3.

The largest donors to Ethiopia in the last five years have been the World Bank, the EC, USA, the African Development Bank and Japan. These five donors have accounted for slightly over 50% of all development assistance to Ethiopia. The EC is the second largest donor to Ethiopia, providing annually 10–15% of all external assistance.

Nearly all member States operate in Ethiopia in their capacity as bilateral donors. The most significant EU donors – in terms of finance – are Germany, The Netherlands, Italy, Ireland and France. Germany has for the past period concentrated its co-operation assistance in four areas: (i) economic and social reform: (ii) roads and water supply; (iii) agriculture and food security; including environmental protection and (iv) education. The Netherlands has for several years focused on two sectors of Cupertino: rural development and health care. Future assistance will most likely concentrate on natural resources, education and health, but the exact choices and sector concentration is still under discussion. Italy is concentrating on four sectors: rural development & food security, education, infrastructure (roads) and health. Ireland is currently preparing a new Cupertino strategy for Ethiopia. The present Irish country programme supports area-based programmes in Eastern Tigray, Sidama and Gurage zones and education and health at federal and regional levels. Assistance will furthermore be provided to the Road Sector Development Programme. France channels most of its investment support through the (AFD). Sectors of concentration for Francecare irrigation and infrastructure (water and railway), education and legal reform.

The assistance programme by the World Bank is very wide ranging, but has an increasing focus on economic reform, food security, economic infrastructure and the social sectors. The African Development Bank is also active in a range of sectors, including health, education, water and roads, but has an increasing focus on economic reform, food security and agriculture. The 2001–2006 USAID's integrated strategic plan concentrates on addressing both chronic and emergency food insecurity in

Ethiopia. In this context it supports interventions in the fields of (i) rural household production and productivity; (ii) family health; (iii) primary education; (iv) governance and civil society; and (v) mitigation of the impact of disasters. Within the UN System, a large number of agencies are active in Ethiopia.

In comparison with many other African countries Ethiopia is generally regarded as having a large degree of ”ownership” where its development aspirations are concerned. This implies the country considers that it is entitled to development cooperation without, for this reason, inviting a dialogue on how support can be used effectively and without being particularly receptive to experiences gained in other countries.

Ethiopia's capacity to absorb development cooperation is unevenly distributed between sectors and regions. Where accounting and financial reporting is concerned, capacity is fairly well developed throughout the country. Capacity for economic planning, implementation and monitoring is somewhat less developed.

Certain regions are extremely poorly equipped to handle the responsibilities given to them in connection with decentralisation (Afar, Gambela and Somali), others are stronger (Tigray, Amhara and SNNPR).

The government's attempts to coordinate support from different donors have made greatest progress in producing three major programmes for sector support. This has been done with relatively great success. However, due to the war with Eritrea support from donors has mostly not been forthcoming. The sector programmes in the health and education sectors are currently being replanned. The third programme in the roads sector continued with mainly World Bank support during the war.

At present the government of Ethiopia tries to use the following channels for disbursement of development cooperation; (i) general budget support, (ii) budget support resources tied to specific sectors, (iii) disbursement of funds to special accounts in which a ministry or executing agency can have access to the funding, an (iv) development cooperation provided in kind, including direct procurement and technical assistance. From an efficiency point of view, (ii) does not make sense, thus providing the donor a sense of ownership and control, yet creating additional transaction costs for both the parties.

Donor coordination is relatively well developed. There is a structure in place with a group of ambassadors who have direct responsibility for the dialogue on democracy and human rights, a group for overall coordination at development counsellor level, and several sub-groups for different sectoral and cross-sectoral issues. At times the bilateral donors have been critical of the analyses made by the World Bank and the IMF and expressed the view that the government's economic policies should be questioned to a greater extent.

ABBREVIATIONS AND ACRONYMS

AAPO	All Amhara People's Organisation
AAU	Addis Ababa University
ACSI	Amhara Credit Service Institution
ADLI	Agricultural Development Led Industrialization
AHRI	Armauer Hansen Research Institute
ANDM	Amhara National Democratic Movement
ANDP	Afar National Democratic Party
ANRS	Amhara National Regional State
APAP	Action Professionals Association for the People
ART	Anti-Retroviral
AU	Alemaya University
BGPDUF	Benishangul/Gumuz Peoples Democratic Unity Front
CBE	Commercial Bank of Ethiopia
CEDAW	Convention on the Elimination of All Forms of Discrimination Against Women
CETU	Confederation of Ethiopian Trade Unions
CRC	Children's Rights Convention
CSOs	Civil Society Organisations
CSR	Civil Service Reform
DHS	Demographic Health Survey
DKT/Ethiopia	Social Marketing for a Better Life
DPPC	Disaster Prevention and Preparedness Commission
EC	European Commission
EDP	Ethiopian Democratic Party
EEA	Ethiopian Economic Association
EHRCO	Ethiopian Human Rights Council
EMCP	Expenditure Management and Control Programme
EPRDF	Ethiopian Peoples Revolutionary & Democratic Front
ESDP	Education Sector Development Programme
ESTC	Ethiopian Science and Technology Commission
ETA	Ethiopian Teachers Association
ETB	Ethiopian Birr
ETC	Ethiopian Telecommunication Corporation
ETV	Ethiopian Television
EWLA	Ethiopian Women Lawyers Association
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FGM	Female Genital Mutilation
GBDP	Gambella Peoples Democratic Party
GDP	Gross Domestic Product
HICE	Household Income Consumption and Expenditure Survey
HIPC	Highly Indebted Poor Countries
HNL	Harari National League
HSDP	Health Sector Development Programme

ICDR	Institute of Curriculum Development & Research
ICRC	Internation Committee of the Read Cross
IEC	Information, Education and Communication
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
IPF	ndicative Planning Figures
I-PRSP	Interim Poverty Reduction Strategy Paper
JICA	Japan International Cooperation Agency
MEFF	Macroeconomic and Fiscal Framework
MF	Micro Finance
MFIs	Microfinance Institutes
MoFED	Ministry of Finance and Economic Development
NGOs	Non Governmental Organisations
OLF	Oromo Liberation Front
ONC	Oromo National Congress
OPDO	Oromo People's Democratic Organization
PADETES	Participatory Demonstration Extension and Training System
PER	Public Expenditure Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RTTP	Rural Transport and Travel Programme
RWI	Raoul Wallenberg Institute
SARDP	Sida Amhara Rural Development Programme
SEK	Swedish Kronor
SEPDC	Southern Ethiopian Peoples Democratic Coalition
Sida	Swedish International Development Cooperation Agency
SNNPR	Southern Nations and Nationalities People's Region
SPDP	Somali People Democratic Party
SSA	Sub-Saharan Africa
TPLF	Tigray People's Liberation Front
TVET	Technical, Vocational, Education and Training
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Science and Culture Organization
UNICEF	United Nations Children´s Fund
UNMEE	United Nations Mission for Ethiopia and Eritrea
USD	United States Dollar
WB	World Bank

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
						Estimated budgets and commitments 2002-2006 in USD						
UNDP	Good Governance	1) Strengthened capacity of key governance institutions	Support to Parliament and Justice Sector Reform	The proposed results include the formulation of a comprehensive justice sector reform programme.								
		2) An efficient and accountable public sector	Civil Service Reform and Decentralization	The intended results include improved efficiency, effectiveness and transparency in the civil service								
			Public/Private Sector Programme	The building of strategic alliance for private sector development								
			National Capacity Development	The intervention in this programme area will create an enabling policy environment that will facilitate full and effective participation of all national partners in the development process								
	Poverty Reduction	1) Human and income poverty addressed in national policy frameworks	PRSP and Sector Programme	National capacity built for development, implementation and monitoring of anti-poverty strategy								
			HIV/AIDS	HIV/AIDS will be treated as a national emergency wherein all national and international resources are systematically harnessed to deal with the crisis in a development framework which specifically acknowledges the need for gender dis-aggregated and IV/AIDS specific preventative and mitigating responses.								
		2) The asset base of the poor is expanded and protected (human, physical and financial)	Food Security and Agriculture	Improved food production & food security at national & household levels through strengthened institutional framework, appropriate policies and strategies.								
			Promotion of information and communication technology	A national road map for ICT development efforts with the ultimate goal of establishing nation-wide connectivity will be established.								
	Sustainable Environmental Management and Water Resources Development	1) Improve the livelihoods and security of the poor and regional and global instruments for environmentally sustainable development that benefit the poor	Environmental management, Water Resource Development, Sustainable Drylands Management	A comprehensive approach to environmentally sustainable development which include global environmental concerns, integrated in national development planning and linked to poverty reduction								UNDP plans for an amount of USD 123 million for 2002-06. A large part of the amount, USD 80 million, is expected to be financed by bilateral donors through cost-sharing and trust funds. Some overlapping with bilateral donors planning figures below might therefore exist.
											123	
European Commission	Transport	1) Improved and expanded roads network, 2) Increased flows of traffic and goods, 3) Improved road-connectivity with neighboring countries, 4) Improved transport policy development and implementation		A number of roads upgraded, Improved maintenance of road network, Improved ERA-capacity to manage RSDP, New transport legislation promulgated and enforced							209	

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
								Estimated budgets and commitments 2002-2006 in USD				
	Macroeconomic Support and Economic Reform	1) Macroeconomic and fiscal stabilization, 2) Increase of poverty reduction related expenditures, 3) Increased over-all and gender balanced education enrolment rates, 4) Higher share of private sector actors in overall economic activity, 5) Enhanced negotiation capacity related to trade/economic integration, 6) Improved systems of public finance management		Substantial reduction of BOP and budget deficits, Attainment of PRSP/ESDP targets for poverty reduction in education, Strengthened capacity of entrepreneurs and intermediary organizations, Satisfactory outcome of REPA negotiations and regional programming, Higher volume of Ethiopian exports towards EU market, timely achievement of annual planning/budget cycles, Improved accounting reporting and auditing standards							95	
	Food Security	Poverty reduction in general and increase food security in particular		Increased supply, Increased effective demand, Improved crisis management							53	
	Capacity Building for Civil Society and Governance	1) To improve the effectiveness of the civil service at federal and decentralized levels, 2) To expand and upgrade the quality of the court system in Ethiopia, 3) To enhance the capacity of civil society to play an active role in selected governance areas in Ethiopia	Support civil society, Legal and judicial reform, Civil service reform, Administrative decentralization	Enhanced capacity of selected civil service organs to effectively perform assigned tasks, Improved capacities for civil service management, Increased number of qualified legal practitioners in the Ethiopian court system, Improved system of court administration and management, Enhanced capacity of civil society in advocacy, negotiation and implementation of Governance activities							23	From EDF 9 envelope A USD 380 million to cover long term development operations distributed to sectors as reported here. From EDF 9 envelope B USD 152 million to cover unforeseen needs.
											380+152=532	
UNICEF, UNFPA, WFP, FAO, WHO, UNESCO, WB, ILO, UNHCR, IMF, UNIDO, ITU, IOM, UNEP, UNECA, UNDP	Sustained Economic Growth	To create enabling environment for accelerated and pro-poor growth.	Humanitarian Assistance - include food needs assessments, annual food gap assessments, health, nutrition, education, water and sanitation needs assessments	To achieve goal-oriented collaboration and coherence in the UN programs of assistance								
	Productive Employment	To promote productive employment opportunities for the strengthening of national capacity	Addressing the HIV/AIDS Emergency	To assist the government in achieving the goal of reducing absolute poverty, strategic partnership will be strengthened with relevant stakeholders								
	Food Security and Sustainable Agricultural Development	1) To increase and diversify more agricultural production 2) To achieve improved food security at the household level and within the household	Agricultural Development, Natural Resources Development and Environmental Protection	To suggests new approaches for resource mobilization								
	Access to Basic Social Services	To increase geographic access to and utilization of integrated, affordable and quality and basic social services	Health and Education									The programmatic cycle of the UNDAF in Ethiopia is for 3 years, starting 2002 and ending in 2005
	Good Governance	To strengthen capacity of the State for the promotion of sustaining good governance	Gender mainstreaming - engaged in increasing gender awareness within the different sections of the Ethiopian society and in supporting the work of the Women's Affairs Bureau in the Prime Minister's Office									

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
						Estimated budgets and commitments 2002-2006 in USD						
	HIV/AIDS and Development	To scale up national response to the HIV/AIDS pandemic	Capacity Building - paying particular attention to the regional and sub-regional levels. WHO and UNDP have also collaborated to support the emerging regional states Afar, Benishangul-Gumuz, Gambella and Somali by providing technical assistance and training over a wide range of managerial functions									
			Population Tracking									IOM jointly with WFP embarked upon setting up a Geographic Information System (GIS) on population movements to ascertain regional security and information network in order to monitor the movements of people.
											237	In monetary terms, the UN Family provides around 237 million USD in food, grants and soft loans towards Ethiopia's development. Most programs have particular focus on poverty reduction. The UNDP, World bank and IMF plans and tentative budgets are, however, reported separately.
USAID		Performance goals:- 1) Broad-based economic growth, agricultural development and environmental protection 2) To stabilize population and protecting human health, 3) To build human capacity through education and training and strengthening democracy and good governance, Long term strategic goals:- To reduce chronic food insecurity including helping to enhance Ethiopia's capacity to respond effectively to emergency food crises with its own resources		Crosscutting results are: 1) nutrition, 2) gender, 3) human and institutional capacity development, 4) civil participation and, 5) information and communication technology		n a	n a	n a	n a	n a	n a	Strategic plan period (2002 - 2005)

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
						Estimated budgets and commitments 2002-2006 in USD						
	Judiciary, Management of Public Finance, Rural Household Production, Family Health, Expanding primary Education, food Security	Objective:- 1) To enhance quality of justice 2) To improve management of public financial resources 3) To increase rural household production and productivity 4) To improve family health 5) To enhance quality and equity in an expanding primary education system 6) To mitigate potential human and other costs of natural and man-made disasters		1.1) Professional qualification of judges, court personnel and related arbitration committee members strengthened 1.2) Institutional capacity of courts to support judges increased 1.3) Role of courts in enforcing human rights strengthened 2.1) Public budgets reflect institutional objectives 2.2) Budget resources provided and used as planned 2.3) Financial control improved 3.1) Integration of food, livestock and factor markets increased 3.2) Competition in agricultural input and output markets increased 3.3) Rural household cash crop and micro-enterprise income increased/diversified 3.4) Food and agricultural research systems in target areas strengthened 3.5) Extension service dissemination of technology information in target areas improved 4.1) Use of high impact child survival interventions, including nutrition, in focus areas increased 4.2) Efficient use of resources by the health sector, particularly for PPHC 4.3) Management of the health sector improved 4.4) Impact of HIV/AIDS and select infectious diseases in focus areas reduced 4.5) Use of select,		n a	n a	n a	n a	n a	n a	
Netherlands	Education		Primary education, vocational training, non-formal education and teacher education		Gender, HIV/AIDS, Environment, Good Governance and Institutional Development							75-80% of the resource allocated for 2002 and 2003 is for the government to government cooperation.
	Health		Essential drugs, supporting the national control programs for TB/Leprosy									
	Rural Development											
	Civil Society Cooperation											
	Food Security											
						24	27	29				
JICA	Road and Education	To contribute to human resource development, To support for self-help efforts, To develop its grass-roots cooperation with local communities	Project Grant Aid									
	Power and Telecommunication		Non-Project Grant Aid			USD 30 million for both project and non project grant aid						
	Water, Health, Road		Technical Assistance - Technical training of overseas participants, dispatch of experts and provision of equipment			USD 6 million						
			Development studies, dispatch of Japan overseas cooperation volunteers									Roughly USD 36 million per year is estimated, however, JICA can not make multi - year commitments.

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
						Estimated budgets and commitments 2002-2006 in USD						
Irish Aid	Education	To evaluate the Embassy support to capacity building in the context of its four area-based programs		Primary schools constructed and upgraded, Primary school teachers, head teachers, directors and management committee trained, senior secondary schools increased, Radio utilization program increased in primary schools		20 000 000						
	Health			Clinics and health posts constructed, Immunization carried out, Various facilities constructed and furnished, Springs, VIP latrines and wells constructed, Bed nets purchased distributed, HIV/AIDS taskforce established, Anti HIV/AIDS club established, Amateur artists and circus groups organized, HIV/AIDS education given.								
	Agriculture			Different soil and water conservation techniques introduced, multipurpose seedlings and trees planted, water supply and irrigation system introduced, modern beehives distributed and raising honey production, employment opportunity for farmers (55% women), nursery sites strengthened, tree plantation and pastureland protected from erosion, crop production using irrigation introduced, fruit production and management introduced, fruit trees distributed to farmers, degraded grazing lands enriched, livestock water supply constructed, vaccination service offered, concentrated training given through farmers field schools, specialized training for farmers, DAs, supervisors, animal health technicians and agriculture staff offered, motorcycles and vehicles provided, irrigation scheme completed, protection of cultivable land done, hand-on training of modern bee-keeping and honey production, poultry and fishery introduced, revolving animal drug fund introduced, road constructed.								
	Infrastructure			Rural roads have been constructed on labor base, labor based all weather road constructed, maintained and completed, major and foot bridges constructed, staff trained								

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
								Estimated budgets and commitments 2002-2006 in USD				
	Water			Several springs and few ponds constructed, water supply in some towns improved, water technicians trained, water scheme expanded and motorized								
	Capacity Building	1) To better plan, coordinate, manage, implement and sustain their development priorities 2) To build capacity in problem identification and solution 3) To raise both technical and managerial capacities 4) To emphasize training at community level, primarily through PRA techniques	Human resources development and Institutional development	Upgrading training for extension agents, short-term training offered to farmers (30% women), well constructed and furnished office given to zonal women's association, vocational training center constructed, early marriage of girls reduced, institutions strengthened through donations of vehicles and office equipment.								Irish aid has amounted to about USD 25 million per year lately.
GTZ	Education - Arba Minch Water Technology, Primary education, Technical & Voc. Education	To improve the living conditions of people particularly of the poorer sections of the population in our partner countries development cooperation is help towards self-help		Training measures for experts and personnel at a higher professional level carried out, cooperation with German universities stabilized, research potential successfully used & research management established, postgraduate study introduced, technical facilities applied, a strategy to reform vocational training system decided, organizational structure to develop and implement the reform strategy created, training programs that meet the demand of the labor market and community developed and tested, qualification and availability of vocational school teachers are improved occupation oriented training offered							16	Project period (1990 - 2003)

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
								Estimated budgets and commitments 2002-2006 in USD				
	Natural Resources - Forest genetic resource conservation, Borena lowland pastoral dev't program, Advisory assistance in the forest admin., Household energy/Protection of Nat. Resources, Integrated forest management project, Village level resource mgt. project, Land use planning & resource mgt. in Oromia region, Promotion of social forestry in Tigray										34	Project period (1993 - 2004)
	Roads - Restructuring of the Ethiopian Roads Authorities	1) To promote efficient and cost effective transport services 2) To promote and extend transport services to remote and inaccessible rural areas 3) To develop an efficient and sustainable construction industry									5	Project period (1995 - 2004). It has three phases:- 1st phase covers May 1995 - April 1998, 2nd phase covers May 1998 - April 2001, 3rd phase covers May 2001 - April 2004. Third phase focuses on two pilot regions , Amhara and Benishangul-Gumuz.
	Women Right - Support to women in the promotion of their rights (Gender and Law)	To use the opportunities for the application of their rights in the traditional and/or local jurisdiction as well as before ordinary courts.									1	Project period 2000 - 2003
	Food Security - Integrated food security programme (South Gondar)	To improve the situation of food insecure households in South Gondar and selected areas in Tigray Region by the application of innovative production methods and techniques	Technical Assistance								8	Programme period 1996 - 2004
			Provision of Grain (1996-2001)								7	
	Urban Development- Village level resource management project, Strengthening of the Regional Planning and Dev't Dept., Urban mgt. Advisory services of A.A., Urban mgt and capacity enhancing project	To act more effectively to deal with major urban problem issues, To establish the new regional administrations and generate renewed economic activity		Urban management functions of the City Government are based on a short and medium term framework, The structural and procedural organizational set-up of administrative units which are involved in urban management are improved, The legal and administrative structure of the land market as well as its management by the City Government are improved, The qualification of staff of the City Government and of other relevant institutions in the field of urban management is improved, General public and interest groups actively participate in decision-making on urban management							7	Project period 1996 - 2005

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	Estimated budgets and commitments 2002-2006 in USD						Comments
						2002	2003	2004	2005	2006	Total	
	Micro and small enterprise development programme	To contribute to an increase of employment and income, especially in urban areas of Ethiopia, To improve the performance of existing and emerging micro and small enterprises by supporting partner organizations on the intermediate level.		Support public and private partner organizations in selected regional states for improved management and networking, Enhance the Federal medium and small enterprise dev't agency's capacity to provide relevant services to regional organizations, Strengthen capacity of public, private and commercial service providers to deliver services that are demanded and paid for by clients, Develop and implement sustainable effective impact monitoring.							5	Project period 1996 - 2005 works in 3 regional states (Addis Ababa, Amhara and Tigray)
	Water - Improvement of water supply in the Oromiya and Tigray region										11	Project period 1990 - 2004
African Development Bank	Agriculture and Rural Development		Lending Operation 1) National fertilizer project II (background studies finalized)			47						
			2) Rural financial intermediation program (prepared by IFAD)			39						
	Infrastructure Development		1) Wacha-maji road upgrading project (feasibility study ready)			37						
			2) Harar water supply and sanitation project (appraisal completed)			27						
			3) Load dispatch center (prepared by the WB)			27						Technical Assistance Fund
	Policy-Based Operation		Poverty reduction support loan (PRSP under preparation)				80					
			Non-Lending Operations 1) Capacity building, good governance, the ongoing agriculture sector review, the annual public expenditure review and the country financial accountability assessment (CFAA)									The annual public expenditure review and the country financial accountability assessment would be undertaken in collaboration with the WB and other development partners.
												Proposed priority projects and programs for the ADF-IX period (2002-2004). The budget is about USD 255 million.
Finland	Human Rights and Democracy, Poverty Reduction, Conflict Prevention, HIV/AIDS										2	Local funds are used to support the mentioned sectors. Support is made through civil society, UNDP and Government. The support is for 3 years period.
	Water Development Programme										11	It is a bilateral programme and they are involved in the Amhara Region. The support is for 4 years period
Norway	Health					4						Norway is going to prepare a country strategy paper in the near future and for the time being they do not have a long term plan but the mentioned sectors are the on going projects for 2002. It is expected that these sectors will continue in the future as well.
	HIV/AIDS					1						
	Private Sector Development & Trade					0,2						

Donors Map 2002 - 2006

Donors	Strategic Areas/Sectors	Strategic Objectives/Goals	Types of Support	Expected Results	Supportive Issues	2002	2003	2004	2005	2006	Total	Comments
						Estimated budgets and commitments 2002-2006 in USD						
	Environment & Energy					2						
	Good Governance					1						
	Culture					0,2						
	Research Cooperation					1						
Italy	Rural development & food security											
	Education											
	Roads											
	Health											
DFID	Capacity building, public finance management											
	Education											
	Food security											
	Water											
	Roads											
	Private sector Development											
	HIV/AIDS											
	Plans for direct budget support											
												At present DFID has a resourse envelope of about USD 45 million for 2001-2003. The budget might increase substantially in the near future.
World Bank	Capacity Building											
	Decentralization and Service Delivery											PRSC and other negotiations are on process but there is no clear information
	Private Sector Development											
	Infrastructure Development											
												WB is currently engaged in preparing Country Assistance Strategy (CAS) for three year period 2003-2005. IDAs lending envelope amounts to **USD 1,5 billion** over the CAS period.
Austrian Development Cooperation	Health, Food Security, Energy, Gender and Democracy	To alleviate poverty in Ethiopia										Focus on Amhara and Somali Regions but there are projects found in other regions and at national level. Budgets not available.
IMF												The PRGF budget is about USD 109 million for 2001 - 2004, about USD 36 million per year.
		USD 1 = Birr 8.6948 (CBE, July 1, 2002)										
		EURO 1= Birr 8.597456 (CBE, July 1, 2002)										
		USD 1 = EURO 1.011										
		SEK 1 = Birr 0.9458 (CBE, July 1, 2002)										
		EURO 1 = Finish Mark 5.94573 (Source: Finland Embassy)										
	**	**UA 1 = Birr 10.97 and USD 1 = Birr 8.25 (Source: ADB Memorandum - Ethiopia 1999-2001 Country Strategy Paper, Sept., 22, 2000)**										
	**	**UA 1 = USD 1.3297**										

Ethiopia selected statistics

	Ethiopia	Sub-Saharan Africa	Low-income
Poverty and social data (most recent estimates)			
Population (millions)	67 (2002)	659 (2000)	2 459 (2002)
Population growth (%)	2,4	2,4	2,2
GNI per capita (USD)	100	480	420
GNI (USD billions)	6,7	313	1030
Poverty (% of population below national poverty line	50	–	–
Urban population (% of total population	15	34	32
Life expectancy at birth (years)	43	47	59
Infant mortality (per 1000 live births)	107	92	77
Child malnutrition (% of children under 5)	57	–	–
Access to an improved water source (% of population)	30	55	76
Illiteracy (% of population age 15+)	62	38	38
Gross primary enrolment (% of school age population)	57	78	96
Male	74	85	102
Female	48	71	86

Key economic ratios and long term trends

	1980	1990	1999	2000
GDP (USD billions)	–	8,6	6,5	6,4
Gross domestic investments/GDP	–	11,8	16	14,3
Exports of goods and services/GDP	–	7,8	14,1	15,4
Gross domestic savings/GDP	–	7,2	1,2	–1
Gross national savings/GDP	–	9	8	8,9
Current account balance/GDP	–	–2,8	–8,1	–5,4
Total debt/GDP	–	100,4	85,7	85,9
Total debt servings/exports	7,6	34,9	61,9	38
Present value of debt/GDP	–			38
Present value of debts/exports	–			243

	1980–90	1990–00	1999	2000	2000–04
(average annual growth)					
GDP	1,1	4,7	6,5	5,3	5
GDP per capita	–1,9	2,4	4	2,8	2,7
Exports of goods and services	2,4	9,5	–2,6	–4,5	6,5

Structure of the economy	1980	1990	1999	2000
(%of GDP)				
Agriculture	–	49,3	52,3	52,3
Industry	–	12,7	11,1	11,1
Manufacturing	–	7,8	7	7
Services	–	38	36,5	36,5
	–			
Private consumption	–	74,3	80,1	76,7
General Government consumption	–	18,5	18,7	24,4
Imports of goods and services	–	12,4	29	30,7

	1980–90	1990–00	1999	2000
(average annual growth)				
Agriculture	0,2	2,1	3,8	1,9
Industry	0,4	6,1	12,9	3
Manufacturing	–0,9	6,5	17,7	4,2
Services	3,1	7,1	7,8	9,5
Private consumption	0,2	2,9	3,1	–2
General Government consumption	4,5	9,2	37,3	33,2
Imports of goods and services	2,1	9,4	13,4	–6,2

	96/97	97/98	98/99	99/00	00/01	01/02
Consumer prices (% change)	–6,4	3,6	3,9	4,2	–7,2	5,0

Government budget

Revenues (2000/01):	
Revenues before grants/GDP	19
Taxes/GDP	14
Taxes on foreign trade/total revenue	6
Grants/total revenues	29

Expenditures

	99/00	00/01	01/02 budget
Expenditures/GDP	33,3	29,3	28,9
Defense expenditures/GDP	13,2	6,3	5,1
Interest expenditures/GDP	2,2	2,0	2,0
Capital expenditures/GDP	6,7	9,5	10,2

(% of total expenditure)				
defense	39,8	21,3	17,1	
interests	6,5	7,0	6,9	
poverty related	25,3	41,1	46.8	
agriculture & natural resources	7,5	10,6	11,7	
roads	5,1	10,1	12,0	
education	9,6	14,1	16.9	
health	3,1	6,4	6,2	
other	28,4	30,5	29.2	
Budget deficit including grants (% of GDP)	–11,4	–4,8	–6,9	
Trade	**1980**	**1990**	**1999**	**2000**
Terms of Trade (index 1995=100)	–	85	84	66
(USD millions)				
Total exports (fob)	459	366	484	486
coffee	–	196	281	262
leather	–	64	32	35
Total imports (cif)	692	881	1558	1611
food	–	73	100	116
fuel & energy	–	109	111	213
capital goods	–	340	643	755
	–			
Balance of payment	**1980**	**1990**	**1999**	**2000**
Exports of goods and services	569	972	915	984
Imports of goods and services	782	1069	1878	1962
Resource balance	–213	–397	–963	–978
Net income	7	–67	–52	–60
Net current transfers	80	220	494	691
Current account balance	–126	–244	–521	–346

Sources:
Government of Ethiopia, PRSP 2002
World Bank, Country assistance strategy, note for discussion, March 2002, "Ethiopia at a glance"
IMF, Second review under the three years arrangement under the PRGF, March 2002
UNDP, Human Development Report 2001

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.

SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
info@sida.se, www.sida.se