Challenges and Opportunities for Inclusive Development in Ethiopia

Proceedings of Conferences held in 2017

Dessalegn Rahmato and Meheret Ayenew (Editors)
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Preface

June Conference on Inclusive Development

As part of its on-going public dialogue program on progress in Ethiopia’s development and public policy, FSS is undertaking a project of research and public dialogue on a number of selected topics on the theme of *Prospects and Challenges for Inclusive and Participatory Development in Ethiopia*. The aim is to enable researchers and professionals to present evidence-based papers to stimulate debate and reflection. I now think the project we have chosen is a bit too ambitious to be covered adequately within the resources available to FSS. The thrust of the papers prepared focus on the whole on the challenges of inclusiveness in development strategy. The recent upheavals in rural Ethiopia which erupted against a backdrop of economic growth indicate that there are serious challenges in the growth trajectory the country is following and that there is a deficit in equity, inclusiveness and participation, and that a large number of people feel either left out or that their interests are not sufficiently addressed.

The project, *Prospects and Challenges for Inclusive and Participatory Development in Ethiopia* has two major clusters, in each of which we have grouped topics which are related and are best discussed together. Today we discuss the topics in the first cluster; the discussion of the topics in the second cluster will take place in late August.

I now think the project we have chosen is a bit too ambitious to be covered adequately within the resources available to FSS. The thrust of the papers prepared focus on the whole on the challenges of inclusiveness in development strategy.

There is broad consensus that economic and social development programs that are inclusive and promote stakeholder participation are more likely to be successful and resilient. The UN’s recently adopted SDGs (a replacement of the MDGs) recognize the importance of inclusive institutions for sustainable development. The concepts of inclusiveness and participation are closely related, and the one cannot be attained without the other. Inclusiveness itself has two main aspects: it refers both to processes as well as outcomes. Economic development will be more sustainable if there is an inclusive and participatory
process of decision-making, involving a greater number of stakeholders and representatives, on the one hand, and the benefits (or outcomes) of development are widely shared in society, on the other. Thus the concept brings into focus both the institutions of economic decision-making, and the social soundness of economic outcomes.

The country has registered steady economic growth for at least a decade and half, with the government claiming double-digit growth for a good part of this period, though this is disputed by a number of authoritative sources. Government and other documents reporting on this success story tend to be full of dry and quantitative narrative in the midst of which the human and everyday elements are invisible. The broad aggregate figures filling the pages of these documents do not really tell us much about their meaning to families, communities, social groups. It takes large-scale social events such the rural unrest of 2015 and 2016 to indicate that despite the growth figures and claims there are a large group of people who are discontented because they believe they have been left out. While many of the protestors in these events were young people, there were, according to anecdotal evidence, a good number of not-so-young people, including peasant farmers, who used the occasion to make a statement. So it is important to ask what kind of economic change has taken place in the last decade and half, and whether the benefits of that change have been shared by all or only by a small segment of society. I believe examining the relevance of inclusiveness in development strategy formulation is very relevant for us at this time.

Today’s discussion, the first cluster, looks at the impact of development or lack of it, on specific social groups, namely women, young people and vulnerable groups that should be entitled to decent social care. The discussion is preceded by a general reflection on inclusiveness in the country’s development experience. Here, I believe it is important to ask whether there are structural impediments underlying the country’s political economy to inclusive decision-making. Does, for example, the ideology of the development state, which informs government economic planning and strategy, prohibit or discourage inclusiveness? Is one-party dominance and de-facto one party governance, and the absence of diversity in public affairs, pose obstacles to inclusive decision-making?

As you all know the Government has recently established a special fund of several billion birr to support employment, training and other programs for young people. It is obvious that coming hot on the heels of the recent rural
unrest, the program is in the nature of crisis management. But it is also a recognition that economic growth has not trickled down to the young and something has to be done. Young people in fact have been demonstrating their discontent in various ways for some time, of which the one that has raised most concern has been the immense risks they have been taking to migrate to the Gulf countries, South Africa and across the Mediterranean to Europe. As we shall see in the discussion this morning, the horrible tragedies that illegal immigration has brought about has not deterred the flow of young people into the hands of criminal people smugglers. Behind this desperate attempt to go to what is believed to be much greener pastures is a strong statement, namely that there is no future for the young here in their own country.

The subjects for today’s program as well as the program to follow in August are very broad and I do not think we will be able to exhaust their complex aspects in such a short session like today. However, the important thing is to initiate discussion and draw attention to their significance.

The key questions we are concerned with in this and the next conference are: how much is inclusiveness reflected in policy documents, how far has it been followed in practice, and to what extent and how fairly have social groups benefited by the on-going economic growth?

I hope you will find the discussion fruitful; I also hope that everyone will have a chance to participate in the debate.

Dessalegn Rahmato
The Politics of Inclusive and Participatory Development: What is Ethiopia’s Experience?

Yonas Ashine

Background

News reporting on contemporary uprisings in Ethiopia correlates with the narrative of Ethiopia rising. The record and impressive macroeconomic growth is projected to continue despite a slight decrease from GDP growth of 10.4% in 2014/15 to 8.0% in 2015/16, and 8.1% in 2016/17 and 2017/18. Notwithstanding this growth record, Ethiopia’s HDI for 2015 and 2016 remains at 0.448, putting the country 174th out of 188 countries. This rank and status will worsen if one adds additional variables to measure the impact of this macro-economic growth into the lives of many citizens at the micro-economic level. According to the UNDP, Ethiopia’s HDI falls to 0.330, a loss of 26.3 percent if inequality is considered. Moreover the gender inequality index for Ethiopia is not impressive in absolute terms and also relative to other sub-Saharan countries. Similarly, “in Ethiopia, 88.2 percent of the population (79,298,000 people) is multi-dimensionally poor while an additional 6.7 percent live near the multidimensional poverty (6,047,000 people).” There is a complex relationship between recorded growth and inequality. Simply put, the majority of the population is excluded from the share of the national wealth, which is almost controlled by less than 5% percent of the people. These data are not only the result of low growth but also poor redistribution performance.

This impressive GDP growth and gloomy HDI record and inequality also recently correlated with a political crisis manifested by popular protests mainly in the two high populated regions of Oromia and Amhara. The Government declared the third state of emergency since 2005. The political crises including inter-ethnic clashes mainly between Oromo and Somali, Oromo speaking Guji and Gedo, neighboring communities and clashes between university students have been reported repetitively. In general, both the Ethiopia rising and the popular uprising and the political crisis hit the headlines since 2015 leading to the resignation of Prime minister Haile Maryam Desalegn, who stayed in power since 2012 replacing the late Meles Zenawi. The resignation of the prime minister manifested the intra-party political crisis within EPRDF that followed the popular uprising.

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In spite of the intra-party crisis, the EPRDF’s regime used the discourse of lack of good governance to explain the causes of the uprising, not to mention its conspiracy theory of anti-Ethiopia forces, such as Egypt and Eritrea.4 Corruption and rent-seeking trends within the incumbent party and state leaders as well as economic exclusion of the youth have also been identified as root causes of the political crisis. In addition, new economic initiatives mainly in Oromia and later Amhara regional states were launched to address the political problem via economic empowerment.5 However, the problem persisted despite promises by the state to reduce corruption and promise of tickling down benefits to the masses, mainly to the youth. The GDP growth that was projected to continue showed a slight decrease in the midst of the political crisis and at the same time there is also promising prospect about the popular uprisings.

This correlation would remain a puzzle unless the optimistic reporting of Ethiopia rising and the associated indicators of social transformations and national growth are examined from the perspective of inclusiveness: understood as a process of planning development intervention and in its distributive aspect of development outcome.6 The level of inclusiveness in Ethiopia can elucidate the nature of the contemporary socio-political crisis. The nature and extent of national and local institutions among others measure the nature of inclusiveness: the level of democratization in the process and degree of distribution with regards to this success story. To this end, this paper attempts to document the institutional transformations in Ethiopia since the 1991 and explores the implication of these institutional transformations to the prospect of inclusive, shared and participatory development. To what extent these transformations and evolution of political institutions have become more open, inclusive, shared and participatory? Considering change in state structure (from federal restructuring to woreda decentralization), party system (dejure and defacto party system) electoral system, parliamentary praxis (national and regional) and legal regimes or rule of the game that shape state–society relations and determine the scope of political space, this paper examines the politics of inclusive political development in Ethiopia.

In this vein, the paper inquires the role of extra party and the developmental state structures, such as the so-called popular-wing (parallel with the government and party wing), established to mobilize the public. It inquires how the institutions and political spaces produced over the last nearly three decades failed to channel

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4 BBC reported this mentioning the Ethiopia state spokesperson Getachew Reda see http://www.bbc.com/news/world-africa-37607751
5 The reporter “New economic realities” April 1, 2017 see @https://www.thereporterethiopia.com/content/new-economic-realities
conflict into civil political and democratic bargaining? The implication of these structures will be examined from the perspective of popular inclusiveness and wider political space. This is made to illuminate on the trend on inclusiveness as a process.

The paper deploys the concept of political space to panoramically appraise the inclusiveness and openness of institutions and legal frameworks produced since 19991. How these formal and informal structures and institutions contributed to address contentious social and political issues towards inclusive development and deliberative political settlement? By depicting the de-institutionalization, depoliticization and politics exclusion at the center of the developmental state building mainly since 2005, the paper argues how the political communities responded to re-politicize and counter the hegemonic but exclusionary and totalizing discourses and institutions of the developmental state. The concept of political community used here is borrowed from Partha Chatterjee and is used to refer to the surplus and excluded communities and their popular political movements.7

In so doing, the paper uses documents from state and incumbent and opposition parties, national development policies, institutional praxis, laws, electoral process, and debates. In addition, in-depth interviews of members of parliament, members of opposition political parties, bloggers and so on were also employed. Ethnographical read memoirs written by political elites, members of the parliament and political parties in Ethiopia were also made use of. Moreover, a case study was conducted, including election campaign of the incumbent party for the fifth national election in Ethiopia in May, 2015.

Furthermore, ethnography of a local government in Addis Ababa inquiring how state and the incumbent party interact with the local community has also been used to supplement the case study to inform the macro-level analysis of state-society relations within the context of state developmentalism. This is used to illuminate the production of public or political space for the past three decades and depict the degree of inclusiveness and openness to measure the level of democratization and political liberalization in Ethiopia. In conclusion, the paper depicts two historical periods considering the last nearly three decades’ political history of Ethiopia. The first period from 1991 to 2005 is identified as the era of opening up of the political space, establishment of institutions and legal frameworks to facilitate inclusive politics in Ethiopia manifesting political transition, liberalization and democratization. Despite the many challenges and limitation with regards to political liberalization, election, press freedom, parliamentary politics, civil society

activism and so on, there was still the possibility of discussing democratization in Ethiopia, if not full-fledged democracy. Hence, like many other research undertakings, this paper has also been written by considering democratization as an analytical tool to document Ethiopia’s political history in the mentioned period. The second period, which is from 2005 to the present, the paper argues is a reversal of the democratization process manifested by production of institutional and legal restrictions, narrowing of political spaces and the politics of exclusion. The ultimate result of this narrowing of political space and politics of exclusion is political crisis manifested since the 2015 election, when EPRDF won the entire seats in the national parliament. Though the exclusive, closed political spaces inform both the degree of incisiveness as process and outcome, the paper used political economic data to verify how economic marginalization correlated with the nature of political exclusion.

Towards conceptualizing political space

This paper gave primacy to politics and political space to explore Ethiopian political history. This is because the political history of Ethiopia has been dominated by EPRDF whose mode of rule primarily depended on manipulating politics. As a Marxist and Leninist party, “EPRDF’s leaders agree that politics, not economics, is the fundamental agent of historical change.” All were good students of Marx, who has said “the secular struggle between classes is ultimately resolved at the political – not at the economic or cultural – level of society.” Politics as an analytical tool also captures both the process and the outcome of development mainly in this context where those who captured state power used it to animate history.

The political discourse of democratization, liberalization and inclusiveness has recently witnessed a spatial turn both in academia and in advocacy. The spatial analysis has become an additional premise in the scholarship of political development in which exiting variables such as culture and institution have dominated the works of many political scientists. The works of political

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8 Numerous works used democratization instead of democracy to explore political development in Ethiopia see for example Siegfried Pausewang Kjetil Tronvoll and Lovise Aalen. Ethiopia Since the Derg: A decade of Democratic Pretention and Performance. London: Zedbooks, 2002


10 Anderson Perry, Lineages of the Absoutist State. Verso 1974,11 paraphrasing the historical materialism of Marx

scientists on Ethiopia politics have been dominated by the debate by culturalists and institutionalists. For example, culturalists, present patrimonialism as a factor for the success or failure of Ethiopian political and economic development success or failure. While the institutionalists associate political backwardness with failure to build institutions without appealing to cultural curse. Some try to combine the two using political science concepts, such as party and elections and deploying anthological gaze and discourse of the local, the indigenous, the traditional and so on. This paper builds on premises of institutionalism but brings the spatial dimension to panoramically map political developments in Ethiopia since 1991. Here, in this section the concept of space (mainly public or political space) is briefly discussed before applying it to measure political liberalization and democratization in Ethiopia.

Similar to academia, the advocacy institutions adopted the spatial turn perspective to promote democracy and freedom. In the advocacy sector, for example, the National Democratic Institute (NDI), based in the U.S.A., and an organization which promotes democracy at the international level produced papers deploying the concept of space to deliberate about democratization, inclusiveness and citizen participation. For NDI, “Political space refers to the avenues, opportunities and entry points available for citizens to express their voice and influence political processes and outcomes.” It presents two extreme points of political space and compares their relative openness and inclusiveness. The relatively closed, exclusive and narrow political space is connected as continuum with the progressive side, which is an open, inclusive and wide political space. “Political space is considered open if citizens are able to communicate their preferences, organize, act individually and


collectively and engage government without restrictions or harassment.” Hence, openness and inclusiveness are not functions of mere physical size but a function of citizen involvement and participation to put their influence on the process and outcome of policy. Exclusion and closedness of a space also are not a matter of demolishing space physically but a function of setting “legal and institutional barriers” to restrict the participation of citizens.

In the academia arena also there has been a growing debate concerning space and political development. Without considering the depth of historical evolution of such debates, it is worth to present here the major thesis of the debate. Perhaps the theorization of David Harvey would simplify the task here. For Harvey, space has triple dimensions and he identified them as: an absolute space, which is a physical space, fixed and “a thing it itself”; a relative space, which is a product of relativization process made between different spaces by an observing agent or subject, and finally the relational space which is defined by a process it contained. He argues, “Processes do not occur in space but define their own spatial frame.” Therefore, political spaces evolve and define their own spatial frame. Harvey conducted a matrix between his triad of spaces and Henry Lefebre’s trio of spaces, such as material space (space of experience) representation of space (conceived and represented space) and space of representation (lived space). Political space or in Harvey’s language public space is not only a material space but also a social and political space at the same time. Quoting Timothy Mitchel, he states that “It is only when rationality connects to the absolute spaces and times of social and material life that politics comes alive. To neglect that connectivity is to court political irrelevance.” Therefore, political spaces, such as parliament or party headquarters, streets or urban squares, got their spatial meaning more from the political process they contain. Their narrowness and width, or inclusiveness and exclusiveness are a reflection of the political process they host as discussed in NDI’s paper. Hence, a relational space or in Lefebvre’s language a lived space matters most when one articulates the political or public space. Politics happens when political action and deliberation occupy an absolute or material space-time. It is through this deliberation that citizens determine both the process and outcome policy and this in turn signifies incisiveness and participatory nature of policymaking processes.

In our task of exploring the democratization process and politics of inclusive development in Ethiopia, the key term political space is used as an entry point. The aim is to appraise the historical evolution of political liberalization in the country since the 1991 period. The nearly three decades extending from 1991-2017 are therefore taken as absolute time through which a political space has been produced and reproduced. What is at stake here is what direction such historical

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production and reproduction of political space has been taking for the last nearly three decade. In this panoramic survey the term political space is operationalized as relational space defined by their production and reason d’état as host political dialogue and contestation. To what extent were these spaces such as parliament, parties, CSOs and election related institutions, able to host the desired inclusive and participatory politics in Ethiopia for the last three decades is the main question. It connects current political crisis with the process of shutting down of democratic spaces and de-politicization of the masses since 2005. The popular uprising is re-production of political spaces by the political communities mainly rural and township youth otherwise known as the Qerro in Oromia and Fano in Amhara regional states. Though a comprehensive political ethnography is needed to capture the full stories of these political communities, this paper gives insight on how the structural exclusion and political and economic marginalization can explain the making of popular movements in contemporary Ethiopia.

The next section briefly surveys the production of political space and the laws and rules they govern them between 1991 and 2005. The year 2005 is taken as a watershed in the evolution of the politics of liberalization in Ethiopia because it is an absolute time which hosted the highest political liberalization and the most open and participatory political space. Viewing retrospectively from 1991 to 2005, the next section depicts the production spaces as sites of political liberalization and democratization. Following that viewing prospectively from 2005 to 2017, the section that follows presents the reversal of democratization and introduction of restrictive and exclusive politics considering the legal frameworks produced in the period and their implication on the political space. The subsequent section, which focuses on the ethnographic of local state and the 2015 election campaign of the incumbent party, brings out the narrative of reversal process and the politics of exclusion in the post=2005, correlated with the record of impressive GDP growth in Ethiopia. However, the paper instead of reproducing “the end of democracy” narrative, it presents the present crisis as collision of the gradual closing of political space and parallel societal crisis mainly political communities’ creative power to use cyber and physical spaces, such as streets and city squares as alternative sites of politics. It concludes in order to assure the sustainability and fairness of the recoded GDP growth in Ethiopia, it warrants the opening up of political space in which citizens influence both the process and outcome of development in Ethiopia.

Opening political space and democratization in Ethiopia from 1991 to 2005.

The wind of political liberalization has also blown in Ethiopia as it did in wider Africa. Ethiopia shared the third wave of democratization with the rest

of the continent. With the disintegration of the Derg and its Workers Party led government, the rebel groups became new leaders of Ethiopia creating two states out of one. Not only Eritrea then but also Ethiopia share the features of post-liberation regimes similar to that of Uganda, Rwanda, or South Africa. The regimes in these states, including Ethiopia, were direct products of what are known in the literature as “the second liberation movements that fought against internal political oppression and injustice.” These struggles “challenged the state’s claim of the monopoly of wisdom through their struggle to democratize, restructure, and transform the African post-colonial state into a more representative and inclusive state.” The quest for the second revolution: for economic independence through socialist developmentalism in the aftermath of independence failed and popular movements against the postcolonial leaders mushroomed and generated the struggle for the second independence. In the language of popular moments of the 1980’s and early 1990’s, the second independence aimed to liberate society from post-colonial dictators and those who took power from them by coup d’état and even some through election.

The movements in different countries such as South Africa, Uganda, Rwanda, Burundi, Ethiopia, Sudan, Nigeria and others mobilized the masses against the dictators and the plight of the market. Countries, such as Senegal, Ghana and Tanzania, which are considered as pioneers of African socialism, however, became pioneers to liberalize without extreme violent popular movements. Ghana, for example, remains a stable country with relative economic growth similar to Kenya though later became unstable. The movements were also against structural adjustment and developmental intervention from Brettonwoods institutions addressed as “IMF riots,” “bread riots” military coups. Confirming Fanon’s insight the “people behave like starving creatures … the end is very near for those who are having a good time in Africa.”

The end came to post-colonial first generation leaders of Africa. National resistant armies used the popular movements to make a change in the late 1980s. Such type of regimes were expected to midwife democratization processes irrespective of the political ideology they had had upheld during the resistance movement. However, all most all post-liberation regimes operated against the democratic

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20 See Bahru Zewde and Pausewang Siegfried, Ethiopia: The challenge of Democracy from Below, 26-44
22 Fanon, 1990:145
ethos that kindled their liberation movements. They use ethnicity as a political instrument to mobilize the masses and establish what Kassahun Woldemariam terms “Effective dictatorship.” The post-cold war era that saw formal politics and Ethiopia is a textbook case for politicization of ethnicity in Africa. The coming to power of the leaders of the resistant movements for the time being heralded the coming of the second independence in the same way as independence from African dictators. The third wave democratization discourse emerged to explain the new democratization process in the global south from Huntington’s institutionalism and other modernization theories. Despite the fact, however, that the new regimes in power conducted elections and built human right institutions democratization as aspired by popular movement allowing the mass to be agent of its own history seems to be very far. Electoral authoritarianism or constitutional authoritarianism as discourse represented African politics and this signified that law and institutionalization by themselves are not necessary and sufficient conditions for democracy. Most of the popular movements and guerrilla army leaders and parties remained in power for the last two decades with democratic pretention and electoral maneuvering. The discourse of “the third wave movement” is now emerging to describe the recent popular movements in Africa since the early 2000 in countries like Uganda, Tanzania, Ethiopia South Africa…. and in Northern Africa. The term “Wave” has emerged as notion to represent both democratization and recently from Branch and Mampilly to describe popular protest that has its own limitation since it describes the movement both as temporary, sudden, short-term as well as reversal.

The wind of change and euphoria that blew over the continent was covered by gloomy prospects after two and three decades of experimentation on political liberalization and democratization. The Ethiopian political history particularly exhibited two dynamics, chronologically a progressive democratization period until the 2005 elections and arguably reversal of democratization afterwards. Unfortunately, previous regimes in Ethiopia also had similar trends beginning from progressive foundational moments and having reactionary ending. The 1990s and early 2000s therefore can be decades of transition and political

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24 Kassahun, 1996
27 See for example, Bahru Zewde ‘Hayla-Sellase: From Progressive to reactionary’ in Ethiopian in change: peasantry, Nationalism and democracy edited by Abebe Zegeye & Siegfried Pausewang London British academic press.
liberalization keeping the limitations exhibited in the process aside. It is because of the limitations that some authors described the period as “a decade of democratic pretentions and performance” and the beginning of new authoritarianism rather than democratization. Most of these studies, however, reached conclusions by depending on elections and party politics rather than broader relational political space and inclusiveness.

The genesis of making democratic space and its limitations in the 1990s

The last three decades of Ethiopian political history witnessed liberalization, democratization, decentralization, privatization and institutionalization of politics to accommodate the mobilized masses into civic politics. However, all these processes were controlled from the top guided by the vanguard leadership of EPRDF. Both democracy and development have been centrally planned and controlled. Therefore, the formal process of constitutional decentralization of the state (federal restructuring and decentralization) have been paralleled by informal centralization either through party system, bureaucracy, finance or even additional extra-constitutional state building, such as developmental state making. The politics of inclusiveness in Ethiopia both as a process and outcome should be seen from the context of these two paralleled contradictory political processes exemplified by federal re-structuring and developmental state building. The analytical division of the last three decades into progressive and reactionary periods of political development and decay respectively should be viewed as functions of the contradictory process on one hand and the reaction of the popular masses to these processes on the other.

The new state building process begun with a ritualistic contract at the July conference in 1991. In other words, the foundation for relative liberalization and democratization in Ethiopia was the July 1991 Peace and Democratic Transitional Conference of Ethiopia. Like elsewhere in the continent, this conference provided a space of deliberation that played a role beyond ritualistic and symbolic purposes. Basic issues which animated national politics in the subsequent period were discussed and approved in this conference. Among others, the rights of nation, nationalities and peoples, such as self-determination including the right to secession though negotiated in inter-party negotiations involving TPLF, EPLF and OLF, that was discussed at the conference became a national agenda. Above all, the conference approved the transitional charter of Ethiopia as the supreme law of the land. It became a foundational contract for the new Ethiopia.

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28 Pausewang, et al. Ethiopia Since the Derg
The transitional charter stipulated core features of the Ethiopian politics mainly democratic rights (part one), basic principles of foreign policy (part two) and structure of the transitional government of Ethiopia (part three) including its role to facilitate the establishment of a constitutional commission and constituent assembly. The charter stipulated that the Council of Representatives (CoR) that is the legislative body of the TGE to be established from representatives of national liberations movements (part three, article seven).31

The Council of Representatives (CoR) had 87 seat as a legislative body and also had a parallel council of ministers that served as executive branch of government. The TPLF, ANDM, OLF and OPDO shared executive positions. The Southern Coalition (SEPDC) was given the position of Deputy Minister of Education represented by Professor Beyene Petros.32 Bereket Simon in his book recalls this as a symptom of genuine transition demystifying the opposition call for another transitional government in the post 2005 period. He emphasized the ministerial position assumed by Professor Beyene but he didn’t recall how and why he was forced to leave the position in 1993.33

CoR and the TGE represent the opening of absolute spaces made to accommodate citizens towards envisioning participatory and inclusive politics. In spite of this, the absolute spaces were opened mainly to ethnically organized parties or in the language of the charter “national liberation movements” while excluding the trans-ethnic parties. In the words of Merera Gudina “ethnic based parties were visibly over-represented while the old widely known multi-ethnic coalition of the Ethiopian democratic forces (COEDF) were excluded.”34 Moreover, the distribution of the 87 seats was asymmetric- EPRDF assumed 32 seats while OLF got 12 seats. The worst in terms of representation was the fact that there was only one woman out of 87 members of the council.35 Therefore, the council was not only a council of ethnic representation but also a council of male representatives. Hence, the politics of exclusion exhibited from the beginning was the limitation of the democratization process.36 This process of opening political space was, however, complemented by proliferation of independent private printing presses, civil

31 Peaceful and Democratic Transitional Conference of Ethiopia Transitional Charter of Ethiopia July 1991 Negarit Gazeta 50th Year No. 1
32 Pausewang et al Ethiopia Since the Derg, 26-44
33 Pausewang et al Ethiopia Since the Derg, 29-30
35 Gebru,Lualawinetena Democracy beityopia.
society organizations and opposition political parties. These new developments broadened the relational political space and allowed citizen participation into national and local politics.

The production of relational spaces in Ethiopia was, however, made under the shadow of politicization of ethnicity. EPRDF from the beginning promoted politics of animosity between ethno-linguistic groups instead of harmony and peace as its mode of rule. All the produced space, therefore, became controlled space by the vanguard party. The press, civil society and opposition parties operated in the context of toxic political relation propagated by political parties. However, this did not preclude the possibility of discussing political liberalization and democratization for which many individuals and groups have been fighting for. The democratization process is seen as a continuum of gradual process of inclusion and wider political space on the one hand and politics of exclusion and narrow political space on the other hand.

Following the approval of the charter regional states were created through proclamation 7/1992 which was the instrument for national and regional self-governments. It was in the same year that the regime organized the June 1992 election from which the major participant in the political process OLF withdrew. This was followed by the withdrawal of other small parties such as Amhara Democratic National Movement (ADNM) and the former Ethiopian Peoples’ Democratic Movement (EPDM). This magnified the asymmetric representation and power distribution with the democratic institutions and spaces. As a result of the withdrawal of political parties and numerous irregularities the 1992 election attracted a lot of criticism from local and international observers. However, these irregularities did not preclude the possibility of discussing democratization. The election by itself was considered a “valuable educational exercise and an important step in starting a democratization process, an event marking a decisive break with the totalitarian past…”

The next significant move was the establishment of a constitution commission in 1993 and then constitutional assembly, which mirrored the COR and TGE, which also involved no opposition. Despite this exclusion of politically significant

38 Vestal, ETOPIA: A Post-Cold War African State
39 Proclamation 7/1992
40 Gebru, Lualawinetena Democracy beityopia
41 Pausewang et al, Ethiopia Since the Derg, 32-36
42 Pausewang et al, Ethiopia Since the Derg, 35
parties and actors, the assembly approved the constitution in 1994 including the most controversial issues, such as self-determination including the right to session.\textsuperscript{43} The constitution established the second republic and stipulated the major political features of it.\textsuperscript{44} All the above production of space towards liberalization, democratization and inclusive political space was formalized with the promulgation of the FDRE constitution. The formation of new party system, the electoral system and the state re-structuring were also all stipulated in the constitution.

Parallel to this, the EPRDF overtly declared liberalization, deregulation and privatization while it covertly mobilized itself in different forms to control the economy. As it declared multiparty system and effectively created one dominant party system, it also declared a free market economy and effectively mobilized itself to monopolize the economy guided by the ideology of revolutionary democracy. In the 1980s, The Relief Society of Tigray (REST) and from 1991 onwards Endowment Fund For the Rehabilitation of Tigray (EFFORT) and other similar EPRDF business companies were used as Trojan horses to dominate the economy.\textsuperscript{45} The process of gradual and creeping democratization and production of relatively open political space in this period occurred amidst this structural dominance of EPRDF.

Re-structuring of the Ethiopian state up to 2001

The restructuring of the unitary state of Ethiopia has been in place since 1991 with the establishment of the transitional government of Ethiopia, which organized local governments based on nationality.\textsuperscript{46} Perhaps, it is plausible to say ethno-nationalism was the midwife of the restructuring of the Ethiopian state. The 1992 district level election was the foundation in this sense. With the promulgation of the 1995 Constitution, Ethiopia adopted a federal state structure comprised of nine regional states and two city administrations including the capital Addis Ababa. The former were organized primarily based on nationality. The FDRE constitution

\textsuperscript{43} Pausewang et al, Ethiopia Since the Derg, 32-36
addressed the nations, which in the literature was called ethnicity\textsuperscript{47}, as “Nations, Nationalities and peoples” who are considered sovereign and the ultimate source of power.\textsuperscript{48} According to article 46 of the constitution, then, these “states shall be delimited on the basis of the settlement patterns, language, identity and consent of the people concerned.” The debate pertaining to this is very wide mainly with the difficulty of fitting identity with territory. While in the body the constitution decentralized and restructured the state along ethnic lines it envisioned one strong political and economic community in its preamble.\textsuperscript{49}

Therefore, practically there are two states: the federal and the regional state both having the three wings of government: Legislative, executive and Judiciary. The establishment of states as the second level of government is part of the long process of decentralization, which is still ongoing mainly aiming democracy and development. According to article 50 of the constitution, adequate power shall be given to the lowest level of government body to ensure the highest popular participation. Hence, this decentralization process since 1991 of the transitional period to the establishment of the federal structure can be considered the first phase of the decentralization process in post 1990’s Ethiopia and the second phase of decentralization that is known as woreda decentralization was conducted in 2002. In terms of development policy the woreda decentralization also coincided with the Sustainable Development and Poverty Reduction Program (SDPRP), which was the first comprehensive strategy for poverty reduction in Ethiopia.\textsuperscript{50}

Woreda is the fourth level of government next to zonal administration in the regional state and in Addis Ababa the equivalent is the sub-city comprising approximately 100,000 residents. Below Woreda there are different administrative units that differ from states to states. In some areas there are Kebles, sub-Kebles, and other structures comprising some 100 and others even 30-40 units. There are even committees comprising 5 households that report to the next level of structure. In brief, there are different non-budgetary structures below Woredas and Kebeles. The ethnic-based woredas established since the transitional period are called liu or special Woredas. The aim of Woreda level decentralization is autonomy, participation and development. Woreda decentralization programs envisage the


\textsuperscript{48} The Constitution of the Federal Democratic Republic of Ethiopia, December, 1994

\textsuperscript{49} See The Constitution of the Federal Democratic Republic of Ethiopia, December, 1994

\textsuperscript{50} Federal Democratic Republic of Ethiopia (FDRE) Ministry of Finance and Economic Development (MoFED) Ethiopia: Sustainable development and poverty reduction program (SDPRP) (2002) and Federal Democratic Republic of Ethiopia (FDRE) Ministry of Finance and Economic Development (MoFED) Ethiopia plan for accelerated and sustained development to end poverty (PASDEP) (2005). Both polices were produced in collaboration with World Bank and IMF. How sustainable development and poverty reduction became the policy of the two institutions has its own history worth exploring.
three structures of government, including Woreda level representatives council, Woreda administration and judiciary bodies. Therefore, the state structure at Woreda level appears to be a miniature of the federal and regional triad structure. There are around 769 woredas in the country.

The process of decentralization theoretically is believed to transform the local state by allowing the constituents to influence the process of policy implementation, if not the making and outcome of the same process. Hence, decentralization can be seen as the opening of absolute space to accommodate diverse voices at lowest tier of governance. Decentralization, therefore, introduces the first phase of mobilizing people into politics of self-governance. However, gradually and this is the second phase federal re-structuring and decentralization processes paralleled with different structural centralization processes mainly that of centralization through bureaucratic structures. The core of this process is the building of national capacity structures from federal to local levels. These dual processes, viz. decentralization and centralization were implemented in the name of development mainly the introduction of SDPRP and its pillar Agricultural Development Led Industrialization (ADLI) covering three years, 2002/03-2004/05. SDPRP was followed by another policy called Plan for Accelerated and Sustained Development to End Poverty (PASDEP) for the five-year period 2005/06-2009/10.\(^{51}\) PASDEP was planned as part of achieving MDGs by 2015. These macro-economy plans were prepared by centralized planning structures conditioned by democratic centralism in which citizens’ participation was understood as accepting and legitimizing the plan prepared by the state.

Despite the exclusion of the masses from the process of policy making except some involvement in policy discussions by CSOs, these plans achieved progressive results. For example, the government real total expenditure per capita, which was 1,088 birr in 1995, grew to 1,256 in 2004. In the same period, GDP grew on average by about 6.4% per annum. This was achieved while the total government expenditure, spending on poverty-oriented sectors [including road constructions] also increased to 56.5% in 2004/05 from 43% in 2001/02.\(^{52}\) Encouraging results were recorded in education, agriculture and rural development, health and infrastructural development.\(^{53}\) The impressive annual GDP growth of 11% from 2005 onwards was also achieved because of PASDEP.\(^{54}\)


\(^{52}\) Ibid

\(^{53}\) Ibid

The centralization process during the PASDEP and the GTP I and II periods increased and complicated matters defining citizens just as beneficiaries of centralized planning which only required decentralized structures as administrative wings not as real devolution and democratization of power. In this period, with the expansion of the developmental state building, which is inherently a centralized state guided by the philosophy of democratic centralism and ideology of revolutionary democracy, the democratization process was seriously marginalized. The reversal process took place mainly in the post-2005 period in the direction of centralization and de-politicization, structurally capturing society as labor reserve and source for rubber-stamp approval for top-down development projects. Conceptually also the notion of development remained the hegemonic ethos of the state while democracy has been relegated or needed an adjective as developmental democracy. At the initial stage, the politics of development in Ethiopia, excluded the masses from the process of planning and policy making while achieving relatively encouraging results in addressing the problems of the masses both in the era of SDPRP and the PASDEP. Later in the era of GTP I and II, the masses were excluded from both the process and outcome and most of the planned projects failed to be delivered. Development became a Trojan horse of resource extraction and led to alienation form the people in the post-2005 period. Before discussing this, it is worth to capture the political process in SDPRP’s period. It was during the period of SDPRP that ADLI which was the core component of the process of democratization and gradual opening up of political space that led towards the vibrant elections of May, 2005. The next section briefly depicts this process.

Institutionalization of elections and political parties to 2005

Institutionalization of political elections as a process has significant symbolic and substantive impact on the political development of a country. Election times are defined by high mobilization of citizens to influence political processes and therefore the outcomes. The establishment of electoral institutions signals the opening up of political spaces and elections are another mode of mobilizing the masses into politics. Electoral spaces and times are therefore relational spaces defined by high mobilization of the masses and open political dialogue and conversations through institutions, mainly parties.

However, practically regimes used multi-party elections to produce legitimacy by controlling the process that can avoid the radical outcome of regime change.

55 See Gebru, Lualawinetena Democracy beityopia, 149 for making sense of EPRDF’S sense of popular participation, which is defined by top-down imposition.

Elections and electoral spaces can be used by regimes to de-politicize the masses. Conversely, constituents or political communities express their political grievance at least by performing political apathy towards non-credible and nominal elections. For example, studies show the 1995 elections are represented as one of “elections marked by voter apathy”. Therefore, the political communities can use even the worst non-credible election as a political platform and as a space of politicization. In the Ethiopian case the political history of elections confirm this. As there were elections with high voter apathy, there were also elections with high voters’ and candidates’ participation, such as that of the 2005 Ethiopian national election. This shows that the production of political spaces is dialectical involving the incumbent parties and regimes on the one hand and the political communities on the other.

In Ethiopia, the constitution, electoral law and party registration law govern elections. NEB and parties played a role as spaces or institutions of democratization. Article 102 of the constitution was instrumental for the establishment of National Elections Board through the HPR and with the nomination power given to the prime minister. NEB replaced the transitional election council of Ethiopia, which had relatively less legitimacy as organizer of the controversial local elections of 1992. NEB recorded positive achievements when it comes to technical handling of the process of election in the country. A national election institution is one of the necessary conditions for credible elections. However, in the Ethiopian case, as Tafesse and Aklilu critiqued, the NBE’s “technical efficiency may not redress its undemocratic setting”. The establishment of the institution and its technical achievement, however, can be taken as positive contributions towards political liberalization.

The most contested debate about elections between political scientists emerges when electoral systems became the unit of analysis. In Ethiopia, the electoral system has been hybrid electoral system (combining proportional and plurality system) if one considers the electoral procedure to the bi-cameral houses. It is first-past-the-post winner takes all seats electoral system in the case of HPR and proportional system in the House of Federation. The choice of the first-past-the-post practice has been criticized because it didn’t give smaller parties a chance to take seats in the HPR by giving the party, which got the relative maximum votes, all the seats. Moreover, for a divided society like Ethiopia, the plurality system would contribute not only to the inclusiveness and openness of the political space but also to stability by allowing different political actors to take part in civil

57 Cowen and Laakso Elections and Election studies in Africa, 14-15
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politics.\textsuperscript{61} However, party fragmentation is the limitation of the plurality system and if opposition parties are united they could take considerable number of seats in the HPR.

The first national and regional parliamentary elections and the third national election, which followed the controversial 1992 local elections and the 1994 election of constituent assembly, were held in 1995. The NEB organized the May 1995 national elections, which “marked the end of the transitional period”\textsuperscript{62}. Voters’ registration, electoral campaign and voting occurred in a relatively stable environment. However, the elections were “not competitive but exclusive preventing many legal political actors from participating …”\textsuperscript{63} The major problems exhibited were the absence of strong competing opposition party and fragmentation of the opposition parties leaving the party system to be de-facto dominant party system.\textsuperscript{64} The partial position of the government and the free press played negative roles during the electoral campaign.\textsuperscript{65} The electoral system also played a role in narrowing the political space by assigning most seats to the winner party and denying small parties a space in the HPR and by extension in the established federal government. The opposition wing got less than 10\% of the seats in the HPR.\textsuperscript{66} Above all, the serious problem was the fact that different local actors that handled the election process were dependent on the incumbent party and the state. Hence, it was unlikely to expect the impartial role form these significant local actors.\textsuperscript{67} Being the first national elections following the promulgation of the constitution it could be still considered as a significant political moment that heralded the long journey of democratization, “closing the transition” process.\textsuperscript{68}

\begin{footnotesize}
\begin{itemize}
\item Pausewang, et al “A process of Democratisation or Control? The historical and Political Context”\textsuperscript{38}
\item Ibid
\item Vestal Ethiopia the Post Cold War Stateand Merera Gudian Ethiopia Competing ethnic Nationalisms ,Pausewang et al, Ethiopia since the Derg
\item Tafesse and Aklilu “Legislation, Institutions and the Post 1991 Elections in Ethiopia”
\item Pausewang et al, Ethiopia since the Derg
\end{itemize}
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The second national elections held in May 2000 were described as “the first fully contested elections”\(^{69}\) in Ethiopia because opposition political parties re-started the politics of engagement abandoning the boycotting of elections as a strategy.\(^{70}\) It was similar to the 1995 experience in terms of granting landslide victory to the incumbent party EPRDF that monopolized 88% of the seat. The opposition got only 13 seats and another 13 seats went to the independent candidates leaving 521 seats to EPRDF and its affiliates. The election campaign and in general the political process contributed to voter apathy.\(^{71}\) The politics of exclusion during these elections was more visible mainly when these local actors used “vote for food” to force the most marginalized section of the society to cast its vote for the incumbent in exchange for food aid.\(^{72}\) The economic exclusion was used for political right alienation and de-politicization of the poor. The formal multi-party system was reduced to one dominant party system.

The beginning of the new millennium witnessed different related events. The first is the Ethio-Eritrea conflict and the turmoil in the incumbent party mainly the split in Tigray Peoples Liberation Front (TPLF). It was the Meles’ group, which won the intra-party struggle sending veteran fighters of EPRDF to prison, exile and the opposition camp. The second is the intra-party tahdeso- renewal movement—that gave birth to the idea of the developmental state. This was accompanied by the idea of “the renaissance of Ethiopia” contradicting the 100 years history thesis. This discourse reaffirmed in 2007 tracing the glory of the state back to thousand years, again challenging the short history of Ethiopia propagated in the early 1990s by the same officials and party.\(^{73}\) The 2000’s therefore was a decade of a radical shift that the incumbents took in the debate on Ethiopian historiography. In terms of policy, EPRDF lately began to consider cities as sites of development intervention in 2004, shifting its policy of marginalization against urban areas.\(^{74}\) The 2005 elections were held at the backdrop of these incremental, creeping institutional making, policy change and production of space processes.

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\(^{69}\) Clapham, “preface”, xv inPausewang et al,Ethiopia since the Derg

\(^{70}\) Pausewang and Tronvol, “Democratization in Ethiopia: Some notes on theory and methodology” inPausewang et al,Ethiopia since the Derg 2002

\(^{71}\) Source about 2000 election

\(^{72}\) Pausewang and Tronvoll, “Democratization in Ethiopia: Some notes on theory and methodology” 2002, 23

\(^{73}\) Ethiopia: Speech delivered by His Ex. Prime Minister Meles Zenawi on the occasion of the Ethiopian Millennium in 2007

\(^{74}\) Bereket Simon.Ye-huletmerchawochwoge,(The Tell of Two Elections)Amharic Addis Ababa 2011, 43
The 2005 elections beyond rupture of political space

Some historical events appear to be more illuminating ethnographic sites than others. In the history of democratization in Ethiopia, the political relations and constellation events that evolved in relation to the 2005 national elections appear very illuminating. This is not to deny the fact that the way historians view a historical significance of an event affects subsequent evolution of history. The 2005 elections were not mere spectacular events defined by rupture from national context and situation. They were not ruptures of a political space rather it was a political process and power relational contestation that activated the restricted absolute political spaces, such as institutions and legal frameworks alike into a vibrant relational space.

As many scholars of politics agreed “the 2005 elections were uncharacteristic and offered most Ethiopians a meaningful choice.”75 As the observation mission to Ethiopia from the Carter Center concluded, the 2005 elections signified “a historic sea change in attitudes towards political power and competition in Ethiopia” mainly during the campaign period. For the Center, the 2005 “elections marked a historic event in the country, as Ethiopia witnessed its first genuinely competitive campaign period with multiple parties fielding strong candidates” despite the post-voting political repression and violation of rights by the state.76  Christopher Clapham called it “founding election” as the beginning a new political history77 while Terrence Lyons considered it more as “The Beginning of a Transition.”78 However, for some the elections revealed “a wider political culture which is antithetical to power sharing of nearly any form.”79 For others, the post-election crackdown and the narrowing down of political space represented the “the end of democracy”80 and a “discomfiture of democracy”81 and so on. Narrowing or closing down of political space by ruling elites does not represent the end of democracy or total de-politicization of the people since the popular masses often

use alternative sites to re-politicize their space, and resist the totalizing structure of authoritarianism.

The pre- and post-2005 voting season appeared to give the 2005 campaign season an exceptional image and a discourse of political rupture. However, being written under the shadow of the 2005 elections the pre- 2005 elections retrospectively can be seen as gradual and incremental journey towards opening and inclusive politics while the post-2005 political events mainly the elections of 2010 and 2015 rather can be seen a reversal process, political decay and de-democratization. The popular resistance in the period of political decay inevitably opens a new political space as it was seen in Ethiopia in 2017 signifying waves of authoritarianism often countered by waves of popular resistances giving birth to new hopes for democratization and relational political space.

The relevance of the 2005 elections and the political contestation rather appeared to be an epistemological relevance which allowed to critique the pre- and post-2005-political events differently. It became a peak from which one can observe the topography of political history of Ethiopia both past and future. Bereket Simon, one of the top officials of the incumbent party wrote a book entitled “A Tale of Two Elections” adopting Charles Dickens the Tale of Two Cities’, to compare the 2005 and 2010 elections in Ethiopia and narrating the political progress and the gains in civil democracy that historically evolved from 2005 to 2010. Had he compared all the elections in Ethiopia, the 2005 elections mainly the voting and pre-voting political processes were exceptional and showed the possibility of using public space to highest possibility to allow citizens to determine national political processes and outcomes. It can be said that the above briefly discussed evolution of political space and institutionalization politics in Ethiopia reached its peak in 2005.

In association with the 2005 elections the spaced produced for the last 10 years and more years has been used to relatively maximum capacity with high participation of citizens and political actors. Electoral campaigns, voter registration, election debates between political leaders, demonstration, media coverage of the state and free press as well as the voting procedure and the election result reflected in short opening of political space and inclusiveness of citizen to the highest level unprecedented in the history of the country and never repeated since then. One of the remarkable achievements of the 2005 elections were the coming together of different opposition parties, such as Coalition for Unity and Democracy (CUD), The United Ethiopian Democratic Forces (UEDF) and Oromo Federal Democratic Movement (OFDM), gave not only choice to the respective constituents but by being active and effective competitor defined Ethiopian political parties as relational political space. Channeling the mobilized society into an institutional framework and involving in political contestation, these parties contributed to the broadening
of the political space and maximized the politics of inclusion and participation. The pan-Ethiopia discourse mobilized by the CUD attracted and pleased many urbanites against the EPRDF politics, which accentuated differences.

Because of the high voter turnout and active participation in the different electrical processes, citizens abandoned the usual strategy of political apathy against non-credible elections. The first vibrant political debates made between candidates and competing parties were attended and followed by the citizens as spectacular political conversation. The streets and squares in cities and towns became spaces for active civic politics and culminated in historic political rallies on the eve of voting day at Masqel Square. The political subject created through such mobilization also defined the public space in Ethiopia as open and inclusive dimension.

Similar to political parties CSOs’ participation contributed to the broadening of public space. Civil society roles in the 2005 elections were unprecedented. NGOs, such as the Inter-African Group (IAG), which is one of the few surviving advocacy NGOs to date, took part actively in the 2005 elections. During the vibrant pre-voting day, the role of CSOs in political contestation, dialogue, debate, and rallies was high. Some, such as Ethiopian Women Lawyers Association (EWLA), and the Ethiopian Human Rights Council (EHRCO) were active even before the 2005 elections. However, the limited advocacy and mere survival strategy of CSOs shifted in 2005 when CSOs boldly played an active role in political dialogue and the electoral process. Civil society organizations were also organized to play roles as observers. The high participation of CSO in the 2005 elections, therefore, showed that democratization is not a process that exclusively involved political parties but also different civic organizations which influence political processes without aspiring to assume political power. This shows that in the production of relational political space and in the production of open democratic space the role of civic organization is irreplaceable.

This positive political history was not an accidental political lightening but rather a decision by the political elite to use effectively the opened absolute political space for meaningful relational politics. It is also the decision of citizens to take part in the political process that made the produced political space meaningful. Political parties, conference rooms, civil society organizations, the media and even the squares and streets became vibrant political spaces that hosted debates,

82 Bereket, Ye-huletmerchawochwoge 63


negotiations, bargaining, demonstration and numerous forms of civil political activities.

The result showed the opposition won around 175 seats out of which CUD won 109, UEDF 52, OFDM 11 and Argoba National Democratic Organization (ANDO) one.\(^8\) However, election results were followed by political unrest and post-election violence heralding serious challenges to the democratization process. The HPR produced as a result of this elections was also one of the most vibrant of parliaments established in the country accommodating numerous diverse voices signalling the gradual process of building multi-party system as enshrined in the constitution. The result challenged the idea that the first-past-the-post electoral system could not ensure representation in the pluralist and divided society. It depicted that produced spaces and legal and institutional mechanisms can facilitate democratic political processes, such as elections. The 2005 elections became a litmus paper that democratization and political liberalization were practically possible if the political actors were committed to the constitutionally enshrined principles.

The post-voting day contestation went against the basic principle of civil politics manifested by post-electrical violence, imprisonment of opposition leaders and supporters. Irrespective of all these developments, the HPR remained the only parliament that had had vibrant conversation.

**Narrowing of political space and reversal of democratization since 2005**

Following the 2005 elections and the post-election crisis, the EPRDF regime primarily used law to author the history of de-democratization and de-institutionalization. Between 2005 and 2010, at least six restrictive laws were proclaimed hampering the activities of political parties, civil society, activists and the press. All were active in the political space that made possible the 2005 vibrant politics of elections. The most important included the “Amended Electoral Law Proclamation” (HPR, No. 532/2007), the “Political Parties Registration Proclamation” (HPR, No. 573/2008), the “Freedom of the Mass Media and Access to Information Proclamation” (HPR, No. 590/2008), the “Anti-Terrorism Law”(HPR, No. 652/2009); the “Registration and Regulation of Charities and Societies Proclamation” (CSO Law) (HPR, No. 621/2009), and the “Electoral Code of Conduct for Political Parties” (HPR, No. 662/2009). The side effects of these legal measures were more visible in making the political space dysfunctional and sick rather than insuring a healthy and stable peace in the country.

\(^8\) Inter-Parliamentary Union. Chronicle of Parliamentary Elections Volume 44 Geneva — Switzerland, 2011
These numerous successive laws were produced to set legal and institutional limits against inclusive and participatory democracy. The production of these laws became a symptom of the reversal process of democratization. They effectively narrowed the relatively opened space in different directions. The space produced by parliament, the media, political parties, civil societies since 1991 narrowed and was effectively closed. This was not to mean that absolute spaces, such as party headquarters or parliament houses, were demolished but they became legally and institutionally ineffective and dysfunctional in accommodating diverse voices.

The new code of conduct in the parliament limited the conversation of the members who occupied the seats as a result of the election. Technically, the criteria to set an agenda was narrowed down by producing institutional and procedural hindrances, such as the need for 183 votes to support or to set an agenda on the table that was only 20 and the need to restrict the amount of time allowed for debates and conversation in parliament.86 These became addition bottlenecks against effective legislative body that can serve as open and inclusive political space.

The code of conduct was designed to regulate the extent of conversation and speech mainly coming from opposition political party members. The members of the parliament became vulnerable to politics of co-optation owing to low income and privilege. Above all, the lack of strong institution that can advise MPs on numerous sectorial issues coupled with insufficient experience of and many with not more than basic education contributed to the ineffectiveness of the HPR.87 The HPR’s link with local and regional constituencies has been very weak since members’ visits and consultations to these respective constituencies have been very much insignificant because of weak institutional support, financial constraints and so on.88 To make matters worse, the post-2005 HPR that was mainly established as a result of the 2010 and 2015 elections became a house of the incumbent party excluding all private and opposition candidates.89

Another law introduced as a tool for de-democratization was the CSO law. This worsened the role of the civil society sector in Ethiopia. It seriously affected the gradual progressive role that they played mainly in the 2005 elections. Their limited role in politics mainly in advocacy and awareness creation that they enjoyed before 2005 were reversed by this law. In the post-2005 political context, advocacy organizations completely disappeared or were weakened except very

87 Informant one member of HPR for two seasons from 2005-2010 interview September , 2017, Addis Ababa.
88 Ibid
few ones, such as the Forum for Ethiopian Human Rights. Other vibrant CSO, such as EWA, were weakened and many other international and national CSOs were closed.

The anti-terrorist law effectively silenced the opposition political parties, the free press and media and other political activists as well. Most of the individuals charged through this law have been so far legitimate political party members, journalists and political activists. The use and implications of the anti-terrorism law in narrowing the political space again is very worrisome. The number of free presses mainly of newspapers was reduced to an insignificant state today in terms of allowing citizen political conversation, debate and dialogue. The press has had its own internal problems from the bringing, but the restrictive laws produced in the post-2005 period further weakened the sector.

Political parties were also seriously affected by these laws mainly anti-terrorism law. Many leaders were imprisoned following on alleged terrorist plots. The fragmentation of opposition political parties further worsened because members became terrorist suspects. The infiltration of the parties from among each other and diaspora and other illegal political groups further weakened the opposition politics. Illegal groups infiltrated parties to use them as showcase that civil politics is impossible in Ethiopia, and the incumbent party infiltrated these parties to regulate and control even split them. The inter-party relation also suffered from similar political mistrust and animosity. The weakening of the opposition politics, therefore, not only contributed to one hegemony party to emerge but also limited the political space and inclusive politics.

The developmental state structures became the only space where some sort of participation by the masses was possible. This was guided by the ideology of revolutionary democracy, and democratic centralism. EPRDF deployed discourse of the renaissance of Ethiopia that began in the post-renewal period beginning in 2001. The CUD pan-Ethiopian discourse seriously affected the national discourse and was reaffirmed by the prime minister’s 2007 millennium speech. This gradual project of nationalism coincided with the initiation of the mega projects, such as Great Renaissance Dam on the Nile River. EPRDF successfully mobilized support and popular participation from the masses using combined discourse of development and Ethiopian nationalism. The mode of popular participation, however, still remained a mode of submission to the vanguard party decision.

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90 Tafesse and Aklilu “Legislation, Institutions and the Post 1991 Elections in Ethiopia”, and Dereje Feyisa
91 Informant Two Member of Blue Party interview September, 2017 Addis Ababa
92 informant. Three ex CUD member “CUD’S program is now spirit which EPRDF is promoting ex
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The major comprehensive policy in the post-2005 period was PASDEP with the objective of achieving “accelerated, sustained, and people-centered economic development.” In this policy document, it is stated “Ethiopia’s vision is to reach the level of middle-income countries where democracy and good governance are maintained through people’s participation and where goodwill and social justice are secured.” These structures were built mainly in the name of implementing PASDEP and then the third comprehensive five-year development plan called Growth and Transformation Plan (GTP) from 2010-2015, and this was followed by the second GTP covering the period 2015 to 2029. Despite encouraging results as a result of these policies, inequality and exclusion remained the major challenges of Ethiopia’s political economy. The trend of inequality is higher in rural than in urban areas. A considerable section of the population or around 30% still lived below the poverty line. The impressive GDP “growth has not corrected gender inequality and the disparities are evident across the country.” One of the ways to shed light on this complex relation between growth and inequality is to explore the politics of inclusiveness mainly in the process of development policy making.

As it has been discussed, the ideological and structural apparatus built as developmental state-party in Ethiopia did not create a condition for development to be people centered at least in formulating policies. It was the vanguard party-state apparatus that formulated policies and made decisions in a centralized and top-down approach. Development was, to use Frantz Fanon’s words, “parachuted down” from the above [and]… imposed by a deus ex machine.” The developmental state of Ethiopia represented itself as this deus ex machine with a mission to address the poverty of the masses. As the masses are not deciding the process of developmental policy, they were not in a position to determine the outcome. This signifies dual exclusion both from the process and the outcome. Moreover, the

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97 Assefa and Degenet, “Rural Poverty and Marginalization in Ethiopia: A Review of Development Interventions,” 297

contradiction between the federal structure and the developmental state became more visible when the relative opened spaces were now narrowed or closed. This top-down and centralized state structure could not accommodate, and attract the popular masses. It was inevitable for many sections of the Ethiopian society to be left out of the controlled political space or excluded altogether. They literally became the surplus masses excluded by the developmental state structure or the deus ex machine which sets to solve their problem. The excluded masses, mainly the youth, became the engines of the popular movement. The next section briefly describes the structure of the developmental state as viewed from the ethnography of the local state.

III. Ethnography of the developmental state and its politics of exclusion: a view from the local state

This section takes one of the local states in Addis Ababa as its ethnographic site. The locality or the district is called Woreda 10/11 and is located in one of the sub-cities of Addis Ababa called Kolfe Keranio in suburbs of the city bordering Oromia region. It is inhabited by extremely different dwellers in terms of religion and ethnic groups and class. Muslims, followers of the Orthodox Christianity and Protestants and people from all regions mainly from different ethnic groups of the south also live in the Woreda. Informal workers and business people are the majority though there is also a considerable number of civil servants.

The Woreda is similar to other structures of the developmental state structure of both at federal and regional level and is organized in three developmental wings-kinfs or “developmental forces” or “yelimatHailoch such as yemengistkinf or Government’s wing, Ye party kinf or party’s wing and yehisbkinf or people’s wing.99 These three wings define broadly the developmental state structure at any level in the country. The triad structure is duplicated ubiquitously at every level connecting the state with the society or government with population. The state justifies such dense network and organization again invoking the notion of development. The state presents such statetization as the making of a developmental army against perceived targeted human and non-human enemies. Poverty, neoliberalism and rent seeking, terrorism and extremism are defining elements of the enemy. All in fact manifest with human agents. Hence, the war against poverty is also seen as the war against these forces fitting Schmittian political binary of enemy and friend.100

These activities, functions and the associated expectations produce, as Partha Chatterjee argues in the ‘Politics of the Governed’, a “certain set of relations

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99EPRDF about the three wings

between government and populations.”  

It is these relations and the activities and the functions of modern governments and the associated expectation that conditions politics–popular politics for Chatterjee. The story from the selected Woreda unfold in a certain way has connected state and society animated by the triad structures of the developmental state and justified by developmental discourse of the Ethiopian state. This story is occurring in the absence of separate civil-society of the middle class or any alternative institutions that can accommodate mobilized society into civil political. Politically speaking, the expansion of the state apparatus was made to accommodate the mobilized society following the closing down of many civil society organizations, weakening of political parties, and media and so on following the 2005 election.

**Yemengist Kinf - Government’s wing**

As mentioned before following Woreda level decentralization, each Woreda as state structure is organized around three organs - the council, the administration and the judiciary. The ideology and the discourse to justify such seemingly decentralized statetization is provided by the developmental state rhetoric, which emerged simultaneously with the Woreda-level decentralization. Development and peace lemat and selam/ are the two notions dominantly used in dominating democracy as was the issue of nationality rights used in 1990’s. Both processes of decentralization and the launching of developmental state targeted the population at the grass roots as subjects to be empowered, developed, and their lives to be improved.

Members of the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF), which won all earlier elections with landslide victory, form the Woreda council. The council which is established by poplar election of representatives from the dwellers is a body that is symbolically vested with the highest organ at Woreda level supervising the activities of the council or the cabinet. The council meets four times in a year. The members are engaged in different occupations and their commitment to the council is more of a secondary task at least at the Addis Ababa level. This tends to jeopardize the principle of decentralization aimed at autonomy and self-government at the grassroots level.

The Woreda administration or the cabinet is the main executive organ at the Woreda level. It has 7 members including the head of the executive, deputy executive, mayor of the Woreda or the director who leads the municipal issues, advisor of the head of the executive, people’s organization head, public relations head and deputy public relations head. This body is a miniature of the council of ministers at federal level.

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101 Chatterjee, Partha ‘The politics of the Governed: Reflections on popular politics in most of the world. Permanent black, Delhi 2004
The seven members are said to follow a collective leadership principle based on consensus. Whenever there is disagreement between the six members each of whom has equal vote, the Woreda executive head vote will make the last decision. If others agree and the executive head did not agree, he will accept the decision of the majority. One informant mentioned this as an example of collective leadership in which the top leader himself shall be governed by the majority decision of the members of the cabinet. However, the idea of collective leadership has become dominant in government communication after the death of ex-prime minister Meles Zenawi. At the federal level, there is one prime minister and there are three deputy prime ministers and a number of advisers making the collective leadership work. However, the appointment of three deputies is against the constitution, which stipulate only one deputy prime minister in the post-Meles cabinet reshuffles. The main principle of collective leadership is democratic centralism in which each member of the cabinet shall be governed by the majority decision and work hard to implement the decision irrespective of his/her personal belief.\footnote{Informant Four, District Executive director interview May 12, 2015}

At the Woreda level under the cabinet there are departments or secretariats such as education, capacity building, infrastructure development, information/communication, health, security and so on. The head of each secretariat is appointed from among the members of the incumbent party and they are called Amerar-leadership. The term signifies both in English and Amharic a process and a position of a leader but in the EPRDF vocabulary it means the person who is exercising leadership. Both the person and the position are called leadership.

Each secretariat as an executive office may organize one or more core process units. For example, under capacity building secretariat there is IT core-process unit. There may be more than one core-process unit. In each secretariat, there is yelewtBudin or “group for a change” managing reform and improving good governance. The head of this group is the head of each secretariat and the groups meet every week and evaluate the work performance of each core-process unit.

Each core process unit organizes 1-5 organization from its members, and most of them are salaried civil servants. There may be more than one group in each core process unit. This 1:5 unit can be considered the lowest of lowest government administrative structures working the groundwork and meeting with the people. Each 1:5-organization has a leader who is elected based on the performance. At this level, the leader may not necessary be a member of the incumbent party. The members of this group are encouraged and motivated to be a member of the party irrespective of their position. Schools and wider public offices are important sites for recruiting members to the incumbent. This is done either by co-workers or head of core-process units and secretariats. Members pay monthly membership contributions and often can be recruited to Amerar. The main goal of establishing
The Politics of Inclusive and Participatory Development

1-5 organization is experience sharing and peer evaluation of performance but they are the main sites of indoctrination, control and recruitment. The leader reports to the head of the core process unit who in his turn reports to the head of both the secretariat and yelewitbudin.

The Woreda under discussion as elsewhere is divided into Ketena- sub district, which is not an office but is divided on the basis of the geographic space for administrative purposes. 3-4 head of the secretariat or yetsfet bête halfi take the responsibility to supervise various activities of a section of the Woreda. There are 7 Ketenas or sub-Woredas. 4 Amerars are assigned for each to control works and activities in their respective ketenas. Each ketena or sub-Woreda is also divided into blocks or neighborhoods and are supervised by these four Amerars. There are 27 neighborhoods or blocks divided into 7 ketenas. Each block is then divided into 1-5 people’s organizations reporting to the four Amerars. Hence, the four Amerars spent their working hours both in office and in these neighborhoods supervising different activities called developmental works – yelmatserawoch and security issues. They report to the cabinet in their meeting and the cabinet of the Woreda takes immediate action and reports to the sub- city.

As depicted above, the state structure at Woreda level appears very dense reaching each five households. The four heads of each Ketena go door to door to mobilize people for financial contribution, labor contribution and meetings including election campaigns. They supervise any activities pertaining to development and peace. They stand against “enemies” defined by extremism and rent seeking behavior. The extremists in the Woreda often take the form of religious movements or party organization. The Muslim movements, the Blue party and Wolene people’s Democratic Party are considered as “enemies.” Both parties are legally registered parties competing for national representative elections. The Muslim movement has been in Ethiopia over the last four years mainly after the government and Muslim community contradicted concerning the establishment of an Ethiopian Muslim council called Mejlis. The contradiction continued and the leaders called the Muslim Solution Committee are imprisoned while another Mejelis was organized after elections took place in Woredas.

The rent collectors are enemies that stand against developmental goals. They can come from within Woreda administration and the public, mainly the business committee. The role of these four Ketena heads is to oversee illegal businesses, illegal prices increment and illegal constructions in their respective Ketena. The author has observed a shop closed by the woreda administration for selling sugar above the price set by the state. The Woreda administration also demolished illegal

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103 Informant Five, Head of woreda education secretariat May 15, 2015

104 Informant four with Executive Director of the woreda May 12, Mayor of the woreda
constructions and squatting as well as closing illegal businesses, such as Shisha houses and pubs. In general, the four Ketena heads serve as eyes and ears of the state.

**Ye Hiszbkinf or People’s wing**

People’s wing is considered one of the determinant wings for the progress of the developmental state to the future. The state is committed to organize everyone in different organizations both for awareness creation and mobilization for development work and in the struggle against poverty, neo-liberalism, rent seeking behavior, extremism, and terrorism.

At the Woreda level there is a core developmental committee comprised of seven members. It seems a direct replication of the seven cabinet members of the government wing. Each comes from a sub-Woreda or Ketena level-each developmental committee comprise 5-7 members. Each member comes from a sub-committee at block or neighborhood level. At the neighborhood level there are developmental committees organized as 1-5 organization.**105** Hence, the people’s wing mirror the government wing. These committees organize the dwellers of the Woreda and mobilize resources both financial and human. They submit the mobilized financial resource to government accounts from which they will gain additional 35% as reward for developmental work. They decide the type of infrastructural development they want and follow its implementation. They report any security or governance issues to the four heads of the sub-districts.

The state defines democracy primarily by popular participation rather than other universal values. Participation is defined as the “democratic developmental state” paradigm of Ethiopia. This establishment of the people’s wing signifies that participation.

In addition to developmental committees there are also developmental groups based on gender and age. The three major ones are women, youth and adult developmental groups. Each group participates depending on their developmental need. The women developmental group, for example, works on basic health extension, job creation, schooling and security. The youth developmental group work, on sport and entertainment while adult developmental group work on good governance and development.

In addition to these developmental committees and groups, people are organized as peace and security committees working in different security issues and activities, such as community policing. There are also “free” associations called mailer at both women’s and the youth. Moreover, there are also business, women and youth

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**105** Interview Executive Director of the woreda May 12 and the Head of capacity building secretariat May 13
forums, which were organized to solve the 2005 post-election crisis but remained as permanent people’s associations to connect people and government.

**Ye party kinf or The Party wing**

At Woreda level, there is an EPRDF structure organized as basic organization and party cell. There are 8 basic party organization and 31 cells in different sectors. The four core parties of EPRDF, such as Tigray People’s Liberation Front (TPLF), Amhara National Democratic Movement (ANDM), Oromo People’s Democratic Organization (OPDO) and Southern Ethiopian Peoples’ Democratic Organization (SPDP) are established at different levels in the woreda.

The party structure in the woreda also mirrors the government and people’s wing structure. The party is organized at different levels and sectors with different structures and names such as Youth League, Women’s League, and these are found in schools, households and neighborhoods, micro and small enterprises -all organized either as basic organizations or EPRDF’s cell. To establish EPRDF basic organization, the number of members shall be 20-80 while the number of members of a cell is 5-20. In a school, for example, either cell or basic organization can be established based on the size of the numbers. The woreda EPRDF has 16 leaders 4 from each for major nationalities and follow a collective leadership principle. The core leadership or committee is selected from this comprising five members. Among these, one of them is linked and supervised by the people’s wing while the other heads the government wing. In general, if we see the party structure it links both the peoples’ wing with the government wing and organizes what is called the developmental army.

In 2015, there were around 916 active members in the woreda and that means from among 100 dwellers in the city one is a member of EPRDF. There have been regular party meetings and seminars to strengthen the awareness of the members either at basic organization level or at cell level. In each year, a cell based meeting and seminar should be held at least 20 times and each cell and basic organization is expected to recruit new members. Accordingly, at woreda level 200 new members are recruited. The EPRDF basic organization is expected to meet at least 20 times in a year and has so far met 9 times since September. The party targets as its social base the poor of the poor, the peasant in the rural areas and members of micro and small enterprises. The youth and the women are the major target groups in the selected woreda. Rich people and big business persons are only encouraged to be supporters of the party. So, there are EPRDF supporters consisting of investors associations, and business people and other associations affiliated to the party.

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106 Informant six, interview with EPRDF head of organizational issues May 15, 2015
The three wings and 2015 election campaigns: a view from local state

Any one who visits the woreda or even the wider Addis Ababa and beyond can witness the ubiquitous posters and billboards of EPRDF decorated by development discourse and pictures of infrastructures, such as dams, railways, roads and housing projects. Development, peace and democracy are the three key words in most billboards and posters. However, development is the most dominant word invoked everywhere. The Amharic term for development Limatin signifies greening and betterment in cultivation but here the notion signifies more of an infrastructural improvement.

EPRDF at the aforementioned woreda designed the election campaign using all the three wings though the central wing is the party wing. Primarily, each member of the party is expected to conduct one to one conversation using their own circles and networks. They use family and neighborhood links to recruit supporters and encourage them to register for voting. Accordingly, above 900 members in the woreda are mobilized for the past two months into established networks. After networks are established involving members, supporters in each network are expected to arrange a coffee ceremony to use it as a site of election campaign and indoctrination. There are a number of coffee ceremonies in each neighborhood to convince people to vote for the party. The people’s wing structures, such as developmental committees, groups, and the women and youth developmental groups played active roles in this coffee ceremony serving as election campaigns. The central theme in each coffee ceremony is development and presenting EPRDF as the sole agent of development. Participants discuss their problems again mainly on lack of infrastructure and poor service from the woreda.

The coffee ceremony is followed by photo exhibition and seminars bringing more members from each neighborhood. The photo exhibition is held in each of the 7-sub districts displaying infrastructural development at woreda level. Cobbles stone roads constructed in the woreda, and the Great Renaissance dam being built on Nile were the dominant pictures displayed in the exhibitions. The exhibition was also accompanied by EPRDF election campaign songs and speeches from leaders. The author has observed small shops, bars and other business people being asked to buy election posters on which the emblem of EPRDF and a picture of the infrastructure were printed. The motto in this poster is different- it reads, “We will vote for EPRDF” and “by voting for EPRDF we will make our development/benefit sustainable.” The author has also observed numerous places in Addis Ababa with similar mottos but written collectively by members of micro and small enterprise. “We owners of the micro and small enterprise insure our democratic rights only by Voting for EPRDF”. The publishers of these posters in a certain area are similar indicating the publication and the distribution is central.

107 Informant seven, Interview with Mayor of the woreda and head of EPRDF organizational issues
I interviewed shopkeepers on how they post these posters and they informed me they were asked by the Amerars to buy the posters. One shop owner informed me she refused to buy on account of lack of finance. After this sub-district level programs, the woreda-level EPRDF election conference and demonstration as well as rallies took place a week before the voting day. Each woreda from Addis Ababa organized the rallies to different centers of the city mainly to Addis Ababa Municipality and other squares in each sub-city. Demonstrators from different districts met in these sights. Participants, mainly the women and the youth wearing a t-shirts and capes decorated with EPRDF emblem and election symbol of bee made the last day of the election campaign a political festival. The opposition parties, such us the Blue Party, used vehicles and drive to different parts of the city distributing election pamphlets to reach the dwellers of the city.

In one of the photo exhibitions, it was observed that a private pickup car was used to transport pictures, billboards, tents and speakers. The owner is a young man who called himself an EPRDF supporter who got better off by involving actively in micro and small enterprises. He was a construction worker after receiving training and financial loan. For him EPRDF played a great role in his success and has no option except supporting it enthusiastically. Democracy and the question of freedom did not concern him because he believed that “our society is not ready for democracy” and argued that development should be given priority.

Moreover, in conversations, interviews and focus groups discussions, it was made clear that women benefited or hope to be benefit from the state resources. One of the active participants in the demonstration thought that she got a space to start a small business while her friend is hoping to get similar benefit like her friends. Another woman who had become a civil servant said “it was EPRDF which knocked my door and took me out of my kitchen, trained and has given me an office work.” Hence, all support the party owing to these reasons.

Most of the songs and mottos heard from the participants represented development as infrastructural improvement. For them the meaning of development meant supporting road, railway and dam construction projects when they support EPRDF. They articulated development with these observable infrastructural constructions. Their individual relation with the party, however, is linked through either job opportunity, resource allocation or the hope for it. All members and supporters associated their allegiance with the privileges given to them from the party. While some of the women explained this with confidence a young man shouted on the women to keep silent. This could be seen as a sign of frustration with EPRDF and an insult on pro- EPRDF demonstrators. The question is what amount of resources

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108 Informants eight, Interviews different shop owners May 16 2015

109 Focus Group Discussion Conversation with EPRDF supporters as they come from election rallies May 18, 2015
can support this sort of politics and what kind of political subject did this politics produce and what was the fate of the excluded and the surplus population?

**Developmentalism and the making of the political subject**

EPRDF expanded its membership and it became a state apparatus itself by mobilizing the masses into these party/state structures. From the language used by members and supporters, it could be easily seen that there is the high level of EPRDF indoctrination. What was the most important question is, however, how state resources distribution could produce allegiance between the party/state and the targeted population. To explain this scenario, the “neo-patrimonialism” discourse could be produced. Whether this term could explain the deep state society relations except resource loyalty exchange between them-is the real question.

Chatterjee’s popular politics produced by function, activities and expectations producing the relation between government and population on the one hand the state and the community on the other is very important in the neo-patrimonial discourse. Here the developmental structure, its function and promises produced expectations and hopes in the targeted population. This not only produces the link and relation with the state but it produces support for the incumbent party. Are these individuals and groups who benefited from state development programs providing their consent to it as a “political society” of subjects in way Chatterjee’s explain? What about those who have been excluded and have no association with the state developmental projects and oppose the regime through their silence while few of them join the opposition parties? What kind of political subjectivity is produced: excluded militant, active citizens or docile subjects?

The targeted population is not agency-less subject cheated by the party. as Gramsci informs us that the consent of the masses is a product of historical social imposition though civil society and coercion thorough the state. EPRDF by controlling both state and civil society apparatus has produced this consent. The discourse of development itself as hegemonic discourse in both spheres easily produces consent and links the government with the population. The dense state and party structure as well as the utilization of social spaces such as coffee ceremony maximize the consent and support to EPRDF. This hegemonic presence

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110 Gramsci primarily explains in two folds: The “spontaneous” consent given by the great masses of the population to the general direction imposed on social life by the dominant fundamental group; this consent is “historically” caused by the prestige (and consequent confidence) which the dominant group enjoys because of its position and function in the world of production. The apparatus of state coercive power, which “legally” enforces discipline on those groups who do not “consent” either actively or passively. This apparatus is, however, constituted for the whole of society in anticipation of moments of crisis of command and direction when spontaneous consent has failed. Gramsci Antonio Selections from the Prison notebooks Book London 1999:145
and acceptance of EPRDF was observed among many woreda EPRDF officials. Recalling past experience, many did not expect 100% seats since there were people who were pertaining to be supporters and members but did not cast their votes for EPRDF. It is one way of expression of agency or the targeted population, using their vote without causing antagonism with the state.

On the other hand, the state developmental structure and discourse can be seen as a modern form of government framed by numerous discourses of governmentality, including health and sanitation, security and crime, poverty reduction, improvement of life, and so on. The agent of all this promises is the vanguard party of EPRDF as its motto entails “the future is bright with EPRDF.” What kind of political subject is being produced in this political condition by developmental state structure, discourse, function and activities? What about the surplus political subjects who see themselves out of this government-population link and relation? How can one document the story of the excluded? Many urban dwellers were observed to be silent and hopeless about political process. It is not only the voice pro-EPRDF voices that are heard in Addis Ababa but also the silence of the considerable section of the society. How can silence or political apathy be interpreted as political action or inaction? Few use alternative social media to express their frustrations. The cyber space definitely became an alternative space which citizens can easily occupy and perform their political work and make their voices heard.

The insignificant campaigns of opposition parties targeted the left out, the excluded and the surplus population and invoked the notion of freedom and liberty against developmental discourse of the incumbent party. However, many were not registered and neither had interests in election in the period following the 2010 discouraging result. Political apathy, including taking part in election out of fear and intimidation at local levels on the one hand and the quest for alternative political space on the other was the alternative to the surplus political society by then. The present political crisis in Ethiopia is history in the making by those who have been excluded from the political economy of the country. It is a result of the narrowing down of the political space and the failure of the state/party structure to accommodate all.

Hence, what has been done between the 2005 and 2010 elections by the EPRDF regime had produced the political context for the 2010 and 2015 elections and the consequent results. As a result, in 2010 the Ethiopian parliament was able to accommodate only one opposition member from Ethiopian Federal Democratic Unity Forum (FORUM) or Medrek. Medrek, which was a union of eight parties. EPRDF and its affiliate parties occupied the rest of the seats in HPR. In terms of gender out of 2,188 candidates representing 63 parties only 272 were women.

Interview with EPRDF official organizational affairs
However, the election results showed around 152 women or 27.79 people were elected. It was a progressive result compared to even the 2005 elections when around 21.21% of women were elected. In a highly centralized party, such as EPRDF and in a parliament monopolized by one party, the figure does not say much beyond mere quantitative representation of women in parliament. Given the number of laws within and outside the parliament, this parliament that was established as a result of 2010 elections signified a reversal process of democratization and complete shutting down of the relational political space. The 2015 elections worsened this gloomy reversal process.

The 2015 elections allowed none of its seats to the opposition or even private candidates thus turning the parliament into the general assembly of the ruling party. The result is unprecedented since the 1990s. In terms of gender distribution of seats, about 212 or 38.76% of the seats were occupied by women. However, this representation had only symbolic and quantitative meaning given the highly centralized party and the parliament was perhaps the worst in terms of hosting debates compared to the last four parliaments since 1991. This left the mobilized society without adequate institutions and political space that foster civil and inclusive politics. Therefore, society inevitably resorted to production of alternative political space. As one person observed:

We started to blog because we have seen all alternative political spaces were closed. The free press was alarmingly weakened. Therefore, we occupied cyber space to blog or use as an alternative site providing political conversation for readers and us.

One of the members of blog nine bloggers described how they started to blog. Cyber space and social digital media became a significant political space for a considerable number of youth in Ethiopia. The same logic explained the resort to society to produce alternative political sites, streets and city squares including religious sites and their festivities. The production of alternative sites, however, is not regulated and characterized with uncertain political scenarios as exhibited in Ethiopia’s current crisis. This occurred irrespective of EPRDF’s attempt to absorb the mobilized politically active force into its party and state apparatus.


113 Inter-Parliamentary Union. ETHIOPIA (YehizbTewokayochMekirBete) ELECTIONS IN 2005. Geneva — Switzerland 1996-2010

114 See Girma Seyfu Yetkeberu. An a sort of chronicle of the parliament written by the only opposition candidate who took the single seat left in 2010

115 Inter-Parliamentary Union. ETHIOPIA YehizbTewokayochMekirBete (House of Peoples’ Representatives), Geneva — Switzerland 2015.

116 Interview with Members of Blog nine bloggers
Conclusion: narrow political space, and the surplus and excluded political society

As discussed panoramically, the last three decades witnessed a high level of mobilization of society into political space opening to channel diverse interests into civil politics. The creeping democratization since the 1991 reached its peak in 2005 and was reversed as a result of successive laws and restrictions. There were also simultaneous attempts by the state to accommodate the mobilized society through party and state apparatuses leading to collusion of party–state apparatus as development state. The developmental democratic centralism neither allows genuine participation nor accommodates all active citizens into its apparatus. There is a considerable number of politically active society, which is left out from formal political engagement. Media, civil society and opposition parties were weakened and narrowed, or closed. Hence, the excluded mobilized citizens became surplus political society who had no option to take part in civil politics. Therefore, society began to play alternative politics using cyber space and occupying physical space, such as streets and city squares and even religious institutions as political spaces. Despite being attracted to the seductive discourse of development, the narrowed and closed political space now motivates political society to resist the state. Despite the convincing redemptive discourse of development, society turned every space into political space to make its voice heard. The making of developmental state in Ethiopia has been unfortunately paralleled with closing and narrowing of political space and politics of exclusion. It is this parallel that explains the Ethiopia rising, which is the result of the effort of the development state intervention and led to uprising and social protest in Ethiopia, which is in turn a result of political exclusion and narrowing of political space. The prospect lies in the commitment of the political leadership to parallel the making of developmental state or developmental democracy by democratic developmentalism and opening of political space and strengthening of institutions towards inclusive politics. This should begin by democratizing the local state and ensuring self-rule as building blocks of shared rule at the regional and federal levels.
Gender and Economic Opportunities

*Mehiret Habte*

**Introduction**

*The context*

Since 2000 Ethiopia has experienced a decade of unprecedented progress in wellbeing. In 2000 Ethiopia had one of the highest poverty rates in the world, in 2011 less than 30 percent of the population lived below the national poverty line (1,075.03 birr /year) and 31 percent lived on less than US$1.25 PPP /day1. As a World Bank report shows2 the pace of poverty reduction in Ethiopia has been impressive and particularly so when compared to other African countries. There is a clear evidence of increase of life expectancy in 12 years: between 2000 and 2015 female life expectancy rose from 53.3 to 66 and male 50 to 62 years.

Moreover, the proportion of the population living below the national poverty line fell from 38.7 percent in 2003/4 to 29.6 percent in 2010/11. This study clearly indicated that the proportion of the population living in poverty has fallen in both rural and urban areas. By the end of 2014/15, the proportion of the population living below national poverty line was estimated to decline from 29.6 to 23.4 percent. This progress shows that the country is on track to achieve the target of reducing income poverty by half by the end of 2014/153.

The Government of Ethiopia reports that the first Growth and Transformation Plan (GTP I) registered impressive results since its launch in 2010/2011. According to authorized data, the economy has been steadily growing at annual rate of more than 10 percent and major infrastructural project, including the Grand Ethiopian Renaissance Dam (GERD), the ongoing expansion of industrial parks, telecommunication coverage, installation of light rail way have been initiated and are progressing well. In addition, significant gains have also been scored in other important development schemes in the road, health and education sectors. The county has also made significant advances in poverty reduction and job creation in both rural and urban areas as a result of the plan4.

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1 World Bank, Ethiopia Poverty assessment Report, 2015
2 http://data.worldbank.org/indicator/SP.DYN.LE00.MA.IN?end=2015&locations=ET&start=1960&view=chart
4 Ibid
The government believes that the success during the Growth and Transformation Plan (GTP) I period was built on the fast and sustained growth achieved during the preceding seven years. An average of 10.8 percent per annum real GDP growth during the last 12 years was reported. As the above figures show, the country has recorded stable and resilient growth starting from 2003. This growth is nearly double the average in Sub-Sahara Africa (SSA) which was about 4.6 percent during the same period. In 2012, Ethiopia was the 12th fastest growing country in the world.  

The government claims that this rapid growth performance and its sustainability are primarily the result of the development policies and strategies that it has been pursuing during the last two decades, as well as “the active participation of the public” in the execution of these strategies. In 2013/2014, for the first time in the history of the country, its sovereign rating was assessed by three international credit rating agencies. Their assessment reports have recognized the broad-based economic growth and development performance of the country. Similarly, the assessments also confirmed the sustainability and continuity of the rapid economic growth and development gains of the country. This global recognition from independent rating agencies has put the country in the radar screen of international investors and thereby helped it to attract foreign investment. This was reflected in both the oversubscription of Ethiopia’s first ever sovereign bond and in the increasing inflow of foreign direct investment (FDI).

On the other hand, there is a recurrent criticism pointing to the weakness of the growing economy to benefit all segments of the population equally. There is common sayings like “You cannot eat GDP growth”; “asphalt road or urban buildings cannot be eaten like bread. This side of the story contrasts with the

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6 World Bank, 2013

7 FDRE, National plan commission Growth and Transformation Plan II (GTP II)(2015/16-2019/20), 2016
exaggerated pictures suggested by topics such as “Ethiopia Rising”; “The Rise of Ethiopia to Middle Class”. This positive side of the story gives little attention to the deficit in equity, inclusiveness and participation of youth, women and some vulnerable groups, which is the central focus of this paper.

The total population of Ethiopia in 2017 was estimated to be 92 million and with an equal (50%) proportion of male and female. It is also reported that Ethiopia ranked 129th out of 188 in the gender inequality measurement index in 2015, behind Kenya(126th), Rwanda (80th), South Africa (83rd) and Tanzania (125th). The index includes key elements including maternal mortality rate, share of seats in parliament, population at least with some secondary education, and labor force participation.

The Government has issued a number of laws and policy directives aimed at promoting gender equality and greater socio-economic and political opportunities for women. Equality between men and women, and boys and girls, is one of the pillars of GTP II: promote women and youth empowerment, ensure their participation in the development process and enable them equitably benefit from the outcomes of development”. And yet, progress has been slow and there are still wide gaps between men and women, especially with regard to secondary and tertiary education, economic opportunities, employment and income.

It is important to seek to understand how inclusive Ethiopia’s development has been, especially from a gender perspective. The major objective of this study is to scrutinize to what extent women have benefitted from the reported growth and development so far. The study specifically will:

- Examine selected development indicators and further perform preliminary trend analysis from gender perspective and weigh up the achievements registered so far
- Discuss the major challenges encountered in bring improved economic opportunities for women
- Suggest feasible recommendations that development should incorporate and take into consideration for greater inclusiveness.

The study is based on a desk review of various secondary sources, mainly published journal articles, books and reports of government and non-government

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8 M. Kedir. presentation at the Pan African Conference on Tackling Inequalities in the context of Structural Transformation- Accra, Ghana 28th -30th April 2014 [www.africainequalities.org](http://www.africainequalities.org)

9 CSA, inter censual population Survey 2014

10 UNDP- HDI 2015 report

Gender and Economic Opportunities

organizations. The author also uses national statistical reports from CSA, EDHS reports, UN and other bilateral country specific reports to further manipulate and show trend analysis on some specific development indicators from a gender perspective.

Change in Ethiopia: is it gender inclusive?

The socio-economic progress of women in Ethiopia is more considerable than ever before, with their improved access to opportunities and resources. The progress that was observed in education, health, political and labor force participation is remarkably important and worth mentioning. This section of the study will discuss the achievements and challenges in selected social sectors that have a direct linkage to economic opportunities for women.

Gender and education

Education attainment is important to gender equity for multiple reasons. It provides men and women greater self-confidence and logical power to operate in an increasingly complex world. It gives them the intellectual skills and necessary training for participation in the workforce. It also exposes them to non-traditional ways of thinking and provides alternative modes of behavior. Though education will not guarantee gender equity, it is an essential step toward it.12

In Ethiopia educational attainment at the household level has increased since 2000. The percentage of women with no education decreased from 77 percent in 2000 to 49 percent in 2016, while the percentage of men with no education declined from 62 percent to 35 percent in the same year.13 This indicates that there are more uneducated women than men. The literacy rate in Ethiopia is also lower in comparison to some other African countries like Kenya (81 percent female literacy) and South Africa (98 percent female literacy).14

The Government of Ethiopia as well as UN agencies believe that Ethiopia did marvelously well in its achievement of Goal 2 of the Millennium Development Goals (universal primary education). It is indicated that primary enrolment rates are not significantly different between boys and girls, and the initial gender gap seen in 1996 in primary schools has been narrowed markedly.15 However, when it comes to primary net enrollment rate, less girls than boys (90 percent for girls, 95 percent for boys).

15 UNDP and FDRE national planning commission- MDG report 2014 Ethiopia
95 percent for boys) completed primary education by 2014. Primary school parity index between female and male has reached 0.93:1 by the end of GTP Is plan period.\textsuperscript{16}

Both the gross and net secondary enrolment is very low for both boys and girls. As the above chart shows, the number of boys and girls who join secondary school (grade 9-10) drops significantly; further more, only 10 percent of boys and 9 percent of girls were promoted to the preparatory stream of secondary education. The above chart also shows girls are less enrolled than boys in secondary education in both cycles. These results demand serious attention as it directly implies that many young boys and girls are dropping out of school, becoming either unemployed or engaged in less rewarding employment areas, and at worst engaged in unlawful activities or risky illegal migration.

The gender parity in education is further endangered at tertiary level. The percentage of female students enrolled in universities stood at only 30 percent, and five percent drop out in the first year. At the same time, female-led instruction at the university level is extremely low and stands at only 12 percent.\textsuperscript{17}

Although the primary school enrollment rate of girls in Ethiopia has increased dramatically in the last two decades, the majority are unable to proceed to the secondary and tertiary level due to various factors, including socioeconomic challenges such as early marriage, violence against girls (abduction, for instance), girls’ domestic responsibilities such as fetching water and firewood, parents’ lack of awareness about the benefits of education, the lack of gender sensitive facilities in schools, personal security issues and economic challenges.\textsuperscript{18} There is also increasing concern about the quality of education as well as the growing number of unemployed school graduates, all of which discourages parents from sending their children to school. Girls in socially disadvantaged groups, especially those in pastoralist areas, check the space have less access to education because they

\textsuperscript{16}FDRE, GTPII, 2016

\textsuperscript{17}FDRE, Ministry of Education, EDUCATION STATISTICS ANNUAL ABSTRACT 2008 E.C. (2015/16)

\textsuperscript{18}UNDP, MDG Report 2014 Ethiopia
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live in areas where there are no schools, and if it exists they cannot cover school related costs.

Studies confirm that educated women are more likely to delay marriage, use family planning measures, seek and access maternal health, understand their rights and have the self-confidence to act on them. Educated women also contribute to the quality, size, and productivity of the workforce. 19 In the context of growing economic hardships, the value of girls’ economic contribution to the household is more important today, and there is a sense that with better education, girls can aspire to make more money as well as better manage household finances.

Secondary and tertiary education plays a much more important role in economic growth. If Ethiopian girls aged between 10 and (9 million) completed secondary school, the total contribution they would make for the national GDP in their lifetimes was estimated to be US$ 6.8 billion.20

**Gender and health**

In this section, selected reproductive health indicators that affect the social and economic state of women are discussed.

*Maternal Health*

The Total Fertility Rate (TFR) has declined in Ethiopia over time from 5.5 children per woman in 2000 to 4.6 children per woman in 2016. TFR differs dramatically between Regions; for instance, TFR is highest in Somali (7.2 children per woman) and lowest in Addis Ababa (1.8 children per woman).21 The number of children per woman declines with increasing education. Women with no education have 3.8 more children than women with more than a secondary education (5.7 children versus 1.9 children). Having fewer children for women means more time to invest in one’s own education, in growing businesses and allows more capital to be saved. The consequences are no less than transformational in the way a society is organized. Ethiopia started on this path over the last ten to twenty years.

Modern contraceptive use for currently married women has steadily increased over the last 16 years in Ethiopia from 6 percent in 2000 to 35 percent in 2016. Modern contraceptive use among currently married women increases with

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education from 31 percent for women with no education to 51 percent for women with secondary education or higher.

It has been also reported that twenty-two percent of currently married women have an unmet need for family planning.\textsuperscript{22} Even though girls and women are participating in the labor market or in schools, their attendance may fall short due to pregnancy. Unintended pregnancy affects especially adolescent girls and changes the course of their whole life. On the contrary, delaying pregnancy leads to better health for mothers and children and to improved economic and social empowerment of young women who can continue their education or secure more lucrative jobs.

**Antenatal care and delivery**

The proportion of women aged between 15 and 49 in Ethiopia who received antenatal care (ANC 1st) from a skilled provider has increased from 27 percent in 2000 to 62 percent in 2016.\textsuperscript{23} ANC 1st visit is a poor indicator since it does not necessarily guarantee women will continue the follow up and give birth at a health facility. Rather, women who visit at least four times (ANC4) are considered to complete their follow up and give birth with skilled attendance. In this regard only 32 percent of women had at least four ANC visits during their last pregnancy. Institutional deliveries have increased from five percent in 2000 to 26 percent in 2016. During the same period, it is reported that home deliveries is still high, 73 percent; this exposes women to reversible obstetrics complications including maternal mortality.

**Maternal mortality**

Estimates from EDHS surveys indicate a substantial decline in the pregnancy-related mortality ratio in Ethiopia since 2000. Maternal mortality has declined from 871 deaths per 100,000 live births in the 7 years before the 2000 EDHS survey to 412 deaths per 100,000 live births in 2016. The decline registered between 2000 and 2016, is statistically significant. Thus, for every 1,000 live births in Ethiopia during the 7 years before the 2016 EDHS, approximately four women died during pregnancy, childbirth, or within 2 months after childbirth. Ethiopia is the fifth country with high maternal mortality in Sub-Sahara Africa, next to Sierra Leone (1100), South Sudan (730), Nigeria (560), and Malawi (510).\textsuperscript{24}

\textsuperscript{22} Ibid

\textsuperscript{23} This and what follows is based on EDHS 2016, ibid.

\textsuperscript{24} UNDP, Huma Development Index, 2015
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Early marriage

In Ethiopia, women are likely to marry considerably earlier than men. Disproportionately, 50 percent of women whose age was between 25 and 49, married on or before they become 17.1 years while 50 percent of men who were between 25 and 59 married on or before they were 23.8 years. The median age at first marriage among women age 25 and 49 has increased slightly from 16.5 years in 2011 to 17.1 years in 2016. This shows how early marriage is a serious problem and a clear violation of the minimum age of marriage stipulated in the laws of the country. In addition, when women marry earlier than the appropriate age, they are exposed to various social and economic problems. The immediate consequences of early marriage is dropping out from educational institutions. As the EDHS report discloses, 25 percent of women were attending school at the time they first married, and the majority of them (75 percent) stopped going to school after they got married.25 Low level education will mean either unemployment or less rewarding economic opportunity. The other immediate health related problems women face due to early marriage include teenage pregnancy, pregnancy related complications, low birth weight and fistula.

Female genital mutilation (FGM)

Two in three women aged between 15 and 49 in Ethiopia are circumcised. The decline is particularly notable among younger women: FGM/C prevalence among women aged between 15 to 19 decreased by 24 percent between 2005 and 2016. The notable decline observed among younger women may in part be related to increased reporting. FGM/C was criminalized in 2005, which may lead to under reporting of the practice to avoid legal consequences. FGM/C is highest in Somali Region, 99 percent, followed by Affar (91 percent). Tigray has the lowest prevalence (24 percent), followed by Gambela (33 percent).26 FGM/C is less prevalent among women with higher education and those in the highest wealth quintile. For instance, half (50 percent) of women with secondary education are circumcised, as compared with about three-fourths (73 percent) of women with no education.27

The strategy adopted in Ethiopia to influence social change and the abandonment of FGM/C is a community dialogue. Dialogue sessions provide an opportunity for communities to build trust, explore attitudes/norms/beliefs, and to be informed of the risk of circumcision from health personnel. Furthermore, to hear testimonies on the consequences of FGM/C on women’s lives and health from the girls

25 Ibid
26 Ibid
27 Ibid
themselves and the role of religious leaders are instrumental in bringing about change in the tradition\textsuperscript{28}.

**Women’s voice and agency**

**Gender and political participation**

Political participation refers the active involvement and engagement of both women and men in the political process that affects their lives. Active engagement includes, at one level, voting, standing for office, joining a political party or taking part in political campaigns; at another level, it involves trying to influence the decision-making process through public debates, and dialogue with elected representatives, or exercise public power by holding public office at different levels of administration- local, regional, national and international\textsuperscript{29}. Political participation is understood as a prerequisite for political development and hence, improving women’s political participation, given that they constitute over a half of the population, may help to advance political development and improve the quality of women’s lives. Studies also confirm that higher and meaningful representation of female in parliament has fostered economic growth\textsuperscript{30}. In this respect, Ethiopia is doing rather well, as the data on the proportion of seats held by women in the last five elections shows (see Figure below).

![Figure 5: Proportion of seats held by women in national parliaments (%)](image)

*Source* - Author’s trend analysis using UN Data\textsuperscript{31}

Efforts were undertaken practically to increase the representation of women in political processes in Ethiopia. In this respect, the number of seats held by women in the Ethiopian parliament has significantly improved, reaching 38.8 percent in

\textsuperscript{28} UNICEF and MoYCA (2012), Investing in boys and girls in Ethiopia: past, present and future

\textsuperscript{29} Khadar M (2013) Women Political Participation and Decision Making in Hargeisa, Somaliland.


\textsuperscript{31} http://data.worldbank.org/indicator/SG.GEN.PARL.ZS?locations=ET
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2015, from a low of two percent in 1995.\textsuperscript{32} This puts Ethiopia in fourth place in Africa next to Rwanda 58 percent, and Tanzania and Uganda.

Furthermore, The Women’s Standing Committee was created during the 1995-2000 parliaments and it is one of 13 parliamentary committees. The major tasks of the Women’s Committee include overseeing the planning and performance of the executive branch, training and capacity building of members of the committee, and advocating for gender friendly laws. The parliament has also a women’s caucus having the objective of encourage networking among women, to build their collective capacity, and to sharpen the focus of women representatives.\textsuperscript{33}

On the other hand, key national decision making positions, such as cabinet ministers, who were appointed by the prime minster in November, 2016, included few (ten percent only) female ministers.\textsuperscript{34} By the same token, all Regional presidents have been men and women have never taken that position to date.

Moreover, without greater representation of women in parliamentary and executive positions as well as in the judiciary, it is difficult to achieve participatory, accountable, and transparent governance. Without the active participation of women and the incorporation of women’s perspective at all levels of decision making, the goals of equality, development and peace cannot be achieved.

Representation should not mean the number of women who are in parliament. The real representation comes when the elected MPs engage in every decision making process, especially those that affect the lives of women. There is a great challenge in this regard, since the House of Peoples Representatives, and female MPs in it as well, have limited power to oversee the Executive. Women MPs have also been criticized for not offering a concrete agenda for action on behalf of women and forwarding tangible recommendations to the executive branch. In brief, the involvement of women in parliament in policy formulation and decision making has been minimal.

\textbf{Violence against women}

Violence against women, including domestic violence, rape, marriage by abduction and early marriage, are quite widespread in the country. All these forms of violence threaten women’s health and other aspects of their wellbeing, including personal freedom, development of self-hood, emotional and psychological status,

\textsuperscript{32}FDRE , House of Representatives (HoR), Ethiopia, 2016.

\textsuperscript{33}Meaza Ashenafi (2009)Participation of women in political and public decision making in Ethiopia, FSS monograph number 5

\textsuperscript{34}http://www.ebc.et/web/ennews/-/ethiopia-appoints-new-cabinet-members-ministers
educational and labor opportunities. As the recent EDHS (2016) report indicates, 24 and 10 percent of Ethiopian women, respectively, faced some form of physical and sexual violence within 12 months prior to the survey.

Decision making

The strengthening of women’s participation in all spheres of life has become a major issue in the development discourse and hence, socio-economic development cannot be fully achieved without the active involvement of women in the decision making in society. 71 percent of currently married women participate in three specified household decisions (own health care, household purchases, and visits to their family), while ten percent are not involved in any of these decisions.

Gender and agriculture

Female farmers play an important role in agriculture, but also face more challenges than their male counterparts. Women make up 43 percent of the agricultural labor force in developing countries, about half in East Asia and Sub–Saharan Africa, and a growing share in the Middle East and North Africa. The participation of women in crop production is estimated to be 45 to 75 percent. Women also constitute the bulk of unskilled labor in the fruit, vegetable, and cut-flowers export sectors. According to the EDHS (2016), there were worthy changes going on in Ethiopia agricultural sector in terms of women participation and payment. The survey points out the following important findings:

- There has been a decline since 2005 in the proportion of women and men working in agricultural occupations, from 52 to 42 percent and from 84 to 71 percent respectively
- The proportion of self-employed women in the agricultural sector increased from 22 percent in 2005 to 46 percent in 2016.
- The proportion of women working in agricultural sectors who are paid in cash only increased from three percent in 2005 to eight percent in 2016.
- The percentage of women engaged in agricultural activities year-round increased from six percent in 2005 to 13 percent in 2011 and 23 percent in 2016.

35 World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region
Women in the agricultural sector are much more likely than women in the nonagricultural sector to work for a family member (51 versus 26 percent).

The CSA Agricultural Sample Survey of 2006/7 indicates that women own only 19 percent of the land despite their big role in the sector. In other words, according to the same survey 9.6 million men owned land whereas only 2.3 million women did the same. On the other hand, during implementation of GTP I (2011-2015), a total of 11.11 million women (2 million female headed households and 9.11 million women in male headed households) have been given land rights certificates. In the two Regions (Amhara and Oromia), where land certification involved joint titles to both spouses, women’s names appeared on more that 80% of all titles, four times the rate recorded in the Regions where the certificate was issued only in the name of the household head. This is the reality on the ground, though the Rural Land Administration and Land Use Proclamation No.456/2005, Article 5(3), states that joint land titling is mandatory in Ethiopia. Joint titling has proved to be effective to secure married women’s land rights especially in the case of divorce or death of the husband.

A title or deed that includes the owner’s name is important in establishing legal rights to property. The 2016 (EDHS) sought information from currently married women and men who own a house or land whether they possess a title or deed for their property, and whether or not their name appears on the title or deed. More than half of women and nearly two-thirds of men who own a house do not have a title or deed for their house. Although possession of a title or deed is somewhat more common for land than for housing, large proportions of both women and men who own land do not have a title or deed (40 and 48 percent, respectively). The majority of women and men who have a title or deed for their property say that their name is on the document. However, the percentage of respondents who report that their names are not on a title or deed is somewhat higher among women than men in the case of housing (eight percent and two percent, respectively) and land (seven and two percent respectively).

Female headed households and women in male headed households have unequal access to productive assets and other resources. For instance, a Central Statistical Studies (CSA) agricultural sample survey on land utilization (2009/2010) showed that the average land holding size of women in the survey was 0.68 hectare while it was 1.11 for men. Female farmers own less land, rent less land and have fewer hours to allocate to agricultural production than male-headed households, all

38 FDRE Growth Transformation Plan II- 2016
39 FDRE, Consideration of reports submitted by States parties under article 18 of the Convention on the Elimination of All Forms of Discrimination against Women, Ethiopia, CEDAW/C/ETH/6-7, July 2009, p.30
40 CSA 2010 , Agricultural Sample Survey
of which contributes significantly to lower levels of productivity. On average, women plot managers spend 8.2 hours less per week on agricultural activities, hold 41 percent fewer hectares of land and have a 7.4 percentage point lower likelihood of working on rented fields compared to men.\textsuperscript{41}

Women’s access to resources and community participation are usually mediated through men, either through their fathers or husbands, and their agricultural contributions often go largely unrecognized. Other dimensions of gender inequality can be seen via unfairness in intra-household resource allocation favoring boys and agricultural extension service provision that gives little attention to female farmers.\textsuperscript{42} Women report a different profile of binding constraints compared to men. Women are more likely to report constraints linked to basic operational problems such as access to water, access to credit and low demand for their product. In contrast, men are concerned about constraints associated with more sophisticated activities, such as transport costs and road suitability, access to markets and inputs and market information.\textsuperscript{43} The FAO estimates that addressing these issues could increase women’s yields on farms 20-30 percent, raise total agricultural output by 2.5 to four percent and potentially reduce the number of hungry people by 12-17 percent.\textsuperscript{44} Total agricultural output in Africa could increase by up to 20 percent if women’s access to agricultural inputs was equal to men’s.\textsuperscript{45}

With the recognition of the role of Ethiopian women for the development of the country’s agriculture, the Agricultural Transformation Agency (ATA) has developed a gender mainstreaming strategy to promote gender equality across all of its programming and organizational development processes. This strategy aims to ensure that all of the ATA’s work contributes to gender equality by monitoring and adjusting the impact that all of its programs and activities have on both women and men.

\textbf{Gender and the legal framework}

The government of Ethiopia has declared its commitment to gender equality and empowerment of women by stipulating the rights of women in its constitution,

\begin{itemize}
  \item \textsuperscript{41} World Bank Group, Ethiopia poverty assessment, Poverty global practice Africa Region , Report number AU6744
  \item \textsuperscript{42} Kedir et al, presentation at the Pan African Conference on Tackling Inequalities in the context of Structural Transformation- Accra, Ghana 28th -30th April 2014
  \item \textsuperscript{43} WB World Bank group, Ethiopia poverty assessment, Poverty global practice Africa Region , Report number AU6744 2012
  \item \textsuperscript{44} FAO (2011). The State of Food and Agriculture 2010-11: Women in Agriculture. Rome: Food and Agriculture Organization of the United Nations.
  \item \textsuperscript{45} United Kingdom Department for International Development (2010), Agenda 2010 - The turning point on poverty: background paper on gender.
\end{itemize}
issuing the Women’s Policy and National Action Plan for gender equality to put gender mainstreaming into action.

**Women’s policy**

A national women’s policy was adopted in 1993. The policy outlines the major economic, social and political concerns of Ethiopian women and indicates broad strategies of intervention. Furthermore, the policy provides for the establishment of a Women’s Affairs Office under the Prime Minister’s Office and for the designation of gender focal points in ministries and commissions. Accordingly, institutional mechanisms were put in place and have been in operation over the past decades. Under the auspices of the Women’s Affairs Office, a comprehensive National Action Plan was initiated as a policy component of Ethiopia’s overall poverty reduction strategy. The major priority areas identified by the National Action Plan were: Poverty and Economic Empowerment of Women and Girls; Education and Training of Women and Girls; Reproductive Rights; Health and HIV/AIDS; Human Rights and Violence against Women and Girls; Women and the Environment; and Institutional Mechanisms for the Advancement of Women.\(^{46}\)

**Women’s Affairs Office**

The Women’s Affairs Office (WAO) was established in October 1991, headed by a woman with the rank of a minister. It is charged with the responsibility of coordinating, facilitating and monitoring all government gender programs, particularly the implementation of the National Women’s Policy. WAO is also responsible for creating a conducive environment for all implementations in the country. It created a Ministry of Women, Children and Youth Affairs which has a mandate to work in areas that affect children and youth regardless of their gender. The government also designed a land certification program and targeted vulnerable and food insecure families including those headed by female through its Productive Safety Net Program (PSNP). The establishment of gender focal points in Federal ministries and regional councils is one of the main strategies for the implementation of gender and sectoral policies. It was also one of the initial activities undertaken by WAO, after the formulation of the Ethiopian National Policy on Women. The regional council women’s affairs department offices were opened up a little later.

\(^{46}\) Meaza ashenafi and FSS Participation of women in political and public Decision Making in Ethiopia, FSS Monograph number 5, 2009
Ethiopian constitution, Article 35: The Rights of Women\textsuperscript{47}

The Constitution of the Federal Democratic Republic of Ethiopia (FDRE Constitution, 1995), within its chapter of fundamental rights and freedoms, contains a number of rights which have direct relevance to the right of women and protection from domestic violence. Article 35 of the constitution is of importance in listing out various rights women are entitled to. These include equal protection of the law, equality in marital affairs, entitlement to affirmative measures, protection from harmful traditional practices, maternity rights in employment, the right to consultation, property rights, employment rights, and access to family planning information and services. Moreover, The constitution further acknowledges and confirms that all international treaties ratified by the country to be integral parts of the law of the land.

Revised family code\textsuperscript{48}

The Ethiopian government amended the family law in 2000. The amendment led to significant advances in women’s empowerment and their ability to self-advocate, work for fair wages and own property. The family law amendment includes raising the legal marriage age from 15 to 18, giving women greater say over marital property and removal of denial to work outside of the home. The effect of the reform of the family law is positive for Ethiopian women especially for those who are young and unmarried because it helped them to engage in gainful occupations, stay in schools longer and improve life prospects.

The criminal code 2004\textsuperscript{49}

The code criminalizes most forms of violence against women and girls including rape, trafficking of women, engagement of others in prostitution for gain, and physical violence within marriage or in an irregular union, abduction, female genital mutilation, and early marriage. The critical gap in the law despite some of the revolutionary changes is the gap in protecting women from domestic violence. It has been also suggested that the fact that there has been no separate domestic violence act or law which provides specific civil remedies for victims/survivors such as right to obtain protection order, monetary/compensation relief, custody order, residence order, shelter or medical benefits constitute part of the gaps.\textsuperscript{50}

\textsuperscript{47} FDRE, Constitution, 1995
\textsuperscript{48} FDRE, Revised Family Law, 2000
\textsuperscript{49} FDRE, Criminal code, 2004
\textsuperscript{50} Megersa Dugasa Fite, The Ethiopia’s Legal Framework on Domestic Violence against Women: a Critical Perspective International Journal of Gender and Women’s Studies March 2014, Vol. 2, No. 1, pp. 49-60 ISSN: 2333-6021 (Print), 2333-603X (Online) Copyright © The Author(s). 2014. All Rights Reserved. Published by American Research Institute for Policy Development
The capacity of Women’s Directorates and the civil service in general to act as a catalyst for the advancement of women’s rights and the promotion of gender awareness has improved in the course of the last decade. Sector-specific gender mainstreaming guidelines, gender budgeting and gender audits have been developed and implemented. This has been believed to have significant potential for holding each sector accountable in regards to the implementation and development of gender sensitive policies and mechanisms.\textsuperscript{51}

Traditionally, women were oppressed by discriminatory cultural practices backed by weak legal frameworks. Though the current government is aggressively working on the rights of women, especially through formulating gender sensitive laws and policies, prejudicial treatments remain to affect women’s life. The deeply rooted culture and stereotyped perception of the society still persist to pose a serious impact on the realization of women’s rights making normative principles of the country a mere paper tiger. This is accompanied by lack of uniformity among family laws of the country and the weak capacity of women’s institutional machineries especially the regressing trends of CSOs that used to work in women right advocacy after civil society proclamation (2008). Thus, a lot of effort is still needed from the government to protect the rights of women.\textsuperscript{52}

**Gender and the labor force**

**Employment and payment**

Growth affects income inequality and employment status. For growth to have a poverty reduction effect, it has to generate employment for the majority of the unemployed and underemployed. According to the National Labor Force Survey, 80 percent of the population ten years and above are economically active. As of 2016, the employment rate among women and men aged between 15 and 49 was 85 and 88 percent respectively.\textsuperscript{53}

\textsuperscript{51} UNWOMEN- Gender profile of Ethiopia 2014

\textsuperscript{52} Endalcachew Bayeh Human Rights in Ethiopia: An Assessment on the Law and Practice of Women’s Rights, Humanities and Social Sciences 2015; 3(2): 83-87 Published online March 2, 2015 (http://www.sciencepublishinggroup.com/j/hss) doi: 10.11648/j.hss.20150302.13 ISSN: 2330-8176 (Print); ISSN: 2330-8184 (Online)

\textsuperscript{53} Central Statistical Agency (CSA) [Ethiopia] and ICF. 2016. Ethiopia Demographic and Health Survey 2016. Addis Ababa, Ethiopia, and Rockville, Maryland, USA: CSA and ICF.
As the above chart shows more men than women are engaged in agriculture and the reverse is true for sales and services. The majority of women (67 percent) engaged in the agricultural sector are employed in seasonal work. Urban women are most likely to be employed in sales and services (56 percent), but in the contrast, women in the professional/technical/managerial sector are represented only by 13 percent. Women employed in the nonagricultural sector (62 percent) are more likely than women working in the agricultural sector (eight percent) to be paid in cash only. Overall, 46 percent of employed women are not paid at all for their work, and 40 percent are paid in cash only.

Women gain direct access to economic resources when they are employed for cash. However, this access is meaningless unless women also control how their earnings are used. To measure women’s autonomy, currently married women aged between 15 to 49, who were paid in cash for employment, in the 12 months before the survey, were asked who makes decisions on the utilization of their earnings. The majority reported that decisions on how their cash earnings are used are made either jointly with their husbands (62 percent) or by themselves (30 percent). Eight percent of women replied that the decisions are made primarily by their husbands.54

As the same survey indicated, most women (58 percent) earn less than their husbands; 21 percent of women are paid about the same as their husbands, and another 16 percent of women reported earning more than their husbands. The magnitude of women’s earnings relative to that of their husbands makes a difference in the control of decisions on how their earnings are used. Accordingly, 45 percent of women who earn more than their husbands replied that they make

54 Central Statistical Agency (CSA) [Ethiopia] and ICF. 2016. Ethiopia Demographic and Health Survey 2016. Addis Ababa, Ethiopia, and Rockville, Maryland, USA: CSA and ICF.
decisions on how their earnings are used. In the contrast, only 11 percent of women who earn the same as their husbands make decisions on the utilization of their earnings.

Econometric analysis indicates that about 45 percent of the differences in earnings between men and women in Ethiopia is explained by both worker characteristics and job characteristics which are also systematically less favorable to women. Women are more likely to end up in less rewarding segments of the labor market, particularly the younger wage employed. Certain factors, particularly education are associated with greater similarity in women’s and men’s labor market outcomes as indicted by time-use and access to broad job categories. Education does not seem to be sufficient, however, to change the type of occupations that women occupy within these broad categories. Women are also more likely to be in clerical occupations than their women. Based on the data from Federal Civil Service from 72,515 Federal government employees, only 37 percent of them are women. When the educational characteristics of these employees are further studied, 86 percent of them have diploma and lower educational achievement, whereas it is only 39 percent of men employed have diploma and lower educational background.

Large differences persist between the types of work that men and women do, In wage employment men tend to dominate manufacturing, construction and transport where as women are concentrated in health , social work, education and communication services. Differences in education and training, a preference for job security and the need for flexible working hours help explain this segregation, alongside gender stereotyping. Women spend at least twice as much time as men

Figure 7: Male civil servant by educational status

Figure 8: Female civil service workers by education background

Source. Author’s own analysis based on Civil Service human resource statistics, 2010/11

55 ibid

56 FDRE Civil service, human resource statistics, 2010/11
on unpaid domestic work and care activities and contribute significant unpaid work in family enterprises and farms and estimated 58% of such work. Ethiopia specific data and analysis clearly shows that married women tend to work fewer hours in the labor market and more in the household, while the reverse is true for married men.57

**Unemployment**

Unemployment/underemployment causes output loss and social dissatisfaction. It is a major cause of poverty in most countries. In Ethiopia nearly 5 out of 100 economically active persons aged between ten years and above are unemployed. The data on unemployment disaggregated by sex show that female unemployment rate (6.5 percent) is more than double as compared to male (2.7 percent). The rate of unemployment in urban areas is reported to be 16.5 percent, while unemployment is higher among females (23 percent) than males (10.5 percent).58

Female household heads are found more vulnerable to shocks, with significant fluctuations in their welfare from year to year. The gendered division of labor leaves these households with fewer livelihood options, particularly in rural areas where they often rely on marginal or socially unacceptable occupations as they cannot make a living in agriculture. In urban areas, the ability of female heads to access productive jobs or jobs with better characteristics might be hindered by the need to take care of children.59

**Domestic workers**

Domestic workers, who are mainly women, are amongst the least recognized and protected workers. Worldwide they share common characteristics, most notably their isolation, invisibility and lack of recognition and of workers’ rights.

For example, an estimated of 83 percent of domestic workers worldwide are women. They are mostly not covered by labor laws guiding maximum working hours and minimum wages.60 The 2015 Ethiopian Migration Profile prepared by UNICEF depicts an increased international migration stock of Ethiopians living abroad over the years; in 2000 the international Ethiopian migration stock was 662,444 people, and reached 1,072,949 in 2015. In addition, according to the data from Ministry of Labor and Social Affairs (MoLSA), around 460,000

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57World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region

58 CSA Labor force survey 2013

59World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region

60 MOLSA, Annual report 2013.
Ethiopians have legally migrated to the Middle East, mainly to Saudi Arabia, Kuwait and Dubai, between September 2008 and August 2013. While migration can bring new employment and better opportunities, it also bears great risks for women, many of whom end up at the lower end of the job market that are greatly unprotected and pose a life threatening environment.

**Care economy**

Women perform the bulk of unpaid care work across all economies and cultures. In many societies, existing norms dictate that girls and women have the main responsibility for the care of children, the elderly and the sick, as well as for running the household, including the provision of water and energy supplies. This undermines their chances of going to school or being able to translate returns on their own productive work into increased and more secure incomes, and better working settings. There are also gender differences within household work. The proportions of women fetching water and collecting firewood are twice of that of men’s. Hence, investments in access to basic services inevitably become a gender issue. Gender inequalities are even more apparent in domestic activities. 92 percent of women do domestic activities, while only 27 percent of men do the same. In terms of hours spent on domestic work, on average, women allocate 27 hours to domestic work and men only 3 hours per week. UN report on unpaid care work and women’s human rights showed that heavy and unequal care responsibilities are major barriers to gender equality and to women’s equal enjoyment of human rights, and in many cases condemn women to poverty.

Balancing maternity and family responsibilities with career is a troublesome challenge. Unpaid care contributes to economic growth through a labor force that is fit, productive and capable of learning and creativity but it also drains the market of its (female) work force. Particularly in rural areas, low cost provision of child care, the lack of which particular in urban areas can constrain women (particularly the quarter of urban households which is female headed and has at least one child below the age of 5) to engage in low–productivity and home bound activities.

Efforts must be exerted to find new ways of sharing care work and negotiating for a more equal playing field. Care work is not a duty but work that has to be

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61 ibid


63 The world’s Women 2015- Trends and statistics

64 World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region
recognized, reduced and redistributed for women’s productivity and full potential to be realized.\textsuperscript{65} It has been estimated that if care work were assigned a monetary value it would constitute between ten and 39 percent of GDP.\textsuperscript{66}

\textbf{Gender and property ownership}

\textbf{House ownership}

House ownership rate among men is similar to women (51 and 50 percent, respectively), although men are more likely than women to own a house alone (35 percent), and are less likely to share ownership (17 percent). In the first GTP implementation period, a total of 24,068 housing units were transferred to users both in Addis Ababa and the Regions, of which 6,262 (26 percent) were women beneficiaries.\textsuperscript{67} Nowadays, house ownership in urban areas of Ethiopia is becoming a strong measurement of economic status as the price of urban land shows sharp increases. Though selling land is illegal, it not uncommon to see people selling their “house” for good sum and buy relatively cheaper house in peripheral areas, investing the profit in other income generating activities.

\textbf{Ownership of a bank account and mobile phone}

Ownership of a bank account and a mobile phone are partly an indication of autonomy and financial independence. Formal saving culture is very low for both sex. As EDHS report shows, 15 percent of women aged between 15 to 49 have an account in a bank or other financial institution. The percentage of men using a bank account is higher (25 percent).\textsuperscript{68} The study shows that men tend to use formal saving system whereas women tend to use informal saving mechanism that come with a significant cost, including risk of fraud and collapse.\textsuperscript{69} 27 percent of women and 55 percent of men owned mobile phones at the time of the survey. Among those with mobile phones, only five percent of women and nine percent of men use their phone for financial transactions.\textsuperscript{70} Mobile phones provide many benefits for women, including access to information, services and the privacy,

\textsuperscript{65} Ibid


\textsuperscript{68} Central Statistical Agency (CSA) [Ethiopia] and ICF. 2016. Ethiopia Demographic and Health Survey 2016.Addis Ababa, Ethiopia, and Rockville, Maryland, USA: CSA and ICF

\textsuperscript{69}United Nation Foundation A ROADMAP FOR PROMOTING WOMEN’S ECONOMIC EMPOWERMENT- WWW.WOMENECONROADMAP.ORG, check the year

\textsuperscript{70}Central Statistical Agency (CSA) [Ethiopia] and ICF. 2016. Ethiopia Demographic and Health Survey 2016.Addis Ababa, Ethiopia, and Rockville, Maryland, USA: CSA and ICF
safety and independence that mobile connectivity can allow. Mobile phones are particularly helpful to women entrepreneurs, who may use their phones to conduct private financial transactions and seek market information.

**Gender, trade and the industrial Sector**

There are marked differences between men’s and women’s economic opportunities in entrepreneurship. Women entrepreneurs at the Federal level are only 16 percent among owners of all types of trades registered by MoT. Of the total 14,100 women who took part in small scale manufacturing industries in 2010, 58 percent were unpaid family workers. Women’s participation in medium and large scale manufacturing at both the public and private sector shows an increase from 35,000 in 2005/06 to 60,788 in 2009/10.\(^{71}\) The negative effects of income inequality are associated with poor financial market developments like credit rationing and collateral requirements that restrict the investment opportunities of the poor which subsequently lead to low growth. Women’s participation is higher in specific sectors which could be described as ‘traditional female sectors’ that are mostly informal, petty trade and livelihood oriented. Female owned business are generally smaller and employ fewer people and are more likely to be home based. In 2009/10, a large proportion (30 percent) of women in the manufacturing sector were employed in the food and beverages industry and 18% in the textile industry. Comparing the wages and income in the manufacturing of food products and beverages, women are significantly less paid than their male counterparts\(^{72}\).

From the total of 2,174,290 individuals who received training between 2010 and 2013, 40 percent were women, 39.9 percent of then received technical support, 40 percent received access to loans and 39.9 percent benefitted from provision of production and market places.\(^{73}\) Furthermore, various types of women traders associations are in existence to create synergy, namely Ethiopian Women Entrepreneurs Association, Ethiopian Women Exporters Association, Alliance of Women Entrepreneurs Program, Center for acceleration Women Economic Empowerment are among the important ones.\(^{74}\)

At the other end of the spectrum, in the formal urban sector, women entrepreneurs have a profile of education, economic circumstances and access to financial services quite different from either rural or urban small scale entrepreneurs. Interestingly women entrepreneurs with business in the formal urban sector are also such much more educated and successful in running their business than their

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\(^{71}\) GTP progress report 2013  
\(^{72}\) CSA (2010), Report on Small Scale Manufacturing Industries Survey, Addis Ababa  
\(^{73}\) GTP progress report 2013  
\(^{74}\) Tesfayenesh Lema Aregaw , Trade and Gender in the Services Sector of Ethiopia, Expert Meeting on TRADE AS A TOOL FOR THE ECONOMIC EMPOWERMENT OF WOMEN, 2016
male counterparts, suggesting that a succeed they undergo a more difficult section process in the market. Even these better qualified women face different challenges than their male counterparts and appear to suffer especially from vulnerability to crime and corruption and from the lack of access to finance.\textsuperscript{75} Women friendly technologies, Domestic responsibilities, Relevant training and skills development, Limited data on informal trade and cross border traders, Cross border trade and business is also hindered by the existing poor infrastructure in terms of accessible roads and communication technologies.\textsuperscript{76}

In a more hostile environment, women seem to prefer running their business in partnership with others. Across sub Saharan Africa, Ethiopia’s percentage of female-owned enterprises in the formal sector is one of the lowest\textsuperscript{77}.

Despite its lack of impact on business growth for subsistence- level entrepreneurs, microfinance remains an effective tool for meeting the demands of millions of self-employed women otherwise underserved by financial sector providers. Microfinance moves money and speeds transactions and has reached millions of poor women with a useful service—a significant achievement in terms of reach and scale. Women – owned entities represent more than 30\% of registered businesses worldwide but only 10\% of women entrepreneurs have access to the capital they need to grow their business\textsuperscript{78}.

More women than men participated in the service sector such as hotel, tourism, solid waste collection and management and thereby benefit from low skill employment opportunities. These women, working in low-efficiency sectors with smaller businesses and with lower initial profits than men. Furthermore, so often women use portions of the cash obtained for household expenses and transfers to other relatives rather than for business investments. This is partly because women in poor households, unlike men, are expected to invest any windfall cash into the family.\textsuperscript{79} Higher female earnings and bargaining power translate into greater investment in children’s education, health and nutrition, which leads to economic growth in the long-term.

\textsuperscript{75} World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region.

\textsuperscript{76} Tesfayenesh Lema Aregaw, Trade and Gender in the Services Sector of Ethiopia, Expert Meeting on TRADE AS A TOOL FOR THE ECONOMIC EMPOWERMENT OF WOMEN, 2016.

\textsuperscript{77} World Bank (2009), Ethiopia Unleashing the potential of Ethiopia women trends and options for Economic empowerment – Poverty reduction and economic management 2, Africa Region.

\textsuperscript{78} WB unleashing women economic potential 2009.

\textsuperscript{79} Tesfayenesh Lema Aregaw, Trade and Gender in the Services Sector of Ethiopia, Expert Meeting on TRADE AS A TOOL FOR THE ECONOMIC EMPOWERMENT OF WOMEN, 2016.
Conclusion and Policy Recommendation

Conclusion

Numerous impressive advancements in various sectors were made to empower women and thereby ensure gender equality. Education is one of the notable sectors where improved results are worth mentioning. In this regard, Ethiopia was designated one of the few countries which achieved Goal 2 of the MDGs (universal coverage of primary education). Nevertheless, participation of girls and women becoming thinner and thinner as educational level goes higher and higher suggesting the need for greater efforts in this area. This is very important since education is a key to gender equality and creates greater economic opportunities for women. Secondary education for women has brought positive outcomes in the area of reproductive and child health.

Health is also one of the other sectors where tangible and progressive results were registered over the years. For instances, the fertility rate has declined over time from 5.5 children per woman in 2000 to 4.6 children per woman in 2016. The difference is significant in urban areas especially in Addis Ababa. However, some Regions still exhibit higher fertility rate even much higher than the national average. The use of modern contraceptive has still been low suggesting more efforts in the area since it is the main tool to achieve lower TFR nationally. In addition, Ethiopia has also shown great advancement in the reduction of maternal mortality. This has also been linked with an increase in institutional deliveries. However, maternal mortality is still the highest in SSA and institutional deliveries are still low, standing at 26 percent. Harmful traditional practices such as early marriage and FGM are also among the concerns affecting women advancements. Change in the health sectors in general and women and girls health in particular, especially reduction of TFR has a pivotal role in ensuring women participation in the productive economy, and thereby promoting gender equality.

Involvement in productive economic sectors is one of the issues investigated. In this regard, generally speaking, a large proportion of women are found to be engaged in low rewarding economic sectors compared to their men counterparts. This is partly related to educational achievements. On the other hand, more women were also observed to work for family businesses than men. This means that there is no direct personal benefit especially in terms of cash payment which leads to lesser autonomy. More importantly, the autonomy and decision making on the income women generated is also endangered by men either as husbands or family members. It is also very important to highlight women’s involvement in productive and child care activities and other domestic work; this has put a great barrier and limits to their time and energy hampering them from being involved in the productive economy.
Women involvement in national politics and decision making is also important to look into. In this regard, women’s participation in comparisons with men was found to be increasing but real participation is still low. This has been noticed at all levels of the ladder including roles, executive power and legislation. The same is true in the Regional administrations. Without greater representation of women in parliamentary and executive positions as well as in the judiciary, it is difficult to achieve participatory, accountable, and transparent governance which can ensure political, cultural, social and economic priority goals of the wider society. Without the active participation of women and the incorporation of women’s perspective at all levels of decision making, the goals of equality, development and peace cannot be achieved.

Ethiopia also did notable advancements in legal reforms benefiting women in particular and the wider society in general. The constitution, amendments made in family code and penal code are among these reforms. The laws clearly stipulated women rights and removed many articles adversely affecting women and their advancements. There are also many other laws aimed at safeguarding women. However, it turned out that the country has a substantial difficulty in implementation of these laws and reaping the benefits. Transgression of laws is apparent in many aspects despite the existence of prohibiting laws. Therefore, enforcement of laws needs a special attention from all concerned bodies especially in the areas of early marriage, abduction, child labor and trafficking of children.

**Recommendations**

The economic empowerment of women is a prerequisite for sustainable development, pro-poor growth and the achievement of all the Sustainable Development Goals (SDGs). Gender equality and empowered women are catalysts for multiplying development efforts as well as considerations of human rights and social justice. Investments in gender equality yield the highest returns of all development investments. Yet there has been a crucial knowledge gap regarding the most effective ways to advance women’s economic prospects and ensure interventions are appropriately designed for different economic and cultural contexts. While much can be achieved by pursuing broad development policies, evidence of the heterogeneity of women as a group, and the stickiness of some gender-biased constraints, there is a place for carefully designed, targeted interventions to support women’s economic empowerment and further catalyze economic development.

What follows are specific recommendations for women in all socio economic circumstances.

**Co-ordination and partnerships.** Working with allies and partners in both the public and private sectors is essential for successfully addressing and scaling up
women’s economic opportunities. Partnership with the private sector is critical to advancing economic opportunities for women and including men in supporting gender equality in the workplace. One such partnership that aim to improve employment opportunities and working industries such as financial services, real estate, telecommunications, construction, energy, and information technology that have pledged to implement a minimum actions to support women in the workplace: flexible work, effective anti-sexual-harassment mechanisms, and programs to accelerate women in leadership.

**Education and training.** Removing school fees and providing financial incentives for girls to attend school have proven to be effective for increasing girls’ enrolment and completion rates. Key measures include building schools close to remote communities, ensuring that schools have quality teachers – both female and male – and adequate sanitary facilities, and that they are safe places for girls. Well-designed vocational training leads to better paid work, and does not concentrate women in low-wage and low-skill work or reinforce occupational segregation between women and men. It is also imperative to increase female teachers’ representation in primary, secondary and in TVET level education and especially in higher-level institutions where the number of female teachers has declined in recent years. Efforts should focus on encouraging women to pursue their education and to become teachers, especially in the fields of science, math and technology.

**Reproductive and sexual health.** Improving women’s health strengthens their economic empowerment. Access to sexual and reproductive information and services, reduced rates of early marriage increase women’s chances of finishing education and breaking out of poverty. Access to health services can be improved by providing quality & relevant information, accessible services, reducing user costs, providing transport and strengthening the accountability of service providers. Donors can also support maternal and obstetric services and help improve the availability of skilled attendants at births.

**Share the care.** There needs to be increased recognition and valuing of the ways in which care work supports thriving economies. The design of interventions, policies and programs can more adequately address these issues by highlighting and helping to change attitudes and values that put the main responsibility for the home and care of children, the sick and the elderly on women and girls. Designing and financing social transfers (such as Conditional Cash Transfers) which address the inequitable gender relations of care, supporting investments in infrastructure such as water and sanitation, as well as domestic technologies that reduce the time-consuming elements of care work, developing existing services, such as pre-school health and education, coordinating support for time use surveys and household labor force surveys so that there is more accurate information on
women’s contribution to the formal and informal economies, including the care economy.

**Improving employment.** Productive employment and decent work in developing countries, including in fragile contexts, are the main routes out of poverty for both women and men. Women’s participation in the labor market can be increased by addressing the constraints and barriers women face accessing work, including public employment programs, and by providing well-focused vocational training. Social protection measures can enhance the productivity and participation of poor women in the labor market by reducing their vulnerability to livelihood risks and economic shocks. Overall, strengthening women’s employment opportunities through improving their negotiating and decision-making skills alongside their technical capacities should be a priority at the national level.

Flexible working hours for working mom, availing breast feeding corner with necessary facility, facilitate regular demand driven – on job training (stipends for women with children so that they could participate) and availing affordable child day care facilities are the key actions that should be well taken by relevant stakeholders to increase women’s productivity in the labor force.

**Crosscutting recommendations**

**Innovative methods for better gender awareness creation:** Policy and programming solutions should include greater attention to effective gender equality awareness creation modalities such as radio based social change communication, community conversations, and culturally acceptable IEC materials to address knowledge and attitude gaps of influential community members like parent, community leaders, and religious leaders.

Broader level efforts should focus on increasing awareness of women’s right and women’s role in development through large scale public information campaigns and other communication tools such as successful broadcast of radio serial dramas to address girls education, women economic empowerment, early marriage, reproductive health issues and spousal abuse. Increase the effectiveness of school clubs and other safe spaces for girls also strengthen their choice and decision to seek advice and share their views and experiences.

**Gender sensitive evidences:** In order to make every intervention and program more evidence based, use of data for decision making is important. As a result, more local level researches should be done to further diagnose the root causes of barriers behind gender inequality and discrimination. Such researches and evidences should also collect the possible solutions from the community. Ongoing gender focused programs should also cultivate the culture of gender sensitive monitoring and evaluation and gender budgeting system to show to what extent women are
getting or lacking the benefit from the development. Further documentation of challenges and best practices on gender inequality, women empowerment should be part and parcel of all interventions so to shorten the learning curve of emerging gender focused interventions.

Given the heterogeneous nature of challenges women face at different life cycles, the following recommendations offer measures that should be taken by different actors.

Promoting women entrepreneurs: Program interventions targeted to women who have already started business include providing access to financial services, physical assets or subsidies; business and managerial training; financial literacy; confidence building, and technical assistance through individual business visits; business networks or mentors; and easy access to information and networks using information technologies.

Strengthen cooperatives, trade unions and self-help groups: Supporting women to organize themselves for their common interests helps them to leverage their resources together and expand their opportunities and capacity to act collectively. Women’s associations and civil society groups have the potential to raise the voice and visibility of women and can provide many services and benefits to their members. Support that includes capital boosting, availing places for regular trade fair, use their associations as platform for various related empowerment works including health & social empowerment initiatives, women right interventions make them to gain from all rounded benefits and it also decrease duplication of efforts. Employ technical personnel like cashier and secretary also address literacy related gaps of associations where majority members are illiterate.

Through collective action, women’s associations are able to reach out to government and private sector organizations and to seek institutional support for women’s income generating activities. They are well-placed to negotiate collective loans and micro-leasing for their membership.

Business starter women: Women who do have the interest and the potential to start businesses require support, like unconditional cash transfer/grant, and appropriate business skill training. Availing and expanding local level incubation centers that allow women to come up with innovative business ideas and enable them to get mentorship from pioneer business women, training and various exposures also help women entrepreneurs to work hard and aspire as high as global markets.

Women in farming: As the majority of Ethiopian women are engaged in agriculture, intensified support in this sector is smart investment. Interventions that include rural electrification (new types like solar, bio gas), land right enforcement, access to credit with reasonable interest rates, encourage/facilitate formation of farmer
associations, focused agricultural extension support or mentorship, and advise on market linkage and facilitate improved agricultural inputs.

*For young girls:* School safety and gender awareness, safe spaces at primary and secondary education, conditional cash transfer – for secondary and tertiary levels, mentorship, internship, and women role models.

Increased voice and representation of women. Increasing women’s representation and participation in the political and public decision making positions.

Feleke Tadele

Introduction

This study deals with the state of the most vulnerable social groups and social protection measures in Ethiopia. Its aim is to understand the extent to which the most vulnerable social groups are included in the national development agendas and have benefited from the fruits of rapid economic growth. The findings and insights from the study will contribute to public policy debates at a national level in pursuit of enhancing inclusive economic growth and participatory development in Ethiopia.

The study identified cross-segments of vulnerable social groups and examined the national social protection measures, which have been designed and implemented to reduce extreme poverty, inequalities and vulnerabilities. It has given emphasis to three categories of most vulnerable social groups; notably, people living below the poverty line, older people and people with disabilities (PWDs). Accordingly, the study reviewed the extent to which the rights and needs of the extreme poor people, older people and people with disabilities have been addressed through the various national legal instruments, social policies and sectorial development programs under the national Growth and Transformation Plan-I and II. The study focused its scopes of analysis on four important aspects of social development issues. First, the current rural/urban -productive safety net program unconditional “direct support” transfers are analyzed at length. Second, the accessibility of the urban development infrastructures and urban public facilities to people who have physical impairments are examined. Third, the inclusion of people with disabilities and older people in basic social services (education and health) was closely examined. Fourth, the rights of the most vulnerable social groups to form associations, promote their collective interests and amplify their voices are analyzed.

Multiple methods and research instruments were used to collect the necessary information required for the study. The study is primarily informed by secondary data and meta-policy analysis of the main social protection policy and national program documents. The study has, therefore, given due consideration to learn the visible effects behind the intent and implementation of key social protection policy and programs, which have been active at a country level. It has also conducted rigorous consultations with relevant stakeholders in charge of designing, implementing, monitoring and evaluating multi-sectorial social
protection programs. The study reviewed the legal and policy frameworks, study documents and relevant literatures in the field as well.

The secondary data review was complimented and enriched by field visits and site observations in different sub-cities of Addis Ababa. Primary data were collected to understand the most recent conditions of older people and PWDs, examine the work of their respective civil society organizations and learn the views of relevant government and non-governmental organizations working with and for the most vulnerable social groups. Accordingly, qualitative data were collected through six focus group discussions (FGDs), three male and three female FGDs, and twenty-four KIIs (twelve for each of the older people and PWDs). The study also involved in-depth interviews with 34 senior and middle level program staff from six federal government offices, three multilateral development partners, two bilateral donors/ partners, four NGOs/non-state actors and two national associations. In order to have a firsthand information on the accessibility of main physical infrastructures (mainly social housing/ condominium house projects, public-service rendering premises and urban transport facilities), the study relied on inspections and observations as well as random interviews of beneficiaries who are using public services at major railway and bus stations (Megenaga, Legehar, Piassa), main condominium housing sites (Gerji Mebrat Hayil, Jemmo, Ayat), and public service rendering premises (Yeka and Lafto-sub-cities) in Addis Ababa.

This study report is organized into eight sections. The first section provides an introduction to the study highlighting the main objectives, methods and structure of the report. This is followed by section two that provides a brief overview of the context of the national economic growth and social development in Ethiopia. Section three discusses the types of the most vulnerable social groups and their sizes. The major legal instruments, enactments and policy directions are highlighted in section four. Similarly, section five deals with social protection measures, particularly, the productive safety nets in both rural and urban areas. This is followed by section six, which analyzes the specific program responses to PWDs and older people and reviews their accessibility to public buildings and transport facilities. Section seven specifically deals with the voices and associational lives of PWDs and older people in the course of the national development endeavours. Section eight provides brief concluding remarks and draws recommendations for future policy and practice considerations.

An overview of the national economic growth and social development in Ethiopia in light of poverty reduction

This section provides an overview of the national economic growth and social development endeavours of Ethiopia and examines the trends of poverty reduction in the country. Various reports indicate that Ethiopia is the second most populous
country in Africa (with an estimated population of 101,853,268,201)\(^1\) and reportedly the seventh largest economy in Africa with GDP of US $ 130 Billion (Africa Development Indicators, World Bank 2012/13)\(^2\). During the past one decade or so, the country has implemented a mix of micro- and macro-economic and social policies, which have contributed to rapid economic growth (10.8 percent annual growth rate on average), expansion of development infrastructures and reduction of poverty at large. (MoFED, 2015). Ethiopia’s economic growth was found to be modest (8%) even when the country was hit by drought in 2015/16 (World Bank, 2016).

Besides the rapid economic growth, Ethiopia has also made significant progress in achieving most of its GTP-I, which were harmonized to meet most of the national targets set under the Millennium Development Goals. According to the joint 2014 MDG report (ECA, AU, UNDP, AfDB, 2015)\(^3\); Ethiopia, *inter alia*, halved its extreme poverty; mitigated famine and reduced hunger; tripled primary school enrollment and reduced under-five mortality (U5MR).

In spite of the sustained economic growth and poverty reduction, Ethiopia is still one of the poorest countries with per capita income of US$632. Its 22.6 million people live below absolute poverty line. About 75 percent of its population depend on rain-fed subsistence agriculture and over 10.2 million people shall annually rely on emergency food assistance for their survivals (MoFED, 2015). In 2017 alone, about 7.8 million people have become dependent on emergency food and non-food assistance to sustain their live (UNOCHA, 2017). The level of urban and rural poverty has been more rampant among its most vulnerable social groups threatening the lives of older people and people with disabilities and putting the hopes and aspiration of the vulnerable youth and women population at risk.

The Government of Ethiopia and its development partners have managed to implement numerous social protection programs that contributed to the reduction of extreme poverty through investments in social protection schemes such as the Productive Safety Net Programme (PSNP), Household Asset Building Programme, Resettlement Programme, Complementary Community Investment (CCI) Programme, Protection of Basic Services (PBS) Programme, and the use of low-cost community health extension programme (MoLSA, forthcoming).

These poverty reduction measures have re-enforced the need for inclusive growth that embraces sectoral productivity and growth. As the country has entered into the implementation of its 2\(^{nd}\) phase of 5-years development plan, the Growth and

\(^1\) [www.worldometers.info/world-population/ethiopia-population/accessed on 5/7/2017](http://www.worldometers.info/world-population/ethiopia-population/

\(^2\) This is based on purchasing power parity gross national income calculation of the World Bank

\(^3\) Ethiopia’s recent MDG performance;- a summary from the 2014 MDG report *Assessing Progress in Africa toward the Millennium Development Goals* by ECA, AU, UNDP, AfDB
Towards a More Inclusive Economic Growth and Social Development in Ethiopia

Transformation Plan II (GTP-II: 2015/16-2019/20); the country has consolidated its vision of becoming a lower middle-income country by 2025. GTP II or its national targets for SDG, therefore, aims to achieve high economic growth within a stable macroeconomic environment while at the same time pursuing aggressive measures towards rapid industrialization and structural transformation (MoFED, 2015).

In this regard, the total Poverty Headcount, under GTP-II, was projected to fall to 16.7 percent by the end of 2019/20 from 23% in 2015/16; child malnutrition (Stunting Rate) was estimated to decline to 21% from the 40% in 2015/16, under five mortality rate per 1,000 live births was forecasted to be reduced to 30% from the 68% in 2015/16, maternal mortality rate per 100,000 live births will come down to 199 from the 420 in 2015/16; net primary (Grades 1-8) school enrollment will reach 100 percent from the 95.2% in 2015/16 with 1:1 girls to boys ratio. Overall, the total Poverty-oriented Expenditure as share of GDP will reach 15.4% as compared to 12.3% in 2015/16.

GTP-II can be said very ambitious in its goal setting and seems to have underestimated the pressures that the rapid population growth creates on the long-term development endeavors. In consideration of the 2.55% national average population growth, the projected population of Ethiopia will become 112 million by 2020 (www.worldometers.info/world-population/ethiopia-population) and may threaten not to achieve its noble sustainable development target goals set for the same period unless the issues of population reproduction and dynamics in the country are equally and effectively addressed along with the national gross production side.

An important component of the GTP-II (2015/16-2019/20) is government’s intent to promote a more inclusive economic growth and promote pro-poor national development strategy. To this end, the government has launched a comprehensive national social protection policy and action plans, which can address the extreme poverty, unemployment and underemployment challenges in the country.

Overall, Ethiopia has registered rapid economic growth, made significant progress in the Human Development Index (HDI) and achieved most of the Millennium Development Goals (MDGs) including the target of halving its extreme poverty. Low levels of inequality have been maintained to a large extent. However, the country is a home to about 21.6 million people living in absolute poverty, malnutrition is still high (about 40 percent of Ethiopian children below the age of five are stunted), and about 10 million people are in need of immediate food assistance on annual basis. The country has, therefore, the challenge of maintaining its fast economic growth, narrowing its income inequalities and lifting millions of socially vulnerable people out of abject poverty and hunger. It is evident that while economic growth is a necessary condition of social development, it is not
exclusively or sufficiently able to address the challenges posed by the multi-faceted socio-economic forces that together generate the nation’s social development challenges. Hence, the country must invest in social development to attain a more inclusive economic growth and lead a sustainable development in its near future. It is timely to properly identify the most vulnerable social groups and examine the specific social protection architecture, policy, programs and institutional arrangements. These issues will be analyzed in the following sections at length.

Who are the most vulnerable social groups in Ethiopia and what are the state of their poverty?

This section begins by contextualizing and defining who the most vulnerable social groups in Ethiopia are and what the state of their vulnerabilities and poverty look like. In concurrent to this, a detailed analysis is given by focusing on the three most dominant segments of the most vulnerable social groups in Ethiopia; namely, people living below poverty line, poor older people and poor PWDs.

In line with the National Social Protection Policy (MoLSA, 2014) document of Ethiopia, twelve segments of the society are identified as the most vulnerable social groups. These include children under difficult circumstances, vulnerable pregnant and lactating women, vulnerable people with disabilities and people with mental health problems, older people with no care and support, labor constrained citizens unable to get basic social and economic services, victims of social problems such as vulnerable groups living from begging, commercial sex workers, drug and medicine addicted, poor people infected and affected by HIV and AIDS and other chronic diseases that constrain their ability to work, young women and girls vulnerable to violence and abuse, hungry people vulnerable to natural and human made risks, unemployed people with no income, economically poor people engaged in street vending in informal trade and women and men who became victims of human trafficking and deportations. Pursuant to the National Social Protection Policy, the National Social Protection Action Plan (MoLSA, forthcoming) estimated the population size for each of the vulnerable social groups as follows:
Table 1. Distribution of vulnerable groups and their estimated population size

<table>
<thead>
<tr>
<th>Target groups (Segments of Society that need to be included in Social Protection)</th>
<th>Estimated Size (Population) of the Group*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children under difficult circumstances,</td>
<td>5,012,814</td>
</tr>
<tr>
<td>Vulnerable pregnant and lactating women,</td>
<td>1,607,346</td>
</tr>
<tr>
<td>Vulnerable people with disabilities</td>
<td>1,152,575</td>
</tr>
<tr>
<td>Vulnerable people with mental health problems,</td>
<td>55,324</td>
</tr>
<tr>
<td>Older people with no care and support,</td>
<td>2,112,121</td>
</tr>
<tr>
<td>Citizens affected by HIV and AIDS and other chronic diseases that constrain their ability to work</td>
<td>485,025</td>
</tr>
<tr>
<td>Segments of the society vulnerable to violence and abuse,</td>
<td>5,924,499</td>
</tr>
<tr>
<td>Segments of the society vulnerable to natural and human made risks,</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Unemployed citizens of Working age**</td>
<td>8,758,385</td>
</tr>
<tr>
<td>Citizens engaged in the informal sector and who have no social insurance coverage,</td>
<td>1,657,880</td>
</tr>
<tr>
<td>Victims of social problems such as beggars, commercial sex workers, drug and medicine addicted,</td>
<td>250,000</td>
</tr>
<tr>
<td>Victims of human trafficking and repatriated emigrants,</td>
<td>200,000</td>
</tr>
<tr>
<td>Population below absolute poverty line</td>
<td>21,603,867</td>
</tr>
</tbody>
</table>

* The total population used as base to calculate the size of some of the target group is 92,206,005 based on CSA population projection for 2016.

** This does not include the 3.6 million unpaid workers in Urban Ethiopia (Unpaid family worker =550,104 and Unpaid self-employed) =3,078,642) (CSA-2016)

The condition of social groups living in extreme poverty

The MDG report of Ethiopia (2015) revealed that the number of people living in absolute poverty with less than $1.25 / day in Ethiopia has shown a sharp decline since 1994 (See Fig.1). The country has reduced the share of its population living in extreme poverty from 60.5 percent in 1995 to 30.7 percent in 2014 and 22.6 percent in 2016. However, over 21.6 million people are still estimated to fall in extreme poverty category by the end of 2015(MoFED, 2015).

The main challenges for the causes of extreme poverty are attributed to poor income, unemployment, people’s vulnerability to disaster often explained by

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Fig-1. Trends of Ethiopian population (1995-2014) living in extreme poverty

Source: UNSTAT, and MoFED, 2015

recurrent drought, low nutrition intake and poor access to basic health services (UNDP, 2016).

As discussed, every year, Ethiopia shall depend on external food assistance to feed one out of its ten people. For instance, the number of people who suffered from drought had been 14 million in 2003. The proportion of people who suffered from mainly hunger, malnutrition and El Niño induced drought in 2015/2016 reached 10.2 million people. The trend was not much different in 2017 as about 7.8 million people depend on emergency food and non-food assistance for their survival in 2017 (UNOCHA, 2017).

Although slow onset disaster, predominantly drought, has been the main causes of vulnerability, the trends of fast-on-set disaster specially flood is becoming a threat in some part of the country. In this regard, the floods of 2006 was the most disastrous, which affected about 1.7 million persons across many parts of the country. Rural households also reported the threats of frost and hail, crop pests and diseases, livestock disease and conflicts and tribal warfare as important hazards. Human diseases, landslides, earthquakes and urban and forest fires are also among the common hazards that have been reported by the Ethiopian Early Warning System to have effect on rural people vulnerability and poverty (DRM- SPIF; 2015).
Moreover, about 40 per cent of the Ethiopian children below the age of five are stunted and under nourished due to below minimum level of dietary intake for both the children and adult population as shown on Fig. 3 (MoFED, 2015).

Source: MoLSA forthcoming, and MoFED, 2015
Besides the vulnerability and chronic poverty of large population, the country’s economic growth over the past one decade has also shown income inequality, especially among urban communities although it can be considered as low gap (See Fig 4). It was reported that the income inequality, Gini Coefficient measurement, had reached its peak of 0.44 in 2004/05, although the rising trend of urban inequality was slowed and reached 0.37 in 2010/11 (MoFED, 2013). This is expected to be lower even during the GTP -2 period although the country has begun to generate more and more number of billionaires (in Birr terms) who are listed in Forbes Rich List (Forbes, 2016).

The state of older people and people with disabilities: vulnerability and poverty

Vulnerability and poverty of older people

Vulnerability in this context is understood as the susceptibility of individuals, families and communities to harms or shocks that results from developmental policy problems, personal incapacities, socially disadvantaged positions, inadequate social capitals, degraded natural resources and endowments, intentional marginalization because of their social identifys and cultural heritages, or civil strives and war (HAI, 2013). It is also appropriate to clarify how older people is defined so that this study adopted WHO’s definition of ageing (2004: 35), which refers to “...a normal biological process defined as those time-dependent, irreversible changes that lead to progressive loss of functional capacity after the point of maturity.”
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For the purpose of this study, the definition of the UN (2007) and GoE was used, which put chronological age of 60 as “the dividing line between older and younger cohorts of the population” and the formal retirement age is 60 years old (MoLSA, 2009:24).

There is dearth of national data that show the income, vulnerability and chronic poverty situation of older people and people with disabilities in Ethiopia. CSA report (2015) indicated that the Ethiopian older people aged 60 and above account for 4.7% of the total population (4.2 million) and the majorities (55%) are women. It is only one in five older people (about 800,000), who have reportedly been covered by social security (contributory pension), and even the average income of these pensioners is estimated to be $30/month, (EEPNA, 2016).

According to a health survey conducted by IHA (2015) that covered 1,070 older men and women sample respondents from three national regional states (Amhara, Oromia and SNNPR); most of the older population (80%) found to live in chronic poverty ($1.25/day). The survey further pointed out that 79 per cent of the sample older people have poor nutritional intake and they eat only once or twice a day, while 78 per cent have reported health problems as barriers for their wellbeing and 51 per cent reported to have no support either from extended families or government bodies. The situation was severe among older people that care and support for their grandchildren as about 50 per cent of the sample respondents reported to have shoudered the responsibilities of looking after their grandchildren after they lost their children due to HIV & AIDS.

Similarly, a health survey, which was conducted by HAI (2015) covering 510 older people disclosed that about 75 per cent of the respondents reported to have been suffering from at least one type of chronic disease including eye problems (29 per cent), arthritis (20.2 per cent) and hypertension (11.8 per cent). Urinary tract, hearing, and cardiac conditions were also indicated as critical health problems for older people. Even if government owned health providers were expected to provide free health care services to poor older people; they were found to have inadequate and poor quality medical services and they had no free prescriptions support.

The same survey report (HAI, 2015) indicated that only 6.3 % of the total older people had access to credit and financial services. The situation in Amhara region was the lowest (3%), followed by SNNP (7%) and Oromia (9.1%). Although no further analysis for the causation of limited services was indicated in the findings of the survey, the discussions with key informants from the same areas indicated that older people in their retirement age across all the regions usually remained reluctant to receive loans from formal financial institutions due to the risks it involves.
Unless corrective measures are done to improve the quality of life of the current young and older population, there will be more of poor senior citizens in the future who would be living in abject poverty. In this regard, the proportion of older persons is anticipated to nearly double to nine per cent by 2035 and would reach 12 percent in 2050 (UNFPA, 2016). Although the percentage of older people can be said to be lower than the world average (20%) by then; the absolute number is going to reach over 9 million in about 17 years from now.

Fig. 5. Projection of older people population (2010-2050)

As shown on Fig 5, the gradual increase in the size of older people population and the improvement in overall life expectancy in the future creates a challenge in itself unless more investment to improve their and the younger population wellbeing is done now. Particularly, the increasing number of older people who mostly fall into the chronic poverty category, unless accompanied by a broad based and more inclusive socioeconomic development, would mean that huge size of future older population will be forced to live at the margin of economic growth and faces the risks of living behind this segment of the society. Furthermore, if the current level of chronic poverty, urbanization and rural-urban migration of youth population persist; then it would mean that more pressure would be created on the copying capacities of traditional institutions to care and support for older people; which in turn, perpetuates the chronic nature of older people’s poverty.

**Vulnerability and poverty of people with disabilities**

Equally worrisome among the segments of the Ethiopian population who live in extreme poverty are people with disabilities. Persons with disabilities in this study adopts the definitions used in accordance with Article 1 of the UNCRPD, ratified
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by Ethiopia in June 2010, which include those who have long-term physical, mental, intellectual or sensory impairments which, in interaction with various barriers, may hinder their full and effective participation in society on an equal basis with others.

Although WHO estimates that the average percentage of people with disabilities in any given country is around 10 percent of the total population (WHO, 2011); the disability statistics based on the Ethiopia 2007 census puts the number of People with Disabilities (PWD) only at 805,492 (1.09%) of the total population (73,750,932). Many professionals argue that the CSA data were underreported and they significantly undermined the magnitude of the problems. Under-reporting of disability data could likely stem from negative attitudes, the exclusion of homeless disabled persons in the survey as well as the omission of some types of disabilities such as persons affected by leprosy, epilepsy and intellectual or learning difficulties from the definition of disabilities. (MoLSA, 2010; Lewis, 2009). In order to systematically address the absence of national data on PWDs; MoLSA reported that they have established a special committee composed of Addis Ababa University, the MoH, five PWD associations, and Niya Foundation to work with CSA on the clarifications and applications of commonly agreed and internationally accepted definitions of disability, types of disabilities and possible indicators for surveying their needs and problems in the upcoming 2017 national population census count.

Until further clarifications and a more reliable census data obtained, the more acceptable estimate of the number of PWD in Ethiopia can be explained by WHO/WB data (2011), although its focus of the definition of disability is still inclined on health and mobility of the person. Accordingly, the total population of people with disabilities was estimated to be 15 million, representing 17.6 per cent of the population in 2011 (14,449,952 people). About 95.5 percent of PWDs were estimated to live in poverty and the majorities of the population were living in rural areas where basic social services and rehabilitation facilities were less accessible (WHO/World Bank, 2011).

Based on various sources (CSA, 2007; WHO/World Bank, 2011; MoLSA, 2017); the types of disabilities in Ethiopia include blindness, polio- induced physical disability, hearing impairment, intellectual disability, and leprosy.

The inclusion of PWDs in various development sectors has been given positive attention by many stakeholders although the pace is slow and the scope of benefits are very limited. A study which was recently conducted by MoE (2015) disclosed that even though over a quarter (27.9%) of PWD were school aged children (5-19 years old) in Ethiopia, only 4 percent of school age children with disability have had access to education. It was also less than one percent of the children
with disability that have had access to rehabilitation services (African Decade of Persons with Disabilities, Baseline Survey-2010).

On the other hand, about a quarter of the total PWDs were reported to be economically inactive and nearly a third of PWD were over 50 years old in Ethiopia implying the causal relationships between old age and disability.

Focus Groups Discussions with members of FENAPD indicated that PWDs often face multiple barriers from fully participating in the society due to weak implementation of the laws and programs designed to protect their full rights; the presence of stigma and discrimination, inaccessibility of urban infrastructures, public buildings and transport facilities, limited opportunities to vocational training and skills upgrading, limited access to health services and facilities, as well as limited support and lack of enforcement of actions for employment, small business or income generation.

In sum, there are no reliable data on disability in Ethiopia. But the available evidences indicate that poverty and disability in Ethiopia are interwoven as common in many of the “developing” countries since disability increases the risk of falling into poverty; which, in turn, the conditions of poverty by itself increase the risk of disability. As discussed, at least nine out of ten people with disabilities in Ethiopia live in poverty and a person with disability is more likely to be poorer than a person without disability due to multiple forms of barriers. This highlights the complexity of the issues and the importance of addressing the challenge of PWDs.

What are the most relevant international legal instruments, national laws and legal enactments that are in place to protect the rights of the most vulnerable social groups in Ethiopia?

A cursory review of the main and subsidiary laws and legal enactments of Ethiopia indicate that the country has promulgated numerous national laws and adopted international legal instruments as well as rectified international conventions, which serve as binding legal forces to protect the rights of the most vulnerable social groups in Ethiopia.

Notable, in this regard, is the Constitution of the FDRE (Proc. No. 1/1995), which has enshrined a number of rights carrying social protection benefits for all citizens, in general, and for vulnerable groups of citizens, in particular. These include individual and/or civil rights such as the right to ‘dignified’ life (Article 15), the right to security of person (Article 16), the right to equality (Article 25), and the right of access to justice (Article 37). They are also entitled to group-related or collective rights such as economic and social rights (Article 41), the right to development (Article 43) and environmental rights (Article 44).
Several of these rights can be linked to the needs and rights of people with disabilities and older people. The Ethiopian Federal Constitution has various relevant articles towards protecting and addressing the individual human rights and collective/group rights of its citizens. For instance, Article 41 of the Constitution on Sub-article (4) states that “the State has the obligation to allocate ever increasing resources to provide for public health, education and other social services.” And sub-article (5) specifically addresses the rights of the most vulnerable social groups such as people with physical and mental disabilities, older people, and ‘orphaned’ children, a group to whom the State is mandated, within available means, to provide benefits such as “rehabilitation and assistance.” Another provision of significance is sub-article (6), which states that “the State shall pursue policies which aim to expand job opportunities for the unemployed and the poor and shall accordingly undertake programmes and public works projects.” The relevance of this provision is evident in addressing the needs of the unemployed poor, and mandates the state to help this social groups by devising policies and programs such as the one envisaged by the National Social Protection Policy and its subsequent strategies and action plans.

There are also constitutional provisions such as Article 89 (2) of Chapter 10, which states that “Government has the duty to ensure that all Ethiopians get equal opportunity to improve their economic conditions and to promote equitable distribution of wealth among them. Sub-article (8) of this Article also mandates Government to “endeavor to protect and promote the health, welfare and living standards of the working population of the country”. And Article 90, which is about Social Objectives, provides in sub-article (1): “to the extent the country’s resources permit, policies shall aim to provide all Ethiopians access to public health and education, clean water, housing, food and social security.” Hence, the rights of the most vulnerable social groups to be included and equally benefit from the fruits of their country’s development is stated and protected by the constitution of the country.

Ethiopia has also promulgated specific national laws in relation to the Protection of the Rights of Persons with Disabilities and Older People. For instance, Proclamation No. 568/2008 provides the right to employment of Persons with Disabilities and Proclamation No. 515/2007 addresses the special needs of PWDs in public service employment. These statutory instruments can provide a firm legal basis for the realization of the rights of people with disabilities to equal employment opportunities and Improvement of their livelihoods.

The Ethiopian Building Proclamation (Proclamation No. 624/2009) likewise contains provision (Article 36) for ensuring access to public buildings (as well as their toilet facilities) for people with physical and vision impairments. Similarly, Directive 36/98 (updated as directive 41/2008) provides for tax-free
import of motorized bicycle, automobile, wheel chairs & crutches for persons with mobility problems. These legal provisions are important laws in pursuit of ensuring equitable social services and accesses for people with physical mobility challenges.

An important policy response is reflected in the education sector as supported by the Higher Education Proclamation No. 650/2009, which states that education for students with hearing disabilities must be provided in or supplemented by appropriate sign language (Article 20/3). Furthermore, the Labor Proclamation No. 377/2003, as amended, in its Article 107/1/b provides for a scheme of disablement benefits (insurance benefits) paid to employees permanently disabled as a result of employment injury.

The Social Health Insurance Proclamation No. 690/2010 is an important proclamation, which has recognized social health insurance as one of the sustainable health care financing mechanisms which enhances equitable access to improved health services through cross-subsidization.

Similarly, the Public Servants’ Pension Proclamation No. 714/2011, as amended, and the Private Organization Employees’ Proclamation No. 715/2011 declare that expanding social security system to reach citizens step by step is part of the country’s social policy.

The Federal Attorney General Establishment Proclamation No. 943/2016 calls on the Federal Attorney General to ensure observance of the rule of law for protecting vulnerable groups and to provide as well as coordinate provision of free legal aid to vulnerable social groups including women, children, people with disabilities and older people.

In addition to the general legal provisions and enactments; Ethiopia has adopted international legal instruments and developed national action plans to specifically address the rights of older people and people with disabilities.

In this regard, Ethiopia has endorsed the African Protocol to the African Charter on Human and People’s Rights on the Rights of Persons with Disabilities (2015) which addresses the fundamentality of rights of persons with disabilities, the obligations of State Parties, equality and non-discrimination, affirmation of the right to life, including particular focus on persons whose disabilities make them particularly vulnerable to lose their lives – persons with albinism and those with intellectual or psychosocial disabilities equality before the law, right to education, with focus on inclusive education.

Pursuant to this, Ethiopia developed the National plan of action on Persons with Disabilities (2012-2021), which was referred by many stakeholders as the first
comprehensive plan with respect to issues relating to PWDs. The Plan aims at promoting the inclusion of persons with disabilities in the Ethiopian society, outlining ways to prevent discrimination and eliminate any barriers to accessing public services and the fulfilment of their rights. (MoLSA, 2012).

The Madrid International Plan of Action on Ageing (MIPAA), 2002, was specifically relevant for the national action plan on older people since it built on human rights of older people and required member states to take national action plans to mainstream ageing in their national development programmes. Pursuant to this global plan of action, the Government of Ethiopia developed a ten-year National Plan of Action on Older Persons (1998-2007 E.C) to mainstream issues of older people across all government sector plans. Although the second ten-year National Plan of Action on Older Persons was not yet developed, the issues of older people were incorporated in GTP-II. In light of the above legal provisions and specifically targeted national plan of actions, at least on papers, we can conclude that there are strong legal grounds for addressing the rights of people with disabilities, older people and other socially vulnerable groups in Ethiopia. However, the enforcement of these good laws have been weak on the ground and they need massive work to translate the intention of the white papers into practice.
older people and persons with disabilities) by reducing hunger and starvation; increasing school enrolment and attendance for orphans and vulnerable children; as well as improving the health and nutrition status of children, poor mothers and pregnant. However, the size of the monthly cash transfers of ETB 155 (US$ 7.68) to the poorest labour-constrained households in targeted communities was found very small to make impact, the coverage was very limited (10 % of the total vulnerable population) and the government was heavily dependent on donors’ financial grants. These shortfalls were considered and partly rectified (except being dependent on external donors) in the recently developed PNSP-4 and the National Social Protection Policy (MoA/DMFSS, 2015).

According to MoLSA (2014), the National Social Protection Policy is a set of formal and informal interventions that aim to reduce social and economic risks, vulnerabilities and deprivations for all people and facilitate equitable growth. As elaborated in the National Social Protection Strategy (NSPS), the policy is being implemented since 2015 through strengthening community based social support mechanisms, providing social assistance to enhance access to basic social services, expanding the coverage of social security services, enhancing the availability of gainful employment opportunities and implementing appropriate laws, directives and action plans that contribute to the equitable benefit of the most vulnerable social groups from the fast national economic growth (MoLSA, 2015).

As a result, we can say that the National Social Protection Policy, from its departure, underlines two important pillars, which are important for its success. First, the centrality of the Government of Ethiopia and the cross-sections of community members to the national development agendas as it is fundamental to increase the sustainable allocation of resources and boost the sense of national ownership. In other words, the policy is not left for the market or the private sector alone. The second pillar is the instrumental value of the policy to secure and improve the livelihoods and human security of the most vulnerable social groups, who could have been left behind.

Beside these rationales, it is encouraging to note that the policy identified five integrated programs that focus on promotion of productive/social safety nets, promotion of employment opportunities and improvement of livelihoods, creation of employment opportunities for poor households, promotion of social insurance, enhancement of equitable access to and use of basic social services, as well as provision of legal protection and support services for those vulnerable to violence and abuse.

The design and implementation of these multi-focused programs undoubtedly contribute to the promotion of social protection programs that holistically address the needs of the various cross sections of the most vulnerable social groups. Thus the social protection policy, backed by the national social protection strategy and
the national social protection action plan, has clearly identified its targeting groups and designed tailor-made programs that can make positive impacts on changing the lives of the most vulnerable social groups such as children under difficult circumstances, vulnerable pregnant and lactating women, vulnerable people with disabilities and people with mental health challenges, older people with no care and support, labor constrained citizens, who are unable to get basic social and economic services, victims of social problems (people living from begging, commercial sex workers, drug and medicine addicts), people affected by HIV and AIDS and other chronic diseases. The Policy also identified social groups that are vulnerable to violence and abuse, population that are vulnerable to natural and human made risks, unemployed citizens, citizens engaged in the informal sector but without social insurance coverage, and social groups who are victims of human trafficking and repatriated emigrants as its priority targets.

In order to respond to the respective needs of the social groups, the Government of Ethiopia has designed multiple types of programs as show in Fig. 6.

Fig. 6: Social Protections Programmes/Schemes that contribute to poverty/vulnerability reduction

Out of these national social protection flagship programmes, the Productive Safety Nets Program, PSNP, has been broad in its scope and fully supported by international development partners for its implementation since 2005. The PSNP was started with six regions, 192 Woredawoch and 4.83 million beneficiaries. It has broadened its coverage to 7.642 million people living in 319 Woredawoch covering eight regions since 2011/12. In its current phase, (2015/16- 2019/20),
PSNP-4 has reportedly begun to reach 10 million beneficiaries consisting of 8.3 million chronic food insecure clients and has the capacity to support an additional 1.7 million transitory clients, eventually covering all the regions in the country except Gambella and Benishangul Gumuz. The program often provides food and/or cash transfers to the targeted beneficiaries. While those targeted beneficiaries or households that have able-bodied adult labour are working in public works; households without labour capacity and extremely vulnerable are entitled to unconditional “direct support” transfers for a year-round.

MoA (2016) report indicated that the PSNP-4 has already begun to show positive outcomes on the live of the target population by reducing shocks, enhancing livelihoods, improving food security and increasing quality of nutrition for vulnerable rural households in targeted communities. Unlike its predecessors, the PSNP 4 supports the transition from a series of time-bound programmes to the development of an efficient and effective system for delivering key government policies, strategies and programmes; namely, the Social Protection Policy, the National Policy and Strategy on Disaster Risk Management (NPSDRM), the National Nutrition Programme (NNP) and the Climate Resilient Green Economy (CRGE).

While the overall social protection investment of Ethiopia currently stands around three percent of the GDP; the majority of the spending is shared between productive safety net (55 percent) and general subsidies (32 percent) (World Bank, 2016). This is an encouraging trend of investment as compared to many other countries that have developed social protection programs for their citizens.

Fig. 7. Social safety net expenditures of Ethiopia

*Source: World Bank Public Expenditure review, 2016*
While the increase in investment of the productive safety nets program is a desirable option and it shall be appreciated from the design aspect of PSNP-4 itself. PSNP-4 has begun to consolidate the targeting of highly marginalized social groups including older people below food poverty, poor people with disabilities who are unable to work, poor Female Headed Households (FHH) with high dependency ratio and poor people with chronic illness (HIV+OCI). The Program has also begun to benefit the beneficiaries through the provision of unconditional social transfers (permanent direct support for 12 months) for these vulnerable segments of rural communities.

In addition to this, the introduction of the Urban Productive Safety Net Project (UPSNP) has been well grounded to address extreme poverty and promote shared prosperity by providing targeted safety net support and livelihood services to the most vulnerable urban population in Ethiopia since 2016. UPSNP has been working to assist about 604,000 beneficiaries (the poorest 12 percent and about 55 percent of people living below the poverty line) targeting 11 major cities including Addis Ababa and a city from each region (Adama, Asosa, Dessie, Dire Dawa, Gambella, Hawassa, Harar, Jijiga, and Mekele, and Semera).

The first phase of UPSNP has been under implementation since 2016 and it would remain to be in force until the end of 2020 focusing on three major integrated components: 1) basic safety net support, including productive and predictable transfers through conditional and unconditional transfers. 2) livelihood services—including interventions that facilitate graduation from the program and promote moving out of poverty, and 3) capacity building (Institutional Strengthening, Project Management, and Coordination) for immediate safety net support for the urban poor.

World Bank (2015) indicated that the UPSNP was estimated to cost US$450 million; and it has begun to enjoy government’s budget contribution of US$150 million. A cursory review of the Urban PSNP Project Appraisal Document by the World Bank indicated that gender and HIV were taken as crosscutting strategic issues while issues of disability and ageing were not explicitly expressed even if these two vulnerable social groups are eligible for unconditional transfer. During the focus groups discussions and key informants’ interviews, it was disclosed that the implementation of the urban safety nets program was taken as a good opportunity to develop poor urban communities’ public works and create better cash transfer facilities for labor constrained poor people. However, the scope of the urban safety net direct transfer beneficiaries in the pilot areas of Addis Ababa are reportedly limited and the application of the targeting criteria was not found highly transparent by the majority of the respondents.

Overall, the launching of the rural and urban productive safety nets and the inclusion of direct transfer (cash or food) to the most vulnerable groups
including older people and people with disabilities is an appropriate measure to enhance the inclusion of the most vulnerable social groups in Ethiopia. Although it is difficult to draw conclusion due to the infancy nature of these programs, the safety nets programs have begun to rejuvenate hopes to help vulnerable social groups reduce poverty, inequalities, vulnerabilities, and other risks. However, key informants from both the government and the development partners’ sides pointed out that the total number of target population of the most vulnerable groups including older people and people with disabilities who directly benefit from the programme did not exceed ten percent of the total eligible population to date. Which means that more efforts shall be exerted on increasing the coverage of direct cash transfer recipients and improving the effectiveness of targeting the poorest and most vulnerable people with the aim of leaving no one behind.

Towards ensuring inclusive basic social services (Access to education and health) for PWDs and older people

Besides the reduction of extreme form of food insecurity and limited livelihoods, the inclusion of people with disabilities and older people in the provision of basic social services is critical to improve their wellbeing.

In this regard, inclusive education plays a significant role in the human capital of PWDs. The Ministry of Education (MoE 2005) report indicated that the school-age population of Ethiopia was approximately 15 million, of which 1.5 to 3 million had special needs. However, a subsequent study conducted by the MoE (2010) pointed out that only less than 1% of children with special needs in Ethiopia had access to primary education. A relatively recent report by MoLSA (2015) indicated that only a total of 82,432 (47,876 Male and 33,998 Female) children with disabilities were supported to attend formal education and most of those beneficiaries were living in and around urban centers. Even those attending schools were found to have had limited access to special teaching aids and materials. A lack of sign language skills and special needs training among teachers, inadequate accessibility of schools and teaching materials were reported to have prevented children with disabilities from effectively accessing education. The report further revealed that even among those enrolled in inclusive and special schools, the ability to continue with their learning past a certain stage was a challenge since many inclusive schools do not teach children with disability past Grade 5 (despite vocational training courses requiring a Grade 10 qualification); the vast majority of mainstream schools are physically inaccessible; a hugely inadequate number of teachers are being trained in special needs education (SNE); and most schools lack the appropriate equipment such as braille, audio materials and classroom labs.

Similarly, the inclusiveness of the health services has never been that promising. For instance, the survey report by HAI (2015) indicated that among the sample
older people, the majority (69%) have attended primary, rehabilitative and medical health services. Of those who did not, 28% mentioned that they could not afford to do so specially to buy the medical prescriptions. Furthermore, 55% found the health services that they used as having little or no impact on their health. This is explained more during the FGDs and interviews of health service providers; who argued that the most common diagnosis of older people were diabetes, hypertension, cancer, heart attack, cataract, prostate enlargement, constipation, gastritis, hearing and seeing impairments, arthritis, and mental diseases; which are Non-Communicable Diseases (NCD), which require continuous care and medical treatments by medical personnel with specialization at secondary health service providers level. Whereas the treatments of these NCD are often not available and/or inaccessible to the great majority of older people. It is also important to note that there are no trained medical staff or specialized health care providers in geriatric care. Therefore, the introduction of geriatric care, support for NCD treatment and access to free medical supplies are important measures to be taken in pursuit of promoting inclusive health care provisions for older people.

Likewise, the interviews with the key informants from health care service providers indicated that majorities of the health centers in Ethiopia have limited physical rehabilitation centers, equipment and supplies for PWDs. MoLSA (2016) indicated that it has provided various medical assistance within its budget capacity. During the just ended fiscal year (2015/16); it has provided or coordinated the provisions of 19,354 orthopedic support, 9613 artificial legs, 7,279 artificial legs repairs, 7,894 physiotherapies, 3,996 Wheel Chairs, 558- sight sticks, and 1038-brails. MoLSA has also organized a joint forum composed of Cheshire Home Services, and METEC for the production of physical rehabilitation materials in the country and replacement of importing Orthopedic materials. It has also completed the training of 15 social rehabilitation workers. While such medical assistances are worth encouraging, the inaccessibility, ineffectiveness and lack of medical/equipment supplies have continued to be hindrances to ensure the inclusion of PWDS in health service delivery.

**Accessibility of public infrastructures (urban housing, public buildings, transport facilities) for people with disabilities and older people.**

It is evident that the development of urban environments, infrastructures, facilities and services can impede or enable, perpetuating exclusion or fostering participation and inclusion of all members of society.

It is, therefore, essential that accessibility of public buildings and infrastructure is guaranteed for PWDs and older people. Thus, making notably the urban environment, especially the urban housing construction and the transport system accessible to these segments of the society, would mean empowering PWDs and older people to struggle against poverty and become more self-supportive.
Feleke Tadele

Ensuring the inclusion of PWDs and older people in infrastructure development means that they have equal chances to enjoy many important aspects of life and opportunities such as access to education, health care, employment, recreation and participation in nation building endeavors.

Various reports (CAO, 2017) indicated that the construction sector has been one of the fastest growing sector that has contributed to the rapid economic growth in Ethiopia during the past one decade or so. It is not uncommon to see the rising of various infrastructural developments including housing construction, road expansion and railways infrastructure across many urban centers in Ethiopia.

Despite this, the urban infrastructure development has not given proper considerations to the implementation of relevant construction codes and transport polices to ensure the inclusion of people with disabilities and older people.

A study conducted in 2014 on the accessibility of the urban transport environment in Addis Ababa indicated that PWDs and older people have encountered barriers related with both the street environment and public transport rendering vehicles. Among the major challenges for facilitating the access of the transport system are lack of appropriate transport vehicles, congested traffic flows, insufficient sidewalks, and lack of supportive facilities to access public premises. A study conducted by Addis Ababa Bureau of Labour and Social Affairs (BoLSA) (2012), showed that environmental inaccessibility of Addis Ababa is among the serious challenges for PWDs and Older People. The transportation system in Addis Ababa is one of the low performing sectors even when it is compared to other African countries. As any commuter in the capital observes, many streets in Addis Ababa are equally shared by both vehicles and pedestrians and highly exposes vulnerable groups such as PWDs, the older people, and children.

The study by Eskender (2014) further noted that public transport service giving vehicles in Addis Ababa include buses, mid and mini buses, and automobiles and they are designed without any assistive devices so that they appear totally inaccessible for people with physical impairment, especially wheelchairs and crutch users. Almost all vehicles are with high slope and stairs. The Focus Groups discussion with PWDs indicated that transport giving vehicles, except the recently introduced Sheger bus, the others including the common mid Higer buses and the government owned Anbessa Buses (except the few Bishoftu made ones) and the popular blue big public service buses are not designed to accommodate the needs and interests of people with physical impairments. Under such transport barriers, people with physical impairments could not board without the help of a third party. Even if they board with the assistance of others; the buses have limited spaces to stretch out their legs. As a result, most drivers or public transport assistants prefer to skip them at all. This often pushes wheelchair and crunch users to depend on
automobiles (the Blue Taxis) yet unless they are in emergency situation, most of the people with physical impairment could not afford to use them on regular basis. Overall, the urban transport systems among main urban centers in Ethiopia including Addis Ababa are not conducive for people with physical impairments due to damaged, unpaved, poorly maintained sidewalks, narrow pavements, rough curb cuts, unsafe and uncovered road side finishing works, bad gradient of the roads, and overcrowded sidewalks. The public buses and railway stations did not have assistive devices and services.

Plate 1. The exterior of a condominium building in Addis Ababa

Plate 2. An interior design and internal barriers of condominium houses in Addis Ababa
The experiences of PWDs and Older People with urban development is not much different. Although the country has promulgated a construction code and directives as stated in the preceding section, the design or the locations of inspected public facilities (notably Kebele offices, sub-city buildings, supreme court and justice premises, notary offices, condominium houses, sports stadiums, city public buses, city light rail ways, schools, colleges, malls and hotels) were found to be hardly functional to accommodate and create access for people with mobility challenges including people with disabilities, older people and other physically challenged groups. Overall, it was found out that PWDs and Older People have very limited access to the use of existing public transport infrastructure, housing schemes and information technology.

Many doubted that in spite of the good intentions, the enforcement and implementation of the urban construction codes for PWDs and older people are below satisfactory and needs to go a long way. Most importantly, the development of urban infrastructures and services are not yet inclusive of all people’s needs, including persons with disabilities and older people. This was confirmed during site inspections and physical observations of recent construction works around the different sub-cities of Addis Ababa, specially the condominiums in Jemmu, Gerji and Submit areas as well as the Kebele Offices. Among the sites visited, the accessibility of public premises such as the supreme court offices in Y and L, the notary offices in B.M and K; and the railways stations in L and M were hardly accessible to PWDs and Older People.

It was found that the designs of these premises and public facilities were not accommodating the specific interests of people with mobility challenges. Focus Groups Discussions with older people and people with disabilities in these urban sites indicated that the specific mobility problems of these groups were undermined during the times of planning, renovation and repair works by architects, planners, builders or developers. Even PWDs that won the lottery to own condominium houses were not given the ground floors as the priority purpose of ground floors was to run business activities.

However, the key informant’s interviews with some officials of the Ministry of Urban Development indicted that the ministry has begun to enforce some positive measures to increase the access of people with physical impairments through installations of elevators in the new condominium buildings and government owned towers. They disclosed that the construction of 130,000 condominium houses has been underway targeting the lower income categories across 15 locations across different parts of the country. It is hoped that the supply of 302 elevators to these condominiums, which is expected to cost as high as 14 million USD, is hoped to solve the problem of accessibility (Fortune vol. 18 No. 895, June 25, 2017). On the other hand, it was found out that only 5 percent quota was
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reserved for older people and PWDs to own the 20:80 condominium houses but they would not have the chance to own the ground floors as these ground rooms are still reserved for business operators. One can imagine how the chances of owning these condominium houses are very low (19 %) given the list of 677,000 home seekers registered for the houses during the past five years.

In sum, the lack of real commitment to the implementation of the construction code of the country has been threatening the accessibility of older people and people with disabilities; thereby reinforces their exclusions. In order to improve the situation for the future, MoLSA (2017) reported that it has organized an awareness creation and accessibility enforcement national workshop in collaboration with the concerned ministries targeting private contractors, house developers and city officials. The interviews with the relevant official in MoLSA (2017) indicated that the workshop was attended by 54 participants (construction supervisors, architects, real-estate managers and sub-city administrators) drawn from ten sub-cities of Addis Ababa, Dire Dawa city administration, the four emerging regions of Afar, Somali, Benshangul Gumuz and Gambella as well as the five relatively large national regional states (Amhara, Oromia, SNNP, Tigray and Harari). However, MoLSA officials sounded to have low level of authority to direct and make other ministries and technical government departments accountable.

Defending rights, amplifying collective voices and influencing national development agendas

As discussed from the outset, it is the constitutional rights of all citizens including PWDs and Older people across the country to form their own associations and defend their rights. Indeed, some PWDs have begun to form their associations much longer than the current constitution (1995) since they had begun their movement half a century ago with the establishment of the Ethiopian Blind Association in January 1960. The Ethiopian Deaf Association members had also established their associations in 1970. The case of older people was a bit different and they have shorter histories since with the exception of the Addis Ababa pensioners’ associations; there was no older people’s associations until early 1990s (EEPNA ,2015).
In recognition of the need for organizing and promoting associations of PWDs and Older People; MoLSA (2016) reported that it has facilitated the formation and registration of 580 new associations and the strengthening of 905 existing older people associations at community and regional levels across all parts of the country during 2016. Similarly, it has reportedly supported the formations of 299 new and the operation of 492 previously established PWD associations in 2016. This number may not include the number of registered local and International NGOs working with and for older people and PWDs. ChSA’s report cited by FSS (2013) indicated that the number of charities and societies working on older people and PWD were 280 and 226 respectively. Of the total 506, some 297 were operating in Addis Ababa and the remaining were distributed across the nine national regional states and Dire Dawa federal city administration.

Focus Group Discussions with leaders of regional networks of these associations indicated that the increased number of associations/ CSOs has helped to increase the visibility of older people and PWDs and share their collective concerns on various public meetings called by government in their respective areas of operations. These associations were also invited to participate in what is called the public wing meetings organized by M/BoLSA. However, most of these associations were found to have weak institutional, financial and technical capacities to mobilize new members and proactively defend their rights. This has
been further challenged by the restrictive nature of the charity and society’s law, which has been found by members of the associations as restrictive since they were not allowed to receive more than 10 percent of their budget from external sources if they were registered as Ethiopian societies to promote and defend their collective rights. As a result, most of these older people or PWDs –based membership associations have reported to have been struggling to institutionally survive and sustain their existence let alone voicing their collective concerns to defend their human rights. Given the constitutional accords given to such most vulnerable social groups; the charity law should have been flexible to allow these resource poor and marginalized groups of PWDS and older people to freely undertake right-based programming.

**Concluding remarks: implications of policy and practice**

In the preceding sections, the state of the most vulnerable social groups and social protection measures in Ethiopia are discussed. The findings highlighted that Ethiopia has made encouraging investment in ‘inclusive’ social development through promulgation of a comprehensive national social policy framework combining economic dynamism (including pro-poor growth policies), social integration (having national programs that include the most vulnerable social groups) and government led social service deliveries, which contribute to reduce poverty, minimize inequalities and address vulnerabilities.

The country has implemented economic and social policies, which have contributed to rapid economic growth (10.8 percent annual growth rate on average), expansion of development infrastructures and reduction of poverty at large. In this respect, the introduction and implementation of the various social protection programmes including the Productive Safety Net Programme (PSNP), Household Asset Building Programme, Resettlement Programme, Complementary Community Investment (CCI) Programme, Protection of Basic Services (PBS) Programme, Social Cash Transfer Programme, inclusive education and preventive health care programmes have created multiple opportunities for over 10 million people who live in chronic and transitory poverty.

The identification of twelve segments of the most vulnerable social groups including children under difficult circumstances, vulnerable people with disabilities, and older people with no care and support is found as the positive aspect of the white paper. Yet, the implementation of these targeting criteria has been found less practical and require consistent follow-up and enforcement measures at grassroots level. As the total number of target population of the most vulnerable groups including older people and people with disabilities who directly benefit from these urban and rural safety nets programmes are proportionally low (less than 5 percent to date); more efforts shall be exerted on significantly
increasing the coverage of direct cash/in-kind transfer recipients and boosting the investment required for not leaving the most vulnerable social groups behind.

The social protection architecture and the institutional arrangements to spearhead the mainstreaming of PWDs and Older People rights has resonated with M/BoLSA. However, as a mandated government department in charge of the coordination of the implementation of the national plan of actions on ageing and older people, M/BoLSA did not have the real authority, sufficient budgetary resources and experienced technical resource persons to enforce the implementation of the multi-sectorial interventions. Most of the other technical line departments/ministries were found to have no older people or PWDs mainstreaming strategy, action plan, focal person, budget and accountability procedure in place to address the practical and strategic needs PWD and older people within their respective departments. This shall be improved through creating and enforcing accountability mechanisms within each of the relevant ministries and technical departments at federal, regional, zonal and Woreda levels.

In spite of the sustained economic growth and poverty reduction, Ethiopia is still a home for about 22.6 million people, who live below absolute poverty line. Even if the implementation of numerous social protection programs could contribute to the reduction of extreme poverty; the reproduction side of population dynamics (population growth and fertility rate) in the country needs more policy attention as it would undermine the national development gains and offset the social devendeds obtained from investments in economic growth.

As there were no reliable national data specially on PWDs; the Government of Ethiopia shall make an urgent intervention to ensure that the CSA has adopted internationally accepted definitions of disability, types of disabilities and concrete indicators in the collection of timely national data during the upcoming 2017 national population census.

In order to ensure inclusive health services for older people; the government shall invest more on the introduction of geriatric care, support for NCD treatment and access to free medical supplies for older people. Likewise, government health centers shall have better physical rehabilitation centers, equipment and supplies for PWDs than the current poor state.

Similarly, the MoE needs to devise a more aggressive action plan to significantly increase the number of children with special needs, notably in rural areas, to have greater access to primary education accompanied by acceptable supply of teaching aids, materials and availability of teachers trained in special needs education.

Ethiopia shall not waste extra time to make its housing constructions and transport facilities friendly for people with physical impairments. The white papers on the
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national urban construction codes and transport policies shall come to effect at least across its major public facilities; notably, Kebele offices, sub-city buildings, supreme court and justice premises, notary offices, condominium houses, sports stadiums, city public buses, city light rail ways, schools, colleges, malls and hotels.

It was found out that associations and networks of Older people and PWDs have limited financial, technical and human capacities and civic spaces to proactively represent themselves before policy makers and government officials. Given the constitutional rights of these most vulnerable social groups; the charity law needs to be flexible to allow these resource poor and marginalized groups of older people and PWDs associations to freely undertake right-based programming even if they secure assistance from external sources.
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Youth Migration and Employment in Ethiopia

Zerihun Mohammed and Asnake Kefale

Introduction

In recent years, migration has become one of the major issues attracting the attention of policymakers, politicians and the media. This is due to the fact that there has been a substantial increase in the number of migrants worldwide. Indeed, between the years 2000 and 2015, there was a 41 per cent increase in international migration. In the year 2000, the estimated number of migrants worldwide was 173 million; this figure jumped to 244 million in 2015 (UN, 2015). The surge in the number of international migrants may be attributed to political, economic, social and environmental factors. Violent conflict and civil wars in different parts of the world, such as Afghanistan, Syria, Somalia, South Sudan and others, have continued to generate a large number of migrants. At the same time, many people make the decision to leave their homeland and migrate to other countries in search of better economic opportunities.

Even though the positive impact of migration to destination countries cannot be doubted, there has been a political backlash to what politicians in the prosperous western world call ‘uncontrolled migration’. Indeed, migration has become a rallying cry for conservative and right wing political parties in North America and Western Europe.

Ethiopia also shares the global trend regarding migration. In the last decade and half, there has been a dramatic rise in the number of people leaving the country in search of better economic opportunities. The factors that contribute to the increase in the number of people leaving the country include political, economic and social. While political problems and violence were the major contributing factors for cross-border migration prior to the 1990s, the search for better economic opportunities outside of the country appears to be the major factor after the 1990s (Asnake and Zerihun, 2015). The majority of the migrants from Ethiopia are young men and women, and the major destination countries in recent years have become the oil rich gulf countries and the Republic of South Africa.

This chapter focuses on international migration and youth employment policies and practices. The materials for the paper were derived from recent studies that the Forum of Social Studies (FSS) carried out on issues of migration and development. These include: a 2015 study on labour migration to the Middle East and South Africa (Asnake and Zerihun, 2015) and the 2017 Socio-Economic Assessment (SEA) that FSS undertook in collaboration with International Labour Organization (ILO) on migration and labour market. The latter study covered
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Tigray, Amhara, Oromia, Southern Nations, Nationalities and People’s (SNNP) Regions and the City of Addis Ababa.

The chapter is divided into six sections. The first section provides an introduction. The next section provides an overview of migration from Ethiopia. The third section deals with push and pull factors that help to explain migration from Ethiopia. The fourth section briefly assesses prevalent trends in Ethiopian international migration. The fifth section looks at the government policies and strategies to address unemployment (particularly youth unemployment) by taking the cases of national education and training policy and micro and small enterprises (MSEs) development strategy and their implementations. The final section is a conclusion and recommendation to address current problems of migration and youth unemployment from the education and SMEs perspectives.

Migration from Ethiopia: an overview

The rate of Ethiopia’s international migration is lower than the African average (UNDP cited in Fransen and Kuschminder 2009). There has been, however, a significant rise in outward migration from Ethiopia in recent years. The dominant cause for outward migration from Ethiopia is economic – the desire to have better economic opportunities abroad. The country’s high annual rate of population growth, 2.36% and its age structure (CSA, 2013a) appear to contribute to the increase in the rate of out migration. According to the 2013 projections of the Central Statistical Agency (CSA), at the national level, the proportion the population in the working age group, 15 - 64, is around 53 per cent. Concomitantly, the country suffers from high youth unemployment, which was estimated by the CSA to be 23.7 percent in 2010 (ibid). Because of the youthful structure of the population, the labour force is growing more rapidly than the population as a whole. In other words, a large number of young people (more than a million) join the labour market every year with limited opportunities of securing gainful employment. In 2005, 1.4 million youngsters joined the labour market. This figure is expected to rise to 2.7 million in 2030 and 3.2 million by 2050 (CSA, 2013b). Obviously, these demographic features of the country have a strong bearing on outward migration. In other words, lack of adequate livelihood opportunities in the country fuels outward migration.

In addition to these socio-economic factors, political instability, violence and conflict have led to outward migration. Indeed, hundreds of thousands of people were forced to leave the country during the political turbulence of the 1970s and 80s. In comparison to the pre-1991 period, there has been a decline in the number of people leaving the country due to political reasons. Nevertheless, there are still tens of thousands of Ethiopian refugees and asylum seekers in the neighbouring countries and elsewhere. For instance, in South Africa the largest number of asylum applicants, next to those from Zimbabwe, came from Ethiopia.
As reported in June of 2016, there were 9,300 Ethiopian asylum applicants in that country (BusinessTech, 2016). According to the Horn of Africa and Yemen, Regional Mixed Migration Secretariat, between 2008 and June 2016, more than 365,000 migrants and asylum seekers arrived in Yemen of which more than 80% were Ethiopians (RMSS, 2016). While Yemen is a transit country for many of the migrants before reaching Saudi Arabia, some also decide to seek asylum there.

In the last few years, there has been a significant rise in the number of people migrating out of the country. According to UN estimates, the share of outward migration from Ethiopia has showed a steadily increasing trend between 2000 and 2015. In 2000, the international Ethiopian migration stock was 442,161. This figure reached 753,492 in 2015 (UNDESA, 2015). These UN estimates do not include irregular migrants from Ethiopia and hence do not show the full magnitude of migration. Outward migration from Ethiopia which is driven by a host of push and pull factors (discussed below) has positive and negative socio-economic repercussion on both Ethiopia and the recipient countries. In what follows, we will examine the motivation, dynamics, and trends of migration from Ethiopia.

**Motivations for migration – push and pull factors**

The motivations for outward migration from Ethiopia could be explained by the proverbial push and pull factors. The push factors, which are tied to the country’s social, economic and political conditions show dynamism. As noted above, one of the primary push factors for migrants of the 1970s and 80s was political and the intention to escape the repressive political system under the then military dictatorship. The predominant driver for outward migration since the beginning of the 1990s, however, appears to be socio-economic. In what follows, the push and pull factors for outward migration will be discussed. We will first examine the push factors.

First, poverty is one of the major factors for out migration from Ethiopia. Recent reports indicate the decline of poverty at the national level, however, tens of millions of people live under poverty. According to the World Bank, the poverty headcount in the country for the year 2015 was estimated to be 22 percent (World Bank, 2016). The Tigray SEA report showed that the incidence of poverty in the Region was 23.4 percent and the report contends that poverty is one of the major push factors for outward migration (Fana and Beyene, 2017). Likewise, the Amhara SEA report also underscored that due to poverty a large number of youth cannot meet markers of life transitions and resort to outward migration, even if they have some knowledge about the dangers associated with irregular migration (Kelkilachew and Belete, 2017). Similarly, the Addis Ababa SEA report found how degrading inner city poverty in Lideta, Addis Ketema, Arada and Kirkos sub-cities induce young people to seek to migrate out of the country (Firehieowt and Kiya, 2017).
Second, as reported by a recent FSS study on remittances (Asnake and Zerihun, 2018), the desire to support families and secure better livelihood is an important driver for migration.

Third, cultural and attitudinal factors should be considered as push factors. The SEA reports from the four Regions and Addis Ababa showed the importance of cultural and attitudinal factors as motivating young people to undertake outward migration (FSS, 2017). Put another way, migration is increasingly being taken as a culturally and socially accepted phenomenon. There is widespread perception among prospective migrants that they could change their life by moving out of the country. Families and communities increasingly accept the view that young people could escape poverty through international migration (FSS, 2017). Another factor, which is related to this, is the fatalistic approach to life. Even if prospective migrants have a good knowledge of the dangers that await them en route and in the destination countries, they do not resist from taking the journey. They justify their decision by a rather fatalistic view that one will not live beyond the date predetermined by God, as a result, death - the ultimate risk one faces - is taken out of the equation in the decision to migrate. Moreover, there is the tendency of looking at one’s fate during migration in a dichotomized view. As explained in the Tigray SEA report, there is a popular saying among prospective migrants that says, “either my body will come in a bag or I will come with bag full of money” (Fana and Beyene, 2017).

Fourth, peer and family pressure is another factor that incite the youth to take migration is alternative route to life. The Regional SEA reports found that strong pressure by their peers and family is a contributing factor for decisions by young people to undertake outward migration. The Tigray SEA report, for example, noted that parents label their children as ‘bad’ and ‘lazy’ if they sit and wait for employment opportunity to come to them (Fana, 2017). Going beyond putting pressure on the youth, parents provide the finance for outward migration. In addition, young people living and working abroad not only put pressure on their peers back home but also provide them information and financial support using mobile phones and social media.

The Oromia SEA notes that, according to Regional officials, one of the chief reasons for outward migration is peer and family pressure. In Sinana Woreda, for instance, the local youth do not want to take up what they call menial jobs. As a result, labourers for the booming construction sector come from other Regions (Fekadu, 2017). Families do not encourage their unemployed children to work with them in the agricultural fields. They want their children to take up “better paying jobs”, and farm work is not one of them (ibid). Parents usually say to their children “you should not do the same as what we have been doing”. They, in other words, encourage (‘push’) and financially support their children to migrate to
countries where they believe their children would enjoy a decent life. That is why the Regional government was engaged in awareness raising about the adverse aspects of irregular migration (Fekadu, 2017).

Fifth, in all of the Regional SEA reports, unemployment is presented as one of the major push factors. Indeed, as the 2012 CSA national urban employment and unemployment survey shows, there is a high rate of unemployment (17.5%) in the country’s urban areas (CSA, 2012). All of the study Regions showed unemployment rates closer to the national average. In Amhara, urban employment is estimated at 18 percent, while in Tigray and Oromia it stood at 17 and 16.7 percent respectively. The SEA reports showed that partly due to the population structure, there is a chronic problem of youth unemployment throughout the country. A clear manifestation of this problem in the urban areas is the inability of the economy to absorb the large number of young people who leave school every year. International migration is, therefore, one of the coping mechanisms for the unemployed.

Sixth, shortage of land and youth landlessness is identified as the other push factor. The SEA reports show that there is chronic scarcity of farm land, despite the fact that agriculture remains not only the dominant employer but also the main economic activity. The average landholding size in the country, including the four Regions covered in the SEA, is slightly less than a hectare -0.96 hectare per household (Memberu, 2014). The average landholding size has been, however, declining due to population growth and land degradation. Shortage of land and landlessness are, therefore, major problems in rural areas of the country. The Oromia Regional SEA report contends that while access to land for the young is possible through inheritance and gift from their parents, large family size, partly due to polygamous marriages, causes tensions within the extended family (Fekadu, 2017). As a result, unemployed youth (educated and uneducated) lose hope and increasingly opt for migration out of the country.

The SEA report of the SNNPR highlights the problem by noting that even if youth in the rural areas expect to get land from their parents when they establish families, the tiny size of their family’s holding means that the land they will share is far from adequate (Girma and Desslagen, 2017). It is, therefore, a foregone conclusion that their future as a farmer is bleak. Hence, for the youth who do not have the prospect of farming, migration remains an important option.

Seventh, low wages were also identified as a factor that play a role as a push factor for youth migration. The Regional SEA reports clearly show low payment as another push factor. In the light of soaring inflation in the country, for many employed people both in the public and private sectors, it is difficult to cover basic necessities with the income they earn. The problem of low wages is compounded by the lack of a minimum wage system in the country. Given the scarcity of jobs,
young people have no choice but to accept the wages offered by employers. In some cases, as indicated in the Amhara SEA report, salaries by private employers could go as low as 500 birr per month and this is not adequate to cover living expenses (Kelklachew and Belete, 2017). As a result of low income, public sector workers and those who work in the private sector consider outward migration as a better livelihood option. The Regional reports show that government employees such as teachers, health extension workers, and police officers have opted to undertake outward migration (ibid.).

Eighth, new technologies (social media) also play roles in contributing for the increasing outmigration. The Tigray and Oromia Regional reports showed the importance of modern communication technologies, particularly mobile phones and the internet for outward migration. Migrants who had made the journey earlier use internet-based communication technologies (social media) to lure potential migrants (Fana 2017; Fekadu 2017).

The Regional SEA reports discuss the pull factors that motivate prospective migrants to engage in international migration. They include political and economic factors. The main factor that entices the youth to migrate to Gulf countries and South Africa is the availability of better paying jobs in comparison to the situation at home. For instance, monthly wages that are provided to Ethiopian domestic workers in Saudi Arabia before the banning of regular migration was 200 USD; this is much higher than what the migrants could expect within the country. In addition to better job prospects, the success of earlier migrants in building asset or even providing support serve as strong motivations.

The pull factors for migration to Western Europe include social, political and economic. Ethiopian migrants are attracted to Western Europe by higher living standards, educational and job opportunities and protection of political and human rights. While migrants to the oil rich Gulf countries hope for saving money and returning home by working for limited number of years, those who migrate to Western Europe aspire for permanent residency and eventually citizenship. In addition to economic factors, as clearly noted in the Regional SEA reports, social networks (with family members and friends abroad) are important pull factors. Put in other words, people usually decide to migrate after learning about the transit and destination countries from earlier migrants.

The SEA reports also showed the roles that brokers play in irregular migration. The brokers propagate positive aspects of migration to potential migrants and their families. They, in collaboration with smugglers/traffickers, create sophisticated networks of human trafficking from local to international levels using mobile phones and the social media.
Migration characteristics and trends

In terms of age, the migrants from the study Regions and Addis Ababa are predominantly young. However, they have dissimilar socio-economic profiles. Some of the migrants quit their jobs to travel overseas, while others decide to migrate due to the lack of jobs at home. In terms of economic standing, some migrants come from poor families, while others from relatively well to do families. Returnees are also potential migrants as the prevailing push factors may lead them to decide to re-emigrate.

Before the ban on regular migration to the Gulf, there was a significant level of regular migration, particularly of women to work as domestic workers in the Gulf countries, mainly in Saudi Arabia. However, following the Saudi Arabia crackdown on undocumented Ethiopian migrant workers in 2013/14, the Ethiopian government suspended overseas labour migration. This, nonetheless, did not stop potential migrants from leaving the country, as the ban did not address the underlying factors that push people to migrate in the first place.

The SEA reports show similarities and differences between irregular and regular migration from Ethiopia. Regular migrants are documented and travel to the destination country after securing the required permits from government authorities in Ethiopia and in the receiving country. In contrast, irregular migration is done without documentation and the migrants enter the destination country illegally and without securing proper authorisation. But there may not be that much difference in working conditions between irregular and regular migrant workers. The Amhara SEA report contends that employers seldom respect the contract that is signed between them and the domestic workers they hire, and employees are, more often than not, subjected to all kinds of inhumane treatment. They are denied their salaries and are made to suffer hunger. Partly due to these problems, as noted in the Tigray SEA report, women prefer to migrate through irregular channels to work as ‘freelancers’ and hence have better work conditions and pay than those who migrate through regular channels (Fana 2017).

The SEA reports contend that much of the migration from Ethiopia to the Gulf countries is irregular. The banning of regular labour migration is given as one of the reasons for the prominence of irregular migration since 2013. However, some reports indicate that even before the government’s decision to ban regular migration to the Gulf countries labour migration from Ethiopia was mostly irregular. For instance, the Trafficking in Persons (TIP) report of the US State Department (2012) estimates that 60 – 70 percent of labour migrants in 2011 from Ethiopia left the country through irregular channels (cited in Asnake and Zerihun, 2015). Regional governments provide estimates about the extent of migration in their respective Regions. For instance, as noted in the Tigray SEA report, the Regional Youth and Sport Affairs Bureau indicates that in the last five
years average number of people irregularly migrating from the Region is about eight thousand per year (Fana, 2017).

BoLSA officials in the Amhara and Oromia Regions could not, however, provide estimates about the number of migrants from their respective regions in the last five years. But looking at the number of returnees after the Saudi crackdown in 2013/14, it is possible to argue that the two Regions provided the largest number of irregular migrants. Close to 23 percent of the 170,000 returnees were from Amhara (Kelklachew and Belete, 2017), while those from Oromia made up 21.4 percent (Fekadu, 2017). While the proportion of returnees from Amhara Region matches the Region’s contribution to the nation’s total population that of Oromia is significantly lower, implying that outmigration is more pronounced in Amhara. While they did not provide reliable estimates of the size of irregular migration from the respective Regions, both the Addis Ababa and SNNPR reports underscored that the magnitude of migration has been increasing in both areas (Firehiwot and Kiya, 2017; Girma and Desslagen, 2017).

In comparison to the regular migration, which is dominated by women, men dominate irregular migration. For instance, according to the Oromia SEA report, out of the 827 registered returnees in Sinana Woreda of Oromia, only 90 were females and the remaining 737 were males (Fekadu, 2017). The SNNPR report also indicates that (excepting Gurage and Hadiya Zones) the number of female migrants is greater than their male counter parts, while in Kembata-Tambaro and Halaba Special Woreda the size of male migrants was disproportionately high (Girma and Desslagen, 2017). In Tigray, the SEA data reveals that men make up some two thirds of irregular migrants at woreda and Regional levels (Fana, 2017).

**Government’s policy to address unemployment**

As noted above, unemployment in general and youth unemployment in particular, stands as a major development challenge in Ethiopia. Ensuring productive employment opportunities to citizens in both rural and urban areas is still a major challenge for the country. Therefore, growing numbers of Ethiopians look for job opportunities in major cities such as Addis Ababa or other provincial urban areas or ultimately migrate abroad.

The government has given due attention to this challenge and has taken a multifaceted approach to make the youth the promoters of development instead of a burdens on the nation. To this end, the government has designed a number of policies and strategies that help to create a conducive environment for better job creation and labour market directly or indirectly. These include the national education and training policy (1994), industrial development strategy (2011), rural and urban youth development packages (2006), and the Micro and Small Enterprise (MSEs) development strategy (2004). Based on these policies and
strategies, the government hoped to expand the labour intake capacity of the economy and create new jobs. In spite of these efforts, however, the measures did not ameliorate the problem, as a result, youth unemployment still remains a major challenge and a major prelude for migration.

In what follows, we will look at the National Education and Training Policy (1994) and the MSE development strategy and their direct effects on the youth employment and unemployment. The section also looks at the loopholes and drawbacks of the policy and strategy and how they ended up short of their intended goals.

a. Education and training policy

Education, both formal and informal, is of paramount importance in determining individuals’ job opportunities, income and working conditions. It is also one of the cornerstones for national development. In general, studies indicate a strong connection between education, on the one hand, and job creation and opportunities and migration on the other (FSS, 2009; Williams, 2009; Zhong and Yongqiu). In fact, education has both a positive and negative correlation with the two issues discussed. On the positive side, quality, relevant and demand-driven education is a key factor for success at individual, household and national levels through provision of skills and know-how for better employment (domestically and outside) and job creation. In fact, the level and quality of education is one of the parameters of effective and sustainable development. On the contrary, an education system that is not systematically designed to address the aspirations of individuals and society at large and, more importantly, does not address the needs and demands of the local and national labour market would have significant social, economic and political repercussions. Moreover, the expansion of higher education has a high possibility to create high job ‘expectations’ among graduates who tend to show less interest to engage in jobs they consider ‘low’ (FSS, 2009; Asrat and Mulugeta, 2011; Allmendinger, 1989).

Accordingly, Ethiopia has designed an educational policy and strategy that is believed to meet the needs of the economy and its citizens, and reflect the future socio-economic aspirations of the country. As stated in the policy document (1996), the major goal of the educational policy is to contribute to the national development plans and aspirations through supplying a qualified and trained workforce with the necessary skills at all levels. The policy is based on the aspiration to provide equitable, efficient, relevant/quality education for all citizens (ESDP, 2015). To attain this general goal, the education system is structured into different systematically interrelated units. These are pre-school (1-3), primary education, general secondary education, technical and vocational education and training (TVET 1-5) and higher education. The primary education is from grade 1-8 and has two cycles (cycle I - grade 1-4 and Cycle II - grade 5-8). Similarly, the
secondary education has two cycles. Cycle I is grade 9-10, students who pass the national exam (Ethiopian General Secondary Education Certificate Examination EGSECE), go to Cycle II (grade 11-12) or commonly known as Preparatory school. After completing grade 12, they will take another national exam called Ethiopian Higher Education Entrance Certificate Examination (EHEECE) to join universities. Those who are not successful in the EGSECE at the first cycle of the secondary education (grade 10) will go to Technical and Vocational Education and Training (TVET) Colleges and follow technical and vocational courses. Higher education is also divided into two units as undergraduate degree programmes and postgraduate degree programmes (MA/MSc and PhD).

In Ethiopia, official government data shows that in the past decades access to education at all levels has increased at a rapid rate along with the sharp increases in the number of teachers, schools and institutions in all Regions. Accordingly, the national gross enrolment rate (GER) for the primary education has increased from 83.1 percent in 2010 to 94.3 percent in 2015. Equally, the GER has shown an increase from 39.1 and seven percent in 2010 to 39.8 and 10.6 percent in 2015 for the secondary education cycle I and cycle II respectively. The data from the Ministry Education (2011-2015) show that the number of students enrolled in higher education institutions also showed a dramatic increment (77 percent increment) as it increased from 434,659 in 2010/11 to 769,315 in 2014/15 (MoE, 2011, 2012, 2013, 2014 and 2015).

When we look at the TVET, it has also shown growth and expansion, though with some fluctuations over years. In fact, TVET education was designed to have dual objectives. On the one hand, it is intended to address the problem of unemployment and underemployment (particularly of youth) by providing practical skills and education capability to be engaged in hired jobs and/or job creation. Meanwhile, TVET is also aimed at addressing the skill gaps observed in the labour market by providing demand-oriented, competitive and quality training and education that contributes to the national endeavour of poverty reduction and social and economic development.

The programme has been implemented in the Ethiopian education system in the past decades and produced thousands of graduates in various fields. There are some fluctuations in TVET enrolment in recent years both at regional and national levels. At national level, TVET enrolment has fallen by five percent in the five year period between 2010/11 and 2014/15 (from 371,247 to 352,144). In the lowest case, it has shrunk by about 25 percent in 2012/13 from that of the previous year. On the other hand, the enrolment has picked up in 2014/15 as it increased by a staggering 48 percent from that of 2013/141.

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1 Neither the educational statistical abstracts published of MoE annually, nor do the Federal and Regional TVET Agencies provide concrete explanation for the fluctuations in the TVET enrolments over
figures between the year 2011/12 and 2014/15, the rate of enrolment in TVETS has shown a staggering 39.3% increase within four years period. Equally, the number of TVET institutions has increased from 505 in 2011/12 to 919 for the same period (MoE, 2011-2015).

In spite of the above achievements in the sector, the education and training policy is short of the intended goals both in terms of creating a competitive labour force in the labour market as well as in providing quality skills capable of job creation. As a result, graduate unemployment has become a major challenge in almost all Regions. The major drawbacks of the education and training policy and implementation are:

A. **Low quality training and a trend to “massification” of education:** The remarkable achievements shown in recent decades in enrolments and number of teachers, schools and higher learning institutions does not go hand-in-hand with the quality of education provided at various levels. The tendency to concentrate efforts to achieve quantitative targets has compromised the quality of education provided. Low quality of education given at higher institutions and TVET makes graduates less competitive in the labour market both locally and abroad. Equally, it has a negative impact on productivity at work.

B. **Mismatch between education/training and labour market demand/requirements:** Graduates of higher institutions and TEVT have indicated that there is a mismatch between the trainings given and the demand in the labour market. As a result, most graduates do not possess skills demanded by the market and this reduces their competencies in the labour market both nationally and internationally.

C. **Lack of integration and coordination between trainings and the labour market information:** In almost all Regions and at national level, the institutions responsible for TVET training and facilitation of job market

the years. However, experts at Federal and SNNP TVET Agencies give some possible factors for the fluctuations. According to them, in the initial years of the TVET programme, students massively joined TVET institutions with the expectation of acquiring skills and getting jobs easily. As the government owned TVET institutions were limited both in number and enrolment capacities, private TVET were taking substantial part of TVET students and provided training. However, during the formative years of TVET education in the country, many of the TVET colleges were not able to provide their students the necessary skills that would make them competent in labour markets due to limited training capacities and facilities, lack of experience and absence of proper linkage between TVET training/education and what was needed by employers. The problem was further aggravated by government’s limited capacity in ensuring TVET centres meet the required standards. Because of all these, many TVET graduates were unable to employment after graduation. . It was believed that this created uncertainties and eroded the confidence of some potential trainees to join the scheme in the later years. (SOURCE)
are different. Although there are efforts to integrate their works in different ways

Figure 1: Employment created by MSEs in millions (2010-2015)

(such as joint planning and implementations), there is a gap in information regarding the labour market condition, its demand and dynamics.

As a result one can conclude that there is an urgent need to reflect on the current policy and make necessary amendments so as to make the education and training given better in quality, demand-driven and match the labour market demands.

**Micro and Small Enterprises’ (MSEs) Development Strategy**

Micro and Small Enterprises’ (MSEs) development is one of the main strategies employed to address the challenges of unemployment (particularly youth unemployment) and expedite economic growth in the country (Tewabe, 2016). It has been over a decade since the government adopted the MSE strategy to augment employment opportunities across the nation. Accordingly, two MSE strategy documents -the 1997 MSE Development Strategy and the 2011 MSE Development document -were developed. While the first strategy gives emphasis on creating an enabling environment for MSE operation, the later pays attention to the involvement of graduates (in addition to the poor and less skilled), and focuses on technology transfer and the advancement of corporate management skills.

The strategy stipulates that its mission is creating jobs for citizens to augment income levels and, in turn, improve their livelihoods. It also intends to intensify development in the rural areas of the country by way of contributing to industrial progress. MSE further are regarded as methods of boosting the number of entrepreneurs in the urban areas. They are said to be the most efficient capital enhancing mechanisms which eventually lead to economic growth and, by extension, investors. Enterprises are given priority in the areas of industry and
urban development sectors as they are considered as agents of development. Many University and TVET graduates are expected to form such enterprises since they are regarded as a major source of employment and future economic growth.

As part of enhancing the quantity and capacity of MSE, the government channelled a variety of financial and non-financial services and support to MSEs. The most basic assistance has been access to working premises, skill and entrepreneurship training, facilitating industry extension, legal support, financial and machinery supports, market linkages and credit services. All these aids are crucial for the establishment and further strengthening of MSEs. Market linkages are usually facilitated by Regional and Zonal MSE bureaus (FDRE, 2011). The Addis Credit and Saving Institution S.C., Amhara Credit and Saving Institution (ACSI), Oromia Saving and Credit Association (OSCA), Dedebit Credit and Saving Institution (DECSI) and OMO Microfinance Institution S.C. are the most important microfinance institutions availing credit to MSEs in their respective Regions. Moreover, recently DECSI has started machinery leasing to MSEs as one financial instrument by establishing a partnership with the regional government and EFFORT.

MSEs are formed with the expectation of engaging fresh graduates and other unemployed segments of the society to create self-employment opportunities. They are mainly formed by the unemployed and underemployed individuals (often youth) who are in need of getting jobs and improving their livelihoods. Moreover, MSEs are advocated because of the government’s strong belief that they would bring about technological transfer and new corporate management skills. Sectors with potential of producing goods that can substitute import and promote export are given priority and preference. These enterprises are designed to avail opportunities for those vulnerable to challenges of unemployment – notably the youth and women. Their guiding principle stipulates that 50 percent of their target recruits should be women and 70 percent to be recruited among the youth.

The number of MSEs has increased over time, delivering a range of goods and services. Their main areas of operation are manufacturing, construction, trade, services and urban agriculture. Their role in the economy is to involve actively in the market by providing quality goods and services for reasonable price. Furthermore, they are regarded as essential mechanisms for poverty alleviation through redistribution of national economic growth to parts of the community with lower incomes.

In recent years, MSEs have become the main source of employment creation as they absorb both unskilled and skilled workforce. Indeed, new and existing MSEs created the greatest proportion of both permanent and temporary jobs. According to the GTP I performance Report, millions of unemployed youth in various towns and cities are said to be currently benefiting from the MSE sector, which are said
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to have significant employment contribution and are operating successfully in small towns, where large and medium enterprises cannot.

However, in spite of some successes, the MSE scheme suffers from implementation and structural challenges. Both the external environment and internal setup of enterprises contribute to their miscarriage. Many young people involved in MSEs indicate that the jobs created in MSEs do not match the number of job seekers; they absorb just a fraction of the youth who join the labour market annually. Secondly, although the government is supposed to provide all-round support and follow-up, in many cases the MSEs suffer from a lack of timely and sufficient support particularly in terms of skill training, working space, loans and other related technological supports (for instance, in Addis Ababa, 53.6 percent of MS enterprises were not able to get access to land in 2013: p76). Furthermore, lack of coordination and synchronization of the support are indicated as the other challenges MSEs suffer from. For instance, MSE members can wait for many months to get loans after they complete their training. Equally, they might be expected to stay for more months to get working sheds. Compared to the private sector, lack of market information and experience (both in technical skills and management) often make MSEs less competitive in the market. These challenges make MSEs in their current form less attractive for the youth. For instance a study conducted on randomly selected 332 micro-enterprises in Amhara revealed that the enterprises were generally characterized by low level of productivity and stagnation. The reasons are said to be low level of employment and capital, limited access to financial services, lack of partnership and networking, and absence of technical and business skills. The study further revealed that the most critical variables affecting the performance of micro enterprises were capital, access to information, licensing and access to telephone services.

Access to finance is the biggest challenge for enterprises in many Regions. High interest rates (as high as 18 percent), collateral requirements, interest bearing loans (in Oromia for religious reasons), saving requirements (of 20 percent), and delay to start operations frustrates the youth, make them lose hope and decide to take other options including illegal migration.

The MSE strategy is questioned by many young people on its implementation approach:

a. *Unilinear approach of MSEs*: the MSE implementation approach is almost similar in all geographical areas, type of economic engagement and for all beneficiaries. The approach follows the specific predetermined package which contains awareness raising, skill and management training, provision of loans and working spaces. There is an implicit assumption that if these supports are given, MSEs would be easily successful. However, some youth indicated that these steps are not necessarily important for all and
call for tailor-made approaches and flexibility depending on the need, skill and capacity of the MSEs in question.

b. **Feeling of imposed’ approach:** The MSEs are expected to be in line with the ‘menus’ of economic businesses given by the MSE Development offices. Regional, Zonal and woreda MSE development offices, in collaboration with other pertinent offices prepare the ‘menu’. Newly organized MSEs are often required to select from the menu. Constructions of cobble stone roads, metal and woodwork, poultry, animal fattening, and urban agriculture are some of the major activities in the list. This has created some practical and psychological challenges. The requirement to choose from the list creates a feeling of imposition. Many young people in MSEs argue that they would like to identify their own areas of engagement for which the offices should provide them the support. Secondly, the provision of list of activities denies room for creativity. Individuals who may come up with new ideas often face challenges in the approval of their activities. Thirdly, there is strong emphasis on a group approach. People are expected to be organized in groups and work together. Although the individual approach is not prohibited in principle, practically it is very hard to get an approval and get the necessary supports. On the other hand, participants claim that the level of skills, commitment and responsibility vary among group members which often lead to disagreement and failure.

c. **Overlooking those trying to operate outside the frame:** As indicated above, the MSE approach has little room to for those who want to operate outside the package. Those outside the system, in fact, take this fact as favoritism towards MSEs and develop ill-feeling of discrimination among those trying their best to create job by themselves.²

d. **Exclusion of the private sector from the endeavour of job creation:** The private sector has a strong potential in job creation and alleviating youth unemployment. Although, in theory the private sector is said to be playing these roles, in practice the opposite is taking place. High favouritism towards MSEs has weakened healthy competition in the market, and affected particularly the economic variability of small businesses outside the system.

e. **Psycho-social impact:** The significant amount of resources and support channeled to MSEs to the youth organized in MSEs would undoubtedly

² In one focus group discussion conducted in Addis Ababa in 2017, one young man who tries to make a living by selling small items on the street in Megenagna area, bitterly argued that while the city government erect big tents right on pedestrian roads for MSEs, its police and harass others who try to sale the same goods in the same area.
have psychological impact on the beneficiaries. In the current situation, it is the government which organizes and registers the MSEs, provides training and working space, arranges loans, facilitates market information with very little or no cost on the part of the MSEs. This might lead to the assumption that the government as the primary responsible organ of creating jobs for the youth, as a result, create a feeling of dependency of the government and undermines individuals’ creativity.

**Conclusions and recommendations**

As discussed above, there is a direct link between migration (be it regular or irregular) and youth employment/unemployment. Due to internal and external factors, the various government policies, strategies and programmes have not adequately addressed the problem of unemployment in the country. The ever increasing population and the high number of job seekers who join the labour market every year, has made the task of providing adequate job opportunities to citizens more difficult. In a situation where the youth think that the chances of getting a decent job (even after graduating from universities) is slim, migration becomes a viable alternative. Thus, the attempt to tackle the problems associated with migration needs to look beyond migration per se.

On the other hand, there is a long-established perception of considering migration in extreme terms. In some cases, particularly in the media, there is the notion that migration is the ‘evil’ that takes away the productive force of the country, leads to human right abuses, and gives the country an ugly image in the international arena. On the other hand, there is the public perception that considers migration as a ‘blessing’ that provides a way out from all problems. The actual truth, as always, lies in the middle. Migration taking place in haphazard way has a potential to create significant damage by giving way to human traffickers, human right abuse and exploitation of the migrants, and affecting the image of the country. On the other hand, migration guided by appropriate policy, strategy, plan, organization and coordination would have significant contribution to national development. A look at the high level of remittances sent to the country by migrants can be taken as a case in point.

In view of this, there is a need to avoid the two extreme views of migration and regulate the current irregular form of migration. To do this, there is a need to have proper policies, strategies and institutional arrangements capable of implementing effective migration procedures. Equally, there is need to control the currently rampant illegal brokers and traffickers who lure vulnerable and desperate young people to join the process of illegal migration with the hope of getting better life.

On education, there is a need to give due attention to the quality of education that can make students competitive in the labour market. In fact, the problem of
quality of education is often cited as a major problem even by the government itself, but with little practical measures. Thus, ensuring the quality of education is a task that needs to be taken immediately. Moreover, there is a need for better and effective integration of education and labour market demands at different levels.

On job creation and MSEs, the government and the institutions that implement the programme need to be efficient service providers, as stipulated in the strategy. Moreover, they need to be flexible enough in the implementation of the MSE program. There is also a need to design a system that encourages the youth to create jobs outside of the MSE system.

Finally, there is a huge potential for the private sector to play a role in creating jobs and ameliorate youth unemployment and indirectly illegal migration. The private sector has better experience, capital and market information. In the current situation, if strongly affiliated, young job seekers (particularly graduates from higher learning institutions) can get experience (both managerial and skill) from the private sector that would make them more competitive in the job market. The private sector can be motivated to be involved through different mechanisms, such as tax deductions, loan priority and providing recognition (just like government measures to encourage companies engaged in the area of export promotion).
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The Anatomy of the Ethiopian Civil Service: Is it Serving the Nation’s Development and Governance Needs?

Meharet Ayenew

Introduction

Civil services are important arms of governments that run the modern state, and the Ethiopian civil service is no exception because it is the principal institution serving the nation’s development and governance needs (ECA, 2010; Atkilt, 1996). The role and significance of the civil service assume particular resonance for a country, such as Ethiopia, which espouses ‘a developmental state’ ideology, and that in turn accentuates an activist role for the government in promoting accelerated economic growth and poverty reduction. In most cases, civil service systems consist of a large number of permanent government employees of different categories, and this is true of many countries, big and small. In addition, civil servants are said to represent prestigious positions where the ‘best and the brightest’ are selected to administer the modern state thus highlighting the need for government to be managed by people with the highest professional caliber (Chapman, 1959; Halberstam, 1972).

Because of the sheer size of the people who work in government, civil service systems consume a significant chunk of the national budget for salaries and a wide array of personnel emoluments. In a democracy, since there is the realization that the civil servant is paid salaries and benefits out of the tax payers’ money, he/she is expected to serve the public as a matter of duty with dedication, discipline as well as with a degree of accountability and responsiveness and cleanness from graft or corruption. Though formally operating under and constituting one of several components of the executive branch of government, civil service systems represent a separate stratum, and are referred to as the non-political executive to differentiate them from political appointees. In common parlance, the term ‘civil service’ is used to refer to the administrative sub-structure that takes care of the business of running the government and its programs but that does not include the legislature, the military, or the courts (Merriam-Webster Dictionary, 1847).

In many countries, a minor distinction is drawn between the term ‘civil servants’ and ‘public sector employees’. The former refers to the category of government employees who work in the executive branch of government, and are paid salaries out of the national budget. On the other hand, the latter, viz. ‘public sector employees’ is a generic term and is used to refer to the employees working in state-owned enterprises and other economic or service giving agencies within the national economy, such as the postal services, electric utility companies, etc. Simply put, ‘civil servant’ denotes a distinct type of government workforce managing the affairs of the modern-day state. In other words, they provide
continuity of governance and administration because they serve the state on a permanent basis as they are not affected by party politics. This is the main reason why civil servants are not expected to espouse membership in any political party and thus remain neutral to solely serve the state (Levine, et.al., 1990).

‘Public sector employees’ work for government-owned public enterprises and service giving organizations that are generally monopolistic entities, and run like private business ventures. In addition, these can be either profit-making or self-financing from the revenue generated through providing services or production and marketing of selected public goods. In addition, the salaries of such employees are not payable out of the national budget (Lane, 1995). As a result, workers employed by these largely government business undertakings are administered by the labor law or some other relevant legislation, and this sets them apart from government civil servants, who are strictly administered in accordance with civil service rules and regulations. These set of regulations are used to manage working conditions of civil servants, including recruitment, selection, appointment; promotion, transfer, and demotion; workers’ rights and obligations, etc.

From a different angle, conventional Public Administration literature draws an important difference between career civil servants and political executives or appointees. The latter are generally elected, and hold official positions and their tenures last as long as the party’s life in power. They also have significant policy making authority while the former often collectively known as the ‘general civil service’ have established career ladders and enjoy relative security of tenure on their jobs because any attempts to remove them, for example, for unsatisfactory performance, will be strictly governed by civil service laws (Levine, et. al, 1990; Mosher, 1982). Another important difference between the two is that politicians, who are also party members, are relatively small in number while career civil servants represent a large army of permanent government employees. As indicated earlier, since civil servants play key roles in the running of modern governments, they are said to be non-elected incumbents and do not have mandates to make important policies or decisions on behalf of the public.

In spite of the fact that civil servants are not elected, it does not mean that they do not have roles in making important decisions as administrators. Indeed, senior civil servants have a great deal of influence and wield considerable authority in government decision making since they play the key role of advisers to elected politicians. In addition, since civil servants have the advantage of staying on their jobs longer than elected politicians and enjoy monopoly of information and expertise accumulated over many years of public service, it can be argued that they enjoy considerable covert political authority without being elected. Because of this behind-the-scene authority and key role as advisers as well as suppliers of expert knowledge to elected politicians, civil servants are sometimes referred to
as the ‘unelected’ 4th branch of government of modern-day democracies (Henry, 1989).

An important aspect of modern-day civil services is that they are instrumental in delivering public services, and converting national development policies and strategies into action, the more so in developing countries, such as Ethiopia. To be able to deliver these vital state functions, civil services are often staffed with professionally competent personnel recruited and appointed on the basis of merit or competence. This practice commonly known as the ‘merit system’ has fundamental principles, including recruitment, selection and advancement of personnel solely on the basis of relative ability, knowledge, and skills, and after fair and open competition; equal pay for work of equal value; high standards of integrity, conduct, and concern for the public interest; efficiency and effectiveness of the system; protection of employees against arbitrary action, personal favoritism, or coercion for partisan political purposes; and, protection of employees against reprisal for the lawful disclosure of information, which the employees reasonably believe evidences a violation of any law or mismanagement of public resources (OPM, 2016).

As noted above, civil services in democratic systems are said to be non-partisan to party politics in the sense that the people who work in these institutions often referred to as the ‘servants of the state’ do not openly support a particular political party, but are entrusted with the duty to serve any government that is popularly elected (Starling, 1986; AAPAM, 1984). Their main task is to implement laws and policies made by elected politicians. In addition, serving the tax-paying public with integrity, consistency, honesty and sense of responsibility is said to be the main mission of professional civil service systems. The actions and decisions of civil servants are subject to public scrutiny and the independent media, and they will be held accountable for failure to carry out their official duties or any abuse/misuse of formal authority. In addition, administrative due process and the rule of law are sacrosanct principles that civil servants should strictly adhere to in discharging their formal duties and responsibilities. Simply put, the dictum is serving the public with the semblance of neutral competence and professionalism (Aberbach & Rockman, 1994; Kearney, 1988; Ohberg, et.al., 2017).

Although permanent civil servants are expected to be neutral to party politics, it does not necessarily mean that they do not have ideological values and preferences. More importantly, neither does it mean they cannot play important roles in indirectly influencing public policy. In democratic systems, politicians come and go, and it is civil servants that keep their jobs permanently. This helps them in accumulating experience in the workings of government, a clear advantage over elected politicians, who stay on their jobs for the duration of the party’s victory. Equally important, most civil servants possess professional skills and monopoly of information which politicians will need to formulate public policies.
This gives the former a special leverage to indirectly influence decisions by elected politicians (Milliband, 1969; Peters, 2013). In addition, the complexity of the modern state and the advantage of staying on the job longer and on a more permanent basis than politicians gives career civil servants special advantage in steering and influencing public policy (Levine, et al, 1990; Heclo, 2011).

There are also other advantages that accrue from the civil service being a permanent institution. Apart from insuring the continuity of the administration of the state, the permanent feature and secure jobs also insulate government workers from undue influence and manipulation by politicians and party functionaries. A typical method of guaranteeing this independence is through instituting a set of laws that govern all aspects of the management and governance of the state’s
public service, including recruitment, appointment, discipline, termination, etc. In addition, to guarantee fair and impartial judgment for handling disciplinary cases, many countries have set up separate and independent administrative tribunals to adjudicate human resource management problems involving government employees. Simply put, having these and other safeguards in place insures the institutional autonomy of the system and strengthens the hands of a competent and merit-based government work force dedicated to public service (Amerasinghe, 1994; Elias, 2012).

In this paper, it will be argued that the professionalism and independence of the civil service are crucial to guarantee that it effectively serves the development and service needs of the nation. A key aspect of this is the depoliticization of the service, i.e. insulating the system from unjustified political or party influence, and making it obligatory for civil servants to be accountable for their actions and decisions. Being accountable to the demands and needs of the public rather than loyalty to politicians or the party must take precedence over all other considerations because this is critical to the neutrality and independence of the civil service system (AAPAM, 1984). This will certainly require the complete rejection of the ‘spoils system’ as a basis for recruitment and appointment of civil servants. Appointing civil servants on the basis of political or ethnic loyalty will reinforce upward accountability with the inevitable consequence of public needs and demands often being relegated to a secondary level. Further, it will nurture a political culture of impunity among officials for their actions and decisions, and encourage the temptation to seek protection within the system for misdeeds and cases of dereliction of duties and responsibilities (Peters & Jon, 2013; Oyedeji, 2016).

One tested means to insulate the civil service from party influence is to put in place laws to manage the selection, recruitment and appointment of government employees by providing assurance that the process is based on merit and after fair and open competition. As indicated earlier, this implies recruitment for government service on the basis of objective set of criteria, such as competence and professionalism, rather than party or political patronage or even ethnic background. In addition, adopting a legal and institutional framework that provides for the establishment of an autonomous and independent government agency, for example, an independent civil service commission is another useful measure to address concerns for the independence and neutrality of the system.

In many countries, a civil service commission or agency is constituted by legislation to regulate the employment and working conditions of civil servants, oversee hiring and promotions, and promote the values of the public service, viz. honesty, integrity, objectivity and impartiality (Civil Service Commission, U.K, 2017-- infor@csc.gov.uk). Its role is analogous to that of the human resources
department of private corporations. These commissions are often independent from elected politicians, and should be answerable to a multi-party parliamentary committee (Wikipedia, 2017). They are often filled with individuals carefully selected for their independence, professionalism, integrity and reputable track record in public service. Countries which have adopted this administrative modality have been successful in institutionalizing professional civil service systems with adequate safeguards to protect the rights and privileges of government employees.

The preceding background is intended to provide a proper framework for discussing the strengths and apparent deficiencies of the Ethiopian civil service system in discharging the governance and development needs of the nation. A broad overview of the civil service, including its size and composition; the quality of the government workforce in terms of educational attainment, training as well as level of proficiency; issues of civil service pay; main institutional features and challenges, etc. will be provided as a prelude to suggesting practical policy recommendations to make the national civil service an efficient and effective instrument of public service and democratic governance.

**Brief historical overview**

The rudiments of an Ethiopian national civil service were laid during the reign of Emperor Menelik II (1989-1913) in the early 1900s side by side with the initiative to formally establish a modern state administration. This was an important beginning because it coincided with the organization of the first ever ministerial form of administration in the country’s history (Bahru, 2002; Kassahun, 2015). It could be considered a move aimed at strengthening the hands of a nascent centralized Ethiopian state that was at odds with competing regional power centers. At best, it could be taken as an important step in establishing some kind of a centralized modern administrative apparatus to counterbalance the pressure from potent centrifugal forces. Apart from characterizing the move as a significant innovation in state building, it could hardly be called a civil service system in the proper sense of the term because very little is known about the institutional set up or its workings. In addition, there was no data on how many people were serving the then government neither was there any evidence to indicate if there were laws to govern the systematic recruitment and appointment of the personnel. What can certainly be said about the institution was that appointment was largely based on loyalty, and the civil service was small in number, and primarily engaged in maintaining law and order (Paulos, 2001).

A more institutionalized and modern civil service was put in place by Emperor Haile Selassie I (1931-1974), who had the best claim for starting modern public administration originally initiated by his predecessor. It was during Emperor Haile Selassie I’s reign that the process of centralizing and modernizing the state reached a relatively advanced stage, and the number of ministerial administrations
was significantly expanded. To his credit, the Emperor took a number of institutionalization and restructuring measures to help create a modern civil service that would be governed by specific rules and regulations. Some of the important steps taken to modernize state administration included: Administrative Regulations Decree No. 1 of 1942; An Order to Define the Powers and Duties of the Ministries, No. 1 of 1943; An Order to Amend the Definition of Ministers’ Powers, Order No.2 of 1943; the 1931 constitution, which was later revised and replaced by the 1955 constitution; and the establishment of the Imperial Institute of Public Administration (IIPA) in 1952 (Perham, 1948; Clapham, 1969).

An important initiative that contributed to creating a modern civil service during the imperial era was the promulgation of separate set of civil service rules and regulations and the subsequent establishment of the Central Personnel Agency (CPA) in 1964. The agency was headed by a formally independent commissioner and entrusted with the task of administering/managing the country’s civil service. The aim was to create a neutral, merit-based institution and one that was insulated from political interference in its work. In addition, the law also established an administrative tribunal under the commission that would adjudicate personnel cases involving civil servants. This step set government civil servants apart from other types of public employees, such as those working in state owned economic enterprises or service providing organizations (Asmelash, 1972; Meheret & Paulos, 2000).

Another of the Imperial regime’s worth mentioning reform measures towards the institutionalization of a modern civil service system was the drawing of a distinction between political appointees and non-political or career civil servants. As it were, the political substructure consisted of high government officials appointed on the basis of political loyalty to the system, and this included appointments above the assistant ministers’ level. As such, the political executive stratum included ministers, ministers of state and deputy ministers and other kinds of political appointments, such as ambassadorial positions. The career or permanent civil servants category consisted of all employees including and below the rank of assistant ministers. These enjoyed relative job security, and were to be recruited and appointed mainly on the basis of merit and professional competence (Atkilt, 1996; Meheret & Paulos, 2000).

The Derg Era (1974-1991) was a watershed moment in the development of the Ethiopian civil service because many of the regime’s actions profoundly impacted the mission, composition and structure of the system. At the core was the highly authoritarian political order and the Marxist-Leninist ideology of the military dictatorship, which contributed to the wholesale politicization of the civil service and rendered it an accessory to the ruling party. Like in any leftist dictatorship, the fusion of party, state and government resulted in the loss of the autonomy and
independence of the civil service, and its total subordination to the party. This also encouraged the proliferation of parallel bureaucratic structures because party functionaries were appointed to key decision making positions in government and the party structure. The turbulent politics that characterized a greater part of the tenure of the military-cum-civilian regime engendered unprecedented instability and upheaval, which in turn led to the weakening of the civil service as a system resulting, among other things, from a high personnel turnover, particularly among its senior ranks (Meheret, 1997; Kassahun, n.d.).

Many factors contributed to the politicization of the civil service under the Derg. First, membership in the then ruling Workers’ Party of Ethiopia (WPE) and ideological loyalty became the principal criteria for recruitment and appointment for government jobs. Second, merit and professionalism were sacrificed in favour of political patronage and ideological commitment of civil servants. If there were merit/competence-based recruitments or appointments, these were more a matter of coincidence rather than deliberate intent. Third, the distinction between permanent/career civil servants and political appointees, which is a cardinal feature of many contemporary civil service systems, vanished thus dealing a heavy blow to the values of neutrality and professionalism of the nation’s civil service system (Meheret, 1997; Meheret & Paulos, 2000).
The civil service under the EPRDF

Upon coming to power in 1991, the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) currently ruling the country inherited a highly politicized and ideologically driven civil service. At the time, there was only one national civil service, and the size of the government labour force was relatively small numbering a little bit more than 200,000 civil servants of various categories, and was largely ethnically heterogeneous. Over the years, and particularly after Ethiopia was declared a federal state, this figure has ballooned over the years reaching more than 1.5 million in 2015/16. An important difference between the pre-EPRDF and the current civil service system is that the former was ethnically diverse while the latter was more homogeneous, the more so at the regional levels.

As was alluded to earlier, the main reason for the huge expansion of the post-Derg civil service was the adoption of an ethnic-based federal state structure in 1995. This has had far reaching implications on the organization of government, and particularly with regard to the nature and composition of the labor force working for the Ethiopian state both at regional and federal levels. First, it resulted in a huge expansion of government employment because of the unprecedented expansion of the state apparatus. Second, because ethnicity was elevated as a mark of national identity, one’s ethnic background and political loyalty were adopted as the basis for recruitment and appointment for government service. This led to the extensive politicization of the system, and might be considered the single most important factor that undermined merit and professionalism in the civil service to the same extent as Marxist-Leninist ideology had done to the system under the current government’s predecessor, viz. the Derg.

At present, the Ethiopian civil service is managed by a Ministry of Public Service and Human Resources Development – a cabinet level portfolio. As per the law, the Ministry is mandated to ensure that a competent and effective civil service is established; ensure that the recruitment and selection of the federal civil servants is based on merit system; adopt strategies for the sustainable development and use of human resources in the civil service, and to follow up the implementation of directives to build a competent and professional civil service force. In addition, it has to ensure that federal government offices establish and implement appropriate service standards and procedures for handling grievances of customers (FDRE, Proclamation No. 515/2007).
Proclamation No. 515/2007 authorizes the Federal Ministry of Civil Service and Human Resources Development to manage civil servants employed by ‘any federal government office established as an autonomous entity by a proclamation or regulations and fully or partially financed by government budget’. The proclamation contained detailed provisions on classification of civil service positions; pay and benefits; selection, recruitment, and appointment procedures; transfer, assignment and termination; performance evaluation and disciplinary issues, etc. According to the law, a civil servant is defined as ‘a person employed permanently by federal government institutions; provided, however, that it shall not include the following:

- Government officials with the rank of state minister, deputy director general and their equivalent and above;
- Members of the House of Peoples’ Representatives and the House of the Federation;
- Federal judges and prosecutors;
- Members of the armed forces and the Federal Police, including other employees governed by the regulations of the Armed forces and the federal police;
- Employees excluded from the coverage of this Proclamation by other appropriate laws.
Size and composition

As has been pointed out elsewhere in this article, a significant development in the post-Derg Ethiopian civil service has been its unprecedented expansion in size and institutional composition. A consequential development contributing to the huge growth has been the adoption of a federal state structure in 1995. According to this arrangement, nine ethnic-based regional governments and 2 autonomous and multi-ethnic city administrations were created to constitute the federal state (FDRE, 1995). Each of these had been designated self-governing constituent parts of the federation, and thus have established autonomous civil service systems to manage the regional administrations, provide public services and carry out overall development. Because regional states were given internal self-rule authority, the civil services are predominantly single ethnic while the composition of the federal civil service can be said to be largely multi-ethnic.

As has been repeatedly pointed out in the preceding paragraphs, the organization of the Ethiopian state along federal lines has resulted in a significant increase in the civil service population both at the federal and regional levels. Here, it is suffice to note that the number of civil service personnel when the EPRDF assumed power in 1991 was a little bit more than 200,000, but this had dramatically risen to more than 1.5 million federal and regional employees in 2015/2016 (Federal Civil Service, 2015/16). While it can be argued that the introduction of the federal system had been an important reason for this exponential growth, it is also true that the expansion of the Ethiopian state, and particularly its activist role as a ‘developmental state’ in promoting fast-tracked economic growth, has also been a contributory factor. The following Table 1 provides more details on the growth of the civil service between 1991-2015/16.

- It can be observed in the above table that the Ethiopian civil service population has shown a more than seven fold increase over the past 24-25 years. As has been pointed out earlier, the formal restructuring of the state along federal lines and the establishment of regional civil services were the principal reasons for the vast expansion.

- The highest growth rate of civil servants was observed for the period 2009/2010 showing an increase of about 25 % over the preceding year. The lowest annual growth rate was recorded in 1996, and as can be viewed in the figure, was actually negative because of a reduction in the total labor force during the period. In 2016, the number of civil servants had shown an annual growth rate of 8% over that of 2015 throughout the nation.

Based on the preceding observations, the following Figure 2 provides more details:
Regional civil services

The nine regions and the two autonomous city administrations that constitute the Ethiopian federal structure have different population sizes and varying levels of economic and infrastructure development. As a result, the civil service of each region has manifested different sizes and rates of growth over the past 24-25 years. According to the Federal Ministry of Civil Service’s annual statistical bulletin, the number of civil servants at the federal and regional levels had reached 1.57 million in 2016. Of this, the number of federal civil servants was 132,812, and that of regional civil servants was 1,451,686 representing a little bit more than 8% and 92% respectively.

Table 2: Total number of civil servants by region - 2014-2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tigray</td>
<td>84,616</td>
<td>89,259</td>
<td>94,501</td>
</tr>
<tr>
<td>2.</td>
<td>Afar</td>
<td>22,556</td>
<td>23,627</td>
<td>32,664</td>
</tr>
<tr>
<td>3.</td>
<td>Amhara</td>
<td>289,021</td>
<td>317,181</td>
<td>338,570</td>
</tr>
<tr>
<td>4.</td>
<td>Oromia</td>
<td>395,468</td>
<td>429,155</td>
<td>469,467</td>
</tr>
<tr>
<td>5.</td>
<td>Somale</td>
<td>27,091</td>
<td>58,116</td>
<td>67,492</td>
</tr>
<tr>
<td>7.</td>
<td>SNNP</td>
<td>239,883</td>
<td>259,599</td>
<td>285,442</td>
</tr>
<tr>
<td>8.</td>
<td>Gambella</td>
<td>9,338</td>
<td>18,875</td>
<td>21,235</td>
</tr>
<tr>
<td>9.</td>
<td>Hareri</td>
<td>5,594</td>
<td>6,606</td>
<td>6,968</td>
</tr>
<tr>
<td>10.</td>
<td>Addis Ababa City Government</td>
<td>80,274</td>
<td>88,251</td>
<td>93,721</td>
</tr>
<tr>
<td>11.</td>
<td>Dire Dawa City Administration</td>
<td>7,448</td>
<td>7,867</td>
<td>8,245</td>
</tr>
<tr>
<td></td>
<td>Total – Regions</td>
<td>1,182,616</td>
<td>1,322,710</td>
<td>1,444,287</td>
</tr>
<tr>
<td></td>
<td>Total –Federal-level</td>
<td>125,333</td>
<td>128,976</td>
<td>132,812</td>
</tr>
<tr>
<td></td>
<td>Total National</td>
<td>1,307,949</td>
<td>1,451,686</td>
<td>1,577,099</td>
</tr>
</tbody>
</table>

Source: Federal Civil Service Ministry, Civil service annual statistics (2014, 2015, 2016)

The following observations can be drawn from the above Table 2:

- Out of the total nearly 1.6 million civil servants, about 133,000 are federal employees while the total for all the regions was 1.46 million civil servants of different categories. Amhara, Oromiya and SNNP regions account for 70% of the total government work force.

- The national average population per civil servant ratio is about 60:1. If one takes the population of each region into account, the ratio in Somale region was found to be 80:1 while it was 20:1 for Gambella region. Other regions lie in between.
The big regions of Amhara, Oromiya and SNNP have smaller civil servant: population ratios, and regions with small populations have high civil service population ratios.

Gender representation in the civil service

The extent to which the civil service reflects most or all aspects of the society’s population, viz. gender, ethnicity, etc., in its composition is an important criterion for assessing its representativeness (Halberstam, 1972; Krislov, 2012). This principle is upheld by many civil service systems because it promotes inclusiveness as well as equitable participation in governance. Because of its attraction in promoting fairness and equity, governments employ different policy measures to make administrative and political structures as representative as possible. For example, in some countries, affirmative action programs are employed to bring about equitable representation of historically or culturally disadvantaged societal groups in public services (Mekonnen, 2010; Yasin, 2013). Be that as it may, however, this kind of advocacy for fair representation must be grounded upon the assumption that the minimum standards to occupy public offices are met by everybody regardless of gender, religious background or ethnic origin.

In the Ethiopian case, the gender composition of the civil service must be considered one of the important indicators of the extent to which it is representative of the public it serves because the female population is a significant segment representing a little bit more than 50% of the national population. This issue assumes particular importance because women have not been historically and culturally treated equal to men, and are not fairly represented in some key political areas, such as ministerial positions in the executive branch of government. Because of historical and cultural inequities, the civil service as the nation’s foremost institution must be judged against this parameter of equitable representation of the female population. As the following Table 3 shows, despite some regional variations, the Ethiopian civil service manifests a less than satisfactory record in female representation among its ranks.

Table 3: Gender composition of the Ethiopian civil service

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>1.</td>
<td>Tigray</td>
<td>50,379</td>
<td>34,237</td>
<td>52,110</td>
<td>37,129</td>
<td>54,125</td>
<td>40,379</td>
</tr>
<tr>
<td>2.</td>
<td>Afar</td>
<td>15,566</td>
<td>6,990</td>
<td>16,166</td>
<td>7,461</td>
<td>20,062</td>
<td>12,602</td>
</tr>
<tr>
<td>3.</td>
<td>Amhara</td>
<td>179,450</td>
<td>109,571</td>
<td>196,029</td>
<td>121,152</td>
<td>205,730</td>
<td>132,840</td>
</tr>
<tr>
<td>4.</td>
<td>Oromia</td>
<td>270,063</td>
<td>125,405</td>
<td>289,481</td>
<td>139,654</td>
<td>311,650</td>
<td>157,809</td>
</tr>
<tr>
<td>5.</td>
<td>Somale</td>
<td>21,506</td>
<td>5,585</td>
<td>46,110</td>
<td>12,006</td>
<td>52,324</td>
<td>15,168</td>
</tr>
</tbody>
</table>
The Anatomy of the Ethiopian Civil Service

6. Benshangul-Gumuz 14,159 7,168 15,878 8,296 16,996 8,980
7. SNNP 169,864 70,169 183,343 76,256 200,161 85,281
8. Gambella 6,698 2,640 12,961 5,914 14,202 7,033
9. Harari 3,054 2,530 3,775 2,831 3,922 3,046
10. Addis Ababa City Gov’t 38,889 38,899 41,375 45,334 43,894 49,827

Region Total 773,978 408,638 863,636 459,074 928,087 512,600
Federal 75,558 49,775 77,283 51,693 79,607 53,205
Grand Total 849,536 458,413 940,919 510,767 1,007,694 569,405

%age of Female Civil Servants 35% 35% 36%


Table 3 above shows that the gender gap in the civil service for the nation as a whole has not shown any significant change between 2013/14 and 2015/16. It can also be indicated that none of the regions except Addis Ababa have a higher proportion of female civil servants as compared to male civil servants during the period under review. The lowest share of female civil servants has been observed in Ethiopia Somali region, where women accounted for 20.62%, 20.66% and 22.47% of the total in 2014, 2015 and 2016 respectively. Other emerging regions such as Afar, Gamabella, and Benishangul-Gumz, have also higher relative gender disparity compared with other better-off regions. Among the big regions, SNNP has a lower female civil servant share out of the total regional civil servant population. Finally, Tigray, Amhara, and the predominantly urban regions of Harari, Dire Dawa and Addis Ababa have higher share of female civil servants out of their respective totals in relation to the national average female representation of 36% in 2015/16.

Educational and proficiency levels

Education and proficiency levels of civil servants are important determinants of efficiency and productivity. A civil service system that is generally incompetent and not equipped with relevant training and skills can hardly serve the development and governance needs of the nation. In this regard, the Ethiopian federal civil service system leaves much to be desired because a significant component of the work force has low level of education and training, and this will certainly be a challenge for the government to deliver services and carry out development programs and plans. The following Figure 3 lends credence to this observation:
As depicted in the above Figure 3, a very high share of about 37.16% of all federal civil servants have an education level of Grade 12 and below. The second and third highest group of all federal civil servants by education levels, viz. university/college first degree and diploma or college certificate holders are 28.62% and 20.22% respectively. In addition, about 8% of civil servants at the federal level have a masters or second degree level of education while those with Ph.D degrees are less than 5% of the total.

The proficiency deficit within the Ethiopian civil service is more pronounced at the national level. As can be observed in Figure 3 below, the proportion of male and female civil servants by educational attainment in 2015 and 2016 at the national level is far from satisfactory. As the graph shows both in 2015 and 2016 the highest share of civil servants throughout the nation had a certificates-level education (TVET Graduate with certificates of level 1-4, old policy certificates graduates and university attendees with certificates). The shares of this category of civil servants with certificates in these periods were 50.8% and 45.7% respectively. The second highest share of civil servants was those with first degrees, which is 25.4% and 28.3% in 2015 and 2016 respectively. The third highest share is for those civil servants with an education background of grade 12 and below, which is 12.1% in 2015 and civil servants with college diploma, which had a share of 12.8% in 2016.

**Ethiopia’s civil service population by gender and educational level-2015 and 2016**

Figure 3 below shows the gender and educational breakdown of Ethiopia’s national civil service population in 2015 and 2016. Based on the data, it can be concluded that Ethiopia’s civil service has a long way to go to attain desirable levels of education and professional proficiency because a significant segment of the government work force needs to be equipped with adequate training and skills for improved public service delivery and good governance throughout the nation.

The preceding figure 4 also shows that female civil servants generally have lower level educational qualifications than their male counterparts. For example, in 2015, the proportion of female civil servants with first and second degrees stood at 18% and 6% respectively while the figures were 29% and 1.5% respectively for their male counterparts. The situation had not changed much in 2016 during which time about 21% and 0.7% of female civil servants had first and second degrees whereas the figures were 31.9% and 1.7% respectively for the male counterparts. Indeed, there appeared to be more female concentration in lower level skill areas than higher levels of specialization. For example, highs of 54.6% and 47.5% of female civil servants had TVET qualifications (relatively low skills) in 2015 and 2016 respectively while the figures were somewhat lower for males representing 48.7% and 44.5% respectively for both years.
Civil service pay

In general, civil servants must receive fair salaries to be able to lead decent lives. If governments fail to provide adequate compensation for civil servants, high turnover of personnel and the flight of the best and the brightest to the private sector and international organizations, which can afford to pay more, can be an inevitable consequence. This will certainly lead to an exodus of talent as only the ‘deadwood’ will stay on their jobs. In addition, poor pay can generate many problems, including poor service delivery; lack of accountability and responsiveness; tardiness and lack of transparency; low motivation, corruption, etc. In turn, all these problems will contribute to public discontent and erode trust in government.

Available data suggest that civil service pay in Ethiopia is generally low. Be that as it may, however, this observation must be seen against several considerations, including the share of the national budget that goes to civil service salaries, comparative pay in the private sector and how much bilateral and multi-lateral organizations pay for similar levels of expertise and qualifications, and relative public wage bills of other countries. Except by the standard of the proportion of the national budget that goes to pay for salaries and other fringe benefits of civil servants, government pay in Ethiopia can be considered to be generally poor in comparison with what international organizations and the private sector pay for personnel of similar caliber. It should also be noted that there are very few governments that can afford to pay comparable wages and benefits as the private sector or international organizations because governments pay salaries out of limited national budgets. In this regard, the Ethiopian experience cannot be treated as an exception.

As noted above, despite the fact that salary expenditures constitute a fast increasing and significant chunk of the annual Ethiopian budget, most civil servants receive inadequate pay and benefits. For example, according to available data, the portion of the salary budget out of the total budget at the federal government level increased from Ethiopian Birr 6.1 billion in 2009 to 13.7 billion in 2013. For the regions, the figure rose from Birr 11.6 billion in 2009 to 28.2 billion in 2013. At both levels of government combined, the total figure rose from Birr 17.7 billion to 41.9 billion in 2013 representing a hefty increase of about 58% over the 5-year period (World Bank, 2016). Despite this huge growth, however, according to data obtained from the Ministry of Civil Service, about 36.6% of all federal employees were earning salaries of more than 3,000 birr per month in 2016, while 60% were earning salaries of less than 3,000 birr per month in 2015 and 2016. A significant 35% of the federal civil servants earned low salaries ranging between 500-1499 birr per month, and another 24% earned salaries ranging between 1,500-2,499 birr per month.
Pay disparity in the Ethiopian civil service has a gender dimension as well. When disaggregated by gender, it was found that a significant mass of federal female civil servants received lower salaries than their male counterparts. For example, in 2016, 45% of all female civil servants earned salaries ranging between 500 and 1,499 birr per month, while during the same period only 29% of male civil servants earned similar salary ranges. In addition, in 2016, among federal male employees about 47% earned salaries of more than 3,000 birr per month, while in the same period about 20% of female civil servants earned the same salary ranges. In general, female civil servants earn lower than their male peers in both 2015 and 2016. This is due to the fact that female civil servants generally have lower educational backgrounds, and also mostly work in the custodial and manual service categories, and in other low paying service type jobs at the federal level.

**Comparison of Ethiopian civil service pay with different sectors**

As noted above, civil service pay in Ethiopia was found to be comparatively much lower when relatively viewed with that of the different sectors, including the private and civil society sectors as well as bi-lateral and multi-lateral organizations. In addition, the fact that it has not over the years kept pace with inflation has worsened the problem. This observation must be taken against the proviso that governments cannot afford to pay as much as these other sectors, and the Ethiopian Government cannot be an exception. At best, what most governments can do is to attempt to narrow the gap in pay differentials to reduce turnover and the flight of government personnel to high-paying jobs in the private sector and international/bi-lateral organizations.

According to data from the World Bank, the annual average pay of Ethiopian civil servants was found to be 1/11th of that paid out by UN Ethiopian country offices for comparable levels of qualifications and expertise. In addition, it was also found that as compared to pay by the civil society and private sectors, Ethiopian civil service salaries were 1/3 and ½ of what is paid out by the two sectors respectively for similar levels of personnel calibre. The following Table 4 provides more details.
Table 4: Comparison of Ethiopian civil service pay with other organizations 3 selected examples

<table>
<thead>
<tr>
<th>No.</th>
<th>Institution</th>
<th>Remuneration per annum (Eth. Birr)</th>
<th>Ratio to Ethiopian civil service pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ethiopia civil service salary</td>
<td>19,404</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>UN Ethiopia country office</td>
<td>210,033</td>
<td>11</td>
</tr>
<tr>
<td>3.</td>
<td>NGO - CRDA Ethiopia</td>
<td>49,390</td>
<td>3</td>
</tr>
<tr>
<td>4.</td>
<td>Private service providers</td>
<td>36,000</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: World Bank, 2016, Ethiopia's Public Sector Reform Assessment

To sum up, there is general agreement that government departments cannot pay competitive salaries comparable to what is being paid out by the private sector and international organizations because they operate with fixed budgets. This may put them at a disadvantage in terms of attracting talent and competence on a competitive basis. Hence, it is generally suggested that a government must give regular salary raises to offset cost of living increases and other inflationary pressures. In addition, it is also suggested that different incentive mechanisms, such as subsidized transport and housing, different educational opportunities and career advancing schemes, etc. be provided to motivate public employees to stay on their jobs.

Civil service systems of selected countries

By many countries’ standards, Ethiopia does not have a big civil service relative to the national population. Hence, the size of the government labor force alone should not be a policy concern. Indeed, the main parameter for assessing the Ethiopian civil service should be the quality of the system, including the level and quality of education and training, degree of efficiency and productivity, accountability and transparency, and its record on anti-corrupt practices, etc. while conducting government business. As repeatedly pointed out elsewhere in this article and discussed later, the record of the Ethiopian civil service in terms of these yardsticks leaves much to be desired. As a result, a comprehensive civil service reform must be launched to cure the ills of the system, and transform same into an effective institution for governance and development. The data contained in Table 5 is intended to serve as a reference point to assess the size of the Ethiopian civil service in comparison with the civil service populations of selected countries.
Table 5: Comparative data on civil services of selected countries

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>France</td>
<td>66.9</td>
<td>2.5 mill.</td>
<td>Excluding provincial government</td>
</tr>
<tr>
<td>2.</td>
<td>Germany</td>
<td>81</td>
<td>780,000</td>
<td>Excluding public authorities</td>
</tr>
<tr>
<td>3.</td>
<td>Kenya</td>
<td>49</td>
<td>200,000</td>
<td>Central Government and Counties</td>
</tr>
<tr>
<td>4.</td>
<td>Indonesia</td>
<td>261</td>
<td>3.5 mills.</td>
<td>-</td>
</tr>
<tr>
<td>5.</td>
<td>United Kingdom</td>
<td>65.6</td>
<td>420,000</td>
<td>Excluding local government</td>
</tr>
<tr>
<td>6.</td>
<td>United States of America</td>
<td>323</td>
<td>2.0 mills.</td>
<td>Only federal government employees</td>
</tr>
</tbody>
</table>

Source: World Population Data Sheet, 2017

As can be observed from the above Table 5, different countries have varying civil service sizes. It is important to note that the sizes can be influenced by several factors, including population, degree of government involvement in the economy and provision of essential public services, state structure, i.e. unitary or federal, size of the national economy, etc. What can be inferred is that big civil services cost governments more in terms of salaries and other personnel working benefits. In addition, it can also be observed that countries with large populations generally have big civil services, and are thus employers of large numbers of people.

The Ethiopian civil service: main features and institutional deficiencies

Like all other systems, the Ethiopian civil service has its own strengths and weaknesses. One of the important features of the system is that it has had a relatively long period of existence and service to the state of more than one hundred years. In addition, unlike many other African countries, it can be considered as an indigenous institution and not a colonial creation, which implies that the system might have developed certain distinctive organizational characteristics that have helped it to be resilient and survive through tumultuous times under three radically different regimes, viz. the Imperial era (1931-1974), the Derg military dictatorship (1974-1991), and the currently ruling EPRDF (1991-to date)—an establishment that has adopted ethnicity as its political alpha and omega for defining state and citizen identity.
A no less important feature of Ethiopia’s contemporary civil service institution is that it has a relatively high proportion of female government employees. This may partially attest to the system’s representativeness of a major segment of the population. Nevertheless, this has to be viewed against the backdrop of high concentration of female civil servants in the lowest job categories, such as custodial and manual services, that require limited qualifications and fetch poor pay. Despite these positive features, however, when judged by the critical standards of modern civil services, such as efficiency and productivity; state of merit and professionalism as well as neutral competence; capacity and educational levels; accountability, ethical standards and anti-corruption track record, etc., the Ethiopian civil service manifests inherent weaknesses and deficiencies which will be discussed in the sections that follow to provide a proper framework for forwarding practical policy recommendations to overcome the institutional deficits and challenges that continue to afflict the system.

- **Low education and proficiency levels as constraints on the efficiency of the civil service**

  A significant constraint on the efficiency of the Ethiopian civil service system is low education and poor training levels of a significant proportion of the government labor force. According to government statistics, nearly 37% of the country’s civil servants have attained only an educational level of grade 12 or below. University or college first degree holders amounted to 28.62% of the total, and only about 21% have college diplomas or certificates. This kind of inadequately trained personnel profile can hardly be a vehicle for efficient public service delivery let alone play an effective and meaningful role in the implementation of the country’s development plans and programs. More importantly, the poorly trained workforce can be identified as the main culprit for poor service delivery and dereliction of duty among a large number of government institutions. This has given rise to unremitting public discontent against many service giving government institutions where absence of accountability and transparency in conducting the government’s business have become a pervasive phenomenon. Unless dealt with, the net and lasting effect of this ‘maladministrative’ culture is to erode public trust in government and undermine its legitimacy.

- **Poor civil service pay is giving rise to poor morale and disciplinary problems**

  In many systems, pay is a critical motivating factor for government civil servants to do their jobs with some degree of efficiency and in a manner free from corruption and graft, and Ethiopian government civil servants cannot be treated differently. What is at stake is that civil servants must enjoy decent living standards, and for this to happen fair pay is one answer. When civil servants are not happy with their pay, they vote with their feet, i.e. they quit government jobs and move elsewhere.
In addition, a government employee who is not adequately compensated will resort to illegal means, such as corruption and graft, to make ends meet through illegal and inappropriate means. Apart from material benefits, civil service pay is also critical for the morale and motivation of government civil servants to serve the public with commitment, dedication and honesty. Hence, it is absolutely essential that civil service pay must be a policy concern of the highest priority for many governments.

It has been shown through available data that pay in the Ethiopian civil service is generally low compared to private sector and international organizations. It can be argued that the government may not afford to pay as much as these organizations, but ways and means must be found to narrow the currently unacceptable wide disparity in pay, and make civil service salaries as acceptable or fair as possible. In this regard, in-kind working benefits and measures, such as free or subsidized medical care, public transport service, child education subsidies, etc. can be considered to fill the gap. In addition, it may be necessary for the government to constantly adjust civil service salaries to changing inflation rates so that government employees can offset the adverse effects of rising prices on their standards of living.

- **Merit and professionalism have become less important thus engendering mediocrity and undermining accountability in the civil service**

In many countries, the bedrock of an efficient and effective civil service is merit and professionalism, i.e. recruitment, selection and appointment into the system to be determined on the basis of objectively set educational and competence criteria. Failure to adhere to this practice will breed mediocrity in government, and can also undermine accountability and responsiveness to public needs and concerns by incompetent people. If people are given government jobs using subjective criteria, such as loyalty to a ruling political party or ethnic background alone, this can encourage upward accountability with reduced concerns for public needs and demands. Even worse, this can nurture a culture of impunity and lack of accountability in the system because incompetent civil servants will not be held answerable for their actions and decisions.

Over the past twenty years or so, ethnic affiliation and party loyalty have been used as the dominant criteria for recruitment, selection and appointment into the Ethiopian civil service. This has had its own drawbacks and produced unintended negative consequences on the system. Among other things, it has meant that the ‘*best* and the *brightest*’ recruited on the basis of merit have not been attracted into the system. This will inevitably produce mediocrity as those who could have been selected for service on the basis of objective set of qualifications and competence might have been left out. On the other hand, mediocrity breeds inefficiency and
unaccountability, and this gives rise to lack of public trust in government------an important policy concern which the Government must heed to institutionalize a stable Ethiopian state and society.

In principle, the need to staff the civil service with people with different ethnic, religious or nationality backgrounds, etc. and thus make the system representative of the major segments of society must be an acceptable practice. Nevertheless, there must be a healthy balance between using any of these criteria as basis for joining the system on the one hand and merit and competence on the other. In other words, merit and professionalism and ethnic or religious or any other set of subjective considerations must not be viewed as mutually exclusive of each other. Simply put, any ethnic or religious or nationality group has its own reservoir of competent and qualified people, and it should be these who should be given a chance to serve the public. Hence, the practice should be to pick up deserving individuals on the basis of merit and those who satisfy certain standards for government service from any ethnic or religious group. Using secondary criteria alone by relegating merit and competence to a less important degree may not help institutionalize a professional civil service dedicated to the cause of public service and integrity.

- **Unwarranted politicization of the Ethiopian civil service has undermined its independence, neutrality and autonomy**

For a greater part of the past 25 years, the Ethiopian civil service has become a highly politicized institution under the EPRDF. As repeatedly pointed out, the principal contributing factor to this has been the increasing use of political loyalty and ethnic affiliation as major considerations for recruitment and appointment for government jobs. In many instances, merit and competence considerations have been relegated to a secondary level in favor of ethnic background and loyalty to the ruling party to determine suitability for granting government jobs. Obviously, this has put government and the public service system as a whole at a disadvantage because it has meant that the best qualified people have not been given opportunities to enter government service. When the system is filled with incompetent and not so qualified people, the end results are poor service delivery and increasing public discontent that can generate unprecedented social and political problems.

Apart from undermining the independence, neutrality and autonomy of the civil service system, increasing politicization has also exacerbated the problem of political interference in the work of civil servants. Several studies, including one by the Government’s Policy Research Center, have identified this as a growing and pervasive challenge within the system (FDRE, 2017). According to the findings of this same study, undue political influence has also encouraged upward
accountability to politicians, and generated a situation where political preferences take primacy over the needs and demands of the public to be served.

From a different perspective, selecting people for government service only on the basis of political views or positions has had a more costly outcome in the Ethiopian context it has tremendously contributed to obscuring the difference between party, government and the state. The disappearance of this important distinction will have far reaching consequences on the democratic credentials of the government and its accountability and responsiveness to public demands and needs. Simply put, the fundamental principles and practices of checks and balances in the exercise of government authority will be put to severe test in this kind of political arrangement. As everywhere else, the Ethiopian experience suggests that once the checks and balances system are sacrificed on the altar, the cardinal principles of good governance including rule of law, respect for human and individual rights, constitutional rule, etc. will be highly compromised.

- **Widespread corruption and maladministration in the civil service are serious challenges to governance and achieve development goals**

Pervasive corruption of different types and problems of maladministration, such as waste, embezzlement of public funds, abuse of authority, unlawful enrichment, etc. have become grave challenges of the Ethiopian civil service more than ever before in the institution’s history. Needless to say, there is abundant documented data and anecdotal evidence to lend credence to this assertion. Some examples are provided as follows:

- In 2016/2017, more than 125 government officials and functionaries were either incarcerated or being investigated on corruption allegations; (Reporter Newspaper, 2016).

- According to Transparency International, Ethiopia’s corruption index between 2013-2016 was set at a 34/100 a score of less than 50 indicated serious corruption incidence (TI Corruption Perceptions Index, 2013-2016).

- Illicit financial outflows have become a very disturbing phenomenon. For example, in 2010, illicit financial outflows were estimated to be US dollars 3 billion; since the inflow was US dollars 1.2 billion, the loss amounted to US Dollars 1.8 billion to the country. Moreover, in 2014, illicit capital outflows were estimated at US dollars 1.83 billion (Global Financial Integrity, 2005-2014).

- There has been an increasing trend of low governance effectiveness as an indicator of maladministration. Between 1996 and 2010, Ethiopia’s governance effectiveness index has grown from 6% to 26% -quite a significant
improvement. Nevertheless, this was found to be the lowest when compared
to the performance of selected countries, such as Kenya (33%); Uganda
(35%); Ghana (52%); and South Africa (72%) thus indicating how poorly
Ethiopia has fared by the standards of other countries (World Bank, Global
Governance Report, 1996-2010).

• According to the World Bank, Ethiopia has not shown significant improvement
in public sector transparency, accountability and anti-corruption index. This
rose from 2.5 in 2005 to 3 in 2016—quite an abysmal performance over a
period of more than 10 years. Since the conventional score lies between 1-6
points, Ethiopia’s performance is just average during this period. This is yet
another indicator of the challenges of the Ethiopian civil service system in
serving the governance and development needs of the nation (World Bank,

In addition to international organizations, such as the World Bank (WB) and
Transparency International (TI), Ethiopian watchdog organizations at the
national level have also identified and documented serious cases of corruption,
mismanagement of public resources, abuse of authority, lack of accountability,
etc. that are being perpetrated within the Ethiopian Government’s civil service
administration. Some factual examples are provided below:

• In 2013/14, the Federal Ethics and Anti-Corruption Commission (FEACC)
litigated numerous corruption cases under 758 files;

• In 2014/15, FEACC received tips on 5,545 alleged cases of corruption;

• In 2015/16 and 2016/17, 5617 and 4760 tips were received on alleged cases
of corruption respectively (FEACC, 2008 & 2009 E.C.).

In 2017, the Addis Ababa City Administration’s Auditor General Office has found
that institutions of the capital have made a 905.8 million Br worth of unaccounted
transactions in the last fiscal year (Addis Ababa City Government, Audit Report,
2017). It was further revealed in the report that illegitimate procurements and
inflated salaries and benefits were found to be the causes for the audit gap.

In addition to what has been presented above, the Federal General Auditor’s
Office has in its annual reports to parliament also regularly reported on a litany
of so many financial improprieties, embezzlement of public funds and improper
and illegal procurement and purchases practices. For example, in the 20015/2016
annual report, it was noted that out of the total 158 Government departments
audited, serious cases of irregularities and improprieties were reported on 53 of
them, which showed a significant jump from the preceding year of 37 government
departments.
The preceding litany of cases of corruption and maladministration as well as improper procurement and purchasing practices calls for a radical of the civil service system to enhance accountability and transparency as well as instill the values of integrity and public service among government employees (Adebabay, 2011; Solomon, 2013). Some of these ideas for reform are presented in the sections that follow.

What needs to be done?

From the preceding extensive discussion largely supported by factual evidence, it can be observed that the Ethiopian civil service system is facing multiple institutional challenges and malfunctions that have eroded its capacity to serve the nation’s governance and development needs. Unless these are overcome and corrected on time, public trust in government will gradually diminish, and serious questions will be raised about the legitimacy and integrity of the civil service as a public institution. In the long run, there is no doubt that these political ills will produce damaging consequences that can put the stability and peace of state and society in Ethiopia at risk. The following policy recommendations are provided with the aim of suggesting solutions to the critical problems addressed in the discussion above. Equally important, the proposed measures will help to institutionalize an efficient and effective national civil service imbued with the highest ethical standards and values of merit and professionalism.

• The need to revitalize merit and professionalism in the civil service

There is no better alternative to revitalizing the merit principle and the spirit of professionalism to establish a civil service system that is staffed with competent and qualified personnel. At present, the Ethiopian civil service is inundated with people selected on the basis of political patronage and cronyism, and this has resulted in undeserving personnel joining government service, which can be a principal cause for poor public services delivery. When political or ethnic loyalty becomes the dominant criterion for selection for government service, merit becomes the primary casualty thus giving government jobs to the undeserving and the incompetent. This further breeds inefficiency and poor service. When the public is not well served, it can lead to widespread discontent and create mistrust between the government and the people. In the long run, this can be a recipe for social and political problems that cannot be easily overcome. The experiences of many countries suggest that a civil service which is not built on the foundations of the merit principle and professionalism can degenerate into an inept institution with an extremely poor track record in delivering public services, and the Ethiopian situation cannot be any different.
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• Accountability and transparency must be core values in the civil service

One of the most serious challenges of Ethiopia’s contemporary civil service is the apparent lack of accountability on the part of public officials for failure to carry out their duties and responsibilities in a conscientious and proper manner, and according to the law. It is extremely important that the civil service upholds the values and principles of accountability and transparency to insure that the needs and concerns of citizens are served efficiently and effectively. Among other things, disregard for public needs can generate a culture of impunity because culpable officials are not held answerable for their misdeeds or dereliction of duty. The fundamental principles and practices of administration, such as due process; honesty and integrity in conducting the business of government; fair and consistent treatment of the people to be served; the right to lodge complaints and submit perceived grievances or miscarriages of just and fair treatment; providing equal access to information that the public needs; openness and transparency, etc. must be strictly observed to institutionalize the values of accountability and mitigate malpractices in administration. Failure to uphold these creeds will add to increasing public grievances against the government, and lack of trust in public institutions, which a responsible government that values the consent of the people for legitimate exercise of power should avoid at all costs.

• There is no alternative to combating corruption and maladministration to promote good governance and equitable development

Corruption and maladministration can have corrosive effects on the integrity and legitimacy of civil service institutions. If not dealt with effectively, corruption problems fuel mistrust and anger in governments and public institutions. In simple language, corruption is a manifestation of lack of good governance motivated by greed and the desire to secure undeserved or unlawful benefits by using one’s official authority or position in government. The problem is incompatible with equitable and sustainable development because it can grant undeserved privileges and advantages to a selected few who control the system while excluding the large segment of the population from the benefits, and this can be a recipe for social and political upheaval that cannot be controlled easily.

From the foregoing discussion, it has been pointed out that corruption and maladministration are serious challenges within the Ethiopian civil service, and have produced adverse consequences for the prospects of good governance and sustainable development in the country. Considerable data and evidence on pervasive corruption within Ethiopia’s governmental system have been provided by national and international organizations. To add insult to injury, the country’s corruption and transparency perception index has been deteriorating over the past few years.
On the domestic front, there has been a lot of public anger and frustration in recent years at the government’s inability to tackle the problem. Among other things, widespread corruption has tarnished the image of the government leading people to believe that the government, for reasons which are not clear, does neither have the political will nor is willing or able to solve the problem. In addition, lack of government resolve to combat this very serious challenge has also resulted in extending undeserved benefits and gains to a privileged few who use their influence and place in government to access public resources while the vast majority are either marginalized or left out altogether from benefiting out of the country’s recent economic gains. This skewed situation is not sustainable, and has the potential to galvanize widespread anti-government sentiment that can cause serious social and political problems.

• **Enhance the role of watchdog organizations to combat corruption and maladministration**

The experiences of many countries with relative success in combating corruption and maladministration within established civil service systems suggest that independent watchdog organizations can play an indispensable role in mitigating the problem. These organizations are noted for exposing public officials who are culprits of corruption and maladministration, which can assume several forms, including misuse/abuse of formal authority, waste and duplication in government, unlawful enrichment, use of bribes and nepotism of different types, etc. In many countries, examples of such watchdog organizations include auditors’ offices, institutes of the Ombudsman/woman, anti-corruption commissions, and parliamentary standing sub-committees on procurement and supplies, budget and finance, etc., that exercise oversight functions on government operations as well as management of public resources.

For these organizations to be effective in combating the problems across government, two essential conditions must be met. First, they must be independent and autonomous entities, and also have the requisite legal authority to operate effectively. Second, these organizations must be provided with the necessary budget and human resources to equip same with the requisite institutional capacity to conduct investigations, monitor and evaluate government operations, and hold public officials accountable and responsible for their actions and decisions on the basis of tangible evidence.

• **Civil society organizations and the independent media have vital roles in the fight against corruption and maladministration**

In many studies undertaken by the World Bank, the experiences of many countries suggest that independent civil society organizations and the media can play extremely important roles in fighting maladministration and corrupt practices.
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in government (Gonzalez de Asis, 2000). In many countries, these non-state actors are composed of memberships and activists with diverse professional and educational backgrounds that can be put to use to expose and combat the problems. In addition, since they are voluntary organizations, it is easy to mobilize the wider public and grassroots community organizations to take an active part in controlling and monitoring the ills and bad deeds of government at different levels through the instrumentality of these non-government actors. An indispensable condition for these non-state actors to play this constructive role of mitigating the problems of corruption and maladministration is allowing for an unfettered freedom or organization and expression of ideas and views by the people.

In Ethiopia, civil society organizations and the independent media have not fared well in terms of combating corruption and maladministration in government. The principal explanation in this regard is the government’s 2009 law on charities and societies, which had put severe restrictions on civil society organizations that are engaged in promoting good governance and human rights causes if they secure funds or raise resources outside of the country. Simply put, the net effect of the law has been to curtail the activities of national civil society organizations to scrutinize the actions of government and expose malpractices. It is inconceivable to combat corrupt practices, such as unlawful enrichment, theft and misuse of government property, widespread bribery, illicit financial flows, etc. without recognizing the legitimate role of civil society organizations and the media in disclosing these malpractices and holding public officials accountable for their actions and decisions. Hence, it is high time that the Government of Ethiopia ease certain restrictions in the existing civil society and media laws if it is genuine about combating corrupt practices in the public sphere.

- **The civil service must be managed by an autonomous body**

One of the tested means to create an independent and professional civil service that can efficiently serve the public is to guarantee its institutional independence and insulate it from undue manipulation and influence by politicians. This can be done, as argued elsewhere in this paper, by establishing an independent and autonomous institution to administer and adjudicate recruitment, selection, appointment of civil servants on the basis of merit constituting objective set of criteria and qualification. This independent body should formulate rules and regulations to manage the personnel affairs of civil servants of the country. Having an independent body responsible for managing the civil service can also strengthen the neutrality and independence and answerability of the civil servant to the public rather than the politicians, who may wish to sway the actions of government civil servants to their interests and priorities. Hence, Ethiopia must draw lessons from the experiences of successful countries and establish an independent body or commission to manage and oversee the civil service system. In addition, this
body must have the requisite institutional and legal authority, and must be staffed with people with high standards of integrity and an established track record in public service.

- The need to maintain the distinction between career civil servants and political appointees to assert the institutional autonomy and independence of the former

Finally, in order to institutionalize a professional and independent national civil service that is responsive to the needs and concerns of the public it is absolutely necessary to draw a clear distinction between the career civil service constituting of government personnel appointed on the basis of merit, and have security of tenure and the politicians, who are ruling party loyalists or functionaries. One of the great advantages of this important measure is that it can help provide continuity to state administration and promote accountability and transparency in government as well. In addition, if appropriately used in the Ethiopian context, it can mitigate or reverse the ever declining professionalism within in the system, while at the same time insulating civil servants from unnecessary influence and manipulation by politicians.

In conclusion, it needs to be pointed out that the effective implementation of the preceding policy steps can greatly contribute to making the Ethiopian civil service an efficient and professional institution of public service, governance and development for present and future generation of Ethiopians. However, it is also true that such an action will also require great political will and commitment, which have been rare commodities in the political agendas of the country’s three post-World War II regimes, viz. the Imperial Era (1931-1974), the Derg military dictatorship (1974-1991) and the currently ruling government led by the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF)-1991-todate. The more the delay in taking action to correct the institutional deficiencies of the civil service system, the more costly it will become for the Ethiopian state and society.
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The Role and Contributions of CSOs in Achieving the GTP/SDGs in Ethiopia

Eshetu Bekele

Introduction

Associational life is deeply entrenched in Ethiopia and has a long tradition of informal Community Based Organizations (CBOs) like the idir, senbete, mahber, iqub, etc – self-help associations and informal community groups that operate at the local level and offer mutual socio-economic and religious support to their members both in rural and urban settings. In Ethiopia, modern civil society organizations (CSOs) were first established as faith-based organizations (FBOs) in the 1930s, and in 1950s, welfare organizations like the Red Cross Society started to operate. These organizations had limited scope and coverage in providing effective services to the needy community groups. During the Imperial (1930-1974) and Derg (1974-1991) regimes their number and roles were very much limited to the development process of the country. While CSOs had relatively better freedom and autonomy during the Imperial regime, the Derg had severely limited the space for the development and operation of the sector.

However, the 1973-74 and 1984-85 famines forced the Derg to open the door to international humanitarian assistance and foreign non-government organizations had started operating widely in the country, particularly in responding to the famines through various humanitarian relief and emergency operations. Even those that had been involved in relief and humanitarian services were closely supervised by the then government. In general, up until the early 1990s, relief and emergency responses to the humanitarian crisis had dominated the role of CSOs in Ethiopia. But, after the second famine, many CSOs slowly moved into rehabilitation and development work and their roles and contributions also had increased in various sectors. The major areas of engagements included: environmental rehabilitation, food security, health and education services, capacity building, small scale rural infrastructure, microcredit, etc.

Globally also CSOs have mushroomed during the same period and they played increasingly prominent roles since the 1970s in the development sector. Since the mid-1970s, their number, diversity and functions grew exponentially both in the developed and developing world. According to the World Bank, from 1970 to

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1 The term Civil Society Organizations (CSOs) is used here to refer to the wide array of organizations including NGOs that operate in the realm between the state and the market and are formed or registered to promote the interests of communities, members, targeted group of beneficiaries or provision of essential services to the needy people.

1985, total development aid disbursed by the INGOs had increased by tenfold. This trend, though has been fluctuating since 1990s, billions of dollars had been distributed by the INGOs to developing countries that had been invested in various socio-economic development and service delivery projects often done in partnership and through local civil society organizations.

In Ethiopia, however, it was only after 1991 that CSOs made remarkable progress in their number and diversity as well as in addressing the country’s complex development challenges. By the turn of the century, the PRSP and MDGs also brought additional opportunities to the sector, and more CSOs and networks mushroomed across the country to fill gaps left by the failure of the government. Most of these interventions were intended to meet the needs of the poorest communities and supporting the achievement of the MDGs. It was in this period that some of the rights and advocacy based CSOs also emerged targeting women, children, persons with disabilities, etc., and participated in the PRSP/MDGs process as well. During this period, although advocacy organizations were at their infancy stage, some primary organizations and networks had played significant roles in articulating citizens’ and development rights of their respective constituents.

In 2009, the current government adopted a very restrictive and punitive law that limited the roles and contributions of CSOs in Ethiopia. The proclamation particularly bars CSOs that receive more than 10% of their financing from foreign sources from engaging in human rights, advocacy, governance and democracy as well as related activities. This restriction on CSOs has silenced the civil society sector in the country by restricting CSOs’ financial resources and then extinguishing their right to association, assembly and freedom of expression for the last nine years. This has significantly affected the role that the sector could have played in contributing to the achievements of the GTPs, in empowering citizens, and in advancing human rights, freedom and democracy in the country.

This paper is therefore aimed at analyzing the roles and contributions that civil society organizations made in Ethiopia under such a restrictive environment, and charts ways on how CSOs can best contribute to achieving the ambitious GTP/SDGs. As CSOs are recognized as having an increasingly important role in carrying out global development goals, they need to engage actively in the achievement of the SDGs. For this to happen, there is the need for an enabling environment for CSOs, and to that effect the law has to be reviewed and amended to lift some of the restrictions to enhance civic freedoms, improve space for advocacy and human rights activities as well as the finance of CSOs.

This paper consists of six parts. The first part provides a brief introduction, including objectives and methodology. Part II discusses briefly the roles that civil society organizations can play in development. The third part reviews the situation
of civil society organizations in Ethiopia. The fourth part, which is the core of this paper, presents an analysis of the roles and contributions of civil society organizations to the effective achievement of SDGs/GTPs in Ethiopia. The fifth part surveys key challenges that limit the contributions of the civil society sector in Ethiopia; and finally, part 6 provides the conclusion and recommendations as well as suggestions to improve the current situation and enhance the roles and contributions of the sector to promote accelerated and sustainable development.

Objectives of the study

This paper is aimed at briefly assessing the civil society sector in Ethiopia and presenting and analyzing their roles and contributions to development, with particular focus on the Sustainable Development Goals (SDGs) and the Growth and Transformation Plan (GTP). The following are the specific objectives of this paper:

i. Enhance understanding of the roles of CSOs in development within the framework of MDGs/SDGs;

ii. Discuss some of the key contributions of the Ethiopian civil society sector in achieving the SDGs/GTP;

iii. Identify and discuss some of the challenges limiting the contribution of CSOs to development; and

iv. Suggest some recommendations for the way forward for all stakeholders in development, including the government and CSOs, on how to improve the space for the sector and enhance their roles and contributions to ensure the achievement of the SDGs and GTP by 2030.

Methodology

The study employed a combination of qualitative and quantitative approaches for eliciting data on the sector from different primary and secondary sources. The assessment took more of a qualitative approach of analysis. It involved desk reviews of relevant literature on CSOs so as to inform the analysis and writing up of this brief study. The study also involved the collection of primary data through discussion and brief (unstructured) interviews with selected personnel from the Charities and Societies Agency (ChSA) and Ministry of Finance and Economic Cooperation (MoFED) directors as major sources of up-to-date data and information to substantiate the analysis. The writer’s own experiences and observations have also been used to strengthen the coalition and analysis of this research.
The Role and Contributions of CSOs in Achieving the GTP/SDGs in Ethiopia

Limitations

This paper does not claim to be an exhaustive presentation of the roles and contributions made by the Ethiopian civil society sector. Rather, it is just a brief description about the key roles and contributions that the sector has been and is playing in Ethiopia. The paper particularly tries to put emphasis on the roles of the sector around the new sustainable development goals, that have not yet received adequate attention, not only by this sector, but ostensibly by all other major players in the country.

The roles of civil society organizations in development

Civil society organizations have become important actors in development globally, particularly in almost all of the developing countries. They have become important actors in development at least for three reasons. First, because of their scale – both in terms of the number of organizations and their total revenues- they have become important institutions of development and empowerment. This is evidenced by the fact that every year they contribute billions of dollars to developing countries for both humanitarian and development interventions. Indeed, total amount of OECD aid channeled through NGOs has massively grown globally, representing some 13 percent of total development assistance3.

Second, because of the nature of their work, it is often claimed that CSOs are politically neutral, although this is a contested issue because of their invisible affiliations through their advocacy and/empowerment works – either because of the interests of donors or their vested interest in changing policies and attitudes. In this regard, it is suffice to note that there are some evidence to indicate that many local organizations, particularly in urban areas, are affiliated with political parties and interest groups.

Third, because of their reach and focus, most CSOs target the poorest, most vulnerable and marginalized community groups in their approach with innovations, programming and different modes of interventions. Many of them have demonstrated an ability to reach poorer community groups and work in inaccessible areas and achieve results, which are often difficult for public service providing agencies. Being closer to the poorer communities, CSOs are widely believed to provide better services than the government agencies. Although there is little concrete evidence as to whether the non-government actors provide better and targeted services and humanitarian aid than the government, there is ample proof from several field works and observations done mostly, around health, water and education facilities and services provided during drought and emergencies in Ethiopia, that CSOs do a better job than government.

The criticism from the government and the beneficiary communities is always about the size of the projects that are being provided by the non-state actors. But, the role of CSOs is only to showcase best and innovative interventions and then it is the government that has to replicate and scale up the best practices through its systems and structures and get them integrated into its own programmes and implemented for sustained impact.

In Ethiopia, the pre-1990 era of the CSO community was dominated by a relief and humanitarian agenda. The history of CSOs in Ethiopia in many ways is associated with the 1973/74 and 1984/85 famines. These two major famines that had caused huge amount of humanitarian crisis in Ethiopian history contributed to the arrival of international non-government organizations and emergence of indigenous CSOs as well. Most of the international non-government organizations have been involved in emergency relief operations in response to the humanitarian crisis in various parts of the country. This has elevated the importance of CSOs and widened their roles and contributions in Ethiopia. When the famine situation receded, however, most CSOs started involving in rehabilitation and development activities in the country. Especially, following the government’s policy to steer this focus to development (in 1960s)\(^4\), a number of NGOs went into education, health, skills training, credit and savings, environmental protection and natural resources management, child welfare, etc.

Major contributions of international non-governmental and other civil society organizations in Ethiopia in the early 1990s included, among others: (1) food security – credible roles in saving the lives of the famine victims and other vulnerable community groups, especially in drought and famine affected areas of the country; (2) infrastructure development – small community and feeder road constructions had created access for the rural poor to the key services, such as, health, education and market; (3) education and health services – non-government organizations made significant contributions in constructing basic health and education facilities and availing essential medicines both for people and livestock and also availing text books and other school materials for needy young people. (4) micro finance services – the sector is also very well known in Ethiopia in introducing micro finance schemes and enhancing poor people’s income and livelihoods, especially in rural areas, (5) capacity building – CSOs also played key roles in providing training to rural communities in a wide range of areas, including in participatory techniques.

However, when the current government took control in 1991, the operations of CSOs were highly controlled and had very little chance for their development as compared with the Imperial and Derg regimes. Since 1991, the space for civil society organizations opened up and their number and diversity started growing.

\(^4\) Jeffery Clark, 2000, WB.
significantly. As a result, the number of active non-government organizations grew rapidly from around 70 in 1994 (24 local and 46 international) to 368 NGOs in 2000 (246 local and 122 international NGOs). During this period, advocacy organizations, such as the Ethiopian Human Rights Council (EHRCO), Ethiopian Women Lawyers Association (EWLA), Poverty Action Network of CSOs in Ethiopia (PANE) and Organization for Social Justice (OSJ) started operating on human and development rights of citizens.

In addition to the increasingly important roles that the civil society sector played in development and service delivery provision as well as relief and emergency services for the last few decades, it has also contributed to representing the broader civil society sector at the global forums. For example, some CSO networks in Ethiopia have been representing the broader civil society sector at the continental and global advocacy and policy forums, including at the MDGs/SDGs campaigns and advocacy works. Some networks had also made effective poverty reduction efforts from the IPRSP through the GTP processes at the community level through their regional chapters. In addition, they had significantly influenced local and national policies and practices by systematically working with the local government to provide effective social services at the community level as well as by advocating social accountability and participatory governance approaches through budget works. Later on (after the CSP), some organizations have been forced to redefine their advocacy strategies and systematically engaged policy and decision makers and influenced policies and procedures by creating smooth working relationships, by repackaging the sensitive languages and aligning their interventions with that of the governments’ interest and priorities.

CSOs in Ethiopia have also been important sources of earning a lot of foreign exchange for the country. According to the discussion with the ChSA and some of the CSO leaders, the sector generates about one billion US Dollars every year. The agency also confirmed that the sector contributed more than 32 billion birr in the last 2-3 years on top of the capacity building, knowledge transfer, emergency response and materials provided in kind through various programmes. Although it was not possible to get figures on employment, the civil society sector is employing a lot of people across the country. The amount of income collected through taxation from the CSOs sector is also another huge contribution to the government’s revenue. In addition, CSOs are also known not only in pioneering the introduction of new technologies and ways of working, but also in introducing innovative ideas. For example, the non-formal education system was first introduced and tested by CSOs and then replicated and scaled up by the Ministry of Education (MoE) after being incorporated into its curricula. The government of Ethiopia has also incorporated the practice of participatory forest management

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5 Dessalegn Rahmato, 2002.
into its strategy after the approach has been introduced and tested by CSOs. There are many more such experiences in a wide range of areas in Ethiopia.

The situation of CSOs in Ethiopia

As can be observed from the discussion in the preceding section, although there is a significant increase in the number, diversity and scope of operations of civil society organizations after 1991, it is still small compared with many African countries. The growth of the sector has rather been slowed down after 2009, mainly because of the Civil Society Proclamation (CSP) and challenges relating to financing. The global financial crisis as well as changes in the policies and priorities of bi-and multilateral organizations have also negatively contributed to this limited growth of the CSOs. The three thousand CSOs operating in Ethiopia currently are very small for a country with more than a hundred million people, diverse and complex socio-economic needs, huge youth unemployment, as well as humanitarian and political problems. The following table compares the number of CSOs operating in some eastern and southern African countries.

Table 1: Number of CSOs operating in some of the Eastern and Southern African countries

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of CSOs (registered)</th>
<th>Year</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>3,237</td>
<td>2018</td>
<td>-</td>
</tr>
<tr>
<td>Kenya</td>
<td>86,000</td>
<td>2018</td>
<td>-</td>
</tr>
<tr>
<td>Malawi</td>
<td>&gt;1,000</td>
<td>2017</td>
<td>There are thousands of unregistered CBOs</td>
</tr>
<tr>
<td>South Africa</td>
<td>100,000</td>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>Tanzania</td>
<td>8,316</td>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>Uganda</td>
<td>&gt;12,500</td>
<td>2012</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: compiled from ICNL’s annual CSO sustainability indexes.

During the past nine years, CSOs’ government relations in Ethiopia have been tense with strict supervision and control by the Federal Charities and Societies Agency. The proclamation and subsequent directives issued by the agency had further narrowed the operating space for CSOs and that has created lack of trust and fully eroded the spirit of partnership in development between CSOs and the government at various levels in the country. In this process many organizations died out either because of their inability to raise funding for their activities or have been de-registered by the agency because of their inability to comply with the restrictive requirements. According to discussions with the directors of the
agency, more than 6506 CSOs have been deregistered so far and there are several hundred inactive CSOs in the country that have not been registered or registered, but inoperative.

According to the Federal Charities and Societies Agency, 3,237 CSOs were registered in Ethiopia in 2018 and are active in a cross section of sectors, including agriculture, water, education, environment, health, gender and development, children’s wellbeing, poverty alleviation related interventions, peace, demographics, training and capacity building, counselling, small scale enterprises, disability and many others. Of this number 2,130 were Ethiopian resident charities; 104 were Ethiopian Charities; 424 were foreign charities, including adoption organizations; 328 were Ethiopian Societies; 89 were Ethiopian Resident Societies; and 48 were Consortiums. In 2018 about 117 civil society organizations (of which 4 were networks) have been deregistered. Overall, between 65 and 100 CSOs have annually been closed down due to several reasons but mainly because of the complications associated with the proclamation. The good news, however, is that there is a new glimpse of hope for an amendment of the law under the new EPRDF leadership.

Table 2: Number and types of CSOs in Ethiopia since the CSP 2009 [2010-2018]

<table>
<thead>
<tr>
<th>Type of CSOs</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopian Res Charities</td>
<td>933</td>
<td>1203</td>
<td>1474</td>
<td>1668</td>
<td>1816</td>
<td>1948</td>
<td>2098</td>
<td>2202</td>
<td>2130</td>
</tr>
<tr>
<td>Ethiopian Res Societies</td>
<td>50</td>
<td>59</td>
<td>80</td>
<td>89</td>
<td>89</td>
<td>89</td>
<td>89</td>
<td>90</td>
<td>89</td>
</tr>
<tr>
<td>Ethiopian Societies</td>
<td>172</td>
<td>230</td>
<td>288</td>
<td>309</td>
<td>320</td>
<td>324</td>
<td>335</td>
<td>349</td>
<td>328</td>
</tr>
<tr>
<td>Ethiopian Charities</td>
<td>69</td>
<td>80</td>
<td>84</td>
<td>88</td>
<td>93</td>
<td>99</td>
<td>105</td>
<td>110</td>
<td>104</td>
</tr>
<tr>
<td>Foreign Charities</td>
<td>213</td>
<td>241</td>
<td>264</td>
<td>288</td>
<td>312</td>
<td>344</td>
<td>368</td>
<td>391</td>
<td>378</td>
</tr>
<tr>
<td>Adoption Organizations</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>43</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Consortiums</td>
<td>32</td>
<td>42</td>
<td>47</td>
<td>50</td>
<td>50</td>
<td>51</td>
<td>52</td>
<td>52</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>1,511</td>
<td>386</td>
<td>382</td>
<td>255</td>
<td>188</td>
<td>175</td>
<td>193</td>
<td>147</td>
<td>3,237</td>
</tr>
</tbody>
</table>

* Some key informants argued that this number might be more than 1000 compared with the number of CSOs that have been operating in the country prior to the 2009 civil society proclamation.
The current government of Ethiopia headed by the new Prime Minister Dr. Abiy Ahmed, who came into office in April 2018, has been making several changes, including promises to amend the restrictive laws, viz. the civil society proclamation, as well as the anti-terrorism and media legislations. Prime Minister Abiy’s government has also established an independent Legal and Justice Advisory Council, which is tasked with, among other responsibilities, with the review of laws that have an impact on the democratization process and civic freedoms. Since the end of June, the council was officially announced, and it has established a sub-committee in charge of reviewing the country’s restrictive Charities and Societies Proclamation (CSP). The amendment of this law is imminent and has been given priority. It needs to be pointed out that a couple of input gathering sessions have already been organized recently and key actors in the sector have made contributions. It was also reported that there will be broader consultations before it gets the final shape and tabled to parliament for endorsement.

**Key Roles Ethiopian CSOs played in achieving MDGs/SDGs**

Ethiopia has successfully achieved the MDG target on the reduction of child mortality by two-thirds three years ahead of the 2015 deadline. Ethiopia has also achieved the MDG target on access to safe drinking water, also ahead of the targeted timeline. The prevalence of HIV/AIDS, malaria, and tuberculosis has also been significantly reduced in those 15 years’ time. Although the government didn’t acknowledge the roles and contributions of the CSO sector, many civil society organizations had immensely contributed to helping Ethiopia achieve the MDGs, especially in expanding basic social services to the neediest communities, particularly in the areas of improving access to basic primary education and providing reproductive, maternal, and newborn child health and nutrition as well as water, sanitation and health services.

During the MDGs era, CSOs did actively participate in various forms of the medium-term development frameworks of the country, such as the SDPRP, PASDEP and GTP 1 processes. CSOs had participated in a more structured manner, particularly in holding consultations at various regions on different thematic and sub-thematic sectors during the IPRRSP, SDPRP and PASDEP making processes. In addition, they provided inputs through consultations and research, which were designed to generate data to conduct evidence-based policy advocacy. and provided organized feedback on the implementation of the medium-term development plans through the Annual Progress Review forums (APR). During those years, the government also had positively recognized the roles and contributions of CSOs and incorporated inputs that had been provided to the then MoFED on the progresses, challenges and matters that had required attention of government and
development partners and that helped the successful achievement of the MDG goals and targets.

As indicated in table 3 below, CSOs in Ethiopia did make significant contributions to the achievement of the MDGs and GTP 1. The bulk of GTP 1 financing for the health sector and HIV/AIDS came from the CSOs, business and community contributions. They also had contributed a lot in fulfilling the total funding required to finance the GTP 1 plan of the education, water, sanitation and hygiene sectors, among others. Table 3 below provides more details.

Table 3: Poverty reduction financing and CSOs contribution

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>Total fund needed (in Billion ETB for 5 yrs./GTP1)</th>
<th>Government and Donors</th>
<th>CSOs, private sector and communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Education</td>
<td>53.7</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>Health</td>
<td>34.9</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>3</td>
<td>HIV/AIDS</td>
<td>6.2</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>4</td>
<td>WASH</td>
<td>15.6</td>
<td>77</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: MoFED, 2013

Unlike the MDGs period, however, there was very limited participation and consultation with CSOs on the SDGs and GTP 2 processes. Obviously, the SDGs should not be driven solely by the government, but by building more genuine partnerships between communities, civil society, and the private sector. According to discussions with many CSOs and observations from the field, this lack of adequate consultation with and among the CSO community shows lack of understanding regarding the vital roles of CSOs on the new sets of global (SDGs) and national goals (GTP II), targets and indicators. Indeed, there is very little awareness among government officials about the vital role of CSOs in achieving SDGs and this has also meant limited government commitment to address poverty and inequality through the GTP II as part of wider SDGs. Similarly, community groups, CBOs and the local government (including urban municipalities) representatives are not aware of the SDGs and its essence.

The preceding challenges pose problems for those CSOs that are supporting the implementation, monitoring the progresses and evaluating the impacts of the SDGs. It also raises question as to who will implement and monitor the results. On top of that, SDGs are expected to help in eradicating poverty in the next 15 years or as indicated in the 2030 ambitions and during the lifetime of the SDGs. For this, the participation of CSOs is mandatory as was well-articulated by the then UN secretary general, Ban Ki Moon at its launching in September 2015 in New York. This will mean that CSOs would have huge involvement in raising public
awareness programs on SDGs and even the GTPII as the efforts made so far are not adequate to realize the “leaving no one behind” agenda.

Sustainable development requires the harnessing of a country’s assets, its capital, human and natural resources, among other things, to meet demands from its population as comprehensively as possible and as required by the SDGs. Obviously, the public sector could not be able to meet all the demands coming from the people. It would therefore, require the involvement of civil society organizations (in addition to the business) as they are better placed to fill the gaps and articulate the needs, priorities and concerns of poorer people for more and better targeted interventions by the public sector. They can also hold government and donors to account to the citizens in response to people’s development needs. Simply put, CSOs are more effective, experienced and innovative to provide services and development in hard to reach areas, mobilize community groups in support of the SDGs, to encourage and advocate for changes in policies and practices in favor of the development needs of the deprived community groups and to empower the most vulnerable community groups, such as, persons with disabilities, the youth, women and children.

Currently, CSOs in Ethiopia are involved in a range of development interventions in support of the implementation of the SDGs/GTPII. According to data obtained from the ChSA, there are about 306 projects that are directly related to the implementation SDGs/GTP in various parts of the country. CSOs also are involved in 855 agriculture, environment and natural resource management project interventions while 213 projects are being directly implemented on issues related to water supply. Most of the CSOs are engaged in health care interventions (1,757 projects), child development (1,047 projects) and education (807 projects). Interventions by CSOs interventions around various social issues, for example disability issues, youth development, and women empowerment, amount to 786, 192 and, 307 projects respectively. Other projects that CSOs are active with include culture and heritage protection (251 projects) and relief and emergency related projects (156).

About 118 projects relating related to human rights, governance and democracy issues are being run by different CSOs throughout the country. Although the combination of the financial crisis and the government’s restriction on foreign funding for civil society organizations working on sensitive issues such as human rights and advocacy, have made the works of many organizations difficult, some have managed to systematically engage and do community empowerment, human rights and democracy teaching programs to enable citizens demand their rights and priorities as well as voice their concerns at the local level. These groups of CSOs have also been trying to firmly ground their human rights agenda and aspiring to improve outcomes for all people, including marginalized population groups.
systematically. In addition, they have also initiated different agendas that address many of the shortcomings of the Sustainable Development Goals (SDGs). In short, civil society advocacy on these and other human rights and governance issues is of paramount importance to successfully attain goals enshrined in the aims and ambitions of the SDGs. Table 4 below summarizes major areas of CSOs interventions in Ethiopia.

Table 4: Major areas of CSOs interventions in Ethiopia (2018)

<table>
<thead>
<tr>
<th>No.</th>
<th>Key thematic areas of engagement</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>410</td>
</tr>
<tr>
<td>2</td>
<td>Environment and Natural Resource Management</td>
<td>445</td>
</tr>
<tr>
<td>3</td>
<td>GTP/SDGs direct support</td>
<td>306</td>
</tr>
<tr>
<td>4</td>
<td>Capacity building</td>
<td>403</td>
</tr>
<tr>
<td>5</td>
<td>Education</td>
<td>807</td>
</tr>
<tr>
<td>6</td>
<td>Health</td>
<td>1759</td>
</tr>
<tr>
<td>7</td>
<td>Child Development</td>
<td>1047</td>
</tr>
<tr>
<td>8</td>
<td>Youth development</td>
<td>192</td>
</tr>
<tr>
<td>9</td>
<td>Women empowerment</td>
<td>307</td>
</tr>
<tr>
<td>10</td>
<td>Culture and heritage protection</td>
<td>251</td>
</tr>
<tr>
<td>11</td>
<td>Human rights, governance and democracy</td>
<td>118</td>
</tr>
<tr>
<td>12</td>
<td>Relief and emergency</td>
<td>156</td>
</tr>
<tr>
<td>13</td>
<td>Various social issues, including disability issues</td>
<td>786</td>
</tr>
<tr>
<td>14</td>
<td>Water</td>
<td>213</td>
</tr>
</tbody>
</table>

Source: compiled from the data obtained from the ChSA, 2018.

As can be observed in the above table, CSOs in Ethiopia have continued to play an important role in development and this has been reflected in their number, diversification of their activities, geographic spread and the amount of funds channelled through the sector. As can be seen from table 5 below, in 2017 about 2000 CSOs did implement more than 4000 projects across the country, both in rural and urban areas and in almost all sectors with an investment cost of close to 12 billion ETB. Out of the 4,259 projects, 28.85%, 17.68%, 16.81%, 16.10% and 7.32% of the projects were implemented in Oromia, Amhara, Addis Ababa, SNNPR and Tigray regional states respectively. As can be observed below, Harari and emerging and developing regional states had smaller shares of the projects during 2017. Details are provided below in Table 5.
Table 5: Number of projects by geographic areas and funding size (2017)

<table>
<thead>
<tr>
<th>Region</th>
<th>CSOs</th>
<th>Projects</th>
<th>Amount of money/in Billion ETB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addis Ababa</td>
<td>382</td>
<td>716</td>
<td>1,078,446,715.63</td>
</tr>
<tr>
<td>Afar</td>
<td>73</td>
<td>157</td>
<td>482,635,437.68</td>
</tr>
<tr>
<td>Amhara</td>
<td>304</td>
<td>753</td>
<td>3,278,186,161</td>
</tr>
<tr>
<td>Benshangul-Gumuz</td>
<td>65</td>
<td>107</td>
<td>204,235,431.77</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>43</td>
<td>77</td>
<td>251,568,255.71</td>
</tr>
<tr>
<td>Gambella</td>
<td>36</td>
<td>61</td>
<td>117,857,521.07</td>
</tr>
<tr>
<td>Harari</td>
<td>21</td>
<td>35</td>
<td>110,541,613.39</td>
</tr>
<tr>
<td>Oromia</td>
<td>525</td>
<td>1229</td>
<td>3,853,889,936.23</td>
</tr>
<tr>
<td>SNNPR</td>
<td>294</td>
<td>686</td>
<td>1,208,032,715.30</td>
</tr>
<tr>
<td>Somali</td>
<td>84</td>
<td>126</td>
<td>462,122,115.30</td>
</tr>
<tr>
<td>Tigray</td>
<td>127</td>
<td>312</td>
<td>793,840,104.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,954</td>
<td>4,259</td>
<td>11,841,356,007.72</td>
</tr>
</tbody>
</table>

*Source: Charities and Societies Agency, 2018.*

Through the preceding engagements, civil society organizations have helped the government of Ethiopia achieve the GTPs and the MDGs/SDGs agendas as well. In addition, civil society groups immensely contributed towards reaching the most vulnerable and hard to reach community groups through their development programming. Through the changing roles of CSOs, they also enhanced local participations of marginalized group of people through capacity building and empowerment processes, including through media and awareness raising programs. They have been and still carrying out action-oriented research for systematic and evidence-based advocacy to influence government and donors’ policies and practices. CSOs have also played pivotal roles in resource mobilization for development programs, enriching policy processes through generating evidences, learning, documenting and sharing best practices. They are also very well known in building local and national partnership of development actors for the common goals of poverty reduction and sustainable development. On top of their monitoring and evaluation roles they are involved in budget works through
The Role and Contributions of CSOs in Achieving the GTP/SDGs in Ethiopia

social accountability mechanisms, such as budget tracking, budget monitoring and budget analysis to ensure transparency, accountability and openness in service delivery processes as well as in planning and budgeting.

Another crucial role of civil society that has often been overlooked is their peace building effort. Civil society organizations can provide people with the tools and resources they need to tackle violence and build peace, re-build local level trust between people within communities, with different ethnicities and religions, between communities and their local administration, document and record human rights abuses, and help initiate non-violent and peaceful alternatives at local levels. Weak institutions and poor governance are often both the root cause of conflict and an obstacle to building the conditions for peace. Currently, these are serious issues and concerns for the country and CSOs are operating around areas affected by violent ethnic and religion related conflicts to mitigate the problems. CSOs can also play roles in enhancing local government capacities and build the relationship between the local administration and communities, as a means of building sustainable peace to facilitate the effective achievement of SDGs.

Key Challenges of CSOs in Ethiopia

Lack of enabling environment for effective civil society operations

Proclamation No. 621/2009 is a key challenge for smooth engagement and operation of the CSOs in Ethiopia. In order for civil society to be able to contribute meaningfully to the achievement of the SDGs, it is essential to have an enabling environment in which it can freely operate. There should be adequate space that could enable CSOs and citizens’ groups exercise their rights and freedoms of opinion and expression and of association and peaceful assembly as well as access to justice. Undue interference and control by the government at various levels and ChSA restrictive regulation of their activities are said to be additional obstacles for CSO operations in the country. It also requires transparency of government and public access to information to help CSOs achieve their goals. Commitment to these freedoms and entitlements is affirmed in the 2030 Agenda itself. For example, Goal 16 calls for “effective, accountable and transparent institutions” as well as “responsive, inclusive, participatory and representative decision-making”7 at all levels and also explicitly demands public access to information and protection of fundamental freedoms to help CSOs successfully carry out their missions and objectives.

Lack of funds

Most CSOs are experiencing difficulty in finding sufficient, appropriate and continuous funding for their work in Ethiopia. They find the 70:30% and 90:10% requirement in the law as key bottlenecks and accessing donors as challenges regarding their funding conditions. There is also the perception by some local CSOs that there are certain cartels of individuals and INGOs that control access to donor funds. As a result, most local CSOs made strategic shifts in their programmatic areas, minimized the size of their projects and areas of operations and also reduced the number of beneficiaries and staff size. In the worst cases, it also resulted in the closure of some CSOs in response to the shrinking funding situation in the country. Most of the local CSOs in the country have very limited resource mobilization skills and are often not looking for funds that are available locally, preferring to wait for international donors to approach them. In addition, there is a high dependency of donors and a tendency to shift interventions to match donor priorities. In general, there is a lack of financial, project and organizational sustainability, mainly due to funding problems as observed in Ethiopia – for those CSOs operating both at national and sub-national levels.

Lack of good-governance and accountability

There is often criticism by the government, researchers, and many people, including CSOs own staff, about lack of good governance and accountability mechanisms among the civil society community. In the management of CSOs, good governance involves having no effective board that is managed professionally with policy and oversight functions over management, an empowered management that utilizes good management practices and that gives staff adequate authority and responsibility; good and functioning systems and processes, including financial procedures, personnel policy, fund raising policy, procurement policy and conflict of interest policy and having mechanisms of accountability, including internal and external audit; and complaints and grievance management mechanisms, etc. The fulfillment of these requirements can enhance accountability within the civil society sector. In this regard, the critical question then is, what does it mean for CSOs to be accountable and what mechanisms need to be employed to self-regulate the sector. Clearly, there is a gap in this For example, only a few organizations from among the CCRDA members have signed the Code of Conduct and the humanitarian NGOs code of conduct has been signed only by the ACT Alliance members.

Lack of adequate capacity to effectively engage in the SDGs process

A broad and inclusive understanding of the contribution and engagements of CSOs in the SDGs process is very important. Their engagements particularly around mobilizing people in solidarity and support of the SDGs/GTP II, localizing the
The Role and Contributions of CSOs in Achieving the GTP/SDGs in Ethiopia

SDGs in the Ethiopian context, being the voice for people, especially for those left behind, as well as realization of sustainable development outcomes through monitoring and in creating accountability mechanisms are key for the successful achievement of the SDGs. They can engage in various actions to put pressure on decision-makers and monitoring what government is doing and/or supporting the government by providing examples of how it can be done. Further, they can strengthen existing local and national campaigns by linking and integrating them into international campaigns. CSOs can also play an important role in contributing directly via the implementation of their projects and in holding the private sector accountable for their actions and deeds. Nevertheless, it needs to be recognized that there exists a knowledge, action and capacity gap between the different types of CSOs that must be filled to enable the sector contribute to the achievement of the SDGs processes effectively. This gap is partly related to lack of initiatives from the government and UN agencies in clearly defining, engaging and developing the capacity of CSOs in the so-called “new partnership” between national SDGs/GTP and key stakeholders. Lack of lack of experience and capacity to engage in the SDGs and influence the processes can also be cited as another challenge.

Concerns with sustainability

Sustainability is another serious concern in relation to CSOs programs, given their reliance on short and medium term project-based funding. Projects with defined time- scales, measurable outputs, and an emphasis on physical capital development are not well suited to long-term structural change. Some of the programmes implemented by CSOs are still far from being sustainable given the capacity challenges, limited funding and lack of ideas on how to integrate same into the governments’ systems and structures for scaling up and ensuring sustainability. One of the gaps in CSO involvement in the implementation of programmes aimed at advancing SDGs is that of funding. Civil society organizations that are better organized and have stronger links to government and international organizations are generally more successful in competing for the limited resources despite the fact that similar problems prevail in other regions.

Conclusions and recommendations

In this brief review, an attempt has been made to assess the roles that CSOs have been playing in development, their contributions as well as key challenges they are facing in Ethiopia. As discussed in the preceding sections, the role, visibility and influence of civil society organizations have been increasing between 1991 and 2009. This rise has been mainly stimulated by a relatively better democratic space and the failure of the government to deliver services effectively to citizens. Meanwhile, as the influence from the civil society sector grows, there was a greater concern from the government side (especially after the highly contested
national election in 2005), which precipitated strict scrutiny and harassment often followed by attacks on CSOs under the pretext of lack of good governance, legitimacy and accountability within the sector. As has been repeatedly explained, this was followed by the issuance of restrictive and punitive law by the government that greatly limited the space for advocacy and campaigns for human rights and governance as well as democracy related operations, which, of course, are key and changing roles of the sector.

The paper also showed how lack of an enabling environment, funding constraints, lack of good governance and accountability as well as lack of adequate capacity within the sector affected the growth and contributions of the civil society to the development of the country and achievement of the SDGs/GTPs. Moreover, limited capacity and experience to engage with SDGs at a strategic level to influence policies and practices and issues of sustainability are also noted as major challenges of CSOs in Ethiopia.

Thus, to ensure effective civil society engagement in the achievement of the SDGs process, the challenges, mainly pertaining to the enabling environment, call for a comprehensive and enabling legislation, which will not only solve the immediate problems of CSOs, but assist in the long-term promotion and development of CSOs in Ethiopia. It will thus be important that the government reviews and amends all the restrictive provisions in the proclamation and ensure genuine participation and partnership with the CSOs for effective and successful achievement of the SDGs. The amendment of the law will also help facilitate raising public awareness of the SDGs and implementation measures, including by ensuring availability of information in all relevant local languages and in accessible formats, and also educating people about their rights in development. Building the capacity of CSOs and mobilizing community groups to enable them actively engage in the achievement of SDGs, monitoring and reporting as well as policy discussion processes are key interventions to advance the “Leaving no one behind” agendas of the SDGs.

Another key challenge is the declining financial capacity of CSOs since 2010. CSOs in Ethiopia are heavily relying on foreign sources of funding, and major traditional funding sources for the local CSOs are drying up and grants are being reduced significantly due to various reasons. The restrictive provisions of the civil society proclamation is the main reason, but the sector’s capacity in raising funds due to stringent donor funding criteria and limited availability of funds for the sector and also shifts in donor priority into other sectors and countries as well as the interest in prioritizing their own domestic development issues, for example, responding to the current migration crisis, especially in Europe, are other reasons that have aggravated the funding situation for CSOs.
At the moment, there are only three major funding sources for the CSOs in Ethiopia: The Ethiopian Social Accountability Program (ESAP), which is a multi-donors trust fund managed by the World Bank; the EU-funded Civil Society Fund (EU-CSF) and the multi-donor-supported Civil Society Support Program (CSSP). Therefore, freeing the restrictions in the CSP particularly those that relate to funding and building the capacity of the sector, including in fundraising and sustainability mechanisms, are of paramount importance for the survival and strength of civil society so that CSOs are enabled to bridge the service gaps between the government and the people and attaining the SDGs. Working and partnering with the private sector is another viable option for mobilizing domestic resources to effectively engage around issues of corporate social responsibility and the implementation of the SDGs. The government should also support and encourage civil society capacity building and engagement by providing funding opportunities and working with donors and international organizations that promote civil society activities around the GTP/SDGs. Finally, the government should also refrain from unduly restricting access to resources by civil society organizations.

In conclusion, it has to be noted that the 2030 Agenda itself makes multiple references to engagement with civil society in the implementation process. It proclaims the Agenda as “an Agenda of the people, by the people and for the people”8 and calls for the establishment of a global partnership with the participation of all stakeholders and all people to work on its implementation. Governments must ensure that civil society has a seat at the table as they implement the 2030 Agenda and must provide an environment in which meaningful civil society engagement is realized.

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8 Transforming our world: the 2030 Agenda for Sustainable Development. Sustainable Development Knowledge Platform, 2018, N.Y. USA.
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Growth and Challenges of the Ethiopian Private Sector

Wolday Amha

Introduction

Background

The history of private sector in Ethiopia goes back to the post-World II period, particularly in the 1960s, when government policies were designed to attract domestic and foreign investments. The three Five-Year Plans (1957-61; 1962-67; and 1968-73) during the imperial period focused on the development of the private sector (Mulatu Wubneh 1991). The government provided tax incentives, import-export privileges and finance to encourage both the Ethiopian nationals and foreign companies. This attracted foreign companies, manufacturing, construction and trading activities. Alongside the state-owned banks, a range of foreign banks and insurance companies were active, including the Addis Ababa Bank, Banco di Napoli and the Banko di Roma (Sarah and Mesfin 2011). The Dutch sugar giant HVA had a major investment in the sugar industry, while the Japanese investors were engaged in textile enterprises. The Italians focused on textile, construction and agricultural activities, while the Greeks invested in shoes and beverages. In 1971/72, the share of foreign capital in the manufacturing industries accounted for 41 percent of the total paid-up capital in the sector (Ministry of Industry 2013). On the other hand, government policy supporting domestic investors came relatively late. During the imperial regime, rents were accrued by foreign companies and Ethiopians with close connections to the ‘traditional’ imperial patterns of powerful families and little attempts were made by the government to centralize rents (Sarah and Mesfin 2011).

When the socialist-oriented policies of the Derg regime started being implemented in 1975, the government nationalized all private companies owned by both foreign and Ethiopian nationals. These measures had entirely destroyed private sector development and had a devastating impact on the growth of the nascent private sector in the country. The Soviet-modelled planned and centralized economy focused on promoting state-owned industries and banks, parastatals, large state farms, collectivized subsistence agricultural activities and controlling prices and trading activities, which marginalized the private sector. The Derg regime prohibited individuals from owning more than one business and put 500,000 Birr as the maximum capital ceiling for a private business. As a result, private direct

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1The main characteristics of the manufacturing sector during the imperial period included a predominance of foreign ownership and foreign managerial, professional and technical staffing; heavy emphasis on light industries; inward orientation and relatively high tariffs; capital-intensive; underutilized capacity; minimal linkage among the different sectors; and excessive geographical concentration of industries in Addis Ababa, Dire Dawa and Asmara (Mulatu Wubneh 1991).
investment declined from 65 million Birr in 1974 to 12 million Birr in 1977 (Mulatu Wubneh 1991). The dominance of inefficient state-owned industries and the collapse of private sector investment between 1974 and 1991 resulted in a decline of annual GDP growth or stagnated. Between 1974 and 1978, the annual GDP grew by only 0.4% (Sarah and Mesfin 2011). After showing an average growth rate of 18.9% in 1978/79 and 1979/80, the annual growth rate of the sector declined by about 3.1% between 1980/81 and 1984/85 and by about 3.8% between 1985/86 and 1988/89 (Ministry of Industry 2013). According to Alemayehu Geda (2005), during the period between 1974 and 1990, economic growth in Ethiopia was estimated to have decelerated to an average rate of 2.3%, equivalent to -0.4% per capita growth, when population increase is factored in.

The market liberalization process started in 1990, a year earlier before the downfall of the Derg regime in the country. President Mengistu’s March 1990 speech announced the implementation of a mixed economy. Under the new paradigm shift of the Derg regime, the private sector was allowed to participate in all sectors of the economy, with no limit on investment capital (Mulatu Wubneh 1990). When Ethiopia People’s Revolutionary Democratic Forces (EPRDF) took power in May 1991, it started promoting free-market economy by taking swift reforms focusing on market liberalization. This was a new era that gave the revival of private investment and increased the role of private sector in the economy. EPRDF introduced a market-oriented Economic Reform Program aimed at free market economy, private sector development, macroeconomic reforms and rapid structural and institutional changes.

Since the beginning of the 1990s, various strategies and policies introduced by the incumbent government have shown its commitment to support the private sector in Ethiopia. For example, strengthening private sector growth in industry was one of the objectives of the Sustainable Development Plan and Poverty Reduction Program (SDPRP) (2002/03-2004/5). The Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) (2005/6-2009/10) was aimed at significantly accelerating growth via the commercialization of agriculture and the promotion of the private sector development. Consequently, various programs and institutions were created with the objective of promoting market-led economic development, particularly private sector development.

Similar to the Growth and Transformation Plan-I (GTP I), the GTP-II reiterates the importance of the private sector in ensuring growth and transformation (National Planning Commission 2015). It has focused on promoting private sector (domestic and foreign) to accelerate inclusive economic growth, create employment opportunities, increase exports and bring to fruition the transfer of technologies. The government has given emphasis to support domestic firms, particularly those investing in the manufacturing sector. It intended to promote the
priority sectors by providing incentive packages, creating favorable environment to do business, facilitate linkages between local and foreign enterprises, and knowledge and technology transfer.

Statement of the problem

The recent focus on private sector development in Ethiopia goes along with a shift in the development thinking that started in the beginning of 1990s, particularly after the downfall of the Derg regime. Given the economic disaster during the socialist political system, there has been a consensus that a dynamic, vibrant and competitive private sector in Ethiopia can play a crucial role in the economic development process as it is an engine of investment, innovation, and driver of growth. It is expected to offer an effective way to enhance the productive capabilities of the economy at all levels, create productive employment, increase income and prosperity. However, disagreement in the economic literature exists about which type or segment of private sector is best to ensure inclusive growth and transformation in Ethiopia and which government interventions are required to create a dynamic private sector.

The neo-classical economists argue that markets are generally efficient and the cost of market failures is lower than the cost associated with the government intervention which aims to remedy market failure. Therefore, countries should follow their comparative advantage based on their natural endowment and not actively try to change economic structure through government interventions. The role of the government in the neo-classical school is to introduce neutral policies that facilitate the economic sphere by improving infrastructure, ensuring property rights, a favorable investment climate and business environment, reducing regulatory burdens through deregulations, and provide tax or financial incentives (Reiner and Staritz 2013). Unlike the neo-classical thinking, the structural or the recently labeled neo-structural economists argue that structural change is the central engine and outcome of economic development. They stress the existence of substantial market coordination and system failures which require governments to shape the economy by interfering with market, pursuing selective policies favouring certain sectors that are more productive such as the real sector and offer higher learning possibilities and externalities, or being directly involved in productive activities (Amsden 1989). It should also be noted that standard growth theory does not differentiate between sectors and presupposes a homogeneous capital stock, which is an input factor in an aggregate production function.

The development thinking in GTP-I and II in Ethiopia (although this was not explicitly articulated in the documents) belongs to the structuralist school. The government has clearly identified industry, particularly manufacturing, as its priority sector. It focused on structural change- shifting production factors from low-productivity agricultural sector to high-productivity activities in the industrial
sector. This is realized by implementing proactive and forward looking policies, support programs, and incentives to the priority sector-manufacturing activities. However, although efforts were made by the Ethiopian government to attract private firms (domestic and foreign) to invest in the priority sector (industry) by implementing selective policies, support programs and incentives, it has not yet been successful. Moreover, since the young private sector is weak to serve as an engine of growth and transformation, the government is directly involved in establishing strategic public-enterprises to meet the targets of GTP II.

This paper focuses on responding to following questions:

- What are the binding factors constraining the growth of the private sector in Ethiopia?;
- Why is the growth of industry, particularly the manufacturing sector, lagging behind the other sectors?;
- Why do the domestic private firms shy away from investing in the manufacturing sector?;
- What are the causes behind the very low investment in the regional states?;
- Why is the government reluctant to trust the private sector as the engine of growth and transformation?;
- Are the public enterprises and party-owned companies crowding out the private sector?; and
- What are the strategic and policy interventions required to support the growth and expansion of the private sector?

**Objectives and Method of data collection**

The specific objectives of this paper include: (i) reviewing the growth and development of the private sector in various sectors, (ii) identifying the binding constraints of existing private firms and the creation new businesses, and (iii) identifying the research agenda and proposing selective policy directives to promote the private sector. Although the study mainly depends on secondary sources and research reports, qualitative information were collected through interviewing selected owners of private firms and board members of the party-owned endowment companies to complement the quantitative results and fill the gaps.
Growth and development of the private sector

Ethiopia’s overall level of investment is relatively high: gross fixed capital formation averaged 29.4% of GDP between 2009 and 2013, well above 22.1% that might be expected in a country of Ethiopia’s income level, based on the pattern among low- and lower-middle income countries (USAID 2014). Ethiopia’s investment ratio was higher than Kenya, Rwanda, or Uganda, though not as high as Mozambique or Tanzania. On the other hand, data in Table 1 reveal that Ethiopia’s ratio of private investment to GDP per capita fell below that of the comparator countries in most years between 2009 and 2013, as well as below the average among low-income countries. Moreover, if the party-owned endowment companies, which are treated as private sector entities in computing the private sector investment, are categorized separately, the contribution of the private sector investment out of the overall investment will further decline (USAID 2014).

Table 1: Contribution of the Private Investment to GDP per capita in East African Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>13.3</td>
<td>11.9</td>
<td>9.2</td>
<td>8.0</td>
<td>8.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>14.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
<td>3.6</td>
<td>5.6</td>
<td>22.9</td>
<td>35.5</td>
<td>34.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>12.1</td>
<td>11.2</td>
<td>12.6</td>
<td>11.7</td>
<td>8.2</td>
</tr>
<tr>
<td>Tanzania</td>
<td>19.9</td>
<td>23.2</td>
<td>27.4</td>
<td>30.0</td>
<td>29.5</td>
</tr>
<tr>
<td>Uganda</td>
<td>17.1</td>
<td>17.8</td>
<td>18.0</td>
<td>18.7</td>
<td>18.5</td>
</tr>
<tr>
<td>Low-income</td>
<td>16.1</td>
<td>16.6</td>
<td>17.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>13.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: World Development Indicators 2008-11; International Monetary Fund Article IV consultation report for 2014 based on data derived from official government sources (USAID 2014).

Given the very low or absence of private investment during the Derg regime, the private investment in absolute terms has grown over the past 2 decades. However, the private sector in Ethiopia was equivalent to about 14% of the GDP compared to the Sub-Saharan Africa (SSA) average of 23% of GDP (World Bank 2014A). The private sector to GDP ratio in Ethiopia grew at an average of 10.8% between 2003/04 and 2008/09, lower than the average growth rate of 13.2% in the public sector and the overall growth rate of 11.1 percent (Nebil et al 2010). On the other hand, its share to total investment has shown a declining trend recently. The share of private investment significantly declined to 24.2% in 2012 compared to the 50% in 2003, which is partly explained by the growth in the public enterprises. However, the sector showed a marginal increase (28.1%) in 2014. Despite the increase in private firms in absolute terms, the share of private sector investment
to GDP in Ethiopia was, by far, lower than neighboring countries such as Rwanda and Tanzania where the private sector’s share was as high as 45% and 70%, respectively, in 2012 (USAID (2014)).

Between 1992 and 2017, about 78,348 domestic private investors, 5,446 Foreign Direct Investment (FDI) firms and 212 public enterprises took licenses to operate in various sectors. Out of the 20,860 licensed firms to engage in the manufacturing sector, domestic private investors took the lion’s share accounting for 83.98%, followed by foreign companies (11.67%), joint-venture firms (3.6%) and public enterprises (0.4%). Out of the 17,519 licensed domestic private firms, only 10.44% were operational. On the other hand, out of the 2,435 licensed FDI firms and 751 joint-venture companies, about 46.37% and 47.0% were operational, respectively. The capacity utilization of the operational domestic private firms was low (58%). The main reasons behind the low capacity utilization of the firms include: (i) inadequate and unreliable supply of power (electricity); (ii) lack of input supply, including high price and low quality inputs; (iii) limited access to foreign currency; (iv) inadequate access to bank loan, particularly working capital loan; (v) lack of output markets; (vi) lack of skilled manpower in the labor market; and (vii) inefficient bureaucracy (Mulu Gebreeyesus et al 2017).

**Growth of the private sector development in industry and service sectors**

Ethiopia had registered high real GDP growth rate of 10.2% in 2014/15 - double that of the SSA average growth rate of 5 percent. While the share of agriculture in GDP declined to 38.8% in 2014/15, the share of the service sector increased to 46.6% during the same year. The contribution of industry to GDP was low at 15.2% in 2014/15, while the share manufacturing to real GDP was only 4.6% (NBE 2015). In 2014/15, agriculture, industry and services registered an annual average growth rate of 6.4 percent, 21.6 percent, and 10.2 percent, respectively (NBE 2015). Significant resources were invested by the government to build infrastructure (energy, railway, road, telecommunications, schools and health care services) in order to improve the well-being of the population during GTP-I. Moreover, public investment in Ethiopia is expected to continue to be the driving force of economic growth in the short and medium term, with huge investments in infrastructure and the establishment of industrial parks to ease bottlenecks of structural transformation.

The growth in the industrial sector was mainly driven by the performance of the construction sector, which accounted between 2012/13, and 2014/15, on average, 51% of the total industrial output (Table 2). This was the result of considerable amount of investment directed towards establishing cement factories in response to the strong surge in demand, emanating from major construction activities in the country. During the same years, the average contribution of manufacturing, out of the total industry output, was about 33.9%. However, the manufacturing sector
(the priority sector in both GTP-I and GTP-II), was dominated by food processing, beverages, textiles, hides and skin, and leather industries. The limited change in the structure of the economy, especially the low growth rate of the manufacturing sector, is tied up with the low level of investment by the young private sector. Out of the manufacturing output, the contribution of large and medium scale manufacturing was, on average, 24.5%, while the small scale cottage industries contributed 8.4%. During the same period (between 2012/13 and 2014/15), electricity and water, and mining and quarrying accounted, on average, 7.5% and 8.7% of the industry output, respectively. The construction sub-sector registered the highest average growth rate (33.1%), followed by manufacturing (16.4%) and electricity and water (7.1%). On the other hand, mining and quarrying had a negative average growth of 7.5% (Table 2). In the manufacturing category, the average growth rate of large and medium enterprises was, by far, higher (22.0%) compared to small scale and cottage industries (3.0%) (Table 2).

Table 2: Growth and Contribution of Major Industrial sub-Sectors (2012/13 and 2014/15)

<table>
<thead>
<tr>
<th>Sub-sectors/Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage contribution of major industrial sub-sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>11.0</td>
<td>9.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>33.6</td>
<td>33.4</td>
<td>31.8</td>
</tr>
<tr>
<td>Large and medium scale manufacturing</td>
<td>24.0</td>
<td>24.9</td>
<td>24.6</td>
</tr>
<tr>
<td>Small scale and cottage industries</td>
<td>9.5</td>
<td>8.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>8.3</td>
<td>7.6</td>
<td>6.5</td>
</tr>
<tr>
<td>Construction</td>
<td>47.1</td>
<td>49.9</td>
<td>56.1</td>
</tr>
<tr>
<td>Growth of major industrial sub-sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>6.3</td>
<td>-3.2</td>
<td>-25.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16.9</td>
<td>16.6</td>
<td>15.8</td>
</tr>
<tr>
<td>Large and medium scale manufacturing</td>
<td>24.2</td>
<td>21.6</td>
<td>20.3</td>
</tr>
<tr>
<td>Small scale and cottage industries</td>
<td>1.9</td>
<td>4.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>10</td>
<td>6.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Construction</td>
<td>38.7</td>
<td>23.9</td>
<td>36.8</td>
</tr>
</tbody>
</table>


Although the Ethiopian government has been supporting and promoting the industry sector, it was the service sector which grew steadily during the last decade. Out of the service sector, the average contribution of the wholesale and retail trade sub-sector between 2012/13 and 2014/15 was, by far, higher (34.8%), followed
Growth and Challenges of the Ethiopian Private Sector

by real estate, renting and business activities (17.1%), public administration and defence, (10.3%), transport and communication (10.2%), and hotels and restaurants (9.9%) (Table 3). The growth of the service sector was impressive (10.2%) in 2014/15, mainly due to the growth of investment in hotels and tourism (29.2%), followed by investment in transportation and communications (13.3%), wholesale and retail trade (9.9%), public administration and defence (8.8%) and real estate, renting and business activities (4.1%) (Table 3).

Table 3: Growth and Contribution of Major Service sub-Sectors (2012/13 - 2014/15)

<table>
<thead>
<tr>
<th>Sub-sectors/Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage contribution of major service sub-sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whole sale and retail trade</td>
<td>33.9</td>
<td>35.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>8.6</td>
<td>9.7</td>
<td>11.3</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>10.1</td>
<td>10.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>18.4</td>
<td>17.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>11.0</td>
<td>9.10</td>
<td>10.7</td>
</tr>
<tr>
<td>*Others</td>
<td>18.0</td>
<td>17.2</td>
<td>16.4</td>
</tr>
<tr>
<td>Growth of major service sub-sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whole sale and retail trade</td>
<td>10.1</td>
<td>17.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>19.1</td>
<td>26.6</td>
<td>29.2</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>16.5</td>
<td>12.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Real estate, renting and business Activities</td>
<td>3.9</td>
<td>3.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>7.6</td>
<td>11.5</td>
<td>8.8</td>
</tr>
<tr>
<td>*Others</td>
<td>5.2</td>
<td>8.0</td>
<td>5.1</td>
</tr>
</tbody>
</table>


The number of medium and large manufacturing enterprises in the country has increased from 1,153 firms in 2006 to 2,405 firms in 2014 (Annexure 1). In 2015, there were 3008 private and 141 public medium and large manufacturing enterprises in Ethiopia. The sales revenue of these enterprises was Birr 136 billion, where export sales revenue accounted for Birr 5.4 billion or about 4% of the sales revenue of the manufacturing sector (CBE 2017). On the other hand, out of the total, the share of medium and large manufacturing firms located in Addis Ababa has shown a significant decline from 53.2% in 2006 to 28.9% in 2014, whereas the share of manufacturing enterprises located in Oromia (many of them around Addis Ababa) increased from 15.6% in 2006 to 31.8% in 2014. During the same period, while the share of manufacturing firms located in Tigray remained the same (about 8%), the share of the enterprises located in Amhara, SNNPR, and Dire Dawa showed only a marginal increase (Annexure 1).
Out of the 2,403 medium and large manufacturing enterprises, a significant proportion (95.5%) were owned by the private sector, followed by public-owned enterprises (3.6%), and joint venture (public-private) (0.09%) (Table 4). Out of the public-owned and joint venture manufacturing enterprises, about 77.9% and 86.4% were located in Addis Ababa and Oromia region, respectively. Although investor’s (private and public) preference of Addis Ababa and Oromia (around Addis Ababa) is quite obvious (lower cost of transport, availability of large markets, access to skilled labor and technology, etc.), the shares of medium and large manufacturing enterprises located in the regions have not changed during the last 9 years (2006-2014) (Annexure 1). The results indicate that investment in the manufacturing sector has been highly concentrated in Addis Ababa and the surrounding areas. To reverse the situation or reduce the disparities between the investment in regions and Addis Ababa (including its surrounding), the regional governments are expected to provide relatively additional incentives to attract private sector investments.

Table 4: Number of Medium and Large Manufacturing Enterprises (Public, Private and Joint Venture) - (2014)

<table>
<thead>
<tr>
<th>Region</th>
<th>Type of Enterprise</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private</td>
<td>Public</td>
<td>Public - Private</td>
</tr>
<tr>
<td>Tigray</td>
<td>190</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Afar</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amhara</td>
<td>272</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Oromia</td>
<td>720</td>
<td>37</td>
<td>7</td>
</tr>
<tr>
<td>Somalie</td>
<td>26</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Benshangul</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>S.N.N.P.R.</td>
<td>312</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Harari</td>
<td>23</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>653</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>81</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,297</td>
<td>86</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Computed form CSA data base.

According to the NBE (2015) report, out of the total number of operational investment projects in 2014/15, about 48.4% were engaged in real estate, renting and business activities while investment in agriculture, hunting and forestry accounted for 26.3%. Construction, manufacturing, hotel/restaurants, other sectors accounted for 12.3%, 9.6%, 1.2%, and 2.2% of the total number of operational investment projects in Ethiopia respectively. In terms of investment capital, manufacturing sector constituted for 65.5%, followed by real estate,
renting and business activities (13.6%), agriculture, hunting, and forestry (12.6%), construction (3.2%) and the remaining sectors (5.1%).

Table 5 reveals that, out of the total 407 operational investment projects in 2014/14, Oromia region leads with 304 projects (74.7%) and Birr 1.4 billion capital, followed by Tigray with 49 projects (12%) and Birr 207.3 million capital, Addis Ababa with 31 projects (7.6%) and Birr 2.4 billion investment capital, Afar with 15 projects (3.7%) and Birr 97.5 million capital and Amhara with 4 projects and Birr 10 million investment capital (NBE 2015). Consistent with the results in Table 4, about 82.3% of the number of operational investment projects and 91.4% of the investment capital of these projects were channeled to Addis Ababa and Oromia region (particularly towns around Addis Ababa) (Table 5). Given the objective of addressing the regional imbalances in private sector investment, there is a need to study the causes that discouraged the private sector from investing in regional states (outside Addis Ababa and its surroundings) and propose interventions to address, promote, attract private investment and reduce the wide regional disparities.

Out of the total FDI flows during the past quarter century (between 1992 and 2017), about 37% and 40% was invested in Addis Ababa and Oromia region respectively. Although the tax exemption procedure in Ethiopia is based on the location of investment, significant proportion of the investment has been channeled to Addis Ababa and surrounding areas of the city located in Oromia region. Since the difference in tax exemption privileges that a firm receives by investing in Addis Ababa or the surrounding areas and in other locations is only 1.2 years, both domestic and foreign firms tend to be less interested in investing in other locations (Mulu Gebreeyesus et al 2017). Existing and potential private investors in regional states (located outside Addis Ababa and the surrounding areas) are facing relatively severe constraints, such as high cost of transport, lack of market, inadequate access to infrastructure, trained manpower, technology support, etc., which directly affect their investment returns. If regions are expected to attract private investment, they need to design and implement a clear incentive system that is relatively higher compared to the investment incentives provided in Addis Ababa and the surrounding areas.
Table 5: Number and Capital of Operational Investment Projects by Region-wise (Million Birr)

<table>
<thead>
<tr>
<th>Regions</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Percentage shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Projects</td>
<td>Investment Capital</td>
<td>No. of Projects</td>
<td>Investment Capital</td>
</tr>
<tr>
<td>Tigray</td>
<td>1</td>
<td>1.4</td>
<td>11</td>
<td>90.2</td>
</tr>
<tr>
<td>Afar</td>
<td>1</td>
<td>1.0</td>
<td>12</td>
<td>21.1</td>
</tr>
<tr>
<td>Amhara</td>
<td>0</td>
<td>0.0</td>
<td>31</td>
<td>112.7</td>
</tr>
<tr>
<td>Oromia</td>
<td>16</td>
<td>1,308.4</td>
<td>7</td>
<td>139.3</td>
</tr>
<tr>
<td>Somalia</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Beneshangul-Gumuz</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>SNNPR</td>
<td>0</td>
<td>0.0</td>
<td>1</td>
<td>10.9</td>
</tr>
<tr>
<td>Gambella</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Harari</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>37</td>
<td>200.8</td>
<td>101</td>
<td>5,262.0</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Multi-regional Projects</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Grand Total</td>
<td>55.0</td>
<td>1,511.7</td>
<td>163</td>
<td>5,636.2</td>
</tr>
</tbody>
</table>


Growth of large-scale commercial farming

The privately-owned commercial farms started to flourish during the Imperial era, particularly after the 1960s. These included foreign companies investing in cotton and sugar plantations in Awash valley, Dutch sugar factory/plantation (HVA) etc., and domestic companies and individuals engaging mainly in medium and small sized commercial farms in various regions. There were also few small-sized commercial farms located around Awassa, Arbaminch, Zeway and Shewa Robit owned by the government (Central Statistical Agency - CSA - 2015). During the Derg regime, the government nationalized private commercial farms and established new large and medium scale commercial farms which were organized as state farms, under the Ministry of State Farms. After EPRDF took power in 1991, many of the state farms were privatized, in some cases distributed to smallholder farmers; collective farms rapidly privatized and producer’s cooperatives dismantled. The limited commercial farms which are still in the hands of the incumbent government were reorganized on the basis of market oriented economic policy.
The government is currently providing land, productive and empty or virgin land, particularly in the lowland peripheries, to foreign and Ethiopian investors. It has made significant efforts to attract investors interested to engage in large scale commercial farming in different regions. For example, in 2009, the government declared that it has 1,230,008 ha of unused fertile land available for investors in Gambella region alone. The available land has huge potential to producer cotton, sesame, soybean, groundnut, rice, sugar cane, spices, fruits and vegetables, large-scale livestock, apiculture, and fish. On top of very low lease price, in some cases 111 Birr/hectare per year, the government provides five-year tax holiday for agribusiness ventures that export at least 50% of their production. In January 2009, the Agriculture Investment and Support Directorate was established under the Ministry of Agriculture and Rural Development to facilitate large-scale commercial farming in the country. According to Makkii and Geisler (2011), the government gave 300,000 ha of land to foreign investors from Saudi Arabia, India, Egypt and Dijibouti. Researchers such as Dessalegn Rahmato (2008) argued that the initiatives of the government are tools to grab land which affect the livelihood of the local community and the environment. On the other hand, the commercial farming in the highland areas is being implemented on limited scale to promote horticulture cultivation such as flower growers, vegetable farms, etc.

The agricultural sector in Ethiopia is dominated by a smallholder subsistence farming, where commercial farms only account for less than 5% of the total agricultural production. Table 6 shows that, out of the temporary crops produced by commercial farmers, grain crops accounted for 97% of cropped area and 86.1% of production in 2014/15. The CSA Report (2015) indicates that the cropped area and volume of grain production of commercial farms increased by about 1.62% and 1.94% in 2014/15, respectively, compared to the preceding year (2013/14). In the permanent crop category, industrial crops (mainly tea and coffee) take the largest share, accounting for 64.3% of the area cultivated area and 96.1% of the total production of commercial farmers. Out of the permanent crops, the share of cash crops accounted for about 33.4% of the cropped area, while fruit crops accounted for 2.2 %. Moreover, cash crops and fruit crops constituted for 1.9% and 1.5% of the total production of permanent crops, respectively.

Table 6: Estimated Area and Production of Temporary and Permanent Crops in Commercial Farms during Meher Season (2014/15)

<table>
<thead>
<tr>
<th>Types of Temporary Crops</th>
<th>Area in hectare</th>
<th>Percentage</th>
<th>Production in quintals</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain crops</td>
<td>612,081.21</td>
<td>97.2</td>
<td>12,151,038.91</td>
<td>86.07</td>
</tr>
<tr>
<td>Vegetables</td>
<td>6,791.23</td>
<td>1.1</td>
<td>884,849.36</td>
<td>6.27</td>
</tr>
<tr>
<td>Root crops</td>
<td>1,211.27</td>
<td>0.2</td>
<td>301,180.72</td>
<td>2.13</td>
</tr>
<tr>
<td>Others</td>
<td>15,685</td>
<td>2.5</td>
<td>780,296.33</td>
<td>5.53</td>
</tr>
</tbody>
</table>
Growth and performance of micro and small enterprises

The Ethiopian government has been active in designing and implementing various strategies, policies, regulations and allocated huge budgetary resources to provide package of support services to Micro and Small Enterprises (MSEs), such as providing working and marketing premises; building their capacity through training (technical and management training), industrial extension services, market linkages, and technology transfer; and extending loans and other financial services through one-stop-service centers. As a result, a remarkable achievement was registered in GTP-I in terms of MSE growth and expansion, which made a positive contribution in addressing unemployment in urban areas. By the end of the fifth year of the implementation of the GTP-I (2014/15), about 271,579 MSEs were operational which created employment opportunities for 2,497,181 people in the country (Table 7). In the same year, the Microfinance Institutions (MFIs) provided Birr 6.54 billion to the 271,880 enterprises. The achievement in expanding and creating employment was the result of the commitment government and the strict implementation of the activities in the first five year MSE Development Strategy at various levels by monitoring its performance on regular basis.

Table 7: Numbers of MSEs, Loan Disbursement and Employment Creation (2013/14 and 2014/15)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of MSEs established</td>
<td>200,319</td>
<td>271,579</td>
<td>35.6</td>
</tr>
<tr>
<td>Loan disbursement (million Birr)</td>
<td>5,063.90</td>
<td>6,541,880</td>
<td>29.2</td>
</tr>
<tr>
<td>Total employment created</td>
<td>2,497,181</td>
<td>2,788,667</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Lack of access to finance, production premises, and marketing places were the top three business challenges affecting the expansion of youth-owned MSEs (Wolday and Tassew 2016). As a result, about 71.3% and 70.1% of the youth operators used own saving/retained earnings to meet their working and investment capital needs, respectively, while only about 8.7% of the operators had financial access from formal finance providers. However, the proportion of the small enterprise owners, who borrowed from formal financial institutions, was relatively higher compared to the microenterprise owners. About 3.5% and 8.3% of the youth MSE operators met their working and investment capital needs through supplier’s credit and advances from clients, respectively.

Despite the success in improving financial access to MSEs, a significant proportion of the MFI loans were extended to non-priority sectors (Wolday and Tassew 2016A). For example, the loans provided to the trade sector were, by far, the largest, accounting for about 38.3% total loan to MSEs, followed by service sector (19.7%), and urban agriculture (18.9%), respectively. Construction sector accounted for 7.3% of the total loan disbursement of MFIs. Although manufacturing sector was a priority sector in the five-year MSE Development Strategy and GTP-I, only 8.3% of the total loans were disbursed by MFIs to the sector by the end of 2014. This has been a serious concern for the national MSE development council (which was established to regularly monitor the implementation of the strategy) and Federal Micro and Small Enterprise Development Agency (FeMSEDA) - the implementer. According to discussions with the CEOs of MFIs, the main reason behind their low loan disbursement performance to the priority sector was the absence of MSE operators in the manufacturing sector requesting loan. They reiterated that they did not have any experience of rejecting a viable business plan submitted by MSE operators in the manufacturing sub-sector (Wolday and Tassewa 2016A). On the other hand, collateral and pre-loan saving requirements were identified as major constraining factors limiting MFIs from disbursing loans to the MSE operators in manufacturing sector. Although the government has established five region-based lease financing institutions to address the collateral requirement of finance providers and improve access to machinery requirements of Micro, Small, and Medium, Enterprises (MSMEs), the issue of collateral remains as a serious challenge for the operators.

Private banks have been moving towards up market, long-term financing and introduced early payment penalty fee to reduce the impact of the 27% bond purchase requirement of the NBE. Aiming at counteracting this tendency and to push the private banks to purchase the bills, the NBE issued a Directive in 2013 which sets the minimum requirement of short-term loans at 40% of the bank’s total loan portfolio (WoldayAmha et al 2016). The 27% bond purchase requirement of the NBE sucked about 50 billion Birr from private banks and resulted in a massive liquidity shortage, at the same time increased competition
among banks to mobilize deposits. Under liquidity constrained environment, banks are likely to favor existing clients when allocating loans as opposed to new and riskier SMEs. Moreover, lack of long-term financing options can contribute to high SME default rates when SMEs attempt to use short-term loan to financing long-term investment.

According to the study of Word Bank (2014A), about 41% of microenterprises, 36% of small firms, and 29% of medium firms in Ethiopia reported access to finance as a major constraint affecting their daily operations. The share of small and medium enterprises (SMEs) lending to overall lending portfolio in Ethiopia was only 7%, among the smallest shares in SSA as well as far below that of developing economies. A firm that is credit constrained has sales growth that is 15% point lower, employment growth that is 5% points lower and labor productivity growth that is 11% points lower than firms who are not credit constrained (World Bank 2014A). The same study reveals that only 6% of microenterprises, 1.9% of small enterprises and 20% of the medium sized firms had accessed loans from formal finance providers. Among firms who applied for a loan, as high as of 57.3% and 87.9% of applications submitted by micro and small firms, respectively, were rejected, whereas the rejection rate experienced by medium and large firms were low at 6.2% and 10.4%, respectively.

Inadequate collateral and difficulties in proving their credit worthiness or absence of credit history were, by far, the main factors that constrained the SME operators in Ethiopia from submitting loan applications to formal finance providers, followed by difficulties in processing loans, and high cost of borrowings (Wolday Amha et al 2016). This was aggravated by huge demand for loan in the economy and the liquidity challenges of banks. In the Ethiopian context, immovable property, particularly primary family residences, serve as the main source of collateral for smaller borrowers. Offering primary residences as collateral normally means that collateralization rates should exceed 200 percent of the value of the SME loan. Although the collateral used by the medium, small and micro enterprises included land and building, equipment, accounts, personal assets, and others, the SME operators indicated that giving their residential house as collateral has a large

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2 The collateral rates in Ethiopia are much higher than in many of the countries in Africa, Asia, Eastern Europe, and Latin America. For example, the collateral rates for SSA, Kenya, South Africa, and Morocco were 162.2%, 120.8%, 103.8% and 171.2% of the loan value, respectively, compared to 234% in Ethiopia. The value of collateral needed (in percentage terms) for a loan in East Asia and Pacific, Eastern Europe and Central Asia, Latin America and Caribbean, and South Asia were 176%, 135.6%, 197.3%, and 232.5%, respectively, (World Bank 2014A). Given the huge demand for loan and lack of liquidity in the Ethiopian banking sector, commercial banks have limited incentives to take risks and require much larger collateral to cover small loans. Absence of a collateral registration, in combination with ineffective enforcement of contracts, was the constraining factors that limit the delivery of loans to SMEs.
risk which put their families in a difficult situation (WoldayAmhaet al 2016). The collateral challenges of SMEs was aggravated by the absence of collateral register for both movable and immovable asset (with exceptions for residential houses, building and vehicles) which can also register value changes and the collateral created by SMEs to secure credit facilities of finance providers.

Addressing unemployment, particularly youth unemployment, requires resolute action among the government and private sectors, and not to mention the education system and the contribution of parents. It should be also noted that job creation by the private sector is inseparably linked to overall growth and transformation and poverty reduction. However, despite the success of implementing the MSE Development Strategy in creating employment opportunities to millions of unemployed people in Ethiopia (Table 7), government alone cannot sustainably create enough jobs in the economy- making it essential for different actors and institutions to join forces, where the private sector has a key role to play. On the other hand, although the private sector is the engine of growth and development, as indicated in many of the strategies and policies of government, there was no specific policy framework, support and incentives for the private sector (such as tax holidays, partial subsidy for youth training etc.,) in order to take the responsibility of mentoring youth MSE owners and employing the youth, who have very limited marketable skills, knowledge and experience (Wolday and Tassew 2016).

**Foreign direct investment (FDI) flows to Ethiopia**

There was limited FDI flow to Ethiopia during the imperial regime. For example, the inflows of FDI to the country in 1970 was about 3.9 million USD (Alemayeh Geda 2017). However, the investments of foreign companies, including domestic private investments, were deliberately discouraged during the Derg regime. When the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) took power in 1991, it introduced a market-led economic policy which considered the private sector as the driver of growth, repelling the policy of the socialist political system. Given the limited capacity of Ethiopian private investors, the incumbent government has made many efforts to attract FDI to the country. Under the new policy framework, foreign investment in Ethiopia is expected to increase the production capabilities of the country; stimulate export, new technologies and products; provide technical and managerial skills to the domestic firms; and facilitate access to international market.

On top of the political stability and availability of reliable markets, the government has made efforts in providing infrastructure (power, roads, communications, training and education, industrial zones and parks), incentives, institutions and policies to attract FDI and domestic investment in the country. As a result, the FDI inflows increased from 487 million USD in 2000 to 5 billion USD in 2016,
while the number of operational FDI projects increased from 103 to 2,658 in the same period (Mulu Gebreeyesus et al 2017). The inflows of FDI to Ethiopia are currently dominated by the Asian firms, accounting for 46.4% of the total operational firms between 2000-2014, followed by Europe (30.1%), Africa (11.3%), America (11.8%) and Oceania (0.4%) (Digafe Tufa 2016). China, India and Turkey were the three most important countries heavily investing in Ethiopia. The annual FDI flow from China to Ethiopia increased from just about a 1 million USD in 2003 to 122 million in 2012, increasing the FDI stock of Chinese companies to 606.6 million USD in 2014. Between 1998 and the first quarter of 2014, Indian companies invested more than 1.5 Billion USD, where about 97 of them were engaged in crop production, including fruits, vegetables, flowers, and beverage crops. These companies have created 26,613 permanent and 24,140 temporary employment opportunities. In 2014, the FDI stock of the 341 Turkish companies was more than 3 billion USD, creating about 50,000 jobs (Alemayehu Geda 2017).

Although Ethiopia is a late entrant in terms of attracting FDI, the flow of FDI to Ethiopia has increased significantly in the last decade, though it has been lower compared to East African countries. Out of the total net FDI flow in ten East African countries between 2010-2013, the share of Ethiopia was 9.2% while the share of Sudan was 35.3% followed by Tanzania (28.8%), Uganda (16.4%), and the remaining six countries (Kenya, Djibouti, Rwanda, Somalia, Eritrea, and Burundi) accounted for 12.3% (World Development Indicators 2015 cited by Digafe Tufa 2016). Out of total foreign direct investment during 1992-2015, about 73% was invested in the manufacturing sector, followed by the service sector (18%), and agriculture, (9%). In terms of the number of FDI operational projects, the share of the service sector was 47%, followed by the manufacturing sector (42%) and agricultural sector (12%). Foreign investment in agriculture contributed for 49% of the total permanent employment created by FDI projects, followed by manufacturing sector (35%) and service sector (15%) (Digafe Tufa 2016).

Ethiopia has a significant potential to attract FDI for the following reasons: (a) the prevailing political stability in the country; (b) government vision and commitment to growth and transformation; (c) registering a high and continuous growth without oil or other natural resources; (d) the size of the local market; (e) the availability of large trainable and low cost labor force; and (f) the fact that Ethiopia is among the beneficiaries of African Growth and Opportunity Act and Everything But Arms (EBA) arrangement (Mulu Gebreeyesus et al 2017). However, there are a number of obstacles constraining the expansion of FDI firms in the country, which include: (a) access to power; (b) tax and customs administration - slow pace of customs clearance process; (c) limited availability of foreign currency; (d) poor trade logistics related with transportation of goods; (e) problems in quantity and quality of raw materials; and (f) unanticipated regulatory and policy changes, without first consulting stakeholders (MuluGebreeyesus et al 2017). According to Xiaochen Fu
Growth and Challenges of the Ethiopian Private Sector

(2012), cited by USAID (2014), given the low labor costs in Ethiopia, the level of Chinese FDI in Ethiopia would have been expected to be much higher. Moreover, if the lack of adequate foreign reserves and the strict foreign currency regulations are addressed, the potential and existing foreign investors in the country would have increased significantly.

After attracting modest FDI firms, policymakers in Ethiopia have recently faced two serious second generation problems: (i) the depletion of the meager foreign currency available in the country by FDI firms; and (ii) the dominance of FDI companies in the manufacturing sector. The FDI firms that were primarily established to promote the export markets, ended up in selling their products to the domestic markets and demanded relatively large amount of hard currency from the local banks to buy inputs. They are receiving the support of the Ministry of Trade and Ethiopian Investment Commission (EIC) to facilitate access to foreign currency and get a priority in the queue for hard currency. The recent study of Policy Study and Research Center (PSRC) (2017) shows that out of a randomly selected 31 foreign companies directly engaged in the export sector, only 45% were able to cover their foreign currency requirement to import inputs. The remaining 55% of the companies were obtaining foreign currency from domestic banks to import inputs. However, given the acute shortage of foreign currency in the country, the investment incentives and support programs should be selectively provided to FDI firms that contribute to the expansion of the export sector. Moreover, the Ministry of Trade and the Ethiopian Investment Commission, which have been focusing on counting the inflow of FDI projects, their total capital investment and their contribution in employment generation should coordinate their incentives and activities with banks and other stakeholders in monitoring the impact of FDI firms in the country.

As a result of the increase in FDI inflows in the country, there were 310 foreign owned manufacturing firms in 2013, which accounted for about 18% of the medium and large enterprises in the country. About 73% of the FDI firms in Ethiopia invested in manufacturing sector in 2016. Moreover, the number of Ethiopian investors in the recently operational industrial parks and those who intend to use the facility was far lower than foreign companies. In GTP-I and II, the domestic private sector is identified as a key driver of growth and transformation, while FDI is expected to complement and build the capabilities of Ethiopian investors by transferring knowledge and technology. The study of Mulu Gebreeyesus et al (2017) reveals that there are weak horizontal or vertical linkages between FDI and local firms which limits the transfer of technology and introduction of new changes in domestic private firms. They found that only 7.5% of domestic firms were linked with FDI firms in supply relationship and about 7.0% of domestic firms employed workers that were previously employed by FDI firms. The lop-sided development in the manufacturing sector, where FDI
firms tend to dominate, is creating a serious concern to the policymakers. To this end, the government is expected to guide and regulate the investment of foreign firms to priority and export sectors and at the same time provide tailored incentives and support the domestic private sector to invest in the manufacturing sector and optimally use the industrial park infrastructures, before it is too late. This requires developing a system to coordinate the activities of various government institutions such as Ministry of Trade, Ministry of Industry, Ministry of Agriculture, NBE, banks and the Prime Minister’s Office (PMO) and monitor the implementation of the incentives provided to FDI and domestic firms on regular basis.

Public enterprises and party-owned endowment companies in Ethiopia: Are they crowding out the private sector?

Given the limited capacity of the young private sector in Ethiopia, the strategic state-owned enterprises are expected to play an important role in increasing the production capabilities, generating employment opportunities and contributing to regional equity in terms of investment. The developmental states of East-Asian countries had similar experiences, where governments were investing heavily in infrastructure and strategic industries, as part of their industrial development strategies. The USAID (2014) Report quoting Eden and Kraay (2014) states that most governments have under-invested in public infrastructure, however, six of those countries including Ethiopia and Mozambique, appeared to have over-invested in public investment, with the result that investment by the private sector had been crowded out, and reduced its potential. In the Ethiopian context, the power sector consumes a significant proportion of the domestic bank loans and the limited foreign currency available in the country. It would be difficult to think of private sector development without power generation and distribution. It is also true that if the Ethiopian government shelves one or two of the mega infrastructure projects, there will be ample resources (bank loan and foreign currency) to meet the limited need of the shallow private sector. This proposal is too simplistic, usually taken by a populist government with short-term vision (until the next election). However, there is a dire need to monitor the physical and financial performance of the mega infrastructure and large public-owned enterprises, where the government is responsible and accountable for any misuse of public resources.

Table 8 shows that, out of the 2,621 medium and large manufacturing enterprises in 2015, about 90.6% were domestic firms owned by Ethiopians, followed by FDI companies (5.0%), joint venture (2.3%), and public-owned enterprises (1.9%). Between 2011 and 2015, the joint venture companies showed a higher average annual growth rate of 17.3%, followed by FDI firms (13.2%), and domestic private firms (6.5%). On the other hand, the public-owned manufacturing showed a negative growth rate as a result of the privatization process. As shown in the production per establishment information in Table 8, the size and capacity of the
manufacturing enterprises owned by domestic private sector is, by far, lower compared to public, FDI and joint venture firms. In other words, the 50 public-owned enterprises are engaged in large scale manufacturing activities, followed by FDI and joint venture firms.

Table 8: Share of Private Firms (Domestic and FDI), Joint Venture and Public-owned Enterprises in the Ethiopian Manufacturing Sector

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Average Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Establishments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic private</td>
<td>1,737</td>
<td>1,900</td>
<td>2,022</td>
<td>1,988</td>
<td>2,374</td>
<td>6.49</td>
</tr>
<tr>
<td>Public-owned</td>
<td>83</td>
<td>98</td>
<td>67</td>
<td>60</td>
<td>50</td>
<td>(12.91)</td>
</tr>
<tr>
<td>FDI firms</td>
<td>78</td>
<td>95</td>
<td>106</td>
<td>130</td>
<td>132</td>
<td>13.15</td>
</tr>
<tr>
<td>Joint venture</td>
<td>38</td>
<td>45</td>
<td>63</td>
<td>63</td>
<td>65</td>
<td>17.29</td>
</tr>
<tr>
<td><strong>Production per Establishment (’000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic private</td>
<td>21,415</td>
<td>25,800</td>
<td>27,614</td>
<td>46,899</td>
<td>33,546</td>
<td>26</td>
</tr>
<tr>
<td>Public-owned</td>
<td>113,935</td>
<td>177,260</td>
<td>198,014</td>
<td>53,400</td>
<td>299,184</td>
<td>425</td>
</tr>
<tr>
<td>FDI firms</td>
<td>63,992</td>
<td>83,826</td>
<td>105,664</td>
<td>79,088</td>
<td>173,615</td>
<td>148</td>
</tr>
<tr>
<td>Joint venture</td>
<td>73,810</td>
<td>125,268</td>
<td>236,659</td>
<td>57,333</td>
<td>156,603</td>
<td>448</td>
</tr>
<tr>
<td><strong>Employee per Establishment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic private</td>
<td>67</td>
<td>65</td>
<td>94</td>
<td>88</td>
<td>52</td>
<td>(2)</td>
</tr>
<tr>
<td>Public-owned</td>
<td>282</td>
<td>338</td>
<td>462</td>
<td>474</td>
<td>476</td>
<td>108</td>
</tr>
<tr>
<td>FDI venture</td>
<td>171</td>
<td>163</td>
<td>174</td>
<td>95</td>
<td>238</td>
<td>21</td>
</tr>
<tr>
<td>Joint venture</td>
<td>214</td>
<td>343</td>
<td>248</td>
<td>114</td>
<td>170</td>
<td>36</td>
</tr>
<tr>
<td><strong>Production per Employee (’000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic private</td>
<td>320</td>
<td>397</td>
<td>294</td>
<td>533</td>
<td>645</td>
<td>26</td>
</tr>
<tr>
<td>Public-owned</td>
<td>404</td>
<td>524</td>
<td>429</td>
<td>113</td>
<td>629</td>
<td>73</td>
</tr>
<tr>
<td>FDI firms</td>
<td>62</td>
<td>514</td>
<td>607</td>
<td>833</td>
<td>729</td>
<td>140</td>
</tr>
<tr>
<td>Joint venture</td>
<td>26</td>
<td>365</td>
<td>954</td>
<td>503</td>
<td>921</td>
<td>280</td>
</tr>
</tbody>
</table>

Source: Computed from the CSA Surveys on Large and Medium Scale Manufacturing Industries cited by CBE (2017); A proposal for a Revised Lending Rate for the Manufacturing and Agriculture Sectors. Addis Ababa.

In the absence of mature private sector, the strategic mega-public enterprises in Ethiopia, such as the sugar plantations, fertilizer complex, etc., are established to address the critical gaps in increasing the production capabilities of the economy. Once the private sector (domestic and FDI) has the capacity to own and operate these enterprises, the government is expected to make a smooth exit. This should not be different than what the government has been doing in privatizing the government-owned factories, hotels, state farms etc., in the last twenty years. For example, during the first three years of GTP-I, a total of 37 public enterprises

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3 The senior official of the Ethiopian Privatization Agency in June 2017 reported that the government has privatized about 360 firms, including the branches. Out of the privatized firms, about 85% were sold to the domestic private sector.
(14 enterprises in 2010/11, fiscal year 13 enterprises in 2011/12 and 5 enterprises in 2012/13) were privatized - selling the 32 enterprises to private investors and transferring of the remaining 5 to joint venture companies (public-private) (National Planning Commission, 2015), showing the commitment of the government to promote the private sector by privatizing public-owned enterprises. However, there are many who argue that the existing public and party-owned companies enjoy preferential access to limited credit and/or foreign exchange flows, as well as preferential treatment on government bids and contracts, custom clearance, and import/export licenses (USAID, 2014). If this is supported with evidence, there is a need to create a plain level field for all (private, public and party-owned companies).

Since the 1990s, four party-owned endowments - (i) Endowment Fund for the Rehabilitation of Tigray (EFFORT) (22 companies), (ii) Tiret or Endeavour in Amhara (17 companies) (iii) Tumsa in Oromia (9 companies), and (iv) Wendo in the Southern Nations, Nationalities and Peoples’ Regional State (SNNPRS) (3 companies)- were initially established with resources donated on behalf of the various fronts of the incoming Ethiopian ruling party. The party-owned companies contributed to the expansion of the industrial sector, employment creation and served as the commercial tax base of the regions (Sarah and Mesfin 2011). Moreover, given the imbalance in private sector investment between Addis Ababa (including the surrounding towns) and the regions, the party-owned endowment companies have made modest contributions to reducing the regional disparities. Some argue that the party-affiliated companies have negative impact on the growth of the private sector or crowding out of the private sector (Altenburg, 2010). The validation of this argument requires showing quantitative evidence and critical assessment on the capacity of the private sector to replace them. For example, the detailed analysis of Sarah and Mesfin (2011) on the role of EFFORT concludes the following:

“The role that EFFORT-owned companies play in Ethiopia shows some important difference with similar commercial ventures in other countries. They do not seem to provide direct financial subsidies to the ruling party and political elite as in the case of Rwanda. Nevertheless they provide indirect resources and public goods that feed wider social, political and developmental processes. They have played a role in financing and facilitating investment in areas of weak private investment, and small and new business start-ups, including youth cooperatives. A degree of divestment from SME sector, in combination with outsourcing business to new actors in the last year or two may contribute to the emergence of a small-scale entrepreneurial class. Although benefits in terms of profitability have been relatively slow to accrue to some of the companies, EFFORT now makes important
contributions to the slender commercial tax-base of Tigray region, to job creation, and to manufacturing capacity”.

As indicated earlier, reaching on evidence-based conclusion on whether party-owned and public enterprises are crowding out the private sector or not and assessing the magnitude of the problem requires detailed analysis on their market share (disaggregated by sector, size, and geographic location); their contribution to employment, and value addition; and the capacity of the domestic private sector to replace them. According to Sarah and Mesfin (2011), the question of economic crowding out, which was raised in Altenburg (2010), is a matter of significant controversy in Ethiopia. The dynamics and salience of the issue continue to shift as the economy, and specific sub-sectors of it, have grown. If current rates of economic growth are maintained, business opportunities will also expand, and the current dominance of individual suppliers is less likely to be a problem of going forward than emerging under-supply.

Given the limited capacity of the private sector currently in Ethiopia, the party-affiliated firms are complementing the private sector growth and reducing the concentration of investment in Addis Ababa and surrounding areas. Moreover, since the final objectives of many of the policies and strategies of the government are focusing on the creation of a dynamic private sector that is the engine of sustainable growth and transformation, the party-owned companies or “party-statals” companies should not crowd out the private sector. In the short-run, there is a need to provide balanced and transparent level playing field to all industrial firms, regardless of who owns them. However, in the medium and long-run, there is a dire need to develop a tailored program to build the capabilities of the private sector, particularly the Ethiopian investors. This requires developing a clear roadmap to show the intermediate contributions of the public and party-owned companies and their exit strategy. In other words, once the country succeeds in building a strong private sector, these companies owned by the government and endowment funds should be privatized.

**Constraints limiting the expansion of the private sector**

After the policy shift in 1991, the incumbent government introduced strategies, incentives and support programs to promote private investment in various sectors. Although the interventions were successful in increasing the number of domestic private and foreign companies, the private sector is still facing various daunting constraints limiting growth and expansion. Among the most documented factors hampering the growth of the private sector in Ethiopia include: macroeconomic instability, customs regulation, lack of competency, lack of access to efficient infrastructure, unfavorable investment climate, lack of access to factors of production, bureaucratic burden, and lack of appropriately skilled and trained human resource (World Bank 2014). Table 9 summarizes the
results of an Enterprise Survey of the World Bank Group conducted in Ethiopia by interviewing a sample of 848 firm-owners from June 2015 to February 2016 to identify the binding constraints of private sector investment in small, medium and large enterprises. The findings of the study reveal that access to finance is, by far, the biggest obstacle in expanding the activities of small, medium and large enterprises, followed by access to electricity, customs and trade regulations, tax rates and corruption. About 44.9% of small firm owners and 32.4% of the medium firm owners in Ethiopia reported that access to finance is the main obstacle for growth. This has forced about 75.6% of small enterprise owners and 92.3% of medium enterprise owners to finance their activities through internally generated resources. The proportion of the investment financed by banks was 6.9% for small enterprises and 6.1% for medium enterprises (World Bank, 2016).

Table 9: Biggest Obstacles in Expanding Small, Medium and Large Enterprises (2016)

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Small Enterprise</th>
<th>Medium Enterprise</th>
<th>Large Enterprise</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance</td>
<td>44.9</td>
<td>32.4</td>
<td>36.0</td>
<td>40.4</td>
</tr>
<tr>
<td>Access to land</td>
<td>4.9</td>
<td>4.1</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Business licenses and permits</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Corruption</td>
<td>7.5</td>
<td>8.1</td>
<td>0.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Courts</td>
<td>0.4</td>
<td>1.0</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Crime, theft and disorder</td>
<td>0.1</td>
<td>2.9</td>
<td>0.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Customs and trade regulations</td>
<td>10.3</td>
<td>9.7</td>
<td>7.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Electricity</td>
<td>7.0</td>
<td>12.5</td>
<td>24.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td>0.9</td>
<td>2.2</td>
<td>5.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Labor regulations</td>
<td>0.4</td>
<td>0.6</td>
<td>0.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Political instability</td>
<td>0.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Practices of the informal sector</td>
<td>6.9</td>
<td>3.8</td>
<td>5.2</td>
<td>5.8</td>
</tr>
<tr>
<td>Practices of the informal sector</td>
<td>6.9</td>
<td>3.8</td>
<td>5.2</td>
<td>5.8</td>
</tr>
<tr>
<td>Tax administration</td>
<td>8.7</td>
<td>2.5</td>
<td>5.8</td>
<td>6.6</td>
</tr>
<tr>
<td>Tax rates</td>
<td>6.1</td>
<td>10.7</td>
<td>7.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Transportation</td>
<td>1.3</td>
<td>9.6</td>
<td>2.3</td>
<td>3.6</td>
</tr>
</tbody>
</table>


Variations in the ranking of the binding constraints in Table 10 are partly explained by the methodologies, particularly the sampling approach used in conducting the surveys. For example, the Enterprise Surveys conducted by the World Bank in 2011 (Table 9) and 2016 (Table 10) that used similar methodology had relatively consistent ranking of the constraints of private sector in Ethiopia. In the 2011
Enterprise Survey, access to finance, access to land, electricity, paying taxes and customs/trade regulations were the top five critical and binding constraints to do business in Ethiopia (Table 10). In the 2016 Survey, the top five constraints to do business in the country were: access to finance, electricity, customs/trade regulations, tax rates, and tax administration.

Despite the differences in ranking, the four top constraints to do business in both surveys were similar in both the 2016 and 2011 Surveys. For example, access to land in Ethiopia, which was the second critical constraint of the private sector in 2011 Survey was ranked as the 7th constraint in 2016. Although the problems of accessing land may still be a serious challenge in 2016 (with hardly any improvement), the enterprise owners had a serious problem in getting electricity connection/quality and tax rate/administration compared to the access to land constraint. According to the World Economic Forum’s Global Competitive Index (2014 and 2015), inefficient government bureaucracy, foreign currency regulations, access to finance, corruption, and inadequate supply of electricity were the top five problematic factors for doing business in Ethiopia (Table 10). The top five critical and binding constraints identified during the public-private dialogue for the National Business Agenda (2015) included: tax administration, access to finance, access to land and construction permits, availability/quality of energy supply, and unfair market competition (Table 10).

Table 10: Ranking of the most binding constraints of doing business in Ethiopia by different studies

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>Inefficient government bureaucracy</td>
<td>Tax administration</td>
<td>Access to finance</td>
</tr>
<tr>
<td>Trading across boarders</td>
<td>Foreign currency regulations</td>
<td>Access to finance</td>
<td>Access to land</td>
</tr>
<tr>
<td>Getting credit</td>
<td>Access to finance</td>
<td>Access to land and construction permits</td>
<td>Electricity</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>Corruption</td>
<td>Availability/quality of energy</td>
<td>Paying taxes</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>Inadequate supply of electricity</td>
<td>Unfair competition</td>
<td>Customs, trade regulations</td>
</tr>
</tbody>
</table>


The growth of private enterprises and the magnitude of the problems affecting the business environment vary by sector, size (micro, small, medium and large enterprises), geographic location and type of ownership (domestic and foreign).
For example, private investors in the agricultural sector have specific challenges in starting and expanding existing businesses which are different from those engaged in the manufacturing sector. Although access to get electricity or power is a challenge to expand private sector investment in all sectors, the magnitude of the problem is relatively higher in the manufacturing sector. Similarly, access to finance is identified by all private firms in Ethiopia; however, there is strong evidence that lending to microenterprises and larger firms is relatively adequate, while SMEs (the missing middle) are left behind (World Bank, 2014). However, the Enterprise Survey of World Bank (2016) in Table 9 shows that the magnitude of access to finance constraint is relatively higher in small enterprises compared to medium and large enterprises. The availability and quality of inputs, access to finance and land seem critical constraints to improving competitiveness and accelerating growth in selected manufacturing sectors in Ethiopia (World Bank 2012). The intensity of business operational constraints and entry barriers also vary depending on whether firms are large, FDI-financed or domestic SMEs (World Bank Group, 2015). Since the constraints of private firms in Ethiopia vary from sector to sector, by size of enterprises (micro, small, medium and large), geographic location and ownership structure, there is a need to conduct detailed studies to assess the binding constraints and identify the sector specific or tailored interventions required to promote private firms in the country.

According to the World Bank Group Report (2015), on average, firms make 30 payments per year and spend 306 hours per year filing, preparing, and paying taxes; total taxes paid amount to 31.8% of profit, which is more than countries such as South Africa, Rwanda and Uganda. The tax regime for MSMEs is complex and non-transparent. For example, there is a challenge in accessing the tax appeals tribunal due to lengthy processes and high costs. The government imposes severe penalties on enterprise owners who fail to pay the taxes and comply with the tax administration - imprisonment in most cases. As indicated in Table 9, access to finance, availing land to investors, reliability of electricity, and taxation are the critical constraints for existing and creation of new SMEs in the country. For the creation of new firms and existing young firms, business entry regulations, processing and renewing licenses, and the requirement of competency certificates by various government agencies have hampered firm entry and dynamism. Despite the efforts of government to improve trade logistics problems by introducing special procedures to reduce customs clearance times for manufacturing-related imports and exports, large firms cited customs and trade-related regulations as one of the top constraints that drive costs up.

Although there is very limited number of privately owned manufacturing enterprises in the country, many of the demand studies have indicated that access to finance is, by far, the key challenge of the existing manufacturing firms. Both private and government-owned banks in Ethiopia do not provide tailored support
and products for borrowers in the manufacturing sector. However, even if there were finance providers that were willing to finance the manufacturing sector such as Commercial Bank of Ethiopia (CBE) and MFIs, the senior management staff of CBE and CEOs of large MFIs reiterated that they didn’t have the experience of rejecting viable manufacturing projects. They indicated that the issue of financing the manufacturing sector is not a supply-side problem rather a demand-side constraint that needs a serious intervention of government. In other words, there are serious internal and external constraints of the manufacturing sector that limit them from accessing loan from financial institutions. Although access to finance is a constraint, the support to the private sector should be based on a package approach to address multiple challenges, where access to finance is one of the components.

Lending to the MSMEs is very difficult and risky business to banks and MFIs in Ethiopia due to information asymmetry (problem related with adverse selection and moral hazard) and contract enforcement. Due to the existence of asymmetric information, banks and MFIs based their lending decisions on the amount of collateral made available by borrowers. The findings of Wolday Amha, et al (2016); World Bank (2016), World Bank (2014); and Wolday and Tassew (2016) show that inadequate collateral and difficulties in proving the credit worthiness or absence of credit history of borrowers were, by far, the main reasons which discouraged MSME operators from submitting loan applications to bank and MFIs, followed by difficulties in processing loan, and high cost of borrowing4.

Problems related with MSME operators include: lack of property collateral; absence of tailored interventions to address the specific challenges of the youth and women entrepreneurs; lack of medium and long-term loan; lack of hard currency to import raw materials and machinery; absence of credit facilities for graduating MSEs (from small to medium-level enterprises); lack of flexible and innovative financial products that match with the needs of MSMEs; and lack of adequate skill training to meet international standards and compete in the global and domestic markets. Challenges related with government support service providers include: lack of adequate business development support services;

4 Obstacles related with finance providers in lending to MSMEs include: information asymmetry; lack of liquidity; lack of commitment and perceived risks of banks and MFIs to serve MSMEs; inadequate institutional capacity to mobilize saving; low repayment rate of MSMEs compared to other clients; inadequate institutional and financial capacity building support from government and development partners; limited commitment of MFIs to implement the regional credit guarantee schemes as an independent institution; delays in operationalizing the lease financing companies; limited success in financing the priority sector, particularly the manufacturing enterprises; macroeconomic factors limiting lending to SMEs; and lack of dedicated and specialized SME unit or department with the organizational structure of banks and MFIs (Wolday and Tassew 2016A).
inadequate capacity (quantity and quality) of Technical, Vocational, Education and Training (TVETs); limited industrial extension providers; focusing only on counting the number of MSMEs established and employment generated and giving less attention to their performance; inadequate pre and post loan follow-up; lack of proper harmonization and coordination among the various support service providers; inadequate performance of the one-stop-service centers; and absence of value chain finance approach in the MSE Development Strategy which didn’t provide support to the establishment of lead firms (Wolday and Tassew 2016A).

**Binding constraints of the private sector (Existing and creation of new enterprises)**

A long list of private sector constraints in Ethiopia were identified by a number of studies reviewed in this paper (World Bank Enterprise surveys (2011 and 2016), various World Bank Reports on Doing Business in Ethiopia, Wolday et al 2016, World Economic Forum 2014, Wolday and Tassew (2016 and 2016A), PSRC (2017), MuluGebreeyesus et al (2017)) and the qualitative information collected through key informant discussions. It should also be noted that the type and magnitude of the constraints of the Ethiopian private sector vary by sector, size, geographic location, and ownership structure (FDI and domestic firms) of enterprises. An attempt is made here to identify the key cross-cutting binding constraints affecting the expansion of private sector in Ethiopia.

(i) **Access to finance**

Financial access has been identified by many studies as the main challenge of private sector investors in Ethiopia. According to World Bank study (2015), out of the manufacturing enterprises that accessed loan, about 68% obtained loans from private banks, followed by government banks (25%) and non-bank institutions (7%). Compared to large firms, small and medium enterprise owners face a higher challenge of accessing bank loans. CBE gave very little attention to finance the private sector, particularly the Micro, Small and Medium Enterprise (MSME) sub-sector. Between 2010/11 and 2014/15, CBE disbursed about 97% of its loans to large enterprises and mega government infrastructure projects. The three main factors limiting banks (both government and privately owned) and MFIs from serving MSMEs are lack of liquidity, inadequate collateral to address information asymmetry and absence of competition in the sector. The liquidity challenge of banks was further aggravated by the tight monetary policies implemented by the National Bank of Ethiopia (NBE) - the Central Bank - that were aimed at reducing the amount of money supply in the economy and lowering the loan portfolio sizes of banks. On the other hand, the huge demand for loans in the economy has given the private commercial banks a huge opportunity to lend to less riskier clients - that have much higher collateral than their loan value. Given the above condition, there is hardly any incentive for banks and MFIs to innovate, venture into new
businesses, develop new products and lend MSMEs in various sectors without property collateral requirement.

The perception of bankers in Ethiopia that lending to MSMEs is risky and unprofitable has contributed to the increase in the lending rate and excessive collateral requirement which raises the cost of borrowing and limits access to finance MSME operators. Some SME operators revealed that banks, delivering similar financial products, don’t understand the business of SMEs and have limited knowledge/skills to support SMEs and only focus on the collateral of borrowers and the loan size of the business (Wolday Amha et al 2016). In addition to lack of access to foreign currency, SME operators identified absence of grace period; delays in processing loan applications; focus on short-term loans; high interest rate; and inadequate capacity building support from government and non-government organization as constraints limiting access to bank loan and the performance of their business (Wolday Amha et al 2016). There was near universal agreement among SME operators in Ethiopia, especially smaller borrowers, that their collateral was significantly undervalued. Since accessing to bank loan is scarce as a result of huge demand for loan and large property collateral required by the financial institutions, many SMEs admitted that they resorted to offering bribes to bank staffs for a more favorable valuation of their collateral and facilitating access to the loan (Wolday Amha et al 2016). The Governor of NBE has publicly denounced the rent-seeking practices of banks and emphasized on taking unforgiving disciplinary measures and enforcing a stronger regulatory intervention.

(ii) Access to land

Access to land in Ethiopia is a key factor in attracting private investors in the real sector (agriculture and industry). The land lease rights can be acquired through competitive tender or through negotiated lease price or direct assignments of rights to investors. On top of the very high price of land in Addis Ababa and the small towns around the city, accessing land through lease arrangements from the governments (overseen by municipality administration) involves a lot of hassle and complexities. According to the report of World Bank Group (2015), over 75% of firms consulted for National Business Agenda considered access to land and associated issues as a highly or very highly severe problem for doing business in Ethiopia. The problem of accessing land is relatively more severe in the capital, Addis Ababa, where there is unmet gap in the supply of land compared to the demand. In addition to the time it takes the city administration to prepare particular area for lease, investors reported that land acquisition delays are very long-some investors waiting for years and a minimum of six to twelve months. To address the constraint of accessing land, the government has made efforts to allocate land
for industrial zones and the establishment of industrial parks in major cities and towns recently.

The land tenure system in Ethiopia is a critical issue in promoting commercialization of agriculture, particularly in the highland areas. In the absence of further distribution of land in the regions, land is currently owned by older people where increasing the productivity and innovation in the agricultural sector seems to be remote. There are also many young people without agricultural land and accessing land is becoming a source of conflict in rural families. Although the existing land tenure system has the potential to encourage the youth to migrate, it has tied those with the land title deed to their land (i.e., the land of those owners who are not living in the village is subject to redistribution to others) discouraged migration. The issue of rural land in Ethiopia is highly politicized and there are some who argue that it is a constitutional issue which is untouchable. On the other hand, many economists believe that land is an economic variable which should be used efficiently or optimally to support the transformation of the agricultural sector and the economy at large. They propose experimenting different types of land tenure arrangements in the regions, even within a region. For example, the Food and Agricultural Organization (FAO) studies on feeding the cities reveals that the cities access 70-80% of the food from farms within 100 km radius of the cities. In the Ethiopian context, as a result of the existing land tenure system, the value of land located outside the boundary of the city administration, wether it is one or 1000 km away from the city, is the same. There is a awful need to conduct detailed studies on the role of the existing land tenure system and its impact on agricultural transformation. The research results need to be discussed and debated in various levels in order to make informed policy decisions.

(iii) Access to infrastructure, particularly the inadequate availability/quality of power

Infrastructure, human capital, policies and institutions are major key drivers to attract private investment. The various Doing Business Reports of World Bank in Ethiopia reveal that infrastructure is one of the most critical factors affecting firms’ productivity in the long-run and electricity/power stands out as one of the top bottlenecks highlighted by firms. The poor reliability and quality of electricity supply has contributed to the increase in cost, thereby reducing profitability and productivity. For example, the electrical outage in Ethiopia (7.8 hours) is longer compared to countries such as Kenya (3.8 hours), Tanzania (6.0 hours), Vietnam (3.3 hours) and China (0.5 hours) (World Bank Group, 2015). Despite the commendable effort of the government in investing huge resources to increase electricity generation and distribution, the supply of power is much lower compared to the demand in various sectors. Many of Ethiopians, who invested in the manufacturing sector, reported that getting electricity connection to their firms
took longer time (sometimes for years) - affecting their profitability and servicing bank loans.

(iv) Rush to regulation as an entry barrier

As indicated in the various studies reviewed in this report, business entry regulations and processes are consistently highlighted by the private sector as burdensome and obstructive for firm entry and dynamism in Ethiopia. However, during the last seven years, there is a tendency to rush for regulation or even overregulation in the country which affect the expansion of small businesses and opens loopholes for rent-seeking practices in government offices. The qualitative and quantitative surveys of Wolday and Tassew (2016) show that inefficient tax administration, lengthy processes to renew licenses, such as evidence of physical address and requiring title deed (if working in his/her homestead) or contract agreement (if the premise is leased), producing competency certificate, trade name, etc., increase the cost of registration and licensing. This encourages small businesses to stay out of the formal economy and squeeze those young businesses who comply with the regulatory requirements. There is a need to develop a tailored regulatory, licensing and registration system for small businesses in Ethiopia by introducing minimal compliance and reducing administrative cost. However, there are also opportunity costs to be considered in simplifying the procedures for small businesses such as reducing government revenue and abuses by relatively larger firms to take advantage of the incentives and exemptions provided to small businesses. Addressing the policy and regulatory constraints will require revisiting the regulatory and tax regimes and developing a simplified system. There is a dire need to undertake detailed cost and benefits studies for all existing regulations, procedures, directives, standards, etc by focusing on their impact on growth of the private sector, benefits to government, rent-seeking opportunities for the bureaucrats, and the public.

(v) Inefficient tax system failing to be harmonized and support the strategic objectives of growth and transformation

Fiscal policy is an indispensable tool to accelerate the rate of capital formation (savings), increase employment, addressing the inequitable income distribution and contribute to the growth and transformation process. Of all the means, taxation is the most effective instrument of fiscal policy. It can be used to achieve the following objectives: (i) to put a curb on consumption and thus transfer resources from consumption to investment; (ii) to increase the incentives to save and invest; (iii) to transfer resources from the hands of the public to the hands of government in order to make public investment possible; (iv) to modify the pattern of investment; (v) to reduce economic inequalities; and (vi) to mobilize economic surplus (Jhingan 2011). Although indirect taxes (VAT, excise tax, and import tariffs) are important, the largest component of the tax system is direct
taxes on personal income and business activity, generally both progressive forms of taxation.

Ethiopia is one of the countries with the lowest tax revenue to GDP ratio (12.4% in 2015/16). The government has made efforts to improve tax administration and increase the tax base in order to increase its budgetary spending on pro-poor and growth-enhancing sectors. Tax collection increased from 133.1 billion Birr in 2013/14 to 165.3 billion Birr in 2014/15, and 189.7 billion Birr in 2015/16. As a result of pursuing prudent fiscal policy and improvements in the tax administration and tax-collection system, the fiscal deficit in Ethiopia remains within an acceptable threshold. Out of the 320.8 Birr approved budget for 2017/18, about 196.3 billion Birr (61%) is planned to be mobilized through taxes. In the preceding year (2016/17), although the planned target to be collected from taxes was about 170.6 billion Birr, the actual performance was 140.4 billion Birr (81% of the planned target) (Reporter July 16 2017). During the same year, out of the total tax revenue, the share income tax collected from employees by the federal government was the highest share (34%), followed by profit tax collected from the private sector (22%). Out of the ten billion Birr tax collected by Oromia regional state in 2016/17, income tax of employees accounted for 45.7%, whereas the profit tax accounted for 17%. There are three reasons that explain the reason behind the lower share of the profit tax collected from the private sector: (i) the private sector in Ethiopia is very young with limited capacity to support government budgetary expenditures; (ii) even if it is young, compared with comparable countries, the culture of pay taxes is extremely low. The very low tax collected from Merkato (the commercial hub of the country) is a good example; and (iii) inadequate systems and capacity of the government authority.

In June-July 2017, the tax authority made significant efforts to determine the annual taxes of small businesses by estimating their daily income. There were a number of challenges in the exercise: (i) the self-declared daily sales of small business owners were unrealistically low; (ii) those who were engaged in trading activities moved significant proportions of the goods from their shops to their homestead before the visits of the tax inspectors; and (iii) the inspectors lack the skill and competence to provide a realistic estimate. As a result, the business community, particularly small business owners, complained bitterly to the authority. Although such complaints are expected from the business community, what is worrying is its impact on the meeting the strategic objectives of the growth and transformation plan (such as employment creation, supporting the manufacturing sector, ensuring equity and inclusiveness, etc). For example, the government has spent billions of public money to create employment and support the expansion of self-employment through SME development. On the other hand, the tax authority is entirely focusing on meeting its targets, such as collecting tax, at least, to the level of 2014/15, without given due consideration to the strategic goals. Although
increasing the tax revenue in Ethiopia is not arguable, the issue is from which sectors and from whom. This requires harmonizing the tax collection system with the strategic objectives of growth and transformation. There is a dire need to conduct a detailed research on the harmonization issues, assess the reasons behind the recent decline in tax revenue and develop a simplified and transparent tax regime, where small businesses pay taxes on averages based of sample business owners (by detailed activities), and conduct risk based regular verification by tax authority.

**(vi) Relatively higher entry barriers for Ethiopian investors compared to FDI**

If the private sector is to be the engine of growth and transformation, the Ethiopian investors should be in the driving seat. However, the investment climate in the country tends to favor large firms, particularly FDI. According to the report of World Bank Group (2015), entry constraints related to business licensing and registration process in Ethiopia are more severe for domestic firms than FDI. Although only 5% of all domestic, foreign and public firms trying to enter to the market were moving from pre-implementation phase to operation between 2008 and 2012, the picture is different when the data is disaggregated and analyzed only for FDI. For firms in FDI category, nearly one in three firms moved from pre-implementation to operational phase (World Bank Group, 2015). This is the result of the support given to FDI firms by the Ethiopian Investment Commission (EIC) which provided a one-stop-shop service to facilitate obtaining commercial registration, competency certificate, business licensing, and construction permits. EIC is expected to offer follow up services, on behalf of the foreign investors, related to access to land, loans, utilities, residence permit requests, and approval of environmental impact assessment. Moreover, unlike the domestic investors, FDI firms enjoy a preferential access to land - in some cases, free or subsidized land. The World Bank report concludes that Ethiopia has a de facto preference for foreign investors over domestic ones, which need to be carefully balanced to ensure a level playing field.

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5 According to the Ethiopian Investment Agency (EIA), an enterprise entering the Ethiopian market goes through phases in setting up a business, classified as follows: pre-implementation, implementation and operation. At the pre-implementation phase, firms declare their intention to invest in the region and claim and allotment of land; at the implementation firms effectively receive the land and start construction and installation of machinery; and at the operation phase firms are allowed to start operations. Each phase requires compliance with multiple steps in terms of processes, time and cost (World Bank Group, 2015).
Limited participation of Ethiopian firms to invest in the manufacturing sector

The investment in the manufacturing sector in Ethiopia is dominated by large public enterprises and FDI. Actually, about 73 percent of the FDI is channeled to the manufacturing sector. The bank CEOs revealed that, even if there is available fund, the number of loan applications submitted by Ethiopians to invest in manufacturing sector is very limited. This indicates that Ethiopian investors prefer to invest in service, trade, agriculture, transport, and other sectors, instead of the manufacturing sector. There is a need to undertake detailed investigation on:

- Why is the manufacturing sector relatively dominated by public enterprises and FDI firms?
- What are the reasons constraining the domestic private sector from investing in the manufacturing sector?
- What policy interventions are required to provide incentives and other tailored support to promote domestic private investment in the manufacturing sector?
- Which manufacturing enterprises (existing and potential) are critical or fundamental to ensure growth and transformation in the country?
- What incentive mechanisms should be used to support manufacturing enterprises owned by Ethiopians?
- What incentives should the financial institutions, such as banks and MFIs, provide to promote domestic private sector investment, particularly in the manufacturing sector?
- Is there a need to establish a specialized financial institution to provide financial services (short and long-term loans) and avail foreign currency to large, medium and small manufacturing enterprises? and
- Is there a need to address the collateral problems of manufacturing enterprise owners by establishing national credit guarantee schemes and other innovative interventions?

Access to foreign currency

Given the poor performance of the export sector in Ethiopia, the demand for foreign currency in the economy is much higher compared to the supply. This has forced the government to ration the meager hard currency to priority sectors such as infrastructure development, strategic public enterprises, purchase of fuel and fertilizer, etc. In many of the reports of World Bank Doing Business Reports and
Global Competitiveness Index Ranking of World Economic Forum (2014), foreign currency regulation is reported by private firm-owners as the main obstacle to do business in Ethiopia. About 16.4% of Ethiopian firms identified access to foreign currency as their problematic factor in doing business - far more than the 11.4% who cited access to finance (World Economic Forum 2014). The study of FEACC (2014) found that more foreign investors identified foreign currency/exchange regulation as a major obstacle than any other areas of regulation (26.0%), versus 23.4% who identified land acquisition and 19.4% who named customs/foreign trade regulation as a constraint. Currently, many of the manufacturing firms have to wait for months to get access to foreign currency to import input as a result of shortage of foreign exchange. For example, at the beginning of May 2017, the NBE intervened by availing one billion USD to CBE to address the acute shortage of foreign currency to import manufacturing inputs, industrial capital goods, pharmaceutical products, and others. This has resulted in a significant increase in the parallel black market for convertible hard currencies at the same time pushed some of the bank staff to get involved in extracting bribes for favorable treatment or obtaining access to foreign currency. Unless the performance of the export sector and the share of manufacturing in GDP and the number of firms actively engaged in the export sector increases significantly, the structural problem of generating sustainable foreign currency source will remain as a key challenge of growth and transformation in the country.

(ix) Inadequate incentives to attract investors to regions

The information from the EIC and CSA database for medium and large manufacturing enterprises (2006-2014) reveal that private sector investment has been highly concentrated in Addis Ababa and Oromia region (around Addis Ababa). Although tax exemptions and relatively lower price of land (in some cases) were used to attract investors, these incentives were found to be insufficient to increase the flow of private investment to the regions. In other words, the tax exemption or incentives given to firms investing in the regions was much lower compared to the advantage they obtain by investing in Addis Ababa and around the city, in terms of lower transport cost, the availability of large markets, access to skilled manpower and technology, etc. If the regions are to make a serious effort to attract private sector investment, there is a dire need to conduct detailed studies which can identify the binding constraints of private sector investment disaggregated by sector and sub-sector (industry, agriculture, tourism, etc), enterprise size (micro, small, medium and large enterprises) and ownership type (FDI and domestic). After identifying the constraints, the studies are expected to propose adequate incentives and support interventions that can attract the private sector to invest in the regions. These interventions are expected to reduce the regional disparity in terms of private sector investment, which are directly related with growth and transformation of the regions.
Conclusions and proposed policy directions

Ethiopia’s transition towards a market economy, with the private sector as the driver of growth and development, has been one of the key objectives of the incumbent regime since the beginning of the 1990s. To this end, the government has made significant efforts to build the infrastructure (power, road, telecommunication, etc), create a stable macroeconomic policy environment, availing trained manpower, and implementing regulatory regimes required to expand the private sector. For example, the government intervened to ease the licensing requirement and address other entry barriers. As a result, there are relatively few barriers to entry, and there is a favorable legal framework to address anti-competition behavior by firms. The government has significantly reduced the cost of doing business by simplifying regulations and licensing, and improving the quality and effectiveness of the institutions supporting businesses. There are commercial and bankruptcy laws that recognize property and contractual rights. The government and representatives of the private sector are implementing the Memorandum of Understanding (MoU) on public-private dialogue forum signed in 20106. It is also carrying out at least two dialogues per year to solve the problems encountered by the private sector (Admit Zerihun et al 2016).

Despite the attempt of government to improve private sector participation in transforming the economy, Ethiopia’s overall ranking in the World Bank Report, Doing Business in 2017, is 159th out of 190 economies, remains in the same ranking compared to the previous year (2016). There has been some improvement in ranking in the area of starting a business (from 181th in 2016 to 179th in 2017), dealing with construction business, registering property, protecting minority investors, trading across borders, and getting electricity. The ranking in the area of getting credit, paying taxes, and resolving insolvency deteriorated in 2017 (World Bank, 2017) compared to 1916 ranking. According to the World Economic Forum’s Global Competitiveness Report 2015-2016, Ethiopia scored 3.3 out of 10 and ranked 116th out of 140 countries in financial-market development. In the World Bank report, Doing Business 2017, Ethiopia underperformed with respect to getting credit (170th out of 190 countries). The most problematic factors for doing business in Ethiopia, according to the same report, are access to finance, inefficient government bureaucracy and foreign-currency regulation. Credit to the private sector as percentage of GDP was only 9.3% in 2014/15, slightly up from 8.9% in 2012/13 (Admit Zerihunet al 2016). On the other hand, although anti-corruption campaigns have been intensified and a good number of government officials, including senior officials, have been persecuted through the legal system,

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6 It is also carrying out at least two dialogues per year to solve the problems encountered by private sector (Admit Zerihun et al 2016).

The main cross-cutting binding constraints identified in the paper include: (i) access to finance, (ii) inadequate access to land for industrial development and lack of clear land tenure system to promote commercial agriculture, particularly in the highland areas, (iii) limited access to infrastructure, particularly electricity, (iv) the rush to regulation as an entry barrier, (v) relatively higher entry barriers for domestic investors compared to FDI, (vi) limited participation and interest of domestic firms in investing in the manufacturing sector, (vii) inadequate access to foreign currency, and (viii) limited incentives and support to attract investors in the regions (outside Addis Ababa and its surrounding). The long list of constraints of the private sector identified by many of the research reports reviewed in this paper and the interactions made with the private investors through key informant interviews show that the challenges of expanding existing businesses and establishing new ones vary by sector, size (micro, small, medium and large), ownership (domestic and foreign firms), and geographic location. For example, investors in manufacturing sector, particularly the domestic firms, face specific challenges to expand or start new businesses during startup, operational phase, and marketing the products, which include: (i) inadequate access to finance; (ii) lack of incentives and support from government; (iii) inadequate supply of inputs; (iv) limited internal managerial and operational capacity; (v) limited access to market and inefficient business practices; (vi) slow pace of technology development and transfer; (vii) internal capacity challenges; and (viii) limited access to land and other infrastructures (MuluGebreeyesus et al 2017).

Although the government has made substantial progress in providing incentives to investors in all sectors, many private firms (FDI and domestic) have abused the support and incentives. For example, the incentives and support programs of government have encouraged the domestic private sector to invest in non-priority sectors such as hotel business, real estate, trade, transport, etc. Even those domestic investors in the non-priority sectors, who received the tax exemption privileges to import machinery, equipment, and inputs, have abused the support program and incentives of the government. They imported excess products under the cover of the import duty free privileges and sold them at higher prices in the domestic markets. This is partly the result of the inadequate systems/mechanisms on the ground to monitor the effective use of the incentives and support of programs. Given the specific investment challenges in the priority sector such as domestic private manufacturing firms, the government has to design and implement a tailored incentive and support program for the manufacturing sector by providing incentives to Ethiopian investors.
The government categorized the domestic private investors into developmental and rent-seeking and plans to provide various support and incentives to the developmental investors. Differentiating the developmental investors from the rent-seeking investors by itself is a difficult exercise. On the other hand, given the limited number and capacity of the young private sector, implementing a support program only for developmental investors is very difficult, if not unrealistic. The government needs to focus on identifying the root causes of rent-seeking activities in the system, monitor the implementation of the support and incentives to the private sector and mentor, guide and support all the private sector investors. Creating an efficient and accountable government bureaucracy is another critical intervention to close the loopholes that attract the private sector investors to engage in rent-seeking activities. It should be emphasized that the young private sector in Ethiopia has its own limitation in terms of business ethics, involvement in tax evasion and corrupt activities (law breaking), and greed to amaze profit in the middle of crisis. These practices may create concern and reluctance of the government to rely on the private sector. However, despite its engagement in rent-seeking activities, there is a need to trust the private sector. This requires educating and changing the attitude of the policymakers (from Kebele to Federal-level) and the public on the role of the private sector as the engine of growth. This could partly be facilitated by regularly conducting public-private investor dialogues in various sectors, sub-sectors, and regions.

The dialogue between the government and the private sector started in 2002 by establishing the public-private consultative forum chaired jointly by the Ministry of Trade and Industry and the president of the Ethiopian Chamber of Commerce. Despite a series of efforts since 2002 to create a value adding partnership, it has not produced substantive results in making the domestic private sector as the true engine of growth and transformation. Although it has not been explicitly reported, the core reason behind the failure of creating true public-private partnership is lack of trust on the private sector by the government.
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Annex 1: Number and Share of Medium and Large Manufacturing Enterprises Region Wise (2014-2016)

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<td>7.84</td>
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*Source: Computed from the CSA data base*
Urbanization and linkages with rural economies in Ethiopia

Tegegne Gebre-Egziabher

Introduction

The global population living in urban areas has reached 54% in 2014 (UN, 2014) and this has marked an urban age in the world. The share of urban population in the world is expected to increase to 66% in 2050 (UN, 2014). Though many developing countries are rural and agrarian, they witness a very fast rate of urbanization. These countries have also higher incidence of rural poverty. Thus the two: higher rates of urbanization and higher incidence of rural poverty co-exist in developing countries (Cali and Menon, 2012).

Urbanization, if properly managed, is an engine of growth since the concentration of people and activities gives rise to higher productivity which in turn attracts firms and people. The welfare gains of properly managed urbanization for urban dwellers come in the form of higher income and employment, better access to services and infrastructure. The welfare impacts of urbanization on the surrounding rural population, however, are not clearly known (Cali and Menon, 2012). Partly, the reason for this is the dichotomy between the rural and the urban and the separate treatment of issues affecting rural and urban in policy and practice. There is, however, an increasing understanding that the two influence each other and there is a symbiotic relation and interdependence between the two. The symbiotic relation is expressed in the form of rural urban linkages. Strong and positive linkages enhance growth by facilitating the flow of resources to locations with the largest economic and social benefits. They also have a potential of accelerating inclusive growth, expanding employment and serving the poor (von Braun, 2007). On the other hand, the lack of such linkages can divide societies, lead to inefficiencies and can be a root cause of inequality. Cognizant of this fact, the Sustainable Development Goal 11 has a target, among others, of supporting positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.

Linkages, particularly optimal linkages, however, are not automatic and cannot be taken for granted in development (von Braun, 2007). As a result, rural urban linkages require policy attention and proper institutional and organizational structures that need to be delivered in order to maximize their benefits.

Ethiopia is primarily an agrarian country and the bulk of its population (80%) live in rural areas. Agriculture is also the major economic sector in terms of its contribution to the GDP and export earnings. For instance, agriculture contributed 38.8% to the GDP in 2014/15 (NBE, 2016). At the same time, the country is witnessing a demographic and policy shift to urban development and
urbanization. Demographically, though the urban sector at present hosts only 20% of the population, it is growing at a very fast rate of 5.2% (World Bank, 2015). In the policy sphere, the government of Ethiopia since 20051 has given much emphasis to urbanization and industrialization. This is a significant departure from the rural development emphasis embodied in the ADLI perspective. According to ADLI, small scale holders are the key drivers of growth and their productivity is to be increased through the provision of different inputs. Both GTPs I and II, however, stipulate urbanization and industrialization as key drivers of structural transformation in order to attain the middle income status.

Consequently, public policy needs to manage rural urban transformation and urbanization in a way that promotes equity and inclusive development. There is a need to foster integrated and balanced approach that ensures equal and inclusive development of both urban and rural areas. Rural urban linkages, if properly handled, can become part of the solutions to numerous development challenges the country is facing such as the poverty of the rural people, the growing rural labor force, the scarcity of rural land etc.

The overall objective of the paper is to examine the link between urbanization and the rural economy. The specific objectives are

1. To examine the dynamics of urbanization in Ethiopia;
2. To identify mega trends in rural urban linkages and their implication for rural livelihood and inclusive development; and
3. To provide policy options that will strengthen the urbanization link with rural areas.

The paper relies on secondary information that includes data from the Central Statistical Agency (CSA) and a synthesis of scholarly work done on the subject so far. The paper is organized as follows. Following the introduction section, section two is a literature review. Section three describes the dynamics of urbanization in Ethiopia. Section four presents the major macro trends of rural urban linkages and the implication of the linkages for rural livelihoods. Section five presents the priority areas for enhancing rural urban linkages.

Literature review

Two strands of literature are relevant in this study. The first is the rural urban linkage literature that helps to identify the nature of rural urban linkages and the second is the literature on the impact of urbanization on rural welfare. In addition, the rural needs for linkages and urbanization in the Ethiopia context are outlined in this section.

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1 The EPRDF government issued an urbanization policy in 2005 while ADLI was issued in 1993
Rural urban linkage

Rural urban linkages generally refer to the various interactions between rural and urban settlements that are naturally found along a continuum. The two ends of the continuum are settlements which are ‘very rural’ and ‘very urban’ or metropolitan with different in-between settlements that include peri-urban areas, small towns and rural areas (von Braun, 2014).

The interactions refer to the flows of capital (public and private), people (migration and commuting) and goods (trade) between rural and urban areas (Sheng, undated). The flow of ideas, innovation and information can also be considered as the form of rural urban linkage. Similarly, in biophysical perspective the flows of water, biomass products, and nutrients are relevant, as are land and soil utilization (von Braun, 2014). Networks and systems are critical in rural urban linkages since they facilitate the flows. These include transportation system (roads, rail, air), telecommunication and postal, energy grids etc and are designated as flow and linkage facilitators (von Braun, 2014).

On the basis of flows, rural urban linkages can have different dimensions focusing on demographic, economic, financial, environmental issues. Demographic linkages focus on the migration of people from rural to urban areas and the flow of goods, money and ideas that occur in the opposite direction as a result of migration. Economic linkages focus on the economic links between urban and rural areas, how economic development in one can benefit or obstruct economic development in the other and the policy measures needed to develop a mutually beneficial relationship. Environmental linkages focus on the flow and utilization of environmental services such as water, land etc. Financial linkages refer to the flows of financial products between rural and urban areas. The different dimensions of linkages, however, are interrelated and they need to be considered simultaneously.

The nature of linkages can be different in different settings and for different sectors in the same place. For instance, in the linkages between metropolitan areas and the peri-urban area, metropolitan areas often absorb agricultural land, exploit water resources and pollute the rural environment (Sheng, undated) while in the linkages between small and medium sized cities and the surrounding rural areas, small towns can stimulate agricultural development and non-farm employment in the hinterland (Gaile, 1992). Similarly, rural urban linkages depend on policies and institutions (Getnet and Mehrab, 2010). Policies such as land tenure, investment in health, education, family planning influence linkages as institutions particularly those related to markets do.

Rural-urban linkages have become major policy issues because of their effects on key sustainable development concerns such as poverty eradication, sustainable agriculture, food security and nutrition, economic growth, infrastructure, climatic
change adaptation and resilience (Sietchiping, 2014). In terms of economic growth, rural urban linkages foster a synergy between agricultural production and urban enterprises and this leads to a vibrant local economy. Rural people’s access to urban-based services and markets for goods and labor will improve rural livelihood and contributes to poverty reduction (Tacoli, 2003).

**Impact of urbanization on rural welfare**

The impact of urbanization on rural welfare is part of the broader literature detailing the effect of urbanization on economic growth. This literature builds on the close link between urbanization and the level of GDP (Henderson, 2003). It is known that economic growth promotes industrialization and urbanization and urbanization in turn promotes economic growth (Chen, Zhang, Liu, Zhang, 2014). The latter is predicated on the advantages of economic concentration—the division of labor and economies of scale (Turok and McGrandhan, 2013). Division of labor entails gains for productivity for firms specializing on specific products and tasks. An aspect of economy of scale is external economy or agglomeration economy which is the benefit firms obtain from being close to other firms in order to reduce transaction costs (such as transport and communication) and to gain from network effects, such as shared information (Turok and McGrandhan, 2013). Localization and urbanization economies are the two forms of agglomeration economy with the former refereeing to firms’ closeness to firms within the same industry and the latter refereeing to firms in other industry. The advantages of agglomeration are often summed up in three functions: matching, sharing and learning (Turok and McGrandhan, 2013). Urbanization also provides economies of scale in the provision of public infrastructure which in turn increases the productive capacity of households in urban areas.

While the link between urbanization and economic growth is clear, the effects of urbanization on rural poverty and rural welfare, however, are little known. Arouri, Youssef and Cuong (2014) distinguish between the positive and negative effects of urbanization on rural welfare.

The positive effects are well elaborated by Cali and Menon (2012) and include economic linkage effects and locational effects. Economic linkage effects are urban demand, rural non-farm employment, remittance, agricultural productivity, increased rural land price and reduced consumer prices while locational effects are the movement of people from rural to urban areas.

Urban demand works through backward linkages since an expanding urban area (in terms of population and income) generates an increase in demand for agricultural goods and also increased demand for higher value commodities. The latter results in increased share of higher value added products in total agricultural demand. Rural non-farm employment is encouraged due to expanding urban areas.
that favor the diversification of economic activity away from farming. This has a positive effect on rural income and the effect is particularly important in rural areas surrounding the cities (Cali and Menon, 2012).

Remittance which is sent back home by rural-urban migrants is an important effect of urbanization on rural poverty. Remittance can reduce resource constraints for rural households as well as provide insurance against adverse shocks. Some studies have found positive impacts of remittances on household welfare and poverty reduction (Adams, 2006; Adams and Page, 2005; Acosta et al., 2007) while others found no evidence of poverty reduction effects of migration (Yang, 2004; Azam and Gubert, 2006).

Urbanization is known to influence agricultural productivity through different channels. First rural urban migration reduces rural labor supply and can increase agricultural labor productivity given the fixed supply of land and the diminishing marginal returns to land (Cali and Menon, 2012). Second, farmers closer to cities can use technological inputs that can raise agricultural productivity (Bachewe, et al 2017).

The growth of cities affects rural land prices to increase. This happens because as cities expand, agricultural land will be demanded for urban uses and consequently land value will increase. The effect on rural poverty, however, depends on the ownership pattern of rural land. In cases, where land is concentrated in few hands, the effects will be negative where as if land is distributed to peasants, the effect will be positive.

With regard to consumer price, cities provide lower consumer prices due to increased competition among a large number of producers in the growing urban markets as well as thicker factors and goods market. Hence the surrounding rural consumers can benefit from lower consumer price.

The negative impact of urbanization on rural dwellers’ welfare is related to negative externalities of urban development on rural areas. Urbanization can cause the loss of agricultural land which will have a negative effect on income and poverty reduction of rural households (Satterthwaite et al., 2010). In addition, urbanization may cause environmental degradation and health problems in rural areas which may lead to poverty by reducing available incomes and labor productivity (Alam et al., 2007).

**Rural needs for rural-urban interaction and urbanization in Ethiopia**

The rural sector in Ethiopia has its own features which demand substantial development endeavors. These features necessitate increased rural-urban linkages and more urbanization. The features are identified below:
Rural and agricultural transformation

Sustainable development comes through transformation. In particular, there is a need for rural transformation that goes beyond addressing the fundamental structural problems of agriculture such as price control, provision of inputs etc. Rural transformation entails societal change. It implies a need to diversify rural economy, reduce reliance on agriculture, become dependent on trade and move from dispersed village to small and medium towns (Global Donor Platform, 2016). Rural transformation has numerous elements which include livelihood diversification, migration and mobility and inter-sectoral linkages. With transformation, households can become multi-spatial and multi-locational and rural regions can become urbanized. One factor that contributes to inclusive rural transformation is the quality and strength of rural-urban linkages.

Population growth in rural areas and the youth bulge

Ethiopia is one of the demographic giants in the world and in Africa (ranking 13th in the world & 2nd in Africa). The high population growth is evident in the high growth rate, absolute population increase and increase in population density. The population growth rate was 2.5% in 2015 (Assefa and Eshetu, 2017) and with this growth rate the population of the country is expected to reach 136,745,136 in 2037, a marked increase from the current population size of 94,351,506 (CSA, 2013). Population density in the country has also increased from 18p/km² in 1950 to 50 p/km² in 1990 and 100 p/km² in 2015 and is expected to reach 164 persons per KM² 2040 (Assefa and Eshetu, 2017). Population density becomes a serious concern due to the uneven spatial distribution. The rural densities in the country vary from 2.5 p/km² in Gubaworeda of Benishangul region to 993 p/km² in Wonagoworeda of the SNNP region (CSA, 2014). Such high variation in population densities indicate the extreme pressures different areas suffer from.

In general what is worrying about population in rural areas is that it is increasing faster than the jobs and livelihoods available in rural areas (MoANR, 2017). Coupled with the fast growth of population, the country is witnessing a youth bulge that needs to be seriously considered if the youth is to be harnessed properly for sustainable development. It can be argued that on the basis of the trends of death and birth rates, demographic transition in Ethiopia took off beginning from the middle 1980s. In 1980-85, crude birth rate (CBR) was 49.3 births per 1000 and crude death rate (CDR) was 21.5 deaths per 1000 population. These rates have been progressively declining since then. In 2010-15, CBR was estimated to be 33.2 births and CDR was 7.8 deaths per 1000 population (Assefa and Eshetu, 2017). One of the consequences of lower death and fertility rate is an increase in the youth population that will swell up the labor force in the country. According to the CSA (2012) projection, the working age population (age group 15-64) will rise up from the current 57.8% to 65.7% in 2037. The growing youth will move
to urban areas in search of employment and this intensifies the need for stronger rural urban linkage.

**Land shortage and landlessness**

Land is the main input of agriculture and the major base of livelihood for the majority of Ethiopia’s population. The size of agricultural land is thus critical in determining not only farmers’ income but also their livelihoods. The average size of agricultural land in the country however is very small and has decreased from time to time. For instance, the average cultivated land per holder was 1.01 hectare in 2014/15 with 59.9% of farmers owning less than one hectare of land (CSA, 2014/15). Farmers also have fragmented holdings which pose difficulty of working in agricultural land. Further, the issue of landlessness is a serious problem that is challenging rural livelihoods. According to one study, 38.3% of the rural households in three rural kebeles in Oromiya region are landless (Fekadu, 2016). More specifically, the study found out that 43% in Wayu-Gosekebele, 37.8% in Udekebele and 33% in Limu-Dimakebele are landless rural households (Fekadu, 2016). These figures exclude rural youth above 18 years old and their inclusion will make the number of landless farmers to be much higher than what is reported. Landlessness necessitates rural livelihood options and such options could be delivered by strengthening rural urban linkages in the country.

**Thin urban markets**

Ethiopia has a very small urban population compared to its rural population. In 2017, the urban population in the country is 19,087,000 compared to 75,265,001 rural population. The urban rural ratio represents the relative size of the urban areas compared to rural areas. The ratio can also be taken as a simple indicator of the level of division of labor between urban and rural areas or the size of the urban market for rural products (Cour, 2003). The urban rural ratio for 2017 was 0.253. This implies that each farmer in Ethiopia has a market of 0.25 urban individual as a potential customer. In other words, one urban customer is supplied by four farmers indicating the narrowness of the domestic market. It is therefore important to grow the size of the urban market in order to increase farmers’ income.

**Urbanization dynamics in Ethiopia**

Ethiopia attained an urbanization level of 16% in 2007 and this grew to 20% in 2017. This level of urbanization is low even compared to the averages for African and sub-Saharan African countries whose urbanization rates were 40% and 37% respectively in 2014 (UN,2014). The trend in the urban population both in its absolute number and share, however, indicates that urbanization is increasing rapidly. For instance, the absolute number of urban population increased by 4.3 million in 13 years between 1994-2007 while it increased by 7.3 million in
Urbanization and linkages with rural economies in Ethiopia

10 years time between 2007-2017 (see table 1). Similarly the share of urban population grew by 3.4 percentage between 1994-2007 while it increased by 4.1 percentage between 2007-2017.

Table 1: Total population, urban population and urban population share

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population</th>
<th>Rural Population</th>
<th>Urban population</th>
<th>Urban share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>23,667,400</td>
<td>21,742,000</td>
<td>1,925,400</td>
<td>8.0</td>
</tr>
<tr>
<td>1972</td>
<td>24,068,800</td>
<td>21,730,900</td>
<td>2,337,900</td>
<td>9.7</td>
</tr>
<tr>
<td>1984</td>
<td>42,019,418</td>
<td>37,276,563</td>
<td>4,742,855</td>
<td>11.3</td>
</tr>
<tr>
<td>2007</td>
<td>73,750,932</td>
<td>61,888,111</td>
<td>11,862,821</td>
<td>16.1</td>
</tr>
<tr>
<td>2017</td>
<td>94,351,001</td>
<td>75,265,001</td>
<td>19,087,000</td>
<td>20.2</td>
</tr>
</tbody>
</table>

Source: Compiled from various CSA surveys, census

The rates of urban growth during the inter-censal periods of 1984-1994 and 1994-2007 were 4.43 % and 3.78 % respectively. These rates are higher than the average rate of urban growth for Africa (3.4%) and the world (2%).

According to the CSA projection, the urban population of the country will reach 42 million in 2037 and the urbanization level will be 31.1 %. Such a fast growth of urban population will provide opportunity for development while at the same time it poses a challenge in terms of stretching the infrastructural services of the country.

Urban population growth is caused by three factors: natural increase, migration and reclassification of administrative places. The growth rate of population which is 2.5 % remains to be one of the potent forces of urbanization in Ethiopia. The natural increase contributed for 35%-42% of urban growth between 2008-17 and will continue contributing for a little more than one-third up to the year 2037 (World Bank, 2015). Migration plays a significant role in the Ethiopian urban population growth. According to the inter-censal survey carried in 2012, 50% of urban residents are migrants. In some cities, the proportion of migrants is even much higher than this. For instance, among the regional capitals, Semera Logia (71.6%), Assosa (68.1%), Gambella (58.8%), Adama (59.2%), Bahir Dar (55.6%), Hawassa (64%), Mekele (52.4%) have more than 50% migrant residents. Migration contributed 30-37% of the urban growth between 2008-17 and will contribute 38-48% up to the year 2037 (World Bank, 2015). Upgrading of villages to urban centers and the expansion of urban areas to rural areas due to urban sprawl are other drivers of urbanization in the country.
An important feature of an urbanization dynamics of any country is the trend in hierarchical (size class) and spatial distribution of towns. Table 2 shows the hierarchical distribution of towns for different years. Accordingly, the bulk of the towns in all years are small towns with population size of 2,000-20,000. There is however a shift in population distribution as the share of population in small towns declined from 38% in 1984 to 33% in 2015. There is also a parallel shift in population share as those residing in city size between 20,000-100,000 grew from 25% in 1984 to 29% in 2015. An important feature of the size distribution is the emergence of the size class 100,000-500,000 in 1994 and its growth in number from 3 in 1994 to 18 in 2015 and in its share from 6% in 1994 to 20% in 2015. These are mainly regional capitals and major commercial cities such as Shashemne, Dessie, Kombucha etc. These towns can serve as secondary cities and form alternatives to the city of Addis Ababa which has dominated the urban scene in the country. In 2015, the population in Addis Ababawas 18% of the total urban population which is a decline from 36% in 1984, 30% in 1994 and 23% in 2007. This declining primacy combined with the growth of the regional capital has the potential of balancing the urban system.

Table 2: Urban population distribution by size class

<table>
<thead>
<tr>
<th>Size Class</th>
<th>2,000-20,000</th>
<th>20,000-100,000</th>
<th>100,000-500,000</th>
<th>500,000-1,000,000</th>
<th>&gt;1,000,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>5,876,368</td>
<td>5,191,568</td>
<td>3,488,279</td>
<td>3,273,000</td>
<td>17,829,215</td>
<td></td>
</tr>
<tr>
<td>Share (%)</td>
<td>32.9%</td>
<td>29.1%</td>
<td>19.6%</td>
<td>-</td>
<td>18.4%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of Cities</td>
<td>757</td>
<td>120</td>
<td>18</td>
<td>-</td>
<td>1</td>
<td>896</td>
</tr>
<tr>
<td>Average city size</td>
<td>7,763</td>
<td>4,326</td>
<td>193,793</td>
<td>-</td>
<td>3,273,000</td>
<td>19899</td>
</tr>
<tr>
<td>Total population</td>
<td>4,511,399</td>
<td>2,880,001</td>
<td>1,672,852</td>
<td>0</td>
<td>2,739,551</td>
<td>11,803,803</td>
</tr>
<tr>
<td>Share (%)</td>
<td>38.2%</td>
<td>24.4%</td>
<td>14.2%</td>
<td>0</td>
<td>23.2%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of Cities</td>
<td>708</td>
<td>75</td>
<td>10</td>
<td>0</td>
<td>1</td>
<td>794</td>
</tr>
<tr>
<td>Average city size</td>
<td>6372</td>
<td>38,400</td>
<td>167285</td>
<td>0</td>
<td>2,739,551</td>
<td>13429</td>
</tr>
<tr>
<td>Total population</td>
<td>2,667,242</td>
<td>1,775,236</td>
<td>404,942</td>
<td>0</td>
<td>2,084,588</td>
<td>6,932,008</td>
</tr>
<tr>
<td>Share (%)</td>
<td>38.5%</td>
<td>25.6%</td>
<td>5.8%</td>
<td>0</td>
<td>30.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of Cities</td>
<td>483</td>
<td>47</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>534</td>
</tr>
<tr>
<td>Average city size</td>
<td>5522</td>
<td>37,771</td>
<td>134,981</td>
<td>0</td>
<td>2,084,588</td>
<td>12981</td>
</tr>
</tbody>
</table>
Urbanization and linkages with rural economies in Ethiopia

| Total urban population (1984) | 1,539,829 | 1,008,947 | 0 | 0 | 1,412,575 | 3,961,351 |
| Share (%) | 38.9 | 25.5 | 0 | 0 | 35.6 | 100 |
| Number of Cities | 289 | 22 | 0 | 0 | 1 | 312 |
| Average city size | 5,328 | 45,861 | 0 | 0 | 1,412,575 | 12,697 |

| Share change (1984-2017) | -6.0 | +3.6 | 19.6 | - | -17.2 |
| City count change | 468 | 98 | 18 | - | - |

Source: Various CSA reports

The spatial distribution of towns depicts a skewed distribution. First, the bulk of towns and urban population are found mainly in the three regions of Oromiya, Amhara and SNNP (table 3). This implies that other regions are less served with urban services and benefit less from urbanization. Second, all the towns in regions such as Benishagnul, Gambella and Afar are small towns with population of less than 100,000. This indicates that the potential for these regions to benefit from agglomeration and city size is very limited.

Table 3: Regional distribution of towns by size class (2015)

<table>
<thead>
<tr>
<th>Region</th>
<th>2,000-20,000</th>
<th>20,000-100,000</th>
<th>100,000-500,000</th>
<th>500,000-1,000,000</th>
<th>&gt;1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of towns</td>
<td>Pop</td>
<td>No of towns</td>
<td>Pop</td>
<td>No of towns</td>
<td>Pop</td>
</tr>
<tr>
<td>Tigray</td>
<td>44</td>
<td>397,890</td>
<td>11</td>
<td>516,869</td>
<td>1</td>
</tr>
<tr>
<td>Afar</td>
<td>32</td>
<td>244,357</td>
<td>4</td>
<td>99,167</td>
<td>-</td>
</tr>
<tr>
<td>Amhara</td>
<td>165</td>
<td>1,357,090</td>
<td>28</td>
<td>1,081,254</td>
<td>4</td>
</tr>
<tr>
<td>Oromiya</td>
<td>294</td>
<td>2,143,506</td>
<td>47</td>
<td>1,799,547</td>
<td>5</td>
</tr>
<tr>
<td>Somale</td>
<td>59</td>
<td>438,059</td>
<td>4</td>
<td>162,915</td>
<td>1</td>
</tr>
<tr>
<td>Benishagnul</td>
<td>19</td>
<td>151,386</td>
<td>1</td>
<td>461,717</td>
<td>-</td>
</tr>
<tr>
<td>SNNP</td>
<td>136</td>
<td>1,082,129</td>
<td>24</td>
<td>1,419,550</td>
<td>5</td>
</tr>
<tr>
<td>Gambella</td>
<td>8</td>
<td>61,951</td>
<td>1</td>
<td>66,095</td>
<td>-</td>
</tr>
<tr>
<td>Harar</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Addis Ababa</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dire Dawa</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>757</td>
<td>5,876,368</td>
<td>120</td>
<td>5,191,568</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: CSA, 2015

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The Economic role of cities

A World Bank study reported that urbanization in Ethiopia goes hand in hand with economic growth. This is because the trend in GDP growth and urbanization had positive association especially after 2007-08 (WB, 2015). The urban GDP which was estimated by disaggregating national GDP based on the population data from the national labor force survey showed that cities in Ethiopia contribute for about 39.8% of the total GDP while forming 18.3% of the share of total population in 2012/13 (MUDHCo and ECSU, 2015). The per capita GDP of the urban sector for the same time was estimated to be 15,436 birr which was three times higher than the rural per capita GDP of 5234 birr implying a higher urban productivity (MUDHCo and ECSU, 2015). The sectoral composition of the urban GDP and employment showed that the service sector accounted for 80% of the GDP and 51% of the employment while manufacturing accounted only for 8% of the GDP and 16% of employment (MUDHCo and ECSU, 2015). The low importance of manufacturing in the Ethiopian urbanization is seen by observing the trend in the growth of urbanization and the contribution of the different economic sectors to the GDP. Table 4 shows that while the trends in urbanization and the contribution of services to GDP are growing, agriculture is declining and manufacturing has remained steadily. This implies that urbanization in Ethiopia is more correlated with the service sector rather than the manufacturing sector. In other words, this provides credence to the thesis of urbanization with out industrialization in the Ethiopian context.

Table 4: Levels of urbanization and the shares of economic sectors in GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Levels of urbanization (%)</th>
<th>Share of Agriculture in GDP(%)</th>
<th>Share of services in GDP(%)</th>
<th>Share of manufacturing in GDP(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>12.9</td>
<td>66</td>
<td>28.1</td>
<td>3</td>
</tr>
<tr>
<td>1996</td>
<td>14.0</td>
<td>62</td>
<td>31.1</td>
<td>4</td>
</tr>
<tr>
<td>1999</td>
<td>14.0</td>
<td>55.1</td>
<td>36.6</td>
<td>4</td>
</tr>
<tr>
<td>2005</td>
<td>15.9</td>
<td>49</td>
<td>42.6</td>
<td>4.1</td>
</tr>
<tr>
<td>2013</td>
<td>18</td>
<td>41.8</td>
<td>46.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Various NBE reports

Macro trends in rural urban linkages and implication for rural livelihood

The state of rural urban linkages at macro level can be captured by examining the evolution of spatial and sectoral flows. Three types of spatial flows namely migration, food trade and environmental linkages are discussed below.
Migration

Migration particularly rural urban migration is one of the engines of rural urban linkages and urbanization in Ethiopia. The 2012 inter censal survey showed that only 15% of the population was engaged in some kind of movement in the country (CSA, 2012). This is a very low level of migration compared to countries such as Vietnam (22%), China (30%) and Uganda (25%) (World Bank, 2015). One explanation for the low level of migration could be the high urban unemployment that discourages migrants to come forward. The other is the insecurity arising from rural land tenure rights since land possession is tied up with residency requirement in rural Ethiopia (World Bank, 2015, Dorosh, Schmidt, and Admasu 2012). This reduces motivation to migrate and studies also show that even the land registration system and the land transaction policy introduced to enhance tenure security could not create incentive to migrate for the rural people (Ayalew, Mamo, Tegegne and Kiya, 2016). In addition to this, the requirement for any one to stay 6 months in the city in order to get a city resident identification card discourages migrants from coming to the city (Dorosh, Schmidt and Admassu, 2012). Beyond this, like other African country, structural transformation from agriculture to industry in Ethiopia is slow and this stalls migration in the country.

Though migration is low in general, the direction of migration in Ethiopia presents an interesting picture. The labor force surveys for the years 1999, 2005 and 2013 show that rural to rural migration is the dominant form of migration and is followed by rural-urban migration (table 4). The trend, however, shows that rural to rural migration is losing in importance as it declined from 37.6% in 1999 to 34.5% in 2013 while rural to urban migration is gaining in importance as it increased from 23.5% in 1999 to 32.5% in 2013 (table 4). This could be an indication that agricultural out migration (for work on some one’s land) is declining and urban or industrial migration is increasing. In fact, nearly half (48.6%) of the population in urban areas are migrants while migrants in rural areas are only a mere 9% (CSA, 2012). Thus, urbanization in Ethiopia are highly fueled by migration. A correlation coefficient of 0.8 was found out between rate of in-migration and levels of urbanization (Tegegne, 2012). The reason seems that city states and regions, with high levels of urbanization, also have a higher proportion of in-migrants. Addis Ababa, DD, and Hararare such states with high values in both levels of urbanization and proportion of in-migrants (Tegegne, 2012). It, thus, can be said that urbanization spurs mobility of people and intensifies linkages between rural and urban areas. An important feature of rural urban migration linkage is that it involves step migration in which migrants first move to nearby small city and then to regional city and capital city. For instance, migrants from rural areas of Fartaworedaare found to have first migrated to Bahirdar and after wards to Addis Ababa (Admanesh et al., 2014)
Table 5: Forms of migration

<table>
<thead>
<tr>
<th>Forms of migration</th>
<th>1999</th>
<th>2005</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural to Rural</td>
<td>37.6</td>
<td>46.0</td>
<td>34.5</td>
</tr>
<tr>
<td>Rural to Urban</td>
<td>23.5</td>
<td>24.3</td>
<td>32.5</td>
</tr>
<tr>
<td>Urban to Rural</td>
<td>15.7</td>
<td>12.1</td>
<td>11.6</td>
</tr>
<tr>
<td>Urban to Urban</td>
<td>23.2</td>
<td>17.7</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Source: Source various labor force surveys

The top three important reasons for migration indicate that employment is the main driver of migration for recent migrants (28.6%) followed by the need to live along with family (25.7%) and marriage arrangement (9%) (CSA, 2013). Search for work is even much more important for recent migrants in urban areas (33.4%) followed by the need to live along with family (25%) and education (12%). The three important reasons for recent migrants in rural areas are to live along with family (26.6%), search for work (22.1%) and marriage arrangement (12.7%). On the supply side, many studies have shown that rural land scarcity is what pushes migrants out of rural areas (Admnesh, et al., 2014).

One of the outcomes of migration linkage is remittance to rural areas. Remittance can play significant roles in rural economy and the livelihoods of rural households. Urban-to-rural remittances can act as sources of capital and investments in rural areas while simultaneously allowing rural households to diversify livelihoods and reduce their exposure to risk in rural areas (Dercon and Hoddinott, 2005). It can supplement the income and purchasing power of receiving households. An increase in purchasing power in turn can stimulate the local economy particularly the non-farm activities (von Braun, 2007).

Migrant remittance or person-to-person financial flow forms the major financial flow between urban centres and rural areas since financial flows from city-based financial institutions, such as banks and credit associations, to villages are very limited and are considered to be one of the weakest rural–urban linkages (Akkoyunlui, 2015). In Ethiopia, data on remittances are hard to come by. Different micro scale studies, however, reported that urban/industrial migration is not attractive compared to migration abroad in terms of remittances sent back and in terms of the overall well-being of migrants (Dom, 2017). A WIDE study (Dom. 2017) reported that the type of work migrants perform in cities and towns include domestic work, hospitality, services, cobble stone paving, construction work and working at factories of various types and size. Similar types of work are also reported by a migration study commissioned by the World Bank. According to the study, the work type includes construction work, daily labor, shoes shining, guard, petty trade, domestic work, sex work, ironing, porter (BDS, 2017). These types of jobs are casual work, irregular and less paying. The urban migrants particularly
those with no networks also faced precarious situation and difficulties once they reach their destination to find jobs, accommodations and withstand the rising cost of living (Dom, 2017). In terms of income, women migrants who worked in factories, reported a pay of 400-600 per month while those working on flower farm earn 20 birr per day or 700 birr per month (Dom, 2017). Migrants, thus, have low ability to send and save money back home. The low rates of remittance by migrants are also reported in another study. De Braw et al (2013) based on Ethiopian rural household survey found out that despite the fact that migrants maintain a great deal of contact with their source households, remittance rates are relatively low with only one-third of internal migrants remitting. In addition, those who reported sending remittance sent back an average of 708 birr (in kind or cash) to the source households during the 12 months prior to the survey (De Brauw et al., 2013). Furthermore, since most of the migrants or 64% in the sample were found out to be rural to rural migrants with only the remaining being rural-urban, migration to urban areas seems to have limited impact on remittance. The few remitters, however, were found out to be those with fewer dependents, more educated and engaged in skilled occupations (De Brauw et al., 2013).

**Food trade**

Ethiopia is endowed with diverse agro-ecological zones that give rise to diverse food production and diverse forms of food trade. Among the different forms of trade, grain and livestock trade have significant implication for rural urban interaction.

**Grain trade**

Grain trade involves millions of farmers, traders, consumers etc and links rural areas with small towns, regional markets and terminal markets or the capital city. The volume of grain produced in the country increased from 171.2 million quintals in 2008/09 to 270.2 million quintals in 2014/15 (CSA, 2009, CSA 2015). In terms of demand, the quantity of food consumed in the country has also increased. The average Ethiopian household consumed 288 kg of food per adult equivalent in 1996 and this grew to 447 kg per adult equivalent in 2011. Real food expenditure using 1996 price also increased from 739 birr/per adult/equivalent/year in 1996 to 925 birr/per adult/equivalent/year, an increase of 25% (Ibrahim et al., 2016). Such an increase in demand and supply of grain creates a fertile ground for rural urban interactions.

The volume of grains that enters in the market in Ethiopia, however, is very small compared to the production. According to the CSA data, the volume of grain crops marketed in 2014/15 formed 21.55% or 58.2 million quintals, while the volume of cereals marketed is only 17% or 40.6 million quintals (table 5).
5 shows that the bulk of the total production in Ethiopia is used for consumption which illustrates the limited market linkage of the Ethiopian agriculture.

Table 6: Crop production and percent of utilization: all holdings

<table>
<thead>
<tr>
<th>Crop type</th>
<th>Total production (Q)</th>
<th>HH consumption</th>
<th>Percent utilized for</th>
<th>Seed</th>
<th>Sale</th>
<th>Wages in kind</th>
<th>Animal feed</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain crops</td>
<td>270,222,491</td>
<td>61.7</td>
<td>12.69</td>
<td>21.55</td>
<td>0.96</td>
<td>0.45</td>
<td>2.66</td>
<td></td>
</tr>
<tr>
<td>Cereals</td>
<td>235,903,211</td>
<td>65.73</td>
<td>12.49</td>
<td>17.21</td>
<td>1.04</td>
<td>0.57</td>
<td>2.96</td>
<td></td>
</tr>
<tr>
<td>Pulses</td>
<td>26,718,345</td>
<td>59.18</td>
<td>13.82</td>
<td>24.07</td>
<td>0.65</td>
<td>0.24</td>
<td>2.04</td>
<td></td>
</tr>
<tr>
<td>Oilseeds</td>
<td>7,600,935</td>
<td>34.52</td>
<td>11.05</td>
<td>51.31</td>
<td>1.17</td>
<td>0.04</td>
<td>1.92</td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td>5,947,370</td>
<td>78.07</td>
<td>0.74</td>
<td>19.29</td>
<td>0.27</td>
<td>0.06</td>
<td>1.56</td>
<td></td>
</tr>
<tr>
<td>Root crops</td>
<td>54,554,894</td>
<td>72.62</td>
<td>7.76</td>
<td>17.25</td>
<td>0.25</td>
<td>1.0</td>
<td>1.12</td>
<td></td>
</tr>
<tr>
<td>Permanent crops</td>
<td>30,000,711</td>
<td>52.98</td>
<td>0.48</td>
<td>42.63</td>
<td>0.56</td>
<td>0.92</td>
<td>2.45</td>
<td></td>
</tr>
<tr>
<td>Enset</td>
<td>50,171,872</td>
<td>82.07</td>
<td>0.46</td>
<td>11.53</td>
<td>1.06</td>
<td>2.73</td>
<td>1.85</td>
<td></td>
</tr>
</tbody>
</table>

Source CSA, 2014/15, Volume VII, p.16

It is however important to note that among cereals, the proportion of sales is relatively higher for teff, (29.92%) a major staple crop that is most commonly eaten by urban households (table 6). In urban areas, teff accounts for 23 per cent of per capita total food consumption (Berhane et al., 2011). Moreover the income elasticity for teff is high in urban areas (Berhane et al, 2011). Rice also has high marketability (30%) though the volume produced in the country is insignificant.

Table 7: Proportion and sales of cereals by crop type

<table>
<thead>
<tr>
<th>Crop type</th>
<th>Production (Q)</th>
<th>Percent production</th>
<th>Proportion of sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>235,903,211</td>
<td>100</td>
<td>17.21</td>
</tr>
<tr>
<td>Teff</td>
<td>47,506,573</td>
<td>20.1381629</td>
<td>29.92</td>
</tr>
<tr>
<td>Barley</td>
<td>19,533,848</td>
<td>8.28045024</td>
<td>12.94</td>
</tr>
<tr>
<td>Wheat</td>
<td>42,315,887</td>
<td>17.9378173</td>
<td>21.45</td>
</tr>
<tr>
<td>Maize</td>
<td>72,248,481</td>
<td>30.6263237</td>
<td>12.74</td>
</tr>
<tr>
<td>Sorghum</td>
<td>43,319,062</td>
<td>18.3630659</td>
<td>11.57</td>
</tr>
<tr>
<td>Finger millet</td>
<td>9,153,145</td>
<td>3.88004257</td>
<td>12.34</td>
</tr>
<tr>
<td>Oats (Aja)</td>
<td>508,509</td>
<td>0.21555832</td>
<td>13.62</td>
</tr>
<tr>
<td>Rice</td>
<td>1,318,156</td>
<td>0.55876984</td>
<td>30.28</td>
</tr>
</tbody>
</table>

Source CSA, 2014/15, Volume VII, p.16

Grain trade needs appropriate market information and efficient value chains in order to properly function. Market information is very critical since farmers’ marketing decision needs to be based on adequate information. On the other hand,
limited market information leads to low surplus and limited market linkages. Though there are some initiatives to provide market information services by some organizations, such as the ECX, the Trade Practice and Consumer Protection Authority, international organization such as WFP and FEWSNET, regional trade offices, the information collected by these agencies, however, are less accessible and have limited use/outreach and cannot be widely used by farmers (TAP consultancy service, 2016). Hence farmers lack organized and reliable market information that can readily be used. They instead depend on themselves to search and use information.

Agricultural value chains are fundamental to link rural and urban space and people since the value chains function across territories and link people in different professions and spaces (Suttie and Hussein, 2015). Value chains have to be efficient and integrated in order to create opportunities for rural and urban people found in upstream and downstream. In the Ethiopian gain trade, while the upstream value chain actors are farmers, the midstream value chain actors are assemblers/traders. The midstream actors usually live in town and assemble grain from farmers and sell to larger buyers by transporting the grain on donkeys, horses, cart or humans to the nearest town or big buyers in the same town (TAP consultancy Service, 2016). In one study it was estimated that small traders are the most important actors handling over 70% of the marketed surplus in barley (Rashid, 2015). Primary cooperatives established by small holders also engage in assembling grains in their area though the proportion of grains passing through cooperatives is small (about 10%) (TAP consultancy Service, 2016). The downstream value chain is dominated by wholesalers and local businesses engaged in retailing. For instance, in Addis Ababa the cereal sector remains in the hands of local flour mills, cereal shops, and cooperative retail outlets. The latter is growing even more rapidly especially for those products where supply chains are controlled by the government (Thomas, 2013).

The grain value chains in both upstream and downstream are filled with constraints that reduce their potential. For instance, a value chain study on wheat industry revealed that only a few farmers use improved seed in the upstream. It was found that only 20% of wheat growers planted certified seeds while the majority of farmers (67%) use local seeds. Adequate storage facilities were also lacking along the value chain. In the downstream, wheat factories are working at reduced capacity of 35-45% due to lack of quality wheat supply (AACCSA, 2017).

The quality of the wheat supplied in the market is compromised because local assemblers, wholesale traders and other channel participants mix/blend the wheat and this results in lower flour extraction rate, with higher percentage of crop impurities (AACCSA, 2017). Similarly, a barley value chain study has identified several yield constraining factors in the upstream. More specifically, about two
third of the barley growers do not apply any fertilizer on their plots (Rashid, 2015) and furthermore those who use fertilizer, apply only about 30 kilogram of fertilizer, which is lower than all other cereals (Rashid, 2015). The study also showed that only less than one percent (0.6 percent) of barley growers use modern seed varieties. In mid stream, it was found out that storage is a serious problem since none of the farmers have metallic storage facilities for their barley and no retailers and wholesalers have large storage facilities. The marketed surplus for barley also showed no improvement despite the increase in production. In the down stream, food barely is processed locally in small mills and at home since a large proportion of the barley production remains on the farm. Processing of malt barley is also limited as there are no many processing factories. In the Ethiopian case, therefore broken value chains reduce the opportunities linkages can provide in the food trade.

**Livestock trade**

The volume of livestock that enters transaction is small. Table 7 shows that it is only 10% of the cattle, 23% of the sheep and 18% of the goat that were sold during the year 2014/15. Farmers also purchase animals (mainly for replacement) and this raises the transaction a bit more. Similarly, the sale of livestock products remains low. It is only 6% of the milk and 33% of the beef produced that are brought to the market at national level (table 8). The numbers suggest that most livestock products are consumed within the household and livestock trade has not taken hold in the country.

Table 8: Total livestock population, no of sales and purchases, 2014/15

<table>
<thead>
<tr>
<th>Livestock</th>
<th>Total population</th>
<th>No of sales</th>
<th>No of purchases</th>
<th>Sales as % of total population</th>
<th>Total transaction (sales+Purchase) as % of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>56,706,389</td>
<td>5,818,893</td>
<td>4,174,485</td>
<td>10.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Sheep</td>
<td>29,332,382</td>
<td>6,873,271</td>
<td>4,800,254</td>
<td>23.4</td>
<td>39.8</td>
</tr>
<tr>
<td>Goats</td>
<td>29,112,963</td>
<td>5,121,410</td>
<td>2,435,851</td>
<td>17.6</td>
<td>25.9</td>
</tr>
<tr>
<td>Horses</td>
<td>2,033,115</td>
<td>134,427</td>
<td>214,592</td>
<td>6.6</td>
<td>17.2</td>
</tr>
<tr>
<td>Donkeys</td>
<td>7,428,037</td>
<td>429,099</td>
<td>732,189</td>
<td>5.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Mules</td>
<td>400,329</td>
<td>35,719</td>
<td>67,131</td>
<td>8.9</td>
<td>25.7</td>
</tr>
<tr>
<td>Camels</td>
<td>1,164,106</td>
<td>44,783</td>
<td>37,460</td>
<td>3.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Poultry</td>
<td>56,866,719</td>
<td>14,434,702</td>
<td>11,393,166</td>
<td>25.4</td>
<td>45.4</td>
</tr>
</tbody>
</table>

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Table 9: Livestock Product Utilization, 2014/15 (2007 E.C)

<table>
<thead>
<tr>
<th>Type of product</th>
<th>Total</th>
<th>HH consumption</th>
<th>Sale</th>
<th>Wages in kind</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>100</td>
<td>46.36</td>
<td>5.98</td>
<td>0.33</td>
<td>47.33</td>
</tr>
<tr>
<td>Butter</td>
<td>100</td>
<td>59.24</td>
<td>35.49</td>
<td>0.33</td>
<td>4.94</td>
</tr>
<tr>
<td>Cheese</td>
<td>100</td>
<td>79.89</td>
<td>15.22</td>
<td>0.27</td>
<td>4.62</td>
</tr>
<tr>
<td>Beef</td>
<td>100</td>
<td>52.93</td>
<td>33.18</td>
<td>0.71</td>
<td>13.18</td>
</tr>
<tr>
<td>Mutton/Goat meat</td>
<td>100</td>
<td>90.04</td>
<td>3.42</td>
<td>0.41</td>
<td>6.13</td>
</tr>
<tr>
<td>Eggs</td>
<td>100</td>
<td>26.84</td>
<td>39.55</td>
<td>0.14</td>
<td>33.46</td>
</tr>
<tr>
<td>Honey</td>
<td>100</td>
<td>41.22</td>
<td>54.68</td>
<td>0.34</td>
<td>3.75</td>
</tr>
<tr>
<td>Bees wax</td>
<td>100</td>
<td>44.13</td>
<td>25.22</td>
<td>0.84</td>
<td>29.81</td>
</tr>
<tr>
<td>Sheep hair</td>
<td>100</td>
<td>53.25</td>
<td>42.8</td>
<td>-</td>
<td>3.95</td>
</tr>
<tr>
<td>Skin</td>
<td>100</td>
<td>53.37</td>
<td>38.68</td>
<td>0.23</td>
<td>5.71</td>
</tr>
<tr>
<td>Hide</td>
<td>100</td>
<td>40.02</td>
<td>53.94</td>
<td>0.27</td>
<td>5.76</td>
</tr>
<tr>
<td>Arera</td>
<td>100</td>
<td>63.12</td>
<td>2.78</td>
<td>0.34</td>
<td>33.77</td>
</tr>
<tr>
<td>Camel meat</td>
<td>100</td>
<td>45.53</td>
<td>29.19</td>
<td>-</td>
<td>25.28</td>
</tr>
</tbody>
</table>

Source: CSA, 2014/15, Volume VII, p.92

Despite its small size, however, many studies indicate that the domestic trade in livestock is substantial and is growing in part due to the greater consumption of livestock products in urban market such as Addis Ababa (Negasa et al, 2011). Livestock marketing is complex and links numerous actors and rural and urban areas. In the process, marketed animals move from producers, to processors and end users. There are three levels of livestock markets in Ethiopia: primary, secondary and tertiary. Primary markets are village level markets, with generally less than 500 heads of cattle sold per week (Abebe, 2016). Farmers and pastoralists sell animals to traders, to other farmers (replacement animals) and sometimes to consumers and local butchers. Such markets do not generally possess facilities for weighing, watering and feeding. Secondary markets are mainly located in regional capitals. These markets are dominated by middlemen, trader and butcher with a turnover of 500 – 1000 animals per week consisting of finished, breeding and draught stocks. Secondary markets serve the local butchers and feed the terminal markets. Terminal markets are located in the large urban centers and are dominated by medium to large-scale traders (Abebe 2016). The livestock trade is therefore populated by a number of actors: producers, collectors, traders, feedlot operators, cooperatives.

The livestock value chain in Ethiopia reveals that there are a number of constraining problems in the production and fattening and trade. The major problems in production include (i) input constraints; (ii) reluctance of pastoralists
to commercialize cattle because of social importance and lack of alternative assets; (iii) limited and periodic access to appropriate animal health services; and (iv) use of young males for draught power leading to aged and low-quality off-take in highlands (Sintayehu et al., 2010). The problems faced in fattening and trading include i) irregular and variable quality supply; (ii) ineffective livestock cooperatives to deliver value added to their members; (iii) credit sale that incurs late payment; (iv) limited transparency on quality, health, and weight; (iv) problems of feed, water, land, finance, markets faced by the feedlot industry and (v) informal cross-border trade that competes with the formal trade (Sintayehu, et al, 2010).

Similarly, production and marketing in the milk value chain face severe challenges. In terms of marketing, milk collection, chilling and transport, are not well organized and there are few economies of scale. Transaction costs are high and up to 20-35% of milk is spoiled or otherwise lost (USAID, 2013).

Trade linkages benefit those who take part in the value chain and this can be expressed in the form of margins in value chain. Estimating the margins of each actor however is one of the main challenges of commodity chain studies. In many developing countries, agricultural commodity value chains are believed to be non-competitive and result in farmers being exploited (Rashid, 2015). Some empirical evidence in Ethiopia, however, show that farmers get the highest margin from trade linkage (see tables 9 and 10). For instance, a barley value chain study noted that farmers’ net margin in Arssi is estimated to be 35% which is higher than the margin for assemblers (8.2%), wholesalers (1.5%), and malt factories (1%) (Rashid, 2015). In the same way, a study on honey value chain in Tigray revealed that farmers obtain 38.5% of the margin while processors gain only 9.9%, retailers get 6.7% and collectors get 1.5% (Wondeye, 2015). These studies imply that farmers are benefitting from value chain trade though value chains themselves have numerous problems in the upstream and downstream.

Table 10: Distribution of margin and value along the value chain of malt barley in Arsi, Ethiopia

<table>
<thead>
<tr>
<th>Actor</th>
<th>Farmer</th>
<th>Trader Assembler</th>
<th>Wholesaler</th>
<th>Malt factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price received (br/qt)</td>
<td>870</td>
<td>1000</td>
<td>1035</td>
<td>1609</td>
</tr>
<tr>
<td>Share of the final price (%)</td>
<td>54</td>
<td>62</td>
<td>64</td>
<td>100</td>
</tr>
<tr>
<td>Production or intermediate cost (br/qt)</td>
<td>566</td>
<td>918</td>
<td>1020</td>
<td>1315.83</td>
</tr>
<tr>
<td>Cost to price ratio (%)</td>
<td>65</td>
<td>91.8</td>
<td>98.5</td>
<td>81.8</td>
</tr>
<tr>
<td>Net margin (%)</td>
<td>35</td>
<td>8.2</td>
<td>1.5</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Source, Rashid et al (2017), p32
Table 11: Distribution of margin and value along the value chain of Honey in Tigray, Ethiopia

<table>
<thead>
<tr>
<th>Actor</th>
<th>Farmer</th>
<th>Collector</th>
<th>Processor</th>
<th>Retailer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price received (birr/kg)</td>
<td>151</td>
<td>156.34</td>
<td>184.27</td>
<td>200</td>
</tr>
<tr>
<td>Share of the final price (%)</td>
<td>75.5</td>
<td>78.17</td>
<td>92.1</td>
<td>100</td>
</tr>
<tr>
<td>Production/intermediate cost (br/kg)</td>
<td>92.9</td>
<td>154.09</td>
<td>166.02</td>
<td>186.7</td>
</tr>
<tr>
<td>Cost to price ratio (%)</td>
<td>61.52</td>
<td>98.5</td>
<td>90.1</td>
<td>93.3</td>
</tr>
<tr>
<td>Net margin (%)</td>
<td>38.5</td>
<td>1.5</td>
<td>9.9</td>
<td>6.7</td>
</tr>
</tbody>
</table>

Wondiya (2015) P.201

Resource and environmental flows

Urban demand for land, water, fuel wood and quarry from the surrounding areas intensify rural urban linkages. The most visible resource link is urban demand for land in order to accommodate the horizontal expansion of urban growth (von Braun, 2007) and urban demand for water resource.

Land from the surrounding area is needed for housing, industry, commerce, disposal of urban waste etc while water is needed for household, industrial and commercial uses. In terms of land, the horizontal expansion of towns to rural hinterland has become a common phenomenon both in small, middle and large towns. It is also true that the horizontal expansion is much higher than the rapid population growth cities face in the country. For instance, the urban extent of Addis Ababa has grown thirty fold from 1800 ha in the 1930 to about 45,000 ha in the 2000s (Feyera, 2005) while the population has increased twenty five fold from 100,000 in 1930 to 2,495,000 in 2000. Similarly, the built up area in Mekele increased nearly five fold from 1600 ha in 1984 to 7400 ha in 2005 while the population increased only nearly three fold from 61,583 in 1984 to 161,828 in 2005 (Zemenfes, 2014). Such rapid growth of urban extent is characterized by two processes. These are the formal city planning process in which land is allocated for housing and other functions and the illegal or organic growth through informal land and housing development (World Bank, 2015). The formal city planning process is planned expansion of cities according to master plans or land use planning documents. This shifts the administrative boundaries of cities and includes new territories to cities. Such formal inclusion of territories results in two to six fold increase of cities (Table 11).
Table 12: Planned expansion of selected cities

<table>
<thead>
<tr>
<th>City, year of planning</th>
<th>Existing</th>
<th>Planned total area</th>
<th>Increase times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addis Ababa (2013)</td>
<td>51960</td>
<td>51962</td>
<td>1.0</td>
</tr>
<tr>
<td>Mekele, 2006</td>
<td>9133</td>
<td>20605</td>
<td>2.3</td>
</tr>
<tr>
<td>Bahirdar (2005)</td>
<td>2676</td>
<td>6239</td>
<td>2.3</td>
</tr>
<tr>
<td>Kombolcha (2011)</td>
<td>1893</td>
<td>11791</td>
<td>6.2</td>
</tr>
<tr>
<td>Dessie (2009)</td>
<td>16800</td>
<td>16800</td>
<td>1.0</td>
</tr>
<tr>
<td>Hawassa (2006)</td>
<td>2765</td>
<td>11791</td>
<td>4.3</td>
</tr>
<tr>
<td>Shashemene (2010)</td>
<td>2333</td>
<td>12811</td>
<td>5.5</td>
</tr>
</tbody>
</table>


In addition to this, a recent phenomenon that is occurring in many cities is the establishment of industrial zones or cluster development. This has been put in practice in the vicinity of Addis Ababa and in many towns and cities. Exclusive industrial zones have been allocated to Chinese, Indian, Turkish and Egyptian investors. Industrial development parks and agro industry integrated development have also become major policy tools to promote export, create employment and transfer technologies. These industrial parks require huge amount of land area in the vicinity of major urban areas. For instance, Diredawa industrial park will be established on 3000 hectares of land and Adama industrial park will be established on 1000 hectares of land. Similarly, other industrial parks have also a high demand of land.

Urban expansion brings major changes in land use and land cover with alterations of the environment and agriculture land use. For instance, the land use land cover changes in six major cities in Ethiopia showed that the built up land use is the fastest growing land use while agricultural land and forest covers are rapidly depleting (Table 12).

Table 12: Land Use/ Land Cover change between 1971 and 2016 in different cities (ha)

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</thead>
<tbody>
<tr>
<td>Agricultural Land</td>
<td>-15907</td>
<td>-2274.3</td>
<td>-3252.79</td>
<td>-1694.13</td>
<td>-403.16</td>
<td>-4206.18</td>
</tr>
<tr>
<td>Built Up Land</td>
<td>25927.8</td>
<td>1568.89</td>
<td>2396.48</td>
<td>1618.53</td>
<td>1683.52</td>
<td>2638.14</td>
</tr>
<tr>
<td>Bush Land</td>
<td>-1357.5</td>
<td>-149.92</td>
<td>-2258.81</td>
<td>-717.50</td>
<td>-477.80</td>
<td>-318.79</td>
</tr>
</tbody>
</table>
Urbanization and linkages with rural economies in Ethiopia

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<table>
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</thead>
<tbody>
<tr>
<td>Forest Land</td>
<td>-8971.9</td>
<td>-67.72</td>
<td>457.45</td>
<td>-444.97</td>
<td>-792.13</td>
<td>258.85</td>
</tr>
<tr>
<td>Open Areas</td>
<td>330.23</td>
<td>887.06</td>
<td>2657.65</td>
<td>1533.99</td>
<td>37.88</td>
<td>1985.43</td>
</tr>
<tr>
<td>Wetland</td>
<td>-22.08</td>
<td>-99.67</td>
<td>0</td>
<td>-242.70</td>
<td>-196.59</td>
<td></td>
</tr>
<tr>
<td>Water body</td>
<td>0</td>
<td>135.7</td>
<td>0</td>
<td>-53.23</td>
<td>-48.32</td>
<td>-160.59</td>
</tr>
</tbody>
</table>

Source: Abate et al (2017), various pages

In addition to land, urban water demand has a strong spatial dimension and interregional water flows provide critical links between urban areas and their surroundings (von Braun, 2014). Urban areas source water for household, business and industrial use from the surrounding rural areas. The sources of these supplies could be rivers, reservoirs, ground water. In addition, one of the modern sources of energy namely the hydro power entirely depends on rural water resources.

Water links are very visible in many Ethiopian cities. Addis Ababa for instance derives a significant amount of its water from three rain fed reservoirs namely Gefersa (Buraryu), Legedadi (Sendafa) and Dire and some from ground water and springs. Both Legedadi and Dire produce 150,000 m³ per day while Gefersa produces 30,000 m³ per day. Similarly, Mekele due to the difficulty of sourcing water from the existing water bore holes have designed a new water scheme to source water from river Guba which is found to the north west of the city. In many cases, reservoirs and rivers are exposed to siltation due to soil erosion from the cultivated landfound in the surrounding areas.

A critical issue in water resource link in many cities is the lack of water shed management. In this regard, there is a suggestion to establish a water shed management authority for Addis Ababa and the surrounding region in order to manage upstream resources and to ensure the sustainability of the water supply for the city and the region (UN-Habitat, 2017).

Urban expansion puts adjacent rural areas under high pressure and farmers’ livelihood in a precarious situation. This is manifested in a number of ways. First, urban expansion affects the livelihood base of farmers since farmers can lose their land either completely or partially. In the process, farmers get completely or partially displaced from their livelihood base and become the subject of expropriation that affects their welfare through compensation and valuation mechanisms. One important issue raised in this line, is that farmers are not adequately compensated when they are forced to lose their land. The amount of compensation given to farmers is usually much less than what farmers would have gained in the informal market. The data in table 13 reveals that the typical compensation prices paid by local governments are much less than the prices that can be obtained in the informal market.
Second urban expansion compromises and threatens the land tenure security of peri-urban farmers. Among farmers who lost part of their land in Bahirdar peri-urban areas, 94% felt insecure about their land rights and only 6% feel secured (Achamyeleh, 2014). The majority felt that their land can be taken any time by the city administration and changed to urban uses and expected the size of their land to reduce in the future (Achamyeleh, 2014). Similarly, in Sululta and Sebeta Hawasa peri-urban area, 58.8% and 59.4% felt insecure following an increasing land acquisition by government for investment purposes (Belaynesh, 2017). Such feelings lead farmers to engage in an unauthorized subdivision of their land into smaller plots for sale. Farmers engage in such illegal subdivision in order to avoid expropriation following the process of urban expansion. Buyers can be local people who might need land for farming and residential purposes or the urban poor who cannot get access to city land in a legal manner or speculators who would like to buy land for speculating purposes. The result is increase in squatter settlements and informal houses at the edges of many cities.

In addition to threats on land security, urban expansion also results in increased land rental prices as land supplied for rental and share cropping declines. In both Sululta and Sebeta peri-urban areas, the average shared crop land declined from 0.22 hectare in 2005 to 0.17 hectare in 2013 and the average size of rental land declined from 0.37 hectare in 2005 to 0.22 hectare in 2013 (Belaynesh, 2017). At the same time, the price for rental land increased from 178.9 birr per hectare in...
The reduction in the amount of land transacted and an increase in the price of land are due to the increasing competition for land as the result of declining farm land. Farmers also change their behavior in fear of urban expansion. One of the changes is the shift from growing food crop to growing trees since the latter is believed to have a higher assessment value than crops and will increase the compensation farmers may receive. A reduced food crop affects farmers’ state of food security.

Third, urban expansion leads to changes in farmers’ assets, livelihood strategies and livelihood outcomes. In terms of assets, for example farmers who lost land or who were displaced were found to have lower size of land. The average size of land for displaced farmers was 0.6 hectare as opposed to 1.02 hectare for non-displaced farmers around six cities of Ethiopia (Abate et al., 2017). Livestock possession, which can be related to the availability of grazing land, was also found to be only 5.7 for displaced farmers as opposed to 8.2 for non-displaced farmers (Abate et al., 2017). Livelihood strategies also show some difference between the displaced and the non-displaced farmers. In general, displaced farmers tend to rely less on agricultural production and more on non-agricultural activities. For instance 79% and 62% of the non-displaced farmers are engaged in crop and vegetable production respectively while 62% and 28% of the displaced respondents are engaged in crop and vegetable production respectively. On the other hand, greater proportion of the displaced (16%) than the non-displaced (7%) households are engaged in renting out of houses. Similarly, 5% of non-displaced households are engaged in preparing and selling local alcohol compared to 9% of the displaced households (Abate et al., 2017). Household income could be derived from different livelihood activities or strategies and could be considered as an important livelihood outcome. The average annual household income of the displaced farmers (39,822.27 birr) was found out to be lower than the annual average income for non-displaced farmers (45,664.86 birr) in the six cities in Ethiopia (Abate et al., 2017).

**Policy domains to enhance the link between urbanization and the rural economy**

Urbanization will continue to grow in Ethiopia and its level is expected to reach 31% in 2050. Such urbanization should promote economic development and reduce rural poverty. This can be achieved if proper policies that facilitate the interdependence between the urban and the rural are put in place. The following are a few pointers that would form elements of the policy domain.

**Strengthen market institutions to facilitate trade**

One of the reasons that constrain rural urban linkage is the poor marketing linkage in the form of limited information and broken value chains in the upstream and
downstream. As a result, farmers participate less in trade and marketing activities and when they do, they receive lower prices for their products. One of the ways for addressing these challenges is to strengthen institutions of collective action. In this regard, cooperatives are regarded as organizational solutions for high transaction cost farmers face in the input and output markets (Delelegn et al, 2017). Thus, primary cooperatives and unions should be important to link small holders with regional and national market. Empirical studies indicated that many cooperatives are livelihood cooperatives engaged in input and service provision. For instance, cooperatives supply 95% of fertilizers used in the country (Delelegn et al, 2017). Commercialization is not the prime function of livelihood cooperatives and members have no clear advantage with respect to access to market (Delelegn et al., 2017). It is therefore important to strengthen the commercializing functions of cooperatives to support the trade linkages and enhance rural-urban interaction.

**Facilitate rural urban migration**

Rural urban migration is needed because it has a potential for growth. This is because rural urban migration balances the return to labor in agriculture and other sectors. Migration can also enhance living standard in rural areas through remittance migrants send back (DeBrauw, Mueller and Lee, 2013). It is, therefore, important to facilitate rural urban migration by overcoming policy constraints and other hurdles. One way of harnessing the potential benefits of migration will be to enhance the skill capacity of migrants so that they can find gainful employment in urban areas. In addition, migrants should be given adequate information about employment opportunities in different places. This will be useful to direct and re-direct migration to areas of opportunity and reduce the negative effects of migration in urban areas related to unemployment, shortage of services etc.

**Create efficient cities that can attract and help migrants to integrate**

Cities should improve their efficiency to cater to the needs of both residents and migrants. Residents require adequate housing, services and employment from the cities. In the same way, migrants require smooth and easy integration in to the local labor market. Some of the obstacles new migrants face include language barrier, limited social and professional networks, unfamiliarity with local business and work place norms, competition from native-born applicants etc (Hooper, Desiderio, and Salant, 2017). Cities should be able to devise programs that facilitate integration of migrants by overcoming the migrants’ hurdles and difficulties.

**Strengthening secondary town as a vehicles for inclusive growth**

Empirical evidence indicate that moving out of agriculture to non farm activities and secondary towns is associated with poverty reduction but no significant
effect was found on the rate of poverty reduction from migrating to large cities (Christiaensen and Todo, 2013). This suggests that a more spread urbanization process is more poverty reducing. More precisely, in secondary cities poor people benefit both from migration channel and through hinterland effects (Christiaensen, DeWeerdt, and Kanbur, 2016). Ethiopia has limited secondary cities but many small towns with limited economic and infrastructural capability. It is therefore essential to strengthen the secondary cities and upgrade small towns as well. There are several ways of strengthening secondary cities. These include infrastructure development, housing programs and land policies, policies to attract skilled workers and firms, entrepreneurship programs and value chain development (Christiaensen, De Weerdt, and Kanbur, 2016).

**Peri-urban development and planning is required**

Peri-urban areas are zones of mixed land use characterized by multi-functionality and conflict between rural and urban. These places are strongly affected by expansion process of the city. In order to deal with peri-urban problems, it is important to understand the specific drivers of development opportunities in peri-urban areas. These drivers could be migration, agricultural intensification, industrialization, foreign direct investment, property development etc or a combination of any of these drivers. Planning can then focus on the drivers of development for its content. In many cases planning should be integrated and participatory. It should be integrated to address the multi-functionality that includes agriculture, environmental planning, provision ecosystem services, creation of green infrastructure, local economic development and maintenance of quality of life. It should be participatory to include different actors with interest in peri-urban areas. The actors include farmers, developers, government agencies, industrialists etc. Peri-urban areas also require a special kind of governance as they can straddle different jurisdictions with different interests. More specifically, it is important to have considerable cooperation among and between different jurisdictions.

**Conclusion**

The spatial dimension of growth particularly rural urban linkages is fundamental for inclusive growth and rural transformation. Urbanization, if properly managed, provides numerous benefits for urban and rural dwellers. The link between rural and urban areas needs to be strengthened if the rural people are to benefit from the welfare gain arising from urbanization. The dynamic flows between rural and urban areas need to be identified and their strengths and weaknesses analyzed in order to inform policies that will improve linkages.

Accordingly, this paper has shown that macro trends in the flows linkages depict that rural urban migration is high though rural areas benefit less from remittances. The flows of goods in the form of grain and livestock trade show that trade linkage
is weak due to the limited supply of grains and livestock and the numerous constraints of the trade value chain. The demand for rural land in response to urban expansion is immense though this has various negative externalities on the surrounding farmers.

On the basis of the above, it can be concluded that though linkages exist, they are less developed and weak. The existing linkages can benefit from appropriate policies and intervention that can avoid constraints and strengthen the interdependence. Policies that strengthen trade institutions, migration, secondary cities and peri-urban planning and governance will go a long way in strengthening the welfare gains of urbanization. Furthermore, it should be noted that research needs to be undertaken that focuses on specific linkages that exist between an urban center and the surrounding and put the same in a comparative perspective to understand differences and similarities between and among localities.
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