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FORUM FOR SOCIAL STUDIES  
(ADDIS ABABA)

[Poverty and poverty policy

*Consultation Papers on Poverty no. 1*

# **POVERTY AND POVERTY POLICY IN ETHIOPIA**

Edited by  
Meheret Ayenew

Forum for Social Studies  
Addis Ababa

# **POVERTY AND POVERTY POLICY IN ETHIOPIA**

**Proceedings of the Workshop  
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Addis Ababa, Friday 8 March 2002**



**Edited by  
Meheret Ayenew**

**Forum for Social Studies  
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## Introduction

This is the last issue of the *Consultation Papers Series* on poverty and poverty reduction in Ethiopia published by the Forum for Social Studies (FSS). It is to be remembered that following the Government's PRSP initiative, the Forum for Social Studies (FSS) launched a program of public debates and research on poverty and poverty reduction that was between March 2000 and May 2002. In total, FSS organized seven workshops at which representatives of different civic groups, the government and donors discussed the magnitude and severity of poverty, and forwarded suggestions to ameliorate the problem. As indicated earlier, the *Consultation Papers Series* contained the papers presented by participants and the main issues raised in the public discussions; these were disseminated to policy makers and civic organizations to raise awareness about the alarming level of urban and rural poverty, which threatens the very fabric of state and society in Ethiopia.

As part of its awareness creation program, FSS had also undertaken a program of radio broadcasts on different aspects of poverty and its alleviation. This was intended to reach a larger audience and thereby stimulate interest in the important dialogue on poverty. In particular, the series of weekly radio broadcasts regularly aired on FM radio were aimed at sensitizing the wider public about the serious problem of poverty that grips this nation. The print and electronic media fully recognized FSS' contribution in sensitizing the public on poverty issues and regularly informed a cross section of society about the main issues discussed at FSS's successive programs of public debates on poverty.

In recognition of FSS' contribution to the public policy debate on poverty and poverty reduction, the government invited FSS to the national consultative conference on the final PRSP during which a summary of the main policy issues that would help improve the national anti-poverty strategy paper was presented. The full document, entitled *Consolidated Report on FSS' Program of Public Debates, Consultations and Research on Poverty and Poverty Reduction in Ethiopia* contains the main ideas and recommendations that need to be incorporated in the final PRSP in order to make the policy paper an effective instrument of poverty alleviation in this country.

We strongly believe that FSS' program of public debates on poverty and poverty alleviation was an innovative program that sensitized the

government and the public about the grim reality of poverty. This was well recognized by the government, the donor community and the public at large as was evidenced by the active participation of all these constituencies in all our workshops. Following the completion and adoption of the final PRSP as an official policy document by the Government, FSS will actively be involved in monitoring and evaluating the effective implementation of the policy. To this end, FSS continues to be an active member of the NGO Task Force that was set up to make an intervention in the PRSP process and to conduct an evaluation and follow up of the implementation of the final PRSP.

This publication contains the five research papers presented at FSS' final poverty dialogue forum. The papers deal with the multi-faceted nature of poverty in Ethiopia, and contain findings and recommendations on what needs to be done to mitigate this national scourge. This publication brings to an end FSS' *Policy Dialogue Forum*, the program of public discussion on poverty and poverty alleviation, but we will continue our involvement in the poverty debate through our program of in-depth research into the causes and consequences of poverty and its alleviation in this country.

Finally, we wish to thank the U.K.'s Department for International Development (DFID) for providing the funds for the workshop where the papers in this volume were presented, and the Friederich Ebert Stiftung of Germany for covering the printing costs of this publication.

Meheret Ayenew  
*Editor*

## Welcoming Address

*Delivered by Assefa Abreha (Dr.)*

**Mr. Chairperson,  
Ladies and Gentlemen,**

Let me, at the outset, express my appreciation to the Management of the **Forum for Social Studies (FSS)** for giving me this opportunity, indeed, honour, to say a few words on poverty reduction programme of the Ethiopian Social Rehabilitation and Development Fund (ESRDF).

A pilot version of the ESRDF, which was known as Ethiopian Social Rehabilitation Fund (ESRF), originated from the ERRP (Emergency Reconstruction and Rehabilitation Programme) during the transition period. It was piloted at Hosanna, Addis Ababa, Mekelle, and to a limited extent in parts of Oromiya and Amhara.

In order to strengthen the poverty reduction component of the ADLI strategy, the Ethiopian government established in 1996, by Proclamation No. 19/1996, the **Ethiopian Social Rehabilitation and Development Fund (ESRDF)** the aim of which is to alleviate poverty through grassroots, community-based, demand-driven and environmentally sound social and economic initiatives in the broad field of rural development. It is a countrywide programme operating in all the nine regional states and the two city administrations, i.e., Dire Dawa and Addis Ababa. Upon requests from the communities, the ESRDF provides financial, technical and capacity building support assistance for community-based and community-led projects. It operates as a social investment fund and focuses on women and poor communities, mainly, but not only, in rural areas. In so doing, it follows the government's policy of decentralisation and empowerment at the regional, Wereda, Kebele and community levels, a policy which creates a more favourable environment for tackling poverty at the grassroots level.

The Fund was directly accountable to the Prime Minister until October 2001, when its accountability reverted to the Ministry of Rural Development following restructuring of institutions.

## **Objectives**

The Fund has the following objectives:

1. to improve the living standards of rural communities through the provision and strengthening of basic social services;
2. to enhance the income generating capacity of poor communities by laying down economic infrastructure and providing services;
3. to promote a community-based approach in project identification, preparation, implementation, administration and maintenance;
4. to assist in the formation and development of self-sustaining micro finance institutions, which provide credit services to the poor;
5. to assist grassroots organisations and communities develop their technical and managerial capabilities in all aspects of project activities.

## **Implementation Structure**

To carry out its objectives, the ESRDF has a three-tier implementation structure:

### **1) Federal**

- National Board chaired by the Prime Minister or his representative, and members include six ministers
- Central (Federal) office

### **2) Regional**

- Regional Steering Committee (RSC) headed by regional president or his/her representative
- Regional office

### **3) Community**

- Community Project Committee (CPC) elected by beneficiary community.

## **Source of Resources**

There are basically two categories of resource sources:

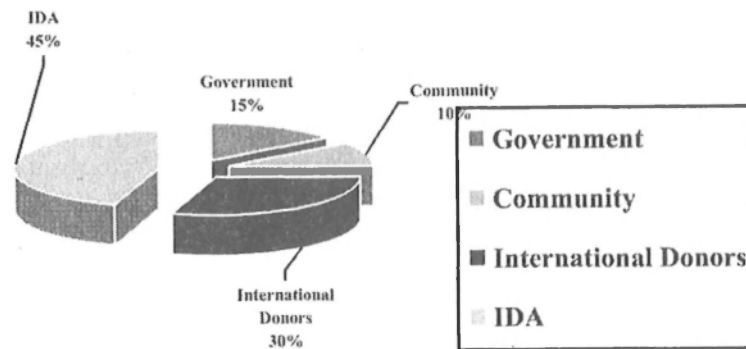
### **1) Domestic resource**

- a) Government subsidy
- b) Community contribution in terms of labour, local material, cash or their combination

- 2) **External assistance**  
 a) Grants  
 b) WORLD BANK LOAN

**Overall Originally Expected Contribution of Partners**

**Fig. 1**



The outlay for the five years was originally estimated at US\$ 242 million. And the share of each contributing partner was estimated as shown in Fig. 1 above. However, the pledged sum amounted to only US\$ 189 million including US\$ 36.5 million government subsidy, excluding community contribution. Each beneficiary community is required to contribute at least 10% of each project cost after its approval.

**Areas of Intervention**

ESRDF follows a multi-sector approach, and the areas of intervention include:-

- Primary education
- Basic healthcare and sanitation
- Clean water supply
- Small-scale irrigation

- Capacity building
- Others, ie., veterinary clinics, energy, storage facilities, flour mills, gender related projects, environment and agriculture, etc.

### **Approach**

The approach adopted by ESRDF is predicated on what in the parlance of the World Bank is known as “social investment fund”. It is basically expressed by the following:-

- community-based
- demand-driven
- full community participation through
  - decision-making and
  - cost sharing

ESRDF is also rural-and women-focused in keeping with the ADLI strategy.

- encourages the utilisation of indigenous knowledge and mobilises local resources
- reduces (eventually aims at eliminating) dependency
- strengthens grassroots capacity and builds confidence
- and inculcates sense of ownership.

### **Requisite Procedures**

The ESRDF has been operating under very stringent procedures, stipulated in an operational manual, which is part of the establishment proclamation, and therefore legally binding. These include:

- promotional activities
- funding requests have to be submitted in standard formats
- a two-level appraisal, a) desk and b) site, has to be carried out for each project proposal
- funding has to be approved by each regional steering committee
- once approved a tripartite financial agreement has to be signed between a beneficiary community, an implementing agency and the ESRDF for each project
- project bank accounts have to be opened
- bidding process has to be undertaken
- completion and handing over report to be prepared
- monitoring of on-going projects and preparing post-project

completion report to be prepared.

### **Support Areas and Stakeholders**

ESRDF works with beneficiary communities, which play the leading role, governmental and non-governmental organisations, civil society organisation, etc. Its support to each project includes:

- provision of funds
- capacity building
- and technical assistance

### **Priority Setting by Communities**

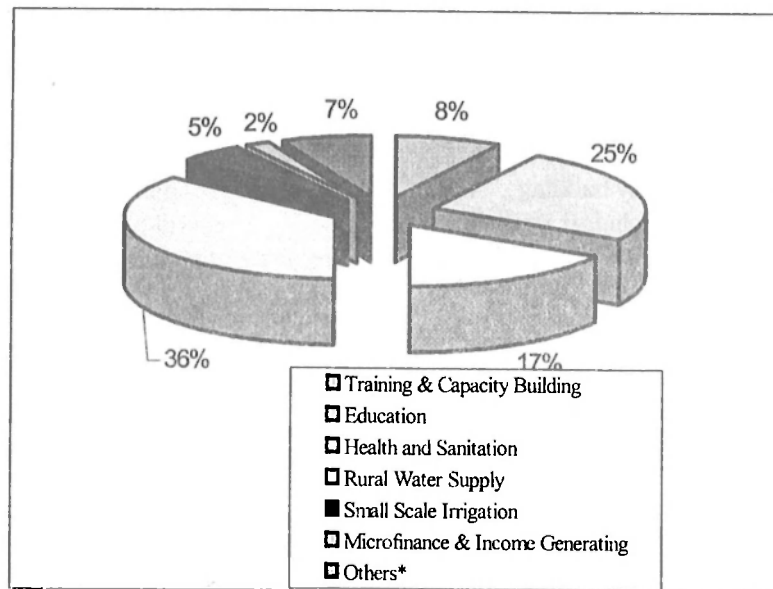
The community based, demand-driven approach is helping communities to identify their needs. This can be seen from results of an analysis made of community fund requests in figure 2 below.

It can be observed from figure 2 that priority number one of the overall requests is clean potable water; of the over 10,300 requests, 36% relates to water supply. Second comes education at 25%, followed by health at 17%, and capacity building in fourth place; thus, four of them making 86% of the total.

## Funding requests submitted by communities to the ESRDF<sup>1</sup>

Fig. 2

10316 Applications



Source: Data from ESRDF MIS

### Performance

As it can be seen from Table 1 below, the ESRDF has implemented a large number of infrastructure and capacity building projects between July 1996 and January 2002. Over 3,200 projects have been completed during this period.

<sup>1</sup> Others, i.e., veterinary clinics, energy, storage facilities, flour mills, gender related projects, environment and agriculture, etc.



**Table 1: Project Implementation and Resource Utilisation  
July 8, 1996 – January 8, 2002**

Region	Projects							Resource Allocation & Utilisation (Million Birr)		
	Educa-tion	Health Sanita-tion	Rural Water Supply	Small-Scale Irrigation	Others <sup>1</sup>	Training & Capacity Building <sup>2</sup>	Total	Allocation	Utilisation	Utilisa-tion Rate (%)
Addis Ababa	62	29	0	0	0	29	120	100,061	61,052	61.0
Afar	38	19	2	0	1	24	84	68,636	45,551	66.4
Amhara	150	129	838	22	54	78	1271	261,538	230,999	88.3
Benishangul	30	41	104	0	2	18	195	49,517	34,257	69.2
Dire Dawa	31	39	5	2	5	45	127	51,551	27,745	53.8
Gambella	18	10	28	0	0	9	65	38,141	38,812	101.8
Harari	9	29	8	0	0	25	71	24,291	14,905	61.4
Oromiya	172	124	148	10	90	90	634	344,556	275,613	80.0
SNNPR	83	20	69	8	2	43	225	216,698	137,067	63.3
Somali	34	41	0	0	0	12	87	103,154	41,692	40.4
Tigray	18	20	142	24	5	55	264	104,380	102,188	97.9
Central Office	-	-	-	-	-	62	62	56,772	36,831	64.9
<b>Total</b>	<b>645</b>	<b>501</b>	<b>1344</b>	<b>66</b>	<b>159</b>	<b>490</b>	<b>3205</b>	<b>1,419,295</b>	<b>1,046,712</b>	<b>73.7</b>

Others, i.e., veterinary clinics, energy, storage facilities, flour mills, gender related projects, environment and agriculture, etc.

<sup>2</sup> Skill training, CPC training, primary healthcare, awareness creation, etc.

Source: ESRDF MIS

Table 1 also shows regional distribution of the projects. Resource allocation from ESRDF was carried out at the beginning of the programme in accordance with criteria set by the House of Federation (Upper House of Parliament). As shown in Table 1, Oromiya received the highest allocation, followed by Amhara, South, Tigray/Somali, Addis Ababa, Afar, Dire Dawa, Benishangul, Gambella and Harari.

On the other hand, Amhara completed more projects than the rest. More water supply projects are completed in Amhara than in any of the other regions. There are three types of water projects: a) spring development; b) hand-dug wells; and c) shallow-drilled wells. Unlike Oromiya, which focused more on shallow-drilled wells, Amhara concentrated mainly on spring development and hand-dug wells. This helped Amhara to implement more small projects at lower cost and covering more areas.

In terms of resource utilisation, Gambella was first to exhaust its share of the allocation. Tigray has almost utilised its share. Others, including Amhara, Oromiya and Benishangul have already used more

than two-thirds of their share. Somali is far behind, followed by Dire Dawa, Addis Ababa, Harari, and South.

In terms of sectors, the number of rural water supply projects is the highest, followed by that of education. In third place is healthcare and sanitation, followed by small-scale irrigation.

Through those projects, ESRDF is believed to have contributed significantly to the poverty reduction effort of the country in terms of:

- assisting in strengthening of the policy of decentralisation and empowerment of grassroots and community participation
- increasing public awareness
- enabling remote areas to have access to social and economic infrastructure and services
- strengthening community and institutional capacity
- promoting partnership with stakeholders
- contributing towards development of the private sector – especially construction industry through contracting of civil works, furniture and equipment procurement – and through skills training and income generating activities
- providing training and increased capacity building resulting in creating employment opportunities and income generating capability of unemployed people.

**Table 2: Ethiopian Social Rehabilitation and Development Fund (ESRDF) Activity Areas**

Region	Regions		Intervention		Percentage (%)	
	Zone	Wereda	Zone	Wereda	Zone	Wereda
Addis Ababa	6	28	6	26	100	93
Afar	5	29	5	28	100	97
Amhara	11	105	11	102	100	97
Benishangul	3	20	3	18	100	90
Dire Dawa	2	7	2	7	100	100
Gambella	2	9	2	8	100	89
Harari	-	-	-	-	-	-
Oromiya	12	180	12	172	100	96
SNNPR	9	77	9	71	100	92
Somali	9	52	9	44	100	85
Tigray	5	36	5	35	100	97
<b>Total</b>	<b>64</b>	<b>543</b>	<b>64</b>	<b>511</b>	<b>100</b>	<b>95</b>

Source: ESRDF MIS

In terms of areas where activities are carried out, the ESRDF is operating in all zones of the country, and an average in 95% of the Weredas. Regionally speaking, there are projects in all Weredas of Dire Dawa. And Afar, Amhara, Tigray and Oromiya have been implementing projects in over 96% of their Weredas.

**Table 3: Ethiopian Social Rehabilitation and Development Fund  
Number of Beneficiaries by Region July 8, 1996 - January 8, 2002**

Region	Number of Beneficiaries		
	Male	Female	Total
Addis Ababa	998,990	1,110,132	2,109,122
Afar	200,329	167,240	367,569
Amhara	2,637,807	2,550,006	5,187,813
Benishangul	412,591	369,074	781,665
Dire Dawa	250,708	229,274	479,982
Gambella	162,094	139,721	301,815
Harari	630,159	582,637	1,212,796
Oromiya	3,513,222	3,382,273	6,895,495
SNNPR	1,022,267	988,809	2,011,076
Somali	264,649	232,564	497,213
Tigray	496,376	556,448	1,052,824
<b>Sub-Total</b>	<b>10,589,192</b>	<b>10,308,178</b>	<b>20,897,370</b>
Central Office	1,135	153	1,288
<b>Total</b>	<b>10,590,327</b>	<b>10,308,331</b>	<b>20,898,658</b>

Source: ESRDF MIS

### Benefits

The number of beneficiaries from projects implemented by ESRDF so far is shown in Tables 3 and 4, by region and sector. Regionally seen, the highest number is in Oromiya, followed by Amhara, Addis Ababa, South, Harari and Tigray. Overall, it is believed that about 21 million people from the whole country would benefit from projects implemented todate by ESRDF.

**Table 4: Ethiopian Social Rehabilitation and Development Fund  
Number of Beneficiaries by Sector July 8, 1996 - January 8, 2002**

No.	Region	Number of Beneficiaries		
		Male	Female	Total
1	Education	1,055,602	981,509	2,037,111
2	Health and Sanitation	6,074,709	6,075,619	12,150,328
3	Rural Water Supply	1,784,965	1,840,401	3,625,366
4	Small Scale Irrigation	95,976	82,890	178,866
5	Others*	1,394,094	1,198,641	2,592,735
	<b>Sub-Total</b>	<b>10,405,346</b>	<b>10,179,060</b>	<b>20,584,406</b>
6	Training Capacity Building	184,981	129,271	314,252

Source: ESRDF MIS

From sector viewpoint, the highest number of beneficiaries relates to healthcare and sanitation, followed by water supply, and education. The category others which is a composite of various projects registers 2,592,735 beneficiaries.

#### **Lessons Learned**

The ESRDF has been learning that the community-based, demand-driven approach which positions communities at centre stage works. This approach shows that:

- appropriately assisted poor communities can do their level best to help themselves
- broad-based full participation, with transparent and effective management, is imperative for poverty reduction and ultimately its eradication
- poverty reduction is a long and complex process requiring an integrated, multi-sector approach
- a fundamental change of attitude is required in that
  - The community must believe in itself
  - The change agents from high up to down the line must believe in, and respond to, the community's needs, demands and aspirations.
- capacity building is a sine-qua-non to achieve the desired results.

## **Ethio-Forum 2002**

In January this year, the ESRDF and its partners in development organised an international event known as Ethio-Forum 2002, which ran from 15<sup>th</sup> - 29<sup>th</sup> January, 2002. The Forum's objectives were:

- assess on-going national and international community-based/driven development
- strengthen community-driven development in Ethiopia
- introduce innovative poverty eradication and food security systems and technologies
- promote an integrated approach to community development.

The Forum had three interlinked components, ie., plenary session conference, technology exhibition and 10 training workshops on various fields. The themes of the Forum revolved mainly around poverty eradication and related issues. The Forum, especially the conference, had enabled more than 900 people to discuss on how poverty could be reduced in Ethiopia, based on national and international experience. In so doing, it served as one of the consultation fora of the PRSP preparation process. The ESRDF is a member, both at the federal and regional level, of the Steering and Technical Committees of the PRSP.

Through the training workshops, different problems in Ethiopia were raised and discussed so as to indicate to participants available tested alternative technical solutions.

The exhibition managed to collect various appropriate technologies and got them displayed at the Addis Ababa Exhibition Centre. This endeavour brought together as well the owners of technologies, members of the business community and the users.

The Forum, finally, wound up with the introduction of one of its objectives - an integrated and planned approach to poverty reduction, and ultimately eradication.

## **Challenges**

All said and done, implementation of the ESRDF poverty reduction programme has not been a smooth sailing. There have been challenges of various nature and scope. Some of those are:

1. Lack of awareness of the approach that has been followed.
2. Lack of appreciation of the imperative for community participation.
3. Inadequate capacity at all levels.
4. Lack of credit line. Micro credit has been in great demand, but it could not be met since it was not part of the programme.

It may be worth our while to note a tendency that emerged especially at the early years of the programme life. At that stage, there was clear objection from two important quarters to the community-based, demand-driven approach that the ESRDF articulated. On the one hand were the elected local officials who felt strongly that since they were elected by the people at community level to operate in their behalf, there was no need for ESRDF to directly approach communities. On the other side were the technicians or bureaucrats, if you like, who felt that community project committee members did not have the requisite knowledge of accounting, procurement, banking, etc. And that, instead, the bureaucrats should handle those activities.

Often than not, more of those challenges would come from regions, which were relatively better organised and had higher capacity, where one would expect they could be better placed to assist their communities to take a leading role in matters that affect their lives. On the other hand, it was relatively easier to reach communities in regions with low capacity and less organised bureaucracy.

### **Conclusion**

In sum, the ESRDF is an organisation, which promotes and strengthens community-driven restorative development with environmental consciousness. It articulates empowerment of communities and devolution of power to the grassroots level in order to ultimately eradicate poverty. And ESRDF welcomes any organisation as a partner in the struggle against poverty.

Let me conclude by pointing out the relevance of the Poverty Dialogue Forum of the FSS to the PRSP consultation process. Any public policy and strategy formulation process, and more so poverty reduction, should be informed by public debate. The broader the participation of stakeholders in the poverty reduction strategy paper preparation, the richer its content will be. The FSS, through its year-long

Poverty Dialogue Forum has been very active in sensitising civil society organisations through organising several workshops and conferences. This has made it one of the important players in the PRSP consultation process. I believe that its consolidated report to the PRSP federal workshop will be a critical contribution. As a member of the steering committee of the PRSP consultation process, I commend the FSS for its very important work.

**An Overview of the State of Poverty in Ethiopia  
(Based on the 1995/96 and 1999/00  
HICE & WM Survey Results)**

**Getachew Adem**

**1. Background: Welfare Monitoring Practices in Ethiopia**

The Government of Ethiopia launched the Welfare Monitoring System (WMS) Program in 1996 supported by the Norwegian Grant and the International Development Agency (IDA) credit, coordinated and assisted by the World Bank. The actual implementation of the Program commenced in February 1996 when the Project Document was signed between the Bank and the Government of Ethiopia.

The WMS Program was introduced with the objective of monitoring the social impact of the Government's Economic Reform Program (ERP) launched in 1992 to redress the macroeconomic imbalances experienced during the period of the Derg regime. The WMS has been aimed at facilitating analytical work that helps contribute towards decision making and planning in an endeavor to reducing poverty.

The system has been aimed at meeting the information requirements of a range of users: from those who determine and control the design of national development policies and programs to those responsible for their on- the-ground implementation. It needs to provide indicators that signal whether or not programs and development interventions in terms of poverty reduction are on the right track.

The WMS has been institutionalized:

- To present a national and regional review of welfare indicators showing their spatial distribution and their trends over time;
- To identify poor and vulnerable groups that require targeted assistance;
- To assess the short and medium term effects of macroeconomic and social policies and programs on the poor;



- To monitor changes in the status of the poor and vulnerable population groups;

The WMU along with the CSA are the major actors for the functioning of the WMS Program. The CSA is the main primary information supplier while the WMU of MOFED is responsible for undertaking an in-depth analysis of the survey results that in turn serves as important inputs for policy decision and planning aimed at poverty reduction and ultimate eradication.

The WMU is responsible for the coordination of the various elements of the system, creation and maintenance of the socioeconomic data base to facilitate preparation of the annual review of social trends and welfare as well as supporting further analytical works, and ultimately undertaking poverty (welfare) analysis that serves as a stepping stone for policy advice.

The major achievement of the WMU since its establishment has been the preparation of the report entitled "Poverty Situation in Ethiopia" issued in March 1999. Preparation of the report has been based on the results of the 1995/96 Household Income Consumption Expenditure (HICE) and Welfare Monitoring Surveys. This has been the first serious attempt to undertake analysis of poverty data that has a national scope though the report had not made maximum use of the available data from the two surveys.

The results of the HICE provide indicators on income/expenditure measures the welfare situation while the Welfare Monitoring Survey results complement availability of indicators of changes in welfare via furnishing information on the social dimensions of poverty. These include access to education, health, sanitation facilities, and access to physical infrastructures (such as access to main roads) at national, regional, and zonal levels. The HICE surveys have been conducted every 5 years since 1995/96. It was conducted for the second time in 1999/2000<sup>1</sup>.

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<sup>1</sup> Over 17,000 households were covered by the sample in 1999/2000 for the HICE surveys. See Annex Table 1 for details. The WM survey for the same year covered a sample of over 25,000 households. Over 16,000 households common to HICE and WM were covered in 1999/2000. The sample for HICE increased by over 5000 households compared to 1995/96.

The WM surveys have been conducted every year (except one) since 1995/96(1997/98, 1998/99, and 1999/2000). The material presented here is based on the results and analysis of the 1995/96 & 1999/00 HICE & WM survey results.

## **2. Poverty/Welfare: Concepts and Measurement Issues**

### **2.1 What is Poverty/Welfare?**

There are many different definitions and concepts of well-being. Three aspects of well being can be identified:

#### **a) Poverty**

It is worth asking and rationalizing the following question to understand the difference between poverty and welfare as well as the various faces poverty manifests itself in. Do households have enough resources or abilities to day to meet their needs? This aspect is based on the comparison of individuals' income/consumption, education or other attributes with some defined threshold below which they are considered as being poor in that attribute. The conventional definition of the poor refers to all those persons who subsist below a level of real income that can sustain only a bare minimum standard of living. It is this level of per capita income /expenditure that is referred to as the poverty line in the literature on poverty and welfare. The important question often asked in this regard is: how should the standard (level) of living be measured? And how do we measure the different dimensions of poverty/welfare? On conceptual grounds there are two aspects of poverty:

#### **Absolute Poverty**

- This refers to lack of access to purchasing power sufficient at least to cover the cost of basic needs.

#### **Relative poverty**

- This refers to a standard of living that is below a certain proportion of the national average income (such as GDP per capita) in a given country. This concept of poverty is primarily concerned with income distribution and hence inequality in living

conditions. Addressing either absolute or relative poverty is an important and relevant policy question.

**b) Inequality in the Distribution of Income/Consumption or Other Relevant Attributes**

This is based on the premise that the relative position of individuals or households in society is also an important aspect of their welfare. In addition, the overall level of inequality in a country, region or population group in terms of monetary and non-monetary dimensions is also in itself an important summary indicator of the level of welfare in that group.

**c) Vulnerability**

The probability or risk today is to be poor or to fall deeper into poverty in the future. Vulnerability is considered a key dimension of well being since it affects individuals' behavior in terms of investment, production patterns, coping strategies and perception of their own situation.

**2.2 Why Measure Poverty/Welfare?**

The measurement and analysis of poverty, inequality, and vulnerability are crucial:

- For cognitive purposes (to know what the situation is);
- For analytical purposes (to understand the factors determining this situation);
- For policy-making purposes (to design interventions best adapted to the issues), and
- For monitoring and evaluation purposes (to assess whether current policies are effective and whether the situation is changing).

**2.3 How to Measure Poverty /Welfare? Setting a Poverty Line?**

To compute a poverty measure, three ingredients are needed:

- One has to choose the relevant dimension and indicator of well being;
- One has to select a poverty line-that is a threshold below which a given household or individual will be classified as poor;

- One has to select a poverty measure which is used for reporting the population as a whole or for a population sub-group only;

The non-welfaristic approach often used for drawing a poverty line is based on the basic needs or minimum caloric requirement. There are three methods of setting poverty lines that use calorie requirement: *direct calorie intake*, *food energy intake*, and *cost of basic need* methods. In the case of direct calorie intake method, a poverty line is defined as the minimum calorie requirement for survival. Individuals who consume below a predetermined minimum level of calorie intake are deemed to be under poverty. Hence, this method equates poverty with malnutrition. The draw back of this method is that it does not take into account the cost of getting the basic calorie requirement. It totally overlooks the non-food requirement. If poverty has to be measured by a lack of command of basic goods and services, measuring poverty by calorie intake only is unlikely to reveal the extent of impoverishment of a given society.

The second non-welfaristic method of setting a poverty line is the food energy intake method. The basic idea in this method is to find the per capita consumption at which a household is expected to fulfill its calorie requirement. In this case, the poverty line is then defined as the level of per capita consumption at which people are expected to meet their pre-determined minimum calorie requirement. It is normally estimated by regressing the per capita consumption expenditure on calorie intake. Then the predicted value of the per-capita consumption expenditure at the pre-determined calorie intake is taken as the poverty line. This method is an improvement over the direct calorie intake method in terms of the representativeness of the poverty line as it now provides a monetary value rather than a purely nutritional concept of poverty. However, if this method is applied to different regions and periods within the same country, the underlying consumption pattern of the population group just consuming the necessary nutrient amount will vary. Hence, this method yields differentials in the poverty line in excess of the cost of living facing the poor. In other words, this method does not yield a consistent threshold (poverty line) across groups, regions and periods.

The third method of setting a poverty line is the cost of a basic need method. First, the food poverty line is defined by selecting a 'basket' of food items typically consumed by the poor. The quantity of the basket is determined in such a way that the given bundle meets the predetermined

level of minimum caloric requirement. This 'basket' is valued at local prices or at national prices if the objective is to arrive at a consistent poverty line across regions and groups. Then a specific allowance for the non-food component consistent with the spending patterns of the poor is added to the food poverty line.

To account for the non-food expenditure, the poverty line is divided by the food share of the two poorest quartiles or quintiles as the case may be. This method yields a representative poverty line in the sense that it provides a monetary value of a poverty line that accounts for the food and non-food components. Unlike the food energy intake method, the latter provides consistent poverty lines across regions. Adjustments for spatial and inter-temporal variations could be made to set a poverty line that is consistent across regions, groups and periods. These adjustments include using a common bundle of food items for the whole country, using a national average price, and deflating each region's consumption expenditure by the relative (relative to the national average) price index. Many countries often use this method to set their poverty line.

The absolute poverty line drawn for a given country is based on the computation of a minimum calorie requirement and basic non-food need that are consistent with the spending patterns of the lowest income group say, the lowest 50 percent of the poor.

Steps in the computation of the poverty line (food poverty line):

**(a) Identifying a basic food basket**

- After carefully studying the consumption pattern of the lowest income groups in a country, one national minimum consumption basket is identified.

**(b) Converting food quantities into basket values**

- Once the list of food items consumed by the lowest income group is identified, the corresponding quantities are used to calculate total calorie values.

## ***2.4 Aggregate Poverty Measures***

Once we have a benchmark to measure poverty (following computation of the poverty line) and have information on household and individual income/consumption, the following aggregate poverty measures could be constructed:

**The Head Count Index (Po):** This is an aggregate poverty measure computed by using information on who is poor or not on the basis of the poverty line. This measure reflects the percentage of the total population below the poverty line.

**The Poverty Gap Index (P1):** This is an aggregate poverty measure computed by using information about the extent to which an individual is below the poverty line. It measures the intensity and depth of poverty by averaging the distance between the expenditure of the poor person and the poverty line.

**The Squared Poverty Gap Index (P2):** This is the third type of aggregate poverty measure and measures the severity of poverty. Through squaring and averaging the gap between the expenditure of the poor and the poverty line, the measure gives more weight to the poverty of the poorest. By doing so, it measures the degree of inequality even among the poor themselves implying that transferring income from the better off to the poor should lower the poverty index.

## **3. Income/Consumption Dimension of Poverty**

### ***3.1 Trends in Per Capita Calorie & Per Capita Income/Consumption Expenditures***

The level of calorie intake is an important welfare indicator in countries like Ethiopia where food shortage is a common occurrence. The household consumption level reflects the welfare situation when calorie consumption by a household is adjusted for variations in age, household size & composition and economies of scale in consumption. The former can be accounted for by converting conventional household sizes in to household adult equivalents. In addition, the age grouping of household members creates differences in per capita requirements. This involves taking care of the differences in the magnitude of household consumption that arise due to age and sex differences among members of households.

The third aspect is economies of scale: the larger the size of a household, the lesser is the cost per household member to maintain living conditions. Thus, calorie intake could also be adjusted for economies of scale. In a country like Ethiopia where people consume their own produce (subsistence production) and where large scale purchases are not common owing to a low asset bases, welfare differences resulting from adjustments for economies of scale seems to be less of an issue. So does sex differences among household members. The per capita calorie intake reported here is adjusted for household size and composition (and is expressed in terms of adult equivalent).

The national average calorie intake is well below the recommended minimum calorie intake of 2200 per adult per day. Between 1995/96 and 1999/00, the per capita calorie intake apparently increased in rural areas and declined in urban areas on average. The kilocalorie consumed per adult equivalent per day-increased from 1938 in 1995/96 to 2723 by 1999/00 in rural areas where as it declined from 2050 to 1861 in urban areas during the same period (Table1).

Overall, urban areas witnessed an increase in per capita real consumption expenditure between the two survey years, but with still considerable variations among regions. According to the HICE survey results, the mean per capita consumption expenditure of Ethiopia for the year 1999/00 is estimated at 1057 Birr in constant prices of 1995/96. The real per capita consumption expenditure of rural people was 995 Birr and that of urban people 1453 Birr. These levels of real per capita consumption expenditure are equivalent to 139, 131, and 191 USD at national, rural, and urban levels respectively, based on the 1999/00 annual average market exchange rates. Poverty incidence is much higher in rural than in urban areas, the poverty head count indices being 45 and 37 percent, respectively, in 1999/2000 indicating that poverty is still a rural phenomenon.

**Table 1: Trends in Real Consumption Expenditure Per Capita and Calorie-Intake**

Items	1995/96			1999/00		
	Rural	Urban	National	Rural	Urban	National
Real Food Expenditure Per Capita	577	790	607	609	631	612
Real Non-Food Expenditure Per Capita	466	625	488	392	830	451
Real Total Expenditure Per Capita	1035	1411	1088	995	1453	1057
Kcal Consumed Per Day Per Adult	1938	2050	1954	2723	1861	2606
Share of Food in total Expenditure	0.60	0.56	0.60	0.67	0.53	0.65

The increase in calorie intake in rural areas is not inconsistent with the level of real per capita spending on consumption. First, rural people spend (use their produce) more on food than on non-food items. In fact, in Ethiopia a considerable proportion of total consumption is accounted for by one's own production. Second, the survey results indicate that the food share in rural areas has increased from 60% in 1995/96 to 67% in 1999/00, while on the other hand, food share in urban areas declined from 56% to 53% during the same period. Third, it must also be underlined that an increase in the calorie content of the consumption basket does not necessarily indicate an increase in food quality. A high proportion of the budget being allocated to basic food consumption is still an indication that people in rural areas are food insecure.

However, it is still more difficult to interpret the changes in budget composition in urban areas and therefore further analysis is needed to fully understand these. It is also important to note that some non-food expenses such as transport are more binding in urban than rural areas irrespective of the level of poverty of the individual or household. The decline in the poverty head count index in rural areas and the modest increase in urban areas is, however, consistent with the trend in calorie intake (rural versus urban). As will be indicated in the subsequent section (Non-income Dimension of Poverty) the improvements in stunting and severe wasting witnessed between the two survey years (1995/96 and 1999/00) is also in line with the increase in calorie intake as well as decline in poverty incidence in rural areas. It is also worth noting that the changes in mean consumption per capita in both rural and urban areas are not statistically significant.

Further investigation revealed that a higher proportion of household's income is spent on food in all areas of the country. As shown in Table 1 above, people in urban areas spend a slightly less proportion of their income on food than what people spend in rural areas. In general, about 60 per cent of the per capita income in the country is spent on food.

### *3.2 Trends in Aggregate Poverty Measures*

As indicated above, to determine the incidence of poverty (number of poor), one has to set a poverty line, a threshold level of per capita income or consumption below which an individual is considered to be poor. Setting a poverty line starts with defining and selecting a "basket" of food items typically consumed by the poor. The quantity of the basket is



determined in such a way that the given food basket meets a predetermined level of minimum calorie requirement. This basket is valued at nationally representative average prices to reach at a consistent poverty line across regions and groups. Once this is done, an allowance is made for the non-food component consistent with the spending patterns of the poor. This method yields a representative poverty line as it provides a monetary value of a poverty line that accounts for the food and non-food components.

The food poverty line used in Ethiopia is based on a basket providing 2200 kcal per adult equivalent per day. According to 1995/96 prices, this basket cost Birr 647.8 per year. After adjusting for the non-food component, the total poverty line (both food and non-food) was estimated at Birr 1075.0 in 1995/96. The same "basket" and poverty line was used in 1999/00 to maintain comparability between the two survey years. Converting these two poverty lines to US dollars using purchasing power parity conversion factors translates the food poverty line to \$1.18 and the total poverty line to \$1.96 per adult equivalent per day (to be checked!).

The proportion of people in Ethiopia who are absolutely poor (those whose total consumption expenditure was less than the total poverty line) during the year 1999/00 was 44%. The proportion of people who are classified as poor are 37% in urban areas and 45% in rural areas indicating that rural poverty is higher than urban poverty. The moderate changes in per capita consumption levels between 1995/96 reported in Table 1 have translated into small changes in poverty incidences.

The data indicates that the consumption poverty head count indexes have declined by about 3 percent at national level, by over 4 percent in rural areas and has increased by about 11 percent in urban areas. None of these differences, however, are statistically significant and the continuing high level and depth of poverty in Ethiopia clearly shows the challenges ahead. While little can be said about trends between 1995/96 and 1999/2000, the fact that poverty has not apparently increased, especially in rural areas, despite the considerable worsening of exogenous conditions between the two years does indicate that the government's development strategy and safety-net programme have been effective.

**Table 2: Trends in Consumption Poverty Head Count Indices (Po)**

Location	1995/96	1999/2000	Changes over 1995/96(%)
Rural	0.48	0.45	
Urban	0.33	0.37	
National	0.46	0.44	

### 3.3 Trends in Food Poverty

In regard to food poverty, households and the individuals living in them are defined as food poor if real food expenditure per capita or per adult equivalent, as the case may be, is less than the food poverty line. Using this definition, the relative position of rural and urban areas in 1999/00 appears to have reversed compared to that of 1995/96. In the earlier period, food poverty was higher in rural areas than in urban areas. The results from the 1999/2000 HICE, however, indicated that the food poverty head count index was found to be lower in rural areas than in urban areas. There are a number of possible explanations for this and more investigation is needed to identify what exactly has happened. One possible explanation could be that spending in rural areas is weighted more heavily in favour of food items compared to the spending pattern of people in urban areas (compare the results in Tables 2 & 3). In rural areas at least, the picture presented in Table 3 is consistent with the apparent increase in calorie consumption reported in Table 1. It is also supported by the data in Tables 6 and 7 (subsequent section on stunting and wasting), which show some improvement in the nutritional status of young children.

**Table 3: Trends in Food Poverty Head Count Indices**

Location	1995/96	1999/2000	Changes over 1995/96(%)
Rural	0.47	0.41	
Urban	0.32	0.47	
National	0.45	0.42	

### 3.4 Distribution of National Poverty

In 1995/96, more than 50 percent of people living in consumption poverty resided in the Amhara and SNNP regional states. By 1999/00, the overall consumption poverty head count index in these regions had declined by 23 and 9 percent, respectively. The influence of these two

regions on the national consumption poverty is self evident given their weight in total population and agricultural production.

The income/consumption poverty analysis has already indicated that poverty is still a rural phenomenon as indicated by the contribution of rural areas to the poverty head count index (Table 4). As indicated in the table, rural areas altogether contribute about 85 percent to the total population while their contribution to the total poverty head count index stood at about 88 percent in 1999/00. Urban areas altogether accounted for about 15 percent of the total population while its contribution to the total poverty head count index was a little over 11 percent in 1999/00. The contribution to the total poverty head count index has slightly increased in urban areas (about 1.3 percentage points) while it decreased by the same magnitude (1.3 percentage points) in rural areas in 1999/00 as compared to 1995/96.

**Table 4: Contribution of Rural and Urban Areas to Total Poverty Incidences**

	1995/96		1999/00	
	Population Contribution (%)	Contribution to Poverty Head Count Index (%)	Population Contribution (%)	Contribution to Poverty Head Count Index (%)
Rural	86.5	90.0	85.0	88.7
Urban	13.5	10.0	15.0	11.3
National	100.0	100.0	100.0	100.0

### **3.5 Poverty Incidence by Gender & Other Household Characteristics**

According to the 1999/00 HICE & WM survey results, females head 41 and 23 percent of the households in urban and rural areas, respectively. There is no significant difference in income/consumption poverty between male and female-headed households in rural areas. In urban areas, however, female-headed households have been found to have higher poverty incidence, depth and severity than their male counterparts. As indicated in the Table below, poverty incidence shows modest decline in rural areas and increased in urban areas between the two survey years.

**Table 5: Comparison of Poverty Incidences by Gender and Areas of Residence**

<i>Location</i>	<i>1995/96</i>		<i>1999/2000</i>	
	<b>Male-headed</b>	<b>Female-headed</b>	<b>Male-headed</b>	<b>Female-headed</b>
Rural	0.48	0.46	0.46	0.45
Urban	0.33	0.34	0.34	0.49
National	0.46	0.42	0.44	0.43

The analysis on the main household characteristics of the population was based on the results from responses of households common to the HICE and WM surveys. According to the survey results, the average family size for Ethiopia stood at 4.9 persons per household. Comparison of poor households with the richer ones, indicated that poorer households tend to have larger family sizes (5.8 & 5.4 individuals per household in the 1st and 2nd quintiles, respectively), which stood in contrast to 4.7 and 3.9 per household in the 4th and 5th quintiles. In general, poorer households in rural areas have a larger family size than their counter parts in the urban centres.

Family size is closely linked to the average dependency ratio<sup>2</sup>. According to the HICE and WM survey results, poorer households tend to have a larger proportion of dependents than richer households: 134 per hundred for the 1st quintile and 89 per 100 for the 5th quintile. Though the ratios show the same trend in both rural and urban areas, they are larger for the former in each quintile. The differences between the rural and urban areas in this regard should, however, be interpreted cautiously as younger members of rural households are more likely to be engaged in productive activity. Poverty incidence, depth and severity also decrease with increases in the level of education (schooling) of the head of the household. However, as indicated in the table above not more than 5% of the population of household heads has completed primary school.

#### **4 Non-Income/Consumption Dimension of Poverty**

##### ***4.1 Nutrition Status of Children (Child Wasting and Stunting)***

The period between 1999/00 and 1995/96 saw a remarkable decline of 47 percent in the proportion of severely wasted children, albeit from a

<sup>2</sup> Defined as household members older than 65 and younger than 15 divided by the complement of this set in sampled households.

fairly low base. The improvement in severe wasting is for rural and urban areas alike but is more pronounced for rural areas. Notwithstanding the inherent fluctuations of measures of wasting, the marginal increase in the percentage of wasted children between the two survey years seemed to be partly attributed to the movements of children from a severely wasted category to wasted category (Table 6).

**Table 6: Child Wasting<sup>3</sup> as Percent of Children aged 6-59 Months**

		1995/96			1999/00			% Change over 1995/96
		Male	Female	Total	Male	Female	Total	
Ethiopia	Wasted	8.9	9.4	9.2	10.2	9.0	9.6	4.3
	Severely Wasted	3.3	3.6	3.4	1.9	1.6	1.8	-47.1
Rural	Wasted	9.3	9.8	9.5	10.5	9.3	9.9	4.2
	Severely Wasted	3.4	3.8	3.6	1.9	1.7	1.8	-50.0
Urban	Wasted	6.5	7.2	6.8	6.5	5.6	6.1	-10.3
	Severely Wasted	2.3	2.4	2.3	2.0	1.0	1.5	-34.8

Source: Dercon, 1997; WMS, 1999/00.

For Ethiopia as a whole, prevalence of stunting, which is a reflection of long-run malnutrition, was 57 percent by 1999/2000 while severe stunting stood at 31.3 percent during the same year. Both stunting and severe stunting are higher in rural areas than in urban areas. When compared between males and females, females registered lower than average stunting figures. Both stunting and severe stunting in 1999/2000 have witnessed tremendous declines (by 15-34 percent) from the levels observed in the 1995/96 survey, indicating an improvement in the long-run measure of malnutrition (Table 7).

**Table 7: Child Stunting<sup>4</sup> as Percent of Children aged 6-59 Months**

		1995/96			1999/00			% Change over 1995/96
		Male	Female	All	Male	Female	All	
National	Stunted	68.1	65.1	66.6	58.1	55.5	56.8	-14.7
	Severely stunted	45.2	42.2	43.7	32.0	30.6	31.3	-28.3
Rural	Stunted	70.0	66.7	68.4	59.4	56.4	57.9	-15.3
	Severely stunted	47.4	43.8	45.6	32.9	31.6	32.3	-29.2
Urban	Stunted	56.6	55.2	55.9	44.0	45.0	44.5	-20.4
	Severely stunted	32.1	31.9	32.0	21.5	20.4	21.0	-34.4

Source: Dercon, 1997; WMS, 1999/00.

<sup>3</sup> Wasting when weight over height's Z score is less than -2. Severe wasting when weight for height's Z-score is less than -3.

<sup>4</sup> Stunting when height over age Z-score is less than -2. Severely stunted when height over age Z-score is less than -3.

#### ***4.2 Access to Health Services***

Another important aspect of human capital is the health status of individuals in society. Besides having a direct impact on the welfare of individuals, the health status has repercussions on their potential productivity. The WM Survey questionnaire recorded responses by household members about their health status in the two months prior to the interview.

According to the results, a quarter of the population in the country reported being sick in the two months prior to the administration of the WM Survey questionnaire. In terms of gender, the results indicated that 24 percent of males reported to have been suffering from an illness. The figure for females was about 26 percent. While around 27 percent of the rural population reported sickness, only 19 percent of their urban counterparts reported the same.

Over 60 per cent of those reported to have been ill stated that they did not seek any form of medical treatment. This figure is only around 38 per cent in urban areas whereas it is about 62 per cent in rural Ethiopia. In terms of gender, males fare better in both urban and rural areas. While only 29 per cent of males reported to have been ill sought no treatment in urban areas, the figure for their female counterparts is about 38 per cent. Around 60 per cent of the males residing in rural areas received no medical treatment while two-thirds of the females experienced the same lack of treatment. The largest proportion of those who sought treatment did so in publicly owned facilities.

As expenditure increases from the first to the fifth quintile (poor to rich) so does the proportion seeking treatment. This is true for all categories except for urban males to be treated in public facilities. There is a similar association between the proportion of individuals getting treatment in private facilities and level of expenditure.

#### ***4.3 Access to Education Services***

**Literacy:** The overall literacy rate<sup>5</sup> in Ethiopia for 1999/00 is only 29 percent. The literacy rate has increased slightly from 27 percent in

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<sup>5</sup> Adult literacy in this study is defined as the percentage of population aged ten years and over who can both read, write and understand a short and simple statement in the course of his or her daily life.

1995/96 to 29 percent in 1999/00. The increase in the literacy rate is more pronounced for males than for females (Table 8). Females have a lower literacy rate (20 percent) than that of males (40 percent). The literacy rate is also much higher in urban areas (70 percent) than in rural areas (22 percent).

**Table 8: Trends in Literacy Rate (%)**

	1995/96			1997			1998			1999/00		
	Urban	Rural	All	Urban	Rural	All	Urban	Rural	All	Urban	Rural	All
Male	82.3	29.2	36.5	81.0	25.1	33.4	81.0	28.8	36.3	82.1	33.0	40.0
Female	60.4	9.2	18.1	60.8	7.3	16.5	59.0	8.8	17.1	61.2	11.0	19.5
	70.0	19.4	27.3	70.0	16.2	24.8	69.0	18.8	26.6	70.4	21.8	29.4

Source: WMS 1997, 1998 and 1999/00 for 1999/2000; Dercon 1997 for 1995/96

**Enrolment:** Both gross and net primary and secondary enrolment rates have witnessed dramatic improvement between 1999/00 and 1995/96. Gross and net primary enrolment rates increased by 66 and 75 percent, respectively. The improvement has been more in favour of rural areas and females. In general, enrolment rates are higher for urban than for rural areas (Table 9).

**Table 9: Trends in Gross and Net Primary Enrolment Rate by Gender and Geographic Area**

		1995/96			1999/00		
		Male	Female	All	Male	Female	All
GPGPER	Urban	98.2	94.6	96.4	103.1	107.6	105.4
	Rural	35.1	17.0	26.3	62.7	41.4	52.4
	National	43.0	27.6	35.5	67.4	50.0	58.9
NPNPER	Urban	65.5	62.0	63.7	74.1	74.8	74.5
	Rural	16.1	9.2	12.8	30.7	25.2	28.0
	National	22.3	16.4	19.4	35.8	31.6	33.8

Source Dercon 1997, for 1995/96; and WMS 1999/00, for 1999/00

#### 4.4 Access to Public Services and Economic Infrastructure

An important measure of access to public services is the distance between the residence of households and the facility at hand. This measure is particularly useful for large countries like Ethiopia where the efficiency of the transport network is quite low. The WM Survey questionnaire recorded information on the distance between various facilities and the residence of households. However, there was a large variation in the responses obtained for the estimated distance for a facility within a village. Thus, the median distance to each service in each village was taken as a basis for calculating the reported mean distances as shown in Table 10.

**Table 10: Average Distance<sup>6</sup> to Reach Public Services (KM) (1999/00)**

Distance to Reach:	1995/96			1999/2000		
	Rural	Urban	National	Rural	Urban	National
Primary School	4.3	0.5	3.8	3.4	0.7	3.0
Secondary School	26.9	3.7	23.7	21.9	3.5	19.3
Health Centre	10.0	1.0	8.7	8.0	1.2	7.0
Drinking Water	2.9	0.1	2.5	0.6	0.1	0.6

There has been a marked improvement in terms of average distance to public services compared to the results in 1995/96, when the average distance to reach a primary school in 1995/96 for the whole country was 3.8 Km, while for rural areas the figure was 4.3 Km. A quarter of the total population in Ethiopia was living 6 or more kilometres away from primary schools. The mean distance to secondary schools has also gone down from the 1995/96 figures of 23.7 km for the country as a whole, 26.9 km for rural areas, and 3.7 km for urban centres.

In general, access to education and health facilities has improved in the rural areas. This is reflected in the reduction of the distance required to reach these facilities. Urban areas, however, do not show much improvement and in some cases have even witnessed deterioration. This

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<sup>6</sup> Here reference is made to median distances rather than mean distances



could be as a result of new settlements in the outskirts of towns, which would increase the average distance for existing infrastructures.

## **5. Some Concluding Remarks**

Although poverty has declined modestly in rural areas (by 4.4 percent), it still has remained a rural phenomenon as the rural areas harbour the bulk of the poor (44% of the rural population is below the poverty line). The contribution of rural areas to poverty (declined by 1.3 percentage points compared to 1995/96) which stood at 88.7% in 1999/2000 while their contribution to the total population stood at about 85%. This indicates the challenges ahead. Depth and severity of consumption poverty has declined substantially in rural areas but urban poverty is also increasing and calls for closer attention. Income inequality has declined in rural areas and increased slightly in urban areas. At country level also inequality has declined modestly.

Ethiopia has made remarkable progress in terms of indicators of non-income dimensions of poverty between the two survey years. There has been a substantial improvement in long-run malnutrition (stunting) and literacy. Although there still is a challenge to narrow regional disparities and gender gaps as well as improving quality in education (reducing drop out and repetition rates), gross and net primary and secondary enrolment has also shown substantial improvement. The improvement in the enrolment rate is higher for rural areas and females than for urban areas and their male counterparts. Access to health, water & other economic & social infrastructure facilities have improved. However, given the initial conditions (low base) in respect of accesses to these facilities there still is a need for a concerted effort to bring about perceptible changes by putting in place efficient service delivery mechanisms to reach out to the grass root population.

Poverty reduction has been at the core of the Government's development agenda when it assumed power in 1991. The New Transitional Economic Policy, the package of reform programs launched since 1992; the development and implementation of sector development programs for key poverty-oriented sectors (road, education, health, food security, water) are all aimed at poverty reduction. The draft strategy paper recently issued for stakeholders' review entitled "Ethiopia: Sustainable Development and Poverty Reduction (Strategy Paper for Promoting Development and Poverty Reduction)" is just a sharpening-of

the focus and continuation and strengthening of the ongoing efforts aimed at poverty reduction and ultimate eradication. The strategy and the development policies and strategies hitherto adopted are built on four building blocks: ADLI, Judicial and Civil Service Reform, Decentralization and Empowerment, and Capacity Building. It serves as a framework to mobilize domestic resources, mainstream and coordinate the efforts of development actors (stakeholders), coordinate external resource flows in a coordinated and efficient manner through continuous government-donor dialogue. Concurrent efforts are being waged on these fronts with the objective of reaching the poor at the grass root level and ensuring efficient service delivery.

## Annex 1

### Distribution of Households and EAs Covered in the 1995/96 and 1999/00 HICE & WM surveys by Reporting Levels

Reporting Levels	Households Covered In 1999/2000		Covered In 1996		Additional Households Covered In 1999/2000	
	HHs	EAs	HHs	EAs	HHs	EAs
Tigray Rural	564	47	403	35	161	12
Mekellee Town	368	23	222	15	146	8
Tigray Other Urban	320	20			320	20
Afar Rural	392	33	162	14	230	19
Asayeta Town	240	15			240	15
Afar Other Urban	160	10			160	10
Gonder Town	368	23	224	15	144	8
Dessie Town	368	23	217	15	151	8
Bahir Dar Town	368	23	197	14	171	9
Amhara Other Urban	496	31			496	31
Debrezeit Town	368	23	225	15	143	8
Nazreth Town	368	23	299	20	69	3
Jimma Town	564	23	195	13	369	10
Oromia Other Urban	800	50			800	50
Somalia Rural	372	31	24	2	348	29
Jijiga Town	368	23			368	23
Somalia Other Urban	112	7			112	7
Benshangul Gumuzu Rural	516	43	177	15	339	28
Assosa Town	240	15			240	15
Benshangul Gumuzu Other Urban	160	10			160	10
Awasa Town	368	23			368	23
Snnp Other Urban	400	25			400	25
Gambela Rural	360	30	153	13	207	17
Gambela Town	240	15			240	15
Gambela Other Urban	144	9			144	9
Harari Rural	360	30	108	9	252	21
Harar Town	368	23	223	15	145	8
Addis Ababa Rural	300	25	83	7	217	18
Addis Ababa Town	1200	75	1107	75	93	0
Dire Dawa Rural	360	30	42	4	318	26
Dire Dawa Town	368	23	298	20	70	3
Dire Dawa Other Urban	112	7			112	7
North And South Gonder	348	29	436	37	-88	-8

North Wollo And Wag Himra	516	29	363	32	153	-3
East And West Gojjam And Agewawi	348	43	418	35	-70	8
NORTH AND SOUTH GONDER SOUTH WOLLO OROMIA AND NORTH SHOA	528	44	455	39	73	5
<b>TOTAL AMHARA RURAL</b>	<b>1740</b>	<b>145</b>	<b>1672</b>	<b>143</b>	<b>68</b>	<b>2</b>
EAST AND WEST WELLEGA	300	25	472	40	-172	-15
ILLUBABOR AND JIMMA	264	22	464	39	-200	-17
NORTH AND WEST SHOA	324	27	457	39	-133	-12
EAST SHOA ARSI BALE AND BORENA	624	52	457	39	167	13
EAST AND WEST HARERGHE	312	26	467	40	-155	-14
<b>TOTAL OROMIA RURAL</b>	<b>1824</b>	<b>152</b>	<b>2317</b>	<b>197</b>	<b>-493</b>	<b>-45</b>
GURAGE HADIYA AND KEMEBATA AND ALEBA	528	44	409	35	119	9
SIDAMA GEDO GURGI AND AMARO	468	39	386	33	82	6
NORTH AND SOUTH OMO DERASHE AND KONSO	492	41	405	34	87	7
YEM KEFA-SHEKICH AND BENCH MAJI	384	32	367	31	17	1
<b>TOTAL SNNP RURAL</b>	<b>1872</b>	<b>156</b>	<b>1567</b>	<b>133</b>	<b>305</b>	<b>23</b>
Other urban national	2704		1526		1178	
<b>Total</b>	<b>17332</b>	<b>1264</b>	<b>11441</b>	<b>892</b>	<b>5891</b>	<b>372</b>

# Poverty and Macroeconomic Policy in Ethiopia

Tassew Woldehanna and Daniel Zerfu

## 1. Introduction

From any dimension of poverty, most Ethiopians are under extreme poverty (MEDaC, 2000). About 45.5 % of the population is under absolute poverty and the under five-mortality rate was 173 /1000 in 1994. Life expectancy has diminished from 52 years in 1984 to 50 years in 1994 and also more than 2/3 of the children appear stunted (low height to age ratio) and close to one in ten have signs of wasting (short-term malnutrition). The literacy rate (for persons aged 10 years and above) is very low where only 27% of the population of 10 years and above can read and write.

The Ethiopian government prepared an Interim Poverty Reduction Strategy Paper (IPRSP) in November 2000 to show the broad picture of its poverty reduction strategy, which will be implemented in the coming few years. The government has already understood the advantage of preparing a Poverty Reduction Strategy Paper (PRSP). The basic assumption behind the poverty reduction strategy paper is that poverty reduction is policy induced in the sense that appropriate micro and macro policies are required to reduce poverty. Hence, it is very important, among other things, to identify the link between the macroeconomic policy and poverty reduction.

The objectives of this paper are to describe the link between the macroeconomic policy and poverty reduction in general and to explain the macroeconomic conditions and policies that may have a poverty reducing impact in the Ethiopian context.

The rest of the paper is organized as follows. Section two outlines the theoretical links between the macroeconomic policy and poverty reduction. Section three describes the poverty situation in Ethiopia and changes in poverty over the last four years using the World Bank's approach. Section four describes unemployment in Rural and Urban Ethiopia. Section five analyses macroeconomic conditions (policy) and

poverty in the Ethiopian context. This section particularly discusses the macroeconomic stability and the source of stability/instability, which has its own contribution for poverty reduction. It tries also to investigate the extent to which the fiscal policy (the structure of the government expenditure) is pro-poor. We also try to show factors that affect growth and attempt to put the problems into context. The paper ends with some concluding remarks.

## **2. Poverty and Macroeconomic Policies: Theoretical and Empirical Evidences<sup>1</sup>**

### ***2.1 Economic Growth***

Economic growth is one of the key issues in the pursuit of poverty. In the growth-poverty literature, there is almost a general agreement on the basic premise that economic growth is a necessary condition for poverty reduction. Statistical studies have found a positive association between national per capita income and national poverty indicators measured in terms of income and non-income dimensions. For example World development studies (2000) discusses studies where there is a positive association between infant mortality rates and per capita income, the ratio of female to male literacy and per capita income, and the average consumption and the incidence of income poverty. However, what they found is an association, not causation. Hence either economic growth reduces poverty or poverty reduction could be a necessity to achieve higher growth.

Since capital accumulation by the private sector drives growth, establishing conditions that facilitate private sector investment should be a key objective of a country's poverty reduction strategy. Many cross sectional growth studies have shown the importance of the private investment for growth (see Ghura et al, 1995, Ghura and Hadjimichael 1996 and Ndulu 1991). To facilitate private sector investment, it requires a stable set of macroeconomic policies extending to a variety of policy areas including privatisation, banking and financial sector reform, labour market, the regulatory environment, and the judicial systems (Ames et al, 2001).

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<sup>1</sup> Much of the discussion in this section is based on Ames, et al (2001) article on Macroeconomic and Poverty Reduction

## ***2.2 Macroeconomic Stability***

For a sensible and sustained economic growth and hence poverty reduction, a stable<sup>2</sup> and conducive macroeconomic environment is the necessary condition. In their cross-country study Ghura, et al (1995) showed that there is an inverse relationship between economic growth and macroeconomic instability measured by inflation rate and deficit GDP ratio. Macroeconomic instability gives adverse incentive for both the domestic and foreign investors and induces them to stay away and divert their resources elsewhere. Econometric evidences suggest that private investment is significantly and negatively influenced by uncertainty and macroeconomic instability (Ramey and Ramey, 1995 cited in PRSP source book). Daniel (2001 b) also showed that there is a strong and negative relationship between private investment and inflation (measuring macroeconomic instability) in the case of Ethiopia.

Apart from retarding growth by signalling adverse incentive structure, macroeconomic instabilities affect the poor disproportionately. Ames, et al (2001) identified two channels through which inflation affects the poor. One is "the poor tends to hold most of their financial assets in the form of cash rather than in interest-bearing assets. Second, they are generally less able than are the better off to protect the real value of their incomes and assets from inflation." (Ames, 2001:7). Instability has also a long-term effect on poverty that operates through shocks to the human capital of the poor. Children from poor families drop out of school during crises in Africa. The combined effect of retarded growth and the loss in the real wages and assets values exacerbate the poverty profile through reducing the human capital accumulation.

There are two main sources of instability: exogenous shocks and endogenous shocks. Exogenous shocks include terms of trade shocks, natural disasters and reversal in capital flow. They can throw a country into dis-equilibrium that requires compensation action. The endogenous shocks are shocks induced by poor macroeconomic management. It can be created by loose fiscal stances that increase aggregate demand for goods and services, which places pressure on the country's external balance of payment as well as on domestic price levels. And economic crises are the result of external shocks and poor management. These two

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<sup>2</sup> See box 1 for an intuitive discussion on macroeconomic stability.

kinds of shocks require different kinds of macro policies, which will be discussed later.

### **2.3 Composition and Distribution of Growth**

Though growth is an important factor for poverty reduction, the type of growth also matters for a sensible poverty reduction. There is a serious debate on the type of growth –i.e. whether it is pro-poor growth or not, and the extent to which the poor gain from growth (Chen and Wang, 2001). The whole debate revolves around whether the distributional pattern and the sectoral composition of growth are in favour of the poor or not. Among others, recent studies by Bruno et al. 1995, Ravallion and Chen (1997), Deininger and Squire (1998) Birdsall and Londono (1997) and Birdsall and de la Torre (2000) World Bank (2001) reported that growth has a positive impact on reducing income poverty though its effectiveness depends on the initial inequality level- i.e. the poor in a more equal society will enjoy the benefit of growth more than the poor in highly an unequal society. Empirical evidence also suggest that there is an inverse relationship between growth elasticity and income poverty (Ravallion, 1997). However, greater equality may come at the expense of lower growth and there is a trade-off between growth and equity when it comes to poverty reduction.

The growth poverty link seems to have enjoyed both theoretical and empirical regularity. Most of the earlier theories of development had had the optimism that growth is the key to reducing poverty although the Kuznet's (1955) hypothesis had come to challenge this optimist thinking that growth by itself is a key factor in reducing poverty. The challenge emanates from the fact that the poverty reducing effect of a given growth may not be materialized due to higher inequality especially in developing countries. Though it takes account of the unfavourable effects that inequality may have on the growth-poverty dynamics, the Kuznet's hypothesis *per se* does not deny that growth is important for poverty alleviation. With regard to the empirical aspect, a good deal of regularity has been observed in growth-poverty relations. Most of the empirical studies (Dercon, 2001; Bruno, Ravallion and Squire, 1995; and many others) on growth and poverty have shown the existence of a high correlation between growth and income of the poor<sup>3</sup>. These regularities do not, however, imply that growth is a sufficient condition for poverty

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<sup>3</sup> For a detailed survey of the literature, see Begisten and Levin (2000) and Danielson (2001)



alleviation; they only regard growth as one important factor that must be achieved if poverty is to decline. On the other hand, the sectoral distribution of growth can also determine the impact of growth on poverty. Obviously, growth in sectors of the economy where the poor concentrate will have a greater impact on reducing poverty.

On the other hand, when we see equity in many dimensions (income, education, health etc.) there will not be a trade-off between equity and growth. By increasing the human capital (education and health) of the poor, redistributive policies can increase the productivity of the workforce, thereby enhancing growth. When there is greater income equality, greater political support can be obtained for most public policies that are growth inducing. Crime, violence and corruption would be less when people have greater equality.

The sectoral distribution of growth can determine the impact that growth will have on poverty. Obviously, growth in sectors of the economy where the poor concentrate will have a greater impact on reducing poverty. For example if poor people live in rural areas, agricultural growth will reduce poverty because it generates income for the poor.

#### ***2.4 Pro-Poor Public Expenditure***

The other macroeconomic issues in connection with poverty reduction are the issues of public expenditure on human capital building and investment on physical infrastructure. Among others, Begsten and Levin (2000) discussed the importance of such factors theoretically while Dercon (2001) showed their importance empirically in the case of Ethiopia. The East Asian experience also shows the importance of human capital accumulation. In addition, the issue of debt and its pressure on the government finance to execute pro-poor expenditures on sectors such as health and education are the other areas that can be addressed from the macroeconomic perspective. However, the expansion of the education and health expenditures must not come at the expense of losing macroeconomic stability in the forms of high government deficit. On the other hand, to maintain macroeconomic instability, excessive contraction should not be exercised, as it might be associated with cutting expenditures (such as expenditures on health and education) that have a direct impact in reducing poverty.

### ***2.5 A Pro-Poor Development Strategy***

Whether a pattern of growth is pro-poor or not follows from the fundamental nature of a country's development strategy and whether this is consistent with its initial endowment of resources. In general, a development strategy that depends on a selected sector implies that there would be a disproportionate allocation of resources to that sector. Hence a country's development strategy to reduce poverty should be one that would increase the use of and the return to the most abundant resource (labor) and divert resources to places and activities where the poor are concentrated. Thus, in an economy in which labor is the abundant factor, policies that would reduce unemployment will be pro-poor policies.

Furthermore, a country's development strategy should lead to the construction of an enabling environment that will allow the poor to have access to resources and to use them efficiently. Do the rural poor, for example, have access to land and are they supported by an adequate infrastructure, e.g. water supply, electricity, roads? Are they empowered to take advantage of the resources available to them? This involves questions of basic capability and empowerment, such as whether they are healthy, well fed and educated, and participate politically, such as whether they have any influence on important economic and social decisions.

### ***2.6 Implications for a Macroeconomic Policy***

The first macroeconomic implication of the link between macro stability, growth and poverty are that countries need to pursue macro policies such as fiscal, monetary and exchange rate policies to establish and strengthen macroeconomic stability. Establishing macro stability requires defining a set of attainable macro targets such as growth, inflation, external debt, and net international reserves. The second implication is that developing countries have a scope to enhance the growth elasticity of poverty (enhances the degree to which the poor share the fruit of growth) through policies aimed at improving income distribution. These policies are politically charged which might include land tenure reform, changes in marginal tax rates, increasing pro-poor social spending. The third implication goes beyond macroeconomics. Strategies for sector specific growth should focus on removing distortions that impede growth. Policy makers should implement policies that will empower the poor and create the condition that would permit the poor to

move into new and existing areas of opportunities, thereby allowing them to share better the fruit of economic growth. A conducive environment has to be created for private investment and broad-based economic growth. Cultural, social, and economic constraints have to be removed that prevent the poor from making full use of their asset base and accessing market. The human capital base of the poor has to be increased by the provision of basic health and education services. Using these policies together and the redistributive policies described above, policy makers can have a pro-poor growth.

If the source of instability is temporary (a one time event), then it may be appropriate for a country to accommodate it. In this case devoting resources to establish a safety net might be helpful in order to accommodate the instability created by a onetime event (temporary) shock. Safety net measures are also necessary to protect the poor from shock imposed on them during a period of economic reform and adjustment. A safety net includes public work programs limited food subsidy, transfer to compensate for income loss, social funds, fee waivers, and scholarships for essential services such as education and health.

Addressing instability requires policy adjustment if the instability is permanent (i.e., systematic) external shocks or the result of earlier inappropriate macro policies. Policy adjustment requires the use of monetary (or exchange rate) and fiscal instruments. If the balance of payment is worsened due to permanent external shocks, a sustained tightened fiscal policy (to increase domestic saving and reduce domestic demand) might be required.

A fiscal policy can have a direct impact on the poor, both through the governments overall fiscal stance and through the distributional of tax policy and public spending. Structural fiscal reform in budget and treasury management, public administration, governance, and accountability can benefit the poor in terms of more efficient and better-targeted use of public resource. With regards to the composition of spending, the distribution and growth impact of spending in each area and place should be taken into consideration. Spending programs that are pro-poor include programs on health, education and infrastructure. To safeguard macroeconomic stability, it is essential that the government budget, including the country's poverty reduction strategies, be financed in a sustainable, non-inflationary manner.

Monetary and exchange rate policies can affect the poor primarily through three channels: inflation, output and the real exchange rate. Inflation affects the poor because it is a regressive tax and curbs growth. Fluctuation has a direct influence upon the income of the poor. Change in money supply can affect output through changes in real interest rate. Changes in real exchange rate influence the country's external competitiveness and hence growth. Real exchange rate (e.g. devaluation) can benefit the poor if the poor consume non-tradable goods, but produce and export tradable goods hence monetary and exchange rate policies can be used to target inflation at a lower rate and achieve a stable macroeconomic condition.

### **3. Poverty and Unemployment in Ethiopia**

#### ***3.1 The Poverty Situation in Ethiopia***

According to the World Bank Report (World Bank, 2001), poverty has many dimensions extending beyond the low level of income. The first dimension is material deprivation (lack of opportunity), which is measured by an appropriate concept of income or consumption. The second dimension is low achievement in education and health (low capabilities). The first and the second dimensions of poverty have been recognized by the World Development Report 1990. The third and the fourth dimensions of poverty are vulnerability (and exposure to risk or low level of security) and voicelessness (and powerlessness), respectively (World Bank, 2000). The World Development Report 2000 recognizes these last two dimensions of poverty.

The four dimensions of poverty might interact and reinforce each other (World Bank, 2001). Education and health can interact with material deprivation (World Bank, 1990). A low level of education and health can lead to a low level of income and hence might lead to material deprivation. Reducing vulnerability may allow people to take advantage of higher-risk, higher-return opportunities thereby decreasing material deprivation by increasing income and welfare.

In this paper we will only describe selected indicators of poverty namely the first (lack of opportunity) and second (education and health achievements) dimensions of poverty.

In any of the dimensions of poverty, most Ethiopians are under extreme poverty (MEDaC, 2000). In 1995/96 the proportions of the population living in absolute poverty (who cannot meet the minimum calorie requirement of 2200 kcal per day per adult) are 45.5 %. Under five-mortality rate was 160/1000 in 1984 and 173 /1000 in 1994. Life expectancy has diminished from 52 years in 1984 to 50 years in 1994 and 43 years in 2000. It is also expected to decline further as a result of HIV/AIDS epidemics. The 1995/96 household survey data shows that more than 2/3 of the children appear to be stunted (low height to age ratio) and close to one in ten have signs of wasting (short-term malnutrition). The literacy rate (for persons aged 10 years and above) is very low. Only 27% of the population at 10 years and above can read and write. There are some evidences that in 1999/2000 poverty has declined modestly. The head count index and stunting have declined to 44.2% and 51.5%, respectively. The literacy rate and net primary enrollment ratio have increased to 36% and 30.2%, respectively.

**Table 1: Rural and urban poverty in 1995/96**

Index		1995/1996	
		Index	Se (Index)
Head count index ( $P_0$ )	Rural	0.475	0.012
	Urban	0.332	0.025
	National	0.455	0.011
Poverty gap index ( $P_1$ )	Rural	0.134	0.005
	Urban	0.099	0.009
	National	0.129	0.004
Squared poverty gap ( $P_2$ )	Rural	0.053	0.003
	Urban	0.041	0.005
	National	0.051	0.002

$P_0$ =head count index;  $P_1$ =poverty gap index;  $P_2$ =squared poverty gap;  $se(index)$  is standard error of the index. Standard errors are corrected for stratification and clustering effects in which the samples are stratified by reporting levels and primary sampling units (enumeration areas). The 1, 5 and 10 % critical z-statistics are 2.56, 1.96 and 1.65, respectively.

**Table 2: Child wasting in Ethiopia in percent (children aged between 6-59 months)**

		1995/96		
		Male	Female	All
Ethiopia	Wasted	8.9	9.4	9.2
	Severely Wasted	3.3	3.6	3.4
Rural	Wasted	9.3	9.8	9.5
	Severely Wasted	3.4	3.8	3.6
Urban	Wasted	6.5	7.2	6.8
	Severely Wasted	2.3	2.4	2.3

Definition: wasting when weight for height's z score is less than -2.

Severe wasting when weight for height's Z score is less than -3. Source: Dercon, 1997;

**Table 3: Child stunting in Ethiopia (children aged between 6-59 months)**

		1995/96		
		Male	Female	All
Ethiopia	Stunted	68.1	65.1	66.6
	Severely stunted	45.2	42.2	43.7
Rural	Stunted	70.0	66.7	68.4
	Severely stunted	47.4	43.8	45.6
Urban	Stunted	56.6	55.2	55.9
	Severely stunted	32.1	32.2	32.0

Source: Dercon, 1997.

**Table 4: Literacy rate in Ethiopia (1995-1998)**

Sex	1995/96			1997			1998		
	Urban	Rural	All	Urban	Male	All	Urban	Rural	All
Male	82.3	29.2	36.5	81.0	25.1	33.4	81.0	28.8	36.3
Female	60.4	9.2	18.1	60.8	7.3	16.5	59.0	8.8	17.1
Total	70.0	19.4	27.3	70.0	16.2	24.8	69.0	18.8	26.6

Source: WMS 1997, 1998

**Table 5: Gross and net primary enrollment rate in Ethiopia by gender and urban-rural areas**

	GPER			NPER		
	1996					
	Male	Female	All	Male	Female	All
Urban	98.2	94.6	96.4	65.5	62.0	63.7
Rural	35.1	17.0	26.3	16.1	9.2	12.8
Ethiopia	43.0	27.6	35.5	22.3	16.4	19.4

Source Dercon 1997

### 3.2 Profile of Unemployment

With 26%, 5% and 8% of urban, rural and national unemployment rates, respectively, and a huge underemployment, the Ethiopian economy can be categorized as a high unemployment economy. Although the rural unemployment rate seems to be lower the underemployment goes as high as 41% of the economically active population. This figure is 38% for the urban areas. Assuming that the underemployed economically active people are willing to work for 40 hours a week (conservative estimate), the national unemployment rate due to underemployment would be 17%. The comparable figures for rural urban areas are 18% and 6%, in this order. Summing up the open unemployment and unemployment due to underemployment, the effective national unemployment rate would be 25%.

**Table 6: Unemployment rate**

	Rural	Urban	Total national
Male	2.39	18.34	4.32
Female	8.56	34.03	12.46
Total	5.14	26.4	8.02

Source: CSA (1999). Statistical Report on the 1999 national Labor Force Survey

**Table 7: The proportion of economically active population who seek additional employment in the last three months prior to the survey (1999)**

	Rural	Urban	Total
Nation Total	41.40	38.65	41.02
Male	47.17	45.16	46.92
Female	34.23	32.43	33.95

Source: calculated from the CSA (1999). Statistical Report on the 1999 National Labour Force Survey, Statistical Bulletin-Number 225, Addis Ababa. November, 1999

**Table 8: Under employment of the economically active population in 1999**

	Rural	Urban	Total
Nation Total	18.94	6.18	17.23
Male	18.39	4.29	16.78
Female	19.51	7.86	17.74

Source: inferred from CSA labor force survey, 1999. We assume the maximum hour a person is willing to work per week is 40 hours. Then Table 1 divided by 40 and then multiplied by table 2. This is lowest under development estimate.

The CSA's labour force survey data reveals that out of the total unemployed population, only about 30% of them actively search for a job. This low figure may be attributed to the fact that the unemployed have a withered hope of finding a job and that the transaction cost of searching for a job is very high. In urban areas the main job search mechanisms are through family and friend connections and checking at work sites and new establishments. Only about 11.6% and 5% of the urban job seekers use the vacancy advertisement board and newspapers, respectively, as a means of looking for a job. In a less dynamic and poor economy people cannot afford to use a modern means of information transmission mechanism. And use what they can afford

The implication that can be drawn from the unemployment profile is that unemployment, combined with a high population growth, shrinking land size and slow industrial growth, is a serious problem in both rural and urban Ethiopia. Hence to reduce poverty substantially unemployment has to be reduced through the employment of labour intensive technologies and providing alternative means of income generating opportunities for the rural underemployed.

**Table 9: Mechanisms of information transmission in the labour market**

	National			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
% of economically active who are under employed	41.02	46.92	33.95	38.65	45.16	32.43	41.4	47.17	34.23
Of the unemployed who are looking for job	30.95	45.68	24.82	46.63	59.88	39.86	18.32	30.7	14.01
Acquired unemployment card	1.48	1.85	1.33	3.01	3.1	2.96	0.25	0.52	0.15
Made application job	1.71	2.62	1.33	3.15	4.21	2.61	0.55	0.95	0.41
Search on vacancy advertisement board	5.4	7.12	4.68	11.61	13.29	10.76	0.39	0.62	0.31



Seek through news paper	0.65	0.97	0.52	1.44	1.89	1.21	0.01	-	0.02
Seek through friends and relatives	4.79	7.19	3.79	8.68	10.75	7.63	1.65	3.42	1.04
Checking at work site	6.37	12.29	3.91	11.11	18.62	7.27	2.56	5.61	1.5
Trying to establish enterprise	9.31	11.67	8.33	6.59	6.83	6.47	11.5	16.79	9.66
Others	1.15	1.82	0.88	0.92	1	0.89	1.34	2.69	0.87
Not stated	0.08	0.15	0.06	0.11	0.2	0.07	0.06	0.1	0.04

#### **4. Macroeconomic Conditions and Poverty in Ethiopia**

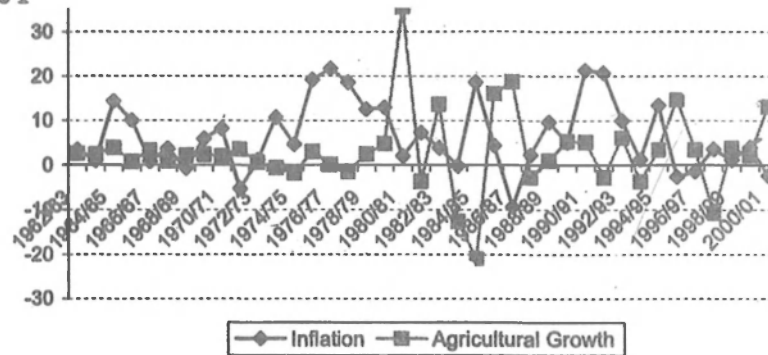
##### ***4.1 Macroeconomic Stability and Growth***

###### ***4.1.1 Inflation***

In Ethiopia, the price level, as compared to other African countries, has been relatively stable in the last four decades. With the exception of the early and the last days of the military government, and some abnormal years, the inflation rate had been a one-digit figure. This stable inflation rate is a result of the conservative monetary policy in the pre-1974 and post-1974 period which was due to the price control exercised during the 1974–1991 period.

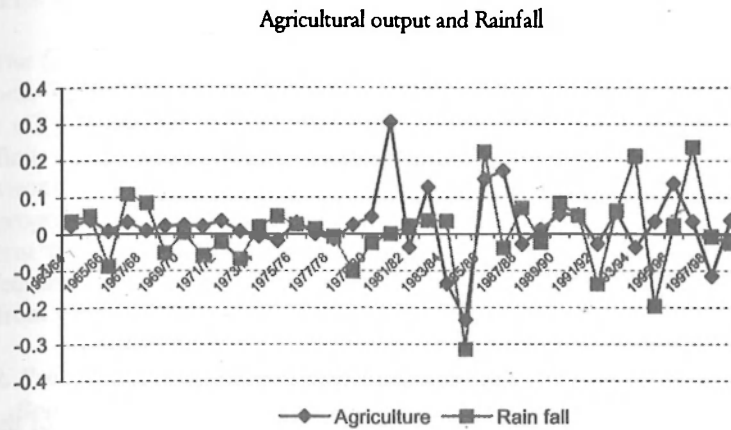
With a somewhat constant velocity of money (GDP/M2), the monetary growth was not contributing to the rate of inflation significantly. Rather, the growth in the price level can be attributed mainly to what is happening in the agricultural sector following the structuralist argument. As shown in the figure below, the growth rate of price is inversely related with the agricultural output growth. For instance, in 1984/85, the severe drought year, agricultural output went down by 16.4% while the inflation rate rose up to 18.5%; and in 1995/96, 1996/97 and 2000/01 where there was a bumper harvest, inflation rate went down to -2.6%, -1.4% and 2.3%, respectively.

Figure 1



The agricultural growth is, in turn, determined mainly by the availability of rainfall. This relationship is also well established empirically (see Daniel, 2001 and Daniel and Mesfin, 2001). The figure below clearly shows the co-movement of agricultural production and rainfall. Apart from the direct relationship between rainfall and agricultural production, the availability of rainfall is the major determinant of production enhancing technological adoption -such as fertilizer- that has a direct implication on output growth and inflation rate. Thus, rainfall may have a multiplier effect in affecting the rate of inflation. This, in effect, shows that inflation, in the Ethiopian context, would tend to be exogenous and hence targeting and controlling inflation would be out of the reach of the monetary authorities. The high correlation between rainfall and agricultural growth may put the economy into a risky position in controlling inflation rate.

Figure 2.

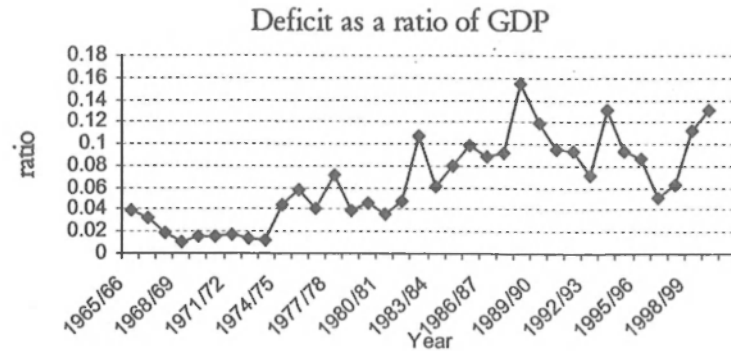


The other important factor that drives up the price level is the price of imports. As evidenced in the recent years- 1999/00 – 2000/01- inflation rate increased by a 1 percentage point. This is mainly due to higher world oil prices and domestic tax increases (Memorandum on Economic and Financial Policies for 2000/01 – 2002/03). Thus, in general, the price level or the rate of inflation is mainly determined by the exogenous factors. To the extent that inflation affects the poor disproportionately, so the unpredictability of the inflation rate is a serious risk for the poor.

#### 4.1.2 Fiscal Policy

Fiscal policy is the other entry point in impacting poverty and maintaining macroeconomic stability. In the post- 1991 period, the fiscal deficit was kept well below 10% of the GDP until 1997/98. However, with the break out of the war with neighbouring Eritrea in 1998 and due to the natural disaster in the same year, the fiscal deficit increased to 12.2 % and 15.1% of GDP excluding grants (12.4% and 6.4% including grants) in 1998/99 and 1999/00, respectively. The general trend of the fiscal deficit is shown in the figure 3 below.

Figure 3



The success in keeping deficit low is a remarkable achievement of the post-1991 period. But the sustainability of this success depends on the vagaries of nature and some other exogenous shocks such as the war (Alemayehu, 2001).

In terms of the financing of deficit, the external sources dominate the domestic financing. In a nutshell, external financing of deficit *per se* is not a bad idea as it released domestic resources for private investment purposes. However, a higher degree of reliance on foreign resources may leave the country in an open position when it is not in good terms with the donor countries. As it is evidenced during the border conflict with Eritrea, external financial flows were frozen due to the war. In such cases, the government cannot smooth out its expenditure without destabilizing the domestic economy.

For sustainable fiscal stabilization, domestic resource mobilization should be strengthened. Currently the government is moving towards enhancing the tax collection system and introducing a new category of tax. This may generate additional government revenue if the economy is in the upper stream of the Laffer curve<sup>4</sup>. However, this may lead to higher price (especially with a new category of tax) and it can also be counter productive if the current tax rate is already at its peak. Generally, the

<sup>4</sup> The Laffer Curve shows the relationship between tax revenues to the tax rate. The curve is an inverted U curve with tax revenue on the vertical axis and tax rate on the horizontal axis showing that total tax revenue first increases as tax rate rises and eventually decreases having an optimal point at the peak.

fiscal policy should be viewed with the constraints the economy has faced and the issue of sustaining the policy.

The fiscal stance may largely be affected by the adverse terms of trade shock. The 1998/99 experiences of the fall in coffee prices and the rise in the oil price contributed for the widening of both the fiscal and trade deficit, among other factors. Thus, to maintain a stable macroeconomic environment from the fiscal side, such shocks must be accompanied by appropriate fiscal policies (tight fiscal policy in this context). To the extent that such shocks are prevalent, accommodating the shocks may affect the poor disproportionately if, especially, the cut in the expenditure is from the pro-poor expenditures.

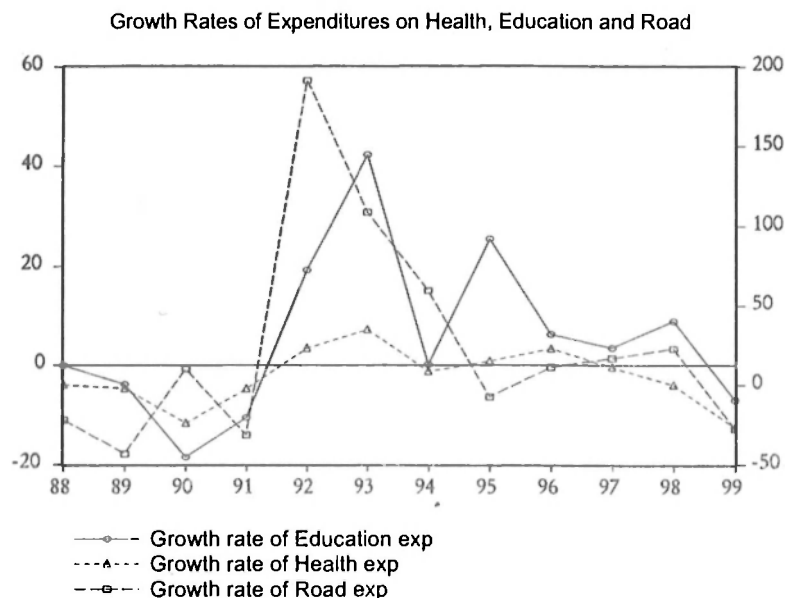
#### ***4.2. Pro-Poor Expenditures: Expenditures on Health, Education and Roads***

Apart from maintaining macroeconomic stability, a fiscal policy can also have a poverty reducing impact through allocation of expenditures to the pro-poor sectors. Expenditures on education health and roads are some of the sectors in which a fiscal policy can have an impact on poverty. During the post-1991 period, spending on education health and roads has shown an increasing trend. The average growth rate of the real expenditure on health, education and roads during this period reached up to 9.1%, 12.3% and 24.2%, respectively, from its low level of -0.3%, 0.2% and -18.5%<sup>5</sup> during the 1974/75 – 90/91 period. This increasing trend is also observed in per capita terms (see table 7 in the appendix). This increase is a remarkable feature of the fiscal resource allocation. Especially the emphasis on the construction of roads is impressive as observed by the yearly increase in the allocation of resources for the sector. However, a declining trend is observed for the above categories of expenditures after 1998 which can be attributed to the effect of the border war.

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<sup>5</sup> For road expenditure the data covers only the period 1987/88 – 1990/91 as a pre- 1991 period.

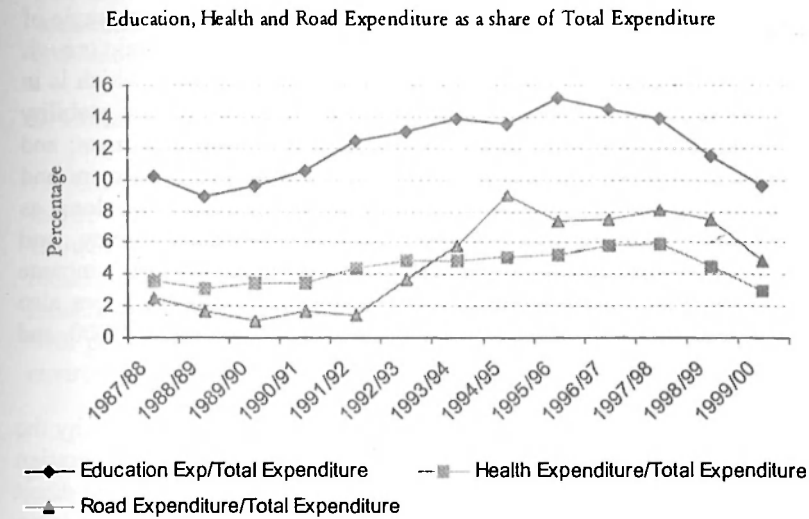
**Figure 4<sup>6</sup>**



In terms of the share of such expenditures from the total expenditure, there is little change in the share of both real expenditure on education and health. The allocation of expenditure for road construction, however, has shown a remarkable improvement in the post-1991 period. The average share of education and health expenditures, which were 11% and 4% respectively during the 1974/75 – 90/91 period, increased by only 2 and 0.9 percentage points in the post- 1991 period, respectively while the share of road expenditure surged to 6.7% in the post-1991 period as opposed to 1.7% during 1987/88 – 1990/91. This implies that the allocation of the government expenditure on education and health didn't show a significant progress and of course it is less than the 1965/66 – 1973/74 average of 16.2% and 6.2% for education and health, respectively. A significant change can be observed on the expenditure on road construction.

<sup>6</sup> The scale on the right refers to the growth rate for the expenditure on roads.

**Figure 5**



An interesting feature that can be observed from figures 4 and 5 above is that such expenditures are easily susceptible for exogenous shocks with the border conflict with Eritrea; expenditures on health, roads and education were slashed significantly. For instance, in 1999/00 the growth in real expenditure on education, health and roads was -7% and -27.1%, and -27.4%, respectively. Their share from the total expenditure also declined to 9.6%, 3%, and 4.9%, respectively, during the same year from 14%, 6%, and 8% before the conflict- i.e. 1997/98. This may raise the question of sustainability as the expenditures can easily be cut due to exogenous shocks. To the extent that the effectiveness of such expenditures on reducing poverty depends on the sustainability of such expenditures, since such expenditures have a delayed impact, exogenous shocks must not be accommodated at the expense of cutting such expenditures.

### 4.3. Growth

Economic growth, among other factors, is the main engine through which the target of poverty reduction can be achieved. In the literature, there is almost a consensus on this issue (see Danielson, 2001 and Begisten and Levin, 2000 for a detailed discussion). The interims PRSP

also recognize the importance of economic growth. For a country such as Ethiopia with a Gini coefficient<sup>7</sup> of 0.268 - 0.308 (Woldehanna and Alemu, 2002), growth would have a significant impact on the struggle of poverty reduction. In the context of the IPRSP, a higher economic growth can be achieved through the accumulation of human capital (which is in line with the endogenous growth models) and macroeconomic stability that is supposed to affect growth by raising saving and investment; and reducing interest rates. However, the expected effect of investment and saving on growth will be weak in the Ethiopian context so long as investment is constrained by the land market, bureaucracy and infrastructure problems and saving is low due to low income (Alemayehu, 2001). In the Ethiopian context, empirical evidences also report an insignificant coefficient on investment (see Seid, 2000 and Daniel and Mesfin, 2001).

The long run growth<sup>8</sup> pattern is affected, among other factors, by the availability of rainfall and investment on human resource. For an agrarian economy like Ethiopia, rainfall can have a twin effect. One is the direct effect in which the production process can be disrupted if there is no adequate rainfall, as the agricultural sector is mainly rain fed and second through its effect on reducing capital stock associated with drought. Micro-case studies also show the prevalence and the strength of the latter case (see Seid, 2000 for example). The other explanatory variable, which has a positive and significant impact on growth, is public expenditure on human development<sup>9</sup>. As people become educated and healthier, their technical skill and working capacity would be enhanced and hence contribute to the production process significantly. On the other hand, the short run variation in growth can also be explained by the variability of rainfall, adverse shock in terms of trade and real exchange rate movements.

The above factors that explain the dynamics of growth imply the susceptibility of growth for exogenous shocks, which in effect may make the growth process unsustainable and highly variable. The cost of variability of growth is very high for the poor since it may push them to

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<sup>7</sup> As compared to most African countries such as Guinea Bissau (with Gini of 0.56), Senegal (Gini of 0.541) and Kenya (Gini of 0.575) the Ethiopian Gini coefficient (0.268 based on expenditure and 0.308 based on income) can be considered as very low.

<sup>8</sup> The discussion about the determinants of growth is based on Daniel and Mesfin's (2001) empirical results.

<sup>9</sup> Public expenditure on human development includes government expenditure on health and education.



the corner of food insecurity that threatens their existence. In addition, the link between growth and poverty reduction assumes sustainable growth; unsustainable growth may therefore constrain the poor from adoption of technology and long run contracts.

## **5. Conclusion**

Given the huge unemployment and widespread poverty in Ethiopia, the development of a poverty reduction strategy is crucial for Ethiopia. Growth and macroeconomic stability are at the center of poverty reduction. Without high and sustained economic growth, poverty reduction is unimaginable. Thus, the issues to be addressed in connection with poverty reduction are on how to achieve a stable macroeconomic environment and sustained economic growth.

Growth associated with progressive distributional changes will have a greater impact on poverty than growth which leaves distribution unchanged. Hence, policies which improve the distribution of income and assets within a society, such as pro-poor public expenditure and measures to increase the poor's access to financial markets will be helpful to reduce poverty.

Establishing conditions that facilitate the private sector investment should be a key objective of countries that have widespread poverty. A stable set of macroeconomic policies extending to a variety of policy areas including privatisation, banking and financial sector reform, the labour market, the regulatory environment, and the judicial systems might be useful to facilitate private sector investment and bring economic growth. For growth to be pro-poor, it has also to include more efficient public expenditure on health, education and other priority social services.

The macroeconomic environment of Ethiopia during the post-1991 period can be referred to as stable. However, exogenous factors such as rainfall, terms of trade, external financial flows and aid are the major factors behind the stability/instability of the macroeconomic environment. The exogeneity of the macroeconomic policy variables and the uncertain growth pattern may make poverty reduction challenging. The PRSP, thus, must address on how the exogenous shocks can be accommodated in the short run and how to reduce these shocks through structural transformation in the long run. In addition, since farmers are uncertain about the weather condition during the harvest time, it makes

them refrain from using improved farm technologies due to higher anticipated losses. This blocks the possible increase in the income of the poor that would come from increased output, *ceteris paribus*. Thus, measures geared towards minimizing the dependence of peasant agriculture on nature seem to be appropriate for poverty alleviation. To do so, alternative income earning opportunities have to be thought of for the rural under-employed people. This may be accomplished by resorting to the use of irrigation systems and micro-dams.

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## Appendix

**Table 1**

**Agricultural Output (millions of ETH Birr), Agricultural Growth and Inflation**

Year	Agricultural output	Rain Fall	Agricultural Growth	Inflation
1987/88	5465.0	983.57	-2.77	2.23
1988/89	5521.3	960.82	1.03	9.60
1989/90	5814.4	1043.3	5.31	5.13
1990/91	6114.9	1095.3	5.17	21.26
1991/92	5947.6	955.88	-2.74	20.67
1992/93	6308.3	1017.2	6.07	9.94
1993/94	6078.0	1256.61	-3.65	1.23
1994/95	6284.5	1033.37	3.40	13.39
1995/96	7206.2	1056.48	14.67	-2.61
1996/97	7453.9	1337.8	3.44	-1.45
1997/98	6648.9	1326.9	-10.80	3.53
1998/99	6904.2	1292.7	3.84	1.15
1999/00	7055.4		2.19	3.97

Source: Agricultural output: MEDaC, National Accounts; Inflation: Calculated from the National Bank Quarterly Bulletins (various years); Rainfall: Central Statistics Authority

**Table 2**

Government's Fiscal Deficit as a ratio of GDP					
Year	GDP	Total Revenue	Total Expenditure	Deficit	Deficit/GDP
1987/88	14970.5	3467.5	4375.9	-908.4	-0.06
1988/89	15742.2	3898.9	5507.0	-1608.1	-0.10
1989/90	16825.7	3142.5	5162.3	-2019.8	-0.12
1990/91	19195.3	2706.3	4624.3	-1918.0	-0.10
1991/92	20792.0	2207.9	4257.0	-2049.1	-0.10
1992/93	26671.4	3191.1	5305.6	-2114.5	-0.08
1993/94	28328.9	3938.9	7202.7	-3263.8	-0.12
1994/95	33885.0	5912.9	8372.2	-2459.3	-0.07
1995/96	37937.6	6966.4	9144.9	-2178.5	-0.06
1996/97	41465.1	7530.4	10016.9	-2486.5	-0.06
1997/98	45034.9	8100.4	11228.0	-3127.6	-0.07
1998/99	48459.3	8653.2	14916.4	-6263.2	-0.13
1999/00	53970.3	9432.2	17172.9	-7740.7	-0.14

Source: MEDaC and Ministry of Finance, Various Publications

**Table 3**

Pre-Poor Government Expenditures: Education, Health and Roads (nominal)				
Year	Expenditure on Education	Expenditure on Health	Expenditure on road Construction	Total Government Expenditure
1987/88	447.4	154.7	108.3	4375.9
1988/89	490.2	169.6	92.6	5507.0
1989/90	495.6	174.4	55.3	5162.3
1990/91	489.7	160.5	74.0	4624.3
1991/92	528.5	188.9	61.2	4257.0
1992/93	692.4	255.8	196.2	5305.6
1993/94	997.0	349.2	414.5	7202.7
1994/95	1132.7	430.2	749.6	8372.2
1995/96	1382.9	482.0	676.6	9144.9
1996/97	1447.7	583.3	742.1	10016.9
1997/98	1551.8	671.2	898.3	11228.0
1998/99	1708.9	678.3	1117.3	14916.4
1999/00	1652.1	514.4	843.5	17172.9

Source: Ministry of Finance Budgetary Expenditure and Revenue

**Table 4**

Pre-Poor Government Expenditures: Education, Health and Roads (Real)					
Year	Expenditure on Education	Expenditure on Health	Expenditure on Road Construction	Total Government Expenditure	CPI
1987/88	927.0	320.4	224.4	9066.8	0.483
1988/89	926.7	320.7	175.1	10411.1	0.529
1989/90	891.3	313.6	99.4	9283.3	0.556
1990/91	726.2	238.0	109.7	6858.0	0.674
1991/92	649.5	232.2	75.2	5231.9	0.814
1992/93	774.0	285.9	219.3	5930.8	0.895
1993/94	1101.0	385.6	457.7	7953.7	0.906
1994/95	1103.1	419.0	730.0	8153.6	1.027
1995/96	1382.9	482.0	676.6	9144.9	1.000
1996/97	1469.0	591.9	753.0	10164.3	0.986
1997/98	1521.0	657.9	880.5	11005.1	1.020
1998/99	1655.9	657.3	1082.7	14453.9	1.032
1999/00	1539.7	479.4	786.1	16004.6	1.073

Source: Calculated from table 3 above.

**Table 5**

<b>Share of Education, Health and Road Expenditures from the Total Government Expenditure</b>			
<b>Year</b>	<b>Education Expenditure/Total Expenditure</b>	<b>Health Expenditure/Total Expenditure</b>	<b>Road Expenditure/Total Expenditure</b>
1987/88	0.212	0.073	0.05
1988/89	0.168	0.058	0.03
1989/90	0.173	0.061	0.02
1990/91	0.157	0.051	0.02
1991/92	0.153	0.055	0.02
1992/93	0.146	0.054	0.04
1993/94	0.153	0.054	0.06
1994/95	0.132	0.050	0.09
1995/96	0.151	0.053	0.07
1996/97	0.147	0.059	0.08
1997/98	0.135	0.059	0.08
1998/99	0.111	0.044	0.07
1999/00	0.090	0.028	0.05

Source: Calculated from Table 3

**Table 6**

<b>Real Growth Rates of Expenditures on Education, Health and Roads</b>			
<b>Year</b>	<b>Growth rate of Expenditure on Education</b>	<b>Growth rate of Expenditure on Health</b>	<b>Growth rate of Expenditure on Road</b>
1988/89	-0.03	0.1	-22.0
1989/90	-3.8	-2.2	-43.2
1990/91	-18.5	-24.1	10.4
1991/92	-10.6	-2.5	-31.5
1992/93	19.2	23.2	191.6
1993/94	42.2	34.9	108.7
1994/95	0.2	8.7	59.5
1995/96	25.4	15.0	-7.3
1996/97	6.2	22.8	11.3
1997/98	3.5	11.2	16.9
1998/99	8.9	-0.1	23.0
1999/00	-7.0	-27.1	-27.4

Source: Calculated from Table 4

**Table 7****Real Per Capita Expenditures on Education, Health and Roads**

<b>Year</b>	<b>Per capita Real education expenditure</b>	<b>Per capita Real health expenditure</b>	<b>Per capita Real road expenditure</b>	<b>Population (in millions)</b>
1987/88	20.11	6.95	4.87	46.1
1988/89	19.45	6.73	3.67	47.6
1989/90	18.07	6.36	2.02	49.3
1990/91	14.19	4.65	2.14	51.2
1991/92	12.27	4.38	1.42	53.0
1992/93	14.13	5.22	4.00	54.8
1993/94	20.66	7.24	8.59	53.3
1994/95	20.10	7.63	13.30	54.9
1995/96	24.46	8.53	11.97	56.5
1996/97	25.23	10.16	12.93	58.2
1997/98	25.46	11.01	14.74	59.8
1998/99	27.03	10.73	17.67	61.3
1999/00	24.25	7.55	12.38	63.5

Source: Calculated from table 4 by deflating the figures using the population data.

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# **Ethiopia's Agricultural Development-Led Industrialisation (ADLI) Strategy: Implications for Poverty Reduction**

**Senait Seyoum**

## **1. Introduction**

This paper examines the Agricultural Development-Led Industrialisation (ADLI) strategy pursued by the Government of Ethiopia (GOE) since the early 1990s, from the perspective of poverty reduction. The paper is a follow-up to an article by the author which appeared in the September 2001 issue of MEDREK (v.3(no.3)) and takes account of comments made after the presentation made at the 'FSS Conference on Poverty and Poverty Policy in Ethiopia' held on March 8, 2002.

The author is conscious of the difficulties of assessing the impact of ADLI on agricultural performance, leave alone poverty, in Ethiopia on the basis of scarce and often unreliable data. However, it is also the author's opinion that unless one gets a clear sense of how ADLI has performed since it was first launched in 1991/2 and of what its probable association has been with poverty, it is impossible to ensure progress towards policy goals of sustainable growth and poverty reduction. It is in this light, that this paper seeks to provide an overview of the ADLI strategy, clarifying policy concepts underlying it, examining its characteristics, and exploring its probable linkages with poverty.

## **2. ADLI: Underlying Concepts**

### ***2.1 The Policy-Strategy Distinction***

Various policies (e.g. economic, population, technology) and strategies (e.g. ADLI, national and regional food security strategies) have been formulated and implemented in Ethiopia since 1991. In spite of this, there seems to be a lack of clarity about the meanings of the terms '*policy*' and '*strategy*' which are often used interchangeably. In the context of ADLI, it is important to have a clear understanding of these terms, as it only by distinguishing between them that one can begin to



assess the relative efficiency of different instruments and strategies (including, but not restricted to ADLI) and the means by which economic policy objectives can be achieved effectively.

According to ILRI (1995) 'a policy is a coherent set of decisions with a common long-term objective (or objectives) affecting or relevant to the (livestock) sub-sector'. A strategy, on the other hand, is defined in the Oxford dictionary as 'the art of war, especially (cf. tactics) the part of it concerned with the conduct of campaigns, choice of operations to be attempted, and getting forces into favourable positions for attempting them'. If one accepts these definitions, ADLI does not have overall objective(s) of its own but is rather a long-term strategy providing ways and means for bringing 'about a structural transformation of the productivity of peasant agriculture through an overall industrial development orientation that is based on agriculture and makes extensive use of the country's natural resources' (MEDAC 1993).

Although not stated in these exact terms, the economic objectives that ADLI seeks to attain have their origin in Ethiopia's Economic Policy during the Transitional Period<sup>1</sup> (TGE 1991). Cognisant of the structural deficiencies and economic problems which cannot be resolved in the short- or medium-term, the 1991 TGE document explicitly states that 'although the policy is intended to serve the transitional period, it will also be the basis for longer term economic development...' and 'a characteristic of the transitional economic policy is that it would be open to continuity during the post-transition period with only minor adjustments ...and minimum disruptions'.

## 2.2 Policy Objectives

Although not clearly articulated<sup>2</sup>, the GOE's economic policy objectives which the ADLI strategy seeks to attain, can be derived from the analysis of the major causes of the economic crisis that Ethiopia faced during the transition period and proposed policies for the future, as presented in the 1991 Economic Policy document. These objectives may

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<sup>1</sup> The author is not aware of any changes made to the Economic Policy of 1991 which is assumed to have remained in effect and to form the basis for the recent (Hedar 1994) Amharic policy document issued by the Information, Press and Audio-Visual Department and entitled 'The Rural Development Policies, Strategies and Approaches of the FDRE' (my own translation). It is to be noted that the latter document is not very clear about the distinction between policies, strategies and approaches.

<sup>2</sup> This could be a reflection of the fact that the economic policy of the transitional period embraced the views of a coalition of different political forces represented in the Council of Representatives.

be assumed to fall into one of the following five broad groups (ILRI 1995):

- independence objectives
- economic efficiency objectives
- resource conservation objectives
- stability objectives
- equity objectives.

Some descriptive terms, extracted from the 1991 Economic Policy document, are listed below to give a sense of the importance attached to the different groups of objectives.

**Independence objectives-** self-reliance; reduced food aid/import dependence; reduced debt burden; food self-sufficiency; protection of domestic investment; state control of strategic areas (e.g. defence, selected state farms, electric power plants, foreign trade areas cutting across sectors; financial institutions such as major banks and insurance companies); autonomy of regional administrations and involvement in economic management.

**Economic efficiency or growth objectives-** free market access and competitive prices; labour hire; land lease; compensation for expropriation; increasing output and productivity; promoting private investment; comparative advantage; improving tax collection and external resource mobilisation; extensive distribution and use of modern agricultural inputs; expansion of agricultural extension services; reduced public expenditure (e.g. for administrative, military outlays, other public expenditure); expansion of private capital; large scale modern farming; concessions and guarantees to private investors; reduced role of the state; efficient utilisation of resources; cost minimisation; encouragement of research; export-orientation and diversification; minimising illicit trade/smuggling; public enterprise reform; expanding credit and savings; debt relief and development assistance; macro-economic policies encouraging efficiency.

**Stability objectives-** government regulation; income, supply or price stabilisation; protection of consumers and producers from price fluctuations; state engagement in wholesale trade of goods of mass consumption; improving relations between settlers and local communities; prudent monetary policy and inflation control; foreign

exchange adjustment; development of drought resistant crops; balancing population and economic growth.

**Equity objectives-** public ownership of land; reallocating land to the landless; protection of the rights of workers; salary adjustments; public involvement in development; fair system of taxation; fair prices for produce; avoid farmer/nomad eviction and fragmentation of land holdings; development of roads, health and other social services; employment creation for redundant labour; popular participation; formation of co-operatives on a voluntary basis; poverty reduction.

**Resource conservation objectives:** soil and water conservation (SWC) and non-farm activities in regions affected by recurrent drought and soil erosion; pressure on resources in drought affected and densely populated areas; conservation and development of natural resources (priority to forestry, livestock and SWC); wildlife preservation; preventing land degradation and establishing a basis for sustained development

It is difficult to rank the above objectives by any order of priority given inadequate knowledge about the government's degree of commitment to each and given that declared government objectives often are at variance with real or undeclared objectives. Nevertheless, developments in the Ethiopian economy since 1991 suggest that efficiency goals, emphasised in most donor supported economic reform, macro-economic policy and structural adjustment programmes, have been accorded greater importance than independence, stability, resource conservation or equity goals. As will be shown in subsequent sections, the ADLI strategy implemented in Ethiopia in the last decade, has largely reflected the overall policy emphasis on efficiency goals.

Independence objectives '*concerned with obtaining and preserving a satisfactory degree of political and economy*' and implying '*that a country neither depends on foreign aid to meet the basic needs of its population nor is susceptible to external political interference*' (ILRI 1995) appear not to have been met. This is reflected in prevailing structural food deficits, high levels of food aid requirements, rising foreign debts and development assistance, faster growth of imports compared to exports (also foreign exchange earnings) since 1991.

Stability objectives appear to have mainly focused on macro-economic stability, less on ensuring farmer viability or avoiding abrupt

changes in agricultural incomes, and in the prices and availability of agricultural commodities and inputs such as fertiliser. As discussed later, this is evidenced in the evolution of prices of most cereals and fertiliser, a major element of the ADLI strategy. In fact, rising concerns over the substantial reduction in producer prices adversely affecting the use of fertilisers and improved seeds, appear to have led to attempts to stabilise grain prices through government- and donor-funded local grain purchases<sup>3</sup>. Although these purchases were made at higher than prevailing market prices, in most cases, they failed to restore producer prices to sustainable levels because of the small volumes they involved, the limited capacity of state agencies (EGTE, ESRDF) and co-operatives to purchase and maintain stocks, and to function in a self-financing manner i.e. *based on the principle of profitability* (MEDaC 1993).

There are also doubts regarding the achievement of macro-economic stability in the post-1991 period. For example, Alemayehu (2001) finds that, in spite of the priority accorded to macro-economic stability at policy level, fiscal and monetary policies pursued were weakly linked to the agricultural sector and did not address supply side issues (such as supply of fertilisers and export supply), stabilisation of agricultural markets and provision of regulatory and supporting services (including mechanisms to cope with externally induced shocks such as international price fluctuations e.g. recent collapse in coffee prices).

Evidence also suggests that not much headway has been made in terms of resource conservation goals. Some of the negative environmental trends observed since 1991 are captured in aggregate CSA figures of land utilisation, human and livestock populations, and number of households with holdings of less than 0.5 ha. These figures show that from 1991/2 to 1999/2000, area under temporary crops (including cereals, pulses and oilseeds) increased by 73% while area under permanent crops (including perennials like coffee, tea, chat, cotton and *enset*) increased by 65%. In contrast, land that is fallow and is used for grazing, forests and other purposes, declined from 24% of total land use in 1991/2 to 15% in 1999/2000. While land that is fallow and used for grazing registered negative annual growth rates of -6% and -2.2% respectively between 1991/2 and 1999/2000, area under forests remained almost nil between 1991/2 and 1999/2000.

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<sup>3</sup> Local purchases by the Ethiopian Grain Trade Enterprise (EGTE), the Ethiopian Food Security Reserve (EFSR) and co-operatives.

These trends suggest substantial increases in livestock and human populations, acute livestock feed scarcity and pressure on resources, and land degradation. Overall, area expansion for crop cultivation and to meet the fuel/feed needs of increasing human and livestock populations appears to have occurred at the expense of natural resource conservation (since biological degradation, accelerated surface runoff and topsoil loss are likely to have occurred in most farming systems), increased crop yields (since fallow land is essential to maintain soil fertility and the use of dung/crop residues as fuel/feed precludes their use as fertiliser) and livestock productivity (since pasture land has been overgrazed and other feeds have been inadequate) (Senait 1999).

Equity objectives concerned with the fair distribution of income, land, livestock, purchasing power, employment etc. within and between households or regions do not seem to have figured high in the policy agenda. In much of the 1991 document, equity objectives are phrased in broad and ambiguous terms. The MEDaC (1993) document describing the ADLI strategy indicates that equity (including regional equity) is a policy objective. It further acknowledges that *'reliance on market forces alone will not be adequate ....Up to a point, the sector would need state support in terms of policy intervention (e.g. organisation of peasant farmer and pastoral co-operatives) and resource allocation'*. Judging from increasing problems of landlessness, fragmentation of holdings, and the limited protection/financial support accorded to co-operatives since 1991, it would thus seem that government commitment to equity has not gone much beyond rhetoric.

### **3. Characteristics of ADLI**

ADLI is essentially a smallholder led agricultural development strategy emphasising market orientation and focusing investments on the provision of generic productivity enhancing inputs and technology packages, expanded extension services and infrastructure development (particularly rural roads, water supply and sanitation), with a view to increasing domestic production of agricultural commodities (food and export) in Ethiopia (Senait 2001). In what follows, some of these characteristics of ADLI are examined.

### **3.1 Rural and Agricultural Focus**

#### **3.1.1 Rationale**

Although envisaging firm and mutually supportive links between various sectors of the economy, the ADLI strategy explicitly endorses a rural and agricultural focus '*consistent with existing conditions*' (MEDaC 1993). This is justified on grounds that the large majority of the Ethiopian population lives in rural areas and that agriculture provides the basis for attainment of food self-sufficiency, improved welfare, industrialisation and foreign exchange generation.

The strategy is premised on the assumption that, in most developed countries, the early stages of development were dominated by agriculture which first attained high growth before other sectors began to grow on a sustainable basis and structural transformation took place (MEDaC 1993). In this framework, agriculture provides the impetus for industrial growth and acts as a source of both supply and demand. It is expected to supply raw materials for industrial development (mainly of manufacturing i.e. cottage and small-scale industries) which emphasises use of domestic resources and local manpower, thereby reducing dependence on external sources.

Interestingly, industrial growth is conceived as being linked more to the expansion of the domestic market than the export market. And since the growth of the domestic market is determined by income levels and growth, industrial development is expected to focus on investments that increase incomes and promote labour intensive technology. In this way, the industrial sector '*will create the conditions for creating markets for its own products, mainly consumer goods, and to some extent, capital goods...for the service sector*' (MEDaC 1993).

#### **3.1.2 Increasing Recurrent Expenditure on Agriculture**

The rural and agricultural focus of the ADLI strategy has been reflected in increased public expenditure on agriculture. Such public expenditure has mainly been of recurrent nature, no doubt reflecting rising staff costs of much expanded agricultural extension and veterinary services of which more will be said later. Between 1991/2 and 1997/8, the total recurrent expenditure on agriculture increased from 135 million Birr to 477 million Birr (CSA Statistical Abstracts 1995 and 1999), almost quadrupling in 6 years in nominal terms.

During the same period, the share of agriculture in total recurrent expenditure increased only modestly from 4% in 1991/2 to 7% in 1997/8. The share of agriculture in GDP also declined from 57% in 1991/2 to 46% in 1997/8, as did domestic capital expenditure on agriculture (Alemayehu 2001)<sup>4</sup>. It thus appears that the rural and agricultural focus of ADLI has translated into rising recurrent expenditures, possibly at the expense of non-staff recurrent and capital expenditures. While the rural focus of the ADLI strategy is an important strength of current policy, it remains unclear how increased recurrent budget allocations have supported development in line with set objectives of agricultural growth and poverty reduction.

### ***3.2 Special Support to Agriculture***

Special support to peasant agriculture, as conceived in the 1991 Economic Policy document, and later in the ADLI strategy paper (MEDaC 1993) and the more recent FDRE (2002) policy document, stresses the need for government assistance to:

- 1) improve the supply, multiplication and distribution of technologies suitable for intensive farming and adapted to different agro-ecologies,
- 2) expand agricultural extension and veterinary services,
- 3) improve rural infrastructure, including roads, education and health care facilities, and the supply of potable water.

In what follows the first and second elements of government assistance which are central to the ADLI strategy are discussed in detail.

#### ***3.2.1 Agricultural Technologies***

A central argument of the ADLI strategy is that agriculture can only develop with improvements in productivity which are to be brought about through new agricultural technology, combined with a package of management requirements and inputs. The strategy indicates that given limited domestic research capacity to generate suitable technologies in the short- to medium-term, and the requirements of rapid agricultural growth, new agricultural technology adapted to different agro-ecological zones will have to be drawn from external sources (FDRE 2002).

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<sup>4</sup> According to Alemayehu (2001), the share of agriculture in the recurrent budget in 1997/8 was 9%, compared to 45% and 24% respectively for defence and social services. In the same year, the share of agriculture in the capital budget was close to 9%, compared to 21% for transport and construction.

Within the ADLI framework, the development of agriculture is viewed in three sequential phases (MEDaC 1993):

- phase 1 where major improvements occur in traditional agricultural practices (the use of biological innovations like improved seeds is viewed as crucial here although crop rotation is also mentioned),
- phase 2 which envisages small-scale irrigation schemes, the expansion of agricultural infrastructure (improved extension and veterinary services) and the introduction of technologically 'scale-neutral' chemical inputs such as fertilisers and pesticides,
- phase 3 which emphasises the employment of an expanding rural labour force in non-agricultural activities, thereby increasing holding sizes for rural families.

The strategy hypothesises that phases 1 and 2 will increase output and productivity on lands already under cultivation, but that only phase 3 can ensure sustained agricultural development which, as indicated earlier, can only be attained when there is accelerated industrial growth.

In practice, there is little indication that a phased and sequential approach of the kind outlined above, relying on different technologies, inputs and practices has been pursued. Available evidence rather suggests that much of the focus of ADLI has been on some very specific technologies of phases 1 and 2. In fact, there would appear to have been great uniformity in packages promoted<sup>5</sup> (e.g. mainly fertilisers and improved seeds distributed through an expanded extension system). This is illustrated in Table 1 which shows changes in area under improved farm management practices over the 1994/5 - 1999/2000 periods.

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<sup>5</sup> When the ADLI strategy was first launched, recommended fertiliser rates were uniform across regions. Only later were fertiliser recommendation rates varied by agro-ecological zones. There still is no differentiation of packages by area and farmer needs at present.



**Table 1: Percentage Changes In Total Crop Area And Area Under Improved Farm Management Practices Between 1994/5 and 1999/2000**

	1994/95		1999/2000		Percentage change 1994/5-1999/00
	'000 ha	%	'000 ha	%	
Total crop area	7688	100.0	8924	100.0	+16%
Improved seed applied area	66	0.9	239	2.7	+262%
Irrigated area	71	0.9	63	0.7	-13%
Pesticide applied area	563	7.3	385	4.3	-32%
Fertiliser applied area	2130	27.7	3445	38.6	+62%

Source: Own computations based on CSA (1995a, 1995b and 2000)

As shown, in spite of the very substantial increase it registered between 1994/5 and 1999/2000, improved seed applied area accounted for only 2.7% of total crop area in 1999/2000. According to CSA, over 97% of an estimated 5,015 thousand quintals of cereal seeds used in 1998/99 consisted of local seeds, less than 3% coming in the form of improved seeds. Although significant improvements have occurred in terms of farmer seed multiplication and local processing, it thus appears that the large majority of small farmers in Ethiopia still rely on local seeds.

Table 1 also shows that, between 1994/5 and 1999/2000, both pesticide applied and irrigated area declined by percentages of -32% and -13% respectively. The only positive development of significance in Table 1 is, in fact, the 62% increase over 1994/5 level in fertiliser applied area. Not only did fertilised area grow, but CSA estimates also show that the total volume of fertilisers used in the country increased from slightly over 1 million quintals in 1991/2 to close to 4 million quintals in 1998/99, more than tripling over the span of 7 years. In 1998/99 an estimated 40% of land holders in Ethiopia were estimated to use fertilisers while only 2% used pesticides or improved seeds.

The figures in Table 2 present percentage change in area, production and yields of major cereal crops between 1991/2 and 1999/2000. As seen, between 1991/92 and 1999/2000, cereal cultivated area and total production increased by 87% and 68% respectively. However, per capita production of cereals declined by 5%, the decline being sharpest for barley (-40%), followed by teff (-18%) and wheat (-10%), and not

occurring at all in the cases of sorghum (+19%) and maize (+14%). Average crop yields of cereals also registered a decline of -12%, with sharpest declines in the yields of barley (-25%) and sorghum (-18%), followed by wheat (-7%) and teff (-4%). The only cereal that registered a positive yield increase was maize (+13%), an ADLI crop of choice.

**Table 2: Percentage Changes in Area, Production and Yields of Major Cereal Crops 1991/2-1999/2000 (Private Peasant Holdings - Meher Season)**

	Percentage change			
	Area cultivated	Total production	Per capita production	Yields
Cereals	87	68	-5	-12
- Teff	52	46	-18	-4
- Barley	32	6	-40	-25
- Wheat	71	60	-10	-7
- Maize	76	102*	14	13
- Sorghum	149	111	19	-18

*Source: Own computations based on CSA Statistical Abstracts (1993 and 2000)*

### 3.2.2 Agricultural Extension and Research

Since 1991, the ADLI strategy has worked through national and regional agricultural extension services delivered by the federal Ministry of Agriculture (MOA) and regional Bureaux of Agriculture (BOA). Under the present structure, the MOA does not have any budget coordination or supervisory role vis-à-vis regions and only provides technical backstopping to regional BOAs requiring assistance, particularly in the area of monitoring and evaluation.

Working jointly with the MoA since 1993, Sasakawa Global 2000 (SG 2000) has been active in agricultural technology transfer to small farmers and strengthening the capacity of the MOA in extension. Building on participatory approaches applied by SG 2000 and incorporating many aspects of the traditional Training and Visit System (TVS), a Participatory Demonstration Extension and Training System (PADETES) has been developed. The system uses half-hectare on-farm demonstration plots to promote technologies and improved inputs/practices.

As mentioned earlier, a significant expansion of agricultural extension and veterinary services has taken place in the last decade. According to the recently issued Second Five Year Agricultural Development Action Plan (FDRE, 1993) the number of farmers participating in the National Extension Programme (NEP) is planned to increase from 3.8 million (or 42% of all farmers) at present to 9 million in the next 5 years. The Plan indicates that there are currently 16,381 certificate level extension staff working in rural areas and in 1992 E.C. (1999/2001 G.C.<sup>6</sup>) an additional 1,500 DAs will be recruited. Vocational and skill-upgrading training will be stepped up in future and it is planned to have three junior college trained extension or development agents per peasant association. Average DA: Farmer ratios which were in the range of 1:1,500 prior to 1991 are expected to increase to 1:600 by 2004/5.

While there is no doubt that increases in the number of farmers participating in the NEP and in extension staff farmer ratios represent a great improvement over the past, it is not clear whether sufficient attention has been paid to the suitability of packages promoted through extension to local area and farmer needs. The excessive emphasis of extension and PADETES on delivery appears to have obscured the need for considering programme relevance and cost effectiveness, and to have restricted the scope for community participation, bottom-up planning, and participatory demonstration. The requirements that extension agents fulfill multiple roles, some not related to their normal duties (Belay Kassa 2001) and meet targets with respect to the number of packages they distribute and farmers they provide services to, has also limited greater DA-farmer interactions.

Underlying the above it seems that there have been poor research-extension-farmer links, which were made worse by the institutional separation of research and extension that occurred during the transition period in the early 1990s. With the formation of regional governments, there was a break-down in the agricultural research system. Several nationally-based centres falling under the former Institute of Agricultural Research (IAR), later re-organised as the Ethiopian Agricultural Research Organisation (EARO), and became regional research institutions.

This created problems of delimitation of responsibilities/mandates between federal and regional research institutions, severe staff and

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<sup>6</sup> E.C. is Ethiopian calendar, G.C. Gregorian calendar.

manpower shortages, and difficulties in the conduct of research. The administrative restructuring which has partly been driven by donor pressure for cost-minimisation, has also had an adverse impact on the extension's programme effectiveness in cases where some units were dissolved (e.g. Rural Women's Team under the BOA).

Another drawback of agricultural research and training has been an orientation towards theoretical and non-applied research, and a strong bias against participatory approaches, which have contributed to a widening gap between researchers and DAs/farmers. This has limited opportunities for on-farm testing and participatory farmer research. The lack of an institutionalised and effective monitoring and evaluation system, allowing for the design and evaluation of suitable technologies has also been another shortcoming.

### **3.2.3 Agricultural Credit**

Prior to 1991, agricultural inputs were supplied to farmers mainly through co-operatives which acted as intermediaries between the Development Bank of Ethiopia (DBE) and farmers requiring credit. With the liberalisation of the economy in 1991/2, the DBE ceased direct lending to co-operatives and farmers, and concentrated on private sector lending and capital investment. Regional governments stepped in to fill the gap left by co-operatives which had been disbanded and borrowed from formal banks against their federal budget subsidy allocations. In this way, small farmers secured loans required for the purchase of agricultural inputs such as fertilisers and improved seeds, and lending institutions were assured of loan repayment.

While most regional lending institutions have had impressive loan repayment records, regional governments have occasionally had to repay the loans of defaulting farmers with deductions from their budget allocations. This partially explains the increasing reluctance of regional governments to guarantee small farmer loans. As indicated in the most recent agricultural policy document (FDRE 2002) this practice is not sustainable as it has placed great burden on agricultural extension staff administering loan disbursement and repayment, and on regional budgets. Noting that '*farmers have viewed loans as government subsidy and failed to repay them*', the document suggests that other credit arrangements be put in place, for example, strengthening rural micro-finance institutions and domestic banks, group lending and co-operatives.

As mentioned at the beginning of this paper in connection with stability objectives, in recent years, the rising costs of farm inputs like fertilisers acquired on credit by farmers have coincided with falling agricultural prices. This appears to have led to pressures on borrowing farmers, the risk of defaulting on loans guaranteed by regional governments often forcing them to sell their produce at depressed prices. Instances have been reported of livestock being impounded by the administration and farmers selling valuable assets like oxen and corrugated iron sheets used for roofing due to defaults in loan repayments. While there is little information on the actual uses and impacts of small farmer credit in Ethiopia, it is imperative that such negative developments be checked as they have direct implications for technology adoption, modern input use, agricultural productivity and output levels, and poverty, all of which are supposedly important elements of the ADLI strategy.

### ***3.3 Export Orientation and Diversification***

Rapid expansion of agricultural exports appears to be a major ingredient of the ADLI strategy. As stated in the policy document '*it is essential to increase and diversify exports to ease foreign exchange shortages and administrative inefficiencies, and to minimise the problem of illicit trade*'. The strategy envisages diversification beyond agriculture, into mining of gold and natural gas, and possibly also petroleum, as a more sustainable long-term export strategy, especially since minerals are less subject to price fluctuations than agricultural exports. Provided adequate investment and support in the mining sector, considerable increases in revenues and foreign earnings are expected to be generated from this source (MEDaC 1993).

Given this vision, it is important to assess progress made in the last 10-12 years in terms of export expansion and diversification. A simple way of doing this is by broadly monitoring agricultural and export performance in Ethiopia in this period. Since agriculture has traditionally constituted the basis of Ethiopian foreign trade and coffee which accounts for between 60% and 70% of total export revenue is the most important source of foreign exchange in Ethiopia (LMC 2000), Table 3 traces some major developments in the coffee sector from 1991/2 to 2000/1.

**Table 3: Domestic Production, Volume and Value of Exports, and World Indicator Prices 1991/2-2000/1.**

Year	Domestic Prod.	Export volume		Export value			World indicator prices (c/lb) <sup>b</sup>	
	MT	MT	% of prod.	USD	Birr '000	% of agric. exports	Composite	Other mild
1991/2	60040						54.7	66.3
1992/3	87670						58.7	68.2
1993/4	113678	69160	61	113 <sup>a</sup>	718	62	110.0	123.6
1994/5	102301	82199	80	282 <sup>a</sup>	1799	71	152.2	167.4
1995/6	141249	97579	69	270 <sup>a</sup>	1724	73	107.4	121.7
1996/7	165536	117979	71	357	2307	74	127.2	176.3
1997/8	155372	121366	78	461	2900	72	115.2	148.7
1998/9	148271	103423	70	275			88.5	104.9
1999/00	164435	115739	70	252			72.9	96.9
2000/01	128597	93283	73	168			51.5 <sup>c</sup>	70.1
Annual growth rate 1993/4-2000/1	1.8	4.4		5.9				
Percent change 1993/4-2000/1	-13%	+35%		+49%			-53%	-43%

- a) From 1993/4 to 1995/6, coffee export values were available in only Ethiopian Birr terms from FDRE 1993. USD export values for these years was therefore calculated assuming average 1996/7 and 1997/8 exchange rate levels, simply got by dividing Birr by USD values for these years.
- b) World indicator prices downloaded from internet by Ethiopian Coffee Export Enterprise (ECEE).
- c) Projection.

Source: FDRE. CSA. *Statistical Abstract 1999. A.A. March 2000*; FDRE. 1993. *Second Five Year Agricultural Development Action Plan (1993-1997)*; LMC International Limited. 2000; *World prices, production and exports from the Ethiopian Coffee Exports Enterprise (ECEE 2002)*.

As shown in the table, it appears that Ethiopia has come to increasingly depend on coffee exports for its foreign exchange earnings. In volume terms, the percentage share of coffee exports in domestic production increased from 61% in 1993/94 to 73% in 2000/1. In value terms, the share of coffee exports in the total value of agricultural exports increased from 62% in 1993/4 to 72% in 1997/8. But increasing dependence on coffee exports does not appear to have been sustained by domestic production growth. Between 1993/4 and 2000/1, domestic

production of coffee grew at an annual rate of only 1.8% while exports grew at a rate of 4.4% p.a. in volume terms and at 5.9% p.a. in value terms. In the last three years (1998/9 and 2000/1), both coffee production and export volume actually declined by 13% and 10% respectively. In fact, World Production Statistics (ECEE 2002) report a 16% decline in coffee production in Ethiopia between 1998/9 and 2000/1.

The observed decline in coffee production in recent years partly reflects the limited impact of the ADLI strategy on the coffee sector. The liberalisation of the coffee sector beginning 1992/3 and subsequent reforms in coffee marketing and processing are believed to have brought many new exporters and intermediaries into the sector (LMC 2000). However, in the drive towards expanded exports, not much attention has been paid to coffee growers and support they required. Thus, national research on coffee has remained weak and no coffee specific extension service has developed in the major coffee producing regions of Oromiya and SNNP.

Similarly, coffee growers have not had access to credit and their use of fertilisers, herbicides and pesticides has been minimal. This is in spite of Coffee Berry Disease (CBD) spreading and destroying between 20% and 25% of the harvest in some high elevation areas (LMC 2000). In 1994, AISCO was ordered by the government to import CBD chemicals by air freight, at huge costs. Initially, these chemicals were distributed free of charge, but AISCO which was required to run in a self-financing manner in the newly liberalised system, started charging for the chemicals. The result was that no farmers bought the chemicals and AISCO ended up with unused supplies of chemicals in its warehouses (LMC 2000). Although there were sound arguments<sup>7</sup> for subsidising the chemicals, the government's failure to provide adequate financial and policy support to AISCO and coffee growers may have adversely affected production through the spread of CBD.

The collapse in world prices for composite (i.e. *robusta* and *arabica*) and mild (mainly *arabica*) reported in Table 3 (ECEE 2002) has serious implications for the incomes of coffee growers and exporters in Ethiopia. Notwithstanding this and given the importance of domestic coffee

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<sup>7</sup> Including the large number of households depending on coffee production, significant domestic consumption of coffee, CBD spread as coffee growers refrain from using chemicals, and government taxation of coffee exports.

consumption, it appears that domestic policy factors and rigidities in the Ethiopian coffee sector may have been more important than world price trends in explaining coffee supply response in recent years. As seen, in 2000/1, the world indicator price of mild coffee<sup>8</sup> declined by 43% compared to 1993/4 levels while coffee production and export volume in Ethiopia declined by only 13% and 35% respectively.

In sharp contrast to this, Gerard Greenfield (Capital April 14, 2002), notes that on the very day that the price of *robusta* coffee on the London International Futures Exchange fell to its lowest level in 30 years, the price of coffee beans in Dak Lak (Vietnam) fell to half of its production cost. Greenfield attributes the speed of this reaction to the impact of new technologies, to the power of traders on the coffee exchanges and the hyper-exploitation of small growers through speculative transactions, consistent with the world coffee industry's colonial past.

Greenfield goes on to say that Transnational Corporations (TNCs) which dominate the global coffee industry have contributed to the crisis faced by coffee growers in Vietnam through their manipulation of prices and world coffee demand (e.g. financing agro-industrial plantations and TNC-based contract growing/factories, promoting strains for widespread/export-oriented coffee production, expanding genetically modified coffee beans). Also *'in its drive to impose the 'free market' on the rest of the world, the US government strongly opposed the regulation of world coffee prices through the International Coffee Agreement (which protected its members), forcing its collapse in 1989.'*

In spite of all these problems, the Vietnamese coffee sector has managed to adjust to global changes in the coffee market. In the span of three years, Vietnam which produced virtually no *arabica* coffee in 1998/9 increased its production of *arabica* coffee by 900% while, at the same time, increasing its production of *robusta* coffee by 78%. Vietnam's share of world coffee production actually increased from 6% in 1998/9 to 11% in 2000/1 while Ethiopia's share of world production declined from 3.3% in 1998/9 to 2.6% in 2000/1. All this makes it clear that a dynamic coffee sector does not exist in Ethiopia.

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<sup>8</sup> Since Ethiopia only produces *arabica* coffee, the world indicator price for mild coffee is used here.



Contrary to what is hypothesised in the ADLI strategy document<sup>9</sup>, it thus appears that an increasing dependence on agricultural exports (particularly coffee) has evolved in Ethiopia since the ADLI strategy began to be implemented. According to the recent Second Five Year Agricultural Development Plan (1993-1997), the share of agricultural exports in total export earnings increased from 93% in 1993/4 to 97% in 1997/8. Nor does there seem to have been any major change in the composition of agricultural exports. In 1993/4 coffee, hides and skins, chat and oil crops accounted for 62%, 18%, 9% and 4% respectively of the total value of major agricultural exports. Equivalent percentage shares for 1997/8 were 72%, 9%, 7% and 8% respectively, showing greater dependence on coffee and pulses in 1997/8 than in 1993/4, and a marked decline in exports of hides and skins.

While mining was initially accepted as an important component of a long-term export diversification strategy that would radically change the country's export structure, it is not clear that any practical steps have been taken (e.g. in terms of setting a definite time table for the completion of geological investigations and start-up of exploration) in this respect in the last 10 years. Under these circumstances, it is hard to imagine that Ethiopia will move towards a more diversified (e.g. livestock, mining) rural economy and get rid of its excessive specialisation in coffee in the foreseeable future.

#### **4. ADLI: Implications for Poverty Reduction**

##### ***4.1 The ADLI-Poverty Link***

The notion reflected in the ADLI strategy that higher overall growth and improved export performance in Ethiopia have reduced poverty or that there has been a direct link between agricultural technology transfer and improvements in farmer conditions does not appear to rest on solid foundations. In order to provide a better framework within which to judge the relationships between the ADLI strategy and poverty, there is need for a broader conceptual framework and a clearer specification of strategy components, underlying problems and causative links.

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<sup>9</sup> The 1993 ADLI strategy document indicates that the existing economic structure would have to change such that, after some time, the share of agriculture in total output decreases and the shares of industry and services will decrease.

As many researchers have indicated, poverty outcomes are not the result of uni-directional causative factors. Vosti (1992) indicates that the goals of environmental protection, agricultural growth and poverty alleviation must be pursued simultaneously and presents a three-way bi-directional interrelationship among the environment, agricultural production and poverty, where agriculture can have an impact on poverty (for example, agricultural surplus can significantly improve the welfare of individuals and households) and vice versa (for example, very low-incomes can preclude important investments in agricultural productivity). Vosti argues that the interrelationships among the three desired outcomes (i.e. environment, agriculture and poverty) must be considered and understood if policy makers ever hope to achieve these three goals simultaneously. And, depending on the links that exist among the three outcomes and factors that condition these links, different interventions (in terms of policy and technology) may be demanded.

As seen in previous sections of this paper, it is not at all evident that the ADLI strategy has recognised the importance of these interrelationships. The only relationship that it considers appears to be a one way relationship between increased agricultural production and poverty reduction. Not only does the strategy not specify the linkages between agricultural production and growth within a diversified context allowing for variable objectives and potentials, but it does not all address the linkages between agriculture and poverty.

#### **4.2 *Why ADLI may not have reduced poverty***

In the Ethiopian context, poverty reduction rests on first, improving agricultural productivity on a sustainable basis, this only being possible in relatively better potential and productive areas of the country, and second, developing viable strategies for lower potential and less productive areas (e.g. drought prone areas) where possibilities for increasing agricultural productivity are limited.

As has been seen, the ADLI strategy has had a strong bias towards raising the productivity of specific annual crops through increased input supply (mainly in the form of fertiliser), at the neglect of some cereal and perennial crops, of livestock, of natural resources, and of poverty reduction. This has meant that, contrary to its stated objective of benefiting peasant farmers and pastoralists, the ADLI strategy has '*mainly benefited better potential areas and/or relatively higher income*

*and food secure producers who, in many respects, are easier to serve and are better able to take advantage of services provided them' (Senait 2001).*

Although it is difficult to assess the ADLI strategy's impacts and outcomes in the absence of a clear monitoring and evaluation framework, and comprehensive data on household assets and strategies, it appears that the strategy has been oblivious to the context in which it has taken place and to evolving trends in poverty. That this is the case is depicted below using various indicators and in a context of increasing human and livestock populations, fragmentation of holdings, market imperfections, and farmer attitudes towards technologies promoted.

#### ***4.2.1 Fragmentation of holdings and landlessness***

Increasing problems of fragmentation of holdings and landlessness are reflected in Table 4 which provides estimates of average land holding size, number of households with less than 0.1, 0.5 and 0.5-1.0 hectares of land, cereal yields and estimated per capita cereal production levels between 1991/2 and 1999/2000.

As seen in the table, between 1991/2 and 1999/2000, the number of households with holdings of less than 0.1 ha increased by a spectacular 137%, from close to 400 thousand to over a million. During the same period, the number of households with less than 0.5 ha of land increased from slightly over 2 million to almost 4.4 million, this implying an annual growth rate of 10.2%. In fact, households with less than 0.5 ha who constituted 35% of all households in 1991/2 constituted the single most important group in 1999/2000, accounting for 41% of all households. As observed, the trend in increasing numbers of households with sub-optimal holdings has been accompanied by declines in cereal yields and per capita production levels.

**Table 4: Average Land Holdings, Cereal Yields and Estimated Per Capita Production Of Cereals Between 1991/2 and 1999/2000.**

	1991/2	1994/5	1999/2000	Percentage change 1994/5-1999/00
Average land holding per household (in ha)	1.23	1.09	1.00	-8%
No. of households with <0.1 ha ('000)	382	503	1193	+137
No. of households with <0.5 ha ('000)	2001	2906	4361	+50
No. of households with 0.5-1.0 ha ('000)	1510	2381	2562	+8
No. of households with >1.0 ha ('000)	2268	3398	3815	+12
Cereal yields (quintals/ha)	12.8		11.5	-10%
Est. per capita production of cereals (Kg/person)	151		143	-5%

Source: CSA 1992, 1995 and 2000.

According to Benin and Pender (2002), an increasing problem of landlessness has also evolved in Ethiopia which has put pressure on regional governments to frequently redistribute land. The researchers find that land redistribution in the Amhara region has had a positive impact on land productivity, at least in the near term, by increasing access to land of farmers with relative surpluses of important factors of production such as labour, oxen or cash to purchase inputs in a context of prohibited land sales and restricted lease markets. However, they found that yields of local varieties of barley, teff and wheat were less than 1t/ha, and had declined between 1991 and 1999, while yields of improved varieties increased by about 40%.

But given the very small size of farm holdings, it has been difficult to continue using redistribution to address the problem of landlessness and so most regions have stopped land redistribution. Benin and Pender (2002) argue that although the end of land redistribution will provide better tenure security to those with land, it will also result in land degradation, soil mining practices, limited use of fertilisers and crop rotation by landless farmers who tend to be renters and sharecroppers with little incentive in investing in rented farmland. They suggest improving land rental markets, encouraging longer leases and credit provision for non-farm income generation as more sustainable strategies for improving land management and agricultural productivity in this region of Ethiopia.

Overall, the picture painted above suggests severe fragmentation of land holdings in the last decade, with the result that average peasant holdings in some areas are less than 0.1 ha. For most of those households with less than 0.5 ha, production from holdings is likely to already be below subsistence levels, so that only promotion of non-farm income opportunities, and not increased input use as recommended by ADLI, will bring about change in their poverty situation.

#### **4.2.2 Unfavourable Price Trends**

As mentioned earlier in connection with policy objectives of stability, in recent years there has been a significant fall in the prices of major crops which have been accompanied by rising prices of inputs like fertilisers. According to Alemu (2001), the recent increase in overall grain production in Ethiopia has been accompanied with a continued downward spiral in the prices of most cereals in all major markets which have fallen below their lowest recorded levels in the last seven years.

FEWS-EU-WFP (2001) attribute the decline in maize prices observed recently to a variety of factors, including the fall of purchasing power in the main consumption areas of the South and Southwest of Ethiopia which were exposed to significant price decreases in their primary cash crop, coffee; the sale of maize by farmers to pay for fertiliser and other loans; lower prices forcing farmers to sell larger amounts; etc.

On the input side, data from the National Fertiliser Industry Agency (NFIA) shows that between 1991 and 2001, the retail price of DAP tripled (reaching 279 Birr per quintal in 2001), while that of urea more than doubled (reaching 201 Birr per quintal in 2001) (NFIA 2002; Mulat et. al. 1998). In spite of this, the GOE went on with its inexorable drive towards market development and removal of fertiliser subsidies.<sup>10</sup> Recent public statements condemning any kind of intervention in the fertiliser market as standing in the way of greater liberalisation and economic growth, suggests that there has not been any recognition by government of the need for public input provision or of potential negative supply

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<sup>10</sup> Prior to 1993, a system of pan-territorial fertiliser price controls prevailed in which the government set the maximum retail price of fertiliser. With the liberalisation of the economy following the assumption of power by the EPRDF, pan-territorial fertiliser price controls were gradually phased out at retail, wholesale and distributor levels. Subsidies on retail prices of fertiliser were removed from 1993 to 1996.

response resulting from rising fertiliser prices, especially under Ethiopian conditions<sup>11</sup>.

### **4.2.3 *Inappropriate Technologies***

As indicated in earlier sections of this paper, the ADLI strategy has mainly been guided by efficiency considerations, and to have relied on the promotion of generic yield-enhancing technologies assuming production maximisation objectives on the part of all Ethiopian farmers. However, much of Ethiopian agriculture is dependent on weather and related risks (e.g. vulnerability to food insecurity, poverty) and many farmers operate under conditions of risk and uncertainty. These farmers rarely aim to maximise production and tend to be reluctant to adopt new technologies and practices that may be associated with higher risk of failure.

In spite of the above, the ADLI philosophy and approaches have been more or less uniform, and have not recognised differences in the rural environment in terms of climate, agro-ecology, resource base, production and marketing potential, farmer needs, extent of environmental degradation, social services and infrastructure. Given this, farmer attitudes towards risk and innovations under conditions of poverty and household food insecurity have largely been ignored in the ADLI strategy which does not address the issue of technology adoption.

There appears to be little empirical evidence about farmer adoption of technology packages promoted in the period of the ADLI strategy implementation but it appears reasonably clear that agricultural technologies promoted in the past decade have not addressed the needs of poorer farmers. In the drive to disseminate technology packages, not much attention has been paid to problem analysis and effective participatory processes.

The limited evidence available also shows that, in spite of positive developments in the fertiliser applied area and increased fertiliser consumption in the last decade, both the rate of adoption and intensity of use of improved technological inputs among peasant households appear to have been low in absolute terms. Based on data from a 1999/2000

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<sup>11</sup>Until the ADLI strategy started being implemented, Ethiopia was one of the lowest users of chemical fertiliser in the world.

Rural Household Survey<sup>12</sup>, Abebe and Mulat (2001) show that the poor were by far the majority in the sample, seldom used improved technological inputs, had fewer contacts with extension agents, and rarely participated in the NEP (5.7% of poor vs. 18% of better-off) and/or SG-2000 (less than 1% of the poor vs. 4% of the better off) development programs. Forty five percent of poor households and 80% of better off households used modern inputs

Forty percent of those using modern inputs reported applying below recommended rates. Only 14% of poorer and 32% of better off reported that they had used improved inputs before, indicating lower impact of NEP on the poor. For all households (poor and better off) high price of inputs and lack of cash to pay down payment were singled out as leading constraints to increased use of inputs, awareness and availability being less of a problem. Substantial differences were also observed in terms of farmer plots covered by the NEP. The authors argue that endowment positions, proxied by households' ownership of livestock, land, labour and stock, of educational level, determine the extent to which households use technological inputs.

Overall, the fact that most of the technology packages promoted under the ADLI strategy have emphasised yield maximisation and have not paid any attention to particular farmer resources, potentials and problems appears to have limited their adoption.

#### ***4.2.4 Lack of Integration***

Although many other strategies have been formulated and implemented since the ADLI strategy started being implemented, it appears that the strategy has not been well integrated in the overall planning framework. As a result, it is not clear how the ADLI strategy addresses issues dealt with in other strategies. This has weakened the impact of the strategy on poverty reduction, as covered in national and regional food security and poverty reduction strategies or sector specific activities like public storage of agricultural commodities, employment based safety nets, development of health, water and other infrastructure.

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<sup>12</sup> The survey covered 1681 peasant households and 18 peasant associations in the four regional states of Amhara, Oromiya, SNNP and Tigray.

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## **A Review of Institutional Capacities to Address Urban Poverty in Ethiopia**

**Shewaye Tesfaye**

### **Introduction**

The Forum for Social Studies (FSS), a civil society organisation that emerged as a centre for research and debate on development and public policy in Ethiopia, has commissioned this relevant and timely study on “A Review of Institutional Capacities to Address Urban Poverty in Ethiopia”.

The purpose is to stimulate thought on the topic and engage in a constructive dialogue among the private sector, NGO’s and the government along the most recent effort to prepare a comprehensive Poverty Reduction Strategy (PRS). Even though, the government has already prepared the interim version of the strategy, recognizing its limitations in scope and process, such an effort by FSS is meant to address those shortcomings.

The paper initially sets out the challenges of urban growth looking into the global perspective as well as the case in Ethiopia. The second part describes the general dimensions of urban poverty in Ethiopia. The third part highlights concepts and approaches that are useful to address urban poverty while part four attempts to evaluate government policies and existing institutional capacities to address urban poverty in Ethiopia. The last part outlines the rationale and approach to strengthening municipal institutions through outlining crucial components of institutional capacity building with reference to urban management.

## **1. The Challenges of Urbanisation**

### ***1.1 A Global Perspective***

The proportion of world population living in urban areas in 1998 was 46 % while the urban population accounted for 31 %, 66 % and 76 % of total population in low, middle and high-income economies respectively. Particularly, the last quarter of the 20<sup>th</sup> Century is marked for both rapid urban growth i.e., population growth of a city or a group of cities as well as progress in the level of urbanisation i.e., an increase in the proportion of urban population, within many developing countries.

Further, the recent phenomenon of globalisation and decentralisation or localisations of political power are expected to enhance the role and contribution of urban centres to national economies of developing countries. Here, while globalisation is believed to promote economic growth, which is the driving force of urbanisation, decentralisation is said to encourage localisation of political power and decision-making authority to the community. Demographic projections consistently indicate that the 21<sup>st</sup> Century will see a world wherein the majority of the human population lives in urban areas. Thus, in the year 2025 two-thirds of the world's population is estimated to dwell in urban areas.

Therefore, most recently, such rapid growth of urban population within developing countries has received greater attention as it involves risks (challenges) as well as opportunities. Looking at opportunities, urban areas offer the greatest economic, development and innovative potential. As centres of economic growth to national economies, the contribution of urban areas to the Gross National Income (GNI) stands at 55 %, 73 % and 85 % in low, middle and high-income economies respectively.

On the other hand, as a substantial growth of the urban population is expected to occur in developing countries, where even the current pace of urbanisation has not been matched with economic development, the risk associated with continued rapid urban growth is that it will become a serious problem to national governments and even a greater challenge to local governments whose capacity to provide socio-economic services and infrastructure has already been seriously constrained.

Referring to urbanisation in recently developed countries, empirical evidence reveals that the process has brought significant structural changes to the economies. Accordingly, a strong and direct relationship is found to exist between the rate of urbanisation of a country and its level of development as measured by GNP per capita.

Contrary to such a positive experience, in developing countries of Africa, urbanisation has manifested itself little more than increasing concentration of population, a process that is referred to as “urbanisation without growth”. Consequently, the pressure on urban local governments to provide physical infrastructure and socio-economic services has become serious, as they are constrained by limited resources and inadequate institutional capacity.

In the past, government efforts directed to affect the pace and location of urbanisation in most low-income economies were among others through; decisions on the allocation of resources, choice of locations of economic activities, various subsidies and support schemes, investment projects as well as programs. However, such efforts in general had little impact.

Thus, creating a conducive institutional framework and enabling operational environment so as to improve the performance of urban governments has become a major concern of governments at national, sub-national and local levels as well as the international community at large.

The above primarily presupposes a devolution of political power and authority to urban governments, which because of prolonged centralized administrative culture have a poor image and a generally low record of performance. Furthermore, to make such efforts successful, institutional capacity building in its broadest sense (human resource development, developing effective working systems and procedures as well as strengthening the institutional set-up) is called for by urban governments.

### ***1.2 The Case in Ethiopia***

Ethiopia depends predominantly on an agrarian economy with an urbanisation level of only 17 %, which compares very low to countries regarded as low-income economies. Although a reliable estimate regarding the contribution of urban areas to GNP is not readily available,

the combined share of the industrial and service sectors, which is 48 %, can be taken as a proxy measure of their contribution to the nation's economy.

Most urban centres play a predominant role as seats of political power and administration as well as serve as collection centres of agricultural produce, which are to be channelled to larger ones. On the other hand, most urban centres exhibit inadequate functional specialisation in modern production and service activities.

Owing to this and due to the subsistence nature of farming, the level of urban-rural interaction and exchange is quite weak. In addition, because of inadequate coverage and quality of infrastructure and services within the centres, urban productivity is generally limited to a very low level. The centres therefore exhibit a poor economic base and an increasing proportion of their population is being affected by abject poverty.

Even though a clear and working criteria for the definition of urban centres and designation of municipalities does not currently exist, according to the Central Statistical Authority (CSA), the total number of urban centres in the country is about 864. Among these urban centres, only about 300 are currently designated a municipal status. However, recently a number of regional states have designated new municipalities. Studies even indicate that in some regions a number of new urban centres and municipalities will be designated in the near future.

Looking at the level of urbanisation and settlement patterns within the country, wide differences are observed across regions. Urbanisation in the country is highly dominated by the primate city i.e., Addis Ababa, which accounts for 30 % of the total urban population and 4 % of the national population.

On the other hand, Oromiya, Amhara, SNNPR and Tigray regional states, in that order of importance, account for the largest share of urban centres and municipalities. Urbanisation in other regions of the country is limited to a few smaller towns. However, the challenge of urban development and management even in such regions doesn't represent a lesser scale and magnitude.

There are few medium sized towns whereas the majority fall under the category of small towns of less than 5,000 inhabitants with an inherent rural character. Considering recent trends of urban growth, most large and intermediate urban centres exhibited a rather fast growth of population at an annual average rate of about 6 %, which is by far greater than growth of the national population. Besides such fast growth of the urban population, demographic forecasts also indicate a further increase in the future.

Because of the combined effect of natural growth of the urban population and the inevitable rural-to-urban migration, which has been conditioned by the poor performance of the farming sector, the country will attain a higher level of urbanisation in the near future. In particular, projections indicate that the population of smaller and medium towns that is high will double every ten years, only to make further difficulties to the already poor state of service delivery and infrastructure.

## **2. Dimensions of Urban Poverty**

According to the World Bank, urban poverty is a multidimensional phenomenon that is characterized by cumulative deprivations, wherein one form of deprivation leads to another. And the different dimensions of urban poverty thus are: income; health; education; tenure insecurity; personal insecurity and disempowerment.

With its total population of 64 million growing at an annual average rate of 2.3 % and 100 \$ per capita GNP, Ethiopia stands as one of the least developed countries. Looking at other indicators of development, while life expectancy at birth is only 42 years, the rates of under-five mortality and adult illiteracy are 166 and 63 respectively.

On the basis of a 1995 survey, while 31 % of the population earned less than USD 1 a day; a significant proportion, i.e., more than 75 % of the population was entitled to less than USD 2 a day. Similarly, the government's Interim Poverty Reduction Strategy Paper (PRSP) estimated that 46 % of the total population is living below the poverty line, while the prevalence of poverty in rural and urban areas is regarded as high as 47 % and 33 % respectively.

Furthermore, looking at the expenditure shares in percentile i.e., the percentage share of income or consumption, while the poorest 10 % of

the population is entitled to only 3.0 % of the national income, the share of the richest 10 % population is nearly a third of the total.

Looking at other notable features of urban poverty in Ethiopia, primarily the spatial organisation and physical growth of most urban centres is haphazard, with urban planning being of little help to direct proper growth of the areas and to ameliorate their problems.

Existing educational services within urban centres are less equipped to meet pressing demands for increased coverage and better quality. In reference to education, viewing it as both a basic right and a central determinant to poverty reduction, the Development Assistance Group (DAG), noted that whereas significant improvement has been achieved in terms of participation rates, the potential for human resource development still remains questionable owing to the minimal progress associated with educational quality and retention rates.

The state of cleanliness of the areas and quality of the urban environment has become a major concern, with inadequate solid waste collection and disposal, which at best covers half of the total waste generated in the centres. In addition, the complete lack or low coverage of sewerage and storm water drainage system has made many urban residents vulnerable and prone to serious health hazards. In this respect, all health related indicators reveal the country's poor health status.

Poor internal access roads and traffic management is another problem of Ethiopian urban centres including the capital. The percentage of the urban population having access to adequate water supply excluding Addis Ababa was only 15 % while the total coverage of water supply excluding Addis Ababa was about 64 %. Of the total urban housing stock, 75 % use tap water, 8 % use protected wells or springs, 8 % use unprotected wells and springs while the remaining 9 % depend on rivers, ponds and lakes for drinking water. And out of the total urban housing stock, about 42 % lack any type of toilet facilities. Concerning the type of lighting used while 26 % and 41 % of the housing stocks had private and shared meters respectively, the rest use other sources.

Looking at housing; while a substantial proportion of the existing stock is in bad condition, there is enormous overcrowding and a serious shortage to meet the growing demand. Thus, besides other social problems, the majority of the urban poor are left to bear the burden of

higher rents. In this regard, cumbersome plot allocation procedures, inefficient land management owing to archaic land registers as well as non-affordable planning standards and building codes make housing construction beyond the reach of the majority of urban residents. Thus, slums and squatters are mushrooming particularly in relatively larger urban centres with inadequate or no access to essential services and infrastructure.

Within most urban centres, an environment that promotes business operation and development such as financial support, credit facility and above all administrative efficiency is lacking. In particular, in spite of the advantages that informal sector activities offer within many urban centres; in generating employment and income, as well as in producing and delivering various goods and services, informal sector activities remain yet to be recognized and promoted. In general, bureaucratic bottlenecks, administrative inefficiency, cumbersome procedures and corruption place higher transaction costs particularly on informal sector business operations.

The rate of unemployment in urban areas according to the 1994 census was 22 %, wherein the age brackets 15 to 39 account for the highest share testifying to the serious problem of youth unemployment in the country. Moreover, juvenile delinquency, increasing crime and violence, and a higher number of street children and homeless people have become common features in many intermediate and large urban centres.

Further, a social safety-net system or welfare service that caters for orphans and the elderly is not in place. Although, many NGOs have been intervening to ameliorate such problems, their efforts remain yet to be facilitated and supported in order to bring about meaningful impact.

Therefore, the ability to cope with such and other manifestations of poverty in the urban context so as to benefit from the inevitable urban growth, stands as a major challenge in Ethiopia, as it is the case in most developing countries.

### **3. Addressing Urban Poverty**

Owing to the complex nature and magnitude of urban poverty, the urge to respond to the “plight of the urban poor” has become a major



concern, as the locus of poverty has recently shifted from rural to urban areas. In particular, addressing what are regarded as the “typical urban dimensions of poverty”, such as: health hazards from air pollution and contaminated water, overcrowding, traffic congestion, poverty-induced violence, inequality, slums and squatters, etc has become more difficult.

In the past, besides the perception of poverty as exclusively a rural phenomenon, the responsibility for the reduction of poverty had to a large extent been relegated to NGO's. Moreover, because of the scarcity of resources at the disposal of local governments, NGOs have largely been intervening to assist and empower the poor and deprived.

Past approaches to poverty reduction within urban areas largely took the form of: improving sites and services, urban renewal and upgrading, building low-cost houses, and filling the gap for essential services. More recently, with the objective of supporting the generation of employment and income for the poor and women in particular, governments of developing countries and NGO's have been engaged in creating access to financial credit and business skill training for micro-enterprise activities.

In most cases, these efforts were isolated and not co-ordinated properly. Moreover, there was an inadequate focus on policy changes and building the institutional capacities of local governments. In particular, issues related to the governance and management of local governments were peripheral regarding such efforts.

Even though in the past governments and NGOs made significant contributions, the isolated and uncoordinated nature of interventions in comparison to the complex and multiple dimensions of urban poverty, have brought a limited impact in terms of addressing poverty in a meaningful manner.

The approaches and interventions adopted, besides their serious limitations to address the complex and multifaceted determinants of urban poverty, city-wide, were not accompanied with policy change and most important had little impact in enhancing institutional capacities of urban governments.

Complementing government efforts, civil society organisations had in the past emerged to take a greater part in the construction or maintenance of basic physical infrastructure and social services. Various Self-help

groups have also been dealing with a number of local problems and issues. Professional society groups have been involved in awareness raising, policy dialogue, advocacy and consensus building activities. Therefore it can be concluded that a number of NGO's are involved in assisting to empower the poor and the disadvantaged.

Although organisations of civil society perform well in their perceived areas of priority and interest, their efforts are not streamlined and co-ordinated in order to bring about meaningful outcomes. They remain unrecognised and get inadequate support from the various tiers of government. In this regard, facilitation of a conducive and enabling environment for their efficient operation still remains to be a favour rather than an obligation and duty on the part of the government.

Thus, while greater co-ordination and streamlining of their activities is required to bring about meaningful impact, constructive dialogue and genuine engagement is important between government and the various groups of civil society.

Associated with rapid growth of urban population and the consequent urbanisation of poverty since the beginning of the 21<sup>st</sup> Century, the peculiar characteristics and dimensions of urban poverty, its serious negative effect on future development as well as the substantial demand for resources to address it in a meaningful manner, have received greater attention. This has become more so because of a general weak institutional capacity for urban management.

In any case, in addition to normative arguments, the serious negative effect that poverty puts on future development stands out as a major reason for addressing it effectively. Therefore, urban poverty should be addressed in a meaningful manner, and because of its complex nature, doing so calls for a joint effort, resources and actions of governments at national, sub-national and local levels, civil society organisations, the business community and the international community at large, within the framework of a commonly defined poverty reduction strategy.

In particular, what has been recognized more recently is the rather significant role of urban local governments to: initiate, lead and co-ordinate Local Economic Development (LED) as well as address the critical problem of urban poverty. In such endeavours, local governments need to be the lead agents and active partners rather than passive

observers, which has been the case in the past. To this end, local governments primarily need to collect and organise information that helps to construct the profile of poverty within their jurisdiction.

They have to critically examine the incidence of tax and public expenditure upon the poor and disadvantaged groups. Local governments also need to ensure that policies adopted, plans approved and projects identified adequately reflect as well as address the concerns and priorities of the poor.

In particular, taking into account the rather significant contributions of informal sector activities in most urban areas of developing countries, through generating income and employment, as well as in producing and providing essential goods and services, local governments need to promote the sector among others through; rationalising their lengthy and cumbersome procedures, regulations as well as revisiting their requirements or standards for entry and operation.

Most important, local governments should play a leading role along developing a Local Economic Development (LED) strategy, with a broad participation of concerned stakeholders. And such a strategy should be explicit about the type and level of interventions as well as the respective roles and responsibilities of concerned bodies towards addressing poverty.

In the past, the focus of urban/local plans has predominantly been on the physical dimensions of growth and zoning sub-divisions. However, as described above, recently, the role of local governments regarding initiating, co-ordinating and implementing local economic development has been recognized.

According to the World Bank, Local Economic Development refers to “The process by which cities and towns-“our communities”-work collectively with public, business and non-governmental sector partners to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community.”

With reference to LED, the World Bank identifies “a five step strategic planning process”.

1. Building a Partners Network and Management Team
2. Doing the Competitive Assessment

3. Creating the LED Strategy that includes; Vision, Goals, Objectives, Programs, as well as Projects and Action Plans
4. Implementing the LED Strategy
5. Reviewing the LED Strategy

For purposes of illustration, a wide variety of LED initiatives are cited, which include:

- Encouraging Local Business Growth through supporting small and medium sized businesses
- Encouraging new enterprise
- Attracting investment from elsewhere
- Investing in physical (hard) infrastructure
- Investing in soft infrastructure (including human resource development, institutional support systems and regulatory issues)
- Supporting the growth of particular clusters of businesses through facilitating linkages and interdependence among firms
- Targeting areas in particular parts of the city for regeneration of growth (spatial targeting)
- Targeting poor and disadvantaged populations through programs designed to maintain them into the economy.

#### **4. Policies and Institutional Capacities**

##### ***4.1 Government Policies***

The Government of Ethiopia has adopted a policy of decentralisation since the beginning of 1990's. Accordingly, nine regional states, the City Government of Addis Ababa and the Dire Dawa Special Administrative Council were established with the power and authority to exercise self-rule. However, as the National Regional States were designated mainly along ethnic and linguistic grounds, there is a wide difference across regional states in size, administrative capacity and their level of development.

The regional states have also organised administrative units below them, i.e., zone administration, Wereda (District) council (i.e., the basic administrative unit) and Kebele or neighbourhood associations. Accompanying the decentralisation process, the respective

responsibilities of the federal and regional state executive organs have also been defined.

Although the constitutions of both the federal government and the regional states express the right for self-rule and administration at all levels, the role, responsibilities and relationships of municipalities as well as their place in the broader realm of administration yet remain to be defined more clearly.

In addition, the Proclamation issued to define the sharing of revenue between the federal government and the regional states does not indicate the sources of municipal revenue. In this regard, the role of municipalities in the federal structure has apparently been given little consideration.

Various measures have been taken to reduce policy-born distortions within the framework of the IMF prescribed Structural Adjustment Program. In this regard, attempts have been made to institute an enabling environment for the greater participation of the private sector and to promote investment. However, the business community still voices its complaint about the administration's efficiency and governance process.

Here, it has to be noted that fostering participation of the private sector and investment is a demanding task wherein declaration of intent through investment code, needs to be accompanied with administrative efficiency, especially of municipal governments, which allocate plots and provide licences for business operations.

The urban land leasehold policy was introduced, among others, to ease urban land management problems and to enable municipalities to generate sustainable income for financing the development of essential infrastructure and services. Yet, besides some difficulties observed in the implementation of the policy, mainly due to the lack of a clear procedure and adequate capacity on the part of municipalities, the level of public awareness concerning the policy remains low.

Furthermore, as the lease value for the acquisition of land substantially increases the costs of construction and operating businesses, many believe the policy to have a discouraging effect on investment. On the other hand, because of inadequate capacity, bureaucratic bottlenecks, poor infrastructure, lack of strategy as well as a pro-investment attitude,

the urban land leasehold policy doesn't seem to live up to the expectations.

Recognizing such and other shortcomings or problems that are associated with the practical implementation of the policy, more recently, the City Government of Addis Ababa has initiated an attempt to review or revisit the policy and its implementation.

The recently conceived Public Sector Reform Program emphasise improvements in Public Service delivery, Civil Service Personnel Regulation, Top Management Structure, Civil Service Ethics and Code of Conduct as well as Public Finance Management regulations. Much is expected from progress and implementation of the reform to make the public service efficient, responsive and accountable.

The government's emphasis on the policy of "Agricultural Development Led Industrialisation" or the "Rural Centred Development Policy" has, in practical operations and implementation, resulted in the inadequate attention being given to urban areas and their management.

However, due to the pressures resulting from the ever-increasing problems of urban areas as well as the recent recognition of the limitations of emphasis on rural development only, the EPRDF has raised the issue of urban development.

In particular, in its Second Five Year Programme of Peace, Democracy and Development, the EPRDF has expressed its concern towards urban development more explicitly. Accordingly, the objective of urban development is stated as "to enhance the role and contribution of urban centres towards economic development and therefore to improve living conditions of their residents".

And more recently, in response to pressures exerted by international financial institutions and the donor community, the government is working to complete preparation of a comprehensive Poverty Reduction Strategy Paper (PRSP). Such a strategy is believed to serve primarily as a broad framework of development co-operation and to co-ordinate the effort and resources of the donor community.

The strategy is also expected to explicitly identify priority areas of intervention or resource allocation, the respective roles of the government

at all levels, the business community, civil society organisations and the development assistance group.

#### ***4.2 Municipal Institutional Capacities***

In Ethiopia, the very concept of local government appears less developed compared to many African countries where one can observe the experience of local government more clearly owing to the colonial heritage. Nevertheless, similar to these countries, public administration in Ethiopia has been characterized by a greater tendency of centralization. This has resulted in the current general weak institutional capacity, bad image and a general poor record of performance on the part of municipalities.

While a parallel system of local government existed, i.e., Weredas (districts) in rural areas and municipalities in urban areas, there has been little integration and coordination of their functioning under successive regimes. Besides putting limitations to efficiency in their performance it has brought an undesirable urban – rural divide in the design and implementation of policy.

Municipal governments were established from the early 1940's as local governments with defined territorial jurisdiction and functions, and with their own revenue sources. However, there was no sustained and comprehensive effort to strengthen their institutional capacity as well as improve their performance. Throughout time, municipalities were considered as annexes of government administration, which made their relationships and function too centralised.

Relationships that municipalities enter with different levels of Regional State administration i.e. the state, zone administrations, Wereda council as well as Kebele associations remain ambiguous. In most regional states, municipalities still function on the basis of laws and decrees enacted during centralised regimes of the past.

As a result, there was interference in their internal affairs by officials and authorities in various ways. Because of the various proclamations issued during successive regimes, municipalities have been made to focus on political ideology and objectives whereas major service delivery functions received secondary importance. Such inadequate attention given to Ethiopian municipalities indeed indicates the fact that they have

been less important political and service delivering institutions in comparison to their counterparts in many African countries.

Like other tiers of government, an elected council governs municipalities in most regional states whereas they employ professional staff on the basis of civil service regulations. The executive committee system of governance is predominant wherein executives elected among council members assume both legislative and executive functions.

Looking at the internal operation of municipalities, a clear delegation of duties and responsibilities is lacking. And the relationship between elected councillors and appointed professionals has yet to be clearly defined, as it has brought unnecessary competition and overlap.

Regarding the governance system, there are no clear operating procedures, standards, guidelines and criteria for use by both municipal officials in decision making as well as by higher level administrations in the approval of decisions, its follow-up and evaluation.

Moreover, the nature and level of accountability of a municipal council to residents is very weak. Obviously, there exists notable ambiguity in the very concept of accountability. There is no clear guideline, standard and procedure for election of councillors as well as their day-to-day operation.

As the size of a municipal council is often large, this has brought difficulties in efficiency to operations of the council. Most councillors do not have adequate level of formal education and lack inadequate experience in management. Furthermore, there are no operational directives, guidelines and basic training opportunities for councillors. A systematic representation of various social and disadvantaged groups within the council is also lacking.

There is no meaningful delegation of functions among executives as a result of which frequent and prolonged meetings are held that make the leadership ineffective. There is also a frequent reshuffling of officials that leads to lack of continuity in management and leadership.

The legal basis of municipalities in most regional states is still short of being an enabling one, and duties assigned to them are largely administrative and regulatory in nature, while they assume insignificant



responsibilities over essential local economic development activities. Moreover, looking at the present list of functions assigned to municipalities, their performance at present includes only a few.

There are many reasons for the poor performance of municipalities. Firstly, as municipalities weakened other institutions took over some responsibilities with consequent institutional fragmentation and lack of effective co-ordination. Secondly, the weak financial and manpower capacity of municipalities has put constraints on efficiency. And thirdly, poor internal organisation structure, inefficient management procedure, and low salaries as well as lack of incentives have all made efficient service delivery a difficult task.

Municipalities do not have the authority to define their structure and staffing plan, even while taking into consideration their financial and manpower capacity, priorities and expectations of their residents. Organisational charts and staffing plans currently in use within many municipalities are largely outdated.

The staffing plans provide a number of unskilled positions whereas quite a few professional positions are allowed even in relatively larger urban centres. Yet, these few professional positions in most cases remain vacant because of low salary levels, lack of incentives and a generally less attractive working environment within municipalities.

As they cannot afford to pay competitive remuneration, compared to other government agencies, the private sector and non-governmental organisations, municipalities have largely failed to recruit and retain qualified staff. Further, compared to the challenges of urban management, which evidently are enormous, very limited training and development of personnel has been implemented.

Concerning mobilisation and management of financial resources, primarily, the system of revenue collection and financial management is poor and ineffective because of a serious shortage of trained manpower as well as the absence of incentive. The accounting system currently in use is ineffective, as it does not provide current and up-to-date financial information. The chart of account is outdated and requires revision so as to serve as a meaningful instrument of decision-making for the management.

The rates and tariff applied to the various revenue sources remain low, as they have not been revised for nearly three decades. And residents are not in most cases willing to pay taxes because of the inadequate services provided by municipalities i.e., a poor link between taxes and services. In addition, effective mechanisms and a legal basis towards enforcement of revenue collection are lacking.

Other than revenue collected from their own sources, municipalities do not receive grants or transfers on a regular basis. Although the Federal Government and Regional States have in the past extended some project-related support to selected municipalities, in many instances it was done in the absence of clear priority and criteria both for allocation of resources as well as evaluation of performances.

Despite the recent attempt towards decentralisation of political power and authority, complex problems can be observed along practical implementation of decentralisation, such as: inadequate description of structures, tasks and roles, failure to define the status and future of municipalities into the emerging federal system; little guidance on managing federal-regional powers and tasks as well as lack of clarity about federal and regional objectives and tasks appear major grey areas. In addition, inadequate co-ordination of regional development policies and lack of systematic monitoring mechanisms appear to be other drawbacks.

Therefore, the performance of local government in the past has been constrained among others due to; interference by Zone administrations, limited institutional and management capacity, a high degree of dependence on regional states for financial allocation as well as limited space for political competition and participation of civil society.

Moreover, short of recognizing the significant opportunities that urban growth and urbanisation provide to socio-economic development of the country, and looking at the inevitable urban growth in the future, the government is largely overwhelmed by a policy of Agricultural-Development Led Industrialization. While doing so, the country has given little consideration to the potential role of urban centres towards realising the envisaged rural development in particular and the overall national economic development in general.

In the past, as the relationships between the Federal Government, Regional states, Zone Administration, Wereda and Municipalities have not been clearly defined; regional states have assumed a rather paternalistic role over local governments. Moreover, because of a psychological barrier from a predominantly centralized administrative tradition, Wereda and Municipal governments were unable to effectively discharge those responsibilities entrusted upon them.

Currently, awareness on the potential role of urban areas and concern for their proper management is on the rise. As evidence to such growing concern, in the absence of a national framework and institutional set-up for the governance and management of municipalities, various arrangements are emerging in the regions.

The Amhara National Regional State, has approved a municipal legislation, which among others defined; their legal basis and powers and duties; the roles and responsibilities of the council, its standing committee, the mayor and the manager; the inter-governmental relationship involved as well as provided municipalities with adequate authority and autonomy to carry on their duties. The proclamation as well has introduced a constitutional amendment in favour of recognition or protection of municipalities as tiers of government. And very recently, the regional state has abolished the Zone level of government in a positive move to enable the Wereda to function on its own.

Oromiya regional state, has in the past enacted a proclamation that designated its municipalities with state characteristics like; Special Zone, Special Wereda and Deputy Wereda depending on size of population, administrative status and level of economic activity. In the Southern Nation, Nationalities and People's State, like in other emerging regions, no municipal legislation has been approved following decentralization. However, a study towards defining the legal status, governance structure and management system of municipalities has been completed while the process of drafting a new municipal legislation is expected to follow soon.

A similar, study has also been recently commissioned in the Tigray Regional State. Even though the state council will have to approve the proclamation at its next congress, preliminary results indicate commitment to reform or change that is similar to the Amhara region. On the other hand, Addis Ababa City Government and Dire Dawa Special

Administrative Council under previous arrangements had reorganized municipal functions within different bureaux and offices that mainly assume responsibilities for state functions. However, a study that may bring about further restructuring or reorganisation is in progress under the guidance of the newly designated Ministry of Federal Affairs (MoFA).

Furthermore, identifying capacity building as its major priority, the government has prepared a strategy and program framework to set the design and scope of capacity building in Ethiopia. Accordingly, capacity building is understood to combine three aspects i.e., “developing human resources, building and strengthening institutions, establishing effective working practices”. Further, a broad five-year National Capacity Building Program (NCBP) that involves fourteen components, one of which constitutes Urban Management, has been formulated.

The objective of the urban management component states; “to bring about the establishment of autonomous municipalities with relatively adequate financial and human resources in towns with designated size”. The scope of sub-programmes defined under this component includes; formulation of national urban development policy; restructuring and strengthening of urban management institutions at Federal, Regional and Local levels; establishment of new specialized institutions, organization and management development of municipalities, human resources development and introducing improved working systems and procedures.

Reviewing the proposal, the World Bank has shown interest to support a project called Capacity Building for Decentralized Service Delivery (CBDS), over three years. The project focuses on, Regional Policy and Analysis, Regional Technical Assistance for Deepening Decentralization, Local Government Restructuring and Capacity Building, and Pilot Investment for Rehabilitation of Municipal Infrastructure.

In addition, the recent EPRDF development strategy emphasises, rural and agricultural development led industrialization (ADLI), proper and integrated use of all forces of development, promotion of balanced regional development and autonomy of the national economy as well as adoption and implementation of urban development strategy that supports rapid development.

## **5. Strengthening Municipal Capacities**

### ***5.1 Rationale***

A World Bank study on regionalisation and decentralisation in Ethiopia identifies five major reasons on the need to strengthen municipalities.

Firstly, recently there is wide recognition concerning the limitations of a rural development strategy unless it is complemented by an effective urban development policy. Urban centres, in principle provide economic advantages and the potential for development of rural areas and the national economy at large.

As centres of commerce, specialised services, transport and communication as well as market concentrations, urban areas can give significant contributions for the development of their surrounding. Thus, strengthening urban-rural linkages has become a key strategy of effective regional economic development. Municipalities can also be instrumental in both understanding and implementing such a strategy.

Secondly, the apparent rapid growth of urban population calls for an improved urban management capacity in order to accommodate the demands of the growing population for quality and increased services. Nowadays, it has become more clear that rural to urban migration is an inevitable phenomenon. Thus, an immediate concern is on how to meet and accommodate the demands of the increasing population for adequate and improved services.

Thirdly, the delivery of municipal services in general supports economic development and social welfare. Improved municipal infrastructure and services delivery is instrumental both to promote private investment and to contribute towards poverty reduction. Especially with the latter, municipalities are in a better position to easily identify disadvantaged groups within their jurisdiction. They as well are able both to design and implement programmes, which benefit target groups. Adequate services and infrastructure especially within medium urban centres will not only help to create attractive environment both for residents and the operation of businesses, it will also reduce the pressure on larger cities which emanates from the concentration of economic activities and population.

Fourthly, municipalities promote local resource mobilisation through generating revenue from local sources to finance the costs of infrastructure and provision of basic services. In principle, there is a better link between municipal taxes and charges on the one hand and the level as well as quality of various local services provided to the community as compared to taxes levied by the Federal government or Regional states. Building sustainable urban centres and self-reliant municipalities through improved mobilization of local resources will also reduce the financial burden on the federal government and the regional states.

Last but not least, governments have become aware that, municipalities are in a better position both to ensure greater participation of the community as well as to forge partnership with the private sector and community based organisations and non-governmental organisations involved in various local economic development efforts. Municipalities are also known to play an instrumental role as learning grounds of democratic culture, in building civil society and empowering the community.

Therefore, building capacities for urban management assists the nation to redress the marginal concern directed to urban areas and that their management and government is consistent with the capacity building strategy formulated by the government. Strengthening municipal institutions supports to deepen decentralisation and the democratisation process. Therefore good governance of urban areas creates the platform where participation of citizens, civil society and various stakeholders takes place thus furthering the democratisation process.

## ***5.2 Approach***

Improving the performance of municipalities and enhancing the contribution of urban centres to the development process of the country needs a comprehensive reform. In this regard, having recognised the need for a deeper municipal reform, the same World Bank study has identified six major issues to be seriously addressed.

Firstly, as most municipalities in the country are currently operating on the basis of rules and regulations promulgated during previous centralised regimes; there is a need to define their legal status, role, responsibilities and relationships. In decentralised Ethiopia, the role and

purpose of municipalities will have yet to receive clearer recognition. In this respect, an enabling legal and institutional environment that supports improved performance and organisational development of municipalities needs to be provided.

Secondly, an efficient guideline is required concerning internal organisation structure, job description and management procedure for various municipalities. To improve the level and quality of services they provide to residents, municipalities need to have appropriate organisational structure and adequate professionals.

Thirdly, a system of flexible municipal personnel administration, salary scale and incentive mechanism has to be introduced. Changes in this regard will have to enable municipalities to utilise incentives and motivation mechanisms in order to recruit and retain skilled and professional manpower.

Fourthly, a reform, which is more than a revision of rates, has to be carried out regarding municipal tax and other sources of revenue so as to improve the yield and collection. This has to be considered as a next step for the fiscal decentralisation process. In relation to this, municipalities ought to have greater freedom and authority to make decisions concerning the rates applied to the various revenue sources that are assigned to them and to introduce new taxes.

In addition, both the Federal Government and Regional States need to promote urban development and encourage improved practices within municipalities through financial transfer and provision of special grants.

Fifthly, concerning the governance system, a municipal council has to ensure accountability to residents and a transparent and fair election system has to be designed and implemented. Municipalities should also provide adequate information for residents and strive to be transparent in their operations. They also have to involve residents at various stages of decision-making.

Finally, to enhance the skills, know-how and attitudes of councillors, executives and other employees, there is a need to develop and conduct training and staff upgrading on a continuous basis. This has to focus on attitudes beyond various skill training.

Such comprehensive reform with its elements being synchronized and appropriately sequenced needs to be considered in line with the broad decentralisation process of the country and its success depends above all on clear strategy and appropriate design of the implementation process.

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**An Analysis of Household poverty from a  
Gender Perspective:  
A Study Based on Two Kebeles in Addis Ababa**

**Mulumebet Zemebe**

***Abstract***

*It is now widely recognized that if poverty reduction strategies are of any value to lessen the poverty of women, they should be developed based on the results of poverty studies that address the gender differentials in poverty and the intra-household distribution issues. As far as the situation in Ethiopia is concerned, most of the previous poverty studies in this country, were found to have certain limitations which include: focusing on poverty outcomes rather than the processes that lead to poverty; were not done from a gender perspective; predominant use of quantitative research methods which couldn't capture the crucial variables like the intra household dynamics in understanding the poverty of men and women.*

*In a modest attempt to fill in the research gap observed in poverty studies in Ethiopia, the present study has aimed at exploring the processes that lead to the impoverishment of men and women and also the escape routes out of this impoverishment by analyzing the household poverty from a gender perspective taking the cases of two Kebeles (i.e. Kebele43 and 47 of Wereda3) in Addis Ababa, which were known to be mostly inhabited by poor people. More specifically, the study tried to find out men's and women's differential entitlements, choices, rights and capabilities—identifying the different norms, attitudes, and practices of the poorest residents of the city.*

*To this effect, the study used a qualitative research method. Besides, it looked at the whole face of poverty rather than focusing on its specific aspects. Both men (21 in number) and women (24 in number) residents of the fifteen purposively selected households with a monthly income of less than 150 Birr were considered in the study. The data collection methods employed were in-depth interviews and participatory observation.*

*The major findings of the study were the following. Both men and women were found to be severely affected by poverty. But, women were more affected because of the unequal division of labor within and outside the home and the associated ideologies and behavioral norms, cultural factors like early marriage. There were also other factors that were found to contribute to poverty which include, lack of education and training, as well as unemployment. Women were found to have less decision making power than men, they were victims of different forms of violence, and found to have low self-esteem and no hope for the future. Local institutions like ider and mehaber were available but women appeared to have given greater credit for Women Institutions. Although there were sound policies for attaining gender equality in Ethiopia, they haven't yet brought changes to the poor women apparently due to the problems in the implementation and development plans.*

*Finally, the following recommendations were made. A broad perspective should be taken on the problem of poverty in Ethiopia rather than focusing on poverty outcomes such as income. To lessen women's poverty more focus should be made on abolishing cultural practices that put women at a disadvantage. Poverty reduction strategies and programs need to challenge the gender power relations focusing on issues like the unequal division of labor within and outside the home and the associated ideologies and behavioral norms. Women heads of households need to be helped to have long term security using targeted social funds, i.e. credit schemes, and skills training based on a preliminary assessment of their backgrounds in this regards. Women's supportive family networks and local social institutions like ider and mehaber need to be strengthened. Vibrant women's organizations must be set up or strengthened to raise public awareness about gender issues and to help them support themselves and each other.*

## **1. Introduction**

### ***1.1 Background***

Ethiopia is one of the poorest nations on earth. Men and women in this country live in deplorable conditions of poverty. Although there is no comprehensive and continuous assessment of the magnitude of poverty in the country, there are some indications that the extent of poverty is serious both in terms of depth and coverage. However, men and women experience poverty differently; and they also become poor through gender-differentiated processes (Baden and Milward 1995). This is mainly due to the fact that societal institutions - social norms, rights, laws, customs as well as economic institutions- shape roles and relationships between men and women. They also influence what resources women and men have access to and in what forms they can participate in the economy and in society.

Here, it is important to note that households play a fundamental role in shaping gender relations. Households, together with the societal institutions, and the broader economy determine men's and women's opportunities and life prospects (World Bank 2000). It follows that social relations of gender mediate women's experience of poverty.

The other essential set of information that is sought for to design feasible solutions to poverty would be women's and men's perception of poverty and its causes, their needs and poverty coping strategies. For instance, in Ethiopia, poor men and women have their own ways of coping with poverty. They attach value to their attitudes, beliefs and thoughts and use them to overcome their difficulties. Men's and women's attitudes and perceptions of life should be well considered in order to identify problems and find possible solutions.

In general, the underlying structural conditions, which generate and sustain gender inequality, must be addressed for poverty reduction strategies to succeed in Ethiopia. The diversity of household and family forms, and the complexity of intra-household dynamics need to be taken into consideration in analyzing the poverty situation and designing poverty reduction strategies. The present study has, therefore, tried to consider the variables that have been mentioned thus far while conducting the analysis of household poverty in Ethiopia from a gender perspective taking the case of two Kebeles (i.e. Kebele 43 and 47 in

Wereda 3), which were known to be among those Kebeles of Addis Ababa mostly inhabited by poor people.

Wereda 3 is located in the inner part of Addis Ababa. Both Kebele 43 and 47 are very densely populated and overcrowding is a major problem in these Kebeles. The total population of Kebele 43 and 47 are 11,850 and 8000 respectively. The two Kebeles are located near Merkato (i.e. the central market place of the city) and quite a considerable number of the residents earn their income from working in the market. The Kebeles were found to have a large number of female-headed households.

### *1.2 Statement of the Problem*

Several studies have been made on poverty in Ethiopia. However, a closer look into these research works revealed that there seemed to be an apparent failure in the studies to make the analyses of the intra-household dynamics of poverty from a gender perspective. To illustrate, one of such important studies in providing valuable information on the poverty situation in Ethiopia, the Welfare Monitoring Survey (CSA, 1998), seemed to have overlooked the crucial questions that should have been answered regarding the intra-household distributions- the household inequalities in resource distribution and other institutional biases. It lacks data that segregates expenditure and consumption by gender.

The other worthwhile research work that deserves mention might be the Ethiopian Demographic Health Survey (CSA 2000). This is the first comprehensive survey that has given gender disaggregated data. But the survey failed to disaggregate the household possessions of men and women family members.

There are also many other studies carried out on poverty in Ethiopia such as (Belayneh 2001; Tegegn 2000; Yasin 1997; Tirufat 1996; Getahun 1996; Solomon 1993). But these studies left out the gender perspective in their analyses of the poverty situation in Ethiopia. Furthermore, there are still other studies (Tizita 2001; Girma 1997; Getenet 1996) that have compared female-headed and male-headed households or focused only on the former, in their analysis on poverty in Ethiopia. However, such an approach in poverty analysis has been criticized partly because the category of female headship in the approach lumps together the categories of household generated by different processes (Whitehead and Lockwood 2000).

In general, the studies on poverty in Ethiopia discussed so far used economic and social indicators to indicate poverty outcomes. However, such an exclusive focus on poverty outcomes in the analyses of the poverty situation is found to overlook the processes that lead to poverty by addressing the questions that have little to do with solving the problem i.e. the problem of poverty (Razavi 2000).

Recently, however, a study by (Aklilu and Desalegn 2000) introduced what might be considered as a major shift of perspective on poverty studies in Ethiopia discussed thus far. This is by focusing on the processes that lead to poverty (rather than on the poverty outcomes) and using a predominantly qualitative research method in their examination of the poverty situation in Ethiopia. The findings of the study revealed important information on the poor people's views and perceptions of poverty, well being, and causes as well as consequences of poverty in both rural and urban Ethiopia. But the findings of the study on gender issues needs to be supported by other similar in-depth qualitative studies.

The present study has been in fact, a modest attempt made to fill in the research gap observed in the analyses of poverty in Ethiopia from gender perspective using in- depth qualitative research method.

### ***1.3 Objectives of the Study***

The main objective of this study has been to generate a comprehensive set of information about the processes leading to the impoverishment of men and women in Addis Ababa and their escape routes out of destitution. In so doing the study explored the situation of impoverished men and women by looking at the whole face of poverty rather than focusing on just one of its aspects. Furthermore, it has tried to find out men's and women's differential entitlements, choices, rights and capabilities. Attempts were also made to identify the different norms, attitudes and practices that contribute to men's and women's poverty. The specific objectives of the study include the following:

- to show the living standards of each family member in terms of health, education, security and access to resources.
- to identify the differentiated roles and responsibilities of men and women in the family.
- to find out the income sources, expenditure patterns, time budget and activity patterns of men and women in the household.

- to reveal men's and women's perceptions of poverty.
- to find out the qualitative dimensions of poverty, such as stress, poor self-esteem, dependency and experiences of violence.
- to point out the coping strategies of poor men and women to poverty.
- to disclose the kinds of interventions that would be recommended by poor women and men in reducing poverty.

#### ***1.4 Methodology***

The study used qualitative research methods. These methods were selected because they were appropriate to find out the complexity of intra-house hold dynamics in relation to poverty. Intra-household relations are regarded as private domain but intra-household practices and expectations leading to differential outcomes for men and women can only be fully apprehended through detailed qualitative research (Kanaiyati in Razavi 2000).

It is vital to learn more about poor men and women and to understand their current circumstances within the context of their lives. Intrinsic values are attached to issues of power, self-respect and dignity, which are also essential in analyzing the notion of well being. An assessment of poverty in Ethiopia requires a detailed understanding of new sources of vulnerability. We need to replace more fundamental inquires into the nature of men's and women's poverty through an in-depth analysis of social processes that give rise to gender differentials.

A set of different questions were raised during the study. Some of them were; who are the poor men and women in Wereda 3 Kebele 43 and 47? How do these poor men and women live? What circumstances cause poverty? What is needed to help these poor men and women come out of poverty? A broad perspective on the problem allowed us to examine the multiple factors contributing to men's and women's poverty in the two Kebeles. The study tried to produce a broad and multifaceted picture of the lives of the poor men and women in Wereda 3 Kebele 43 and 47.

With regard to the sampling, fifteen households were purposively selected from Kebele 43 and 47 of Wereda 3. This Wereda is known to have a large number of poor residents. All of the selected fifteen households were very poor households with a monthly income of less than 150 Birr. They comprised of petty traders, domestic servants,

beggars, pensioners, civil servants, students, prostitutes etc. The study tried to see the group members as individuals, with differing characteristics, experience and attributes and attempted to explore the lives of twenty four women and twenty one men. Attempts were made to develop a comprehensive picture of the lives of these men and women through their own voices. The households were both female-headed and male-headed and comprised of different categories of households.

As to the data collection methods employed in the study, in-depth interviews were held with members of the households including children over the age of 13. Since close scrutiny was required to collect information on sensitive issues like violence, frequent visits were made to the households. The interview was designed to cover basic demographics, work experiences, and past and present life circumstances. The study tried to point out the multitude of factors that constrained the respondents including personal finances, health problems, and sexual prejudices. Participant observations were also made to find out the power dynamics within the household.

## **2. Literature Review**

There is a wide consensus that development should be measured in terms of an improvement in the general welfare situation of people. Accordingly, the welfare monitoring in Ethiopia arose as part of the Economic Reform Program (ERP) currently being undertaken in the country. To this end, a Welfare Monitoring System (WMS) was set up by the government in 1994. The system has done a commendable work in collecting information on the poverty situation in the country. The report of the 1998 Welfare Monitoring Survey provides micro level data and information on the people's welfare situation. The survey gives valuable data on per capita income levels, distribution of income, levels of absolute and relative poverty, and other welfare indicators such as literacy rates, school enrollment and access to safe water and sanitation.

In the survey, it was indicated that poverty is extremely high both in urban and rural areas. Education, health and related indicators showed that Ethiopian women have specific needs and they suffer most due to poverty. However, the report doesn't go beyond indicating the fact that the burden of poverty is much on women. Besides, the data sets of the survey do not answer questions about intra-household distribution. The survey lacks data, which desegregate expenditure or consumption by



gender. Thus, there is a need to incorporate all the relevant data by giving due considerations and interpretations to women's and men's lived experiences. Zenebework (2001) stated the reason why such data was needed in poverty studies being conducted from a gender perspective. She noted that since men and women have different roles and responsibilities which are socially constructed, the causes and experience of poverty differ by gender.

The other important aspect of the survey that needs to be called to question when looked at from a gender perspective is concerned with the household. The household is used as a unit of analysis in the survey. But the household is viewed as a harmonious unit within which decisions regarding consumption, labour market and the division of labour are made without tensions among household members. This seems inconsistent with the widely held idea that the household is a place of both cooperation and tension. In fact, scholars further elaborated that family members have different needs and the experiences of men and women living in poverty have to be conceptualized separately (Beneria and Bisanth 1996). According to these authors, there are intra-household inequalities in resource distribution and other institutional biases that can not be captured by household level income and consumption measures. Reinforcing the above idea, the gender analysis of household survey data for 19 Sub-Saharan African countries proved the existence of household diversity and showed that poverty is related to family systems (Blackden and Bhanu 1999).

Meanwhile, the study by Aklilu and Dessalegn (2000) evidenced that it is not correct to give priority to an income and /or consumption definition since poverty is multidimensional and includes the totality of livelihood. For these writers, poverty assessments based on income and expenditure data from household surveys are said to be narrow and often unreliable and non-comparable. In the same vein, Razavi (2000) stressed that if household surveys are to become useful tools for capturing gender differentials in poverty, intra-household distribution issues need to be addressed.

On the other hand, the Ethiopian Demographic and Health Survey conducted by the year 2000 could be mentioned as the first comprehensive survey in Ethiopia, which tried to give gender disaggregated data on health and demographic issues. The survey provides information on family planning, fertility, infant and child

mortality, mental and child health, nutrition, and the knowledge of HIV/AIDS.

The findings of the survey gives valuable information to policy makers and planners as helpful input in formulating gender-sensitive health and population plans and policies. Although the survey provides gender-disaggregated data for education and employment, it is not without some limitations. There are some issues that should have been disaggregated by gender like household possessions. This is important because men and women do not own household possessions equally.

There have also been other poverty-specific isolated studies, which might enable one to have a better appreciation of the magnitude of poverty in Ethiopia. The two Ethiopian Rural Household Surveys conducted between 1989 and 1994 and the Urban Socio-economic Survey conducted in 1994 by the Economics Department of Addis Ababa University, Oxford and Gothenburg Universities indicated the level and the changes of poverty both in rural and urban Ethiopia (Dercon and Krishnan; Bevan and Bereket; Bigsten and Nigatu, Mekonnen and Abdulhamid 1996). In these studies, except for a few comments that women in Ethiopia are vulnerable to social problems like prostitution, their data is not gender disaggregated.

There are still other studies on poverty and poverty reduction in Ethiopia that have focused on showing the extent of the poverty problem in urban and rural Ethiopia (Belayneh 2001; Getahun 1996; Solomon 1993; Tegengne 2000; Tirufat 1996; Yasin 1997). Although some of these researchers indicated the impact of policies and programs (like structural adjustment programs) on the poor, they didn't discuss poverty from a gender perspective. But they classified the poor in groups such as urban poor and rural poor. Due to the limitation in the scope of some of the studies, their analyses couldn't give much attention to gender issues (but this is not enough). Some of the studies are incomplete because they have left out a very important perspective – the gender perspective- to look at the poverty situation in Ethiopia.

However, there are other studies which have overcome the limitations of the above studies in failing to look into the poverty situation in Ethiopia from a gender perspective. These are studies which have tried to see poverty in Ethiopia from a gender perspective. These studies have proved that female-headed households are poorer than male headed

households (Getenet 1996; Girma 1997; Tizita 2001). The studies have mostly made a comparison between male-headed and female-headed households or looked at only female-headed households. According to these studies, it is mainly household size and the sources of income that affect the economic well being of female and male-headed households (Tizita 2001). Moreover, the studies have tried to point out the impoverished status of the single mothers and recommended that special attention be given to female-headed households.

The findings of the studies have indicated that there is a trend for the extent of poverty being worse among women; particularly being associated with the rising rates of female headship of household. However, the assumption that female-headship always represents disadvantage has been subjected to criticism. Because, the processes which lead women to head households are many. Besides, desegregation by the gender of the 'household head' does not provide a meaningful approach to gender and poverty. Because, the category of female headship lumps together the categories of household generated by different processes (Whitehead and M.Lockwood 2000).

In general, most of the studies on poverty in Ethiopia discussed so far have used economic or social indicators to capture poverty outcomes. An exclusive focus on poverty outcome, however, very often means that the processes leading to poverty are overlooked. Like in the studies reviewed above, emphasis should not have been given to whether women suffer more from poverty than men, but on how gender differentiates the social process leading to poverty, and the escape routes from destitution. From the above discussions it can be safely concluded that most of the studies on poverty in Ethiopia were focused on addressing questions that have little to do with solving the problem of poverty. Besides, these questions don't emanate from a broad viewpoint and are not helpful in directing to solutions that address the problem of reducing poverty.

Quite recently, however, a poverty study has been carried out in Ethiopia employing a methodology that basically departs from the previous studies discussed thus far. This was, 'Listening to the poor: A Study Based on Selected Rural and Urban Sites in Ethiopia' (Aklilu and Dessalegn 2000). This study is a qualitative study which is different from the previous studies, that mainly used quantitative research methods to look at poverty in Ethiopia. The study documents poor people's views

and perceptions of well-being and causes as well as consequences of poverty both in rural and urban Ethiopia.

According to the findings of the study, gender relations are said to be very much influenced by the dominant culture in the area. The study has a very interesting and important finding on gender relations, which says that gender relations are showing clear signs of change in favor of females. That is, poverty has given women a greater say in the household affairs. Moreover, the study attempted to capture quite a number of issues on poverty, including gender relations. One can assume that this might have a limiting effect on the depth of the analysis that could be made in this study on gender issues. It follows that the finding of the study on gender issues needs to be supported by other similar in-depth studies.

Once a comprehensive review of the existing studies on poverty in Ethiopia has been made the next important issue that needs to be examined would be the measures being taken in Ethiopia regarding poverty reduction from a gender perspective and the future direction. This is closely examined in the remaining part of this section.

Poverty reduction is high on the agenda of the Ethiopian Government, donors and non-governmental organizations operating in this country. The Interim Poverty Reduction Strategy Paper of Ethiopia has already been prepared and the country is now in the process of preparing a poverty reduction strategy which is expected to play a pivotal role in reducing poverty. The I-PRSP has four building blocks namely the Agricultural-Development-Led Industrialization (ADLI), judicial and civil service reform, and decentralization and empowerment.

The Poverty Reduction Strategy document was criticized for neglecting to "include gender as a category in the analysis of poverty and in the formulation of appropriate economic, political and social policies"(Zenebework 2001:15). The strategy has also included some gender concerns in the fourth building bloc which is 'decentralization and empowerment'. The document states that the institutionalized incorporation of women is considered to be a major area of empowerment. But the I-PRSP is criticized for not providing evidence on the enhanced participation of women in decision making or in articulating their gender specific needs (Zenebework 2001).

In order to change the conditions of men and women as a result of the poverty alleviation efforts, gender awareness needs to be incorporated into the formulation of the interventions and ensure that women's views and specific needs are included in informing the planning process. Poverty is not only an economic feature, since its causes and effects are diverse. Unequal division of labour within and outside the home, and the associated ideologies and behavioral norms are oppressive to women.

Poverty reduction strategies that target resources of poor women without institutional change are not sufficient in themselves to bring lasting benefits both to men and women (Bridge 1995). The poverty reduction strategy in Ethiopia needs to consider issues of human rights, nutrition, cultural traditions and political, social and historic conditions which combine to create poverty in the country.

### **3. Results and Discussions**

This section is concerned with the presentation of the major findings of the study and the discussions subsequently made on the findings. The section comprises of the major findings obtained on the four focal areas of the study i.e. the main issues that were examined on the sampled women and men from Wereda 3 Kebele 43 and 47. These are: the living conditions of the sampled women and men, the causes and impacts of their poverty, their perceptions of poverty and its causes, and finally, their coping strategies as well as their needs.

#### ***3.1 The Living Conditions of Men and Women***

To explore the living conditions of the respondents four crucial categories of variables were considered. These were income and household responsibilities, education, health and food in take and housing facilities. The results obtained on each are presented below.

##### ***3.1.1 Income and Household Responsibilities***

All the respondents had a very low income ranging from 45 to 150 Birr per month. Female-headed households had the lowest income next to the sick and the disabled. The occupation of members of households was directly related to the level of poverty in the household. The majority of the respondents did not have a permanent income because they were engaged in the informal sector and some of them were in the

civil service engaged in low-paying jobs. Most of the women were petty traders selling *inger*a, bread, vegetables and local drinks such as *Tella* and *Areke*. The men were mainly engaged in daily labor jobs as guards and construction workers. The majority of the respondents were busy trying to make a living.

In most of the households, family members above the age of six were engaged in different activities to supplement the family income. Young school children were selling *inger*a, *kollo* and boiled potatoes in the evenings to raise money for their education.

The respondents stated that their income is not at all sufficient to cover their expenses. All engaged in the informal sector complained that their income is on the decrease. They reported that life had become so unbearable that they had come to the point where they could not be sure whether they would manage to sustain themselves any longer. Almost all the women were engaged in different activities to supplement the income of the household but there were a very few housewives who totally depended on their husbands' income. The majority of the women work from 12 to 18 hours a day and were taking almost all of the responsibility of doing household chores.

### **3.2.1 Education**

The majority of the children in the households were going to school but some parents were not able to send their children to school mainly for economic reasons. Most of the parents in these households were found to be illiterate, with the highest level of education of parents being the elementary level. We found more illiterate women than men. The literacy campaign during the Derg regime was praised by many for giving them a chance to write and read. They regretted that they did not have a chance to continue with their education but all wanted their children to be educated. Here is what a mother of six children said:

I never had a chance to go to school. I was not able to learn during the literacy campaign because I had had a health problem. I strongly believe that my children should get an education. I have managed to send my children to school. I would feel as though I were not a responsible parent if my children quit going to school. I may not be able to feed them even a decent meal, but I would definitely send them to school. This is my only goal in life.

Both schoolgirls and boys reported that they encounter various difficulties including family related problems. Parents' inability to provide school materials either due to economic constraint or lack of awareness was mentioned by many as a serious problem. Compared to male students, female students were found to have a poor performance at school but their performance could have been related to their life style which was reportedly in compatible with involvement in academic learning. . The heavy load of domestic work was mentioned by many as one of the factors that discouraged girls from going to school. Girls were not encouraged by their parents to stay at school mainly because most of their parents were raised to view marriage and motherhood as the most acceptable future for a woman.

Quite a number of the female student respondents repeated class and there were more female dropouts than male dropouts. Mostly dropping out was found to be followed by grade repetition. According to the interview with the young girls, repeating a grade had negative effects on the students' self-esteem and attitudes towards school. Two of the interviewed women had to leave school to have a baby but the rest of the dropouts left school due to financial reasons. Sons were given more time to study and they were more encouraged to pursue higher education while daughter on the contrary, were required to help their over-burdened mothers. Parents were not in a position to follow-up the education of their children apparently because they themselves were not educated.

It was quite common to find two or three high school graduates in most of the selected households. These high school graduates had not been able to join institutions of higher education because they were not able to score the minimum grade point average needed for entry to these institutions. They haven't got a chance to join private training institutions because of financial constraints. The young boys and girls complained that they were not able to find jobs, or education because of the lack of employment opportunities in the country.

### ***3.1.3 Health and Food Intake***

The majority of the respondents reported to have encountered illness said they were not able to get medical care mainly due to financial reasons. Most of those who went to health institutions went to government owned health institutions due to their "fair cost". Some said they consulted a traditional healer or went to individuals who provide

medical assistance using modern medical equipments. Typhoid, tuberculosis and diarrhea were mentioned as the major illnesses the members in the households had suffered from.

The majority of the respondents had knowledge of family planning and they reported that they had heard of at least one method of contraception. The injectables and the pills were the methods mentioned by both women and men. Half of the respondents used contraception. The majority of the users of modern methods learnt of their method from the public sector and from private sources. Most of the respondents however said they preferred to space or limit the number of children they had but there were some who preferred to have as many children as they could get. In four of the households schoolgirls were exposed to unprotected sexual interaction resulting in an unplanned conception.

During pregnancy, women require greater time for rest, better supportive environment and a higher food intake. But these changes did not occur and women's poor health was determined by mal-distribution of the food supply in the house. The majority of births in the families were delivered at home attended by either an untrained or trained birth attendants or a relative. Some reported that they had delivered without assistance. Some of the women received antenatal care from trained and untrained traditional birth attendants. All except one respondent didn't receive postnatal care.

Almost all the respondents mentioned HIV/AIDS as the most threatening health problem. All of the women and men had heard of HIV/AIDS but their level of knowledge varied considerably. The majority believed that having sex with only one partner was the single most effective way to avoid contracting HIV/AIDS. Some of the women and men had a tendency to believe that a healthy-looking person couldn't have the AIDS virus. The majority of the respondents who were married or living with a partner had not discussed the prevention of HIV/AIDS with their spouses or partners.

Women respondents were afraid to ask for protected sex even when they had a suspicion that their spouses were involved with other women. Men respondents on the other hand said they wouldn't dare to live with a woman when they had a suspicion that she was involved with other men. The study proved that prostitutes and young schoolgirls had performed unprotected sex mainly to get money and protection from men.



Food security was one of the major problems of all the households. Members of the households reported that it was difficult for them to obtain three meals every day because they were unable to purchase food. A few have reported that they had a single meal a day but the majority said they had managed to have at least two meals per day. Women were found to play the major role in securing food for all members of the family.

Almost all members of the households reported to have preferred to eat *Injera* all the time but what they could mostly afford to get was bread. The majority reported that they would buy *Injera* whenever they had money. They could not bake *Injera* at home because they couldn't afford to buy *Teff* in kilos. The common sauce in all the households was *Shiro wet*. Once in a while, the households might manage to prepare a sauce made with cabbage or potatoes. Bread with tea and coffee was also a common meal in most of the households. Boiled potatoes and *Kollo* was the food frequently eaten. Most male heads of households were reported to drink alcohol especially local drinks like *Tej*, *Areke* and *Tella* while women said to have preferred having home-brewed coffee at all times.

Maternal nutritional status has an important implication for the health of mothers and children. Women with poor nutritional health are more likely to give birth to children who are not healthy. Infant feeding practices are also important determinants of children's nutritional status. In the study it was found that breast-feeding had been practiced by all of the mothers. According to the results of the interview with the female respondents, mothers might force the children out, especially when the food supply was scarce. The feeding of the family was found to be the sole responsibility of the mother and the girls in the household while the men were given the priority to eat whereas women were made to eat what was left behind.

#### **3.1.4 Housing Facilities**

Availability of a housing unit itself and access to facilities are important in assessing household welfare. The respondents reported that poor environmental sanitation and inadequate access to basic infrastructural services could be mentioned as sources of some of their problems.

The majority of the households enjoyed safe water and most of the households used public taps. The type of lighting used by the majority of the households was electricity where as a few used kerosene. It was only four households that were found to use their own private electricity meter but the majority shared an electric meter with their neighbors. Kerosene, charcoal, firewood and leaves/dung cakes were reported to serve as cooking fuel in the households. Accessibility was mentioned as a reason for using each type of fuel. Kerosene and firewood however were most frequently used by most of the households.

The households reported to use different types of toilets including pit latrines, containers and the field. The majority of the households did not have toilet facilities; and hence were using a container or the field. For those who reported to use pit latrines, it was quite common to share a toilet with up to 40 individuals. The method of waste disposal was considered to be one of the environmental factors that had affected the well being of the residents. The majority of the households stated that they threw away their garbage but some said they were using waste disposal containers.

The respondents were asked to indicate their tenancy status. Most of them reported to live in rented houses and only two were found to live in their own house. The monthly rent of almost all of the houses didn't exceed 15 Birr and the majority of the houses had floors of earth or zinc. Most of these houses were found to have single rooms but some had double rooms. The rooms were unfurnished and the surrounding spoke of the absence of money to buy or even repair anything. The roofs of most of the households were leaking during the rainy season while the interviews were conducted. The respondents reported that they had applied to the Kebele to get their houses maintained but the Kebele had been very slow to respond to their application.

In most of the households a single room was found to be used for eating, sleeping and cooking. All family members were sleeping in the same room. And in some of the households more than 10 people were reported to sleep in a single room. Although the living spaces of most of the houses were small, their appearance spoke of the efforts of household members to make it a home. Only a few of the households had consumer items like electric *mitads* (injera ovens).

### ***3.2 Causes and Impacts of the Poverty of Men and Women***

Societal institutions, households and the broader economy together determine men's and women's opportunities and life prospects. Like societal institutions, households play a fundamental role in shaping gender relations. Men and women make many of life's most basic decisions within households. Economic policy and development also critically affect gender inequality. A stronger economy will also mean fewer resource constraints within the household. In this section the findings of the study with regard to the above stated variables will be presented.

#### ***3.2.1 Societal and Household Factors and their Impacts***

Poverty cannot be considered as a purely economic issue since its causes and effects are very diverse. Issues like human rights, cultural traditions and social and political conditions combine to create poverty. The interviews conducted with members of the households proved that men and women become poor as a result of multiple issues. These issues were found to be both societal and that of the household.

#### ***3.2.2 Migration and Other Related Factors and Their Impacts***

Modern infrastructure and social services in Ethiopia are concentrated in a few towns and Addis Ababa. The relatively faster growth of Addis Ababa has been a major attraction of people living in less modernized rural areas. There has been a significant influx of rural migrants to Addis Ababa. Some of the respondents of the research came to the capital in search of jobs, education and other better opportunities. Drought and famine were also mentioned as major factors of displacement from the place of their origin. The two recent famines were mentioned by some of the respondents as a reason for coming to Addis Ababa.

Two of the respondents said they came to Addis Ababa to be looked after by their relatives who had been living in the capital. The extended family system in Ethiopia can be viewed as giving great incentive to rural-urban migration. Respondents stated that they had had exaggerated information while they had been in their place of origin about the life opportunities in Addis Ababa. They thought that their relatives in cities were living comfortably but later upon their arrival in the city found out that it was not the case.

According to the interviews with female respondents, forced marriage, early marriage and high divorce rates were central to the migration of women to the capital city. Marriage was mentioned as the major societal factor for female migration. Death of parents was also cited by a few as one reason for the coming of rural children to Addis Ababa.

Even though the population of Addis Ababa is growing rapidly due to internal migration, the formal sector has not expanded to accommodate this growth. The majorities of the respondents were born outside Addis Ababa and were not received by the labour market in the city for various reasons. They were illiterate and often their skills were limited. Poorly paid, low end jobs were found to be relatively accessible as first-entry jobs which helped integrate young men and women migrants from rural areas. Domestic labour and prostitution were the most viable options for the female migrants. The male respondents noted that daily labour was the only job opportunity available for them.

Women were found to have the tendency to run away from countryside and come to Addis Ababa seeking security and a better life. A few of the female respondents said they had to get married in order to get security and a means of subsistence. Most of the women said they were married to illiterate men who had no permanent income. Since employment opportunities for women were found to be extremely limited in the informal labour market, the women had to stay at home taking care of the household and the children. Some of them reported to have engaged in selling *Tella* or be involved in petty trading to supplement the income of the household.

### **3.2.3 Family Planning**

The majority of the households were found to have large family sizes. All of the respondents had knowledge about family planning but their level of knowledge varied significantly. The study proved that the knowledge of family planning was slightly higher among women than men. The level of education was positively associated with the knowledge of contraceptive methods. The majority of the men and women respondents were reported to support family planning but there were a few who were against it for the following reasons;

*Taking contraceptives is bad for the health of women. Women who take contraceptives become barren or they encounter some health complications. (A 45 year old woman).*

*It is against the will of God to use contraceptives. One has no right what so ever to kill God's creation. Who knows, if a child born from a poor family becomes a king or a priest? (A housewife)*

Households with large family sizes were unable to fulfill all the basic needs of the members of the household mainly due to economic reasons. They found it difficult to supply food for all family members. Some of these women wished to have more kids when they were unable to take care of their children. Young schoolgirls reported that they had to dropout of school to have and raise children. These young women said they conceived because they didn't have sufficient knowledge of contraceptives.

#### **3.2.4 Work, Household Responsibilities and Resources**

According to the interviews with the respondents, predefined conceptions of society on the roles and responsibilities of men and women tended to push them away from being involved in activities that would bring changes to their lives. The deeply rooted ideology that had made them perceives women only as housewives, which limited women only to the household. This ideology was found to be shared by both men and women; and it had made women feel less confident about their capabilities.

Almost half of both men and women respondents had a strong belief that women should limit themselves only to their reproductive roles. Quite a number of the respondents believed that males should be the main breadwinners while women should take care of the house. It was agreed by some of the respondents that a woman should work outside the house only when the income the man brought to the house was not sufficient to meet the demands of the family members. There were females who were involved in activities outside the home but who believed that it was not right for women to work outside the home. The men and women were raised to view marriage and motherhood as the most acceptable future for a woman. The following quotation is a good testimony to the fact that the attitude of society towards women's responsibilities has not changed much. A woman said;

*I am involved in construction work. I am good at my work but I am not comfortable with what I am doing because construction work is men's work. Women's responsibility should be taking care of the household.*

The work of women at home was found to be repetitive, time consuming and they were sometimes very boring. The problem was that they were neither self enhancing nor appreciated by others. It was both men and women respondents who said that men should not be involved in doing household chores. According to some of the male and female respondents, it was considered 'un-manly' to clean the house, cook or look after children.

Although the deep rooted conception among men and women was that women should not be involved in activities traditionally considered as men's, more and more women were being involved in activities outside the house to raise income for the family. Due to economic reasons, women were becoming more involved in public work like the construction of roads. The shift in the kinds of activities had also helped in providing women with more decision making power in the household.

Most of the female respondents asserted that they had made more decisive decisions when they brought money to the house than the times they were totally dependent on the income of their spouses. Some of the respondents said they were not involved in major decision-making in the family even though they contribute quite significantly to the income of the household. They noted that important decisions about households were still solely made by men. The contribution of women to the household income was undervalued; likewise their work in the household was not considered as "work".

Female respondents said it was so much more difficult for them to do household chores and at the same time work outside the house to raise income. These women were mainly engaged in petty trading to raise income and on top of that they were entirely responsible for all the domestic work in the home. Compared to their spouses, the women had less labour to offer. Women who work outside their house to raise income said they had interest in a more flexible job structure that could offer them greater choice in the working hours. Women's heavy workload has proved to cause both physical and mental stress and damage their health over the long term.

Young schoolgirls said they were expected to be involved in household chores, although this would constrain their schooling and their educational attainment. Females in the household were found to take almost all the responsibility of taking care of the household which overburdened them. Respondents reported that they were working more than 16 hours a day. Household chores were described by a 45 year old housewife as the following;

*I work from dawn to dusk. I don't have time to rest and drink my coffee or chat with friends and neighbors. There are some days when I sleep only for two or three hours. The work at home is very time consuming and difficult. My children are very young and they couldn't help me much with my work.*

According to the interview results with the respondents, men were not supposed to be involved in household activities or stay at home especially during the time when women were involved in household chores like cooking. Men respondents said it is 'un-manly' to stay the whole day at home. They also admitted that they found it difficult to stay out almost the whole day when one doesn't have money to spend with friends.

Two of the men who had shouldered the responsibility of taking care of the household and their children after the death of their spouses complained that they couldn't get involved in household activities as much as they wanted to be for they were afraid of what other people might say. They admitted that since they were not able to afford hiring a domestic servant, the burden of taking care of the household rested on the young schoolgirls in the family.

The study proved that some of the women respondents didn't involve in activities outside the house for three main reasons. Most of them gave all their time to the household chores because the activities at home were very time consuming. The other reason was the misconception that women should not be involved in activities outside the house when the breadwinner (the husband) is still working. There was a tendency that when the head of the household had a permanent income, the wives mostly depended on that income.

It was mostly when the earnings of the men were not sufficient to fulfill the basic needs of the family that the women opted for work

outside the house. This had a very negative effect on the male household head because the whole burden of raising income was on him. Since most of these women did not have specific skills, they would not be taken up by the formal sector. They were found to be working mostly as petty traders and domestic servants. A 52 year old daily labourer said the following;

*I earn my income as long as I am strong and alive. I am not healthy and strong as I used to be. I feel so much worried that I may stop working one day. How is my family going to live if I don't bring money home? I do not have pension or any source of income to feed my children. Even the thought of losing income is so terrifying to me.*

It was not only men but also women who said that they didn't feel secure about the income of the family. Most of them reported that they felt insecure because the family didn't have permanent income. They wished they were entitled to pension or any other support. Some of the male respondents stated that they would feel more secure if their spouses were also working.

### **3.2.5 Female-headed Households and their problems**

Almost half of the households included in the study were female-headed households. It was found that during the study that the female-headed households had less and an unstable income when compared to that of male-headed households. According to the interviews with some of the female-heads, life had been so difficult especially during the first and second years of their headship. This was mainly due to inexperience and lack of knowledge in getting income.

Most of the women household heads were widowed and divorced. The widowed women had a much better life before the death of their spouses but suddenly they had to get used to generating income for the family. A closer look at the situation of impoverished single mothers suggested that the barriers to solid economic independence were found to be enormous. The women respondents had limited educational and life skills. They were forced to be involved in different kinds of activities to raise income and feed their children and themselves. The women were committed to building a better life for their children because their children always had to come first.



These women involved their school children in different activities to raise money for the family but most of them were not happy about it. Female heads of households reported that they felt so much insecure because they didn't have permanent jobs. The kinds of jobs in which the women were qualified did not provide flexibility if they happened to experience health or child care problems. Work was reported to mean responsibility for most of these mothers. A 43 year old woman head of a household had the following to say;

*I felt as if it was the end of the world for me and for my family when my husband died. He was a carpenter and he had had a decent amount of income. Now I raise my 5 children with the money I earn working as a domestic servant. A lot of times we are without of food or money. I wash clothes and cook in the neighborhood for a little money. My 14 years old daughter started working in a bar because I was not able to meet all her demands. She wanted to dress well like her friends but I couldn't even feed her well. I am worried about my daughter. I am also afraid about what is going to happen to the rest of my children if I stopped working. I always ask myself questions like, what if we run out of food? What if my children get sick? Will the electric bill get paid? What if I don't get any job? There is no one else to share my fears. I don't even want to talk about it. The thought itself is so scary.*

Single mothers struggled with the strains of work and family responsibilities; and as single parents, they had to cope with multiple life pressures by themselves. The women respondents had a difficult time trying to balance work demands and family needs with scarce financial resources. Their lives were reported to be full of stresses, uncertainties and challenges. But they struggled with all of these knowing that there were no other choices for them. For these women, the most painful part of the tight budgets was not being able to provide well for their children.

Four of the respondents stated that divorce led them to impoverishment, even if it was sought by them as an escape from violence. Leaving the abusive relationship was a positive step in these women's lives but since they had no skills or job experience they were propelled into poverty. Finding the money for some of their most basic things, such as food and school supplies for their children posed financial dilemmas for these women.

Four of the respondents were prostitutes or ex-prostitutes. The prostitutes were working in their homes. They complained that their income was on the decrease mainly due to the HIV/AIDS pandemic. They had a strong suspicion that their clients would not come to them as they used to do because of the wide spread notion that prostitutes were found to be the prime transmitters of the diseases. The two ex-prostitutes left their 'profession' for three different reasons. One of the women left her job because she could not compete with young women who were said to be more attractive than she was to their clients. Her other reason to quit her job was related to her health. The other woman said she made a wise decision to quit her job for the health risk it entailed. One of the women turned to work as a petty trader and the other one chose to be a daily laborer. Both women said that they couldn't get enough money to meet all their demands. But they said that they felt more secure now because they were no longer thinking that their lives were at risk.

### **3.2.6 Health Problems**

Due to financial constraints, almost all the men and the women were unable to have medical support when they had health problems. Some said they had a chance to get free medical care with the help of the Kebele but complained that the process of getting the paper from the Kebele was discouraging.

Elderly people were mostly affected by health problems but they were unable to get medical care mainly for economic reasons. Men and women respondents complained that there was no social support system for the elderly and the disabled. They said they felt insecure about their future. An elderly man of 72 said the following;

*I am old and sick. I don't have children or relatives to take care of me. I am always worried about what is going to happen to me if I couldn't move my body and stay in bed. I always pray to God that this will not happen. I wish to die before that time comes.*

### **3.2.7 Entitlement and Decision Making**

Issues of power, self-respect and dignity are essential in analyzing the notion of well-being. The processes through which individuals gain access to commodities and other resources depend on their socio-economic position. Processes of decision-making, achievement and

access to resources are identified as the three dimensions vital to check on the different kinds of power to measure women's empowerment.

Some of the female respondents complained that their husbands didn't spend all their earnings on family maintenance, food, clothes, shelter and health care but their income was often siphoned off by the purchase of alcohol, tobacco, and chat. These women said they had no control over the income of the family. Their only responsibility was to receive a certain amount of money from their husbands and use it for household expenses. Two of the women complained that every month their spouses gave them almost less than 30 percent of their monthly earnings for household expenditure.

Children of alcoholic parents (fathers) reported that their fathers were irresponsible and they should be blamed for the family's destitution. They also said that the constant argument at home over money had negative effect on their education. Men respondents who were said to use a considerable amount of the family income for buying alcohols said that intense financial pressures pushed them to drink alcohol. But all admitted that it was wrong to resort to drinking for it didn't solve any of their problems. Alcohol addiction and gambling were mentioned as the most serious problems in some of the households. A housewife had the following to say;

*My husband earns a good salary but he uses it for gambling and drinking alcohol. Each month on payday we are very much worried that he would come to the house without a penny. There were times when he wouldn't come home for two three days. On the third or fourth day he would come home empty handed. The children are ashamed of their father because he always came crawling home very late at night. Anyone can imagine how much he disturbed the family because of his gambling and drinking.*

The interview with the respondents proved that women were allowed only to have little control over most of the important things in life. The female respondents didn't have decision making power in important family issues like using the family income. Men were the ones who made the final decision on issues like the education of children or matters like taking disciplinary measures on children. It was men who went to meetings, like important Idir meetings. Women also participated in the Idir, which was nicknamed by some of the respondents as "Yewend Idir"

(men's Idir). But their participation was limited to tasks like making monthly payments. The women had their own "Yeset Idir (Women's Idir) where they had full participation.

### **3.2.8 Acts of Violence and other forms of Mistreatment**

It was found out that physical violence was a primary form of mistreatment in some of the households. The women admitted that they experienced different forms of violence including verbal abuse and beating. It was usually men who came home drunk and who caused the physical and mental abuse. It was reported that in the early years of some of the women, it was not uncommon to experience physical and sexual abuse by family members and neighbors. These women were raised to believe that women were of little value and had no rights.

Violence was mentioned by some women as a reason for divorce but this happened only when the degree of violence was very high. Women who were victims of violence said they were not able to decide on quitting the abusive relationships easily mainly because of the consequences of their decisions on their children. Despite the pain and hardship, the women remained at home committed to raising their children.

Some women didn't have the courage to run away from serious forms of violence because they had nowhere to go or no one to support them. The majority of the women were not aware that domestic violence was a serious crime. Some of the women were asked if beating was a crime. This was what two of the women responded;

*I think wife beating is not a crime. It is something that happens all the time and I feel that it should not be taken seriously unless there is physical damage done on the woman.*

*Wife beating is not a crime. I will definitely not go to a police station and sue my husband for beating me. It is an issue which has to be dealt with inside the house.*

Women would choose to live with an abuser than face the challenges of being a single mother. Most women totally depended on the income of their husbands and they found it difficult to live on their own. Because they were raised in households that fostered a sense of unworthiness and low self-esteem. The stigma the society attaches for being a single mother

prohibited women to leave their abusive relationships and go for a divorce. The women didn't have the means and the courage to escape from their abuser. Lack of opportunities for women to become economically independent disempowered them and subjected them to violence, particularly physical violence.

Two of the men respondents reported to have committed increased violence against women due to high levels of frustration and stress they experienced in the household. The frustration was mainly caused by reduced income. Men also said that intense financial pressures on them were the causes of violence against women. They reported that financial constraint led them into disagreement with their women and then to commit violence. Some said that men don't beat women intentionally.

Betrayal by the father was mentioned as a serious problem by some of the female respondents. They said that in such cases the fathers were not made to give child support or it was of such a small amount that it didn't help very much to raise the child. The women complained that the system did not help mothers to obtain support for children denied by their own father because the law enforcement system failed to support them. Three of the women said they tried to sue men who abused them and who refused to take care of their own children. The women reported that although suing their spouses required them to have a lot of courage, they were sad that they didn't get any result. They were also unhappy with The Ethiopian Women Lawyers Association for not helping them as much as they wanted. A woman said;

*The man denied that he is the father of my child and I decided to sue him. I went to the Ethiopian Women Lawyers Association and asked for help. The only thing they did for me was to tell me that I could go to a court and sue the man. I needed 35 Birr to open a court file. I had no money and I couldn't sue him. I thought the association should have helped me and I regret that I went to them in the first place.*

All the three women were happy that EWLA was providing support to women but they had different opinions about the amount of support they got from EWLA. They went to the association expecting that EWLA would defend their cases before the law. All of them said EWLA should arrange a mechanism where by very poor women would get legal service in court or the 35 Birr needed to open a file in a court covered by EKKA.

The women's expectations were good indications of the importance of the existence of more women's organizations to help women especially those who were victims of violence.

Rape was considered as the most serious form of violence by the majority of the respondents. A teacher of young kids in Kebele 47 was suspected to have raped his students and was in jail for a few days. The man was released from jail on bail to the surprise and anger of the community. The news was said to have terrified the whole community because the man had been in the teaching profession for many years in the Kebele. Despite the resident's rage and their wish to evict the man the Kebele officials seemed not to give serious attention to the problem. Parents reported that they were terrified when they heard that rape was committed in the school by someone who they trusted and expected to protect their children. A young woman said the following about this incident:

*This man should have been in jail but he was out on bail. He lives in the neighborhood and, who knows, what he is going to do next. A rapist has to be in jail but the Kebele or the police have not done anything to protect the well-being of the community.*

Young schoolgirls who were helping their families by being engaged in petty trade reported that their movements were restricted at night and they were terrified because of the threat for getting raped and other forms of abuse. A domestic servant reported that she was raped by her employer. She said she conceived a child but her employer denied that he had a relationship with her. Then she was forced to raise her child by herself. In Ethiopia, the penalty in the penal code for rapists is 15 years imprisonment. Rapists are generally given very lenient sentences and very often they are released on bail.

Respondents stated that victims of rape were not disclosing about the crime committed against them. The problem of rape was not discussed openly in their homes as well as in public and they said they were not aware of the laws and rights of women. Awareness about the seriousness of the crime of rape needs to be created. The threat of being victims of a crime was found to be one of the biggest worries of most of the respondents. Besides, prostitutes, street children and young school girls were mentioned as the victims of crimes in the community.

### **3.2.9 Economic Factors and their Impacts**

Ethiopians have always been affected by the economic and political changes in the country. In the past twenty years, the country has taken different policy measures. These measures have directly and indirectly affected the lives of men and women in Ethiopia. According to the interviews with members of different households, unemployment was one of the major problems that reduced households into poverty. People were unable to work and earn their daily subsistence. Young men and women who completed high school were not able to go to college or university because of the limited intake of higher educational institutions. These men and women added a significant number each year to the existing figure of the unemployed in the country.

One of the households had 6 young men and women who were unable to join college and university. These men and women were not able to get jobs since they had no special skills to get a job. Because of economic constraints, these men and women could not go to different training Centers to get specific skills to find a job.

Privatization of state industries and retrenchment of government employees has led to unemployment in Ethiopia. Some of the household members reported that because of the retrenchment program by the government, workers had been laid off. And this had resulted in making quite a number of families suffer due to lose of income. Two of the households included in this research were demobilized Derg soldiers. The two young men have not had a chance to be re-employed. This change in life has affected the men both economically and psychologically. An ex-soldier said the following:

*I wish I were dead. I used to be the breadwinner of the family but now I live on my little sisters and brothers income. My brothers and sisters are on the streets trying to earn money when they should be at school.*

The respondents stated their belief that the country's economy was deteriorating as the result of lack of employment and increasing prices of consumer goods. Both men and women noted that they worked long hours but still didn't earn enough money to ensure security. The residents complained that electricity bills were always on the increase. Kerosene and other necessary items were very expensive. Although some were

engaged in petty trading and daily labor, they could not supplement their income as required. Because, the number of petty traders and daily laborers was always on the increase. A woman said;

*Today everyone is a daily labor or, everyone is a cook and a petty trader. Nowadays it is difficult to find jobs because there is a very strong competition. Many of the households prefer to do household chores themselves may be because they couldn't afford to pay for such services. There are times when I don't get a single job in a month.*

The main activities the women were doing for a living were selling *Injera, Kollo, tella, Areki*, vegetables and washing clothes. All these activities were done by almost all of the poor women in the two Kebeles and it was very difficult for most of the women to compete and earn their daily bread.

### **3.3 Men's and Women's Perception of Poverty and its Causes**

The perceptions of the respondents on poverty and its causes had both similarities and differences. Most of them defined poverty in short as not having what is necessary for a living. They mentioned that poverty has different levels and some tried to categorize the poor into two, i.e. the poor and the very poor. They said the poor are those who don't have the capacity to meet their basic needs. They eat and they have shelter but they always find it difficult to get these basic necessities. The poor may send their children to school but they are unable to fulfill all the needs of their children. They couldn't participate in social activities as much as they wanted due to financial constraints. The very poor were classified as those who have nowhere to stay and who live miserable lives due to health problems and disabilities. Even when they have a place to stay, it is not a permanent one. The categories of well being failed to show major differences by gender.

The respondents defined poverty in their own different ways. The following are some of these definitions;

*It is being less than the living and better than the dead.*

It is a curse.



*It is being unable to do what you want to do. Unable to dress, unable to eat, unable to send your children to school. It is being handicapped.*

*It is what makes one inferior to others. It makes a person dependent on others.*

*It is like an illness. It incapacitates one and makes him useless.*

*It is about feeling insecure. Being vulnerable to different problems and difficulties.*

Most of the definitions focused on the qualitative dimensions of poverty and the respondents indicated a future of desperation and hopelessness with no aspiration left in their lives.

The respondents had different opinions about the causes of poverty. The majority of them related their poverty to fate and they didn't think there was a specific reason for the kind of life they were living. They had a strong conviction that they were poor because of their and their parents' bad fate. A woman said;

*Fate has it that my father and my mother were poor. I am poor and my children and my grand children are poor. Poverty is like leprosy. You inherit it and there is no way you cant get away from it.*

The study proved that the majority of the parents of the respondents were poor. Their parents were unable to send them to school or offer them the best in terms of providing what they needed. Most thought that a person born from poor parents has to be poor. They related poverty to some kind of a curse to the family but most of the respondents spoke of a warm relationship with their families.

There were a few respondents who related poverty to laziness and they admitted that they lived a life of misery because they hadn't tried their best to find a way out. They believed that one could come out of poverty if he/she tried hard. With God's blessings, they believed that one could change his/her life. Some added that education is a pathway out of the life of destitution. A young man of 29 says;

*Since I have been addicted to drinking and chewing chat, I'm not able to focus on my education. As a result, I have become a failure. I believe that poverty is what we ourselves have encouraged it to come to our doors and let it to come in to our lives. That is how I see it. I regret that I am poor because of my own fault.*

There were some men who disagreed with the above comment. These men reported to strongly believe that poverty is a result of bad governance. They mentioned both the previous regimes and the present government for being the causes of poverty to the Ethiopian people. They also mentioned different policies and measures taken by the governments like the demobilization of Derg soldiers' and 'red terror' as causes for poverty in Ethiopia. According to this group of respondents, the demobilization of soldiers by the present government one of the wrong measures taken by the government that caused a large number of the Ethiopian population to live a life of destitution.

### ***3.4 Coping Strategies and Needs of Men and Women***

The respondents had different coping mechanisms for poverty. Some of them experienced poverty without being mentally prepared and thus they had little chance of identifying a coping mechanism appropriate for them. Most of the households said that the first coping mechanism to fight poverty was to use the labor of all household members, including little children. The ways in which domestic units organize themselves to secure their livelihood and deliver mutual assistance may represent the difference between destitution and relative security.

The women were mostly engaged in petty trading, selling *ingera*, and other consumer goods. They reported that lack of finance was an impediment for their success in their endeavors. They also disclosed that they had very severe financial limitations which barred them from preparing and selling as many items as they could.

Almost all the respondents appreciated the cooperative culture in their community. Most of them said they were able to keep going from day-to-day because of the support being given to them from family and friends. They said emotional support of friends and family members gave them the strength necessary to fight against poverty. Most of the respondents spoke in warm, positive tones about the importance of their mother. It was reported during the interviews that relatives and neighbors

have always been supporting the poor and feeding hungry little children, the elderly and the disabled. A woman said;

*My neighbors and my relatives were the ones who supported me when I had no money and I had nobody to turn to. They fed my children and gave me moral support. What was important for me was to know that there were people who were willing to help me and share my pain. I wouldn't have made it with out their assistance.*

Almost all of the respondents reported going to church and mosques. They further noted that going to these places had given them assurance and confidence each day. The majority of the respondents reported that praying to God was their only means of fighting the feeling of insecurity. Local institutions, like the *Idir* and *Mehaber*, were also mentioned as the most important institutions in the lives of the residents. Hence residents were found to come together to discuss important issues in their communities during meetings of *Idir* and *Mehaber*. Female respondents said the following about their own 'Women's' *Mehaber*;

*I enjoy going to a Mehaber meeting because we women share our feelings among ourselves at the meetings. We usually have a good time together chatting and telling jokes and also we discussing our problems. We share ideas about raising children and household chores.*

For those who had no one to support or feed them begging was considered as an alternative life option to get the necessary items for their subsistence, concerning this, a beggar interviewee reported that she was getting a sufficient amount of money to feed herself and her child. In her own words, she said:

*The money is not bad. It can take care of all my expenses. I can afford to make coffee always for my family and I even sometimes buy Areke formyself. In terms of finance, I would say that I am comfortable, thanks to Christians and all kind people. But, most of all, I thank God for giving me my daily bread.*

Respondents appreciated Sister Jember's organization for creating job opportunities for unskilled daily laborers. There were a lot of construction activities going on in the neighborhood. Women were involved in construction and they were raising income for their family. The

organization was not active in the area anymore because the project phased out. Many of the respondents said they had lost their jobs and the better life they used to live when Sister Jember's organization closed down in their area.

Most of the respondents felt that nothing could be done to improve their living conditions. They had lost all hope but relied on God's will to change their lives for the better. In this regard, they didn't tend to make any suggestion. Those who made recommendations didn't think that there would be a responsible body which would listen to them. According to an interviewee life had not shown any sign of improvement and most of them did not appear to have dreams for the future. If at all they had dreams, their dreams were to survive and meet their daily basic needs. For them, to dream about better life might mean risking the pain of wanting something good but not getting it. A few were able to envision a better future for their children. They wanted their children to be comfortable and to have security.

Two of the men complained that despite the fact that development and poverty reduction had been high on the agenda of the government and non-government organizations, nothing had been done to bring meaningful changes to their lives. Both blamed the government for not doing much to work out a way of getting them out of destitution. They said there were no programs by the government that had raised the hopes of the poor. One of the men said;

*Our lives are always on the decline. We have no hope that there would be any progress in our lives. The past was better than the present. We don't expect anything from anybody. We participate in Kebele meetings but the meetings haven't brought any changes to our lives. We have heard a lot about human rights but we haven't seen any practical efforts made to change the lives of the poor. After all, it is our human right to live a decent life.*

Some of the respondents said the government and NGOs could make a difference if they could come to the poor and ask what the poor really wanted and designed programs according to the needs of the people. They suggested that programs should target specific groups like women and high school graduates. Many women spoke of their interests and abilities in cooking, cleaning and taking care of others. Two female respondents suggested that women should be trained for male-dominated

jobs like construction, plumbing and electronics. They cited Sister Jember's NGO as a good example of an organization which made a difference in their lives. A woman said;

*What we want is to get a job opportunity. We would like to work and live on the fruit of our labor. Donations cannot bring a meaningful difference to our lives. We need a stable life and we need permanent jobs for that.*

The majority of the respondents strongly recommended that job opportunities should be created for them and they should also be given basic skills training. Skills for woodwork and electricity were mentioned by some young men as examples of skills needed by the job market. Women preferred to have skills training that would make them eligible for factory and office work.

High school graduates complained that their training needs were ignored by the government. They suggested that different training institutions should be opened to train high school graduates who had not been able to join institutions of higher education. Parents were found to be worried about what would happen to their children when they complete high school. They suggested that the government should pay more attention to future young men and women high school graduates.

Some of the respondents suggested that the government should make an effort to construct and maintain houses, roads and build latrines. The poor sanitary conditions in the Wereda and the dense settlement pattern of the community were mentioned as causes for some illnesses, like the common cold and typhoid. The respondents suggested that very poor residents should be entitled to free health care. A better health education was suggested by many especially in creating awareness on HIV/AIDS. Increased spending towards basic services for the poor, particularly in the health sector was perceived by many of the respondents as an important measure to improve the quality of life of the poor. Some spoke about the problem of safety and the prevalence of crime in their neighborhoods; suggesting that the city council should do something about it.

The majority of the respondents suggested that NGOs should give credit facilities to the poor. Many said they had a dream to start up their own businesses but they didn't have the start-up capital. Some were desperate to get money to start petty trading and a few of the respondents

added that skills on how to use the credit were also needed to properly utilize the money. A woman who had a chance to benefit from a credit scheme commented that women's special needs and burdens should be considered during the provision of credit facilities. Some of the young female respondents noted that women should be made to have economic independence and to have more say in household matters.

In credit schemes, poverty should not be conceptualized as just lack of income i.e. without attempting to understand the basic causes for poverty of women and men. Since the above idea is of central importance for the topic at hand it deserves some explanation. To start with, power relations in the household determine who controls loans and who pays back. A strategy to provide credit or training for poor household members may increase gender disparities if these resources increase women's work burdens. Anti-poverty strategies that focus ostensibly on women may place unquestionable burdens on the already stretched time and health of poor women (Razavi 1998). Insistence on financial sustainability requires rigid rules like linking savings to credit. Women said they needed adequate management and related skills to use the loans for they hadn't had the education and exposure to do so. They further reported that they opted for dropping out of the credit programs because of the tensions they had experienced due to their lack of previous education and exposure to the issue.

Almost all of the respondents appreciated the fact that education is free. However, it was the concern of some of the respondents that poor households couldn't afford to buy uniforms, books or cover other expenses for the school. It was suggested by some that a way should be found to cover these expenses. According to some, NGO's could make their contributions in this respect. Female students suggested that special attention should be given to them because of their workload in the house. Although some of the respondents appreciated the fact that the Ethiopian government is under fiscal constraints, they suggested that a special focus should be given to educating the poor.

#### **4. Summary Conclusions and Recommendations**

##### **4.1 Summary**

The research findings proved that both men and women in the two Kebeles were very much affected by poverty. Although the poverty that

the men and women lived with everyday could crush them, most of them still had the willingness to work hard. They had been working in undesirable conditions but were able to maintain a positive attitude towards work. This clearly showed the high motivation, energy and stamina they had for work.

It was found that women were more affected by poverty because of the burden they had to shoulder in the household. They were affected by both scarcity of income and insecurity. They were found to be oppressed by the unequal division of labor within and outside the home, and the associated ideologies and behavioral norms. Meanwhile, women were found to be victims of illiteracy, violence, poor health status and early marriage. Besides, women had been affected by the deeply engrained gender division of labor which limited them to the household and made them spend much time on household chores. Furthermore, they had been found to have low self-esteem mainly due to their low status in the family. The devaluation of women's work and the strong cultural forces that channel women into these sorts of work posed problems for their future employment.

The study also made clear that both men and women respondents were found to lack the appropriate education and training which were necessary for getting jobs that pay enough to support themselves and their families. Although the men and the women had been working hard, it was the nature of their jobs i.e. the jobs (that they were able to get) that kept them in poverty. The jobs of the poor men and women did not offer opportunities for advancement and job security. Unemployment was mentioned as one of the major causes of poverty and both employment and credit schemes were mentioned as important avenues out of destitution. Short-term loans for income generating projects were recommended to give poor men and women the opportunity to learn to create options for themselves and their communities. Training programs for those women who would like to start a small business were suggested to be useful in providing them with essential skills there by increasing their self-confidence.

Moreover, the residents were found to give high value to local social institutions like the *Idir*, *Mehaber* and *Iqub*. Women appeared to have given more credit to their own associations, i.e. women's associations and social networks were also very much cherished by women. Besides, they

considered social networks as key dimensions of well-being and livelihood security.

It was found that, women had less decision making power than men at the household level and were victims of violence. Now days women were more involved in areas considered ' men's'. This had its own effect in changing the gender relations in the household for it gave women more decision making power. Women's involvement in petty trading and other income generating activities had allowed them to re-negotiate the terms of their domestic relationships, and in some cases, to walk out of unsatisfactory relationships. Because of cultural reasons, even women who had been earning an income were still found to stay in unsatisfactory relationships.

The study revealed that women's organizations were not only very few in number but also need considerable capacity building before they could become truly effective. According to most of the respondents EWLA's efforts to address issues of violence was commendable. But it was stressed that more women organizations need to be established to play an important role in raising public awareness on gender issues.

The study disclosed that cultural practices, like early marriage, contributed to women's poverty. Women's ability to use resources including labour was found to be dependent on the relationship they had had with men. It was found that women were victims of different forms of violence and they had low-self esteem with no hope for the future.

Finally men and women reported that they need the provisions of basic services, particularly health and education services. These provisions were indicated to be important to improve the quality of the life of the poor and the poor men and women urged the state to provide support for the old, the sick and the disabled.

#### ***4.2 Recommendations***

A broad perspective on the problem of poverty allows us to examine the multiple factors contributing to men and women's poverty. The difficulties and complexities of their life situations call for a multifaceted and broad view of support. Since no one factor propels the men and women into poverty, concrete action oriented programs and plans are needed to change their lives. Changes in organizational, educational, and



societal arenas can facilitate the effort of poor men and women to enhance their opportunities. Policies that capture the broad perspective and that can mobilize and direct the effort of a variety of institutions are needed. A narrow approach doesn't address the problem of poor men and women and so governmental, non-governmental organizations, religious groups and families need to work together to change the lives of the poor.

Effort should be made to provide basic social services such as education and health. Increasing human capital through education and health is vital to change the lives of poor men and women but special emphasis needs to be given to poor women. Focused government policies need to be designed to reduce poverty through various mechanisms including employment guarantee schemes. Strong social sector programs will also strengthen human 'capabilities' resulting in poverty reduction. Policies (health, education, economy etc,..) need to focus on the specific needs of men and women and they have to be implemented with a focus on the gender difference of men and women.

To lessen the burden of poverty on women and to tackle its causes, more focus should be made on abolishing cultural practices like early marriage. This could be done mainly by awareness raising. The law enforcing institutions should also have to be strict and customary laws that put women at a disadvantage should be abolished. The most effective way to stop crimes like rape and early marriage from becoming a perennial problem is having an effective legal backing from the judicial system.

Gender systems and forms of subordination are both powerful and resistant to change therefore; poverty strategies and programs need to challenge gender power relations. Issues like unequal division of labour within and outside the home, and the associated ideologies and behavioral norms in Ethiopia need to be challenged. An intensive gender sensitization program needs to be conducted step by step to bring about attitudinal change in the public. Schools and the mass media could play a vital role in changing people's attitude about gender roles and division of labor both at home and outside the house. An effort should be made to enhance women's sense of self-worth and self-esteem and build the self-confidence of poor women and this will require an economic as well as a political agenda to challenge the status quo. The government and non-government organizations should implement programs to raise women's self-esteem, self-confidence, and coping skills.

Women's 'reproductive burden also needs to be reduced. Strategies need to be developed to de-stigmatize men from helping with work in the home and so take on more responsibility for household chores. Educational systems should promote gender equality and barriers to equal participation of girls in school should be abolished.

Women and men especially women heads of households need to be helped to have long-term security and so the use of targeted social funds for poor men and women is essential. Special fund should be allocated to change the lives of poor women and credit schemes and trainings that target them should need to explore market opportunities and how credit or training would impact on household security. Assessments should be made before offering credit or training to see if the women have special skills and talents therefore single mothers need special support as they have dual roles as mothers and providers.

Sharing experiences reduces isolation and enhances self-esteem, therefore, supportive family networks and local social institutions like *Idir*, and *Mehaber* need to be strengthened. The Government and NGOs should work closely with these institutions and create ways and means to support poor men and women.

Vibrant women's organizations must also be encouraged to raise public awareness about gender issues and to help women support themselves and each other. The strengthening of capacity among women and women's organizations is crucial if gender sensitive anti-poverty programs are to be effective on the ground.

There are sound policies and programs aimed at the attainment of equality of men and women in Ethiopia but the study has proved that the lives of the poor men and women have not been affected by these policies and programs. These clearly indicate the lack of implementation policies and development plans. The policies themselves need not be limited to addressing only lack of resources. Emphasis should be given to access and mobility because it is access and mobility that limit women's participation. Poor women have basic needs and also a further set of needs which arise from gender specific constraints.

Poverty alleviation objectives need to be based on the fact that women and men experience poverty differently because of gender biases. Targeting women as a separate category for poverty alleviation is not

sustainable and so the poverty reduction strategy needs to consider gender relations and household dynamics. There is also a need to go beyond the traditional focus of raising income to vital assets as power and knowledge.

Poverty alleviation strategies need to target specific groups of society such as women and careful analysis is required to see who will benefit and what they will benefit. The strategy should have a needs identification to address both the basic needs as well as the needs which arise from gender specific constraints. Women's views and needs need to be included in informing the planning process if the conditions of poor women and men is to change.

Methods of poverty reduction should therefore include such aspects as empowerment and a better treatment of gender differences than a focus only on household income levels. Institutional reforms and economic development are core elements of a long-term strategy to promote gender equality. The underlying structural conditions which generate and sustain gender inequality must be addressed in the poverty reduction strategy in Ethiopia.

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## **Annex 1: Workshop Programme**

### ***Forum for Social Studies***

***Semein Hotel, Friday 8 March 2002***

#### **Schedule**

##### **MORNING SESSION**

9:00 - 9:30	Registration
9:30 - 10:00	Welcoming Address
	Opening Address <i>H.E. Dr. Aseffa Abreha</i> <i>Minister – General Manager</i> <i>ESRDF</i>
<b>10:00 - 10:30</b>	<b><i>Coffee Break</i></b>
10:30 - 11:00	Poverty in Ethiopia: Characteristics & Extent <i>Getachew Adem</i> <i>MoFED</i>
11:00 - 11:30	Poverty and Macroeconomic Policy <i>Tassew Woldehanna</i> <i>Economics Dept., AAU</i>
11:30 - 12:30	General Discussion
<b>12:30 - 1:30</b>	<b><i>Lunch</i></b>

## **AFTERNOON SESSION**

- |                         |   |
|-------------------------|---|
| 1:30 - 2:00             | Govt's Rural-Centered Agricultural Policy<br><i>Senait Seyoum</i><br><i>Independent Researcher</i>        |
| 2:00 - 2:30             | Urban Poverty and Policy<br><i>Shewaye Tesfaye</i><br><i>UDSS</i>   |
| 2:30 - 3:30             | General Discussion  |
| <b>3:30 - 3:45</b>      | <b><i>Coffee Break</i></b>  |
| 3:45- 4:15              | Gender and Poverty<br><i>Mulumebet Zenebe</i><br><i>CERTWID / AAU.</i>                                    |
| 4:15 - 4:45             | The FSS Debate on the Government's PRSP<br><i>Meheret Ayenew</i><br><i>Forum for Social Studies / FBE</i> |
| 4:45 - 5:30             | General Discussion  |
| <b>END OF SYMPOSIUM</b> |   |
| <b>5:30 - --</b>        | <b>Reception</b>  |

## Annex 2: List of Participants

No.	Participant's Name	Organization
1	Abate Angore	ETA
2	Abebe Teferi	Private
3	Abera Gebrekidan	FSS
4	Abera H/Mariam	Action Profess. Ass.
5	Adanetch Kidanemariam	Private
6	Adey Abebe	CRDA
7	Admasu Gebeyehu	MCE
8	Afewerki Kahsay	WIC
9	Ahmed Zekaria	AAU/IES
10	Alemayehu Areda	Cher Ethiopia
11	Alula Pankhurst	AAU/SOSA
12	Amanuel Abdissa	MMTI
13	Aseffa Abraha	ESRDF
14	Ashenafi Jima	Radio Fana
15	Asnakech Bekele	Image International
16	Awver Murie Ceei	Italian Cooperation
17	Ayalew Gebre	AAU/SOSA
18	Ayalew Kebede	FSS
19	Bahru Zewde	AAU/FSS
20	Befekadu Moreda	Tomar Newspaper
21	Behailu Mengisteab	CLCBS
22	Bekalu Molla	Ethio-Danish Impact Study
23	Belay Demissie	NSIA
24	Belay Hadgu	Information & Culture
25	Berhanu Fikrie	Image International
26	Berhanu Nega	EEA/EEPRI
27	Beyene Doilicho	AAU/CSS
28	Beyene Moges	ENA
29	Birara Gebru	AAU/FOE
30	Bruktawit Mamo	SLUF
31	Clive Robinson	Christian Aid
32	Debebe Tegegne	Ethio-Education Consult
33	Dejene Abesha	MoA
34	Demile Yismaw	MoFED
35	Dessalegn Rahmato	FSS
36	Emuye	Radio



<b>No.</b>	<b>Participant's Name</b>	<b>Organization</b>
37	Eshetu Bekele	FSS
38	Etalem Mengestu	Consultant
39	Fekade Azeze	AAU
40	Getachew Adem	MoFED
41	Getachew Senay	Ethiop Press
42	Getahun Dendir	USAID
43	Gezahegn Belay	Private
44	Goraw Salilew	WIC
45	Habtamu Assefa	EFJA
46	Kebbede Friesenbet	ETEC
47	Kederalah Idris	Pact
48	Kelsa Rena	EARO/ESSS
49	Kerren Hedlund	WFP
50	Kidane Beorgis	EARO
51	Latifa Abajobir	EWDF
52	Martha Getahun	Press
53	Meheret Ayenew	FSS/AAU
54	Mehereteab Zegeye	Mer Int. Trading
55	Melese Getu	AAU/SOSA
56	Mesfin Admassu	EPA
57	Mihret Demissew	FSS
58	Mulu Solomon	Almeta
59	Mulugeta Ayele	Press
60	Nishi Makoto	Embassy of Japan
61	Original W.Giorgis	EWLA
62	Peter Kerby	DFID
63	Selome Yared	UNDP
64	Seme Debebe	FARM Africa
65	Senait Seyoum	Private
66	Shewaye Tesfaye	UDSS
67	Shinferis Monsa	AAU
68	Sisay Worku	MoFED
69	Solomon Hailu	Peace & Dev't. Committee
70	Tassew W/Hanna	AAU/FBE
71	Teferi Abate	CSS/AAU
72	Tesfaye Dereje	ESHE/JSI
73	Tesfaye Dibissa	
74	Tesfaye Tafesse	AAU/IDR

<b>No.</b>	<b>Participant's Name</b>	<b>Organization</b>
75	Tesfaye Teklu	Private
76	Teshager Asfaw	Royal Netherlands Embassy
77	Tewodros Tilahun	Press
78	Tizita Mulugeta	CERTWID/AAU
79	Tsedale Lemma	Addis Tribune Newspaper
80	Vander Loop Theo	ISS/AAU/RLDS
81	Yared Amare	AAU/IDR
82	Yasmin Yusuf	ESHE/JSI
83	Yeraswork Admassie	FSS/AAU
84	Yigremew Adal	IDR/AAU
85	Yigzaw Ayalew	EPA
86	Yodit g/Chirstos	L.W.F.
87	Yohannes Habtu	Independent
88	Yonas Zewdie	FM 97.1
89	Yusuf Hassan	Peace & Dev't. Committee
90	Zahra Dagnev	IMF
91	Zemedu Worku	FSS
92	Zenebe Desta	ENA
93	Zenebech Negash	ADCO

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The Forum for Social Studies (FSS) is an independent, non-profit institution engaged in policy-oriented research on the development challenges facing Ethiopia. It provides an open forum for the discussion of public policy and promotes public awareness. FSS believes that encouraging broad participation in policy debates is an important contribution to the democratic process. To achieve its goals, FSS organizes public conferences, and publishes and distributes its research findings to policy makers and other government officials, civil society institutions, professionals, the business community, donor agencies and the public at large. This publication is meant to encourage public discussion of the issues concerned and their policy implications.

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## **Address**

Forum for Social Studies  
P.O.Box 25864 code 1000  
Addis Ababa  
Ethiopia

Tel. (251-1) 55 61 21  
12 95 79/55 20 25  
E-mail: [fss@telecom.net.et](mailto:fss@telecom.net.et)  
Website: [www.fssethiopia.org](http://www.fssethiopia.org)