

**LONG TERM PERSPECTIVES ON DEVELOPMENT IMPACTS IN  
RURAL ETHIOPIA: STAGE 2**

**MACRO LEVEL POLICIES, PROGRAMMES  
AND MODELS ENTERING RURAL  
COMMUNITIES**

**AN UPDATE IN 2011**



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## ***Acknowledgments***

This paper builds on foundations of years of discussions with numerous people in and outside of Ethiopia. Among them Dr Philippa Bevan and Dr Alula Pankhurst on the WIDE3 team have had a special place. The paper is based on a more detailed review of the new policies, programmes and interventions since mid-2009, which was drafted with the assistance of Rebecca Carter (also on the team) and which the team will continue to update throughout the research.

I received comments on the first draft version from Dr Eva Poluha and Dr Sarah Vaughan (our quality support team) which I have tried to address in this version. I am indebted for several important points that Sarah Vaughan led to me deepen in this revised version by her penetrating questions. I also received comments and useful data from Achim Fock from the World Bank office in Addis and a member of the WIDE3 worknet, in relation to agriculture, rural development and food security with links to decentralisation. I am really grateful for these.

All possible mistakes and misjudgements nonetheless remain mines. And in the limited time that this stage of the research allowed me to focus on this paper, I have had to leave unaddressed several important points and suggestions for taking some reflections forward, made by Sarah and Eva. I hope to be able to return to these at a later stage.

## ***Long Term Perspectives on Development Impacts in Rural Ethiopia: Stage 2***

### **Macro Level Policies, Programmes and Models Entering Rural Communities - An Update in 2011**

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## Acronyms and abbreviations

ADLI	Agricultural Development-Led Industrialisation
AFDB	African Development Bank
AGP	Agricultural Growth Programme
AMU	Aid Management and Utilisation (study of the DAG)
ANC	Ante-Natal Care
APPP	Africa Power and Politics Programme
APR	Annual Progress Report
APRM	African Peer Review Mechanism
ARD	Agriculture and Rural Development
ARM	Annual Review Meeting
ATA	Agricultural Transformation Agency
BPR	Business Process Re-engineering
CAADP	Comprehensive Africa Agriculture Development Programme
CAS	Country Assistance Strategy
CDF	Community Development Fund
CEM	Country Economic Memorandum
CFI	Chronically Food Insecure
CLTS	Community-Led Total Sanitation
CIDA	Canadian International Development Agency
CPI	Consumer Price Index
CPR	Contraceptive Prevalence Rate
CRC	Citizen Report Card
CRDA	Christian Relief and Development Association
CSA	Charities and Societies Agency
CSA	Central Statistics Agency
CSC	Community Score Card
CSO	Civil Society Organisation
CSP	Country Strategy Programme
CSP	Charities and Societies Proclamation
CSRP	Civil Service Reform Programme
CSSP	Civil Society Support Programme
DA	Development Agent
DAG	Development Assistance Group
DBS	Direct Budget Support
DECSI	Dedebit Credit and Savings Institution
DFID	Department For International Development (UK)
DHS	Demographic and Health Survey
DIP	Democratic Institution Programme
DLDP	District Level Decentralisation Programme
DP	Development Partner
DPPA	Disaster Preparedness and Prevention Agency
DRMFSS	Disaster and Risk Management and Food Security Sector
DS	Direct Support
DSA	Decentralisation Support Activity
DSW	Developmental Social Welfare (policy)
EC	European Commission
EDHS	Ethiopia Demographic and Health Survey
EFA	Education For All
EFFORT	Endowment Fund For the Rehabilitation of Tigray
EFY	Ethiopian Fiscal Year
EGS	Employment Generating Scheme
EMIS	Education Management Information System
EPRDF	Ethiopian People's Revolutionary Democratic Front

ERHS	Ethiopian Rural Household Survey
ESAP	Ethiopia Social Accountability Programme
ESDP	Education Sector Development Programme
ESMF	Environmental and Social Management Framework
ESF	Exogenous Shocks Facility
ETP	Education and Training Policy
EU	European Union
EWS	Early Warning System
FA	Farmer Association
FBG	Federal Block Grant
FFW	Food For Work
FHH	Female-Headed Household
FP	Family Planning
FSP	Food Security Programme
FSS	Forum for Social Studies
FTA	Financial Transparency and Accountability
FTAPS	Financial Transparency and Accountability Perception Survey
FTC	Farmer Training Centre
FTI	Fast Track Initiative
GBS	General Budget Support
GDP	Gross Domestic Product
GEQIP	General Education Quality Improvement Programme
GER	Gross Enrolment Ratio
GOE	Government Of Ethiopia
GSF	Global Sanitation Fund
GTP	Growth and Transformation Plan
HAB(P)	Household Asset Building (Programme)
HEP	Health Extension Package
HEW	Health Extension Worker
HH	Household
HICES	Household Income Consumption and Expenditure Survey
HIPC	Heavily Indebted and Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HMIS	Health Management Information System
HoF	House of Federation
HoPR	House of Peoples' Representatives
HRW	Human Rights Watch
HSDP	Health Sector Development Programme
ICT	Information and Communication Technology
IGAD	Inter-Governmental Authority on Development (in Eastern Africa)
IMF	International Monetary Fund
INGO	International Non Government Organisation
IT	Information Technology
ITN	Insecticide-Treated Net
J-GAM	Joint Governance Assessment and Measurement
JRIS	Joint Review and Implementation Support (mission)
JRM	Joint Review Mission
JSA	Joint Staff Assessment
LAO	Limited Access Order
LG	Local Government
LIG	Local Investment Grant
LIU	Livelihoods Integrated Unit
M&E	Monitoring and Evaluation
MBA	Membership-Based Associations
MBO	Membership Based Organisation

MCB	Ministry of Capacity Building
MDG	Millennium Development Goal
MEFF	Macro-Economic and Fiscal Framework
MFI	Micro-Finance Institution
MOA	Ministry of Agriculture
MOARD	Ministry of Agriculture and Rural Development
MOE	Ministry Of Education
MOFED	Ministry Of Finance and Economic Development
MOH	Ministry Of Health
MOLSA	Ministry of Labour and Social Affairs
MOU	Memorandum Of Understanding
MOW	Ministry Of Water
MOWA	Ministry Of Women's Affairs
MOWE	Ministry of Water and Energy
MOWUD	Ministry of Works and Urban Development
MP	Member of Parliament
MSE	Micro and Small Enterprise
MTR	Mid-Term Review
NAP-GE	National Action Plan for Gender Equality
NCBP	National Capacity Building Programme
NCFS	New Coalition for Food Security
NER	Net Enrolment Ratio
NGO	Non Government Organisation
NHA	National Health Accounts
NRM	Natural Resource Management
O&M	Operations and Maintenance
OAO	Open Access Order
ODA	Official Development Assistance
ODI	Overseas Development Institute
OFSP	Other Food Security Programme
OLF	Oromo Liberation Front
ONLF	Ogaden National Liberation Front
OPD	Outpatients Per Day (number of visits)
PAD	Project Appraisal Document
PADETES	Participatory Demonstration and Training Extension System
PANE	Poverty Action Network in Ethiopia
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PBS	Protecting Basic Services (programme)
PDP	Peace and Development Programme
PEP	Public Expenditure Programme
PER	Public Expenditure Review
PID	Project Information Document
PIF	Programme and Investment Framework
PM	Prime Minister
PMO	Prime Minister's Office
PPA	Participatory Poverty Assessment
PRS(P)	Poverty Reduction Strategy (Paper)
PSCAP	Public Sector Capacity-building Programme
PSNP	Productive Safety Net Programme
RCBP	Rural Capacity Building Programme
RED/FS	Rural Economic Development/Food Security
REST	Relief Society of Tigray
RH	Reproductive Health
RICA	Rural Investment Climate Assessment
SA	Social Accountability

SDPRP	Sustainable Development and Poverty Reduction Programme
SIDA	Swedish International Development Agency
SLM(P)	Sustainable Land Management (Programme)
SNNP(R)	Southern Nations, Nationalities and Peoples (Region)
SWAp	Sector Wide Approach
SWC	Soil and Water Conservation
TGE	Transitional Government of Ethiopia
TPLF	Tigrayan People's Liberation Front
TVET	Technical and Vocational Education and Training
TWG	Technical/Thematic Working Group
UAP	Universal Access Plan
UN	United Nations
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
USAID	United States Agency for International Development
WA	Women Association
WASH	Water Sanitation and Hygiene
WB	World Bank
WCBS	Woreda/City Benchmarking Survey
WIDE	Wellbeing and Illbeing Dynamics in Ethiopia
WMS	Welfare Monitoring Survey
WSCC	Water Supply Sanitation Collaborative Council
YA	Youth Association



# Macro Level Policies, Programmes and Models Entering Rural Communities – An Update in 2011

## 1. Introduction

- 1) Over the past eight years<sup>1</sup> **significant changes in Ethiopia** include high economic growth rates, expansion in services and political and governance reforms. The country is now embarking on ambitious plans outlined in the Growth and Transformation Plan (GTP) 2010/11–2014/15<sup>2</sup>. However, the impact of these changes at local rural level and variations among communities in particular are not well known; rural communities are open complex systems whose workings are not well understood.
- 2) In the WIDE3 research the main objective is to contribute to addressing this knowledge gap. To do so we have designed a **three-stage research programme** exploring modernisation processes since 1995 and the implementation of government policies since 2003 in **twenty exemplar rural communities**. In the research we look at how communities work and the ways in which policies and programmes designed at the macro level interact with and impact the communities, with a view to improve understanding of what happened and why sustainable development processes take root in some contexts but not others.
- 3) The research approach and the Stage 1 results are presented in detail in other WIDE3 papers<sup>3</sup>. This paper focuses on just one element in the research analytical frameworks. Specifically, it aims to update the research team's **understanding of the macro policies and programmes and interventions** and of how they are **negotiated between GOE and the donors**.
- 4) The paper follows on a previous policy review paper (Dom 2009) prepared during the inception phase of Stage 1 of the research and which outlined the policy trajectory in Ethiopia under the EPRDF-led government and in particular, since 2003 up until mid-2009. This paper captures **new policy directions and interventions** that have arisen **since mid-2009** and updates the discussion undertaken in the 2009 paper of the 'model' underpinning GOE's policies, programmes and practices and how it overlaps with and diverges from the 'donor model' of development for Ethiopia.
- 5) The paper is structured as follows. After this introduction the second section presents an overview of the macroeconomic and socioeconomic development context in Ethiopia by mid-/fall 2011. The third section outlines the government narrative and presents a number of key trends that we have identified in the government policy in the period 2009-2011 (briefly recalling earlier trends). The fourth section is an analysis of the interaction between the government model of development for Ethiopia and that of the donors supporting policymaking and implementation. The fifth and final section concludes by offering perspectives to try and understand the development model of the Government. The paper is based on a more detailed review of the new policies, programmes and interventions since mid-2009 which the team will continue to update throughout the research.
- 6) The audience of the paper is the research 'worknet' - a group of interested non-government actors (donor and a few NGO representatives, academics in and outside Ethiopia). It is a discussion paper for the research team to engage with the worknet as a way to getting their feedback and further deepening our and their understanding of the government model and their own model. The long-term objective is to facilitate a franker dialogue with the government.

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<sup>1</sup> This corresponds to the period of implementation of the government Sustainable Development and Poverty Reduction Plan (SDPRP) 2002/3-2004/5 and the Plan for Accelerated and Sustainable Development and Eradication of Poverty (PASDEP) 2004/5-2009/10, a period which saw an acceleration of the macro level trends mentioned above (growth etc.).

<sup>2</sup> The GTP follows on the SDPRP and the PASDEP.

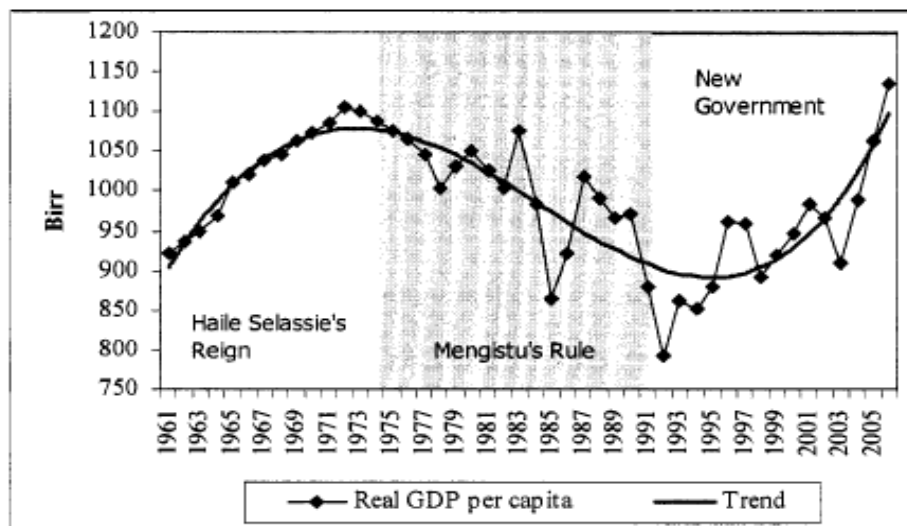
<sup>3</sup> See in particular, the Stage One Final Report (August 2010) and Stage One Summary Report (March 2011) as well as the *Methodological Approach And Fieldwork Plan for Stage 2, Draft for Comment*, Philippa Bevan, September 2011

## 2. Macro Context in Ethiopia in 2009-2011

### 2.1. Economic growth and poverty reduction: Challenging macroeconomics

- 7) In 2007, the World Bank was stating that: “Economic growth has recovered but not taken off”.

Figure 1: Real GDP per capita up to 2005



Source: World Bank Country Economic Memorandum 2007 (WB CEM 2007)

- 8) A year or two later, as the rapid and sustained economic growth started after the 2002/3 drought had continued to prevail, documents such as the World Bank Country Assistance Strategy 2008-2011 displayed optimism that the much expected ‘take-off’ might well have occurred. However the “3F crises” then hit (financial, fuel and food)<sup>4</sup>. Combined with a number of internal factors which agencies like IMF and World Bank link to some of the government economic policies whilst the government see these as key to realise the Growth and Transformation Plan’s ambitions<sup>5</sup>, this led to a severe deterioration of the macroeconomic context and a significant slow-down of growth in 2009, accompanied by serious difficulties with the balance of payments (widespread shortage of foreign exchange) and very high inflation rates for one year. (See Figure 2 overleaf).

- 9) Growth appeared to have resumed in 2010 (the AfDB reckons growth in 2010 was 12.4% against 8.8% in 2009, AfDB African Statistical Yearbook 2011), but the most recent trends are mixed, with inflation rising again in 2011 as shown in Figure 3 (overleaf).

- 10) Donors have expressed fears that the challenging macroeconomic context could have serious negative consequences and that rising inflation could stall the trend of falling poverty and undermine/reverse human development gains of past few years<sup>6</sup>. The government has generally denied this although it has shown some concern for the rising inflation, and taken measures trying to stem it – of which some were, in turn, also controversial (such as the price cappings on food and a

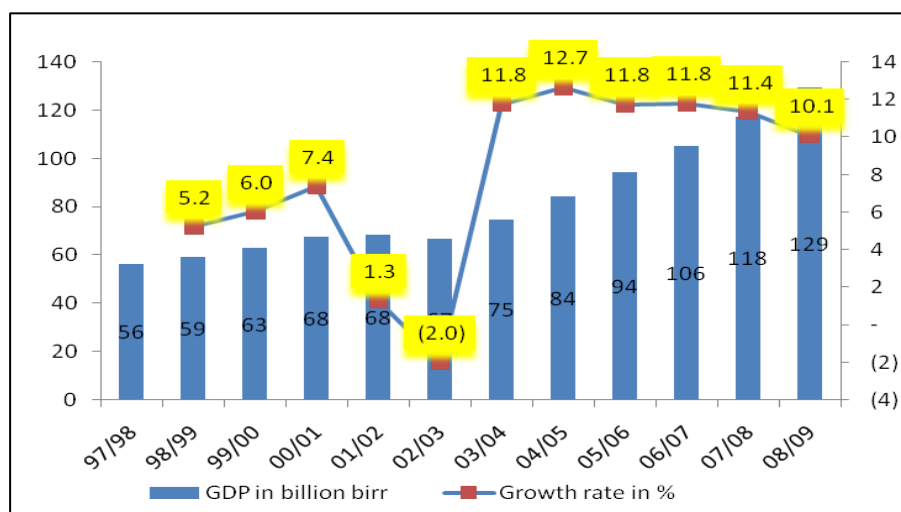
<sup>4</sup> The expression “3F crises” is used in some of the literature aimed to monitor their effects, see for instance UNICEF worldwide efforts at surveillance of effects on children at <http://www.childimpact.unicef-irc.org/> (accessed 8 Jan 2012).

<sup>5</sup> See the Joint Staff Assessment Note on the Growth and Transformation Plan, World Bank and IMF, October 2011. Among others the JSA highlights that ‘The GTP’s ambitious spending plans may be outstripping the absorptive capacity of the economy, which is already stretched’ because of heavy public investment and associated financing needs crowding out the private sector. It stresses concern over what it calls a ‘highly distorted monetary policy’ which among others lead to negative real interest rates (interest rate well below the inflation rate) and thereby makes it unlikely to achieve the GTP domestic saving mobilization targets.

<sup>6</sup> See e.g. the WB 2009 PBSII PAD and more recently the PBS JRIS aide-memoire of May 2011 and the WB/IMF JSA on the GTP.

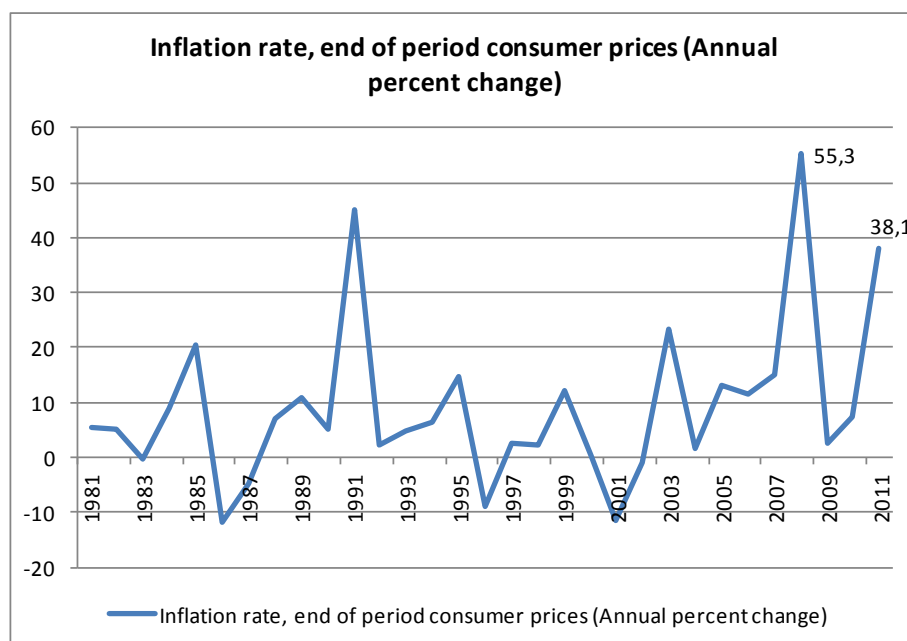
number of other items which the government set out early 2011 for several months). The donor-government discussion on these issues is further outlined in section 4.

Figure 2: Trends in levels of GDP and growth rate (at 1999/00 price)



Source: MoFED, National Economy Account Core Process (revised series) cited in MOFED and UNDP (2010)

Figure 3: Inflation rates in Ethiopia



Source: IMF data mapper (<http://www.imf.org/external/datamapper/index.php>) accessed 29 September 2011

11) However, the effects of the past two years' macroeconomic trends for different groups in Ethiopia are poorly understood. In a recent (draft) paper, the World Bank emphasises that:

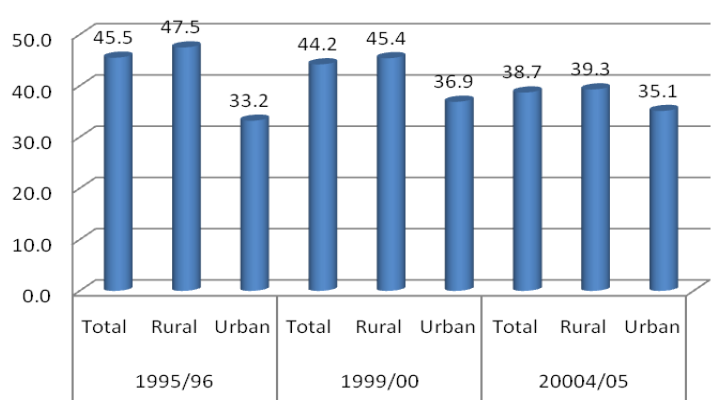
*In 2008... Ethiopia faced a crisis that was broader, deeper, and more complex than the food crisis in almost any other country. The crisis was driven by high food price inflation coupled with drought and local food shortages. This caused severe hardship for the country, negatively affecting roughly 12 million chronic and transitory food insecure people<sup>7</sup>.*

<sup>7</sup> Draft concept paper 'The role of scalable safety nets in future', World Bank 2011, prepared as an input into donor thinking about the operationalisation of the (currently draft) social protection policy.

The new combined crisis hitting in 2011 (severe drought in a large part of the country coupled with very high inflation rates country-wide) is likely to have similar effects<sup>8</sup>. There is some evidence of work undertaken to try and understand the effects of the successive crises, but this has not yet resulted in a systematic evidence-based analysis<sup>9</sup>.

12) In the absence of recent data on poverty, GOE and a number of donor or joint documents use the headcount poverty rate of 2005 and the poverty-growth elasticity rate of 2000-2005 to calculate the 'expected' headcount poverty rate in 2009/10<sup>10</sup>. The resulting figure of 29.2% is often mentioned as if it was a measured rate, and is used as such as a basis by the government to plan for further reduction. Thus for instance, the GTP foresees that the total poverty head count would further decrease to 22.2% in 2014/15<sup>11</sup>. Donor documentation also tends to use this projected rate with little explanation. Yet as we have just noted, since the 2004/5 HICES the growth and macroeconomic trends were non-linear. This, emerging shifts in the sources of growth and other broader societal changes means that using the 2000/1-2004/5 poverty-growth elasticity factor for the 2005/6-2009/10 period is unlikely to be 'good enough'. The much quoted 29.2% headcount poverty rate by 2009/10 should thus be taken with utmost caution<sup>12</sup>. Data-based trends are as in Figure 4 below.

Figure 4: Trends prevalence of poverty (headcount indices in %)<sup>13</sup>



Source: MoFED (2008:37) cited in MOFED and UNDP (2010)

<sup>8</sup> The severity of the drought has been a matter for debate between donors and the government. However, when he launched the joint Food Supply Prospects of July 2011 the State Minister Agriculture (Disaster Risk Management and Food Security Sector/DRMFSS) recognized that 4.5 million people would require emergency assistance in the July-Dec 2011 period, upward from the 3.2 million assessed in April 2011 (this increase was said to be due to effects from El Nina, especially felt in some parts of Oromia and SNNP regions). See

<http://www.dppc.gov.et/downloadable/reports/appeal/2011/StateMinisterspeech-July%202011,%202011.pdf>

<sup>9</sup> See e.g. ODI 'Global Financial Crisis – Discussion Series' Paper 16 on Ethiopia at

<http://www.odi.org.uk/resources/download/4718.pdf>. This paper recognizes that there is no updated data to measure distributional effects and overall impact on poverty. Research is also undertaken under the Rapid Impact and Vulnerability Analysis Fund (RIVAF) as part of the Global Pulse initiative, which 'supports innovative, real-time data collection and analysis to help develop a better understanding of how vulnerable populations cope with the impacts of global crises'. The RIVAF has funded research by UNFPA among others, which 'will monitor selected crisis-sensitive health and poverty indicators in 4 countries, including Colombia, Ghana, Jordan and Ethiopia' (see <http://www.unglobalpulse.org/projects/rivaf-research-impacts-financial-crisis-health-and-poverty>). There is no paper on Ethiopia yet. There have also been studies on specific communities as part of research programmes (e.g. Catley and Iyasu 2010 and Maxwell et al 2010).

<sup>10</sup> Recent data on poverty is not yet available (the HICES 2010 data is still being processed).

<sup>11</sup> See e.g. the GTP, and the MOFED MDG report of September 2010

<sup>12</sup> The poverty-growth elasticity rate measures the percentage change in poverty that takes place when average income increases by one percentage. This rate depends among others of the initial income distribution and it therefore changes when the latter changes, which in situations of change in the structure of the economy is likely to be the case. The point made above is that the structure of the Ethiopian economy in 2009/10 was different from that in 2004/5, with plausible effects on income distribution which are ignored when the poverty-growth elasticity rate is assumed to be the same at these two dates.

<sup>13</sup> This shows the share of population whose income/consumption is below the poverty line.

## 2.2. Progress towards the MDGs and gaps

13) With the year of reckoning – 2015 – not far away and with the big push on aid to meet the MDGs<sup>14</sup>, there does not appear to be a consensus about Ethiopia's progress in this regard. The joint GOE-UNDP assessment is optimistic. Five of the eight goals are said to be "on track" to be achieved by 2015, namely: *Eradicate extreme poverty and hunger; Achieve universal primary education; Reduce child mortality; Combat HIV/AIDS, malaria and other diseases; and Develop a global partnership for development*. The other three goals are reportedly "likely to be on track": *Promote gender equality and empower women; Improve maternal health; ensure environmental sustainability* (MOFED 2010). The Gates Foundation 'MDG Report Card' report (2010) also flags Ethiopia as the 3<sup>rd</sup> top performer in terms of absolute progress towards the MDGs.

14) In contrast the assessment by DFID is more sober (Annual Report 2010-11, July 2011) and on the whole less optimistic than in 2009. For DFID there are only three indicators for which progress has been sufficient so that if continued at the same pace the goals would be achieved by 2015:

- Halving the proportion of the population below 1\$/day (between 1990 and 2015)<sup>15</sup>
- Eliminating gender disparity in primary and secondary education
- Reducing by 2/3<sup>rd</sup> the under-five mortality (between 1990 and 2015)<sup>16</sup>.

15) For DFID progress on the other indicators must be accelerated, i.e. at current pace these goals are 'off track'. In education enrolment and attendance rates are not sufficient to capture the concept of UPE as the poor quality of education needs to be addressed. Maternal health indicators have progressed slowly as indeed shown by preliminary results from the latest Ethiopia Demographic and Health Survey (see below). And DFID is concerned that progress is insufficient in relation to safe water supply and sanitation so that the environmental sustainability goal would not be achieved<sup>17</sup>.

16) In Table 1 below, results by 2009/10 measuring the achievements of the implementation of the SDPRP and PASDEP form a baseline for measuring progress towards the GTP targets<sup>18</sup>. As usual, the government targets are ambitious – and there are a number of indicators for which doubts have been raised on the reliability of data<sup>19</sup>. A number of them require a drastic step-change in the pace of progress compared to the 2002/3-2009/10 period. This is the case for secondary and post-secondary education; maternal health and care indicators and health staffing; graduation of chronically food insecure households from the PSNP; provision of safe water in rural areas and irrigation development.

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<sup>14</sup> Over 2002-2009 ODA has indeed almost doubled in real terms (2009 constant prices) from US\$ 1,938 million in 2002 to US\$ 3,820 million in 2009 (all donors, disbursements). But this is misleading as in 2002 aid flows were just starting to resume after a dip around the end 1990s-early 2000s. Longer term trends (in e.g. MOFEP/UNDP MDG report 2010) show that ODA in 2001 was at the same level as in 1991.

<sup>15</sup> DFID rating focuses on only one of the three indicators and targets for the Goal 1, ignoring the other two i.e. halving the proportion of people suffering from hunger (which in Ethiopia is very closely linked to the discussion around food insecurity) and achieving full and productive employment and decent work for all, including women and young people (which is less well documented but unlikely to be achieved).

<sup>16</sup> In 2009 (see WIDE3 Stage 1 policy review), DFID assessed that the education goal was on track, as well as the water supply goal, which they do no longer believe is the case in 2011. They have become more optimistic in relation to the under five mortality rate (which was 'off track' in 2009 and now 'on track') and maternal mortality (still off track but no longer 'seriously off track' as was assessed in 2009).

<sup>17</sup> DFID does not assess progress toward the eight goal at a country level (global development partnership).

<sup>18</sup> Using government development indicators, there is not much continuity between those featured in the latest available PASDEP Annual Progress Report and those selected to translate the expectations of the Growth and Transformation Plan (GTP). Table 1 has been constructed on the basis of the overlap that exist between the two sets of key indicators in the PASDEP and the GTP, augmented with a few key indicators in selected sectors.

<sup>19</sup> E.g. upward bias as contraceptive prevalence rate is based on administrative data on women taking contraception by the HEWs whose performance is judged by related targets. There are numerous such examples (e.g. agriculture extension indicators). However, returning to the health sector, more robust data (like the preliminary data of the Demographic and Health Survey 2010) also shows some remarkable improvements in this and some other indicators. Making a wide-ranging comparison of data and their reliability for all sectors on which the government is reporting in line with its national development plan is out of the scope of this paper, although it might be a worthwhile exercise if it leads to stronger data. The PBS II monitoring and evaluation component may go some way into doing this.

Targets for roads and other infrastructure development are also very ambitious with very high associated financing requirements.

*Table 1: SDPRP/PASDEP achievements and GTP targets*

	2002/3	2004/5	2007/8	2009/10	2014/15
<b>Education</b>					
Primary Gross Enrolment Rate (GER)	64,40%		96,70%	95,70%	112,10% <sup>20</sup>
Primary Net Enrolment Rate				87,90%	100,00%
Average repetition rate Gr 4-8	9,80%		11,60%	5,80%	1,00%
Primary school dropout rate	19,20%		18,70%	10,80%	1,00%
Pupil-teacher ratio	64			57	50
Adult education participation rate				36%	95%
GER general secondary (Gr9-10)				40%	62%
No. undergrad students in GOE institutions				185.788	467.445
No. TVET students (total incl private)				717.603	1.127.330
<b>Health</b>					
Infant Mortality Rate (per 1,000 live birth)		77		77	31
Under-5 Mortality Rate (per 1,000 live birth)	140	123		101	68
Maternal Mortality Rate (per 100,000 deaths)		673		590	267
% deliveries attended by trained health staff		9	20,3	25	60
Contraceptive prevalence rate (4)	21,50%	15,00%	51%	32%	66%
Out-patient visit (Days) (OPD) per capita	0,36		0,25	0,2	0,7
DPT3 coverage	50,40%		81%	82%	96%
Doctor: population	1:28,339		1:30,493	1:37,996	1:5,500
Nurses: population	1:4,882		1:4,690		
HEWs: population			1:3,159		
<b>Agriculture &amp; Food Security</b>					
No. Hhs covered by extension (5)	4.1 mn		816.427	5.090.000	14.640.000
Fertilizer use (metric tons)	277.000		450.000	830.000	1.660.000
No. Cooperatives	817			33.636	56.904
No. households participating in PSNP (millions) <sup>21</sup>		4,5	> 7,2	7,1	1,3
<b>Water &amp; sanitation</b>					
Access to potable water	37,9	43	59,5	68,5	98,5
Rural	29,5		53,3	65,8	98
Urban	83,1		86,2	91,5	100
Small scale irrigation (hectars)	73.854			853 million	1850 million
M & L scale irrigation (hectars)	1.000			2,5%	15,6%
<b>Roads</b>					
Av time for all-weather roads	5,7		4,2	3,7	1,4
Road density/area (1,000km <sup>2</sup> )	33,2		40,1	44,5	123,7
Road density/1,000 pop	0,51			0,64	1,54

Sources: PASDEP APR 2007/8, GTP (2010), ESDP IV & HSDP IV (2010), Agriculture Programme & Investment Framework (2010)

<sup>20</sup> A GER above 100% may be found because overaged children are enrolled, or the school age population is underestimated, or a combination of both factors. In the case of Ethiopia it is likely to be mostly linked to overaged enrolment.

<sup>21</sup> The 2004/5 figure is the figure as in the agreed PSNP plan when the PSNP was launched in 2005. The figure of 7.2 million in 2007/8 is derived from the Food Security Programme review documentation. The documentation mentions that actual numbers were likely to be higher as Regions regularly used the PSNP annual contingency budgets at their disposal, but does not give the actual numbers for those years.

17) The government macrofiscal framework for the GTP is based on continued double-digit growth rates, one-digit inflation rates and an ambitious plan to triple the level of domestic savings and direct it 'to the required investment financing'. By mid-/fall 2011 it was clear that inflation was not under control, and several donors had expressed concerns that the pace of government investment drive was the main factor underlying this trend<sup>22</sup>. Donors were also concerned by the government tendency to call on 'control and command' economic measures<sup>23</sup> (see e.g. AfDB April 2011: CSP 2011-15 and WB & IMF 2011) and the IMF and WB were noting that they had never been able to confirm the double-digit growth figures of the past few years that the government was using as basis for the GTP projections (WB & IMF 2011 and press news<sup>24</sup>). More recent analyses by Ethiopian scholars and joint research teams have thrown further questions on other assumptions underpinning the GTP targets<sup>25</sup>. We further discuss these issues in section 4.

### 2.3. Food security: Better or worsening?

18) In Ethiopia poverty and vulnerability have traditionally been associated with rural food insecurity linked to extreme weather occurrences. Although the fabric of the Ethiopian society and economy has changed significantly since the notorious droughts of the mid-1970s and mid-1980s (e.g. rise of urban poverty, see MOFED 2008), food insecurity is still affecting a large number of Ethiopian households. It is associated with structural factors (e.g. mountainous terrain rendering access to market and services difficult) some of which are not amenable to changes through policy or only slowly, thus representing a huge challenge to the government plan to bring the country to middle-income level by 2025.

19) In the 2009-2011 period the rate of graduation from the Productive Safety Net Programme which, combined with household asset building and other measures, is aimed to tackle chronic food insecurity, has been much lower than planned and necessary to reach the GTP target of graduating more than 5 million households by 2014/15. The WB reckons that (WB 2011, draft):

*These targets ... did not reflect what the FSP could in reality deliver. As of 2009, around 280,000 individuals have graduated from the PSNP. This does not represent a failure of the FSP, but rather suggests that strengthening livelihoods to the extent that households are no longer food insecure and resilient to shocks is a longer and more complex process than was suggested by the initial five-year timeframe of the FSP.*

In the October 2011 Joint Staff Assessment Note on the GTP the WB and IMF reckon that the initial target of 3.5 million beneficiaries in 2014/15 stated in the design documentation of the second phase of the PSNP was a more likely caseload.

20) Adding to chronic food insecurity, transitory food insecurity has reached very high levels in both 2010 and 2011<sup>26</sup>. Many PSNP beneficiaries have been in need of additional support, and areas and households outside of the PSNP weredas have been in need of emergency aid. The *belg* and *meher* seasons of 2009 were poor in many parts of Ethiopia, leading to 5.2 million people estimated to be in

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<sup>22</sup> The 'Global Finance' website notes that public debt (general government gross debt as percentage of GDP) increased significantly from around 33% in 2008 and 2009 to a forecasted 41.1% in 2011 (see <http://www.gfmag.com/gdp-data-country-reports/275-ethiopia-gdp-country-report.html#axzz1il56x7Pk>). Dorosh et al (2011) have calculated that domestic household savings have grown at an average of 4% annually in the PASDEP period, but they would need to grow at more than 20% annually to allow meeting the GTP targets of the medium growth scenario (>30% for the high growth scenario), in case foreign savings growth rate remains at the PASDEP level.

<sup>23</sup> E.g. price capping mentioned earlier (now mostly relaxed); recently, a directive enjoining commercial banks to invest 27% of their loans in NBE bonds, with the proceeds to be channeled for on-lending for government capital investment projects.

<sup>24</sup> See e.g. <http://af.reuters.com/article/investingNews/idAFJQE75004520110601> and <http://www.businessweek.com/news/2011-10-13/ethiopia-s-distorted-monetary-policy-needs-reform-imf-says.html>

<sup>25</sup> See for instance Zenebe Gebreegziabher (EDRI/Mekelle University) and Alemu Mekonnen (UAA) 2011, and Dorosh et al (ESSP II) 2011.

<sup>26</sup> Under the PSNP policy framework transitory food insecurity is non-chronic food insecurity. In Ethiopia areas were identified as chronically food insecure when they had needed food aid recurrently i.e. more than a given number of years over a certain period. Transitory food insecurity is linked to conjonctural factors such as drought or flood or displacement.



need of support in 2010. The 2010 *meher* season was also problematic and in February 2011 the government issued a first call for 3.2 million people in need of emergency assistance during the first half of 2011. This was later revised to 4.5 million people needing assistance in the July to December 2011 period, which must be seen in the context of the current wider Horn of Africa emergency situation.

21) At the macro level these trends call for **seriously interrogating the so far prevailing assumption that rural food security will be reached through better and more sustainable farm-based livelihoods**. This is a particularly important policy question for the Stage 2 of the WIDE3 research which we are currently undertaking as all eight villages covered in this Stage are food insecure and located in PSNP weredas, and are variably affected by the ongoing drought-related crisis.

## **2.4. Variations in socioeconomic developments**

22) There continues to be large variations in achievements across different parts of the country, but little is known about this when it comes to sub-regional levels in particular, and what is known is not systematically taken into account in policymaking, programming and programme implementation.

23) Whilst this is not much dwelled on in the GTP, regional variations in e.g. the provision of and access to education, health and safe water services are picked up in sectoral plans and a number of 'affirmative action' are planned and/or underway for some of them<sup>27</sup>. Since 2009/10 the (redesigned) Food Security Programme has been fully extended to the pastoralist Regions, although there are indications that the rollout of the distinctive PSNP institutional arrangements has been uneven in practice. Increased attention to the 'emerging Regions' has taken other forms. For instance, in 2010 the Ministry of Federal Affairs led a 'gap assessment' study that was meant to provide the basis to determine how much investment was needed to enable these Regions to catch up with the others. These various balancing measures do not seem to be coordinated and their effectiveness does not appear to have been systematically evaluated.

24) Donor programming reflects or tries to reflect some attention to balancing development too. For instance DFID has undertaken the design of a *Peace and Development Program (PDP) which will support development mechanisms to engender stability and peace in peripheral regions and areas of Ethiopia*. The inception/design phase *incorporates research and analysis aimed at understanding the social, economic, political and environmental landscape of Ethiopia, and specifically the peripheral areas*. The objective is to *ensure that DFID's future programming benefits the hardest to reach populations of Ethiopia, extends the reach of service delivery, builds state capacity and a stable, mature democracy, and supports delivery of a peace dividend in conflict-prone areas of the country*." (DFID 2011 Terms of Reference).

25) DFID documentation states that *"the programme is consistent with the Government of Ethiopia's priorities which include greater security and accelerated development in the least developed areas of the country*. There is indeed some attention to the pastoralist areas in the GTP. However, as further discussed in section 3 there have been expressions of concern over certain elements of the government policy agenda for the peripheral and pastoralist Regions.

26) The volume of information and data on sub-regional levels is probably increasing, thanks to various streams of activities<sup>28</sup>. Notably:

- Sector Management Information Systems are improving (and this is a specific focus of one of the components in the Protecting Basic Services II) – although progress is slow in some cases (see e.g. the Health Management Information System 'bottleneck assessment' in the health sector) and

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<sup>27</sup> E.g. the rollout of the Health Extension Programme in pastoralist Regions; lower pass marks for access to higher education for students from the peripheral Regions.

<sup>28</sup> However overall monitoring work e.g. on MDGs or surveys such as the Ethiopian Household Income and Consumption and Expenditure Survey (HICES), Welfare Monitoring Survey (WMS), Ethiopian Rural Household Survey (ERHS) and Demographic and Health Survey do not provide data which is representative at wereda or sub-wereda levels.



attention to results/outcomes is variable (e.g. the Rural Economic Development/Food Security group database focuses primarily on inputs so far).

- Large multidonor programmes increasingly use field visits that are documented as part of their M&E framework (e.g. the PSNP Rapid Response Missions/RRMs, the PBS and Local Investment Grant monitoring fieldvisit, and most recently the field visits undertaken as part of the Agriculture Growth Programme Joint Review and Implementation Support missions).
- A few programmes have started generating panel data on a few weredas (e.g. three successive qualitative assessments have been made in 8 weredas since 2006, about the effects of the PSNP).
- Wereda level governance and service delivery data is also being collected for an expanding set of weredas through the government Wereda and City Benchmarking Surveys (third round in 2010).
- Over the years wereda-level case studies have been conducted for various purposes (e.g. the Irish and Swedish decentralisation implementation study in 2006, one of the World Bank's Joint Budget and Aid Report focusing among others on wereda level service delivery costs in 2009; the wereda case study work planned as part of the ongoing World Bank Economic and Sector Work on decentralisation, 2011).
- The Livelihood Integration Unit (LIU) has produced a database of livelihood data related to Livelihood Zones that are usually smaller than weredas and cutting across administrative boundaries<sup>29</sup>.

27) However, this data is not consolidated and the data and its use raise various issues. For instance, the quality/depth/scope of the data collected in the multidonor programme field visits is much variable, and there is no standardised reporting system in which it could be fed. On the contrary the WCBS has become increasingly systematically managed, but the way the data is being used must be questioned: the data collected is actually broader than is intended in the sense that it goes beyond service delivery stories and taps into a lot of other dynamics, local policy, personality and political issues, varied cultural norms and expectations and so would need careful interpretation – which is absent from the WCBS reports and other analyses based on the WCBS data.

28) Thus overall, although some of this data may inform sector or thematic interventions<sup>30</sup> it is not systematically used in policymaking at federal level. Moreover in relation to some of the data (for instance the WCBS) there is a significant risk of mis-use as a result of aggregation of indicators and enumeration areas, and some dubious interpretation of what is being reported because of a lack of in-depth knowledge and appreciation of the different contexts in which the data is collected.

## **2.5. Political context**

29) The first national and regional elections after the political violence and tension that had characterized the post-2005 election period were held in May 2010. These presented a stark contrast with the May 2005 elections in many ways, and most clearly in terms of outcomes. The opposition, which had managed a strong showing in 2005 with 172 opposition MPs at the federal House of People's Representatives (31% of seats) and quite strong representations in certain Regions<sup>31</sup>, were virtually swept out of the frame, with just one seat at the HoPR. This continuation of the quasi-total domination of the 2008 local elections (wereda and kebele) by the EPRDF and allied parties has been

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<sup>29</sup> The Livelihoods Integration Unit (LIU) has been established within the national Early Warning Directorate of the DRMFS (Disaster and Risk Management and Food Security Sector) of the Ministry of agriculture (with support by USAID) [http://www.dppc.gov.et/Livelihoods/Livelihoods\\_Integration\\_Unit.htm](http://www.dppc.gov.et/Livelihoods/Livelihoods_Integration_Unit.htm)

<sup>30</sup> E.g. the LIU data is being used in an improved emergency needs assessment methodology and there are talks about using it in a revised approach to assessing graduation prospects in the Productive Safety Net Programme.

<sup>31</sup> In Amhara opposition parties had won 36% of the Regional Council seats, in Oromia nearly 28% of the seats and in SNNPR 22% of the seats.

characterized the Prime Minister Meles as a situation of 'single party dominance'<sup>32</sup> – a return to the 90s and early 2000s situation<sup>33</sup>.

30) During a brief period of time before the election the Prime Minister Meles Zenawi entertained uncertainty as to whether he would hold on to the post of Chairman of the EPRDF but he did – and was therefore subsequently returned to the Prime Minister's position as a result of the EPRDF landslide victory. However, the party and he have now stated that he would retire before the next election in 2015. The formation of the new government in 2010 has been presented as something of a generational change to be further pursued. A number of prominent characters of the original group of insurgent leaders retired and there was emphasis on the arrival of a new generation of younger leaders. This includes the deputy prime minister and minister of foreign affairs who also comes from the Southern Nations, Nationalities and Peoples Region, like a few other important ministers<sup>34</sup>. There is some speculation that *'the choice of a successor to Prime Minister Zenawi is likely to expose tensions within the ruling EPRDF and its ethnically defined subparties'* (Lyons 2011). Other scholars mention a possible objective of transforming the EPRDF into a unified party instead of a 'front' but this has not been mentioned in an even semi-explicit form by Ethiopian officials.

31) In between these two national and regional elections the political context was on a roller-coaster trajectory with regard to the relationship between the EPRDF and the opposition. In 2007 the government released the opposition leaders jailed after the 2005 election, after they had requested a pardon (according to the government). Shortly after one of them (Birtukan Mideksa) was reimprisoned (in December 2008) as she had denied that she had asked a pardon, to be released some time after the May 2010 elections.

32) Other headline news was the release of a new 'Charities and Societies Proclamation' in 2009 (regulating the activities of non-government and civil society organizations), a new media law in 2008, and a new counter-terrorism law in 2009. These have been criticized for drastically restricting the space for human right organizations, allowing government to threaten independent media as they can be accused of defamation and face huge financial penalties and bankruptcy, and giving government leeway to prosecute whoever it wishes under the guise of terrorist activities (see e.g. Human Rights Watch, HRW 2010a and HRW 2010b). The government has repeatedly stated that these laws were modeled on laws in other countries that had not generated the same international outcry.

33) However, this picture of an unsettled period may well be misleading, and is unlikely to be shared by ruling party officials. The core political trajectory was one of steady party reconstruction and building, towards a reoccupation of the political space. In this the treatment of the opposition, the CSP and the media and antiterrorism laws were likely to be corollaries more than the mere trust.

34) The EPRDF landslide victory in 2010 is linked to a combination of factors. The EPRDF is said to be an *'extraordinary powerful, effective political party'* whilst the *'the opposition is divided, weak, often poorly led, and distracted by the agendas of the increasingly disconnected diaspora'* (Lyons 2011). There were also allegations that there was no level playing field as *'the ruling party effectively used the new laws to crush independent political voices and the power of the state to expand its own membership'* (Lyons 2011) through both strengthening links between party and government at all levels and allegedly (HRW 2010a and 2010b) using state resources (including aid) to systematically discriminate between loyal and disloyal communities and against people who would openly support the opposition. In the last months of 2011 there was an increase in arrests that critical observers linked to political opposition activism by those concerned. The government repeatedly dismissed such accusations, whilst aid donors also dismissed that aid was used in this way (see Box 9 below).

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<sup>32</sup> See for instance <http://www.voanews.com/english/news/africa/Ethiopia-Faces-Era-Of-One-Party-Rule-101007229.html> on an interview he gave in early August 2010.

<sup>33</sup> Somewhat polemically as strictly speaking this is not true, Lyons talks about 'noncompetitive elections' (Lyons 2011).

<sup>34</sup> Also see the recently announced 'leadership succession plan' for the army, including the retirement of 13 generals and 30 senior positions in December 2011. See e.g. <http://avyaantuu.com/horn-of-africa-news/ethiopia/ethiopian-military-retires-13-generals-300-senior-officers/>

35) Armed groups such as the Oromo Liberation Front and the Ogaden National Liberation Front maintain the government engaged in conflict of unknown intensity level in a number of geographical areas of the country and *'constant vigilance is required by Ethiopia to prevent its enemies in Eritrea and Somalia from linking up with these internal armed groups'* (Lyons 2011).

36) Clapham identified several specific facets to the *'challenge of democratization in Ethiopia'*, that are worth recalling here: the challenge of **history** as until 1991 no government had ever gained power by election; the challenge of **structure** as the country was established by internal force, is dogged by a premise of inequality, and enormous diversity with rugged topography and poor communication make *'the maintenance of consensual political structures considerably more complex'*; the challenge of a **'state culture'** of hierarchy and obedience which makes the idea of loyal opposition *'equally difficult to grasp from the viewpoint either of the government itself, or its would-be opponents'*; the challenge of **revolution** after which a long process of *'cooling and healing'* is needed before trust can be restored; and the challenge of **insurgency**, which makes it difficult for those who eventually were the victors *'not to feel that the power that they have gained at such costs is theirs by rights'* (Clapham 2004).

37) In 2004 Clapham was also of the view that Ethiopia had *'developed a level of pluralism that extends well beyond the state's capacity to control'*. Taken at face value the context in 2011 seems to have proven him wrong. For some observers, however, it would be misguided to believe that the state's capacity to control has been fully recovered. Lyons, for instance, stresses that beneath a *'veneer of complete dominance'* (of the ruling party), significant constituencies may have acquiesced in but not approved of and remain so that *'in the short to medium terms Ethiopia is likely to remain stable but brittle'* (Lyons 2011)<sup>35</sup>. But however brittle the acquiescence, one must also note the continued absence of institutions or structures which might provide a vehicle for effective mobilization of the opposition.

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<sup>35</sup> The same argument has been outlined in numerous web-based commentaries making parallels between the Ethiopian situation and that in the 'Arab Spring' countries.

### 3. The government policy approach: Shift in macro narrative?

38) Throughout the 1990s and most of the 2000s the macro-narrative of the EPRDF-led government has been clear and mostly consistent over time: the government was of a developmental state type, paying attention to fiscal equalisation among Regions, supporting the rural poor as its top-of-the-agenda priority. In the past few years a number of policy shifts have emerged which prompt questions as to whether the macro-narrative is under evolution and in what directions. For instance, how is the narrative of focus on marginalised areas fitting with fiscal equalisation? Is the narrative moving away from the poorest? Is it moving in favour of commercial rather than developmental processes? This section explores these questions (in a somewhat impressionistic manner, see below why).

39) The Government Growth and Transformation Plan/GTP (MOFED Nov 2010) is a shift already by its name: in June 2010 donors were still talking about the 'PASDEP 2'. The GTP further shifts away from reliance on smallholder agriculture as the main and sole engine for growth, in line with the vision already outlined in the PASDEP of an economy with '*a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy*' (PASDEP & GTP). Furthering the nascent economic transformation is one of the main objectives of the GTP, which foresees that the government will give particular focus to industrial growth and increasing the sector competitiveness resulting in higher exports and import substitution, whilst recognising that the agricultural sector will continue to be the major driver of economic growth.

40) This and other policy shifts such as the accelerating trend in large-scale land leasing (see in section 3.1) led some distinguished scholars to first identify that in their views there IS a shift, and second to express concerns as to where the shift is leading. Thus for instance, looking at the land deals from a perspective on land rights and '*with emphasis on the relations of power between small-land users and their communities on the one hand, and the state on the other hand*', Dessalegn Rahmato concludes that '*in the long run, the shift of agrarian system from small-scale to large-scale, foreign-dominated production – which is what the investment program is now doing – will marginalise small-scale producers.*' (Dessalegn Rahmato 2011). Whilst René Lefort argues that "*issues... go beyond the economy*" and notes a sharpening of the divide between classes in Ethiopia (Lefort 2011)<sup>36</sup>.

41) To balance these views one should note that many of the planned GTP investments focus on rural areas (rural electrification, universal rural road access programme foreseeing all kebeles connected over time etc.). However overall, it is clear that there are important policy shifts with huge and long term implications for smallholder farmers and other groups (e.g. the villagised or to-be-villagised pastoralists of the peripheral regions) and that some groups in Ethiopia's society might be harmed in the process; and the government has yet to clarify fully how it intends to address and avoid this. Although social protection is no longer a taboo expression (indeed a social protection policy is being developed), it is not clear that everyone in government believes that special measures are needed (or maybe feasible) beyond promoting/driving growth and it to trickle to all in the society.

42) In the remainder of this section we present a series of cases of recent policy shifts in the different 'fields of action' that we have used in the research. The series represents a purposive sample of cases of shifts taking account of availability of data<sup>37</sup> and of our judgment of the importance of the shift in relation to the likely effects for rural communities in Ethiopia, based among others on the WIDE3 Stage1 research findings. At the same time the discussion goes beyond policy on paper to review policies and practices that may not always be codified in writing.

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<sup>36</sup> Lefort talks about a long term trajectory from feudalism to Leninism to now neo-liberalism. More polemical authors argue, albeit on less documented grounds, that Ethiopian peasants were '*virtually abandoned*' as one of several '*casualties of Ethiopia's autocratic regime*' more interested in large-scale capital infrastructure and large economic deals (including land deals) (World Politics Review July 2011).

<sup>37</sup> We focus on areas on which we think we have a reasonable information basis and have been able to check it during the Stage 2 inception phase consultation meetings in September 2011.

### 3.1. Policy shifts in the livelihoods field

43) Two of the areas in which the GTP economic vision has particularly important implications are **land management and use** and **environmental protection**<sup>38</sup>. In these areas a number of **tension** have emerged in the past two-three years, as is further unpacked below; and they also appear to have emerged as new (to some extent) 'no-go zones' in the dialogue between government and donors<sup>39</sup>.

44) Another emerging pattern – albeit at a much nascent stage – is a possible blurring of the previously hard-and-fast demarcation of **rural livelihood policies** for chronically food insecure areas on the one hand, and for agricultural growth potential areas on the other hand. Two questions stick out across the board (with new salience considering the transformation objective of the government's GTP): (i) **what type of balance between state-led and private sector/market-led approaches** will evolve in practice out of a set of directions potentially in tension; (ii) **how much** government will in practice **allow for/promote diversification out of farm-based livelihoods** in rural areas. Finally, potentially the most dramatic shift in the macro narrative related to rural livelihoods, albeit also at a much nascent stage, is the **massive increase in (government-funded) spending on water including irrigation, and rural roads**, very visibly so for the first time in government EFY 2004 budget.

#### Land policy

45) With regard to land, major challenges result from a combination of structural factors and policy directions which until now have not been up for discussion and first among all, the policy that all land in Ethiopia belongs to the state on behalf of the Ethiopian people. Most frequently mentioned challenges are: the growing population, landlessness and fragmentation of plot size, climate vagaries and the pressure on natural resources.

46) The government refusal to privatise land has sparked debate ever since the EPRDF took power. The government argument is that land is the ultimate safety net of rural households; privatisation would lead to distress sale of land when farmers face shocks, which would dispossess them of any livelihood means in exchange of uncertain benefits. The position is even tougher: it is also to outlaw/preclude what the Prime Minister has called "*a quintessential rent collecting system*" through land accumulation and speculation which adds no productive value to the economy (Meles Zenawi 2006).

47) Some observers remark that '*these social and economic objectives overlap with key political interests*'. The policy prevents land accumulation and thus '*the emergence of powerful independent economic actors*' which could want to also exert influence in the political sphere. Moreover, until recently the land tenure regulations prevented rural mobility and migration as farmers were losing their rights in case of absence and there were strong restrictions on land leasing rights (see e.g. Lavers undated and Dessalegn Rahmato 2011). This has been somewhat relaxed in recent regulations in some Regions (e.g. in Amhara a farmer can now lease all its land for twenty-five years).

48) More fundamentally, in the past two years there has been acceleration in a trend which has propagated some form of land privatisation as sometimes very large tracts of land leased for decades to private investors (foreigners and Ethiopians) entering in 'land deals' with the government. In 2010 the government introduced new institutional arrangements centralising at the federal level the allocation of land leases of over 5,000 ha (the so-called federal landbank scheme). This is said to be done under delegation by Regional Governments which are constitutionally responsible for administering land. In principle the land to be allocated in this way is identified by regional governments as being 'unused land' (see Ter Heedge et al 2011, WB 2010, GOE 2010, Behrmann et al 2011, Dessalegn 2011, Oakland Institute 2011b).

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<sup>38</sup> Both policy areas are closely interlinked with greater attention paid to pastoralism in the government agenda. The policy shifts in relation to pastoralism are discussed in the section 3.4 below (related to social equity policies).

<sup>39</sup> 'No-go zone' is the term used in OPM et al 2011 to describe policy areas in which the dialogue between government and donors has usually been difficult throughout the period of the evaluation (1999-2009).

49) Recent land management and use practices have thus been shaped by **two coexisting and somewhat contradicting policies**. On the one hand, the government has made good progress with a large-scale **land certification programme** aimed to increase **land tenure security for smallholders**, generally deemed to be exemplar on a number of aspects<sup>40</sup>. On the other hand **large tracts of land** are governed outside of this framework and the GTP foresees that this will continue to increase with a target of 3.3 million ha transferred to **‘commercial farming investors’** by 2014/15. The government policy indicates that *‘large-scale farming by private investors will be undertaken in lowland areas where abundant extensive land exists’* and areas that *‘are not inhabited but are suitable for agriculture’* or on *‘unused land’*. However, the label ‘unused’ is regularly contested, on robustly researched grounds<sup>41</sup> - which then introduces the contradiction between policies.

50) One should also note that the land certification programme is only active in the four large Regions<sup>42</sup> and the legal and regulatory framework around it does not apply to pastoral land (around 40% of Ethiopia’s land) (Imeru Tamrat 2010, Helland 2006)<sup>43</sup>. The government has also undertaken to implement a policy of settlement and villagisation in the peripheral regions which further blurs the definition of ‘not inhabited’ land. The official position is that the two programmes (of land investment and villagisation) are not connected. However a number of sources take issue with this and report that local communities do not believe this and even have been told the opposite – and local officials are reportedly unhappy to be faced with the duty of implementing a policy over which there has been no or little consultation (Dessalegn 2011, HRW 2012).

51) The newly devised division of responsibilities recentralising land lease management for large-scale investments introduces a potential (at least) source of tension in the federal system. *“There is anecdotal evidence (which we were unable to confirm) that some Regions were reluctant to transfer land, and that they may have done so under pressure”* (Dessalegn 2011). Several authors note the lack of coordination and information between the government levels involved in land lease management.

52) There are wildly variable statistics on what land has already been transferred and how much more has been identified by the Regions. However recent research tends to support the thesis of an accelerating trend and by all accounts the area of land already under lease and planned to be leased is large. Lefort (2011) notes that if the GTP target is achieved, country-wide, the area of land under leasing (7 millions hectares by his calculations<sup>44</sup>) will be of the same order of magnitude as the area under smallholding farming (12 millions hectares). The large-scale land leasing process is far more concentrated in some Regions than in others and mainly concentrated in the lowland areas.

53) In summary, for these and other reasons linked to weak governance of the land deals entered into so far in the country, most external studies are pessimistic as to their overall social, economic and environmental outcomes<sup>45</sup>. In the past few months there seems to have been a trend towards

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<sup>40</sup> E.g. in relation to recognising and registering customary rights and promoting women’s rights to land

<sup>41</sup> E.g. Dessalegn explains that in government inventory of ‘cultivated areas’ commonly held land is not included and this land is therefore considered as eligible to be handed out to investors. Yet, he says, this is *“misleading because the term ‘cultivated area’ is a narrow designation and does not include land from which peasants and agropastoralists access resources vital for their livelihoods.”* *“... the individual farm is insufficient to cover all the family’s needs without access to the common resources that by customary rights belong to the community”* (Dessalegn 2011). See also Oakland Institute 2011b.

<sup>42</sup> Benishangul-Gumuz is reported to be in the final stages of issuing its land Proclamation in Oakland Institute 2011b, and having done so in HRW 2012 (but based on verbal communication only); and donor support to strengthen the regional land administration capacity was foreseen in late 2011. But Gambella was still recently pointed at as *“the only one of Ethiopia’s 10 regions where land certification processes are not being implemented”* with as corollaries lack of tenure security, of protection against expropriation and of rights to compensation (HRW 2012).

<sup>43</sup> The only Region that made progress in developing policy for pastoral land is Afar. The development of a legal/regulatory framework for pastoral land is planned to be supported by the ELALUDEP – a project aimed to strengthen land management and use policy and practice in the country as a whole, developed by MOA and that USAID would be interested in funding.

<sup>44</sup> This is assuming that the GTP target is for additional land leasing beyond the baseline situation. Several recent studies converge to suggest that in 2011 already 3.5 million hectares would be leased.

<sup>45</sup> This overall pessimism was conveyed e.g. in the WB global report *‘Rising Global Interest in Farmland’* (2010), and seems to grow over time (see Dessalegn 2011 and Oakland Institute 2011b).

somewhat increased transparency – though apparently selectively so (e.g. contracts have started to be published though the data is not complete and hard to make sense of). However, there does not seem to be much discussion, by government and between the government and donors or other stakeholders, of the documentation available - be it about the economic benefits expected from the deals or about the more sensitive issue of the simultaneous displacements of population groups that were found on land leased (in particular in Gambella, Benishangul-Gumuz, Somali and Afar).

## Environmental protection policy

54) The area of environmental protection policy and practice reflects a **similar disconnect between** two simultaneous prongs of government activity. On the one hand government is adamant that **sustainable land management (SLM) practices** should expand across all areas of the country (see e.g. the agriculture PIF) and stresses the importance of adaptation to climate change, mitigation of green house gases and generally the importance of developing a '*social and green economy*' to ensure environmental sustainability (GTP: 120). On the other hand, the government has regularly come under fire for what its critiques call its **environmentally damaging decisions**.

55) In particular, GOE's plans for electrifying Ethiopia and becoming a powerhouse selling power to its neighbors have been intensely controversial. One of the most heated debates has been around the construction of the Gibe III dam on the Omo River (see box below). At the same time as it was coming under more intensive scrutiny and criticism in relation to Gibe III, the GOE has started campaigning for the construction of a massive Millenium Dam – a campaign linked to the regional hot issue of the river Nile water user rights. The GOE links this to both further development of the country and the country's historical rights in relation to other riverine countries. This economic nationalist stance also appears to be an at least partly successful way of shoring political support internally<sup>46</sup>.

### Box 1: Environmental concerns arising from the Gibe III dam plans

In July 2011 the **UN World Heritage Committee requested all parties to put a halt on all activities** and invited '*the States Parties of Kenya and Ethiopia to invite a joint World Heritage Centre/IUCN reactive monitoring mission to review the impacts of the GIBE III dam on the Outstanding Universal Value of Lake Turkana, and to provide detailed information on plans for other hydro-electric developments and associated large-scale irrigation in the Omo*'. It would examine this evidence by Feb 2012 date at which it would consider whether to inscribe the Lake Turkana on the list of World Heritage in Danger and would want to see a report of the Kenyan and Ethiopian authorities charting their course of action in response to this possibility<sup>47</sup>.

This might have been somewhat of a challenge for Prime Minister Meles who over the course of the past five years has positioned himself as the main advocate of African interests in international environment-related fora, and is among others the current African Union spokesperson on climate change. However, **PM Meles and government officials have steadily defended the decision to expand dam projects and challenged the UN analysis** in the particular case of Gibe III<sup>48</sup>.

At an international hydropower summit in Addis Ababa PM Meles was quoted saying that "*the views of western critics are ironic as Ethiopian facilities are infinitely more environmentally and socially responsible than the projects in their countries, past and present*". He explained his suspicion of a conspiracy against such projects to condemn Africa and its people to remain in extreme poverty, and summed up his contempt in saying: "*they are concerned about butterflies' lives, but not human diseases*." A recent weekly press release of the Ministry of Foreign Affairs (26 Sep 2011) included a firm response along the same lines to 'one more' article from International Rivers, rebuffed as a 'mere continuation of a smear campaign' and 'utter nonsense'<sup>49</sup>.

<sup>46</sup> [http://www.mofed.gov.et/index.php?option=com\\_content&view=article&id=118](http://www.mofed.gov.et/index.php?option=com_content&view=article&id=118)

<sup>47</sup> See <http://danielberhane.wordpress.com/2011/07/23/text-of-un-body-decision-on-gibe-iii-dam-project/>

<sup>48</sup> See <http://www.nation.co.ke/News/world/UN+calls+for+suspension+of+giant+hydroelectric+dam+in+Ethiopia+/-/1068/1209824/-/y5ysq/-/index.html>

<sup>49</sup> See <http://danielberhane.wordpress.com/2011/09/27/gibe-iii-dam-govt-responds-to-international-rivers-officials-article/>

56) Not to add to the polemics, one must however note that hydropower is indeed one of the cleanest potential forms of energy generation in which the country could have become engaged.

### Links to ‘beyond livelihood’ issues

57) Land has been a controversial topic for a while in Ethiopia, but this was usually centred on the issue of state vs. private land tenure. What is new is that today the ‘no-go zone’ is at the same time more specific, and broader. It is more specific because it is not state ownership of land ‘per se’ which is challenged (although that is where Dessalegn goes back to) but the controversy focuses on specific corollaries of this policy i.e. **how the government will balance smallholder agriculture and large-scale commercial agriculture**. It is broader because of the (alleged and refuted) **links with political and economic governance issues**.

58) On the political side this is related to the rising volume of allegations of human rights violations linked to forced relocations in the government villagisation/ commune programme, by organisations like HRW and Amnesty International. These are relayed by myriad other organisations, refuted by GOE, and donors have at times adopted avoidance strategies (e.g. recently in relation to HRW 2012)<sup>50</sup>. On the economic side, questions are raised about the developmental benefits that the country is really reaping from the fast-growing number of large-scale land deals made under the authority of the federal government (see e.g. Dessalegn 2011 and Oakland Institute 2011a and 2011b). There also has been little by way of official donor reactions to these questions.

59) As for land, the government de facto environmental policy is closely linked to its policies vis-à-vis traditionally marginalized and politically weak groups in Ethiopia’s society. For instance, the Gibe III dam will allow large-scale irrigation of sugarcane plantations which will have what some reports describe as **‘potentially irreversible’ negative impacts on the livelihoods** of the Omo indigenous people. In contrast with most of the other major land deals that have occurred in Ethiopia since 2008, these are planned to be state-managed schemes. The government states that this will bring **‘rapid development’ in thus far backward areas** – as *‘at the end of the day’ government does ‘not really appreciate pastoralists remaining in the forest like this... pastoralism is not sustainable... we must bring commercial farming, mechanized agriculture, to create job opportunities to change the environment’*<sup>51</sup>.

### Rural economic development and food security

60) As noted above, ever since the New Coalition for Food Security took off in 2003 there has been a distinction between policies and a demarcation between geographical areas, under the two labels of chronic food insecurity and sustainable agricultural growth. Initially between 2003/4 and around 2007/8 policy focus and massive funding from both government and donors was targeting the former. This was followed by a rebalancing with a growing policy focus on, and increased funding (largely government-financed thus far) for agricultural growth, thus *‘putting agricultural growth on the agenda’*<sup>52</sup>, but as a separate issue (2008/9-10/11).

61) There may well be now an emerging realization that of course, different areas have different agricultural/rural livelihood potentials and need different local economic development strategies, but that this is more of a spectrum than a “yes/no” (“chronically food insecure/growth”). The Rural Economic Development/Food Security (RED/FS) group (initially donor-only, now government-led) has been established partly to bridge across the demarcation/distinction. Whether it will succeed in doing so and tackling the numerous intertwined issues underlying rural livelihoods development in a holistic manner will be tested in the forthcoming few years. In the meantime, for much of the

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<sup>50</sup> The response from the DAG to the letter from HRW inviting reactions to a number of specific questions before publication of their report was extremely short, only acknowledging receipt of the letter and its content and waiting for *‘receiving your full report and evidence of the incidents that you refer to in your letter’* (HRW 2012).

<sup>51</sup> Interview of Ethiopian Commodity Exchange official on BBC, Nov 2010, cited in *‘Understanding Land Investment Deals in Africa’*, Land Deal Brief, Sep 2011, The Oakland Institute.

<sup>52</sup> Personal communication from a donor representative involved in the Agriculture Growth Programme



implementation of government policies there continues to be a programmatic demarcation that we also use in the remainder of the section.

### ***Agricultural growth***

62) Since the early 1990s agriculture is THE key sector in GOE's development strategy. More than 80% of the population depend on smallholding agriculture for staple food and livelihoods. The Agriculture Development Led Industrialisation (ADLI) policy has been an overarching framework throughout – and is still the stated reference in the GTP (see e.g. p.45). This has been accompanied by enormous commitment, initiative and investment by the government in agriculture, infrastructure and food security. As some observers highlight this pattern is “*reminiscent of ... East Asian policy making*” (Dercon et al 2009) though there has also been some inconsistency in important areas (e.g. irrigation has lacked a consistent approach and sufficient investment).

63) Government agricultural growth policy approach has relied heavily on increased public spending in agriculture support systems, infrastructure and social sectors perceived as contributing to agricultural productivity. The overriding focus for a long while has been on output growth in cereal production through technologies such as fertilizer, seeds, infrastructure and an extension-based approach to support smallholding farmers, with notably the deployment of a large cadre of diploma-level agricultural extension workers (the ‘Development Agents’) in all kebeles, now largely completed.

64) Government's approach has regularly been challenged as insufficiently market-/private sector-based. The PASDEP stated that it introduced ‘some bold new directions’ including a somewhat more nuanced approach in which regulatory, trade and market policies were recognised to be critical engines of agricultural growth; commercialised agriculture and private sector development were therefore recognised as key objectives. However, this and the recent confirmation of these broad directions in the GTP are apparently not sufficient to appease donors' concern that there is insufficient attention/space given to the private sector (e.g. most recently by the WB & IMF in the JSA on the GTP, 2011<sup>53</sup>). One must note that this concern fits somewhat oddly with that outlined in relation to commercial agriculture on leased land, a concern at least partly shared by donors. This begs the **question of what sort of private sector engagement would be desirable.**

65) The evidence with regard to the agricultural development resulting from the SDPRP and PASDEP policies is somewhat inconclusive. Following the massive drop in 2002/3 due to the very serious drought the agricultural GDP has shown an unprecedented upward trend. This has been associated with reportedly large increases in both areas cultivated and in yields – although there is no consensus on the respective importance of each of these two factors, and there is no robust evidence that this is linked to intensified use of modern inputs (Dercon et al 2009)<sup>54</sup>.

66) In the course of the SDPRP-PASDEP period a number of issues arising from government policy design and/or practices were gradually identified. Among others, the focus (including resource-wise) on chronic food insecurity had led to insufficient investment in supporting agricultural growth in higher potential areas<sup>55</sup>. Second, the emphasis on smallholder rain-fed agriculture had led to a narrow focus on boosting productivity and insufficient attention to marketing issues. Third, the extension approach focusing on better off producers with sufficient land and resources (capital, labour) meant that insufficient attention was paid to the poorer majority and women. Finally (this does not intend to be exhaustive), rural development was a large and complex portfolio and there were capacity and

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<sup>53</sup> ‘The staffs support GTP's focus on the agriculture sector’ but stress the need to broaden the private sector role and to strengthen the regulatory role of the public sector in agriculture (WB & IMF 2011).

<sup>54</sup> Dercon et al (2009) calls for an urgently needed process of validation of the data on cereal production, areas cultivated and yields – as this has been mirrored in controversy between government and non-government actors for several years.

<sup>55</sup> Looking at donor spending over the past four years (2008-11) across the three pillars of the ‘Rural Economic Development/Food Security’ (RED/FS) policy domain (Agricultural Growth/AG, Sustainable Land Management/SLM, and Disaster and Risk Management and Food Security/DRMFS), preliminary figures from the RED/FS Secretariat show that DRMFS represented 58% of the total (excluding humanitarian assistance).

coordination challenges within and across the various government structures in charge of various parts of the portfolio.

67) It is worth noting, however, that there was little if any questioning of the extension paradigm itself that is, the intrinsic value of ‘scientific knowledge’ over that of farmers; and no systematic evaluation of the cost-effectiveness of measures such as the massive and costly deployment of better educated DAs in terms of increased farm production, for instance<sup>56</sup>.

68) Over time in the final years of the PASDEP a number of policy shifts emerged, notably a **reform of the extension approach and of the approach to access to rural credit, a move to integrated seeds systems, a focus on value chains, and greater attention to livelihood diversification** including supporting the development of **off-/non-farm income generating activities**. Simultaneously there was a growing recognition that the ‘ADLI+’ had to tackle deep, long-term geographical, infrastructural and institutional challenges and required wider policy reforms and notably private sector growth.

69) The GTP and the agricultural Programme and Investment Framework (PIF) also developed by the government continue to promote a ‘big push’ on agriculture and infrastructure development including through large-scale spending (seen in budget and MEFF trends), and reinforce the new policy directions just mentioned through (i) increasingly focusing on commercialisation of agriculture; (ii) giving very high priority to an ambitious infrastructure development requiring vast amounts of finance. Box 2 below presents highlights on the current government policy intentions.

*Box 2: The government policy implementation plans related to agricultural growth in 2011 – from a community perspective<sup>57</sup>*

Agricultural transformation programme and associated PIF	Supporting smallholders (DAs, vets, extension packages); livestock alongside crop; marketing system and infrastructure; NRM; pastoral development; large-scale commercial farms.
Household Asset Building Programme (HABP)	Targeting chronically food insecure households in 310 weredas (in 2011). Market-oriented; attention to both farm and non-farm livelihood options; support extended to household business plans developed with DA support and credit from local financial service providers.
Agriculture Transformation Agency (ATA)	Created early 2011, high level backing (PM chair). National reach, arm-length relationship with administration. Will focus on capacity-building in agriculture sector – including a strong emphasis on co-operatives.
Agriculture Growth Programme (AGP)	Targeting 83 weredas in growth clusters

70) The Agricultural Transformation Plan aims to embrace all areas of the country, and so does the ATA in its stated objectives although it appears that it may initially focus more on agricultural growth potential areas. The AGP focuses exclusively on potential areas as it was conceived as a counterweight to the Food Security Programme with its HABP component both focusing on the chronically food insecure areas of the country (see below). **The AGP and the HABP coexist** with one another and avoid overlapping by focusing on distinct geographical areas, but currently, there **does not seem to be institutional arrangements that would allow identifying potential synergies and/or crosslearning** –

<sup>56</sup> The WIDE3 research touches upon these issues in a discussion paper titled “The role of the ‘government go-betweens’ in changing rural Ethiopia” (Dom 2011) which documents and analyses the role of the agricultural extension agents as one of the categories of ‘government go-betweens’ (community level government agents) in the six villages studied in Stage 1.

<sup>57</sup> Box 2 presents a snapshot of different ‘things’, but all related to how rural communities might see government macro livelihood development policies reach them in the forthcoming years: the first line presents the main thrusts of the GTP agricultural transformation policies; HABP and AGP are the two largest rural livelihoods investment programmes i.e. the vehicles through which community members would see some of these policies materialize; the ATA is a new institution. It is in principle not going to involve directly in policy implementation, but in capacitating the implementing organizations. However in doing so its actions are likely to matter at the community level, if, as is to be expected, it pushes some of the organizations to strongly focus on particular policies such as for instance the establishment of cooperatives. Box 2 does not include government investments in irrigation and rural roads, very important, that are discussed in a later section.

even though the documentation clearly shows that there are many policy areas which cut across the two programmes (e.g. participatory planning, value chain development, access to credit/inputs etc.).

71) More broadly, the government policy framework is **not fully clear** about how the **balance** will be struck **between state-led and private sector/market-led approaches**. Moreover, in contrast with the PASDEP which candidly recognized that the government had a difficult balancing act to manage, the GTP is **silent** on the **tension** between focusing on **improving smallholders' farming** which is still providing the livelihoods of most households in rural areas and **shifting more decisively towards large-scale commercialized agriculture**. The fact that the GTP includes a target for the area of land to be transferred to 'commercial farming investors' by 2014/15 is not anodyne. On their side the WB and IMF highlight the need to balance this type of private sector involvement by private investment in smallholder farming, which in turn requires an enabling and transparent environment in the land, input and output markets and easier access to financial services (JSA 2011).

### **Food security**

72) Whilst in the PASDEP food security featured as an important topic discussed under a specific heading for the Food Security Programme (to which 6 pages were devoted) the GTP has an overarching objective of "eradicating poverty and dependence on food aid" but food security is not explicitly an objective. There is hardly any mention of it as such. In what is maybe a sign of the shift towards the 'spectrum' approach mentioned above (see para ¶61)), the GTP explains that the so-called '*moisture deficit areas*' will benefit from mainstream agricultural investment strategies (e.g. DA skill enhancement) together with the scaling up of technologies specific to these areas and said to have been tested in the past five years and with 'packages of support' for household asset building.

73) The redesigned Food Security Programme, supposed to address chronic food insecurity, reflects a growing **focus on the necessary linkages between 'protection and prevention' (Productive Safety Net Programme/PSNP) and 'promotion and transformation' (HABP)**, increasing **attention to** the need to accompany household-focused investments with **investments in the development of an 'enabling environment'**, and a recognition of the need to facilitate **diversification including to non-farm-based livelihoods**, as part of a broader rural growth strategy. That is, the **policy thrusts** are increasingly **common with** those outlined for the '**growth potential**' areas.

74) In terms of **implementation**, however, chronic food insecurity continues to be addressed **separately** through the FSP armoury of components programmatically and geographically distinct from the interventions focusing on agricultural growth like the AGP. Transitory food insecurity is addressed through a mixture of initiatives, also separate.

#### *Box 3: FSP policy implementation plans at community level in 2011*

**Improving implementation of PSNP:** Rollout of the variable level support pilot; full family targeting; More predictable transfers (woreda incentive and systems) ; Addressing poor integration of woreda planning ; Households identified for graduation remain on PSNP for 1 more year ; Improved use of risk financing as a mechanism to scale up safety net modalities in response to emergency needs.

**Improving/new HABP:** Shift to market-oriented advisory services; tailored to different types of beneficiary households; attention to farm and non-farm opportunities and options, support to households devising business plans and seeking support from local financial service providers.

**Implementation of Complementary Community Initiatives** – focusing on medium-scale infrastructure development that cannot be undertaken through the PSNP public works.

**Resettlement:** up to the regions.

75) Our review of the available documentation suggests that practices lag far behind the stated policy intentions just outlined. There seems to be a number of reasons for this, including:

- Slow rollout hence low awareness of new policies (e.g. client cards) or low level of understanding and confusion (e.g. graduation, new more demand-led nature of the HABP)
- Slow takeup of new policies at wereda level which in turn arises from apparent lack of will to tackle some issues (e.g. burden on women arising from current public work policies) or lack of

‘capacity’ which may arise from too many competing demands on officials’ time (e.g. few weredas were found to have a contingency plan to scale up public works if there was a need to activate the ‘risk financing’ modality) or lack of competence where it is needed (e.g. DAs are not trained to provide marketing or business development advice, even less when it comes to non-/off-farm activities; experts in marketing are posted at wereda level; experts in SME development are rarely if ever seen in rural areas).

- Continued tension between criteria-based guidance written as if resources were limitless and quota-based reality combined with disconnect between the macro policy and community level socially acceptable norms and practices (e.g. full family targeting).

76) Moreover, it is not clear that government is wholly behind the idea of enabling people to move out of farming as a livelihood. In the GTP there continues to be a lack of connection between government plans and measures taken for promoting off-/non-farm options for rural areas on the one hand, and supporting micro and small enterprises in urban areas on the other hand.

77) Government documentation reflects **differing perspectives on the future of safety nets** – even within the Government. The GTP ambitious target for graduation from the PSNP, emanating from its fear of nurturing dependency, is accompanied by the objective of gradually reorientating the ‘enormous resources allocated to the safety net’ into investment in growth areas and in disaster and risk management activities whilst continuing to finance sustainable land management activities (Agriculture PIF 2010). This direction coexists with a seemingly increased willingness to consider the need for the development of a long-term comprehensive social protection framework which would include the continuation of ‘social safety nets’ for the most vulnerable groups that could be unable to graduate (see below). However, in the (still draft after several years of development) Disaster and Risk Management policy and its emerging Programme and Investment Framework there is no explicit mention of safety nets – even though donors insist that they can be effective tools for crisis response.

78) These issues are indeed picked up in the WB & IMF Joint Staff Assessment Note (2011) which recommends that *‘a combined approach to climate change adaptation, disaster risk reduction and social protection inform the social protection and DRM policies of Ethiopia’*. Staffs also stress the *‘tremendous potential’* of the PSNP, combining food security, DRM and climate adaptability elements, to *‘be developed into a sustained safety net and form part of a comprehensive social protection policy’*.

### ***Planned government investments in rural development***

79) Somewhat foreseeable in the GTP, one much striking emerging trend is a big shift in budget spending with huge increases related to water including irrigation, and rural roads. This represents a level of investment by government well beyond the scope of the donor-financed AGP and HABP interventions<sup>58</sup>. The most notable feature is the establishment of an MDG Fund as a new item in the EFY 2004 budget and a new type of federal transfers to Regions.

#### ***Box 4: Characteristics of the MDG Fund in relation to investments in rural development***

Reportedly, the MDG Fund has been allocated across Regions based on the Federal Block Grant formula. It is targeted for capital investments in the five pro-poor sectors i.e. agriculture, education, water, health and rural roads. It is intended to finance new (as opposed to ongoing) capital projects. Initially Regional Governments (and not weredas) are responsible for implementing the projects. The Federal Government is responsible for setting the general framework for the utilization of the Fund while Regional Governments identify specific investment projects. They are, however, required to discuss with MoFED before they proclaim them in their respective budgets, to ensure that they are in line with the general framework. The Federal Government will provide technical support to Regions in the implementation of their projects. MoFED has established a dedicated M&E body which will follow up project implementation. Disbursements will be based on Regions’ quarterly performance.

<sup>58</sup> I am indebted to Achim Fock (World Bank) to have drawn my attention on this very important point, and generally for his comments on this livelihoods section.

To decide on the sectoral allocation of the fund, the Regions were categorized into three groups: the big four regions plus Direedawa and Harari (Group I); Benishangul-Gumuz and Gambella (Group II) and Afar and Somali (Group III). Regions in each group were asked to identify priority areas (from the five pro-poor sectors) where they believe lags are most critical obstacles to reach the MDGs. Groups I and II Regions have identified rural roads; Group III Regions identified water and irrigation.

*Source: PBS Secretariat, email communication (September 2011)*

80) By end 2011 no substantive analysis in terms of pattern of allocation of resources across sectors was available<sup>59</sup>. Table 2 below is an initial analysis. Trends must be taken cautiously, the more so as one other trend is that the Government is doing much more off-budget (as was indeed acknowledged in the GTP). With this caveat in mind Table 2 shows a very large increase from EFY2003 to EFY2004 in the regional budgets, compared to wereda and federal level budgets. It also shows that across the board, the largest increase goes to Natural Resource Management (NRM) including water and irrigation, with agriculture in second position and Basic Services (BS) only in third position. At regional level the most massive planned spending increases are in NRM and roads, largely linked to the allocation pattern for the MDG Fund resulting from the process outlined in Box 4.

*Table 2: Changing budget patterns EFY 2003-EFY 2004*

EFY03	Woreda	Bureau	Federal	Total (%)	Total (m ETB)
Ag	27.5%	13.3%	59.2%	100%	8,246
NRM	10.8%	30.9%	58.3%	100%	5,938
Roads	0.9%	11.1%	88.0%	100%	18,543
BS	21.8%	14.0%	64.2%	100%	62,379
Total	23.0%	16.0%	60.9%	100%	93,831
EFY04	Woreda	Bureau	Federal	Total (%)	Total (m ETB)
Ag	22.2%	18.6%	59.3%	100%	13,494
NRM	4.9%	56.6%	38.6%	100%	13,350
Roads	0.9%	31.9%	67.3%	100%	26,009
BS	17.9%	29.0%	53.0%	100%	93,359
Total	20.5%	29.2%	50.3%	100%	138,294
change EFY04 over EFY03	Woreda	Bureau	Federal	Total Change (%)	
Ag	31.6%	128.3%	64.0%	63.7%	
NRM	2.0%	311.4%	48.7%	124.8%	
Roads	38.2%	302.0%	7.2%	40.3%	
BS	23.1%	210.6%	23.6%	49.7%	
Total	31.0%	168.5%	21.8%	47.4%	

*Source: World Bank, email communication (November 2011)*

## 3.2. Policy shifts in the Human Re/pro/duction field

### Education

81) Since the early 1990s the education policy has evolved within a framework developed in 1994 for twenty years and operationalised through successive five year programme periods. The first Education Strategic Development Plan (ESDP) was developed in 1997/8. Alongside the well-delimited planning periods one can distinguish a trajectory in three main parts reflecting an evolving focus: (i) from the mid-/late 1990s to the mid-2000s the main focus in ESDP I and ESDP II was on primary education; (ii) the ESDP III maintained this focus whilst introducing greater attention to post-primary education and especially TVET and higher education expansion; (iii) the GTP and ESDP IV go further in this two-pronged policy approach of **pressing on with reaching the MDGs** whilst at the same time **producing the workforce required for the economic transformation foreseen in the GTP**. The GTP in particular

<sup>59</sup> The implications of the MDG Fund for the government decentralization policy are discussed in section 3.3.

conveys a strong 'education for work' message, stressing the government's focus on '*educating and training a workforce that meets industries' needs at all levels*'.

82) An independent review of the progress made during the first three ESDP periods concluded that this was a clear example of '*development progress*' story (ODI 2011), with a massive expansion of access to education and in particular, primary education (from 3 million primary school pupils in 1994/95 to 15.5 million in 2008/9 or over 500% increase). This was enabled through a sustained government-led effort to expand public education equitably, backed by substantial increases in national expenditure and aid, and improved planning and implementation capacity at all levels. Increased regional/local autonomy and community participation is said to have been a key ingredient of the success. This occurred alongside initial steps to transform TVET and higher education and already significantly higher intakes and enrolments in the latter part of the period to 2009/10.

83) Quality of education has been a recurrent concern throughout the period, and although policies to address this at basic education level have become increasingly important on government agenda over the past five years, recent evidence points that the challenge remains severe<sup>60</sup>. More recently and at the discourse level the government has now also expressed its intention of tackling the issue of quality at higher level – as indicated in the ESDP IV.

84) The ESDP IV (normally the last in the series) recognizes that there are many remaining critical issues and is geared to address these. Notably it aims to:

- Improve the **quality of basic education**
- Reach the **unreached/disadvantaged**, addressing high dropout in early grades
- Sustain **equitable access to quality secondary** education
- Renew **adult education** (on grounds of justice as well as socio-economic development)
- Expand **access to TVET and higher education with quality** to create competent, motivated, adaptable and innovative workforce/human resource and transfer relevant technologies and knowledge.

*Box 5: Education policy implementation plans at community level*

Scaling up education quality will be encouraged by: building communities' sense of ownership of educational quality and changing the school '*into a genuine learning environment (quality-focused school supervision, internal school leadership, increased student participation, school-community partnerships)*', implementing in all schools the standards and best practices of the General Education Quality Improvement Programme (GEQIP), ensuring that teachers are professionally licensed so that they are accountable and responsible for quality oriented training and that all schools have qualified principals and supervisors, and paying greater attention to provide all inputs to remote rural schools.

To meet requirements teachers will be selected more rigorously among academically qualified, motivated and ethically fit teacher candidates, and there will be strengthened attention to Continuous Professional Development in all schools. Teachers will benefit from a special English language training programme. Their salary will increase in line with inflation and the authorities will develop a career structure and teacher licensing and re-licensing system.

There will be full implementation of the 'Early Childhood Care and Education' policy. Alternative Basic Education Centres will be transformed into formal schools so that distance to formal schools is further reduced. More ABECs will be established where required but in the context of a 'strong transformational nexus' between ABECs and formal schools<sup>61</sup>. The Adult Education curriculum will link adult literacy to livelihoods.

<sup>60</sup> E.g. an Early Grade Reading Assessment (EGRA) for Ethiopia conducted in 2010 showed extremely poor reading abilities overall. About 13,000 grade two and three students were given an age-appropriate text of about 60 words (which they are expected to be able to read in one minute) in their mother tongue language in which 85% of them were studying (so that understanding should not have been an issue). The tests showed that after grade two the percentage of students who were reading at or above standard was below 10% except in Addis Abeba where it was 14.5%. And 34% of those children could not read a single word correctly in one minute (Ohashi 2011).

<sup>61</sup> The concept of 'strong transformational nexus' is not entirely clear in the ESDP IV, but seems to reflect the government understanding that over time all ABECs should be transformed into formal schools and its desire for this to happen as rapidly

The GTP/ESDP IV foresees a big push on secondary, towards reaching universal general secondary education by 2025. There is a strong emphasis on constructing more secondary schools in rural, underserved areas and emerging regions. There also continues to be a big push on TVET, as technology development and dissemination centres and incubators for MSEs.

The schools' role in the community will be strengthened (HIV/AIDS prevention, environment protection, emergency management, nutrition etc.). But the ESDP IV is not entirely clear about the role which communities are expected to play. On the one hand it states that community involvement will focus on areas with less financial implications (activities to increase enrolment and to decrease early drop-out). On the other hand it suggests that community contributions will be required to achieve the foreseen large expansion of secondary education.

Source: ESDP IV

85) In financing terms the main difference between ESDP III and ESDP IV arises from the quite significant spending planned to be made on adult education (8.8% of the total sector spending). The share set aside for primary education drops quite sharply from 48% to 37% (of all sources of funding including aid and community contribution) whilst secondary and TVET keep up share-wise and higher education also drops from 24% to 21.7%. Support programmes also get more attention: spending on teacher education increases notably and a new 'gender programme' is also quite generously funded. However, the JSA highlight that one of the key challenges concerning the ESDP IV is the 20% financing gap of the plan. Staffs raise the concern that this and the decreasing share of resources allocated to primary education might jeopardize the goal of universal primary education (WB & IMF 2011).

## Health

86) As in education since the early/mid-1990s the health policy has been framed in the context of an overall twenty-year health sector plan with a rolling five year programme period. The first Health Strategic Development Plan (HSDP) was developed in 1997/8 at the same time as the ESDP. The initial objective of expanding access to basic health care has remained throughout the period. Over time this priority was expressed as government ambition of scaling up to reach the health MDGs.

87) Various sources mention that health expenditure increased five fold in the last 12 years (Save the Children UK 2011, Rashid 2011), whilst successive National Health Accounts show that per capita health spending more than doubled between 2004/5 and 2007/8. However, the sector remains underfunded and at around 15\$/capita there is a \$700m financing gap to meet the MDGs; most of the increased spending between 2004/5 and 2007/8 came from higher out-of-pocket expenses by individuals and increased aid funding<sup>62</sup>; and the sector as a whole as well as major health programmes (e.g. HIV/AIDS prevention and care and child health care) are heavily dependent on external resources<sup>63</sup>. Like for education, the financing gap between resources available or likely to be and the GTP and HSDP IV targets is raised as a concern in the JSA (WB & IMF 2011).

88) One major policy shift occurred in the transition from HSDP II to HSDP III with the development and rollout of the Health Extension Programme and its 16 packages, meant to become an overarching priority in the sector and the primary vehicle for prevention, health promotion, behavioral change communication and basic curative care. Indeed the Lancet in 2011 states that *"For more than 5 years,*

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as possible. The rationale for the transformation of ABECs is that alternative forms of education are no longer needed when all children who need to catch up (e.g. overage) have done so and as over time, there should be fewer and fewer families who are not able to send their children to a formal school (with economic development, increased education service supply etc.). There is an outstanding debate between the government and some other stakeholders as to how fast this may happen.

<sup>62</sup> In National Health Accounts "out-of-pocket expenses" (by private households) are one of the flows of health financing that is tracked. This spending *"is the direct outlay of households, including gratuities and payments in kind, made to health practitioners and suppliers of pharmaceuticals, therapeutic appliances and other goods and services, whose primary intent is to contribute to the restoration or to the enhancement of the health status of individuals or population groups. It includes household payments to public services, non-profit institutions and nongovernmental organizations"*. (WHO definition, see <http://www.who.int/whosis/indicators/compendium/2008/3exo/en/> ).

<sup>63</sup> The (MOH 2010) 2007/8 NHA found that 40% of the total spending on health in Ethiopia is financed by development partners, 37% by household out-of-pocket expenditure and only 21% by the government.

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*Ethiopia's Federal Ministry of Health has relentlessly followed a vision of supporting community-based health care."* Other highlights from the implementation of the HSDP III include an accelerated expansion of the basic health care infrastructure (health posts and health centres), the massive training and deployment of the Health Extension Workers who are the prime actors in implementing the HEP, and the start of bottom-up planning by the weredas.

89) There has been some encouraging progress. E.g. according to government data the HSDP III immunization cover targets were surpassed. The latest Ethiopia Demographic and Health Survey found that under-five mortality had apparently decreased from 123/1,000 in 2004/5 to 88/1,000 in 2009/10, and infant mortality was also down from 77/1,000 to 59/1,000. In the same period the average fertility rate for rural women decreased from 6 children to 5.5 children. Family planning was used by 23% of women in rural areas in 2009/10 compared to only 11% in 2004/5.

90) But there are also many remaining critical issues. Notably, progress in maternal health care and reduction of the maternal mortality rate has been slow – as found in the EDHS – with for instance, a persistently low percentage of deliveries attended by skilled health attendants (15.7%). Other indicators raising concern include the low rate of TB case detection (35.8%) and very low coverage of HIV positive mothers by Prevention of Mother To Child Transmission measures (8.3% of those eligible).

91) The GTP and the HSDP IV (2010/11-2014/15) continue the policy of **expansion and strengthening of universal primary health care** with an **emphasis on maternal and child health** and **prevention and control of major communicable and non-communicable diseases**. The focus is said to be on:

- Democratization and decentralization of the health care system<sup>64</sup>;
- Development of the preventive, promotive and curative components of health care;
- Assurance of accessibility of health care for all segments of the population;
- Promotion of private sector and NGOs participation in the health sector.

92) In terms of sector financing the HSDP IV foresees the comprehensive **rollout of the Health Care Financing reform** which provides for health facilities to retain and use at their level the revenues raised by charging patients (in 2008/9 this had been implemented in 63% of the hospitals concerned and 38% of the health centres) and foresees the **development and administration of a fee waiver system** and the establishment of functioning facility governance bodies.

93) The HSDP IV also puts a strong emphasis on the development of appropriated health insurance systems, and notably the development of community-based insurance schemes in rural areas. This is, however, at very early stage with pilots under way in just thirteen weredas (out of more than 800 rural weredas at present). The government objective is that 84% of the population in Ethiopia will eventually be covered through such schemes combined with social insurance mechanisms for the formal sector. The HSDP IV target is to reach 50% coverage by 2014/15.

*Box 6: Health policy implementation plans at community level*

Focus on increasing infrastructure, coverage and quality of services: Health centres and posts better staffed, equipped and maintained; improved quality through HEWs better trained and motivated.

Focus on increasing utilisation of services through the healthcare financing reforms with fee waivers for the poorest, exemptions for specific services (e.g. maternal and child health) and social and community-based health insurance schemes.

Community participation, conversation, monitoring e.g. rollout of the Community-Led Total Sanitation approach

Continued implementation of the sixteen HEP packages focusing on hygiene and environmental sanitation (7), disease prevention and control (3), family health services (5) and a crosscutting focus on health education and communication (through e.g. the Health Development Army).

*Source: HSDP IV*

<sup>64</sup> The HSDP IV stresses in particular the importance of community ownership and of “*empowering community to produce its own health*” (HSDP IV: p.45)



## Water Sanitation and Hygiene

94) Over the last decade the policy and strategic framework for WASH activities has developed from parallel, stand-alone, uncoordinated programmes and uncoordinated implementing agencies and donor funders to an increasingly more coordinated sector-wide approach. The key guiding policy has been the 2005 Universal Access Plan (UAP) designed to achieve 100% water supply and sanitation access, first intended by 2010, extended to 2012 and now to 2015.

95) Summarising progress and challenges in 2009 the Ministry of Water Resources stated that an additional 4.5 million people had been served each of the past three years but that to achieve the UAP target by 2012 (as was planned then) would require a doubling of efforts and resources (MOWR 2009). A joint review of the sector noted that the level of financing in 2009 was about 10% of the need for the UAP (GSF and WSCC 2009). Indeed, in spite of significant progress in the availability of water points, Ethiopia's water and sanitation coverage and consumption rates are still among the lowest in the world, and poor water, sanitation and hygiene (WASH) provision diminishes people's well-being and contributes to Ethiopia's poor health outcomes<sup>65</sup>.

96) In the GTP potable water supply and irrigation development are presented as one sector. The combined focus is premised on an **integrated approach to water resources development and utilisation**, considering parallel needs such as water supply, development of irrigation, river basin administration, watershed management and related activities (GTP: 77). **Sanitation and hygiene**, which is a **central part of the HSDP IV**, is therefore disconnected from water supply in the GTP, and actually not mentioned as such – which WB & IMF staffs find contradictory with the integrated WASH approach that the government is also developing (see below) (WB & IMF 2011).

97) The WASH policy has been implemented through a multi-donor WASH programme, the Health Sector Development Plans (I-IV) and various projects. With donor support GOE has invested heavily in community approaches to total sanitation and hygiene; community water “self supply”; and piloting community management of water infrastructure construction and maintenance. GOE approach has built on existing local capacity, the GOE health extension programme and network of HEWs, and the WASH programme network of community facilitator teams trained and deployed from the wereda to promote hygiene and sanitation amongst communities that would benefit from the programme (in the 446 weredas concerned) (GSF and WSCC 2009).

98) In moving towards a sector-wide approach the government intends to launch a new National WASH Programme in 2011. This programme, with leadership of four ministries pledged through a MOU, is designed to cover both rural and urban areas in the whole country and to integrate water supply, sanitation and hygiene at household, community and institution level, with special provisions for meeting the needs of pastoralist communities (MOWE 2011). Four modalities are foreseen for financing and managing water point projects: wereda-managed; community-managed; NGO-managed and self-supply. The programme continues the national policy to have all communal/ institutional potable water points managed and maintained by a volunteer committee of “users”. The new WASH programme aims to raise involvement of the private sector through opportunities for public-private partnerships in the delivery of goods and services and in the building of stakeholders' capacity.

99) In the meantime coordination remains a challenge given the number of sectors and ministries involved along with several donors and numerous NGOs. A number of institutional arrangements try to address this<sup>66</sup> but the lack of consistency in how government integrate water use, supply and sanitation and hygiene does not help (WB & IMF 2011).

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<sup>65</sup> Thirty million Ethiopians still lack access to basic sanitation and safe and reliable drinking water (UNICEF 2011). Of the 321,000 children under five who die each year in Ethiopia, 20% of deaths are caused by diarrhoeal diseases caused by lack of access to WASH services and a general lack of awareness. (Save The Children 2011)

<sup>66</sup> This includes a WASH coordination office (since 2008); semi-annual Joint Technical Reviews and an annual Multi-Stakeholder Forum; the DAG Water Technical Working Group; the WASH Ethiopia Movement (since 2004, coordinated by WaterAid and involving government and non-government actors) and; the Water and Sanitation Forum (WSF) established specifically for experience-sharing among civil society organisations.

100) M&E in the sector has been under development since 2007. Among others, the government is carrying out a national WASH inventory which will provide data on water supply schemes, sanitation and hygiene practices of households, and the status of water and sanitation facilities at health institutions and schools (Welle and Bostoen 2011). There is a great potential for the inventory to enable improved planning and decision-making although it is not yet clear when and how much data will be available. Preliminary findings from the inventory report a wide discrepancy in the geographic scope, accessibility, number and types of scheme operating in different weredas.

*Box 7: WASH policy implementation plans at community level*

Continuing to address WASH human resource capacity needs through supportive supervision and in-service training for the HEWs; ensuring adequate capacity at wereda level (strengthening wereda WASH Teams and local level coordination); further strengthening the urban HEP

Building private sector well drilling capacity and the capacity of sanitation entrepreneurs and suppliers

Scaling up community water 'self-supply' approaches and the Community Led Total Sanitation and Hygiene (CLTSH) approach and publishing an Ethiopian CLTSH Guidelines and Training Manual

Mainstreaming the Community Development Fund (CDF) approach (pioneered in two Regions with donor support) into the National WASH Programme: community WASH committees are responsible for the full development process (planning, financial management, implementation) in construction and maintenance of water points and school and health post sanitation facilities, managing not only community-generated funds but the government construction subsidy and procuring the necessary goods and services

Develop a national Hand WASHing Communications Strategy aimed at school children

*Source: GTP and MOWE 2011*

101) In 2009 MOWR identified that improvements in sector coordination were followed by growth in government financing. Off-budget financing (NGOs) remained a significant source of funds at local level although it is difficult to measure trends (MOWR 2009). Ethiopia joined the Sanitation and Water for All movement in April 2010 and committed to increase its budget allocations to hygiene and sanitation to 0.5 percent of GDP (MOWE 2011).

102) Harmonising and aligning finance for WASH activities has been challenging<sup>67</sup>, and there has tended to be an unequal balance of funding to water activities and not enough dedicated to sanitation activities. GOE has improved this situation and has a dedicated WASH budget allocation and funding mechanisms to harmonise donor finance. There is Multi-Donor Trust Fund managed by the World Bank and channelling funding through MOFED like e.g. the PSNP and GEQIP (MOWR 2009). The implementation framework of the new WASH programme envisions the development of "one consolidated WASH fund" which would collect all donor and government WASH contributions and from which all WASH activities and investments are supported" (MOWE 2011).

103) The main challenges in the WASH sector have been identified as insufficient financing – including for routine wereda supervision of community activities and water and sanitation infrastructures<sup>68</sup>; difficulties in moving away from project-led implementation to a genuine sector approach that donors could support through sector budget support; knowledge gaps regarding effective use of participatory hygiene and sanitation transformation approaches, social marketing and micro credit or use of revolving fund for financing sanitation facilities; ambiguity in a number of operational policy issues<sup>69</sup>. WB & IMF stress serious limitations in skills, technology and implementation capacity in the drilling industry (WB & IMF 2011).

<sup>67</sup> Key donors in the sector include ADB, World Bank, DFID, Finland, UNICEF, USAID.

<sup>68</sup> For instance, it was reported that the data collection activities of the inventory exercise were appreciated by wereda officials who were able to visit all water points in their area and took this chance to assess the status of water points and management arrangements. This to some extent is a positive outcome but also an alarming sign that such visits are not a common part of their regular work, due to lack of an operating budget for the wereda level water desk/office.

<sup>69</sup> E.g. roles and responsibilities for sanitation among urban agencies, definition of the subsidy aspect of the household latrine, responsibility for financing the costs of sanitation facilities in institutions.

### 3.3. Policy shifts in the community management field

#### Community management in the broader governance context

104) The EPRDF take-over led to very important institutional changes in the country governance arrangements, with the regionalisation policy and the transformation of Ethiopia into a federal country (1994/5) followed by the wereda-level decentralisation policy (2002/3)<sup>70</sup>. Much has been written as to whether practices actually reflect the significant autonomy that these policies are supposed to have given to the Regional and wereda governments. Our conclusion (as in 2009) is: ‘the jury is out’. In the current context of ‘single party dominance’ (see ¶29)) and given Ethiopia’s particular historical trajectory decentralisation is certainly of a particular kind (as is analysed in Vaughan 2011). At the local level the ambivalence of the EPRDF decentralisation model is embodied in the ambiguous nature of the rural kebeles, which are the successors of both the community representative ‘*baito*’ in the TPLF areas of Tigray and the Derg’s Peasant Associations conceived more as a system of community encadrement.

105) Also important was the move in the early 2000s to better demarcate and define the roles and functions of the executive, legislative/representative and judicial branches of the government at all levels, accompanied by the creation of a ‘super-ministry’ of capacity building to drive the professionalisation of the civil service at all levels. Whilst this could lead one to believe that the EPRDF was endorsing a different role for the party it rapidly became clear that one of the main tasks of the Ministry of Capacity Building was to maintain the (previously directly party-induced) discipline in policymaking and policy implementation, which continues to be a hallmark of the Ethiopian government governance model.

106) The 2005 election is considered as a watershed in the country’s political governance trajectory (except from some long-standing observers there tends to be less attention paid to the TPLF split in 2001 although it clearly was an equally critical landmark, as noted by the Prime Minister himself<sup>71</sup>).

107) At the local level the pre-2005 election context was one in which there was high awareness of the concept and potential role of ‘the opposition’ and much talk of ‘democracy’ even in remote rural communities<sup>72</sup>. The post-2005 election context saw a dual trend. On the one hand, the government-led rollout of the ‘good governance’ consultations and package accompanied a continued push to further expand services and infrastructure. On the other hand, donors were driving the rollout of supply- and demand-side accountability measures through the design and implementation of the Financial and Transparency Accountability (FTA) and Social Accountability (SA) components of the Protecting Basic Services programme. The latter was not only much slower to take off but much smaller scale than the GOE activities.

108) In the backdrop the EPRDF regrouped and launched an intensive recruitment drive leading to the overwhelming victory of the EPRDF and allied parties at the 2008 local elections: virtually all of the more than 3 million seats on wereda and kebele Councils were won by candidates of EPRDF and allied parties. As Lyons remarked, this means that with only the local Councillors one of every ten adults in Ethiopia is a member of the EPRDF or allied parties (Lyons 2011). We noted earlier that the federal and regional election of May 2010 confirmed the apparent success of the EPRDF strategy, with a landslide victory of the EPRDF and allied parties.

109) In 2009 we concluded that there was a ‘disconnect’ between government and donor local governance models. This continues to be the case as we discuss further in section 4. However in

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<sup>70</sup> These two policy shifts were part of the topics explored in earlier round of the WIDE research as WIDE1 took place in 1995 and WIDE2 took place in 2003/4.

<sup>71</sup> See for instance Vaughan, S. and Kjetil Tronvoll (2003) and Meles Zenawi 2006

<sup>72</sup> This is very clear from in-depth research (DEEP) that was undertaken in four rural communities and two urban ones in 2004/5 across the election itself, as part of the same research project as WIDE2.

addition, there are ambiguities within the government own model, which we discuss here under the headings of decentralization and accountability.

## Decentralization

110) In the past two to three years, decentralization appears to have **simultaneously expanded and deepened, and shrunk**. Expansion and deepening is reflected in increased spending at wereda level and a proliferation of development interventions in which wereda structures play a key role (PSNP, sector programmes like GEQIP etc.) (e.g. Dom and Lister 2010). This has been accompanied by a strong drive to professionalise both wereda and sub-wereda structures and systems through e.g. more demanding recruitment standards and reforms like the Business Process Re-engineering process and the deployment of professional kebele managers alongside the elected kebele leaders.

111) At the same time, decentralized governance has continued to be severely hampered by constraints that are well-known but not addressed. One serious such constraint is the priority that weredas have to give to an array of prescriptive federal policies competing for local resources. This leaves very little scope for local discretion, undermines the effectiveness and the credibility of the government agents working at the community level as they have no means of being responsive to the communities' priorities, and in turn undermines the relevance of participatory planning. Another serious constraint is the continued dominance of the executive branches of local governments whilst local Councils are weak and sidelined not only in government decisionmaking processes but also in the donor-driven local accountability strengthening interventions (see e.g. Jones and Bladon 2008, Pankhurst et al 2008, Dom and Lister 2010 and Dom 2011).

112) The **ambiguity** of the past few years about the degree of devolution of decisionmaking and resource control to weredas is **likely to continue to prevail**. It is noteworthy that **the GTP is almost silent about 'decentralisation'** whilst it was presented as one of the cornerstones of the SDPRP and even more so the PASDEP. There are several other signs. To pick up just a few here, we note that whilst in the MEFF and the EFY 2004 budget the federal block grant to Regions continues to increase significantly, the Regional Governments are also de facto co-opted to implement the federal policy of strong focus on infrastructure development through getting new funding to be spent exclusively on capital investment (see ¶179) and Box 4 above on the MDG Fund); unmet need for non-salary recurrent financing is not discussed. The evolving land allocation practices have also meant that the federal government has taken back a significant power from the Regions (see ¶ 51)above).

113) It is also noteworthy that the latest push to channel resources downwards no longer channels these at wereda level, but at the level of the Regional Governments. As noted by the PBS Secretariat the establishment of the MDG Fund has '*changed the inter-governmental fiscal transfer system*, with significant implications that Table 2 above begins to unpack; as well as implications with regard to accountability relationships and the 'quality of decentralisation'. Finally, whilst MOFED has developed wereda integrated planning guidelines unintegrated planning continues to be promoted by design through an expanding array of programmes with separate funding envelopes for specific uses (GEQIP for education, WASH for some weredas for water, LIG for pilot weredas for capital investment, PSNP for PWs for some weredas and now AGP for other weredas etc.<sup>73</sup>).

## Accountability

114) The above suggests that at the same time as the level of resources pushed to the wereda level significantly increased for almost a decade there appears to have been increasing constraints on the degree of devolution that should in principle underpin the decentralization policy<sup>74</sup>. In the same vein, GOE's stated intentions with regard to **strengthening local accountability** are mostly confined to a

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<sup>73</sup> Thus at the same time as MOFED was preparing the wereda integrated planning guidelines the AGP stakeholders were preparing one more set of planning guidelines called CLIPP (Community-Led Integrated Participatory Planning) which makes no more reference to other guidelines than previous guidance like LIG or WASH.

<sup>74</sup> Thus as decentralization at first glance seems to be flourishing, it maybe looks more like deconcentration.

**technocratic approach focusing quite strictly on greater accountability for service delivery.** Thus for instance, the GTP talks about the generalisation of the use of Balanced Score Cards, the strengthening of wereda and local administrations and the development of a *‘customers’ service delivery charter’*.

115) The government is said to have become quite enthusiastic about the PBS Financial Transparency and Accountability (FTA) and Social Accountability (SA) components. Good progress was reported on the implementation of measures such as the posting of budget and expenditure in various public locations, large scale training of citizens on FTA, and the use of an expanding range of means to inform the public. The government has also endorsed the findings of an ‘exceptionally positive’ evaluation of the ‘Ethiopia Social Accountability Programme’ (ESAP) (Vaughan 2011). It has recognized the value of measures such as the use of Community Score Cards and the practice of organising interface meetings between citizens and service providers, and has agreed on the design of an expanded and deepened ESAP programme.

116) However, some skepticism has been expressed about the much upbeat conclusions of the ESAP evaluation. In any instance the government has shown little appetite for ‘scaling up’ in certain directions. In response to the evaluation recommendation of promoting citizens’ engagement on budget allocation issues at wereda, regional and even federal levels the government has insisted that *‘the focus will be on the local/wereda level; the core of social services delivery’* (see ESAP 2<sup>nd</sup> phase design document). It is also not entirely clear how the FTA and SA agendas fit with the ‘good governance’ and ‘professionalization’ agendas which continue to strongly feature in the GTP and are de facto further rolled out with e.g. the deployment of kebele managers in all kebeles and a focus on building local Councils’ capacity by *‘training staff and improving Councils’ working systems’* (GTP: 99).

117) The government (and government/donor) accountability agenda continues to **overlook the ‘informal’ community-initiated institutions**, in spite of the potential of the ‘community accountability’ systems that these institutions have developed over time (see e.g. Pankhurst 2008). The **lack of locally discretionary resources** and the fact that this **strongly constrains** the potential for meaningful **participatory planning and local accountability** continues not to be addressed. And there is no recognition of the tension between local accountability and upward accountability which the ‘government go-betweens’ and ‘community go-betweens’ face when the local community model of development clashes with the government model (Dom 2011).

### **3.4. Policy shifts in relation to social equity**

#### **The emerging Social Protection agenda**

118) The research Stage 1 findings highlighted that whilst they are generically ‘pro-poor’, government services were not reaching a number of different categories of people, and that there seemed to be little attention to addressing this in policymaking and implementation. This resonated with a number of questions that some donors have started to raise – including: Is **social equity** a concern for GOE, how is exclusion being addressed in policy? How is this **translated in operational (programme/intervention) terms**? Do the GTP and its associated policy mindset (notably, the emphasis on high economic growth as one of seven strategic pillars) reflect a growing attention to social equity?

119) The 1990s-2000s trends in relation to social policies in Ethiopia are often presented as a journey from a landscape dominated by emergency food aid as response to drought and rural vulnerability with some ad hoc response to urban vulnerability to today’s situation where the PSNP and the HABP are the biggest ‘de facto’ social protection programmes in Africa. As noted earlier one question is whether in their promotion dimension these programmes head in the right direction i.e. are they not still overly geared towards rural food security, based on the idea that food security will be achieved through ‘keeping people where they are’ (mistakenly or for other non-food security related reasons e.g. on grounds that urban populations are more difficult to control). Another fundamental question is whether the government is genuinely convinced of the necessity of developing a comprehensive Social Protection policy and strategy – which is often presented as the next step on the journey.

120) The pre-GTP social equity framework included the 1996 Developmental Social Welfare Policy, the government Women and Youth policies and packages and a number of actions plans targeting specific vulnerable groups. However, it is commonly acknowledged even by some parts of the government that these have generally been weakly implemented and overly focused on the promotive dimension of social protection (vs. the protective dimension). Government-commissioned studies like that by Amdissa Teshome (2010) points the lack of resources and weak coordination. Uncertain political commitment might also come to mind as the same study also suggests that the 1996 DSW policy had unrealistic expectations that communities and families would be the prime duty bearer in the provision of social protection to vulnerable groups and was letting government off the hook.

121) In parallel to this de jure framework an array of 'de facto social protection' measures had emerged over time with the PSNP, various affirmative measures in the Education and Health Sector Development Plans and other sector-based measures (Amdissa Teshome 2010). Whilst these may have been better implemented they were largely uncoordinated.

122) **It cannot be said that the GTP represents a radically new departure.** The GTP says that growth will be '*broad-based*', '*poverty reducing*' and '*fairly distributed*'; but it does not explain what will be done for growth to have these characteristics. '*Inclusion of social protection issues in the GTP is fragmented and weak*' (WB & IMF 2011). The GTP includes brief and quite vague sections on social welfare, labour affairs, women and children, and youth and '*empowering women and youth and ensuring their benefits*' is one of the GTP pillars. But even so, together the two sections describing what will be done amount to less than four pages, much focusing on economic and political empowerment (i.e. once more the promotion dimension of social equity policies).

123) The GTP also foresees continued affirmative action in various sector policy frameworks and in some instances a greater focus on underserved areas or groups (e.g. in health and education). The government policy agenda also pays greater attention to pastoralism, which may be seen as progress; but as further discussed in the next section the options on the table are such that inclusion is conditional on pastoralist groups accepting to abandon their way of life.

124) Alongside the GTP un-elaborated stance with regard to social equity, a **flurry of activities and processes** revolving around the **development of a social protection framework** took place in the 2009-2011 period. A National Social Protection Platform was established, which led efforts to influence the GTP (which failed) and the (more successful) lobbying to get government agreeing to **develop a 'Social Protection' policy** (and not merely a revised DSW policy). The policy is still in draft form and there is some uncertainty as to whether high-level backing will be forthcoming to get government to adopt it. However at the same time, there are regional initiatives under way in Tigray (rollout of 'Community Care Coalitions' in all communities) and other Regions are seemingly interested to know more about this initiative<sup>75</sup>. There is also a quite strong donor push, with donor groups thinking about how to operationalise support to emerging priorities in relation to social protection; some donors piloting small-scale initiatives etc.

125) Yet, it is clear that it will be not a mean feat to complete the journey. Among other obstacles there are a **number of policy level tensions**, which it is not clear whether and how/where they are being discussed/addressed 'altogether'. Notably:

- Should social protection be seen as an indispensable ingredient of the GTP agenda (**social protection for growth**) or should the government recognise **social protection as a 'right'**?
- **Who is the prime duty bearer**, the state, or the families and communities?

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<sup>75</sup> This is a social protection pilot initiative targeting vulnerable groups and using a community based committee called Community Care Coalition (CCC) to select beneficiaries and oversee the effects of the transfers. Through a combination of instruments (social pensions, basic household poverty grant, disability grant and child support grant) the grants range from \$4.80 to \$9.70 per month per household depending on size and composition. This is initially financed by UNICEF, with the intention that on the basis of the pilot the region will decide whether it can afford to implement the African Union vision of an expanded social protection service. (See [http://www.unicef.org/ethiopia/ET\\_PR\\_SCT\\_02\\_Tigray.pdf](http://www.unicef.org/ethiopia/ET_PR_SCT_02_Tigray.pdf) ).

- Should the emphasis be on the **promotive/transformative** dimensions or on the **protective** dimensions and how should the **balance** be struck?
- Is social protection a matter of **climate change adaptation** or a matter of **equity**?
- Is social protection to be implemented through **specific initiatives** or should it be **mainstreamed in basic services provision**?

126) **At the operational level** there is so far little convergence about priorities identified by various stakeholders<sup>76</sup> in relation to who should be targeted, what kind of programmes/instruments should be launched first etc.

## **Pastoralist/peripheral Regions and areas**

127) Whilst in itself, the government's stated attention to the 'emerging Regions' and to pastoralist groups in Ethiopian society is not new, it seems that as the government development model has gradually become more ambitious it has been increasingly difficult for government officials to see how certain 'ways of life' could 'fit' with the model. The quote in ¶156) above does reflect government's intentions more widely, that are based on a widespread view of pastoralism as an 'economically arcane form of production' and mobility as a root cause of conflict (Little et al 2010). Thus indeed, whilst the GTP explains that livestock production, which is critical to pastoralist livelihoods, will be facilitated in various ways (mobile vet services and strengthened extension, improved livestock breeds, improved marketing system, access to water through infrastructure development) it also notes that *'in areas convenient to irrigation development, resettlement of pastoralists on voluntary basis will also be undertaken'*.

128) There is evidence that government-led population resettlement has been happening on a large scale in the peripheral Regions. This has been recognised as an official policy that the government requested donors to support, under the names of villagisation, clustering or commune strategy.

The programme was introduced in November 2010 with the aim of enabling the country's pastoral community to sustainably alleviate their food insecurity while incentivizing easier access to basic services. Altogether the Ethiopian government is said to plan to resettle 1.5-million people by 2013 in four regions: Gambella, Afar, Somali and Benishangul-Gumuz. In Gambella the regional government plan aims to resettle 45,000 households in three years, starting in EFY 2003. In October 2011 the regional government was reporting that more than 26,000 families had so far been resettled in 43 sites, and that the programme was a critical tool to achieve the GTP objectives<sup>77</sup>. In November 2011 the chairman of Ethiopia's pastoral affairs standing committee of the House of People's Representatives told Ethiopian media the programme was already "bearing notable results"<sup>78</sup>. Villagisation is also planned in some areas of the other Regions<sup>79</sup>.

129) In the discussions that followed the DAG developed a set of '*Good Practice Guidelines and Principles Regarding Resettlement*' (DAG 2011) that the government reportedly has signed up to. It is not entirely clear whether this will be sufficient for donors to effectively finance the government activities as in the guidelines document donors also requested that GOE pass onto them further

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<sup>76</sup> We reviewed operational priorities identified successively in (i) papers by consultants working for MOFED as inputs for the GTP (in 2010); (ii) the GTP (end 2010); (iii) the draft social policy (as at 15<sup>th</sup> September 2011); (iv) a UNICEF-financed social protection package piloted in Tigray with the Regional Government (Sep 2011) and (v) a group of 'social protection' donor/NGO stakeholders (retreat in March 2011) and found there was some convergence but also a significant extent of divergence between these documents/initiatives.

<sup>77</sup> See [http://www.waltainfo.com/index.php?option=com\\_content&view=article&id=353:villagization-program-said-instrumental-for-gtp-success-&catid=52:national-news&Itemid=291](http://www.waltainfo.com/index.php?option=com_content&view=article&id=353:villagization-program-said-instrumental-for-gtp-success-&catid=52:national-news&Itemid=291)

<sup>78</sup> See [http://www.waltainfo.com/index.php?option=com\\_content&view=article&id=704:villagization-crucial-to-alleviate-food-insecurity-of-pastoralist-hpr-&catid=52:national-news&Itemid=291](http://www.waltainfo.com/index.php?option=com_content&view=article&id=704:villagization-crucial-to-alleviate-food-insecurity-of-pastoralist-hpr-&catid=52:national-news&Itemid=291)

<sup>79</sup> See e.g. [http://www.waltainfo.com/index.php?option=com\\_content&view=article&id=1111:state-to-vilagize-over-20000-pastoralist-households&catid=52:national-news&Itemid=291](http://www.waltainfo.com/index.php?option=com_content&view=article&id=1111:state-to-vilagize-over-20000-pastoralist-households&catid=52:national-news&Itemid=291) citing that in EFY 2004 the SNNP Regional government had prepared for resettling 20,000 households and 10,000 had been resettled in EFY 2003.

information – including on the ‘*vision for accelerated development for Developing Regional States and the contribution that relocating populations will make to achieving these objectives*’ (ibidem).

130) The crux of the matter is in the extent to which settlement/villagisation is voluntary and how the groups that do settle are assisted in the transition. This needs to be seen in a context in which as noted earlier customary pastoral land tenure rights have no legal status and the legal/regulatory framework around pastoral land is deficient. As noted earlier (see ¶150) there is, therefore, a lot of speculation about the possible **links** between the **new policy of land commercialisation** under the federal landbank scheme and **other government development interventions requiring land** (e.g. the large-scale infrastructure development and associated irrigation expansion of Gibe III) **and the state-sponsored settlement of pastoralists and other groups**<sup>80</sup>. The government has denied these links and insisted on the developmental benefits of settlement/ villagisation for those concerned although this has not convinced everyone<sup>81</sup>.

131) As some studies argue, there is **no simple answer to the government dilemma**. Little et al (2010) explain that pastoral systems can be highly productive, but this happens when they have the “*capacity to shed surplus people into alternative livelihoods*” that is, when the surplus labour arising from growing population whilst the resources and labour needs of the pastoralist system are finite can be successfully redirected into sustainable options outside of the system<sup>82</sup>. Yet Ethiopia’s urban, industrial economy appears unable to absorb much unskilled rural labour, be it from a farming or livestock background. There are indeed some pastoralists who chose to leave pastoralism and settle in towns. The problem is not that Ethiopia has a pastoralist settlement policy, but that it has a **settlement policy** that strongly **encourages sedentarisation whilst failing to address the needs of both those who may wish to remain and ‘move up’ in pastoralism and those who may wish to ‘move out’ but are ill-equipped to do so**. One should note that this is similar to what seems to happen with regard to supporting people who want to move to off-/non-farm options in farming areas.

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<sup>80</sup> The most recent report claiming that it includes evidence of the link (based on interviews of local people and ex-local government officials) is the latest Human Rights Report on land deals in Gambella (HRW 2012). As noted in section 3.1 other studies either claim that there must be a link based on the same kind of evidence (e.g. Oakland Institute 2011b) or say that they met local stakeholders that were making it (e.g. Dessalegn 2011).

<sup>81</sup> See for instance <http://www.guardian.co.uk/world/2011/mar/21/ethiopia-centre-global-farmland-rush>. The article reports that ‘*local government officers have denied claims that people are being forcibly moved to make way for foreign companies*’ and quotes the minister of agriculture saying ‘*There is no movement of population. It’s their choice to have these basic services. But they have to abandon their previous way of life*’, but also talks about how the ‘*sparsely-populated Gambella is at the centre of the global rush for cheap land*’.

<sup>82</sup> Resources and needs are defined by the availability of natural forage and the number of animals it can support. Beyond the associated labour requirements, more humans mean more consumers but little additional production. The alternative is seeking other livelihoods (Little et al 2010).



## 4. Government and donor dialogue: An update

### 4.1. Where did we leave it in 2009?

132) Our December 2009 analysis shows that in the 1990s-2000s the relationship between the EPRDF-led government and Western donors had been through a number of tough times but had never been let to break down completely<sup>83</sup>. Either, as in the case of the war with Eritrea, the government pursued its course of action and accommodated donors' partial withdraw and the associated decrease in aid flows (we do not know whether in doing so the government was thinking that donors would return or if they were ready to withstand a situation with less aid for much longer). Or, as in the case of the events that followed the 2005 election, Western donors found a way of 'staying engaged' which they said was justified and even indispensable considering both Ethiopia's needs and the necessity to protect the good progress made towards the MDGs.

133) We also found that government and Western donors' development models for Ethiopia were only partly converging, as briefly recapped in Box 8 below.

*Box 8: Government's and Western donors' development models for Ethiopia, December 2009*

**Government's model** – A combination of mobilization through revolutionary democracy (vanguard-led campaigns convincing people of what is good for them), a politico-economic developmental-state approach, and a focus on the equitable provision of basic social services at the same time as insisting, when it comes to social equity, on the importance of avoiding dependency.

**(Western) donors' model** - A mix of economic neo-liberalism, human right approach to the MDGs, and 'participation' i.e. greater economic space for the private sector, greater opportunities for 'civil society' to participate in policymaking and implementation monitoring, and political participation in a pluralist model ('democracy').

**Government on donor model** – No problem with MDGs though without dependency; Neo-liberal reforms have to be selectively adapted and should not be embraced wholesale (indeed 'economic neo-liberal reforms have failed African countries and led them to a dead end', Meles Zenawi 2006); Political participation is a domestic agenda with which foreigners should not interfere.

**(Western) donors on government model** – Insufficient commitment to economic liberalization; State-led development overly dominant, stifling opportunities for non-state economic actors (thus ultimately, in its current form, bad for growth); Uncertain impact of very significant public investment spending; Slow progress with political development.

*Source: Dom 2009/WIDE3*

134) The relationship between GOE and Western donors has continued to fluctuate since end 2009, marked by mild but enduring internal donor divisions and some evolution in the (dis-)connect between government and donors' respective models. This is what this section focuses on. It is structured as follows. Following this introduction we update the 2009 record of the high level GOE-donor policy dialogue. Next we turn to an analysis of the government relationship with the IMF as macroeconomic concerns have emerged as most enduring among donors. We then further unpack the donor reactions to the GTP and to the underlying government policy agenda from a content point of view, distinguishing between short, medium and long term.

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<sup>83</sup> Apart from media-based information and some more information on China (see Annex 1) there seems to be little analysis on the 'new donors' in Ethiopia. Further analysis would no doubt be interesting as the landscape continues to evolve both internationally and domestically. Ethiopia seems to have access to all three types of non-Western donors identified by e.g. Zimmerman and Smith (2011): 'Arab donors' like Bahrain, Saudi and the Emirates, 'emerging donors' like Israel and Turkey, and 'providers of South-South Development Cooperation' like India, China and South-Korea. With most of them links seem to go beyond official development aid (as identified by Braütigam, 2011 in relation to China).

## 4.2. The GOE/donor policy dialogue<sup>84</sup>

### A continued trajectory of tension peaks and troughs

135) The tension provoked by the 2005 post-election events and donors' and government reactions in 2006 crowded out the formal (DAG level) dialogue around the PASDEP. At the same time the period also saw the launch of a number of new aid programmes and notably, the Productive Safety Net programme (PSNP), the Protecting Basic Services programme (PBS) and the Democratic Institutions Programme (DIP). Whilst the PBS and the DIP were developed as responses to the 2005-6 events, the PSNP was started just before the 2005 election and continued to be rolled out without interruption. Thus in practice donor programme development was never ruptured – although the dialogue itself was at times much reduced. This has continued to be the case **since mid/fall 2009, on a trajectory marked by successive tension peaks and troughs in the dialogue whilst at first glance aid programming seemed not affected.** This is summarised in Box 9 below.

#### *Box 9: Tension peaks and troughs in government-donor dialogue since mid/fall 2009*

The tension following the adoption of the fairly restrictive Charities and Societies Proclamation (CSP) in early 2009 was followed by gradual accommodation and relaxing (end 2009/early 2010). Donors might have been encouraged by the progress made with e.g. the PBS Ethiopia Social Accountability Programme (ESAP) and GOE agreeing that there was a need to build CSOs' capacity to comply with the CSP and to monitor how it was being implemented (donors finance 'facilities' to that effect).

The tension peaked again in the run-up and after the 2010 election, prompted by reports from Human Rights Watch that aid was being politically (mis-)used. HRW issued a first report in March 2010 (HRW 2010a), to which the DAG responded in commissioning a (desk-based) review of '*Aid Management and Utilisation*' which was endorsed by GOE in its July 2010 version (DAG 2010). HRW issued a second report in Oct 2010 this time directly stating that aid was being used to 'fuel repression' and accompanied by a strong and successful international lobbying campaign (HRW 2010b). The DAG response was arguably not very strong. The DAG is now (Sep 2011) undertaking to follow up on the AMU review through hiring a consultant '*to Strengthen Safeguard Mechanisms in donor-supported Development Programs in Ethiopia*'<sup>85</sup>.

Other reports and media coverage have regularly pointed to the allegedly increasingly authoritarian and repressive nature of the EPRDF-led regime under the guise of 'developmental state'. This has included allegations by well-known international media outlets that in the 2011 humanitarian crisis emergency aid was manipulated by the government to 'starve' villages standing for the opposition (Aug 2011)<sup>86</sup>.

These were officially refuted by government. Donors have reiterated their commitment to investigate any reported case, citing the AMU study and its follow-up and mentioning other safeguards (although in somewhat unclear terms)<sup>87</sup>. Some usually fairly impartial observers have highlighted that in their views that allegations were not always substantiated, and have also more fundamentally questioned the terms in which the debate was couched<sup>88</sup>. However, it is likely that tension might further rise as there is also growing unease about GOE's recent activity against what it says is unlawful opposition<sup>89</sup>.

<sup>84</sup> In this section and except when specifically mentioned otherwise, 'donors' refer to western donors excluding China, India, Turkey and other countries that have become important in Ethiopia – as donors as well as investors.

<sup>85</sup> ToRs accessed on DAG website <http://www.dagethiopia.org/> on 26<sup>th</sup> Sep 2011

<sup>86</sup> See <http://news.bbc.co.uk/2/hi/programmes/newsnight/9556288.stm> (BBC)

<sup>87</sup> See e.g. interview of UK Secretary of State for Development Aid on BBC Newsnight 21 Sep 2011. The Ethiopian website <http://danielberhane.wordpress.com/2011/09/23/british-official-dismisses-bbcs-allegations-interview-full-text/> stresses that Mitchell refuted the allegations. UK-based media continue to express skepticism, see e.g. <http://www.thebureauinvestigates.com/2011/09/22/international-development-secretary-answers-questions-over-ethiopian-aid/>

<sup>88</sup> See for instance Peter Gills in <http://africanarguments.org/2011/08/15/ethiopia-and-the-bbc-the-politics-of-development-assistance-by-peter-gill/>, who wonders whether donor countries' taxpayers really think that aid should be used "*to reward and punish foreign governments for their record on 'governance' rather than for helping the poor out of poverty*". This was also one fundamental theme of the former HMG Ambassador Brian Brader's post at <http://www.barder.com/3314> in which

In the same period (mid-/fall 2009 to fall 2011), PBS II was launched as well as the redesigned FSP including a second phase of the PSNP. AfDB, DFID, the UN approved new country strategies with very significant financial commitments. The WB postponed the preparation of its next CAS but is otherwise continuing to engage (e.g. launch of the several hundred million \$ AGP in early 2011), and has now started this process (January 2012) with the intention of tabling the next 'Country Partnership Strategy' before the Board before mid-2012. Since September 2011 donors have started reflecting on what will come next to PBS II, and this process is now (January 2012) well underway.

## Dialogue around the GTP

136) Donors have continued to be an important group among those consulted over Ethiopia's national development plan. However, the way in which the government managed the Growth and Transformation Plan (GTP) preparation process suggests that their **influence has not increased**. Ethiopia's donors were consulted over the draft as the last constituency, after consultation events had been held at regional levels and in Addis Abeba.

137) This led some donor officials to privately express some frustration at having had so little opportunity to provide inputs in the course of the preparation. The DAG had precious little time to organise a number of groups to prepare notes of inputs for discussion at the donor consultation forum itself, end of September 2010<sup>90</sup>. A review of these notes and of the final GTP suggests that a number of substantive suggestions were not retained, something that donors themselves recognise<sup>91</sup>. There also was little scope for donors to engage with the fundamentals like the macroeconomic and fiscal projections underpinning the GTP financing framework – as illustrated by the fact that it is only in October 2011 thus almost one year after the GTP was finalised, that the WB and IMF has made public their official assessment through the Joint Staff Assessment Note on the GTP (WB & IMF 2011).

138) Table 3 below updates the record of the main steps in the GOE-donor dialogue around the SDPRP-PASDEP-GTP series of national development plans.

*Table 3: Milestones in overall planning and dialogue*

March 2001	Interim PRSP is submitted to Boards IMF and WB
August 2002	SDPRP (dated July 2002) is submitted to Boards IMF and WB; Joint Staff Assessment
December 2003	Annual Progress Report 2002-3
January 2004	Joint Staff Assessment note on APR 2002-3
March 2005	Annual Progress Report 2003-4
May 2005	Federal and Regional Elections
	Development Assistance Group (DAG) note of inputs for the formulation of SDPRP II
June 2005	GOE letter to DAG reiterating timetable for SDPRP II (road map)
September 2005	Civil Society Organisations' (CSOs') inputs for the formulation of SDPRP II
October 2005	Joint Staff Assessment note on APR 2004-5
September 2006	PASDEP 2005/6-2009/10
May 2007	Comments from the DAG on the PASDEP
June 2007	Annual Progress Report 2005-6

he wonders whether it should be "taken for granted that UK aid of any sort should be withheld from any country with an undemocratic government or a poor human rights record" and regrets that journalists travelling to Ethiopia as tourists and therefore not meeting any government officials can go unchallenged by their own organisation's senior officials.

<sup>89</sup> Over Aug-Sep 2011 the government had arrested a number of known opposition members accused of being linked to organizations considered to be terrorist under the new anti-terror law of the country, like the OLF and Ginbot 7.

<sup>90</sup> 'Although members of the DAG have been involved in technical discussions regarding some of the sector plans that are the building blocks of parts of the GTP, we have not been able to give the Plan the comprehensive scrutiny that it deserves, and to properly understand the links between the seven pillars that are necessary to make it a coherent plan' (DAG Sep 2010).

<sup>91</sup> Selective examples of donors' suggestions that were not taken up: mention of government consideration of social protection measures, introductory section for social sectors highlighting considerations about equity, provision of drinking water to be considered under social sectors, various suggestions to give further details on policies (ABE, population...), concern with emphasis on 'one political and economic community' raising question of how diversity will be accommodated, further elaboration needed on aid role and new aid and non-aid financing instruments.

August 2007	Joint Staff Assessment note on PASDEP
December 2007	Annual Progress Report 2006-7
March 2009	Annual Progress Report 2007-8 (draft)
We are not aware of any other APR	
Sep 2009-July 2010	Initial directions from the government, establishment of high level government macroeconomic team, guidelines to federal agencies, draft constituent sector plans, consolidation, macro projections, feedback on sector plans, federal/regional review of PASDEP achievements, draft GTP prepared (including English version)
Aug-Sep 2010	Countrywide consultations to ' <i>refine the draft</i> ' and ' <i>create awareness among citizens, actors and stakeholders so as to encourage their active participation not only in the plan preparation but also in its subsequent implementation</i> ' (civil servants and government officials, elected people at all levels, universities, professional associations, private sector, WA, YA, associations of disabled persons, CSOs, development partners and political opposition parties)
Oct 2010	Refinement based on feedback and internal consistency check.
Nov 2010	Council of Ministers' review and final revision; Debate and endorsement by the House of People's Representatives (in the new legislature after the 2010 election there is only one opposition seat in Parliament).
Spring 2011	GTP officially circulated to donors (WB & IMF 2011)
October 2011	World Bank and IMF Joint Staff Assessment Note on the GTP

139) Donors' unofficial frustration (which seems to have been somewhat mitigated by the presence of the PM Meles throughout the consultation with them) gave way to an **official message of broad support by the DAG**, owing to donors' appreciation of the progress made thus far and of the commitment of GOE to poverty reduction<sup>92</sup>.

140) **Several donors** also came out in support of the GTP **bilaterally**, as abundantly reported in the press: e.g. the Netherlands (25<sup>th</sup> April 2011<sup>93</sup>), Germany (3 June 2011<sup>94</sup>), France (22 June 2011) multiplying its program in Ethiopia by six<sup>95</sup>, DFID with its 2011-2015 Operational Plan<sup>96</sup>, the UN signing a 2011-2015 grant agreement of \$2 billions (March 2011)<sup>97</sup> and the African Development Bank speedily preparing a new GTP-aligned Country Strategy Programme 2010/11-2014/15.

141) As further discussed below, this broadly supportive message has **nuances** and most donors have indicated **areas of concern** suggesting that they do not want their position to be confused with wholesale agreement. There are messages of **caution** in e.g. DFID Operational Plan and the AfDB CSP, and some donors seem to be even more cautious (see e.g. WB postponed new CAS<sup>98</sup>). In October 2011 the World Bank & IMF JSA came out as **quite strongly critical** of a number of policies in the GTP. Thus while the government may wish to highlight the broadly supportive message it remains to be seen how these nuances will affect donors' operational positions in the forthcoming four/five years.

142) There also is a shift in the partnership pattern. The government (with senior officials playing a key role in this including the PM himself) aggressively pursues efforts to enlist non-Western support – with some success although no one seems to know how much. So far there have been few direct

<sup>92</sup> [http://www.dagethiopia.org/index.php?option=com\\_content&view=category&layout=blog&id=77&Itemid=7](http://www.dagethiopia.org/index.php?option=com_content&view=category&layout=blog&id=77&Itemid=7)

<sup>93</sup> [http://www.waltainfo.com/index.php?option=com\\_content&task=view&id=26375&Itemid=134](http://www.waltainfo.com/index.php?option=com_content&task=view&id=26375&Itemid=134)

<sup>94</sup> [http://www.waltainfo.com/index.php?option=com\\_content&task=view&id=26989&Itemid=52](http://www.waltainfo.com/index.php?option=com_content&task=view&id=26989&Itemid=52)

<sup>95</sup> Signature of a 'supporting agreement of France to the GTP', forecasting a multi-sector financial support of 421 Millions Euros (590 millions USD) for the period of 2011-2013

<sup>96</sup> "Ethiopia has made impressive progress towards the MDGs... Strong macroeconomic leadership has helped... The GTP provides a platform to align UK support with GoE's ambitions, make it more transformational, and accelerate Ethiopia's graduation from aid dependency" (DFID 2011).

<sup>97</sup> [http://newbusinessethiopia.com/index.php?option=com\\_content&view=article&id=454:un-grant-two-billion-us-dollars-to-ethiopia-&catid=51:international&Itemid=67](http://newbusinessethiopia.com/index.php?option=com_content&view=article&id=454:un-grant-two-billion-us-dollars-to-ethiopia-&catid=51:international&Itemid=67)

<sup>98</sup> The WB CAS review of September 2010 is also quite critical of lack of progress in important policy areas.

effects of these developments on the aid dialogue<sup>99</sup>. However, the government is usually at pains to stress the importance of these new partnerships, with a likely message for Western donors. E.g. Korea was identified as a partner to ‘learn from their experience as a developmental state’ (12<sup>th</sup> April 2011)<sup>100</sup>; this was followed by the visit of the South Korean President in July 2011. China has been praised as ‘indispensable to achieve GTP’ according to the PM (19<sup>th</sup> April)<sup>101</sup> and the signature of infrastructure loans in Nov/Dec 2011 was the occasion for senior officials from both countries to stress how important the relationship was “*particularly at this time when Ethiopia is implementing the five-year Growth and Transformation Plan (GTP) for which China has similar experience*”<sup>102</sup>. The government has also succeeded in attracting the support of other actors like the Gates Foundation<sup>103</sup>.

143) Last but not least, the government seems intent to show that it makes its **domestic constituency matter more than the external ones**. A wide array of non-government and non-donor groups were consulted in the course of the GTP preparation. It cannot be concluded that these groups have had a major role in influencing the content of the GTP. As indeed stated in the government’s description of the process (see Table 3) the consultation meetings were more about ‘awareness-raising’ and enlisting support. Moreover, potentially dissenting voices were reportedly not allowed in<sup>104</sup>.

144) On this last point, it clearly is all the more important for the government to mobilise ‘*strong national consensus and enthusiasm among citizens*’ (GTP: 2) that the GTP requires a drastic increase in domestic financing – including domestic savings as we have noted in ¶17). As for the likelihood of this consensus, one year after the GTP was approved by the House of Paliament it appears that domestic critiques are of two types: on the one hand, the political opposition already in August 2010 was said to raise general concerns about the over-ambition of the GTP<sup>105</sup>; on the other hand (and more recently) a number of papers by Ethiopian economists or joint research teams, based on specific analyses of some of the GTP assumptions, come to the conclusion that these are problematic (e.g. Dorosh et al 2011 on the domestic/household savings rate, and Zenebe Gebreegziabher 2011 on the risk that “*financing these huge infrastructural investments through external debt would increase its indebtedness and might put the country in an unsustainable debt path*”).

### 4.3. Dialogue around macroeconomics

145) Donors have all expressed **concern about the very high level of ambition of the GTP**. Such concerns have been an endemic feature in their partnership with GOE (Dom 2009). However, these and associated concerns over the macroeconomic and macrofiscal fundamentals of the government plan have taken greater salience in the much tighter international economic environment and the environment for aid in developing countries, and given the challenging domestic macroeconomic context of the past two years (see section 2). In this section we analyse the relationship of the government with the IMF, as the main interlocuteur on macroeconomics, on which donors in Ethiopia (as elsewhere) have traditionally relied to assess the robustness of the macro framework in which their aid is injected<sup>106</sup>. Box 10 presents a snapshot of the historical context of this relationship.

<sup>99</sup> Turkey and India have become members of the DAG in the past two years.

<sup>100</sup> <http://www.ertagov.com/erta/erta-news-archive/38-erta-tv-hot-news-addis-ababa-ethiopia/580-meles-urges-korea-to-support-ethiopia-in-its-efforts-to-achieve-gtp.html>

<sup>101</sup> <http://hornofafrica-abdikarim.blogspot.com/2011/04/chinas-support-vital-for-success-of.html>

<sup>102</sup> [http://english.gov.cn/chinatoday/2011-11/17/content\\_1995913.htm](http://english.gov.cn/chinatoday/2011-11/17/content_1995913.htm)

<sup>103</sup> <http://www.ezega.com/News/NewsDetails.aspx?Page=heads&NewsID=2961>. The Bill and Melinda Gates Foundation financed the studies which led to the government decision of establishing the Agriculture Transformation Agency (ATA), which has drawn the direct involvement of the PM as chair of the ATA Board. The Foundation reportedly gave \$11.8 million to support the start-up of the ATA.

<sup>104</sup> The JSA states that ‘*The consultations provided opportunities to comment on a well-informed draft, rather than a forum to rethink the parameters and architecture of the strategy*’ (WB & IMF 2011).

<sup>105</sup> See e.g. <http://blogs.reuters.com/africanews/2010/08/13/is-ethiopias-development-plan-too-ambitious/> (Aug 2010)

<sup>106</sup> This analysis is based on IMF documentation, the joint PBS aide-memoires, and the author’s conversations with donor representatives and the IMF Resident Representative in the course of 2009–2011, for consultancy work on related issues.

*Box 10: The Government Of Ethiopia and the IMF in the 1990s and 2000s*

Since the outset of the EPRDF regime the GOE and the IMF have had a fluctuating relationship. The period following immediately the fall of the Derg saw the government committed to basic economic restructuring reforms supported by the IMF. However, the IMF 1996-8 programme expired without being completed as the government was increasingly assertive in its reluctance to adopt some of the more advanced classical neo-liberal prescriptions. The absence of an IMF programme, including during the war with Eritrea, may have made some donors more nervous about collaboration although arguably the main factor was the war itself.

Following the signing of the peace treaty and the formal engagement of Ethiopia in the PRSP process a new IMF programme was agreed in March 2001 and successfully completed in September 2004. Within this period the country also successfully completed the whole HIPC process, and donors engaged in general budget support to support the SDPRP (the first Ethiopian PRSP) with the intention of continuing to do so for the successor PASDEP.

Ethiopia was granted 100% debt relief under the Multilateral Debt Relief Initiative in December 2005, somewhat ironically as this was precisely the moment at which donors had suspended GBS due to the post-2005 election political violence and the government's role in the events – which the government denied. In the post-2005 election period the relationship with the IMF in country became distant again and remained so even though donors re-engaged with the PBS as a substitute to GBS. From 2005 to early 2009 there was no IMF programme but annual Article IV consultations.

Throughout the SDPRP-PASDEP period the government has been adamant that donors were not privy to its consultations with the IMF. On their side donors have regularly insisted to be involved in these, arguing among others about the necessity for them to understand and manage the macro-economic consequences of the large aid flows of programmes like GBS, PBS and PSNP.

*Source: Adapted from Gordon A. and C. Dom, unpublished study 2011*

146) In **January 2009** the **serious deterioration in the macroeconomic situation** prompted the **government to request assistance from the IMF**. This came in the form of counter-crisis finance and a new reform programme. The fact that the government had agreed to a new programme gave hope to donors that the space to discuss macro/structural policies might open up again – something that according to some donor representatives, had disappeared with the replacement of GBS by PBS. However, the IMF had been warning donors against unduly high expectations as its own programme was, in their own words, fairly 'light touch' – as a way of re-engaging with government for the longer term.

147) From end 2009 to end 2010 there was therefore a **honeymoon period** as GOE had to resign itself to accepting some advice in the macroeconomic crunch of the 3F crises. In November 2010 the IMF noted that *"the ESF-supported program has achieved its objectives of reducing inflation and rebuilding external reserves"*<sup>107</sup>. The programme **expired end 2010. So far the government has not judged useful to continue to have an IMF programme in place**, in spite of firm advice from a number of donors including the PBS group and those agencies that have been considering whether to reintroduce general budget support in their aid portfolio in Ethiopia (by the summer 2011 all had come to the view that this was not an immediate prospect<sup>108</sup>). We do not know whether the government's decision regarding the IMF may have had or may have in future negative implications in terms of mobilization

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<sup>107</sup> IMF 2<sup>nd</sup> Review of the Arrangement under the Exogenous Shocks Facility (Nov 2010)  
<http://www.imf.org/external/pubs/ft/scr/2010/cr10339.pdf>

<sup>108</sup> By September 2011 the European Union had come to the conclusion that reintroducing GBS was premature and was considering another form of macroeconomic support to the GTP (a Transformation Triggering Facility of approximately 30 million Euros of mainly technical assistance and policy advice). The World Bank had programmed a PRSC for 2010/11 (FY11) but noted that this had not been feasible and that the FY12 programme *"will include a PRSC, if the Bank and GoE can agree on an agenda of structural changes, particularly those relating to private sector development, including industrial, financial sector, telecommunication and land policy"* (CAS review, Sep 2010). The AfDB was attentive to the EU discussions (OPM et al 2011) but must also have concluded that another policy-based operation alongside PBS was not advisable. The CSP includes a provision for a PBS3 and analytical work which will enable policy dialogue on some of the key 'growth' issues that the AfDB believes need to be further discussed with GOE (e.g. public-private partnerships in infrastructure investment).



of 'flexible resources' from those donors. We do know that the government has so far indicated that it did not wish donors to reintroduce GBS.

148) Since then, the **macroeconomic context has been unravelling again** (see section 2). The IMF and the PBS donors (among others) became increasingly vocal in stating that government policies were the main factor driving the very high inflation rates seen since early 2011 (see e.g. the PBS aide-memoire of May 2011). Other macroeconomic trends are worrying as well, e.g. the Foreign Direct Investment which has increased at a reasonable pace in 2009/10 was decreasing significantly by mid-2011<sup>109</sup>. IMF Staff Mission on the 2011 Article IV Consultation with Ethiopia (May 2011) concluded that growth in 2010/11 had been strong (7.5%) though lesser than officially estimated (11.4%), and exports and fiscal revenues were doing well; the principal macroeconomic challenge i.e. the surging inflation was principally caused by excessive monetary growth (though it also partly reflected rising international commodity prices); in turn this was linked to significant recourse to central bank financing, as the Treasury bill market collapsed, reflecting highly negative interest rates<sup>110</sup>.

149) The argument that the main causes for macro instability were internal was **not recognized by GOE for months**. It is unclear whether this has changed. In a significant development the Ethiopian press on 10<sup>th</sup> July 2011 reported that while defending the 2011/12 budget in Parliament the PM Meles had acknowledged that inflation was domestically-driven<sup>111</sup>. However, there was no agreement among senior economists as to whether the way forward that he proposed (zero Central Bank borrowing while keeping up with GTP targets) was feasible<sup>112</sup>. And **at the same time the PM was also reported in the news as criticising the IMF and the World Bank** for doubting the country's economic progress<sup>113</sup>. Meles defended various measures that the government had taken, claiming that it had *"upset officials at the IMF that they were unable to impose their "neoliberal ideology" on Ethiopia, forcing them to make unfounded predictions on the country's economic growth plan and forecast a gloomy picture."*

150) The latest development is the **publication of the WB & IMF Joint Staff Assessment** which is stating again, and quite strongly, a number of the points made earlier on the IMF/donor side. It is too early to say how the government will react, but unlikely that it would be through wholesale adoption of the World Bank and IMF JSA recommendations, suggestions and advice<sup>114</sup>.

#### 4.4. Donor reactions to the GTP/GOE model

##### The short term question - Is the GTP 'doable'?

151) That is the big 'immediate' question, to which donors have to respond in the short term. The official line, as explained by the PM Meles in an interview of July 2011<sup>115</sup>, is that *'(a)fter thorough deliberations, both the World Bank and other development partners may believe the plan is very*

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<sup>109</sup> See <http://www.eastafricaforum.net/2011/07/28/ethiopias-foreign-direct-investment-declines/> - Analyses of trends in FDI as a GDP ratio are somewhat misleading if not accompanied by trends in overall FDI volume (because the GDP has significantly increased over the past few years) but it is clear that there are causes for alarm as the trends in volume don't show the vibrancy that would be required to support GOE's ambitions including in terms of revenue collection.

<sup>110</sup> <http://www.imf.org/external/np/sec/pr/2011/pr11207.htm>

<sup>111</sup> Inflation was said to be at 34.7% in May 2011, still up from 25.6% in April. It went even higher at 39.2% in July 2011 (<http://danielberhane.wordpress.com/2011/08/08/ethiopia-monthly-inflation-surges-to-39-2/>).

<sup>112</sup> See <http://www.eastafricaforum.net/2011/07/19/meles%E2%80%99-candid-admissions/>. The press cut notes that the economist who does not believe that government's strategy is feasible is from Addis Ababa University. The economist who believes there are options to make it feasible is a government official.

<sup>113</sup> <http://www.ethiopianreview.com/forum/viewtopic.php?f=2&t=29414>

<sup>114</sup> The JSA was published on the IMF website on 12<sup>th</sup> October. On 13<sup>th</sup> October some of the harshest criticism (*'Ethiopia's "highly distorted" monetary policy requires "urgent reform" because it is dragging on economic growth and undermining macroeconomic stability, the International Monetary Fund said'*) was already relayed by both the Ethiopian and the international press. See e.g. <http://ethiopianimes.wordpress.com/2011/10/13/ethiopia%E2%80%99s-%E2%80%98distorted%E2%80%99-monetary-policy-needs-reform-imf-says/>

<sup>115</sup> <http://www.eastafricaforum.net/2011/07/20/meles-and-former-wb-director-ken-ohashi-exchange-views/>

**ambitious; but, they all agreed that it is *doable***'. However, just before this (and before retiring) the World Bank Country Director Ken Ohashi came out saying that he thought that the GTP was **not doable as it stands** (May-June 2011)<sup>116</sup>. In his July interview Meles dismissed these comments from an 'individual' and urged to distinguish them from '*the (Bank) view as an institutional position towards the Growth and Transformation Plan*'<sup>117</sup>.

152) The IMF Article IV mission in May 2011 also warned that the growth and investment objectives of the GTP were ambitious and urged paced implementation of the plan to avoid any further overheating of the economy. As just noted they were rebuffed alongside Mr Ohashi.

153) Donors have a difficult balancing act to play. Now that **the GTP is 'the only game in town'**, by being too critical they bear the risk of being declared irrelevant by the government or being treated as such. Thus for several months **donors appeared to be careful not to reopen directly the questions** raised by Mr Ohashi earlier in the year. However, these questions have been **most visibly reopened again** in October 2011 with the publication of the World Bank and IMF JSA, stating for instance that:

*The GTP's ambitious spending plans may be outstripping the absorptive capacity of the economy, which is already stretched. The financing needs for the public sector will likely crowd out private sector credit on the domestic side and strain debt sustainability on the external side. Success will also hinge on reform measures to allow room for the private sector to thrive and on maintaining a low risk of debt distress. Staffs advise that a moderated strategy—with lower government spending and more space for private sector development—would generate more growth and financing and help government achieve its own goals*<sup>118</sup>.

154) In this context, the next stage in the dialogue will depend on how each side gauges the other. For the government the question is whether it can be confident that a number of major western donors will not backtrack if it does not compromise at all and/or whether it would be ready to see some of them backtracking, considering its other partnerships. Indeed, the current context is also marked by the growing importance - or certainly a heightened perception of their importance given government officials' attitude and discourse - of non-Western partners most welcome in Ethiopia, as we have noted above (see ¶142)).

155) Some authors analyze this as a '*shift away from a traditional conception of development assistance and humanitarian aid towards an investment-based approach*' together with '*Ethiopia's adoption of the Asian model of state capitalist development, which happens to be comfortable with authoritarian rule*'.<sup>119</sup> They argue that the Prime Minister Meles has cleverly managed to distance himself politically from the West whilst nonetheless receiving increasing development assistance and humanitarian aid. '*Somehow Ethiopia has managed to remain the West's charity ward while marketing itself as an Asian investment haven*'.

156) This type of analysis lacks nuances on several counts. First, the Ethiopian government does not simply copy Asian models. As is further discussed in the following concluding section, the currently developing thinking of the Africa Power and Politics research programme about 'developmental neo-patrimonialism' may well offer a better chance of apprehending some of the underpinnings of the GOE model. The fact that Ethiopia is devising its own path is often stressed by the Prime Minister Meles, who is not shying away from explaining why (see e.g. Meles Zenawi undated in which Mr Meles

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<sup>116</sup> This was the first of three op-eds published in Addis Fortune in May 2011 and further analysed below. The first op-ed was entitled '*The Middle Way to the GTP*'.

<sup>117</sup> There were quite personal statements as Meles said that the '*man was retiring and had no accountability*' and was '*unhappy in his job*': '*He could not succeed in imposing his "neo-liberal views" on the Ethiopian government, hence the source of his frustration*'.

<sup>118</sup> Elsewhere in the JSA the WB and IMF staffs use a somewhat stronger wording and '*urge the authorities to consider a slower pace of public investment and a rebalancing in favour of the private sector*' again (WB & IMF 2011).

<sup>119</sup> See <http://www.worldpoliticsreview.com/document/514/rewriting-the-rulebook-the-new-politics-of-african-development> and in particular Schaeffer Charles, 11 July 2011, *Ethiopia's transformation: authoritarianism and economic development*, in the World Politics Review July 2011, highlighting notably how important China has become for Ethiopia.



outlines why neo-liberalism means ‘dead ends’ for Africa) and has recently been invited to do so in company of distinguished scholars reflecting on ‘*Good Growth and Governance in Africa*’ (see Meles Zenawi 2012: ‘*States and Markets: Neoliberal Limitations and the Case for a Developmental State*’)<sup>120</sup>.

157) Second, at the same time as the PM has indeed managed to insulate the aid relationship with western countries from political discussions that might be less amicable, he has also continued to be seen as the public face of Africa in a number of international fora and has been in discussions with western governments in these contexts. Finally, one must wonder whether one of the reasons for Meles’s distance from Western donors in Ethiopia is not precisely the fact that (although they would not dare using words like ‘charity ward’) their attitude remains indeed more one of ‘donors’ than one of ‘partners’. The **relationships with China and South Korea** may well have ‘*high symbolic value*’ and are more like high level deals between countries –which is **how the PM Meles surely wants things to be**<sup>121</sup>.

158) One clear thing is that even on issues over which Western donors might believe that they matter they can be taken by surprise, as showed by the case of the EFY2004 budget summarised in Box 11.

*Box 11: The EFY 2004 ‘surprise budget’ – Donor analysis*<sup>122</sup>

The budget for the Ethiopian Fiscal Year 2004 (EFY 2004) posted a record 117.7 billion (respectively 50% and 40% higher than the EFY03 initial and revised budgets). Both spending and revenue estimates are higher than the GTP projections.

On the financing side: Revenue estimates are 51% higher than in the EFY03 budget, which is extremely ambitious and probably unrealistic considering the ongoing export slowdown and the ‘apparent deterioration of the business environment’. Significant domestic financing is planned which is likely to be through Central Bank borrowing. This is concerning in relation to the already very high inflation rate.

On the spending side: Defense and debt repayment are significantly higher than in EFY03 (48% increase on defense spending). The regional envelope (in total and for each Region) is approximately 80% higher than in EFY03, a combination of higher Federal Block Grant (31.4 billion birr, 23% higher than in EFY03) and a new MDG-related allocation in the form of a MDG Fund (15 billion birr).

The MDG Fund was a complete surprise for line agencies and Regions alike, and the donors. In July 2011 guidance for its allocation and use was not yet available. GOE clarified afterwards that it would be allocated according to the same formula as the Federal Block Grant, and reserved initially for Regions to implement priority infrastructure development projects under quite strict federal supervision. Box 4, ¶179) and ¶113) outline specific characteristics of the Fund in relation to patterns of government investment, and the decentralisation policy.

*Source: Adapted from PBS Secretariat 2001 (Furtado and Mulugeta)*

159) It is noteworthy that the creation of the new MDG funding with likely critical implications with regard to decentralization seems to have taken donors completely by surprise and this, whilst they might have believed that their long-standing involvement with decentralised service delivery through the PBS would have bought them a ‘seat at the table’ in decentralisation policymaking. The

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<sup>120</sup> As reported in <http://danielberhane.wordpress.com/2012/01/15/book-pm-meles-zenawi-writes-on-states-and-markets/> Prime Minister Meles Zenawi wrote a scholarly chapter titled ‘*States and Markets: Neoliberal Limitations and the Case for a Developmental State*’ in a book consisting of ‘*articles written by various experts in the field of economics and development, edited by the renowned economist Nobel laureate Joseph E. Stiglitz together with Akbar Noman, Kwesi Botchwey, and Howard Stein*’. ( *Good Growth and Governance in Africa: Rethinking Development Strategies (Initiative for Policy Dialogue)* by Akbar Noman, Kwesi Botchwey, Howard Stein and Joseph E. Stiglitz (Mar 1, 2012).

<sup>121</sup> See Lidia Cabral (Sep 2011) notes that ‘South-South exchanges have a high symbolic value that stems beyond quantifications of financial transfers; this symbolism results from ... the Non-aligned movement and, in a related way, from the uplifting position granted to low-income countries when portrayed as equal partners of mutually beneficial relationships.’ [http://blogs.odi.org.uk/blogs/main/archive/2011/09/30/aid\\_non\\_DAC\\_donors\\_south\\_to\\_south\\_cooperation.aspx](http://blogs.odi.org.uk/blogs/main/archive/2011/09/30/aid_non_DAC_donors_south_to_south_cooperation.aspx)

<sup>122</sup> ‘*Ethiopia’s Federal Budget for EFY 2004: A brief analysis*’, by X Furtado and S. Mulugeta, PBS Secretariat, July 8 2011

government plan was also, reportedly, rather unwelcome in some donor quarters given their ongoing concerns with regard to inflation<sup>123</sup>.

### Over the medium term - A history of partial convergence only

160) From a medium term perspective there seems to be a **number of paradoxical narratives about the model held by the government**. At one extreme, “international observers widely consider the Government to be one of the most pro-poor in Sub-Saharan Africa” (WB 2009 PBSII PAD). At the other extreme are views like those of Human Rights Watch. In between there is (in the media, donor literature and academic studies) a wide range of expression of variably severe doubts as to the benign nature of the regime, usually linked to a number of current ‘hot issues’. These are raised by both foreign and domestic actors; they change over time but seem to generally stem in reaction to specific government policies/actions. Today such issues include the government-managed land deals and other investment policies with implications for the environment/natural resources/land, government macroeconomics and the pace and nature of public investment generally, the villagisation/settlement policies, and the delimitation of what is sometimes called the ‘political space’.

161) Usually also, the positions of non-government international and domestic actors on these issues do not fully overlap. The land deals have attracted both international and domestic attention; and both international and domestic voices have expressed concern that government economic policies might be wrong-footed. In contrast, international and domestic positions with regard to the settlement/villagisation policies vis-à-vis traditionally un-integrated groups differ, with domestic actors more prone to note that the investments that these policies allow are in the interest of the country’s development. And domestic actors are regularly reminded directly about the limits of the country’s political space, which makes domestic criticism more difficult than from outside. On the whole it seems more acceptable to critique the socioeconomic dimensions of the government model than the more political dimensions.

162) In this complicated landscape of narratives about government model, **donor agencies’ positions are quite varied as well**, when one goes beyond the (relatively unfrequent) shows of unity (in e.g. joint DAG statements), the overall broadly supportive message vis-à-vis the GTP (just reviewed) and a fair degree of cohesion at the operational level thanks to an increasing number of multi-donor programmes (including the two ‘big ones’, the PBS and the PSNP/HABP).

163) Again these variations are nothing new. Thus for instance, between 2007 and 2009 on the one hand the World Bank returned to a ‘full’ Country Assistance Strategy (April 2008) after having had an Interim Strategy in the immediate post-2005 period; on the other hand the CSO law led Sweden (historically an important donor) to suspend all its programmes implemented by government agencies. Even the operational cohesion of multidonor programmes is underpinned by differences in individual agencies’ positions, which in addition have evolved over time for many of the key donors<sup>124</sup>. A few of today’s variations are summarized in Box 12 below.

#### *Box 12: Selected official donor positions in relation to government policies in 2011<sup>125</sup>*

DFID express clearly the dilemma of those who stand on the more engaged end of the spectrum yet cannot ignore ongoing difficulties on both the political and economic dimensions of government model: *Ethiopia has come a long way in a short time... but has yet to successfully manage its democratic transition... there is still a long way to go.* On the economic side, DFID will ‘work with GoE to ... facilitate a stronger role for private sector development and greater liberalisation of the economy’ but will also enter in *partnerships with the private sector and NGOs*’ (DFID 2011).

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<sup>123</sup> Personal communication

<sup>124</sup> Taking the PBS as an example, the main ‘fault line’ is between donors contributing to the block grant channeled through the federal government to regional and wereda governments and those who do not do so. Among the former group DFID, generally perceived to be a strong supporter of the government, has since the CSO law reverted to annual commitments, even though donors regularly stress the importance of multiannual frameworks for programmes such as the PBS and PSNP.

<sup>125</sup> These are positions as reflected in public documents, which may in some instances differ from private stances.

AfDB is characteristically agnostic on the political dimensions. It welcomes the *bold approach* (of the GTP) but also voices *concern regarding the public investment dominance, associated financing and macro-economic risks, and implementation challenges*. It calls for *clearer strategies for crowding in private investment* and enabling the private sector to play the expected major role (AfDB 2011).

The World Bank has extended its CAS 2008-2011 until mid-2012 due to '*slower than expected progress toward CAS outcomes, and to allow sufficient time to undertake poverty diagnostics and prepare a full CAS program... to support agreed priorities within the GTP*'. The Sep 2010 CAS review recognizes very fast progress in basic service delivery and economic recovery after the deterioration of 2008-9; but stresses that the economic situation remains fragile and that achieving sustainable high growth would require structural changes over which there has been no agreement or for which further discussion is required. The review raises concerns about the 'closing down space' and the need to strengthen accountability for services (WB 2010).

EU Member States and the EC present a wide range of variations among themselves, from the almost disappearance of Sweden which cannot work with the government, to today's rather neutral stance of the EC, with countries like the Netherlands and Ireland steering a middle course (the former more often on the side of more critical voices, and the latter rather less critical).

The US is keeping its political stance to itself, whilst finding ways of 'playing ball' with other donors at the operational level in spite of the continued policy of implementing all its activities through NGOs and private US-based companies.

164) In the past few years there has not been the same kind of unity that donors demonstrated in getting together in the new coalition for food security in 2003/4 and in the transition away from GBS to PBS (holding on to a joint position and managing to design jointly and quite rapidly an operational way of staying conditionally engaged as a group). This suggests that individual agencies may go beyond their institutional agendas under pressure arising from country-specific crises. But they tend to relapse into a 'business as usual' mode in which upward accountability to HQ and domestic constituencies dominate when there is no crisis or not one which is perceived as threatening the whole 'partnership', including their own operations. In other words, **joined-up approaches and actions are reactive more than proactive**<sup>126</sup>.

### Long term - Questioning more fundamentally?

165) So, the emerging picture is one in which **traditional donors** continue to have pretty much the **same reservations as they had by end 2009** on both political and economic governance grounds. The economic governance concerns have been the same since much longer – emerging soon after the first wave of economic liberalization of the early/mid 1990s; the political concerns grew stronger after the 2005 election. One possible qualification is that as noted earlier (see section 3.1) land use and environmental protection seem to have emerged as new 'no-go zones' (OPM et al 2011) in the dialogue between the government and the (western) international community, relating to both political and economic governance concerns.

166) Variations arise from how each agency assesses the relative importance of each set of issues and how critical they judge the issues to be, likely combined with variations in how open or otherwise each agency may be about its internal position. Many among the donors probably make **more use today of some kind of 'political economy analysis'** than was the case ten years ago.

167) Among them the Bank (both as an institution and in the person of Ken Ohashi) have made fairly deep observations reflecting this more political economy-based approach<sup>127</sup>. In the quite outspoken CAS review the Bank stated that it was imperative for the government to '*address the deeper and complex issue of encouraging bottom-up initiatives that are becoming increasingly necessary as a*

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<sup>126</sup> Thus far donors have reacted in a joined-up manner to rapid-onset crises (like the post-2005 election events and the issuance of the CSP). Incentives seem to be lesser with slower processes, like the current gradual build-up of a disturbing picture in which western donors help an authoritarian government to implement policies that entail human rights abuses.

<sup>127</sup> This can be seen as uncharacteristic of the Bank given its 'a-political mandate'. But it can also be taken as a sign that the Bank feel fairly confident of its importance for the government and can therefore allow itself to be openly more critical.

complement to traditionally strong top-down action'. 'As Ethiopia becomes a more complex society and economy, in an increasingly challenging global environment, it will be progressively more difficult to drive forward the economy largely through government interventions. The ability of Ethiopia's citizens and businesses to access accurate information and organize to respond to developments will be an increasingly important determinant of the country's resilience and competitiveness.' To this, Ken Ohashi added a **sense of history** which is uncommon in donor literature, as summarised in Box 13.

*Box 13: The short term, medium term and longer term key issues for Ethiopia<sup>128</sup>*

The **most pressing short term issue** is to moderate the pace of public investment programs in the GTP, to undo the vicious circle of huge financing requirements destabilizing the macro framework, imposing a heavy inflation tax (on the poor<sup>129</sup>), raising costs of public investment projects (by hitting supply constraints) and crowding out the private sector which, as it cannot grow, leads to a stagnant tax basis hence further aggravating the deficit problem in the longer term. The total investment may be lower, but economic growth may not be that much slower for available credit will shift to higher-return private investment projects. Growth will be more sustainable, and will likely have greater beneficial impact on poverty, because price stability benefits the poor more, and broad-based, private sector-led growth is likely to create more jobs.

The **greatest issue for the medium term** is that GOE should shift to a Developmental State 2.0... It should place far more emphasis on increasing domestic savings (indispensable to build sustainable financial capital - 30% in SE Asia, 10% in Ethiopia) and improving the quality of education (to build 'real' human capital). It should improve the environment for small and medium enterprises (in the same way as it did for the micro-enterprises) that have been shown to be critical to supply larger firms (addressing regulatory issues, macro instability, policy uncertainty, harsh tax collection procedures etc.) [and so no longer focus only/mainly on tax and other incentives for large firms], and press ahead encouraging competition.

The **most important issue in the longer term** is to remove the 'blindness' arising from Ethiopia's 'national narrative'. The Ethiopian narrative (which, Ohashi says, he is not sure what it is) is not the issue, but the means to achieve the aims of this national narrative: in Ethiopia the main means have always been 'discipline and control'. These have driven collective efforts successfully but they are now in danger of becoming 'blindness'. Because they are accompanied by lack of feedback from the bottom, up, and because 'only good news' are passed to 'the rulers' at all levels<sup>130</sup>, the wrong approach/measures can be maintained for decade<sup>131</sup>. Yet, Ohashi explains, *'the long-run stability and resilience of any system come from continual adaptation to changing circumstances. That in turn requires the free flow of information, even when the message is not what the top leaders hoped to hear, and the space for vigorous contestation of ideas'*. A space in which it is possible for *'empowered children who would not have hesitated to say 'Teachers we have a problem'*.

*Source: Adapted from Ken Ohashi's op-ed, Addis Fortune May-June 2011*

<sup>128</sup> These issues were raised by Ken Ohashi when he was still Country Director of the World Bank, though just before retiring, in three op-eds published in Addis Fortune in May and June 2011. The links to the op-eds are no longer active on Addis Fortune's website. The op-eds and the response by the PM Meles are found at <http://www.eastafricaforum.net/2011/07/20/meles-and-former-wb-director-ken-ohashi-exchange-views/>.

<sup>129</sup> Informal chats with 'lay people' who the author knows well and who in previous visits expressed their conviction that the government did many of the right things for the country showed them in a more critical mindset in Aug/Sep 2011. Some of them explained that *'the government has grand plans, but people's economy needs to change as well'* (meaning by this livelihoods). Others were wondering how, with the inflation and government's 'egoism', their children would ever be able to build their own houses as their generation had been. (The label 'egoism' described how the government was leasing valuable plots of land in Addis at very high prices, failing to consider that this kind of practice was further pushing up all prices).

<sup>130</sup> That is, because there is a deep-seated cultural problem with regard to 'speaking truth unto power' (personal communication of Dr Sarah Vaughan).

<sup>131</sup> As an example Mr Ohashi explains that students who lag behind do not dare saying anything to their teacher and come out of school without being able to read. Due to this lack of feedback, educationists did not realize that the Gr1 methodology should be changed to accommodate the fact that most children starting primary school did not have any of the basic reading skills. This was new as in the past the much smaller number of Gr1 students had usually been to a church school before, they knew how to read, and the Gr1 methodology could focus on content. Today this was no longer the case and yet, the methodology had not changed so children had nowhere to learn the basic reading skills, but would not dare saying anything.

168) On the government's side it is noteworthy that it is only with the first of the three op-eds written by Mr Ohashi that the PM Meles openly took issue. The second and third deeper analyses went apparently un-noticed. To some extent this is true on the donor side too, at least in donor documentation. Thus for instance, the World Bank and IMF in the JSA do raise questions related to Ken Ohashi's short and medium term issues, but the JSA is silent on the longer term one - although some donor representatives mention Mr Ohashi's insights on the longer term issue, in donor only discussions.

169) However, even Mr Ohashi's pieces have **stopped short of attempting to understand what the trajectory of Ethiopia might be if it continued to try and steer a course that would not be that advised by external actors**, in continuation of what has mainly been the case thus far. In a related point we note that by and large donor documentation, including Mr Ohashi's pieces, avoids questioning the prevailing western (normative) view on governance 'standards' and continues to insist on the same macroeconomic and structural issues as ten years ago.<sup>132</sup> It is like if Western donors today were better able to visualise the long term historical trajectory of the country but unable to grasp the implications for the future. Whilst the government knows that if it fails to grasp the implications it will not survive. These issues may be the root causes of why, **we believe, the divergence between government and donor models might be growing, or perhaps 'ossifying'**.

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<sup>132</sup> The Bank's ongoing Economic and Sector Work on decentralization might chart a new path in this respect, as the author explains that the paper is influenced by broad theoretical and the analytical approach goes beyond macro patterns of accountability and incentives to unpack local understandings of relevant concepts (accountability, participation, governance), and the local socio-political processes that shape them (Vaughan and Mesfin Gebremichael 2011). However, it is by no means evident that the World Bank will succeed in engaging substantively with GOE on this work.

## 5. Ethiopia: A case of developmental neo-patrimonialism?

170) In this concluding section I review three relatively recent pieces work about development which, whilst not focused on Ethiopia, offer interesting perspectives to try and understand the development model of the Government of Ethiopia. I do this partly for ourselves, to raise broad questions to which our research may or may not find elements of response. Also, Western donors in Ethiopia may well have some of these questions in mind and this paper might spark discussions by putting them on the table. At the same time, the discussion below has merely reached the stage of proposing intuitions, which would all need to be further examined and might in the process prove irrelevant. There was not the time to do this in the context of this stage of the research, but hopefully it might be returned to later on, enriched by comments and reactions.

### 5.1. Development, Growth and Governance

171) In trying to understand how growth, governance and development interplay Levy and Fukuyama (2010) have suggested to distinguish four broad types of what they call ‘development strategies’ (similar to what we call ‘model’)<sup>133</sup>. They differ from one another by their starting point and the hoped-for sequence of events or intended course of action in four broad dimensions of development: (i) economic growth; (ii) development of civil society; (iii) state-building; and (iv) liberal democratic political institutions including rule of law and electoral democracy.

172) In the *state capacity building* model the starting point is to invest in state capacity building [starting point (iii) above]. This directly spurs growth and it strengthens the state credibility and legitimacy which in turn will also act on growth. Growth then influences the development of civil society and of political institutions over time. According to the authors examples are found in East Asia and also Rwanda, Ethiopia, Uganda and Vietnam. Sustained progress is a challenge. Questions arise as to whether the initial ‘high ground commitment’ of the state to development is genuine. Transition to democracy is not automatic when there is lack of investment in political institutions.

173) In contrast the *transformational governance* model starts with the development of political institutions [starting point (iv) above]. The hope is that this will raise accountability thereby providing an incentive to build state capacity, with positive implications for growth. The development of political institutions interacts with civil society development, and raising the legitimacy and credibility of the state (because it is more accountable) will also have positive implications for growth. These are all pretty much long term prospects. Examples include countries on the path to access the EU and some Latin American countries (Bolivia, Brazil). But the case of South Africa shows the limitations of this model (slow transformation of expectations, unclear effect on state capacity). Also, early efforts may not be pursued (as shown by the many examples of dominant-power systems resulting from initial democratisation in early 1990s Africa).

174) In the *just enough governance* model growth itself is the entry point [starting point (i) above]. The focus is therefore on addressing specific capacity and institutional constraints as they become binding. Bangladesh’s paradoxical development is an example, or Thailand’s combination of seemingly chaotic governance and improving economic performance. In Africa the authors mention Kenya, to some extent. The question with this model is: what is the long term trend? ‘Just enough governance’ appears to be a short term development strategy.

175) Fourth is the *bottom-up development* model taking civil society as the starting point [(ii) above]. For the authors this one is relevant when all other avenues are blocked (stagnating growth, weak state capacity and corruption, non-existent or not easily fixable democracy and rule of law). They reckon that civil society development is also an end in itself and a clear complement to all other routes, most

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<sup>133</sup> *Development Strategies: Integrating Growth and Governance*, Brian Levy and Francis Fukuyama, World Bank Policy Research Working Paper 5196, Jan 2010. We are indebted to Sarah Vaughan who drew our attention to this paper.

clearly the transformational governance route. Pushing growth through prompting political institutional development and state capacity through demand is definitely a long term strategy.

176) These are constructs but they may be useful to typologize trajectories – although if one takes a long term perspective one is likely to find that countries have had different models over time. The constructs are also normative, most clearly about the end-goal with regard to political development.

177) Thinking about Ethiopia, to an extent the period 2002/3-2005/6 can be seen as one during which tension built up between on the one hand GOE's *state capacity building* model (much a continuation of the imperial model since the very early days) becoming increasingly explicit, and on the other hand the donors' emphasis on *transformational governance* and their unquestioning belief that this and building the state's capacity could be pursued simultaneously. However, deeper than this tension about a preferred strategy towards development there also was tension between competing 'national visions' for the type of state that Ethiopia ought to be (federalist vs. unitary) and a struggle around the means of imposing this vision and controlling the state. These tensions led to a flash point in 2005/6. It is noteworthy that whilst arguably the tension between national visions is more fundamental, the tension between development strategy resonated in the Ethiopian society; even in rural and quite remote areas the flurry of debates about 'democracy' left traces in people's discourse.

178) Since then the PASDEP and now the GTP have reconfirmed the government's *state capacity building* approach whilst bringing in a few *just enough governance* elements<sup>134</sup>. At the same time, since a couple of years donors in Ethiopia seem to have taken some distance with the belief that *transformational governance* should be the first or sole key to development. In this they may have been influenced by the international debate about alternative development models (to which as noted earlier the Primer Minister of Ethiopia actively contributes<sup>135</sup>). But also locally, the economic growth of the past eight years together with the EPRDF striking victory in 2010 and people's alleged enthusiasm with the GTP at face value vindicate the government's model. Faced with this, donors have had to admit to the idea that Ethiopia's development route would be different.

179) However they do not question the normative belief that transformational governance aimed to democracy is at least part of any desirable story, even if it may take time to get there. Following Levy and Fukuyama's thinking one of the questions to ask now about Ethiopia would be **whether there is enough investment in political institutions**. But Levy, Fukuyama and the donors in Ethiopia do not ask **what type of political institutions**; they still believe that political development is synonymous with western-type democracy – Hence the opening statement of e.g. DFID in their Operational Plan, about the '*long way to go*'.

180) The other question that Levy and Fukuyama ask is how long an 'enlightened elite' can remain benevolent or beneficial. The next piece of work that we review throws an interesting light on this question.

## 5.2. Limited vs. Open Access Order

181) The work of North et al on limited vs. open access orders<sup>136</sup> has been influential in shaping up the thinking behind the World Bank World Development Report 2011 on Conflict and Development, notably because it goes beyond the categorization of states in fragile/prone to conflict on the one hand, and non-fragile on the other. Instead, the authors suggest that there are two diametrically opposed logics in societies, leading to two very different forms of equilibrium.

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<sup>134</sup> E.g. the importance of the private sector (as a partner in supporting the government-led development)

<sup>135</sup> See Meles Zenawi 2012

<sup>136</sup> *Limited Access Order in the Developing World: A New Approach to the Problems of Development*, Douglass C. North, John Joseph Wallis, Steven B. Webb and Barry R. Weingast, World Bank Policy Research Working Paper 4359, Sep 2007. At a later stage North revised slightly its characterization and talked about Natural States vs. Open Access Order states (see '*Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*', Douglass C. North, John Joseph Wallis, Barry R. Weingast, 2009, Cambridge University Press).

182) In most cases, they say, society is organised as a *limited access order* (LAO), which creates limits on access to valuable political and economic functions as a way of generating rents; managing these rents is in turn the mechanism to maintain order because violence threatens or reduces rents and the risk of losing the rents makes it in the interest of powerful individuals and groups to cooperate. Even people not having access to the rents may prefer stability. Rent creation and management is the glue. LAOs differ widely in shapes, usually they are not static as there are changes in the composition of the dominant coalition and the distribution of rents. But the same logic prevails throughout such changes.

183) In contrast *open access order* (OAO) societies rely on competition, open access to organisations, and the rule of law to hold society together. An OAO system is sustainable when society is able to produce three outcomes: (i) entry into political, economic, religious and educational activities is open to all citizens without restraint; (ii) support for organisational forms in each of these activities, which are open to all citizens and (iii) rule of law impartially enforced for all citizens. The glue of OAOs is thus of a completely different nature (open-to-all competition, organisational development in all aspects of society, rule of law, vs. rent creation and management in LAOs).

184) The authors normatively suggest that development is about transitioning from fragile to basic to mature LAO<sup>137</sup> and from there to OAO status. But they stress that externally engineered reforms to transform LAO societies will fail and lead to regression if they do not include arrangements to sustain the LAO prevailing solution to the problem of violence that is, stability based on the emergence of a dominant coalition that provides powerful individuals and groups with incentives to refrain from violence. *‘More competition, opening access, or freer markets can weaken the rent-creation system that holds the LAO together.’* Hence external actors *‘need to appreciate more deeply the logic and power of the LAO and the incentives of the dominant elite. They should first ‘concentrate on steps that can help the state solidify itself, maintain or improve control of violence, and eventually create a legal framework for non-state organisations’.*

185) Turning to Ethiopia again we have noted that in the past few years, donors might have come to terms with the idea that the country’s development route might not be the one they once thought it would be. In North’s terms, they might now be able to appreciate that what took place thus far was a government-led movement from a fairly basic LAO to a more sophisticated LAO, and that this was a necessary step<sup>138</sup>. They might then wonder whether and how the EPRDF might succeed in the transition to a mature Limited Access Order and from there an Open Access Order (which is another way of looking at the question of the ‘shelf-life’ of the ‘enlightened elite’), and what they might do to help this. So like North et al, they hold on to the belief that the **next necessary step is to the transition to an Open Access Order**, whatever the difficulty might be (and the time this might take?).

186) However, **this assumes that this transition is seen as desirable by those who might have the power to lead it.** That is where the **disconnect** lies, as I think that this is precisely what the government does not believe (for the moment). **GOE has been quite clear that it does not believe in competition** and this goes beyond the economic sphere<sup>139</sup>. The past few years have not been about relaxing various limits to access, but about making the whole system of limits more sophisticated. The third stream of work that we review is interesting because it asks the question – Might this not work?

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<sup>137</sup> Mature LAOs are characterised by increasingly sophisticated institutional development and gradual multiplication of organisations – including, ultimately, outside of the state.

<sup>138</sup> E.g. think about the move from the feudal system to the combination of ethnic federalism, decentralization and party loyalty as ways of managing access to various rents (notably political power and ‘modern jobs’). As said above this intuition should be further explored. Also, it is likely that in thinking about a transition from basic to more sophisticated LAO further onward to OAO, there may be different patterns of each in different sectors/areas of socioeconomic and political life. This too should be further unpacked. There was not the time to do this in the context of this stage of the WIDE3 research.

<sup>139</sup> Donors noted indeed that competition was conspicuously absent from the government discourse about private sector development in the GTP, and suggested that GOE should review this – which it did not. Whilst in that discussion it was all about economic competition (necessary for donors, potentially nefarious for GOE), as highlighted in the 2009 policy review and other work the EPRDF political model of revolutionary democracy stressing the value of reaching consensus does also not accommodate competition very well, and nothing in the past five-six years’ political developments suggest that the EPRDF is getting more ready to allow competition to flourish.



### 5.3. Developmental Neo-patrimonialism

187) The Africa Power and Politics research Programme (APPP) focuses on finding examples of *'governance that works in African contexts'*<sup>140</sup>. In doing so the team has further developed thinking about **'developmental neo-patrimonialism'** which distances itself from neo-liberal assumptions about the economic and political policies required for growth. This work examines in what circumstances rent management (the LAO glue) can be developmental.

188) The APPP work builds on work by Khan notably, who said that *'(m)anaging development may, in fact, require the continuous discrimination of efficient from inefficient rents by policy-makers and analysts'* (Khan, 2000). For Khan and the APPP team, there are at least three reasons to think that in many developing countries, 'rent centralisation' would work better for growth than conventional governance arrangements. First, rent centralisation allows the use of political power for primitive accumulation which may be a precondition for dynamic growth, especially in countries that are resource-poor, landlocked, and/or lacking in entrepreneurial skills. Second, it also allows the use of patron-client networks and even corruption to make political transfers that can contribute, if used effectively, to state stability and nation-building. Third, in states where the legal sector is weak rent centralization is more effective than an elusive rule of law for combating those types of corruption that are growth-retarding. However, rent centralisation is not sufficient *in and of itself* to create the conditions for economic growth; it must also be oriented *to the long-term, and put to developmentally productive purposes*.

189) The APPP team thus categorizes existing regimes according to two dimensions of the rent relationship: the degree of centralisation and the time-horizon adopted by the leadership at the centre. For rents to be effectively centrally managed there must be a structure in place that allows an individual or group at the apex of the state to determine the major rents that are created and to distribute them at will. A far-sighted leadership creates rents and disciplines rent-seeking by itself and others with a view to promoting productive investment over the long term.

190) One of the APPP tentative research conclusions is that therefore, the *'neo-patrimonial governance'* which characterises many African countries is *'compatible with strong economic growth performance'* (Kelsall 2011)<sup>141</sup>, provided certain conditions hold – notably a political regime which combines rent centralization with far-sighted leadership<sup>142</sup>.

191) The team suggests that Ethiopia and Rwanda are examples of present day developmental neo-patrimonial regimes and that Kenya, Malawi and Côte d'Ivoire had such regimes at some point in time in their development history. What these strongly performing regimes (now and then) had in common is indeed a system to centralise the management of economic rents and orient rent-generation to the long term. The mechanisms for doing this were different across the country cases but they always involved a combination of:

- a strong, visionary leader (often an independence or war-time hero)
- a single or dominant party system
- a competent and confident economic technocracy

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<sup>140</sup> See various papers at <http://www.institutions-africa.org/>. Notably: *Developmental patrimonialism? Questioning the orthodoxy on political governance and economic progress in Africa*, Tim Kelsall and David Booth, with Diana Cammack and Frederick Golooba-Mutebi, APPP Working Paper No.9, July 2010; as well as a March 2011 special edition of the IDS Bulletin.

<sup>141</sup> *"In all its variants, a patrimonial system is held together by the personal distribution of material resources and perks (many of which are 'rents' in modern economic terminology), distributed and consumed as though they were the private property of the ruler and/or his staff. 'Neopatrimonialism' refers to a political economy in which this basic authority system is combined with, or exists behind some formal, impersonal elements of governance, like a legal system that demarcates the public and private domain, or an administrative code with formal criteria for staff hiring and promotion"* (Kelsall 2011).

<sup>142</sup> The conclusions are based on a comparative review of the African and Asian development literature, a desk-based comparison of economic performance since independence in seven African countries, and fieldwork in a further five countries, including Ethiopia.

- a strategy to include, at least partially, the most important political groups in some of the benefits of growth
- a sound policy framework, defined here as having a broadly pro-capitalist, pro-rural bias.

192) It is important to highlight that the APPP conclusion with regard to Ethiopia is based on one case study, which the authors present as follows<sup>143</sup>:

*This report forms part of a study of the role of private enterprise in Ethiopia's economic development, focusing specifically on the so-called endowment-owned companies under EFFORT, the Endowment Fund for the Rehabilitation of Tigray. EFFORT was established in the mid-1990s with resources accumulated and donated by the Tigray People's Liberation Front, and its corporate policy is still led by senior members of the TPLF. It now owns 16 companies operating in the industrial, mining, construction, agro-processing, trade and service sectors. Research under the Africa Power and Politics Programme has re-examined the relationships between business and politics that are most likely to foster growth. This research emphasises the importance of stable, effective and long-horizon policy and regulatory environments, and the centralisation and selective promotion of growth-enhancing rents, in achieving what APPP has termed successful 'developmental patrimonialism'. The paper considers the case of Ethiopia and the EFFORT companies in this light.*

193) The case study shows that the TPLF-led rent management system which underpins the way EFFORT is run has been instrumental in EFFORT strong performance. In turn, the EFFORT case may well be an 'exemplar' of broader politico-economic inclinations of the EPRDF-led government which has developed and maintained a fairly centralised and disciplined rent management system. Factors such as the government large-scale public investments contribute to the same long-term vision as the rent management discipline<sup>144</sup>.

194) However, as noted earlier a number of local representatives of donor agencies<sup>145</sup> reckon that the system seems to have reached its limits. In their (normative) views, as the government continues to direct the gains to the state, party and those with political power exclusively (unlike in Rwanda), this is crowding out the private sector and letting the public sector become hugely inefficient. Moreover, they explain, some of the government policies are directly non-developmental – such as the negative real interest rates which transfer huge income from savers to the main borrower, the state, and the inflation ensuing from the government's investment pace<sup>146</sup>.

195) The APPP team explains that developmental neo-patrimonialism seems to work well in countries with relatively simple economic structures which can be responsive to relationship-based governance; but that **as the economy (society?) becomes more sophisticated, more rules-based governance might be required**. This may well be the case in Ethiopia, where the economy has grown more complex and the society too (see e.g. Clapham 2004, cited in ¶137) above). The question then is whether this is something that the leadership will appreciate – and Ken Ohashi noted, if the leadership is told only the nice sides of the story it may not appreciate the need for change before it is too late.

196) Moreover even if the leadership could be convinced of the need to change model, one issue is the 'stickiness' of the arrangements in place: even those arrangement put in place by a long term developmental leadership are likely to generate short-termist winners who develop a vested interest in maintaining the status quo when the need to change arises and should be considered by the

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<sup>143</sup> "Rethinking business and politics in Ethiopia - The role of EFFORT, the Endowment Fund for the Rehabilitation of Tigray", Sarah Vaughan and Mesfin Gebremichael, APPP research report 02, August 2011

<sup>144</sup> Another factor that contributed to the good performance of the EPRDF regime was simply what has been called at times the 'rebound effect' that is, recovery from some of the disastrous policies of its federal and military predecessors.

<sup>145</sup> See WB & IMF JSA. This position was also expressed less formally in e.g. initial thoughts of the PBS Secretariat and donor group in their reflections about the possible form of PBS III, and in informal discussions with different economists – albeit arguably, all from the 'neo-liberal' school of thought that Prime Minister Meles continues to adamantly criticize (see, most recently, Meles Zenawi 2012).

<sup>146</sup> While it is true that intuitively one would expect that inflation is bad for the poor, the assertion that transferring incomes from savers to the state is a bad thing rests on the classical neoliberalist view that the state is not as efficient in using these funds as the 'savers' would be. I.e. it is a normative view.

leadership. Vaughan and Gebremichael (2011) indeed note the risks of *‘political capture of resources that are then not used to serve economically productive or sustainable developmental ends’*<sup>147</sup>.

Avoiding this requires strong *‘technocratic integrity’* (a *‘combination of professional competence and independence’*). Yet in Ethiopia this precise combination is *‘often under question’* as *‘limitations on the capacity, status and autonomy of the Ethiopian civil service’* have contributed to undermining it. As a result there is no force driving the development or strengthening of *‘systems that have the ability to distinguish and steer a path between productive and unproductive rent utilisation’* (Vaughan and Gebremichael, 2011).

197) Returning to the argument that perhaps, Ethiopia is at a juncture where if it was possible for the leadership to do so, more sophisticated rule-based governance should be established, one **more fundamental and yet often overlooked question is: what types of rules might be adequate.**

### **By way of conclusion**

198) The discussion above focuses on economics mostly. But it holds for politics too. What all three pieces of work suggest is that there are ways of understanding why and how the government model has worked pretty well so far on a number of counts, but **the question now is: what next.**

199) **The first two frameworks do not, in our view, offer a satisfactory way of thinking about this question, because they take for granted that western external actors know better:** that is, democracy (for Levy and Fukuyama) or competition, non-state organizational development and rule of law (for North et al) are the ultimate state-of-the-art order that any type of society should aspire to. This is quite ironic as donors in Ethiopia are right now timidly beginning to try and convince the government that thinking it knows better is a mistake which it should recognize and avoid repeating in future (see Mr Ohashi’s last op-ed).

200) The APPP framework is more interesting because it does not automatically equate ‘rule-based governance’ with western rules. In that perspective one of the roles of western donors might be to support the government in **exploring what kind of rule-based governance** might be adequate for Ethiopia based on the country’s specific historical and current trajectory rather than continuing to try and squeeze it into a pre-cast mould<sup>148</sup>.

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<sup>147</sup> Vaughan and Gebremichael also note a tendency for developmental patrimonialism to degenerate into less economically productive forms where regimes with strong leadership continuity experience succession crises and that this is potentially a further set of challenges in Ethiopia. It is indeed, and equally, the very desire of avoiding crises may lead to compromises to the same ‘non-developmental’ effect.

<sup>148</sup> In his latest writing Meles Zenawai explains why at this juncture the only type of governance that can bring/accelerate development to the country rests on a ‘developmental state’. Meles (clarifying that this article does not represent official government views) outlines what he means by this. Whilst developmental states come in different sizes and shapes, he says, they all share certain basic characteristics: *“(i) The motive and source of legitimacy of developmental states is the single-minded pursuit of accelerated development; (ii) The development project is broadly shared in the country; (iii) They are autonomous from the private sector; they make and implement decisions regardless of the views of the private sector; and they have the motive, the incentive, and the means to reward and punish the private sector in order to promote desired behavior and activity; (iv) They can be either democratic or undemocratic, and this does not determine whether they are developmental states or not.”* (Meles Zenawi 2012)

## Annex 1: China in Ethiopia

### What international media says

In October 2010 **the Economist** noted that trade between Ethiopia and China was ‘worth \$800m in the first six months of the year, up by 27% on last year. China has invested \$2.5 billion in Ethiopia, mostly in infrastructure. Mr Meles wants China to take a lead in building a new railway network... Last year exports to China rose by 140%.’

### Ethiopia and China: A new development partnership? For the AfDB

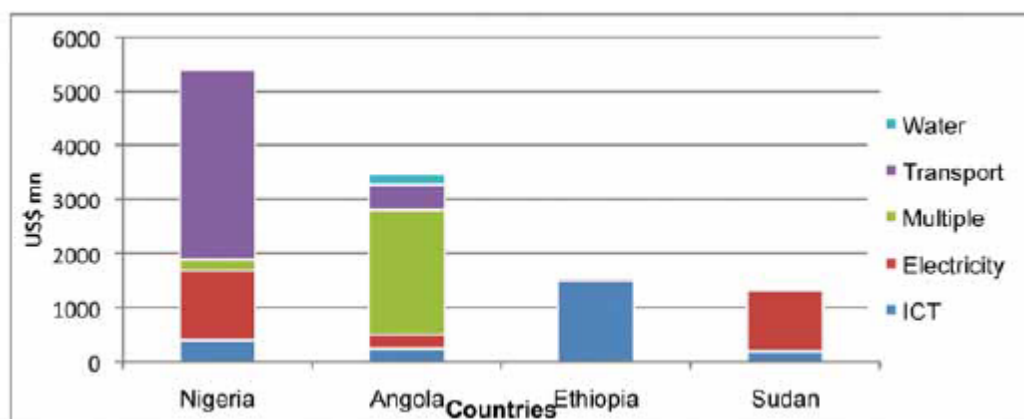
The **African Development Bank** has invested some resources to exploring the importance of China in African countries (*China and Africa: An Emerging Partnership for Development?*, AfDB 2011)

**Official Development Aid:** China is sometimes referred to as an emerging development partner, although this country has had an aid program since the 1950s. ODA (as defined by the DAC) amounts to about \$1.5-2.0 billion (Brautigam 2008), and is mainly allocated to “all weather friends” that is, countries with longstanding political ties to China such as Egypt, Ethiopia, Mali and Tanzania, and resource-rich countries (e.g. Algeria, Angola, Congo, the Democratic Republic of the Congo, Nigeria, Sudan, and Zambia). However, it is difficult to estimate the size of Chinese aid, as China does not make the DAC’s distinction between Official Development Assistance (ODA) and Other Official Flows (OOF).

**Commercial projects:** Chinese investments are mainly channeled through the Export-Import Bank of China (China EXIM Bank), which is the lending arm of the Chinese government. The China Exim Bank has extended loans and grants for commercial projects in over 35 African countries, in particular in Nigeria, Angola, Sudan and Ethiopia.

**Infrastructure development:** China is a very significant partner in infrastructure investment in many African countries. Ethiopia has the 3<sup>rd</sup> largest beneficiary of such investment, as shown in the figure below.

Figure A1: China’s infrastructure investment in Nigeria, Angola, Ethiopia and Sudan



This is not ODA but Foreign Direct Investment. Ethiopia represents 10% of the total Chinese infrastructure investment in Africa, whilst it attracts only 1% of the total Chinese FDI in Africa.

Infrastructure investment is particularly important because the sector is a driver of economic growth and African needs have been estimated to be \$93 billion per year. Historically, infrastructure was one of the first sectors in which China invested in Africa. China has developed industries and competitive services with special expertise in the execution of public works, based on constructing large infrastructure projects in China.

China’s commitments to infrastructure in Africa rose from \$1 billion annually between 2001 and 2003 to \$1.5 billion between 2004 and 2005, and reached \$7.5 billion in 2006. For example, China financed 10 hydroelectric power projects in 2007, to the tune of \$3.3 billion, which increased Africa’s

hydroelectric power production capacity by 30%. China also has financed \$4 billion in investments in road and railway network projects. China also contributes to Africa's information and communications infrastructure (nearly \$3 billion in total), generally in the form of supplying equipment to national firms. Ethiopia, Sudan and Ghana have been major beneficiaries. The largest ICT project with Chinese involvement comprises the rollout of a national communications network in Ethiopia.

Several studies stress that with the exception of SMEs in search of quick, short-term profit, Chinese firms are less averse to risk than their Western counterparts, and less constrained by environmental and social concerns.

**Trade:** China is taking some steps to support African manufactured exports: China is in the process of expanding the zero-tariff treatment to 95% of the products for African LDCs, and is investing in Special Economic Processing Zones, which have been set-up in Mauritius and Zambia, while others are being considered in Egypt, Ethiopia, Liberia and Nigeria. Ethiopia is one of the few countries in which Chinese imports of basic consumer goods represent more than 10% of the country's total such imports, which is somewhat of a mixed blessing as on the one hand this gives access to such goods to poor people as Chinese goods are cheap, but some of these have been found wanting in terms of quality, and they compete with local production of certain goods.

*Box A1: Ethiopia-China: the opportunities and challenges of trade diversification*

Ethiopia provides an example of the nature of trade relations between China and African countries. Ethiopia's trade with China rose from \$100 million in 2002 to \$860 million in 2008. Ethiopia exports to China products like sesame seeds, leather goods, and coffee, and imports from China clothing, machinery, food items, pharmaceuticals and electronics. Ethiopia's trade deficit with China equalled \$470 million in 2007. China supports Ethiopian exports through a zero tariff policy, leading to a rise in Ethiopia's exports to China (primarily driven by sesame seed products) from \$14 million in 2004 to \$85 million in 2005. Chinese exports of textiles and footwear reduced the income, assets and property of small-scale Ethiopian producers, leading many to turn towards production in the informal sector. On the other hand, medium-size Ethiopian firms have attempted to improve designs, quality, delivery time and invest in newer machineries as part of a broader strategy to cope with Chinese competition. Due to the poor quality of certain Chinese goods, such as shoes, blankets, toys and plastic products, the government has established a Joint Committee on quality control, which certifies quality before they can be imported in Ethiopia. Moreover, the Ethiopian government is attempting to support local industries, and has listed a number of areas of investment reserved for domestic investors only, including: export of raw coffee, qat, oil seeds, pulses, leather hides and skins; grinding mills; saw milling and timber-making products; and printing industries.

## **A political analysis of the same**

The **World Politics Review of July 2011** also highlights how important China has become for Ethiopia and wonders about what is in the deal for China, but concludes arguing that China's investments in Ethiopia are consistent with China's view of Africa not as states but as regions, and so Ethiopia is a critical long-term investment in case it becomes the gateway for exporting South Sudan's oil.

### **GETTING THE BETTER OF BEIJING**

Countless books and articles have been written about Chinese influence in Africa. Regardless of whether the authors endorse it, condemn it as imperialism, or refuse to pass judgment, all have devoted considerable attention to addressing the "infrastructure for resources" swap that is at the heart of China's interest in Africa.

Where Ethiopia differs from other countries in Africa is that it has few of the resources that China wants. Certainly China has obtained oil and natural gas exploitation rights to areas in the Ogaden and Gambella regions. Coffee, hides and skins, and legumes have historically been Ethiopia's main exports, but in truth these are minor commodities. A few other concessions have been signed, but none that come close to balancing China's infrastructural outlay to Ethiopia. Conversely, China has built a paved road network connecting the most distant corners of Ethiopia, which three years ago were only assessable with four-wheel drive vehicles. The Ethiopian telecommunications infrastructure carries a

“Made in China” label. And China has overtaken Italy as Ethiopia’s concessionaire to build hydroelectric dams, two of which will be the biggest in Africa. China will be laying 1,240 miles of railway tracks to replace at long last a nonstandard-gauge railroad built by the French in 1905. And while the financial details for all these deals are nearly impossible to obtain, in the case of Ethiopia, China’s infrastructure-for-resources swap certainly appears to favor Ethiopia.

So what is China getting? With reference to Ethiopia, the equation has to be recalibrated and read as an “infrastructure for political support” swap. Addis Ababa is the headquarters of the African Union, making Ethiopia the epicenter of African politics. If China is to persuade African leaders of its good intentions, it is beneficial to have an enthusiastic host. To this end, China is slated to build a huge, new African Union building in Addis Ababa as a testament of its goodwill and a means to extend its soft power. In Chinese President Hu Jintao’s words, “Ethiopia could play a pivotal role in enabling China to consolidate its cooperation with other African countries.”

Certainly Meles, who is forceful, bright and articulate, only adds to the equation. Speaking for all African leaders, Meles said, “China is not only Africa’s crucial partner in terms of trade, investment, infrastructure construction and natural resource development . . . the process of reform and development in China has provided an alternative paradigm for Africa’s development.”

Yet another factor must be considered to fully understand the imbalance: China views Africa as regions, not states. Tanzania receives considerable Chinese investment because it is a gateway to Zambia and the Democratic Republic of the Congo. Likewise, Ethiopia receives a disproportionate level of assistance because it is a gateway to South Sudan in the event that transporting that new state’s oil reserves via the existing pipeline through Sudan proves problematic. For China, solidifying relations with Ethiopia is simply a prudent investment, for it is a stable country in a region of instability.

#### **INVESTMENT AND AID, BUT AT WHAT COST?**

Notwithstanding the major infrastructure projects, a sizeable proportion of China’s investment in Ethiopia is in manufacturing. Seventy-seven percent of total capital investment in manufacturing and 60 percent of all manufacturing projects in Ethiopia are Chinese, according to the Ethiopian Investment Agency, with shoes, textiles and electrical equipment dominating. But despite the number of Chinese investment projects, China’s \$17.8 billion in foreign direct investment in Ethiopia in 2010 ranks only third, behind Saudi Arabia with \$50 billion and India with \$39.5 billion, according to the Ethiopian News Agency.

Saudi Arabia’s primary investments are in agricultural land and urban real estate, while India’s are almost exclusively in agricultural land. The interest in Ethiopian agricultural land is part of the broader “African land grab.” Foreign investors have already bought or leased 128 million acres of land -- about the size of France -- in Africa, to grow crops that are subsequently repatriated to the investor nation. One Indian company, Karuturi Agro Products, has recently leased 247,000 acres in Gambella, the remote plain of the Baro River near the Sudanese border, to bring its total to 771,000 acres in Ethiopia. Saudi Arabia has negotiated land deals throughout Ethiopia, yet the EPRDF is seeking to lease another 716,000 acres in 2011 to the Saudi Star Company. Ethiopia is also interested in diversifying Saudi investment into agro-processing, energy, infrastructure, tourism and mining. Clearly foreign direct investment in Ethiopia has reached an unprecedented level, but at what cost?

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