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POVERTY IN ETHIOPIA

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FROM THE EDITOR

This issue of Economic Focus deals with one of the most pressing economic-cum-social issues in Ethiopia—Poverty. As usual, we are lucky to get the best people to talk on the subject of poverty in Ethiopia.

A number of interesting points are raised in our round table discussion. His Excellency, Ato Mekonnen Manyazewal, has explored the government's strategy to address the poverty issues. His analysis is fundamentally focused on the macro strategy adopted. Ato Abebe, with wide research experience on poverty issues in Ethiopia, has also given us his account of poverty in Ethiopia. An interesting point raised in the context of Ato Mekonnen's and Ato Abebe's discourse is that growth does not necessarily lead to poverty reduction and the Ethiopian data might show that. We think this has an important policy implication.

Dr. Berhanu also came out with an interesting and controversial proposal to address a segment of the poor, which he argues is in need of an immediate action. His proposal had raised a heated debate among the participants. Sister Jember, has shown us, from an NGO's perspective, in a rather artistic flavor, the depth and width of poverty in this country. Ato Kibur partly blames our culture which celebrates poverty but emphasises that suffocating government interference in the economy has stifled the private sector from generating wealth— a key to poverty alleviation.

As usual, we have also other economic and related comments in our regular features. Hoping that this issue will provoke a concerted effort to do something about poverty in this country, we leave you to get the details from the bulletin and we are ready to accommodate your comments and contributions.

Enjoy your readings.

LETTER TO THE EDITOR

FROM INDUSTRIAL AGE TO INFORMATION AGE

"In times of rapid change, anthropologists will tell you the single challenge is mastering language and vocabulary". (Janet Caldwell, Institute for Electronic Government)

History is the world's best teacher. A combined sense of history and vision for the future serves us well as for the challenges ahead. The world as we know and understand it is undergoing a dramatic transformation into the Information Age, also referred to as the Third Wave. The First Wave represented the world's transformation from a hunter-gatherer society to an agricultural society. The Second Wave transformed the agricultural society into an industrial society/economy (although I really don't know to which society the Ethiopian economy belongs!). Each of the three waves is characterized by historic and unprecedented upheavals in the collective social, political, intellectual, cultural, and economic fabric of civilization. "We are in the midst of the greatest cultural, economic, political and social transformation in the history of human society."

While the Third Wave transition is in orders of magnitude more complex than the Industrial Revolution, industrialisation provides a useful historical model of comparison for the process of transformation on a worldwide scale. In particular, the economics, sociology, and history of how new institutions, values, policies and lifestyles transformed an agricultural base to an industrial base is a helpful primer to the tasks ahead for intellectuals and government leaders.

Even a partial historical timeline highlights the momentum of changes. In 1776, Adam Smith's *Wealth of Nations* provided a theory of industrialization in the specialization of labour. Frederick Taylor gave the world a new structure and influenced the social order with the notion of hierarchy and bureaucracies for the big institutions spawned by growing industries. Railroads, steel mills, and the sugar trust were the beginnings of organizations the size of which the world had never experienced. Confusion, fear, debate, disorientation and better conflict arose. In America, the transition culminated in the American Civil War fought between the industrial-

ized North and the agricultural South. Industrialization prevailed and society gathered the momentum to respond with new institutions to manage and deploy industrialization. Big labour, big business and big government flourished as industrialization was embraced.

At the same time, fruits of industrialization were reaching the common man/woman – radio, refrigerators, automobiles, telephone – along with bitter labour strikes. The industrialized world was characterized by standardization, synchronization, massification (bigness), and centralization. And all the social, economic, political systems, and institutions conformed to the new industrialized order. The entire system was a huge success. Yet the computer, the harbinger of another wave, was already on the horizon by the 1960s.

The Nature of the Information Age

Centralization is being replaced by empowerment and by flat organization charts. The machinist view of organizations, shaped by industrial Age theorists and practitioners, are giving way to those who hold out learning organizations, networked organizations, total quality management, teams, a telecommuting global work force, and a fundamental redefinition of time and space. The Internet heralds a revolution, is going to change every thing, and we have to join the conversation or we will be relegated.

Now we are going through another dramatic media shift. This is not about a politician or a government agency should have a web page, email, multi-media computers, etc., it is about whether or not a politician, academician or an agency wants to play by a new set of rules that's creating a new economy and a new culture.

Television, print and radio share the characteristics of broadcast media. Messages are one-way, broadcast indiscriminately to a wide audience. In contrast, the Internet is a two-way communication medium. And, the "audience" is an individual user either searching out sources directly for specific information or engaging with communities of common interest (like in the discussion lists).

The Internet changes the way we distribute information in a fundamental way that makes it highly participatory. One of the characteristics that's so important is that information distribution costs are falling down dramatically. The issue of the information economy and the information society is going to be one of the most delicate and demanding enterprises that the human species have ever had to take up, and I think that's where we are. And we are either at this point on the side of change or we are trying to pretend it is not taking place (and remain marginalized in this aggressively globalizing world economy).

It might not be comfortable to talk about electronic commerce (E-commerce) while most of our things here in Ethiopia and even in most of African countries are bought at the Gulet (the mini local markets) markets by the road-side. In conclusion, can we agree that there is no such thing as the Global Information Society, neither is there one scenario towards its accomplishment. In the future, there could be different models of the Information Society. Just as today we have different models of industrial society. They are likely to differ to the degree to which they avoid social exclusion and create new opportunities for the disadvantaged.

Thank you.

Wasse Dubale

SHOULD GOSSIPING PAY...?

Have you ever wondered why people gossip or love to gossip? It happens everywhere but should not be presumed to be part of human ego because it is also possible to live without gossiping. However for some it is part of their "make" who are not sure of their own integrity without chewing one or two gossips a day and compare themselves with the subject of the gossip just to make sure that they have some value in some respect better from the least. Usually they hunt for gossip and when they find one they would extend or embellish it to add test to the audience. They would not really care whether it is true so far as they attract the attention of their "customers".

There are always two classes in this world: the communicator and the audience. The audiences are generally passive while the communicators are active in different degree depending on their own specific interest and characteristics.

There are also those who are basically passive to talk or to comment but active to hear sipping it all with wide interest and missing nothing. They add exclamations at every pause of the narration of the

gossip, still controlling their reaction what might the gossip normally lead to or expected to lead to. They are all ears revealing always good appetite accompanied by curious and encouraging eyes that tells to the gossip: "please go ahead I am hearing".

They quickly sense when they are to be visited by people who want to supply them with gossip. They are clever at reading the faces of such visitor for a clue, giving him a questioning look: what are you up to this time? Or what is there out to day? Then the visitor would be offered the privacy he needs. For this purpose excuses are always available to detach themselves from the immediate engagement.

Others do not allow themselves to be polluted by the gossips. They are indifferent revealing no appetite. But they take note of what they hear and only when occasion serves try to find practical confirmation just to put some credit, if any, to the gossip. They do this for the comfort of staying closer to the truth. There are also others who, by what they hear, disgust as it comes out of the mouth of an active 'communicator'. They hear unwillingly and some try hard to find excuses just to politely terminate the unpleasant 'communicator'. The average people seem to fall under this category.

Still others are active to hear and out of their own innocence serve the very purposes of the gossip by echoing what they hear. They provide a lip service. They have open heart and are quick to believe what they hear. Because of this, they serve as carriers and transmitters and, therefore, such people are befriended by gossips but only for their services. They would be provided with friendly approach and petty invitations in the name of "socialization" where they would be pumped with more lies and inventions. If they lack story to feed them then they would reserve the friendship for the needy days. The last group, I know of, are those morally most corrupt and dangerous. They shamelessly use gossip as an "instrument" in the service of their own hidden agenda, such as to win the confidence of the Boss, buy guarantee to stay in the possession of usually position or special prerogative from the "generous Table" of the Boss or whoever has authority over their specific domain of interest. Some consider gossiping to the Boss as declaration of loyalty. Such people are pooping up in many organizations.

These people usually have a perfect understanding of their own virtue (natural or acquired), practical value and what they are worth of by the standard of this virtue. They are sure that they cannot be elevated to a place where they aspire most. If they have one, they know it is to be strangely explained. Neither have they enough of a confidence of what they are doing nor are they knowledgeable over their own domain, if any, to enable them to be commissioned as authoritative personality over a spe-

cific field which they think they are part of.

They always avoid challenge and live under the cover of other's toil. They offer peace and friendship with people whom they think are potential threat to them and challenge accidentally or intentionally the "norm of their survival" or their vulnerable spot.

Their message is simple, "let us live in peace regardless of all problems that belong to the organization or to the common interest. Let us not put connection as to who is who". Their definition of peace is "not to be uncovered". They are blind to the fact that what good would come if their part of the weakness is rectified. They don't want to see the situation without them into the picture.

The challenge comes by other people not intentionally playing a role of faultfinder. But usually in the course of normal inter-organizational interactions where, for example, the work of one group serves as an input to the other. When some failure come to light and subject to critique with a genuine intention of helping global interest, these people are quick to sprang up in self-defense. The instrument is "Gossip" and the targets are usually professional people who labor to invest their expertise for a practical result and who in due course come across an unpleasant contact with these people. Such people as they have now tuned their temper to "attack position", they don't wait until the gossip surfaces one way or the other. Rather they invent one and go even to the extent of orchestrating their invention. A make believe job. The objective is to rob their "opponent" of any credit. It is their attempt to assassinate career at the same time to salvage themselves out of the embarrassment and to avoid question over their own prospect.

They wage "war" appealing to the loyalty of their group for a common front whose friendship is cemented over the years through the exchange of similar mutual services amongst themselves. They are after intimidating the one whom they target. They work hard to disseminate the gossip. At times you see them searching hard to find the lonely ears of the Boss to inject some of their lies and inventions of the day. The "agents" who are at the free hand of these people would also be manipulated to serve this end until they loose their "customers" who may be pulled back by their own conscience.

Where such gossiping is common it is difficult to many who are partners in this business knowingly or unknowingly to stop and appeal to their own conscience. They prefer to be taken by the tide unknown to them that they are really partner in the business of mass corruption.

The sad story is that they use resources of their organization for the dissemination of self-styled

gossip. The goal is survival or protection of their territory of influence or acceptance no matter in what bad shape they may be. They use the instrument "gossip" for diverting attention and executive actions that might be directed against them.

Paradoxically enough some in many organizations live by this standard. It may not be said that they are not successful. Because of this some have "bought" almost all what they have. They seem to be complacent positioning themselves as "exemplary" to the "new generation gossips".

In many nations tradition has the standard to counter at least "wild gossips" and cut them down to size which is a blessing to these subjects themselves and provide them with the opportunity to restoration. What about modern management? Should gossiping pay? How would a good organizational culture be developed and nurtured amid such environment infested by gossips? How could the evil in the hearts of these people castigated? How would the true personality and quality of gossipers be revealed and come to light from the edifices of their sanctuary? How would one unmistakably tell, especially to the young and industrious professional, that being professional and only professional is enough for a better prospect without dangerously exposing their character and integrity to these "pollutants"? How would one establish the common denominator that gossiping is not an expediency to elevation and success"? Dear readers I leave the answers to you. But when you see them show them mercy regardless of what you think they should deserve and help them to repair their own character which they themselves have destroyed setting out to destroy others career. When you hear one of their lies search for their hidden agenda. You would not miss it though at first inspection how illusive it may seem. Don't allow yourself to be easily polluted. Don't you forget the divine advice: "The words of a gossip are like choice morsels; they go down to a man's in most parts". Rather when they come to you with gossip ask them questions to search their motives and pick the truth. You will learn soon whether they are mere instruments used by others to just rattle what they have been pumped or are they the people who are busily addressing their hidden interest through their fabrications.

It may take time but sooner or latter you will know them. When you know them pretty well tell them with intelligent words who they really are. That may put light into their darkened heart and probably lead them to rehabilitation. Believe me this, they need this badly, but surely, when only they know that they could no more camouflage their true identity.

Getahun Moges Kifle

ETHIOPIA'S DEVELOPMENT CHALLENGE: BREAKING THE POVERTY CYCLE AND THE TAKE-OFF INTO SUSTAINED DEVELOPMENT

By **Mekonnen Manyazewal**
Vice Minister, MEDaC

1. INTRODUCTION

The Ethiopian economy has had mixed fortunes. It exhibited a situation from one of respectable growth of 1960's to the stagnation and decline of the 1970s and 1980s. GDP grew only by 1.5% during 1974-90. By the dawning of the 1990s the economy showed severe macroeconomic imbalances, severe food deficit, worsened social conditions, growing indebtedness and increased vulnerability. As such the social and economic problems of the country have cumulatively become severe and complex mirroring sharp contrast between considerable potential and widespread poverty.

Thus, by the beginning of the Transition Period in 1991/92, it was clearly observable that Ethiopia faced daunting economic development challenges: breaking the poverty trap and putting the economy on the path of sustained development.

The Transitional Government had to face many challenges including ensuring peace and stability, rehabilitation and reconstruction of war damaged infrastructure, coping with the social crisis including millions of displaced persons, refugees and demobilized soldiers. Above all, it has to

engineer economic recovery and transition from a command to a market economy – and from the outset address the long-term needs of sustained economic development.

To this end a new economic policy was put in place which was translated into a series of concrete economic reform program. The economic reform measures have helped to create a stable and sound macro economic policy environment, conducive legal and institutional framework for reviving and creating the private sector, and instituting markets for factors of production.

The Emergency Recovery and Reconstruction Programme in the early years of the transition period has helped to rehabilitate a war-ravaged economy, rehabilitation of schools, health, roads and other infrastructures, and providing timely inputs for productive sectors – thus jump starting the economy. Subsequent implementation of the economic reform programs has put the economy on the path of economic growth and development. As a result economic growth decline has been reversed and the economy has registered an annual average rate of growth of 6 percent since 1992/93 and attained the objective of maintain-

ing stable macroeconomic environment.

Despite these positive developments, there is still a lot of grounds to be covered to make a deeper inroads into poverty and transform the economy. It is illusory to expect that poverty will be done away with the effort made in a few years. It requires large and sustained investments in line with the country's development policy, strategy and priority.

This paper attempts to highlight the basic approach and measures adopted for poverty eradication and economic development in Ethiopia. It argues that poverty should not only be understood in the narrow economic/material sense, but rather in the wider socio-political context. A just political system – that empowers the people and assures human freedom is equally as necessary as appropriate development strategy is for sustained elimination of poverty.

For Ethiopia poverty eradication and economic development is understood in this broad context. It is empowerment and devolution of power to the people to plan, implement and manage their national and local political, social and economic affairs. It is also understood to mean eco-

conomic transformation of Ethiopia. One will not be successful without a judicious combination of the other.

The following sections attempt to describe the legacy and the development agenda put in place for poverty elimination or generation of sustained development in Ethiopia. Before this an overview of the features and dimensions of poverty in Ethiopia is in order to provide context.

2. CHARACTERISTICS AND DIMENSIONS OF POVERTY IN ETHIOPIA

Today's poverty in Ethiopia attests to the failure of past development policies to provide everyone with an opportunity to live a long, decent and productive life. It is now generally understood that social welfare in Ethiopia continuously deteriorated for about two decades in the past due to the inappropriate policies. Poverty in Ethiopia is, however, deep-rooted and an age-old phenomenon.

In fact, poverty goes beyond the simple fact of too low income to meet basic needs and is highly correlated with social exclusion, vulnerability, powerlessness, and other economic, political, social and cultural dimensions of deprivations. These are indeed important factors in understanding poverty in Ethiopia.

The country has been, for example, historically deprived of peace and security. In addition to repeated attempts to challenge the sovereignty of the country by foreign aggressors throughout the centuries, internal civil unrest were not less uncommon and were equally important in undermining stability and, therefore, the development of the country.

The different governments that came into power at different times in the past also failed to address the needs of diverse

ethnicity; culture, language and mode of living that exist in the country. As a result, large segment of the population especially those who live in rural areas were marginalized and usually left out of the development process in the country.

The low technology and the rainfall dependant subsistence nature of agriculture on which the majority of the population depend has also been a major factor for low output and income which is highly susceptible to extreme form of impoverishment due to slight shocks.

Poverty is multi-faceted: it is characterized by a lack of purchasing power, exposure to risk, insufficient access to social and economic services and few opportunities for income generation. No single indicator can measure adequately, therefore, all dimensions of the hardship people in poverty face (WB, 1994: *The Many Faces of Poverty*).

The per capita income level of the country is one of the lowest in the world. According to a recent study on poverty situation in Ethiopia, the per capita income level in the country is US \$167.4. This level is lower than the minimum income level measures set at international level to overcome situation of absolute poverty. Other socio-economic indicators also clearly indicate poverty exists in the country in its extreme form.

Availability of infrastructures such as road, transport, communication, market, etc. are at a very poor state. Public utilities such as electricity and water are unavailable for significant portion of the population.

Low level of human development is also one of the ways poverty is manifested in Ethiopia. The percentage of the population that is literate is low. The majority of children in Ethiopia are not also attending primary school. Access to health services is simi-

larly very limited as a result of which high morbidity and mortality are important features of poverty in the country. The availability and use of safe water and sanitation facilities are also at a very poor state all over the country and in rural areas in particular.

According to an analysis, which focuses on the assets, income and expenditure of households, based on the 1995/96 Household Income, Consumption and Expenditure Survey, estimated that 45.5 percent of the population in the country are absolutely poor, meaning they are unable to lead a life fulfilling the minimum livelihood standard. The study also showed significant difference in poverty levels between urban and rural areas. 47 percent of the rural population live in absolute poverty while only 33 percent of the urban population are found in absolute poverty.

The distribution of poverty varied greatly between regions, ranging from 25 and 29 percent in Dire Dawa Administration and Harar Regional State, respectively to 58, 57 and 56 percent in Tigray, Amhara and Southern Regional states respectively.

The same study also shows that food share in households expenditure constitutes about 60 percent while about half the population's food consumption is below the minimum daily requirement.

In terms of socio-economic groupings, the available data indicates that in urban areas, the self employed; the unemployed, the disabled, and part-time workers in the informal sector constitute the bulk of the poor.

Within the rural areas, poverty is prevalent among the resource poor. These are people with inadequate land, poor soil, and unreliable rainfall, few or no livestock and limited or no other income producing assets.

3. DEVELOPMENT POLICY AND STRATEGY

The previous section has highlighted the basic features and dimensions of poverty in Ethiopia. This provides a backdrop against which Ethiopia's development policy and strategy are viewed, designed and implemented.

It is obvious that Ethiopia's economic problems and the attendant poverty are complex, deep rooted and as such cannot be expected to be solved quickly and shortly. A long-term perspective is critical. This calls for working out a new development strategy and economic policy environment consistent with the requirements of long-term economic transformation. The issuance of Ethiopia's new economic policy and strategy since the transition period is designed to serve such a purpose.

Much depends on what is happening in agriculture. Especially in smallholder agriculture which has to be the primary foundation for growth if the living standards of the majority of the Ethiopian people is to show any meaningful and visible improvements and if the country is to successfully tackle the growing problem of food insecurity. To a large extent this depends on increasing the productivity of small holder agriculture through technological change.

This does not mean neglecting industrial development which is key to the diversification and long-term structural transformation of the economy. In fact, the development of agriculture will be hindered if one fails to strengthen the linkage between agriculture and industry. At present this linkage is weak due to the low level of economic infrastructure development especially rural infrastructure - entailing fragmentation of rural and urban markets. Thus increased invest-

ment in physical infrastructure is an important area of concern if an integrated markets and national economy is to emerge.

The task of creating a diversified production base through supportive agriculture and industry development also calls for tackling the growing environmental degradation as a component task of Ethiopia's agricultural transformation. It has increasingly been obvious, especially in the highland area of Ethiopia, that accelerated deforestation and environmental degradation has seriously eroded the agricultural base and threatened the very existence of the people.

Ethiopia's capacity to initiate and manage development, on the one hand and ensure equitable distribution of the fruit of development on the other hand, is seriously undermined by the abysmal state of human development. The provision of basic health, education, food security and nutrition, technical skills, and employment has to expand significantly if one has to give concrete meaning to what is often stated in development economics as people being both the means and ends of development.

Overall, agriculture-industry-economic infrastructure-human development-devolution of power nexus marks the central and immediate development challenge for Ethiopia. They are the basis and have to be addressed now within a long-term development perspective. They are of immediate concern if Ethiopia is to seriously begin to address poverty eradication, and food insecurity. In a word, to foster human - centered development.

In order to be effective in this endeavor, it is also crucially important to create enabling economic policy environment - macroeconomic, and sectoral. Economic policy malaise clearly undermines the basis for long-term development.

But the economic policies that would be pursued have to be governed by, and be sensitive to, especially the investment needs for reconstruction, and sustainable and equitable growth.

Along this, the political context of development is of no less significance. Democracy, respect for human rights, and rule of law, are all-important ingredients for development. In the past, the absence of democracy in Ethiopia has dragged the country in to a prolonged and protracted war with itself. The current Ethiopia's development policy and strategy reflect the above rationale and perception.

Recognizing that the economy's basic problem is structural in nature the Government has mapped out the Agricultural Development-led-Industrialization. The ADLI strategy is based on using agriculture as a primary stimulus to generate increased output, employment and income for the people, and as the springboard for the development of the other sectors.

Industrial development is expected to absorb rural surplus labour, and expand domestic markets for agricultural commodities while the increase in agricultural production, is expected to raise the country's export earnings, to meet domestic demands for food and raw materials and to expand markets for industrial commodities.

The development strategy also places great importance on the provision and improvement of the quality of basic social services, including primary health care, basic education, water supply and sanitation.

It has a broad goal of creating enabling environment for community participation, through the devolution and the decentralization of economic management to the regional states. This devolution of responsibilities to the regional states has strengthened

the scope for community participation in the development process, emphasizing the role and responsibility of communities in managing their social and economic affairs. The government also placed special attention to address the issue of good governance to make the civil service effective, accountable and ethical.

The Government strategy, therefore, focuses on agriculture and the promotion of exports, ensures an increasing and appropriate role for market forces and the private sector, and shows strong sensitivity to the development of economic and social infrastructure as well as devolution of power to regional and local governments to ensure effective participatory development. These, I feel, are appropriate to tackle our socio-economic problems. Thus, the essential elements/fundamentals of Ethiopia's development policy and strategy can be summarized as follows.

- a). Maintenance of stable macro-economic environment
- b). Enhancing agricultural growth and strengthening Agriculture – Industry – export linkages
- c). Private sector development and public sector reform
- d). Economic Infrastructure and human development
- e). Devolution of power to regional and local governments
- f). Capacity development for economic management

These central tenants of Ethiopia's strategy have to be taken as an integrated package. No one is enough by itself to break the poverty cycle and take the economy into sustained development.

4. AN OVERVIEW OF DEVELOPMENT PROGRAMS AND ECONOMIC PERFORMANCE

This section provides highlight of programs underway to accelerate the country's socio-economic development and thereby eradi-

cate poverty. It can only be brief, broad and selective. One cannot provide an exhaustive description of all projects and programs being implemented in the country.

A. Macro-economic Stability and Economic Growth Recovery

Emergency Rehabilitation and Reconstruction Program (ERRP) and the Economic Reform Program with emphasis on stabilization were key programs put in place by FY 1992/93. As a result of this and subsequent reform programs in key sectors real GDP grew by an average of about 6 percent per annum over the 1992/93-1997/98 period.

All sectors have contributed to this economic recovery and growth. During the FY 1992/93-1997/98 period agriculture, Industry and services registered an average growth rate of 3.4%, 7.3% and 7.7% per annum.

Following the prevalence of peace and stability and recovery in economic performance, the general price level has declined and remained low-below 5 percent. This is in the face of major deregulation and other macro-economic measures.

Exports, which weakened in the 1980s, have also shown recovery and together with increased external resource inflow relieved the foreign exchange constraint. This, in turn, helped growth in essential imports that contributed to stabilization and economic recovery.

B. Public Expenditure Management

There has also been marked change in the structure of public expenditure. This is influenced by the rationalization of the role of the government in the economy and the sharp decline in defense outlays following the culmination of the war in FY 1990/91.

In line with Government's priority

and strategy, road construction, agriculture and the social sectors (education, health) kept on taking, as a group, an increasing share of public expenditure.

C. Agricultural Development Programs

Limiting to review on-going programs/projects, one can observe a number of key projects and programs that have major implication for agricultural development. The first is the new Participatory, Demonstration and Training Extension System (PADETES) which began on a smaller scale in FY 1994/95. The program is geared towards helping smallholder farmers to improve their productivity through demonstrating and disseminating research generated information and technology on major food crops (teff, wheat, maize and sorghum) as well as on high value crops to diversify the income base of the farmer. The package comprises improved practice, fertilizer, improved seed and credit provision. So far, the program has shown that the yield levels of the crops included in the package to be 3-4 times higher, on average, than the traditional national average. As such, it showed that it is possible to solve the chronic food shortage and insure food security if the program is sustained and widened.

The fertilizer sector project, the seed sector project and the agricultural research and training project are also being implemented with the objective of providing fertilizer, improved seeds and develop research capacity so that to continuously generate improved technology to sustain the attained productivity improvement.

Since moisture is one of the key problems there is an extensive program to expand irrigation particularly small-scale irrigation, as well as watershed management, to cope with environmental degradation. An important initiative

worth-mentioning is the Sustainable Agriculture and Environmental Rehabilitation Program (SAREP) initiated in late 1992. The program is meant to address the moisture problem and soil degradation to insure food security.

To better coordinate and manage the program the SAREP commissions have been established in Tigray, Amhara, and Southern Nations, Nationalities, Peoples Regional States. These commissions are responsible for designing, guiding and implementing small-scale irrigation schemes and watershed management by actively involving the community from conception through implementation and post-implementation management. The SAREP example is now being further replicated in other Regional States.

As can be realized, livestock is an important resource base of the country and much need to be done to maximize its contribution to the national economy. To overcome the prevailing livestock development constraints and realize its potential livestock development strategy and program has already been formulated. The development program aims at improvement of livestock productivity, animal health and animal feed. Marketing is also an important consideration for livestock program. A new Authority has been established recently to create conducive marketing environment.

D. Road Sector Development Program (RSDP)

Ethiopia's current road network is very low and most of the farms are very far from all weather roads. To improve the road network the Government has designed the RSDP and its implementation is getting underway. The RSDP aims to increase the road network by 80 percent by the year 2007. The RSDP is estimated to cost US\$ 3.9 billion. This is to be financed by Gov-

ernment and donors.

Financing agreement has already been made with the European Union for Addis - Mojo - Awassa, Addis - Ghion - Jimma and Addis - Dessie - Woldiya Roads. The work of the first two has already begun. In January 1998 the World Bank approved US\$ 309 million loan for the first phase of the planned three loans. Accordingly agreement has been reached to use it to finance Debre Marcos - Gonder, Mojo-Awash-Mille, Awash-Dire Dewa-Harar and Woldiya-Alamata and Bete Mariam-okuro Roads. Civil works contract has already been given and implementation will take-up in FY 1992. These are trunk roads and there are a number of link roads which are under implementation or under study and design. More than five thousand kms of rural roads will be constructed in different regional states.

E. Education Sector Development Program (ESDP)

The ESDP envisages the expansion of educational opportunities so that by 2015 Ethiopia will attain universal primary education. The primary focus of the ESDP is the improvement in quality of education and expand access to education. It will emphasize primary education in rural areas as well as the promotion of education of girls.

The goals for the first five years, among others, are: a) increasing enrollment from 3.1 million to 7 million (b) improving the quality of education through improved provision of textbooks on core subjects to each child, improving educational facilities, and improving teacher training (c) selective expansion of higher education- education, public health and medicine, engineering, economics, management and accounting.

The ESDP is estimated to cost US\$1.8 billion or Birr 12.2 billion. This will be covered from domes-

tic source and external funding. The Government is committed to finance 73 percent of the program cost. Funding from the World Bank and the African Development Bank is already secured and is under implementation.

F. Health Sector Development Program (HSDP)

The HSDP focuses to develop comprehensive and integrated primary health care services at all levels with primary emphasis at community level. The program is designed to tackle communicable diseases, reproductive health, the treatment of basic infectious diseases, and the control of epidemic diseases and immunization. These are the most prevalent burden of disease in Ethiopia.

The goal of the HSDP is to improve the coverage of primary health services from about 40 percent to 55 percent and immunization from 67 percent to 80 percent over the five year to 2002. It is estimated to cost Birr 5 billion, 56 percent of which is to be covered from Government domestic resources. Funding for the part of the HSDP is already secured from the World Bank and African Development Bank as well as the UN system.

G. The Ethiopian Social Rehabilitation and Development Fund (ESRDF)

The ESRDF is designed to provide technical and financial support to enable communities rehabilitate or construct and maintain social and economic infrastructure. These include: (a) basic health and education facilities (b) rural water supply, and (c) small-scale irrigation, and (d) capacity building for communities and those involved in the implementation of the program. The program is estimated to cost US\$242 million. The World Bank covers US\$120 million, Government US\$36.35 million, Community Contribution US\$24.25 million and bilateral donors financing

close to US\$61.80 million.

By 1998 a total of 853 projects were completed and 713 projects are under implementation. The largest number is that of rural water supply followed by education, health and small-scale irrigation— in that order.

H. Export Promotion

The growth of export is critical to sustained economic development of Ethiopia. Accordingly the government has worked out an export strategy and has established an Export Promotion Agency to tackle exports constraints and to facilitate for the effective growth of the sector. Several additional measures are under implementation in line with the Economic Reforms for 1998/99 – 2000/01. These measures will have positive impact on private sector development.

I. Industry

Industry is predominantly expected to be the domain of the private sector in the development strategy of Ethiopia. In view of this and generally expected role of the private sector in the economy conducive policy, legal and institutional framework has already been put in place. Because of their strong growth linkage with agriculture the government is giving particular attention to small-scale industry development. A strategy has been formulated and adopted to guide the development of these industries. In addition, Federal Micro and Small Enterprise Development Agency has been established to guide, facilitate the development of small-scale industries. It is expected to provide training, technical assistance, market information etc.

J. Water Sector Development

Ethiopia, as studies indicate, has great potential in water resources. However, moisture stress in particular is seriously affecting Ethiopia's agriculture

and hence food security problem. So far the utilization of water resources for irrigation, hydro-power, and domestic use is insignificant compared to potential.

To change this state of affairs major effort is being made in the sector. The sector has been given a streamlined institutional arrangement than hitherto. A water policy is being completed to be followed by an integrated water sector development program.

Despite absence of a program, the country has been and is implementing quite a number of projects in the water sector. Rural and urban water supply, irrigation, river basin studies, and hydro-meteorological stations are some of them. River basins development masterplan studies have been completed for Awash, Omo, Baro-Akobo the Nile and Tekeze. The studies for Genale-Dawa and Wabe Shebelle are in the pipeline.

The Water Supply Development and Rehabilitation Project, a World Bank funded project, which has 25 towns water supply rehabilitation and expansion, rural water supply and capacity building components – is under implementation. There are also other water supply (rural and urban) projects that are being implemented with regional governments and bilateral donors finance. There are also projects for strengthening and expansion of hydrological and meteorological services, which are important for early warning.

K. Disaster Prevention and Preparedness Capability

Given Ethiopia's vulnerability, particularly to drought, it is essential to have a prevention and preparedness mechanism in place. We have seen time and again recurring droughts decimating the assets of affected rural population and through it the development program of the country.

To mitigate this, a Disaster Prevention and Preparedness Policy has been put in place which created the DPPC as the coordinating and lead commission at the Federal level. Prevention and Preparedness Capability comprises a) early warning system b) food security reserve and c) logistic support – that will help the country to respond to emergencies. The system has shown its worth as shown by its management of the droughts that occurred over the last seven years which did not lead to the devastating features of the 1980s.

L. Capacity Development for Economic management

If the public sector (both federal and regional) is to provide conducive policy environment, regulatory framework, provision of social and economic infrastructure, law and order in an effective and efficient manner, its capacity to deliver this becomes important. From this perspective it goes without saying that there is strong need to improve the functioning of the public sector through capacity building. The civil service reform, which is under implementation, is meant to improve the functioning of the public sector for effective economic management.

M. Micro credit facilities

Being poor usually means being without key assets. Hence, increasing the poor's access to micro-credit for small investment is an important intervention that is being undertaken by the government. Farmers are not eligible from the formal banking system because of collateral and also the banks do not have sufficient network in rural areas. Under this condition, the Regional Governments have been guaranteeing the Banks so that farmers can have access to input credit. The Government has also created legal framework for the establishment and operation of micro-financial institutions. Quite a number of them have started op-

eration and through time will greatly facilitate provision of rural credit for farm and non-farm activities.

N. Safety Net Programs

The government also launched a study to assess the social dimensions of newly introduced economic reform measures and tackle potential negative impacts on welfare situation of the people. Consequently, safety net programs were designed and implemented. These programs were targeted at retrenched workers, displaced people, returning refugees, demobilized soldiers, the unemployed, aged, disabled, orphans and poor farmers with food insecurity. Accompanying institutional structure was also set up to coordinate the implementation of the different components of safety net programs both at national and regional level. While most of the safety-net programs have been phased out, some elements of the program are currently being implemented at regional levels and through beneficiary-run project activities.

O. Projects/Programs of Non-Governmental Organizations

Description of activities oriented towards poverty eradication in Ethiopia cannot be complete without mentioning the various projects that are being carried out in different Regional States by community self-help development associations and NGOs. These are mainly in the area of agriculture and natural resource management (irrigation, soil and water conservation), primary education, primary health care, rural roads, rural water supply, and income generating activities.

P. Welfare Monitoring System

Further it should be mentioned that the Government has established a Welfare Monitoring System out of its concern to follow up on the impacts of its development policies and programs on

the living conditions of the people. The system is designed to monitor welfare situation on a regular basis through analyses of household survey data and related studies.

Finally, this paper has attempted to give highlight of activities or projects/programs being undertaken in the country with direct and indirect impact on poverty. Obviously, it cannot be exhaustive. But it does give broadly sense of direction we have taken and the essence of what is being done to fight poverty and lead the economy into sustained development. At this point one may ask what is the general trend in poverty? What is happening to poverty?

Overall, the stabilization and economic recovery and growth since 1992/93 can be said to have contributed to poverty mitigation. Further, to have an indication, one can refer to studies conducted in the area. Poverty indices calculated for 1989 and 1994 on selected areas and panel sample households based on the study conducted by Addis Ababa and Oxford Universities indicated that 61 percent of sample households were below the poverty line in 1989. In 1994, however, the level of poverty reduced to 49 percent. The poverty intensity index also declined by a third.

Similarly, a study by Addis Ababa and Gothenburg Universities which was carried out in selected urban areas over three years period over a panel of sample households indicated that the incidence of poverty has declined between 1994 and 1997 from 41 percent to 39 percent. Slight improvements were also registered in levels of poverty intensity and severity.

A Government and World Bank collaborative participatory assessment undertaken in 1997 also indicated that overall welfare situation was improving in rural areas while the picture in urban areas was mixed. In the majority

of the rural study sites, groups indicated a rise in well-being, driven by good harvest, increased peace and security, and freedom from cooperative labour requirements. Increased agricultural output was caused, according to the farmers, by good rainfall, availability of labour time, price and market liberalization, increased investment by farmers and government extension services.

5. CONCLUSIONS AND THE CHALLENGES AHEAD

The task of putting Ethiopia back on the road to economic development has been well begun. Significant steps have been taken in creating conducive development policy, strategy and institutional framework through devolution of power to regional and local governments that will initiate and sustain economic development. The Government has redefined the appropriate division of labor between the market and the state and so gave the private sector conducive working environment to participate fruitfully in the socio-economic development. This is attested by growing private investment by the emerging private sector.

Since 1992/93 the economy has seen recovery and growth as a result of the economic reform program and has attained macro-economic stability over the years. Despite fluctuation, overall agriculture has come to show strong growth through the new extension program referred to as Participatory Demonstration and Training Extension System (PADETES) - thus showing the possibility of meeting the country's food security objective in not too distant future.

To be sure, however, what remains to be done is still a daunting challenge compared to the progress so far made. This could not be otherwise given the legacy of poverty. However impressive,

the performance record of seven years that began in near - chaos, severe economic crisis and widespread poverty cannot be expected to tell a happy story of economic transformation completed.

No one is saying that currently every Ethiopian child has access to and goes to school, every Ethiopian has access to basic health services, has employment and income, has enough food, has access to clean water supply, decent housing etc. The socio-economic problems that Ethiopia has to overcome is still daunting.

The only reasonable question is whether the socio-economic policies and programs so far taken have been appropriate and in the right direction and whether so far enough has been achieved to bring hope and conviction of subsequently improved economic performance cumulatively resulting in the eradication of poverty in Ethiopia. The answer to this, certainly, is in the affirmative.

The deepening of the democratization process, the strengthening of the capacity of regional and local governments, effective co-ordination of community development associations, NGOs, the maintenance of peace and stability, the economic policy and institutional framework put in place and the deepening of the sector programs being implemented in the key sectors of food security, education, health, economic infrastructure (road, water, power, telecommunication) will insure the breaking of the poverty cycle and the emergence of Ethiopia free from food insecurity, ignorance, health problems and other human deprivations.

It is important to note here that this is not easy and smooth sailing. There are challenges and risks along the road that need watching and managing to take the economy into sustained development.

The first challenge is to sustain the overall economic growth attained since 1992/93. A challenge that requires the maintenance of macro-economic stability and an increased level of public and private sectors investment. Given the nature and capacity of private sector in Ethiopia, this is not an easy task. Certainly, the economic reform programs have narrowed opportunities for rent seeking activities and have helped to revive private sector investments. But it still yet to be dynamic. The economic reforms for 1998/99 -2000/01 will assist towards this goal.

Perhaps the greatest challenge that the country faces is that of ensuring food security. This is so because of low technological base of agriculture, limited rural infrastructure and off-farm employment compounded by neglect and inappropriate policies over many years. The food security strategy, whose implementation has begun, is meant to break the complex problems to close the food gap and ensure food security.

The third is the economy's increased vulnerability to drought which over the years when occurred disrupted implementation of development programs and decimated the assets of the affected rural population. To cope with this, the country has put in place a disaster prevention and preparedness framework (early warning, food security reserve, and logistics) which has shown its worth and it is useful to strengthen it by the lessons drawn from experience.

The fourth is the challenge posed by external economic environment i.e. competitive pressure of globalization and instability of prices of our main exports, which calls for the accelerated implementation of the export promotion strategy.

The fifth challenge is to ensure peace and stability and cope with unprovoked external treat as the

one we witnessed by the Eritrean aggression of May 1998. This requires adequate preparedness for any eventuality and it increases competition for resources. This is, however, unavoidable for peace and stability is also critical if Ethiopia has to make deep inroads into poverty on a sustained basis.

The sixth is the challenge of increasingly relieving agriculture from its rainfall dependency. This is intimately connected with the scope, pace and what we do in the water sector. Here, there is a lot that remains to be done over the years to come in terms of widening the scope of particularly small-scale irrigation and watershed management.

The seventh challenge is the capacity development for economic management. Experience elsewhere shows that an effective public sector is important to engineer and manage economic development. Ensuring the effectiveness of the public sector through the implementation of the civil service reform, relieving the capacity constraints of the private sector (technical assistance, training, information etc) and providing organizational capability to the farmer through service cooperatives are critical elements that need close attention for effective realization of the country's development programs.

Greater actions are also required in the industrial sector especially with respect to small-scale industries so that they make use of the growth opportunities induced by growing agriculture. If industry is not ready, we will lose early on set of linkages and reinforcing growth of agriculture and industry- thus losing the opportunity to increase employment and income so critical for poverty eradication.

Providing institutional capability to the newly-established Federal Micro and Small Enterprise Development Agency and similar agencies in the regional states is something to be taken as an ur-

gent task. The Agency is intended to provide technical assistance, training, market information services, etc. to the sub-sector to relieve constraints on their development. A related and supportive action that requires focus is market towns development to strengthen rural-urban linkages as discussed in the

Food Security Strategy of Ethiopia.

Lastly, it is important to conclude by underscoring the need for strengthening micro-financial institutions to provide credit for agriculture and small enterprises, thereby foster growth in agriculture and small enterprises. Legal

and regulatory framework has already been put in place and a number of micro-financial institutions have started operation. It is important to seize on this opportunity and take proactive measures to strengthen the capacity of these institutions.

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ADDRESSING THE PROBLEM OF THE MARGINALIZED IN ETHIOPIA

By Berhanu Nega*

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A lot has been said about the problem of poverty in Ethiopia. There have been a number of academic research on poverty and poverty related issues ranging from establishing the poverty line for Ethiopia (about birr 244 per month for a family of five) and estimating the number of people that live under poverty (an estimated 52% according to the 1992 govt. estimate) to providing suggestions to mitigate the problem. By any standard all studies confirm the extreme poverty of the nation.

What is not discussed well is what the government and society as a whole are doing in practice to take care of the poor or even what is within the realm of the possible in trying to solve the problem. Clearly solving the problem of the chronically poor in a poor country such as ours is a daunting task simply because of the sheer number of people involved. But, it is also a problem that we cannot afford to close our eyes hoping that it would go away. Neither is the problem that we can afford to give up and throw the towel on.

We have to do something as a society and we have to do it as soon as possible if we are going to avoid a looming social disaster in this country.

It seems that our society is getting used to poverty as a normal

form of its existence. People have taken such a beating by poverty for so long that they seemed to have settled to a stoic acceptance of their fate as a product of some predestined allotment by a supernatural power that mere mortals could do very little about.

The human instinct to continually struggle against material deprivation and hope for improved material existence is being slowly replaced with hopelessness and settling for mere survival. And this is a result of powerlessness. A feeling that the individual can do very little to change his/her circumstances.

I believe this is a very debilitating state of mind that needs to be mitigated through a concerted effort of all responsible government and non-government bodies.

The key policy challenge here is to create a national consensus against poverty. All sectors of society, all government and civil society institutions must be able to speak in one voice against poverty and be committed to its alleviation. In addition to implementing all the macroeconomic and sectoral policy reforms necessary for rapid economic growth (a crucial factor in poverty alleviation) we need to take direct and positive measures to address the problem of absolute poverty.

We need to be committed, as a society, to take care of our poor particularly those that are unfortunate enough to be able to earn a decent living because of one physical impairment or another. We have to have a national commitment to address the issue of food insecurity in rural areas in the short run and fundamentally changing the life of the peasantry in the long run. We also have to give a lot of attention to the creation of employment, lack of which is the main cause of poverty in the cities.

The government is taking some positive measures in addressing the problem. In fact some success is registered in reducing poverty since the transition. But it is not enough and what I am suggesting here goes much beyond that. I am raising the key issue of genuine popular empowerment and mobilization.

We need to forge an alliance of all the sectors of the population as a matter of national emergency. We need to have business people thinking about creating employment and poverty alleviation as part of their business decisions. We need to have labor unions to think beyond the interest of their employed members and worry about their unemployed compatriots. Business and labor have to forge an alliance in raising the productivity of their work as it is crucial to raise in income. We



need educators to constantly revisit their curriculum to impart employable skills to their students. Religious and other civil institutions have to play an important role in mobilizing the public for collective action. We need the general population to feel and hope that through hard-work their life could be improved and that of their children be much better than theirs. In other words, we have to attack poverty from every angle: economic, political, social and cultural milieus. All this requires building trust between the government and civil society and the former's genuine acceptance of the latter and its institutions as an important and indispensable partner in the fight against poverty.

While this broad mobilization is taking place for a long-term solution to the problem of poverty, we also need to think short-term and what can be done to mitigate some of its worst manifestations in our immediate surroundings. In other words, we need not be debilitated by the sheer magnitude of the problem and use that as a convenient way out of taking our individual responsibility as members of this society. My comments below is designed to suggest a specific solution to one category of the problem of poverty.

In looking at the issue from the point of view of providing some kind of solution, we have to first reduce the problem to a manageable size by specifically targeting a group within the broad category of the poor where we can have some impact. This is not privileging one category of the poor from the other. It is rather a realistic acceptance of the limit of our resources to address the problem of the poor in general and make an effective intervention with the maximum possible benefit for the limited available expenditure.

The starting point for such an exercise is to categorize the chronically poor with respect to

the kind of solution it calls for. This categorization, I suspect, is a bit different from the standard categorization you get in poverty studies. For the purpose at hand, I categorize the chronically poor in three categories:

a) The working poor: These are people that are engaged in labor in one form or another (predominantly in agriculture but also low income workers in urban areas) and earn some income but that this income is not nearly enough to allow them to acquire the basic necessities of life for them and their families.

b) The able-bodied but unemployed and underemployed: This is a category of people who can be gainfully employed if there was the opportunity but could not find a job that could occupy them. This includes both the urban unemployed and under employed and the rural ones who, mainly for lack of the instruments of labor (land, oxen...etc.), could not earn a living.

c) The disabled and children: These category involves those that, even if jobs were available, are not able to engage in productive activity because of some kind of physical impairment or are simply too young for such an employment. I am aware that physically impaired people can be productive. It is just that given the state of the country's economic development, it will be a while before we get the resources to find employment conditions that is friendly to their needs.

As you can see, the solution for the first two categories is significantly different from the third one. The first category simply requires long-term economic growth and increases in labor and land productivity in the urban and rural economy (through skilling, using productivity enhancing inputs...etc.) to enable to increase income. The second one also requires an expansion of the

economy through rapid increases in investment for the economy to be able to supply enough good-paying jobs for the urban unemployed and for these new economic activities to spread to rural towns to generate alternative employment for the landless in the rural economy. I suspect these two categories involve the majority of the poor in Ethiopia and the solution to their problems, I am afraid, requires a long-term development strategy in line with the broad mobilization of society that I briefly suggested earlier. My concern for today's discussion mainly involves finding a solution, albeit temporary, to the problem of the poor in the third category. It is presented here in a rather schematic form to generate discussion on the overall schema rather than on the details. A more elaborate presentation with supporting numbers can be easily worked out if there is a general agreement on the overall value of the proposal and its potential applicability.

I am concentrating on this category not only because I believe it is potentially manageable in the short-term if there is a will in our society, but equally important because not doing something about it is making, and has already made, living in our big cities a very difficult and unattractive enterprise indeed. Most of the poor in this category (although I am aware that the poor in the other categories are joining them in big numbers every day) are currently surviving by begging in our streets, our work places, and even more in our places of worship. Most of them sleep in the streets and use these same streets for toilets creating a potentially disastrous hygiene problems. Especially in our primate city, Addis Ababa, this problem has reached such a proportion that it has become almost impossible to find a clean place to walk.

What is worse, the problem is increasing by leaps and bounds right in front of our eyes and

leaders of our cities seem to be absolutely nonchalant about it. Nothing that I know of is being done about it even by way of a plan leave alone by way of a concerted action. That is why I believe that the initiative to do something about this problem, before the problem makes our cities simply unlivable, must come from citizens living in it.

THE PROPOSAL

The basic element of the proposal is essentially simple. It asks for a concerted movement away from private charity and replace it with an organized socially administered charity. The proposal has the following seven elements:

1. For residents of the city of Addis Ababa to agree (this can be at the national level) to voluntarily pay a certain amount of additional money (say 1-2 percent of their income) to a national or city-wide purse allotted specifically for the purpose of providing the indigent with the minimum basic necessities of life including food, clothing and shelter. This payment will be for a specific period of time (say 5-10 years.) After that the city government will be required to gradually take over the financial responsibility by making it part of the city's fiscal arrangement.

2. That only those that are physically impaired for one reason or another and determined not to be able to work productively on a normal work environment and children under the age of 17 and mothers with small children under, say 3 years old, be eligible for this benefit.

3. A board of management comprised of members from the business community, labor unions, religious institutions, the government and non-government institutions with relevant experience will be formed to manage the whole project without any administrative interference from the government (details can be

worked out). This independence will be maintained even after the city takes the full financial responsibility.

4. The city administration provides the necessary land and, with some support from donors, the initial capital for building the shelters in areas chosen by the board. Government schools in areas where the shelters are built will be required to accept and teach children from these institutions.

5. All institutions (government, NGOs...etc.) that cater for this category of the poor, if they need to continue to exist, shall work under the direction of the board. All resource that is allocated from donors and other philanthropists shall be added to this purse unless otherwise specifically agreed to by the board.

6. Once these shelters are functional and are able to supply the basic necessities to this category of the poor, begging and sleeping on the streets, any public place including places of worship will be made illegal and strictly enforced by low enforcement agents.

7. A public initiative to be voted on during the next election be put on the ballot to determine public agreement on the issue with clearly specified modalities of implementation. If the initiative is accepted by the public, it then becomes an enforceable law of the city.

As suggested earlier, this is not a full-proof proposal. It needs a lot of improvement. There are lots of details to be worked out an important aspect of which is putting numbers in the proposal to provide a reasonable estimate of the affected people, the cost involved, and the potential revenue that can be raised. But this is deliberately avoided here to generate discussion on the concept first before we get bogged down on the details.

It is my strong belief that if the concept is roughly agreeable, the details can be worked out and I suspect will not present an insurmountable problem. I also wish to make clear that a more sound and even more practical alternative can come out of these discussions. What we can not afford to do, as I said earlier, is continue to ignore the problem. To close our eyes to this chronic social problem is morally reprehensible and socially irresponsible to say the least. ■

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ADDRESSING THE PROBLEM OF POVERTY IN ETHIOPIA AND POLICY OPTIONS

By Abebe Shimeles
United Nations, Economic Commission for Africa

INTRODUCTION

The gruesome statistical figures on the state of poverty would confirm what a casual observer would feel about poverty in Ethiopia: it is massive, chronic, exceedingly deep and severe. Thus, the country is better known for its symbol of abject poverty all over the world.

By the popular measures, the percentage of poor people who could not secure the bare minimum needs for survival is estimated to be around 45% in 1995/96¹. In terms of the popular 1USD a day per person this figure is about 89%². If one takes 2/3 of the mean as a poverty line, then, the percentage of the poor in Ethiopia is estimated around 30%³. The measurement of poverty is sensitive to the determination of the poverty line. However, by all estimates and available definitions, Ethiopia's poverty is dauntingly widespread and pervasive. Generally, poverty is a rural phenomenon in Ethiopia. A rough estimate of poverty in rural areas indicate that 47.5 % of the population lives below the poverty line of Birr 1075 in 1995/6 (see foot notes for details), while the figure for urban households was 33.2%.

The depth of poverty, as measured by the average shortfall of the poor from the designated poverty line, was 13% in 1995/96. That is, on the average, Birr 140 per poor person per year would be needed to lift them out of poverty. The total amount required comes

roughly to Birr 3,780 million, or Birr 3.8 billion and nearly half of the budget of the Federal government as a pure transfer for each household. Let us imagine what really would amount if everyone is entitled a minimum of Birr 1075 (Birr 90 or 14USD per person per month) in terms of human capabilities! The bare minimum implied in this absolute poverty line is an income level, which in the long-term, leads to inhibited bodily growth, dysfunctional mental state and eventually even to death from wasting and starvation. In fact, in conceptualizing the poverty line, one is forced to include aspects of human capability, which usually is governed by societal norms including dignity, participation and being able to lead a healthy life.¹

In terms of other indicators of well-being, Ethiopia's record is not less shocking than the income-based measure of poverty. Deprivation, as measured by malnutrition, illiteracy and life-expectancy shows that between 1984-1994, there was a noticeable decline in human development. Life expectancy declined from an average of 52 years

to 50; literacy declined from 27 to 24.30. Again, child-malnutrition in rural areas from 38% to 45.6%. Understandably, one is invaded by legitimate questions like the causes of such colossal poverty in Ethiopia, its trend over time (when is going to end), the course of actions that need to be taken to improve and eventually reverse the picture of hideous poverty and destitution, etc.

DETERMINANTS/CAUSES OF POVERTY IN ETHIOPIA

For those familiar with the subject of development economics, it is well known that there are too many questions than answers and at times the subject is being bogged down by the circularity of cause-effect relationships. The issue of what causes poverty has been glaringly sidelined in the economics of poverty. In fact, for much of the early periods of this century, issues of poverty altogether have been addendum to issues of economic growth and inequality. The neglect is not so much due to lack of interest or competence, but due partly to the complexity of the subject. In fact, the subject of poverty was for long shadowed by the all-inclusive concept such as development where even in the early 1950s and 60s, there were semantic problems as to call poor countries underdeveloped, developing or third world countries. Thus, it was thought, addressing development would by implication take care of poverty.

¹ Welfare Monitoring Unit (1999), Poverty Situations in Ethiopia, mimeo. Here, the poverty line is drawn to represent absolute poverty. In 1996 prices this was computed to be Birr 1075 (or 165.4USD) per person per year.

² Dollar and Collier (1999), Aid Allocation and Poverty Reduction. Policy Research Working Paper 2041.

³ Welfare Monitoring Unit (1999), Poverty Situations in Ethiopia, mimeo. The relative poverty is based on a poverty line equal to 2/3 of the mean, which was Birr 1312 per year per person.

The 1990s rediscovered poverty, as it became a glaring presence that could not be avoided even by the most pretentious. Particularly, poverty in Africa and South-East Asia persisted when countries in the rest of the world recorded remarkable achievements through faster economic growth and equitable distribution of income. Some blamed the faulty economic policies forwarded and sponsored by the premier multinationals: the World Bank and the IMF, who on their part had to respond by mounting massive research efforts to understand poverty in Africa and South-East Asia. Today, we owe much of our knowledge to the works of the World Bank on poverty in Africa and elsewhere. Thus, little is so far known about poverty as a subject in the economic profession since serious research on the subject started only recently.

Available evidence on the causes (or determinants) of poverty focus largely on household characteristics: age, sex, education, health, asset-ownership, etc. of a household. These are assumed to represent opportunities and capabilities for a given household, or in other words capture the human and physical capital that determine how vulnerable a typical household could be.

Generally, the statistics tell us that a poor household tends to be with high-dependency rates, uneducated, with poor access to health and sanitation services, and assets etc. But, it does not tell us why the household is in this dysfunctional states. The microeconomic evidence would have to be linked with macroeconomic factors; both policy and non-policy ones to get at the root cause of poverty. We have a large literature that deals with the political economy of underdevelopment or economic regress (as opposed to economic growth) that has for the moment left the center-stage in today's development debate. The current interest is only to link policy, economic growth, inequality and pov-

erty.

POLICY AND POVERTY

Does good policy necessarily lead to sustained and faster economic growth? Can economic growth lead to lower poverty rates? As to the link between policy and economic growth, the literature on economic growth could not reach a definite conclusion. Recently, there has been immense interest in explaining the slow growth performance of African countries. However, none could establish how policies (mainly at the macro level) fared in the massive regression analysis conducted. The effect of good policy on economic growth is not yet well established. Therefore, good policy, though necessary, is not sufficient to guarantee robust economic growth. Could economic growth guarantee lower poverty rates? The answer is— it all depends on the pattern of income inequality. If growth is accompanied by worsening inequality, then poverty might even increase! Again, though growth is a necessary condition, it is not sufficient to lead to reduction in poverty.

ETHIOPIA'S EXPERIENCE

Since 1992, Ethiopia has been implementing economic policy geared towards securing sustained and higher economic growth. The macroeconomic figures show that, on the average, in this period, per capita GDP increased at 3.5 % rate. Given the fact that the country emerged from a bloody and protracted civil war about the same time, it is difficult to attribute the positive per capita growth rate to policy alone. How much of the rebound in the economy reduced poverty remains an empirical question. It all depends on the relationship between poverty, income inequality and economic growth.

Some preliminary attempts based on a panel data set generated by the Department of Economics in

collaboration with the Center for the Study of African Economies and Goteborg University provided some interesting pictures.

Generally, poverty trends did not show a decline in the period between 1994-1996 or 1997 though, real per-capita income or expenditure grew at a 3.5% rate. Slow growth and adverse change in equality might have arrested a decline in poverty. One undisputed fact that emerged is that the distribution of income (expenditure) showed a sharp turn between 1994 and 1995. The fundamental question in front of us is what does it take for Ethiopia, beyond good policies, to secure a growth rate that can impact deeply on poverty. Secondly, how can this growth remain pro-poor or equitable.

Some preliminary estimates show that poverty declines by about 6% for every 1% growth in GDP. Thus, effort should be directed to ensure robust growth whose benefit is fairly distributed.

When the issue is explored at continental level, Recent literature in explaining slow growth in Africa focussed on Initial conditions, generally defined by "Social-Capital". Particularly, rural farm households face multiple-risks. (uncertainty in crop production, prices and food-security). Thus, by necessity remains subsistence. They trade security for growth. This applies as well to manufacturing firms.

This new literature has also focussed on government behavior: low tax (specially, agriculture); limiting functioning of labour-market (in Ethiopia the labour-market is oddly interfaced with the level of education). Moreover, markets and institutions are also found important handles in explaining poverty issues in Africa.

Thus examining Ethiopia's poverty issues from this new perspective is a research agenda that need to be addressed. ■

ADDRESSING THE PROBLEM OF POVERTY IN ETHIOPIA: WHAT ARE THE POLICY OPTIONS? "POVERTY ALLEVIATION AS AN ISSUE OF HUMAN RIGHT"

By Sister Jember Teferra

1. INTRODUCTION

As an urban development worker in the city of Addis Ababa for three decades, the presenter of this paper will approach poverty problems from own perspectives and from hands on experience. 90% of Addis Ababa dwellers live in the slums (World Urbanization 1992) and that the city represents the country. Most matters discussed in this paper, therefore, will refer to the poverty issues in the city.

Having examined the situation for a long time, I have focused on the option of promoting the idea of solving poverty problem by treating it as a human right issue.

2. HOW DO WE PICTURE POVERTY

2.1. The Human Aspect

Appearances of the men, women and children in the street:

- ◆ Neglected weather-beaten looks, women in dirty tatty cloth with children on their hips, or wood-carrier women loaded beyond their capacity.

- ◆ Street children of all ages in dirty clothes, flies in their eyes, little ones with bulky stomach, unwashed faces, begging, vending, pick pocketing and inhaling

tyres, smoking, fighting and much more.

- ◆ Rough looking young and old men of different ages, begging aimlessly wandering, vending or watching for opportunities to commit crimes.

- ◆ Old ladies and men and the disabled in tatty old clothes rushing for their usual corner outside churches to beg.

- ◆ At night, homeless of all age groups sleeping under the sky (however much the sky opens and pours) and sleeping under any shelter, however, dangerous,

- ◆ The night wanderers - the street girls at every corner of the city at night.

2.2. The streets, the alleys, the footpaths and physical features of the City

- ◆ Dogs, garbage, puddles, flies.
- ◆ Chicken, donkeys with heavy loads.

- ◆ Roads with pot-holes, non-existent or unused pavements crowded to capacity including food and goods peddlers.

- ◆ Houses unfit for human habitation covered with plastic, cardboard, bits of rugs etc., next to high-rise buildings and expensive villas.

- ◆ High quality expensive cars fighting with non-roadworthy vehicles on crowded streets that can-

not handle the ever-increasing traffic especially the numerous dilapidated taxis whose drivers believe that they have more right to the road.

This description is self-explanatory - it says it all.

3. WHY AND WHAT ARE THE CAUSES FOR SUCH POVERTY - JUST TO MENTION A FEW:

- ◆ As suggested by the economists, it may well be inappropriate economic policies and planning
- ◆ Displacement: voluntary and forced:-

- a). By natural disaster (drought in Ethiopia)
- b). War and its consequences
- c). Seeking better job opportunity
- d). Sent away family problems

Displaced are often dysfunctional

- ◆ Under-development mentality (wrong choices)
- ◆ Inherited poverty - fatalism brought about by the vicious circle of different causes of poverty.

What are the consequences of poverty? To summarize the consequences of poverty, the following points will describe them:

- a). Powerlessness and voicelessness (vulnerability)
- b). Damaged and low opinion of oneself
- c). No adequate basic needs available: food, clothing, shelter, education etc
- d). Drop-outs – can only sink but not swim.
- e). Total loss of self-dignity and self-worth
- f). Dysfunctional as the result of poverty related physical and psychological as well as social problems

4. POVERTY ALLEVIATION AS AN ISSUE OF HUMAN RIGHT

To give the city poverty problem the deserving focus, a model in slum up-grading will be used to illustrate further how serious the problem is.

The presenter of this paper works

in the slums of Addis Ababa promoting the idea that since the problems of poverty (as seen in the description) is inter-linked, poverty alleviation is tackled through an integrated holistic approach. The Project endeavour, however successful, is a drop in an ocean since it has covered some 4,200 people in one area and 6,000 in another.

While the approach has been successful, it is obvious it requires a great deal of money and time. It also has pioneered a relatively new idea which means that it suffers from all the syndromes that new models suffer from.

Since the philosophical approach also sees issue of poverty alleviation as an issue of human right, the major part of this paper will focus on the human right aspect of poverty alleviation.

5. STATISTICAL ILLUSTRATION OF SEVERE POVERTY (Based on 9 selected poor Kebeles in different parts of Addis Ababa in 1989/90 E. C.)

5.1. Housing- Poverty Indicators

To take the bull by the horn, it would be best to go step by step into the subject matter in order to illuminate the problem vividly. The presenter of this paper works in the slums of Addis Ababa which has 79% slum dwellers under poverty line. This statement will be substantiated by more statistical figures to mirror the problem clearly. In an academic socio economic research conducted in 1989 in 9 very poor (slum) sub district (Kebeles) in Addis Ababa the following selected poverty indicators were identified:

5.1.1 Housing Problems- Poverty Indicators	
• Houses totally unfit for human habitation	10%
• Houses needing major and minor repairs	79%
• 75% are rented from government where the average rent is below US\$ 2.00	72%
• Houses with no latrines at all	29%
• Houses that have latrines which are built together with kitchens	38%
• Houses with no kitchen at all	26%
• Average occupied space in an area	1 person/m ²
• Houses with no potable water	60%
• Houses which have nearby communal water fount	39%
5.2. Health Problems-Poverty Indicators	
• Life expectancy	44 years
• Infant mortality	123/1000
• Nutritional status (weight by age)	14% marasmin (Now 35%)
• Immunization coverage for under 5 years of age	0.4%
• Repeated diarrhea and vomiting episodes amongst infants (only those admitting)	10%
• Repeated upper respiratory infections amongst infants	9.6%
5.3. Socioeconomic Problems-Poverty Indicators	
• School age children not attending school at all	25%
• School drop-outs under 20 years of age	18%
• Students in higher education level	5%
• Household head-women with \$6 US/month income	75%
• Monthly salary earners with \$20 US, or below, salary (women & men)	68%
• Adults with irregular employment	42%
• The aged without any income (live by begging)	10%
• Mentally or physically and socially disadvantaged, disabled with no organized support	10%

(Please also refer to the annexed diagram of "Cause and Effect" of such poverty state)

It is obvious that the above statistics are mirroring conditions in the slums of Addis Ababa but it is almost similar to conditions of slums in most third world countries. Although issues related to the minority appeals to most human right activists, the problem identified in the slums of Addis Ababa is no longer the minority problem - it is a problem of the majority.

6. REASONS FOR SUCH APPALLING CONDITIONS

Although there can be many reasons at all level, structured documents such as the United Nations Declaration of Human Right has never created a definite obligation in its endeavour to promote the declaration of human right specifically or inclusively related to poverty.

Looking at the above statistical figures, it seems very clear that the poor have been totally forgotten or do not matter since they are totally pre-occupied and very busy surviving with a hand to mouth and a day to day mode of life. Without any exaggeration, the whole concept of the declaration of human right that relates to the socio economic section is treated as non-existent in all its third world member states. The right to social security, the right to work and earn, the right to education, the right to shelter and health care (never mind the fancy rights to arts, scientific advancement etc..) have never been heard or seen in this part of the globe.

One other reason for the negligence of socio-economic rights is the sectoral approach by various human right activists. Political right cannot be isolated from socio-economic right. This sectoral approach has weakened the collective efforts that should have been made for all human beings that are degraded.

To be fair to those who promoted or declared democracy and multi-

party system as a prerequisite or a condition to get western aid, the assumption is that an automatic, quick fix participation of the toiling masses in electing its leaders for good governance will solve its political and hopefully its socio-economic problems. For those who do not know the problem of poverty, it should be pointed out that, throughout history for all forms of political ethos, the poor have only been the tool or the object and not the subject to achieve politicians' objectives which are, in most cases, related to any current leader's immediate interest. As stated above the agenda of the poor is strictly related to today-tomorrow is another day!

7. ADDRESSING THE PROBLEM OF POVERTY IN ADDIS ABABA

a). NGO Roles in Advocacy and Empowering:

Concientization to Empower Resulting in Participation

In religious terms, God has created all human beings equal, and He has given all human beings equal dignity and self-respect regardless of race or class.

Before recommending alternative policy I feel that the root cause of poverty has to be addressed. The worst ones are fatalism, lack of self-worth and self-dignity resulting in apathy, powerlessness and voicelessness. In most third world countries, NGOs do such advocacy and releasing the poor from their hang-ups or hopelessness through conscientization to change attitude which should be a prerequisite (Paulo Friere: 1972).

The presenter of this paper has learnt from working with the poor for three decades that the repeated negligence and injustices done to the poor have left them not only totally fatalistic but has also created a protective devise by which they can handle their poverty just by existing a day at a time which is a barrier to participation in the

business of struggling for better quality of life. The richest and poorest individuals have one certain similarity: the wish to remain where they are!

To insure mutual respect, primarily, relationship-building over a period of time is necessary to change their attitude. It is not by manipulation but by interaction and education that they can be persuaded to participate to even be interested to identify their needs and make decisions to prioritize their felt needs in socio-economic issues. They have to be convinced that their decision matters.

It is only when the burden of surviving on a daily basis is unloaded that they can see beyond just a day at a time. It is the desire to think on long-term basis which will ultimately empower them to plan for the future. Even that is not automatic - it is a long process.

The idea of empowerment, which is a long process for the majority, seems to be costly to most NGOs and government agencies. But those who believe in this know that a nation that has a majority with no rights can only produce another generation who also have no right to living as normal wholesome human beings. There is no reason why a whole majority of poverty stricken people must be condemned to living as less of a person or in conditions of totally sub-human standard or unfit for human existence. Any cost incurred in humanizing the degraded poor is worth-investing since the result is immeasurable in terms of money. Since the world only has scales that measure growth quantitatively, sociologists have, at least, acknowledged qualitative changes and nowadays call it 'social capital'!

Generally speaking there is less bureaucracy in NGO set-up. NGOs also have better experience in working with the grassroots. It is also easier for most NGOs to work in defined areas with concentrated

efforts, to deal with issues of poverty, in its all diversity and integrity in an integrated holistic approach which will lead to playing a role in poverty alleviation and putting the agenda of poverty as human right issue.

Empowering the poor to demand for their socio-economic rights will ultimately lead to participation for their political right - they will then play their role to bring about better governance.

8. POLICY OPTIONS SUGGESTIONS

◆ It is obvious that United Nations or other agencies that claim to promote the Declaration of Human Right have not considered the second part which is the socio economic right in general, issues of poverty as a subject in its own right, in particular to be relevant or important enough for inclusion in their promotion of the Human Right agenda- we demand that they do so now urgently.

◆ The right of women or the right of the child should also be seen integratedly as the right of the poor. Because it is the poor women who are toiling to survive in hardship or the poor children who inherit poverty - it is a vicious circle. It cannot be seen in isolation by gender or group. When the issue of poverty is dealt with, it will benefit to promote the cause of each poor community and citizens who are poor. It would be best if such promotions are not fragmented- they can be treated holistically.

◆ The poor are voiceless and powerless- it is the responsibility

of all those working with them not to patronize or manipulate them, but give them back their self-dignity by empowering them to participate in the process of improving their own quality of life in a more sustainable way.

◆ Regarding bilateral aid, if conditional giving of aid sometimes has a string attached to Third World countries, the following conditionalities are suggested:

1. Every third world country should have poverty alleviation focus in practical ways - i.e. every government ministry should have special department dealing with NGOs who are specifically working with poverty issues and with the poor (Be it advocacy or hands-on development)

2. There should be a policy which enforces that a certain portion of government budget should be allocated to poverty alleviation programmes in specific ways. In order to enforce that aid giving should have that string attached. (It is done for political right; why not for socioeconomic right.)

3. Just like emergency relief work, monitoring should be done closely: the programme that addresses poverty alleviation should be closely monitored by aid givers as well as relevant government offices to ensure that the objective is fulfilled. This is only fair since the majority in the country are poor.

4. NGOs linking up their work with government in poverty alleviation should be supported with stronger political commitment.

- All poverty related programmes and projects should have empowerment element to free the poor to become self-sustaining.

5. Central and local government offices working in collaboration with NGOs should give training to those working with the poor so that special emphasis and awareness will be created in the socio economic rights; and the importance of empowerment should be accepted as part and parcel of promoting socio-economic rights - so that they understand that a country with inherent poverty cannot grow. Social justice will ultimately result in producing better and greater nation.

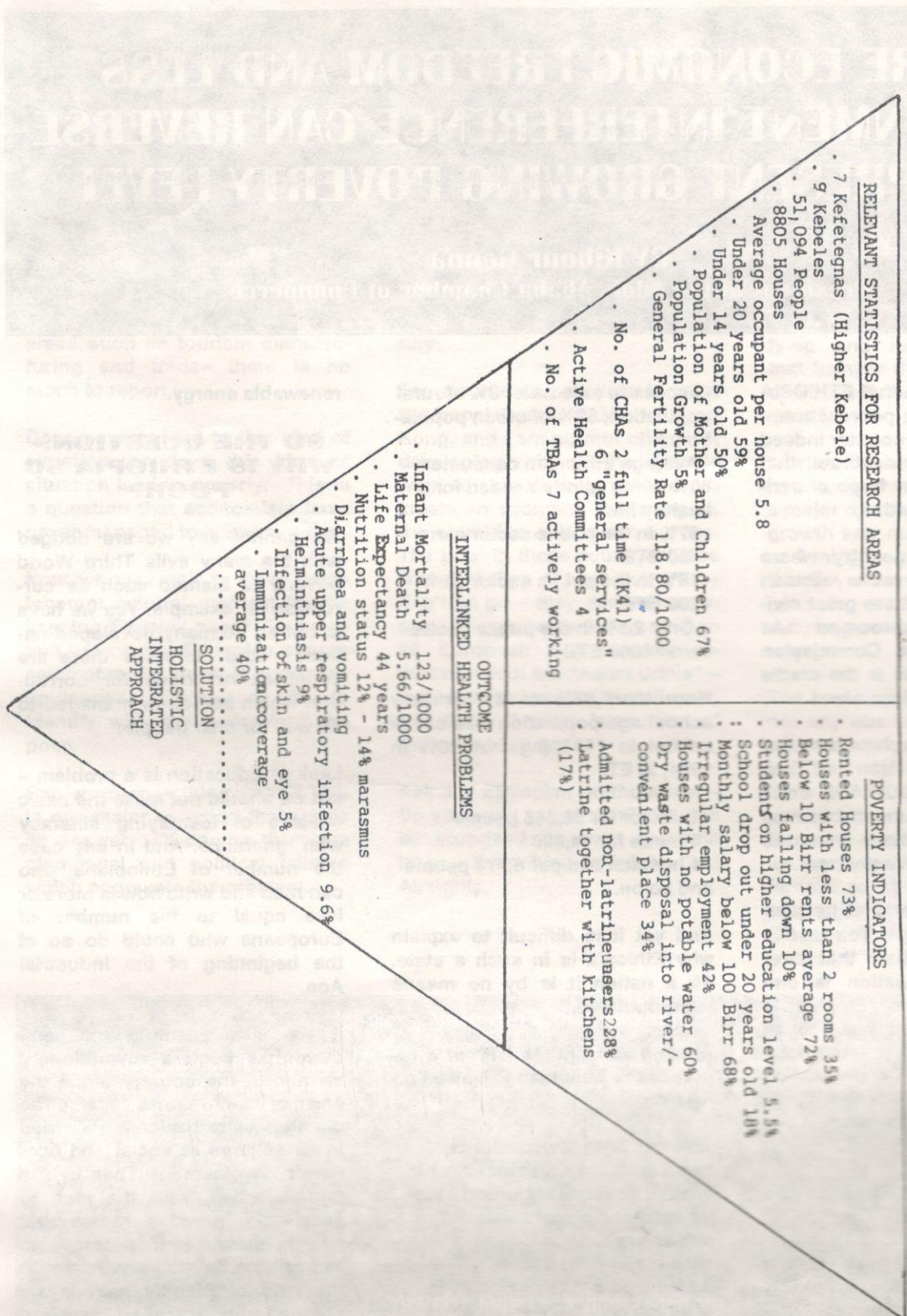
In conclusion, it is important to create awareness amongst all Ethiopians and the government of Ethiopia to be concerned and troubled by the level of poverty the country has reached. Addis Ababa in 1970 had recorded the number of beggars to be 1,785, unemployed adults to be 11,158, street vendors 6,664 (shoe shiners, newspaper boys etc.) and identified young offenders were 301. This totals to 20,108. (Source City Council Records)

When we compare this with the 9 kebeles poverty indicators, it goes without saying, that poverty is very much on the increase. Unless something is done urgently the problem will also affect those who are oblivious and divorced from the down-to-earth reality and situation- the well-to-do. It is important that policies be made, as suggested above, treating the poverty problem as a serious Human Right Issue. ■

FOR INFORMATIVE AND VALUABLE INFORMATION ON ETHIOPIAN ECONOMY AND OTHER TOPICS OF IMPORTANCE, SUBSCRIBE TO *ECONOMIC FOCUS*.

ANNEX I

SUMMARY OF 9 KEBELES RESEARCHED: MULTIPLE CAUSES AND EFFECTS OF ILL HEALTH (1989)



RELEVANT STATISTICS FOR RESEARCH AREAS

- 7 Kebele (Higher Kebele)
- 9 Kebeles
- 51,094 People
- 8805 Houses
- Average occupant per house 5.8
- Under 20 years old 59%
- Under 14 years old 50%
- Population of Mother and Children 67%
- Population Growth 5%
- General Fertility Rate 118.80/1000
- No. of CHAs 2 full time (K41)
- 6 "general services"
- Active Health Committees 4
- No. of TBAs 7 actively working

POVERTY INDICATORS

- Rented Houses 73%
- Houses with less than 2 rooms 35%
- Below 10 Birr rents average 72%
- Houses falling down 10%
- Student on higher education level 5.5%
- School drop out under 20 years old 10%
- Monthly salary below 100 Birr 68%
- Irregular employment 42%
- Houses with no potable water 60%
- Dry waste disposal into river/- convenient place 34%
- Admitted non-latrines users 228 (17%)
- Latrine together with Kitchens

OUTCOME INTERLINKED HEALTH PROBLEMS

- Infant Mortality 123/1000
- Maternal Death 5.66/1000
- Life Expectancy 44 years
- Nutrition status 12% - 14% marasmus
- Diarrhoea and vomiting
- Acute upper respiratory infection 9.6%
- Helminthiasis 9%
- Infection of skin and eye 5%
- Immunization coverage average 40%

.....
 SOLUTION
 HOLISTIC
 INTEGRATED
 APPROACH

MORE ECONOMIC FREEDOM AND LESS GOVERNMENT INTERFERENCE CAN REVERSE THE PRESENT GROWING POVERTY LEVEL

BY Kibour Genna

President of the Addis Ababa Chamber of Commerce

There is no debate that ETHIOPIA today is one of the poorest countries on earth. The country indeed the people are so destitute, that few would hold any hope of serious economic growth.

And this is the country where man evolved or rather woman (Lucy!) evolved, where great civilization once mushroomed. As Ethiopia's Tourist Commission literature say. This is the cradle of human kind.

For centuries Ethiopians have led a livelihood of subsistence. They still do. We ETHIOPIANS don't buy, sell or trade much because we simply don't have much to buy, sell or trade. We are poor.

Ethiopia is so poor that its poverty is hard to define. You read in the various literature that over 80% of the population is employed in agriculture. "Employ" is probably a term we need to be careful when using it – but basically over 80% of the population grow things and consume them. This does not generate any wealth.

Let's go over some Statistics (the 1998 UNDP's HDR):

The report clearly states that though the magnitude of poverty has not been continuously assessed, there are some indications that the extent of poverty in the country is serious in terms of coverage and depth.

- access to safe water 9% of rural population; 69% of urban population
- Average Ethiopian consumes 80% of the calorie needed for a healthy life.
- 67% in the public sector earn <500 ETB
- 19% in the public sector earn <200 ETB
- Only 2.5% in the public sector earn >1000 ETB

More than 87% of the primary school age population was out of school in 1994 (against 80% in 1984) in ET.

- 1 doctor for 38,365 people
- 1 nurse for 14,860
- 1 hospital bed per 4,779 people and so on.

And yet it is difficult to explain why Ethiopia is in such a state. As a nation it is by no means overpopulated.

Again some figures (From a report of the Ethiopian Privatization Agency)

- Ethiopia is endowed with abundant agriculture resources, with diverse physical features 18 major agro-ecological zones; 62 sub-zones
- Nine major river basins
- 3.5M/ha potentially irrigable land of which only 160K ha or 4% developed today.
- Mining potential in gold, platinum, tantalite, soda ash, phosphate rock.
- Enormous renewable and non-

renewable energy.

SO THE QUESTION:- WHY IS ETHIOPIA SO POOR?

We cannot say we are dodged with the many evils Third World poverty is blamed such as corruption for example. Yes we have it, but so do many developed nations. And moreover there are countries notorious for corruption which somehow managed to do well for their people.

Lack of Education is a problem – but we should not make the basic mistake of identifying illiteracy with ignorance. And in any case the number of Ethiopians who can read and write now is more or less equal to the number of Europeans who could do so at the beginning of the Industrial Age.

If we take absolute numbers, there has been a revolutionary change in the country since the end of 2nd World War. The changes were basically recorded in all spheres of social and economic development. Then by the mid-seventies, with the idea to accelerate and redistribute wealth, there began a campaign to socialize the country. And with the help of friendly nations we planned our so-called development.

Today under a "new economic" policy we are once again working to improve the standard of living

of Ethiopians – Again with little success. I say with little success – because here are some samples of what the Ethiopian Government media reports as success:

- This year Ethiopia is going to be net exporter of sugar– expected revenue USD 22 million!
- Coffee is still the dominant foreign currency earner at USD 200 million!

The success ends there. In other areas such as tourism manufacturing and trade– there is no much to report.

Does poverty lead to this kind of situation, or does this kind of situation lead to poverty. This is a question that economists have never managed to answer.

Now we may ask is there some inherent cultural problem that is keeping Ethiopia poor? To a certain extent, the Ethiopian culture celebrates the poor, it condones opulence. Ethiopians like to identify with the poorest of the poor.

Can we change this culture? This is one major question that needs an answer. Of course there are also legal and political failures which aggravate the problem.

A little bit of freedom may bring so much change for the better. Speaking of freedom I want to bring into our discussion the one time tiny British colony which turned out to be an economic powerhouse in less than half of a century: Hong Kong. There must be something we can learn from it.

This poor, barren rock, grossly overpopulated turned out to be the economic miracle of the century.

For me the answer lies in what the people want to do. In Hong Kong, and I am sure in other fast developing cities, the people want to put all their energies to create an economy as strong as the countries of Western Europe. The poor in these countries have faith that they can get rich - They don't let go – they don't discourage. Remember a few years ago all European major media reporting about the "Asian Crisis" – their demise was written all over, and today 3 years later most of them are back again.

Ask any Ethiopian on the street – Do you want to get rich? You will be surprised by what you will learn. Everything is left to God Almighty.

IS THERE HOPE FOR CHANGE?

Let's be frank it is not going to be easy.

First, there is this cultural barrier I mentioned earlier which needs to be addressed. We need to bring a "can do attitude"

Second, on the policy line – one has to consider a single, and yet effective policy approach: Identifying and removing obstacles that hamper the private sector to operate efficiently so as to create wealth.

I believe there is a considerable case to let the private sector play a major role to promote economic growth and reduce poverty while assigning only supportive role to the Government, if one wants to promote economic growth and reduce poverty this is one easy way.

The basic problem in Ethiopia is not any absolute shortage of resources such as land and capital, but the extremely rigid regulations put up by the government over the years. So we must push for more economic freedom and less and less government interference to at least begin to improve the level of poverty in Ethiopia. ■

Notes to Contributors

The main objective of EEA Bulletin is to initiate policy-relevant public discussions on national and African economic issues. It presents synopses of research papers, panel discussions, public lectures, readers' comments and new research findings and notes.

Readers and contributors are encouraged to submit short articles (not more than 5 pages in double space with 12 point font size) preferably accompanied by an electronic version. If accepted, an edited version of the article will be sent to the author before publication. If the author does not respond within a week, the edited version will appear in the bulletin. Unaccepted articles will not be sent to the author(s). We accept articles in both English and Amharic. Views expressed in the Bulletin are those of the author(s) and are not necessarily of the institution's in which the author(s) work or the EEA.

Articles should be addressed to:

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ECONOMIC INTEGRATION UNDER COMESA: IS REVENUE LOSS A REAL OBSTACLE?

By Schewit Emmanuel

Regionalism has been adopted by African leaders as a vehicle for overcoming the economic constraints imposed by the smallness and fragmentation of national markets since late 1950's. It was considered as prerequisite for breaking away from the colonial pattern of trade, often characterized by heavy reliance on an undiversified and vulnerable export structure, and for fostering economic growth (Lyakurwa, 1995).

Ethiopia is a member of COMESA since the beginning. But Ethiopia has refrained from implementing most of the trade liberalization schemes which include the tariff reduction programme. According to the programme, Ethiopia was supposed to reduce her tariff for the member states by 60% in 1993, by 70% in 1994, by 80% in 1996, by 90% in 1998, and by 100% in 2000 but has reduced only by 10% starting from 1999. One of the arguments for such poor performance is government's fear of loss of revenue. In this article, we will try to see this revenue loss argument in 3 scenarios. Those scenarios will show how much Ethiopia will lose when implementing 10%, 60% and 90% tariff reductions, respectively.

First Scenario. Ethiopia's recent reduction of tariff by 10% is the reason why this scenario was chosen. This will show what would have happened if Ethiopia had implemented this before 1999. But the latest data on tariff is available up to 1996 only, so we shall see what happens from 1991 to 1996. According to Table 1, the first row for each year represents the loss

of revenue if all the products pass the Rules of Origin requirement (used to facilitate the screening of goods to separate between those produced in the member states which should enjoy tariff preferences/reductions provided for under the agreement of COMESA, and goods from non-members which should not have access to such tariff preferences. Currently, the value-added requirement is 35% (ex-factory cost; when the commodity is substantially consumed and in short supply in the region, the rate can go as low as 25%).

The revenue loss when 10% reduction occurs under this assumption will be 2.79 million birr in 1996 but the chance of this happening is quite slim for most of the goods that are imported from the member states are not produced there. For instance, according to a study carried out by MEDaC, Ministry of Trade, and Customs Authority of Ethiopia (1986-1991), Ethiopia's main source of revenue from intra-COMESA trade was from Djibouti (all the products that came from Djibouti did not fulfill the Rules of Origin requirement), from Kenya (only half of the products that came from Kenya passed the requirement) and Zimbabwe (only half of the products that came from Zimbabwe passed the requirement) only. Since no information is available on Rules of Origin from the Customs Authority of Ethiopia, we will try to approximate the amount of products that will fulfil the Rules of Origin requirement. For fear of underestimating or overestimating, we will assume that only half of the prod-

ucts will satisfy the Rules of Origin thereby cutting the possible tariff loss by half. So, the second row on Table 1, for each year, represents the loss of revenue when only half of the product was eligible for the tariff reduction. Thus the loss of revenue when 10% is reduced under this assumption will be declined to 1 million birr in 1991 and 4.79 in 1996.

Second Scenario. This was chosen because the tariff reduction rate was started by 60%. So we will see how much Ethiopia would have lost if she had followed the tariff reduction schedule. If all the products are assumed to be eligible to pass the Rules of Origin criterion then, as can be seen from Table 1, the revenue loss would have increased from 16.7 million birr in 1991 to 57 million birr in 1996. However, if only half of the products were assumed to be eligible then those figures will go down to 8 million birr in 1991 and in 1996 it would decline to 28.7 million birr.

Third scenario. This was chosen due to the fact that Ethiopia is supposed to reduce her tariff rate by 90% starting from October 1998 but did not do so. So, we shall see if her fear has a strong foundation. Here it is assumed that the trade, and, therefore, tax revenue from trade are the same and have not grown since 1996 due to lack of information on trade and taxes from 1996 onward. In 1991 Ethiopia's revenue loss due to her tariff reduction was 25 million birr which went up to 79 million birr in 1993 and slightly declined to 64 million birr in 1995. Then in 1996 it

reached 86 million birr. This is based on the assumption that all products were found to pass the Rules of Origin criterion. However, if only half of the products are assumed to pass the Rules of Origin criterion then her highest revenue loss will be in 1996 43 million birr only.

However, there are three reasons why this revenue loss should not stand in the way of Ethiopia's full participation in COMESA.

The first is that this revenue loss is not a real loss at all. This revenue is transferred from being collected by government to bolster government expenditure to being collected by the private sector importers and producers. Since the private sector has a more focussed expenditure profile, it can boost, expand, grow and diversify its business enterprises. Thus, the revenue collected by the private sector is a direct capital injection in production and business expansion and can boost consumer welfare through its price lowering and stabilization effect [see COMESA: Free Trade Area: 2000, 1998].

According to MEDaC's (1999) survey of Ethiopian economy, it was found that the government's revenue has reached 7,970.8 million birr in 1996/97 excluding grants (if grant is included, it reaches 9,481.1 million birr). So, the loss of

revenue compared to the total government revenue excluding grants, if Ethiopia goes according to the programme (reduce by 90%), is approximately 1.1% in 1996/97 since only around 86 million is lost as seen above. This result will occur if all the products pass the Rules of Origin criterion. If only half of the products pass, it will be 0.54% of the total government revenue since only 43.1 million birr revenue loss was estimated above. If grants were included the rate falls to 0.91% and 0.45%, respectively. In most countries, not even a quarter of the products pass the Rules of Origin criterion. This will reduce the revenue loss even more making the loss from the total government revenue much less.

The second reason is that Ethiopia can apply to the COMESA council and according to Article 60 of the COMESA treaty, if it is highly dependent on such revenue. This programme will provide remedy for the loss. However, this compensating scheme still needs a great deal of work in order to provide all the COMESA members, including Ethiopia, with the appropriate help as soon as they ask for it.

The third reason is that even if there was no Article to help Ethiopia solve her problem about possible revenue loss, the loss is quite small compared to the fact

that intra-COMESA trade is at almost 2.6 billion USD (Alemayehu, 1998). Ethiopia will miss many opportunities by not participating in this trade. Participation in COMESA will enable the private sector to pay higher revenues to the government in the form of income tax, corporation tax and dividends tax. Also local taxes, such as sales tax, excise duty, S & S tax and so on, could grow due to the increased trade. According to the data supplied by Customs Authority of Ethiopia, the local taxes grew from 24,367,249 birr in 1991 to 69,791,295 birr in 1996. This will even grow more with the increase in intra-COMESA trade. The already low level of tariffs, especially in capital goods and raw materials, the increasing importance of the Rules of Origin which is making the revenue loss much smaller than was feared, are making the revenue loss argument not plausible.

Therefore, Ethiopia, or even the other members, should implement COMESA's programme now for any delay will be costly as COMESA enterprises will be denied the privilege of trading in a large single market and prevent them from expanding investment and production which would in turn make them profitable and acquire new skills to compete in the global market.

Table 1. Revenue Loss (In Million Birr)

Year	Tariffs Reduced By		
	10%	60%	90%
1991	2.79	16.7	25
	1	8	12.55
1992	8	48	72.58
	4	24	36
1993	8.8	32.78	79
	4	26	39.59
1994	7.6	45.68	68.5
	3.8	22.8	34
1995	7	42.8	64
	3.57	21	32
1996	9.57	57	86.2
	4.79	28.7	43.1

Source:- Own computation based on Customs Authority data.

N.B: The first row for each year is if we assume that all products imported will pass the Rules of Origin criterion.

The second row for each year is if we assume that only half of the products imported will pass the Rules of origin criterion.

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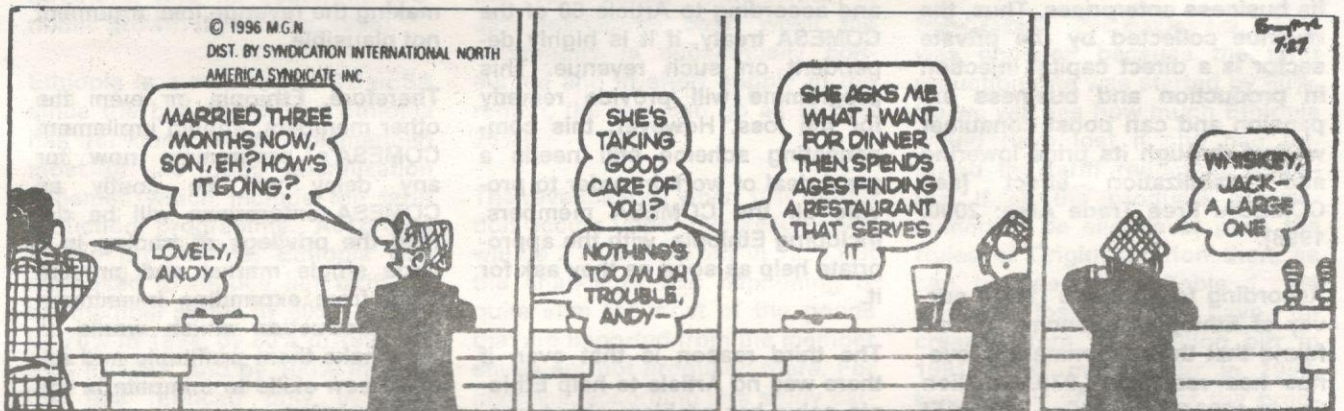
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DAILY NATION, APRIL 20, 1999

INVESTMENTS¹

By
Seymour Patterson*

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Recently, a friend of mine, Dr. Emmanuel Nnadozie, authored a book on investment in Africa. One of the paradoxes raised in the book is the glaring dearth of direct foreign investment (DFI) in the continent. This begs the question, why countries in North America, the EU, the Asia Tigers, and Japan are not interested in more investment in Africa? The question is particularly troubling because, in general, capital is scarce and labor is abundant in Africa.

These two factors ought to have produced a cascade of foreign investment. But that has not been the case. One observation made by Nnadozie is that the dearth of capital implies a high return to capital. Couple this with cheap labor, and one can appreciate the potential for huge profit margins for risking capital in Africa. For the host country, the benefits will accrue from exposure to capital that results in learning-by-doing, thereby increasing productivity when people have more capital with which to work. This appears to be a win-win scenario.

All the observations above apply equally to Ethiopia without amendment. There is one additional problem in Ethiopia, demand is so shallow—\$6 billion, that foreign capital especially DFI will be forced to court foreign

markets to obtain scale economies.

RISK-TAKING

Foreign investors face many risks in Ethiopia. The size of the market does not consist of 66 million consumers. Rather, it consists of roughly \$6 billion dollars of income. Consumption is about 57 percent of total demand. If overall demand is soft, the risk of venture failure is high. Second, GOE is a new government with a mere seven years of history. Financial capital and DFI seek safe havens. Timid investors are afraid of expropriation of assets if the government decides late in the game to change the rules. Third, actual or expected political instability or external conflicts, such as the Ethiopian war with Eritrea, will discourage foreign investment and indirectly reduce economic growth. Such conflicts tend to use up resources that could have been invested in growth strategies. It is the responsibility of the state to maintain peace and to create a climate for investment to flourish. If the state monopolizes production and distribution of material and social resources this means exclusion from state power, material and social deprivation, and it can lead to conflict that discourages foreign investment as occurred in Ethiopia in the 1970s and 1980s. Fourth, the absorp-

tion problem for the nation means that Ethiopia may not be sufficiently down the learning curve to benefit or to absorb new advances in capital.

To overcome the risk-taking problem and encourage more investment, the GOE would have to assure investors that their assets would be safe. How does it do this? In other words, how does it build foreign investor confidence? This is a credibility issue. And it is tied to the rotten descendent problem. That is, there is a likelihood that subsequent governments may reverse the policies of the present government that favor foreign investment. To the degree that that possibility exists, foreign investment will be discouraged. To help establish credibility, the government would need a lock-in mechanism. This may be in the form of international agencies such as the WB and the IMF or the US government vouchsafing foreign investment in Ethiopia. The rotten-descendent problem might be prevented by codifying in the constitution of the country the safety of foreign investment and making an amendment to it subject to a majority vote in the parliament. In the short-term Ethiopia can do nothing about the country's low level of income and consumer demand. The government itself can cultivate, however, confidence by fulfilling

¹ This article has not been submitted to a publisher.

its promises. For example, the government said it would gradually liberalize the exchange rate market. To the best of my knowledge it has lived up to this promise. Such behavior can go a long way in cultivating confidence in the words of the government.

RETURN TO LABOR

Low wages are a two-edge sword. Investors like them because they mean low production costs. If this were the sole consideration, there would long since have been an avalanche of foreign investment in the country. However, low wages reflect low productivity of labor. This must be the case since per capital GDP in Ethiopia is only \$110. On the other hand, low wages are indicative of low demand, low saving, and low domestic investment.

Low wages may be due to low productivity that might be explained in terms of (1) the abundance of labor relative to capital in the country, the quality of labor, which is influenced by the overall health and education in the country. How to solve the problem of low productivity so as to encourage more investment? The GOE has already got in place plans to address education and health problems in the country. Increased expenditure on education is in line with the Education-led development plan and improvement in overall health according to the health-led development plan. These plans have the potential to increase labor productivity and to increase the demand for labor through greater foreign investment.

RETURN TO CAPITAL

Investment in Ethiopia during the past seventeen years increased from nine percent in 1980 to twenty percent of GDP in 1997. On average investment as a percent of GDP was 1.6 percent².

² Editor's note: According to information we have, it is not 1.6%, but 20%.

This is surprising because the return to capital must be fairly high, given its scarcity. Investment tends to hasten to find efficiency in numbers. We lament this and want investment to expand. We accept as a matter of faith that investment is good and more of it must lead to greater output. But this makes sense only if it is true in particular instances such as in Ethiopia. How does GDP respond to investment?

Another way of looking at the relationship between output and investment/output is as follows. The change in output (i.e., GDP) is proportional to the change in the capital stock of the country, namely investment. Investment in turn is proportional to the importation of foreign capital (provided that the country is not able to source its own capital). Then if the country's balance of payments is in balance, capital imports will be identical to the exports plus net capital flows. Thus, the growth in GDP is related to the country's export-GDP ratio and its capital flow-GDP ratio. This means that the country can augment its capital, and thereby its GDP, by either increasing exports, or net capital flows from abroad, or both.

From the above discussion, it is clear that there are at least two channels to growth in the country. First, it has been demonstrated that changes in output depend on investment. The relationship between investment and output was found by regressing GDP on investment. And it indicates that higher levels of investment are associated with higher levels of GDP. Second, it was shown that foreign investment can be secured through exports and/or inflow or capital—i.e., foreign credit. So increases in the ratio of exports/GDP or CF/GDP will increase investment and thereby output. Ultimately, this is the motive for investment, to increase output and raise per capita income by making labor more productive.

Thus, the solution to capital might be to raise Ethiopian exports or the country's access to foreign capital markets. With respect to cascading investment, if a few foreign firms queue up to investment in Ethiopia, other such firms looking for investment opportunities will look at the firm already in the queue or investment here. These new firms will also wish to join the queue. This, of course, presupposes the GOE has earned their confidence and lock-in mechanisms are in place to foil the tendencies of rotten descendents. GOE has also to embark on infrastructure development. The Road-led Development Plan is a step in that direction. This is investment that can in the long haul induce foreign investment to settle in Ethiopia.

Finally, efficiency can be enhanced by changes in government policies and management practices. The ship of state must be run more efficiently. The way the bureaucracy is organized can lead to delays, frustration and corruption. These factors discourage investment. Part of the solution to this is to reduce the layers of persons investors must meet to get things done. Secondly, higher pay for civil servants should reduce the incidence of corruption—bribes to expedite decisions.

These observations clearly do not run the full gamut of problems and solutions to the foreign investment problems in Ethiopia. However, I hope my comments will stimulate appropriate actions to increase the level of foreign investment in the country. ■

**THOSE OF YOU WHO
HAVE NOT YET
RENEWED YOUR
SUBSCRIPTIONS TO
ECONOMIC FOCUS,
PLEASE DO SO AT
THE EARLIEST
POSSIBLE TIME.**

የመንግሥት ሠራተኛ ደመወዝ ገቢ ግብር ሂሳብ ሥሌት አሠራር በኢኮኖሚው ላይ ያለው ተጽእኖ

ከተገኘው ግብር

በገቢ ግብር ስሌት አሠራር ላይ አስተያየት

የዚህ አስተያየት ዐላማ የኢትዮጵያ ኢኮኖሚክስ ማኅበር መጽሕፍት በሆነው "ልሳነ ኢኮኖሚክስ ቅፅ 2 ቁጥር 1 የየካቲት/1999 እትም ላይ "የመንግሥት ሠራተኛ ደመወዝ ገቢ ግብር ሂሳብ ስሌት አሠራር በኢኮኖሚክ ላይ ያለው ተጽዕኖ" በሚል ርዕስ ከአቶ ፋሲል ጣሰው በቀረበው ጽሁፍ ላይ አስተያየት በመስጠት የሠራተኛ ገቢ ግብር አሰባሰብ ከሆኑ ጋር በማገናኘብ ለማቅረብ ነው።

መንግሥት ለማህበራዊ፣ ለኢኮኖሚያዊና ለሌሎች ወጪዎች በቂ ገንዘብ እንደሚያስፈልገውና ለዚህም መዋዕለ ንዋይ የተለያዩ የገቢ ምንጮችን በመዘርዘር ከእነዚህም ውስጥ እንዲከፈሉ ለሠራተኛ ገቢ ግብር የሚሰበሰብ መሆኑ በጽሁፉ ተገልጿል።

የዚህ ዕውቅና ዋናው ዐላማም በዚህ በሠራተኛ ገቢ ግብር ስሌት ላይ በተመረኮዘ ጽሁፍ ላይ በአንዳንድ መንግሥት መ/ቤቶች ሆነ በአቶ ፋሲል የቀረበው አሠራር አግባብ እንዳልሆነ፣ በሁለቱም አሠራር ማን ላይ ተዕዕኖ እንደሚያመጣ እና ትክክለኛ የገቢ ግብር ስሌት አሠራር ለማቅረብ ነው።

የገቢ ግብር አዋጅ ስሌት

በመጀመሪያ ወደ ስሌት አሠራር ከመግባቱ በፊት ስለ ሠራተኛ ገቢ ግብር የወጣው አዋጅ የተሻሻሉትን አንቀጾች በመቀየር ከዚህ በታች እንደሚከተለው ቀርቧል።

አዋጅ ቁጥር 173/1953 እንደገና የተወሰኑ አንቀጾችን በማሻሻል አዋጅ ቁጥር 107/1987 የወጣው የገቢ ግብርን በተመለከተ የተገለጸው አንቀጽ 7-

አንቀጽ 7 - ሀ/ በመቀየር ከሚገኙ ገቢ ላይ እንዲከፈል የሚወሰነው የሚጠየቀውና የሚሰበሰበው ግብር በየወሩ ሲሆን እንዲከፈል የሚደረገውም ግብር በገኛው አንቀጽ በተወሰነው ልክ ይሆናል። የተገኘው ገቢ ከአንድ ወር አገልግሎት በላይ ላለ ጊዜ ጭምር የሆነ እንደሆነ የሚከፈለው ግብር የሚታሰበው ገቢው ከፍተኛ ለተደረገላቸው ወሮች ተደልድሎ ነው።

ለ/ ግናቸውም የሰዎች የሥራ ግብር የሚከፈለበት ገቢ የመጀመሪያው አንድ መቶ ሃያ ብር (120.00) ብር ላይነት ላይደረግ ከገብር ነፃ ይሆናል።

ግናቸውም ከአንድ መቶ ሃያ ብር (120.00-ብር) በላይ የሆኑ የሰዎች የሥራ ግብር የሚከፈለበት ገቢ ከዚህ በታች በተመለከተው (ወንጠረኛ ህ) መሠረት ግብር ይከፈላል።

ወንጠረኛ "ሀ"

ተራ ቁጥር	በየወሩ ግብር የሚከፈለበት የደመወዝ ገቢ	በአያንዳንዱ ተወማሪ ገቢ ላይ የግብር መቶኛ(%) ተመን
1	120 በላይ እስከ 600 በሚቀጥለው 480	10%
2	ከ600 በላይ እስከ 1200 በሚቀጥለው 600	15%
3	ከ1200 በላይ እስከ 2000 በሚቀጥለው 800	20%
4	ከ2000 በላይ እስከ 3000 በሚቀጥለው 1000	30%
5	ከ3000 በላይ	40%

አዋጁ ከላይ እንደተመለከተው ሲሆን በወሩ ውስጥ በግናቸውም ቀናት ማለትም በወሩ መጀመሪያ ባለት ቀናት

ሆነ በመጨረሻ ቀናት እንዲያው ማለት ባለ ቀናት ሲሆን ባይሆንም በተከተለው ቀናት ላይ ያንም የመጨረሻ ቀናት ላይ ሲሆን በሠራተኛው ላይ የገቢ ግብር

የሚታሰቡት ያልሠራቸው ቀናት ተቀጥሎ በሠራተኛው ቀናት ገቢ ላይ ነው።

ምሳሌ፣ የወሩ ደመወዝ ብር 980.00
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 20 የሰራተኛው ቀናት ይሆናል ማለት ነው።

ስለዚህ ያልተጣራ ጥቅል ተካፋይ (Gross Salary) ለ20 ቀናት:- $20/30 \times 980.00 \dots 653.33$

ተቀናሽ

ሀ/ የገቢ ግብር:-

ለመጀመሪያ	120.00	ነፃ	0
ለቀጣዩ	480.00	10%	48.00
ለቀሪው	53.33	15%	<u>8.00</u>
የገቢ ግብር			<u>56.00</u>

ለ/ ጡረታ

653.33 x 04%	26.13
ጠቅላላ ተቀናሽ ድምር	<u>82.13</u>
የተጣራ ተካፋይ የ20 ቀናት	<u>571.20</u>

በዚህ መሠረት:-

- ለመንግሥት በመ/ቤቱ በኩል ከግለሰቡ የተጣራ ደመወዝ ተቀንሶ ተመላሽ የሚሆን:-
 የ30 ቀናት ሙሉ የተጣራ ደመወዝ 835.80
 ሲቀነስ ለሠራበት የ20 ቀናት የተጣራ ደመወዝ ተካፋይ..... 571.20
 ያልተሠራባቸው የ10 ቀናት የተጣራ ደመወዝ ተመላሽ የሚሆን 264.60
- ላልተሠራበት የ10 ቀን ደመወዝ የገቢ ግብር:-
 በ30 ቀናት ሙሉ ደመወዝ በብር 980.00 ላይ የሚኖረው የገቢ ግብር. 105.00
 ሲቀነስ በተሠራበት በ20 ቀናት ደመወዝ ላይ የሚኖረው የገቢ ግብር ከላይ በ"ሀ" መሠረት የተሰላው ስሌት..... 56.00
 ባልተሠራበት የ10 ቀናት ደመወዝ ገቢ ግብር 49.00
 ወይም
 የ10 ቀናት ደመወዝ ብር 326.67 የገቢ ግብር ስሌት በ30 ቀናት ደመወዝ ተካፋይ ሲሰራ በ15% የሚሰላው ሰንጠረዥ ስለሚገባ በዚህ ስሌት መሠረት $326.67 \times 15\% \dots 49.00$
- ላልተሠራበት የ10 ቀን ደመወዝ ጡረታ መዋጮ ስሌት በ4% .. $326.67 \times 4\% \dots 13.07$
 ከላይ የተዘረዘሩትን ሂሳብ ስናጠቃልለው
 1. ከግለሰቡ መ/ቤት የተጣራ ደመወዝ ተመላሽ የሚሆን..... 264.60
 2. በ10 ቀን ደመወዝ ላይ የገቢ ግብር 49.00
 3. በ10 ቀን ደመወዝ ላይ የጡረታ 13.07
 ጠቅላላ ድምር 326.67

ይህ ድምር ከ10 ቀናት ያልተጣራ ደመወዝ (Gross Salary) ጋር እኩል ደመወዝ ስለዚህ መንግሥት ምናልባት የ10 ቀናት ደመወዝ አስከፍሎ ቢያሰራው ከግለሰቡ ሊያስገኝ የሚችለውን ጥቅም በመቅረቱ ሊጎዳው ይችላል ዘንድ በገንዘብ እጠራት (Budget Deficit) ሊመጣበት አይችልም።

በጽሁፍ እንደተጠቀሰው በአንዳንድ የመንግሥት መ/ቤቶች የሚሠራው የገቢ ግብር ስሌት

የመንግሥት መ/ቤቶች በተወሰኑ (ከወር ባነሱ) ቀናት ደመወዝ ላይ የገቢ ግብር ስሌት አሠራር በመጀመሪያ በሙሉ

በውሩ ደመወዝ ላይ የሚኖረው ትክክለኛ የገቢ ግብር ገንዘብ ታስቦ ይህ የገቢ ግብር በጥቅል ደመወዝ የሚኖረው መቶኛ (ፐርሰንት) ስሌት መሠረት ነው። ይህም ማለት በአማካይ መቶኛ (ፐርሰንት) መሠረት ነው።

ይህም ሲሠራ ጠቅላላ ያልተጣራ ደመወዝ	980.00
የሥራ ግብር	105.00
የሥራ ግብር አማካይ መቶኛ (ፐርሰንት) $105/980 \times 100 \dots$	10.71%

በዚህም መሠረት

- ለተሠራበት ለ20 ቀናት የተጣራ ተካፋይ ስሌት - ጥቅል ያልተጣራ ደመወዝ (Gross Salary)..... 653.33

ተቀናሽ

ሀ/ የገቢ ግብር653.33 x 10.71%..... 69.99
 ለ/ የጡረታ መዋጮ.....653.33 X 4%..... 26.73

2. ላልተሠራበት የ10 ቀናት ደመወዝ የተጣራ ክፍያ ከሠራተኛው መ/ቤት ለመንግሥት ተመላሽ የሚሆን ስሌት

- ጥቅል ያልተጣራ 10 ቀናት ደመወዝ (Gross Salary) 326.67

ተቀናሽ

ሀ/ የገቢ ግብር 326.67 x 10.71%..... 34.99
 ለ/ የጡረታ መዋጮ 326.67 x 4%13.07
 የተቀናሽ ድምር48.06
 የተጣራ ለመንግሥት ተመላሽ የሚሆን.....278.61

ከላይ እንደምናየው ማንኛውም ግለሰብ ያልሠራበት ቀናት በወሩ ውስጥ ቢኖር ለሠራተኛው ቀናት ደመወዝ የገቢ ግብር የሚሠራው በአማካይ መቶኛ (%) በማስላት ነው። ነገር ግን ይህን መንገድ ለመከተል በገቢ ግብር አዋጅ ላይ

የተገለጹ ወይም የወጣ መመሪያ የለም። በዚህም ምክንያት ግለሰቡ ከሚያገኘው የ20 ቀን ደመወዝ ገቢ ላይ ከፍተኛ የገቢ ግብር በማስላት በአንፃሩ ተመላሽ

በሚሆነው የ10 ቀን ደመወዝ ላይ የገቢ ግብር ዝቅ ተደርጎ በመስላቱ ያለአግባብ ከሠራተኛው በይበልጥ ሊወሰድበት ተችሏል።

ይኸውም፡

በ10 ቀናት ደመወዝ ተመላሽ ላይ የገቢ ግብር ስሌት መሆን ያለበት
 326.67 x 67 x 15%.....49.00
 ሲቀነስ በአንፃንድ መንግሥት መ/ቤቶች ስሌት መሠረት በ10 ቀናት ተመላሽ ደመወዝ ላይ የገቢ ግብር 326.67 x 10.71%..... 34.99
 ያለአግባብ ከሠራተኛው ደመወዝ ላይ በገቢ ግብር ስሌት አሠራር ስህተት የተወለደ..... 14.01

በዚህ የመንግሥት መ/ቤቶች ስሌት መንገድ ከመደበኛ ደመወዝ ገቢ ላይ ተጨማሪ ገቢ ቢያስገኝ ለምሳሌ የትርፍ

ሰዓት ክፍያ% ሌላ የገቢ ግብር ሌላ ሌላ ነው? የሚቆረጥበት አበል፣ ወዘተ... ቢኖረው ከላይ በተገለጸው አማካይ መቶኛ %

ማለትም የብር 980.00 ደመወዝ የገቢ ግብር አማካይ መቶኛ (%) 10.71% = $\frac{(105)}{980} \times 100$

ከደመወዝ ሌላ በትርፍ ሰዓት ክፍያ ሆነ ወይም ሌላ ተጨማሪ ገቢ ብር 300.00 ታክሎ ቢሰጠው ጠቅላላ ገቢው ብር 1280.00 ይሆናል።

ስለዚህ በተጨማሪ ገቢ ብር 300.00 ላይ በ10.71% የገቢ ግብር ከተሰላ ለመንግሥት መስብሰብ ያለበት የገቢ

ግብር በማሳነስ በመንግሥት ላይ የገቢ እጥረት ሊያስከትል ይችላል።

ምሳሌ፡ መደበኛ ደመወዝ.....	ብር 980.00
ሌላ ተጨማሪ ገቢ (የገቢ ግብር) የሚታሰብበት "	300.00
ጠቅላላ ገቢ.....	1280.00
ሀ/ ትክክለኛው መንገድ የገቢ ግብር ስሌት:-	
ለመጀመሪያ	120 5% = 6
ለሚቀጥለው	480 10% = 48.00
"	600 15% = 90.00
ለመጨረሻ	80 20% = 16.00
ጠቅላላ የገቢ ግብር ድምር	154.00

ለ/ በመንግሥት መ/ቤቶች ስሌት መንገድ የገቢ ግብር 1280 x 10.71 137.09

ያለአግባብ ከመንግሥት ወደ ግለሰብ የኼደ ("ሀ"- "ለ")..... 16.91 ነው።

ከላይ በሰሌቱ መሠረት በብር 16.91 በመንግሥት ላይ የገቢ እጥረት ሊያስከትል ይችላል። ነገር ግን ለተጨማሪው ገቢ የገቢ ግብር በአማካይ መቶኛ (%) የማይሰላ ከሆነና በጥቅሉ ገቢ ላይ ከላይ በተሰላው በትክክለኛው መንገድ በ"ሀ" የሚሠራ ከሆነ የመንግሥት መ/ቤቶች የሚከተሉት የሂሳብ መመሪያ ቋሚነት (Consistency) የሌለው መሆኑን ያሳያል።

የአቶ ፋሲል ስሌት መንገድ ደግሞ ብንመለከት

በወሩ ውስጥ ያሉት ቀናት የተሰራባቸው ሆነ ያልተሠራባቸው ለገቢ ግብር ታክስ ስሌት መቶኛ (%) የሚወሰደው እንደቀናቶቹ ቅደም ተከተል እንደሆነ ተገንዝበናል። ይኼውም በወሩ መጀመሪያ አካባቢ ላሉት ቀናት የቀን ክፍያ ላይ የገቢ ግብር ስሌት በዝቅተኛ መቶኛ(%) ሲወሰድ የመጨረሻ አካባቢ በየሌሉት ቀናት ክፍያ ላይ ደግሞ

እንደዚህ ቀናቶቹ በሚውሉበት የገቢ ግብር ስሌት መቶኛ (%) እንደሚሰላ ነው።

ባለፈው ጽሁፍ ከተሰጠው ምሳሌ ቅርጹን በመለየት ብናቀርበው ሠራተኛው ያልሠራባቸው 10 ቀናት በወሩ ውስጥ በ1ኛ%b2%b6%b7% b8% AÄ k26-30ኛ ቢሆኑ ከዚህ በታች በሚቀርበው ሠንጠረዥ በመመርኮዝ የገቢ ግብር እንደሚሰላ ነው።

ይኸውም:- የወር ደመወዙ ብር 980.00 በቀን የሚከፈል ሂሳብ 980/30=32.67

ቀናት	የቀናቱ ጥርቅም ክፍያ (Cumulative Payments)	የቀናት ክፍያ ላይ የገቢ ግብር የሚሠራበት መቶኛ %
1ኛ	(1 x 32.67).....32.67	0%
2ኛ	(2 x32.67)..... 65.34	0%
3ኛ	(3x 32.67)..... 98.01	0%
6ኛ	(6 x32.67)..... 196.02	10%
7ኛ	(7x 32.67)..... 228.69	10%
26ኛ	(26x32.67)..... 849.42	15%
27ኛ	(27x32.67)..... 882.09	15%
30ኛ	(30 x 32.67)..... 980.00	15%

ወደ ስሌቱ ስንገባ:-

1. የ10 ቀናት ያልተሠራባቸው ያልተጣራ ደመወዝ 326.67

ተቀናሽ

ሀ/ የሥራ ግብር

— ለ1ኛ እና ለ2ኛ ቀናት ክፍያ 65.34 x 0% = 0.00

— ለ6ኛ፣ ለ7ኛ፣ እና ለ8ኛ 3 ቀናት ክፍያ 98.00 x 10% = 9.80

— ለ26 - 30 በቀሩት 5 ቀናት ክፍያ 163.33 x 15% = 24.50

የገቢ ድምር..... 34.30

ለ/ የጡረታ መዋጮ 326.67 x 4% = 13.07

የተቀናሽ ድምር 47.37

የተጣራ ከሠራተኛው ተቀንሶ ለመንግሥት ተመላሽ የሚሆን የ10 ቀን

ድመወዝ 279.30

2. ለሠራተኛው የ20 ቀናት የተጣራ ደመወዝ ተከፋይ የሚሆነው:-

ወሩን ሙሉ ቢሠራ ከሚያገኘው የተጣራ ተከፋይ 835.80

ስቀነሰ የተጣራ ለመንግሥት ተመላሽ የሚሆነው የ10 ቀን 279.30

ለሠራተኛው ለሠራባቸው የ20 ቀናት የተጣራ..... 556.50

ከላይ በምሳሌው ላይ እንደምናየው ላልሠራባቸው ቀናት ደመወዝ የገቢ ግብር ስሌት በወሩ ውስጥ በየሌሉበት ቅደም ተከተል በመመርኮዝ ነው። የገቢ ግብር አዋጁ ግን ሠራተኛው በየትኛውም ቀን

ይሠራ አይሠራ በሠራባቸው ቀናት ደመወዝ ገቢ ላይ ነው እንጂ በወሩ ውስጥ ያሉትን የቀናት ቅደም ተከተል አይመለከትም። ስለዚህ በዚህም አሠራር ባልተሠራባቸው የ10 ቀናት ደመወዝ ላይ

የገቢ ግብር ስሌት በማሳነስ ከሠራተኛው ላይ በተጣራው ክፍያ በይበልጥ ተመላሽ በማስደረግ ለመንግሥት ገቢ ስለሚሆን በሠራተኛው የወሩ ገቢ ላይ ተጽእኖ ያሳድራል።

በይበልጥ ከሠራተኛው የተወሰደ ገንዘብ ልክ ስሌት

ሀ/ የ10 ቀናት ደመወዝ ትክክለኛ የተጣራ ተመላሽ የ10 ቀን ያልተጣራ ደመወዝ ...326.67
 ትክክለኛ የገቢ ግብር በተመላሽ ደመወዝ ላይ 326.67x15%49.00
 ጠራታ መዋጮ 326.67x4%..... 13.07
 የተቀናሽ ድምር.....62.07
 የተጣራ የ10 ቀን ደመወዝ ተመላሽ መሆን ያለበት ሠራተኛው
 በ30 ቀናት ቢሠራ ከሚያገኘው የተጣራ ተካፋይ የሚቀነስ).....264.60

ለ/ በአቶ ፋሲል አሠራር የተጣራ ተመላሽ ገንዘብ
 /ስሌቱን ከላይ በተራ ቁጥር 1 ይመልከቱ/..... 279.30

ሐ/ ልዩነት በይበልጥ ከሠራተኛ የተወሰደ ገንዘብ:-
 - በአቶ ፋሲል አሠራር የተጣራ ተመላሽ (ሠራተኛው
 ሙሉ ወር ቢሠራ ከሚያገኘው የተጣራ ተካፋይ የሚቀነስ)..... 279.00
 - ትክክለኛ መንገድ "ሀ" የተጣራ ተመላሽ (ሠራተኛው ሙሉ ወር ቢሠራ
 ከሚያገኘው የተጣራ ተካፋይ የሚቀነስ)..... 279.30

- ትክክለኛ መንገድ "ሀ" የተጣራ ተመላሽ (ሠራተኛው
 ሙሉ ወር ቢሠራ ከሚያገኘው የተጣራ ተካፋይ
 የሚቀነስ)..... 264.60
 ያለአገባብ ከሠራተኛ የተቀነሰ 14.70

ተጨማሪ ምሳሌ ቢቀርብ

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 ተቀጥሮ ሥራውን ቢጀምር፤ የ10 ቀን ያልተጣራ ደመወዝ (Gross Salary)..... 326.67

የሥራ ግብር

ሀ/ በአቶ ፋሲል ስሌት መሠረት የወሩ የመጨረሻ ቀናት
 በብር 980.00 ደመወዝ መሠረት የገቢ ግብር መቶኛ (%)የሚታሰበው
 ብ15% በመሆኑ የገቢ ግብር ስሌት 326.67 x 15% 49.00

ለ/ በአዋጁ መሠረት ግን፤
 ለመጀመሪያ 120.00 ነፃ120 x 0% 0.00
 ለቀጣዩ.....(326.67-120) = 206.67 x 10% 20.67
 የገቢ ግብር ድምር..... 20.67

ያለ አገባብ ከተቀጣሪ ሠራተኛ የተቀነሰ የገቢ ግብር 28.33

ይህን አሠራር ግልፅ ለማድረግ በሙሉ
 ወር (የ30 ቀናት) ደመወዝ ላይ የገቢ
 ግብር ይታሰባል። የገቢ ግብር መቶኛ (%)
 የሚወሰደው እንደቀኑ ቅደም ተከተል
 በመሆኑ የመጀመሪያው 20 ቀናት
 ሠራተኛው ተማሪ እያለ በሀሳብ ያለው
 ደመወዝ ላይ የገቢ ግብር ተሰልቶ
 በመቀነስ የሚቀረውን ገቢ ግብር
 ሠራተኛውን ያስከፍላል። በዚህ የሀሳብ
 ደመወዝ ላይ የግብር ስሌት ሲሰራ
 የመጀመሪያ ብር 120.00 ከግብር ነፃ
 በመሆኑና ከዚያም በቀሩት ገንዘብ ላይ
 በአነስተኛ የገቢ ግብር መቶኛ (%)
 በመሰላቱ ሠራተኛው ብር 28.33 ያለ
 አገባብ እንዲከፈል አስደርጎታል።

ማጠቃለያ

በመንግሥት መ/ቤቶች የገቢ ግብር ስሌት
 አሠራር ከ30 ቀናት (በወሩ ውስጥ) ካሉት
 ቀናት በታች ለተሰሩባቸው ቀናት
 በሚከፈለው ደመወዝ ላይ የቢ ግብር

ያለአገባብ ከፍ ተደርጎ ስለሚሰላ
 ሠራተኛውን ይጎዳዋል።

በሌላ አንፃር ሠራተኛው ከወር ደመወዙ
 በተጨማሪ የትርፍ ሰዓት ከፍያ
 ወዘተ. ቢኖረው አሠራሩ ተለዋዋጭ ካልሆነ
 በአማካይ መቶኛ (%)የገቢ ግብር ስለሚሰላ
 ከመንግሥት ያለአገባብ ተወስዶ
 ለሠራተኛው በይበልጥ ስለሚከፈለው
 በመንግሥት ላይ የገንዘብ እጥረት
 ሊያስከትል ይችላል።

ነገር ግን ከደመወዙ ሌላ ተጨማሪ ገቢ
 ተጻምሮ በጥቅል የገቢ ታክስ የሚሰላ ከሆነ
 ግለትም በጥቅል ደመወዙ ላይ በአዋጁ
 የገቢ ግብር ስሌት ማንጠረዥ የሚሠራ
 ከሆነ የገቢ ግብር ስሌቱ ትክክለኛ ነው።
 በሂሳብ አሠራር ላይ ግን በቋሚነት
 ያለመስተሉ ተለዋዋጭ (Inconsistency)
 ባህርይ ማሳየቱ የአሠራር ድክመትን
 ይጠቀማል።

የአቶ ፋሲል አሠራር በተመለከተ

በአቶ ፋሲል የገቢ ግብር ስሌት መሠረት
 በመንግሥት ላይ ምንም የገቢ እጥረት
 አያመጣም ነገር ግን በሠራተኛው ላይ
 ያለአገባብ የገቢ ግብርን ከፍ ለድርጎ
 ስለሚያስከፍል በሠራተኛው ገቢ ላይ
 ተጽዕኖ ይኖረዋል።

በተጨማሪ በሁለቱም አሠራር ግለትም
 በመንግሥት መ/ቤቶችና በአቶ ፋሲል
 አሠራር የገቢ ግብርን በተመለከተ
 የወጣውን አዋጅ አተረጓጎም ያጣ
 መሆኑን ያሳያል።

ስለዚህ የሠራተኛው የገቢ ግብር ስሌት
 መሰላት ያለበት ሠራተኛው በወር ውስጥ
 በሚያገኘው ገቢ ላይ በመመርኮዝ ብቻ
 በአዋጁ ላይ በሚያሳየው የስሌት
 ማንጠረዥ መታሰብ እንዳለበት ነው።
 (ተፈፀመ)

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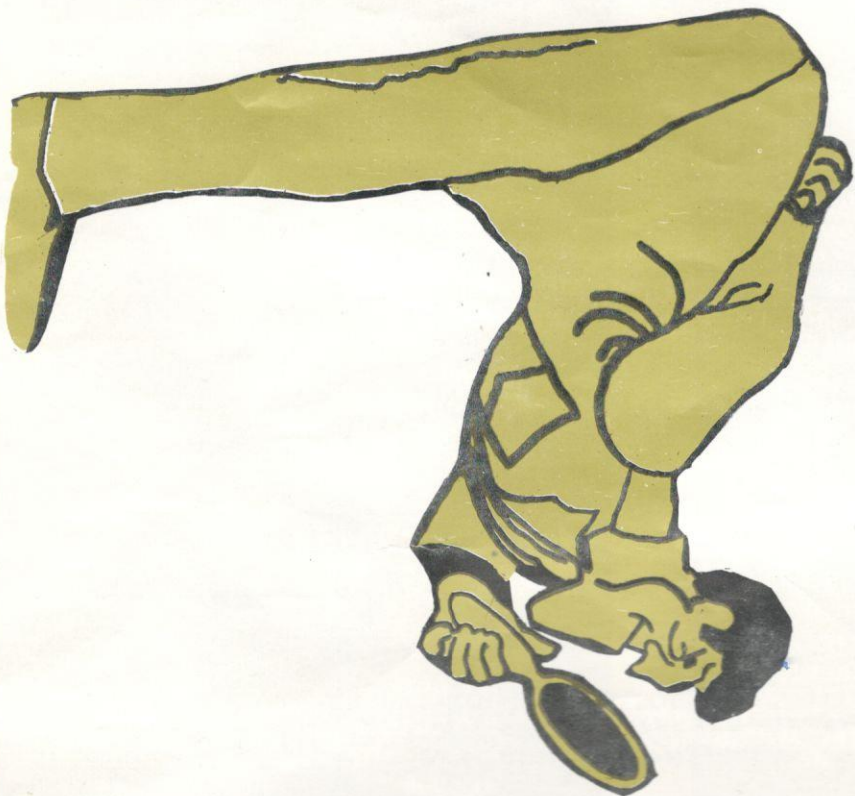
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