



EVALUATION OF RURAL DEVELOPMENT POLICY AND STRATEGY IN ETHIOPIA

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Abstract

The adoption of Agricultural Development Led Industrialization Strategy provided long-term development framework for economic transformation. Adjustment policies focused on liberalization of prices and markets, removal of subsidies, reduction of tariffs, and current account convertibility. The land policy states that land belongs to the people and that the Federal and regional governments administer it on behalf of the people. Land is a factor of production like capital and labour. The FDRE's rural development policies and strategies have already accorded special attention that these areas deserve. The life of the people in these regions is based on cattle breeding and mobility with cattle from place to place. To improve the life of the people calls for a development strategy that is firmly based on livestock development.

Keywords: Ethiopia, Rural development policies and strategies

1. Introduction

Ethiopia is the second most populous country in Sub-Saharan Africa with a population of above 90 million in (CSA July 2013). The country has a long history, mosaic of peoples and diverse cultures. Ethiopia has reasonably good resource potential for development-agriculture, biodiversity, water resources, minerals, etc. Yet, Ethiopia is faced with complex poverty, which is broad, deep and structural. The proportion of the population below the poverty line is 44 per cent in 1999/2000. Thus, poverty eradication was and is the central development agenda of the government that guides its development activities.

Since October 1992, Ethiopia had been adopting a series of economic reform measures under the Structural Adjustment Program directed and funded by the IMF and WB. These measures were meant to faster economic

growth by correcting distortions resulted from the previous regimes centrally planned command economic system. The macroeconomic policy prescriptions dictate conservative fiscal and monetary policy so as to reduce the fiscal deficit and let the market to play its primary role in resource allocation. During this period the country also adopted the Agriculture Development Led Industrialization (ADLI) strategy. As a result of the fiscal reform measures and non-inflationary sources of financing the budgetary deficit, government savings increased and budget deficits were reduced.

The ADLI include promotion of economic efficiency and growth, development of domestic technological capacities and capabilities for the promotion and development of small, intermediate and capital goods industries. By implementing this national economy policy real Gross



Domestic product (GDP) of the country grew for the seventh time in a row in two-digit rates from 2003/04 through to 2009/10. The registered growth was achieved mainly due to the improved performance of the agricultural sector. This growth has been achieved through broad-based and diversified activities in which structural transformation was evidenced. Export earnings are steadily increasing owing to the increase in the value and volume of export commodities. As a result of the economic growth, the total imported commodities of the country have also increased.

The country launched three consecutive PRSPs namely Sustainable Development and Poverty Reduction Program (SDPRP) in 2002, Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) in 2005/06 and Growth and Transformation Plan (GTP) in 2009/10. Real GDP has been growing at double digit since between 2002/03- 2010/11 for the last consecutive years averaged real GDP growth is 11.3%. The success for economic growth the government economic policy and the commitment are taking great shares. To achieve the economic growth government has taking a lesson from SDPRP and PASDEP plan period, and continuing economic growth by designing GTP five year program to achieve the higher economic growth an average 11% of real GDP growth for next five years. During 2010/11, the country has registered 11.4 % real GDP growth rate surpassing the GTP target of 11 percent. Particularly, the agriculture and industry sectors have registered growth rates above their targets set for the year. Clearly, more effective implementation of prudent macroeconomic and sectoral policies has contributed to this faster and broad-

based growth. (Source MOFED, PASDEP and GTP document)

2. Socio-economic Performance of Ethiopia

The country has long-standing history, diverse cultural heritage, and reasonably good resource potential for development. Yet, the majority of the population lives in absolute poverty. In this context, the 1980s was marked by a state of crisis. Thus, by the turn of the 1990s economic policies and management under the command economic system, protracted civil war and recurring drought left the economy in deep crisis which manifested itself, among others, in: weak economy where growth plunged in most of the years and accompanied by loss of productive capacity, competitiveness, and increased food insecurity; severe macroeconomic imbalance and instability, and social crisis involving millions of displaced persons, refugees, demobilized soldiers, homelessness and unemployed people.

The adoption of Agricultural Development Led Industrialization Strategy (ADLI) provided long-term development framework for economic transformation. Adjustment policies focused on liberalization of prices and markets, removal of subsidies, reduction of tariffs, and current account convertibility. These were buttressed with fiscal and monetary policy discipline. The favourable policy environment created by the economic reform, coupled with macro-economic stability, invigorated the domestic private sector, which was suppressed during the Derg period. The smallholder farming family was made the focus of economic development with a massive agricultural extension and credit scheme, and expansion of primary



education, primary health care, rural water supply and rural roads.

Clearly notable during this period is that the country's economy shifted to a higher growth trajectory and more diversified sources. As shown below the table Real GDP has been growing at double digit since 2003/04 averaged 11.3% between 2002/03-2010/11. In the past growth had been

volatile due to weather induced fluctuation in the agricultural sector as well as associated terms of trade. Apart from the growth in agricultural sector, the sustained growth since 2003/04 is complemented by strong performance in construction, manufacturing, trade and tourism, banking and insurance and real estate sectors and sub sectors.

Table1: Trends in Economic growth between 2001/02-2010/11

Sl.no	Years	Real GDP (in Millions Birr's)	Growth of real GDP
1	2001/02	68,012	1.6
2	2002/03	66,587	2.1
3	2003/04	74,397	11.7
4	2004/05	83,804	12.6
5	2005/06	93,474	11.5
6	2006/07	104,499	11.8
7	2007/08	116,190	11.2
8	2008/09	127,844	10
9	2009/10	141,187	10.4
10	2010/11	157,464	11.4

Source: NBE Report 2010/11

3. Rural Development Policies and Strategies in Ethiopia – Core Objectives:

Rural development is not solely confined to agricultural development; it embraces a number of activities outside agricultural development proper. However, in the Ethiopian context, agricultural development is central to rural development. The basic principles that govern agricultural development policies and strategies in the country are outlined below: The Major Directions of Rural and Agricultural Development policy and strategy are:

(a) Coordinated Development Path: The agricultural development effort needs to be an integrated and coordinated one. There is a need for identifying the linkages among the aspects of rural

development activities as well as the opportunities that could be realized. The coordination of the various tasks can make significant contributions to a rapid and sustainable growth. Coordination is required not only among the activities within agriculture but also with the rest of the socio economic sectors.

b) Development Path Compatible with Different Agro-Ecological Zones: Ethiopia is endowed with a variety of agro-ecological zones that differ in terms of rainfall pattern, soil types, altitude and other physical landscapes.

c) Adoption of Labour Intensive Strategy: Within the framework of the strategies enunciated above, accelerated and sustainable growth in Ethiopia can be brought about by



utilizing labour-intensive rather than capital-intensive production processes. This is more so for the agricultural sector than the other sectors. An important mechanism that enables to introduce labour-intensive strategies and help to employ modern agricultural inputs and practices is the adoption of new agricultural technologies and the training of the agricultural labour force with effective skills.

d) Proper Utilization of Agricultural Land: It is impossible to ensure agricultural development at the desired rate and on a sustainable basis, unless we are able to use our land efficiently. In this respect, guaranteeing the availability of land for people who are able and willing to make a living out of farming is fundamental and is a step in the right direction for proper use of land resources. A careful use of our natural resources is expected to contribute to sustainable development via enhancing productivity of the agricultural sector. The utilization of land in a manner that maximizes its contribution to overall development is the direction that will guide agricultural policies and strategies.

4. Evaluation of Key Policies and strategies in Ethiopia:

(a) Land Policy:

The land policy states that land belongs to the people and that the Federal and regional governments administer it on behalf of the people. The farmer may use his/her own labour as well as that of the family to cultivate the land or hired labour could be used. Land, whether private or government owned should be utilized in such a way that its opportunity cost does not nullify its contribution to

overall socio-economic development. The need for developing the profile of land resources and harmonization of existing land use policies of regional states is high on the agenda. Land resources earmarked for pasture, cultivation, urban development, and commercial farm need to be worked out and articulated by each regional state/city administration.

(b) Improving Utilization of Water Resources:

A reliable water supply and management system is essential for accelerated and sustainable agricultural development. Ethiopia is endowed with vast surface and underground water resources. Ethiopian government has been trying to develop the country's water resources by using its own financial resources.

With regard to the Nile basin, Ethiopia, Egypt and the Sudan have already agreed on a 20 year water development and utilization plan. The need for primarily addressing environmental protection is a priority agenda on the part of Ethiopia. Ethiopia is expected to benefit to a greater extent from hydropower generation, which is to be partly exported to neighbouring countries. There is also a potential for developing a number of irrigation schemes.

Supplying adequate and clean water to the population improves many of the economic and social dimensions of poverty. It improves the health of the population with concomitant advances in the quality of life. Moreover, it releases the labor used to carry water, which in turn could be used elsewhere, mainly in education for girls.



Access to safe potable water in the year 2000 for urban areas in Ethiopia was 72%, and if Addis Ababa is excluded the figure drops to 38%. Access to safe potable water for rural Ethiopia is about 24%. The country utilizes only a small proportion of its aggregate annual run-off of 122 billion cubic meters and its ground water potential of 2.6 billion cubic meters. Moreover, the country's hydropower generation potential of 650 TWH per year and 10 million hectare of potentially irrigable land is almost untouched. Except for Addis Ababa and a few urban centers, sanitation facilities are basically non-existent.

(c) Pastoral development:

The FDRE's rural development policies and strategies have already accorded special attention that these areas deserve. The life of the people in these regions is based on cattle breeding and mobility with cattle from place to place. In pastoral areas, the need for the development of institutions which administer pasture lands among pastoral communities without violating indigenous long standing community is of paramount importance.

The following issues are worth considering in this regard: Assessing the physical and climatic endowments of the lands and the operating constraints thereof, Putting in place the necessary infrastructure facilities and ensuring an adequate supply of labour, As these are disease prone areas (particularly malaria), availing adequate basic health delivery system, Implementing appropriate settlement programmes side by side with encouraging private investors to participate in the establishment of large-scale commercial farms and agro-industries

The development efforts here should be based on the integrated development programmes of these regions and oriented towards accelerating regional development in general as well as overall national economic development.

Pastoralist is a method of agricultural exploitation based upon extensive herding where movements of herds and men are the major components of the system. The human population of pastoral areas is estimated to be between 12- 15% of the country of which 93% are pastoral/agro pastoral and the remaining 7% depend on other agricultural activities (hunting, petty trade, mining etc). Pastoral areas in Ethiopia are located in the North-eastern, Eastern, Southern-Eastern, and Southern, & South-western part of the country.

(d) Agricultural Marketing initiatives:

a) Market Forces' and the Marketable Surplus

Farmers in Ethiopia allocate most of their agricultural produce for their own consumption. Moreover, most of them do not produce enough for their own consumption. Hence, the farmers' own hitherto unsatisfied consumption demand would absorb initial increases in agricultural production. The transition to a market-based agricultural system is possible provided that development packages are selected and prepared carefully, technologies are continuously improved and supplied to farmers on a sustainable basis and are provided with adequate education, technical training and services on a sustainable basis. These need to be supplemented by relatively stable and remunerative prices and



well-functioning input and output markets.

b) Improving the Agricultural Marketing System

The success of agricultural development depends, among others, on the existence of an efficient marketing system. If the marketing system is inefficient, high marketing costs will render products uncompetitive particularly on the international market. Standardization of agricultural products, improving the supply of market information system, expanding and strengthening cooperatives, and strengthening private sector participation are key elements for proper functioning of the agriculture marketing system. Attempts will be made to setting a specified standard for agricultural products well ahead of time to be observed by both suppliers and producers of agricultural products.

(e) Rural Finance

The Government's agricultural development strategy relies heavily on enhancing the productive capacity of our people (labor) along with mobilization of the complementary scarce financial resources. Lack of financial resources threatens farmers' productivity and put them into a vicious circle from which it is almost impossible to extricate them. Enabling smallholder farmers' access to credit can break this vicious circle. They will use such credit to increase their output and earn more income and in turn this will enable them repay their loans, take additional loans, and use these in conjunction with their own savings to buy inputs and implements in larger quantities and improved qualities. This in turn would help improve their

productivity and ensure sustainable development of the agriculture sector. Hence, if we wish to increase investment in agriculture and accelerate development, rural sources of finance that can extend loans and credits to farmers in sufficient amounts and sustainably need to be expanded.

Moreover, the existence of a strong financial system is essential for a strong agricultural marketing system. Cooperatives can serve as distribution agents for major importers and factories without actually having to buy agricultural inputs and implements in cash and thereby settle their bills from farmers after sales. Such trading modalities will be affected when there are cooperatives that are financially viable and strong. Thus, mechanisms must be instituted whereby cooperatives can trade with farmers and other economic actors in cash.

(f) Rural Electrification

It is clear that Ethiopia has one of the lowest levels of electricity generation per capita in the world, which stood at 28KWh. Only 13% of the population has access to electricity. Electricity is, thus, a major constraint towards establishment of agro-processing industries, commercial enterprises and irrigation facilities in the rural areas. Besides, delivery of health and education services remains inefficient in the absence of electricity. The Rural Electrification Project is designed to address the aforementioned constraints, which impeded the development of rural towns. The project will also support the Agricultural Development Led Industrialization Strategy (ADLI) by providing consumers access to electricity and thereby enhancing



overall development efforts. In brief, the project will facilitate all rounded economic growth in the rural areas and create employment opportunities for the poor, including women, thereby increasing income levels and reducing poverty. The project is targeted to electrify 164 Woreda towns to provide customers access to electricity. Successful completion of this project shall bring all regional governments to the same level of electrification of Woreda towns.

(g) Rural Telecommunications Development

Although the introduction of telecommunication in Ethiopia dates back to 1894, it has remained under low level of development under different organizational structures. At present the Ethiopian Telecommunications Corporation (ETC) provides all the telecommunication services in Ethiopia. The objectives of ETC as stated in its establishment regulation of 1996 Article 5 are: To engage, in accordance with development policies and priorities of the Government, in the construction, operation, maintenance and expansion of telecommunication services; To provide domestic and international telephone, telex, telefax and other communication services;

(h) Roads

Road infrastructure in Ethiopia had reached such a level of deterioration in the early 1990s that it became a serious hindrance to the Government's efforts in reviving the economy. In recognition of this, the Government launched the Road Sector Development Program (RSDP) in 1997 to tackle the shortcomings in the road

sector and complement the sectoral development programs.

The first phase of the Program (1997-2002) is a culmination of the Government's effort, with significant support from the donor community, to create adequate capacity in the road sub-sector to facilitate and hasten the economic recovery process and restore the essential road networks to an acceptable condition. The Program covered measures aimed at: (a) creating a conducive atmosphere in the road sector through introducing a series of policy and institutional reforms, and (b) rehabilitating critical roads that have been identified as major impediments towards the attainment of the objectives of the Economic Recovery Program. In this regard, the rehabilitation of trunk roads and upgrading of some link roads have been accorded highest priority as they had proved to be a major constraint in the evacuation of crops, the delivery of agricultural inputs, and access to ports.

The second phase of RSDP is now being launched. It will dramatically improve the road network connecting different regions of the country. Besides, the Ethiopian Rural Travel and Transport Sub-Program (ERTTP) is also now being launched to address the constraints of transport at the village level.

(i) Food Security

The magnitude of consumption poverty indicators outlined in the section on poverty profile of Ethiopia is clear manifestation of the scope and depth of the food insecurity problems in Ethiopia. It is manifested directly in three food security components: adequacy of supply (production, reduction of post harvest losses, import



levels), stability of supply (production stability, regional and inter temporal price stability) and access to supply (purchasing power, or income level and access to employment).

In any one year, more than four million people face food shortages and need relief assistance which is met through annual appeals. The figure includes those who are both in chronic and transitory food insecurity. The regional profile of food insecurity reflects variation in deprivation among regions. The food poverty has become equally important in both rural and urban areas. The proportion of the population under food poverty declined from 47% in 1995/96 to 42% in 1999/2000 whereas the corresponding level for urban areas stood at 32.5% and 46.7% respectively-reflecting growing problem in urban areas. The consequences of food insecurity are reflected in the high level of malnutrition (stunting and wasting of children less than five years of age). A combination of factors has resulted in serious and growing problem of food insecurity in Ethiopia.

Adverse climate changes (drought) combined with high human population pressure, environmental degradation, technological and institutional factors have led to a decline in the size of per capita land holding. This was exacerbated by policy induced stagnation of agriculture and internal conflict and instability in the past resulting into the widening of the food gap for more than two decades, which had to be bridged by food aid. Increasing urban poverty is largely attributed to limited broad based employment and income earning opportunities in urban areas.

(j) Human Capacity Building and Utilization

The economic development strategy, in general and our agricultural development strategy in particular, is based on building the productive capacity of the labour force and employing the same intensively in development activities. Building the productive capacity of the labour force includes: Further developing the drive, preparedness and industriousness of the labour force, Upgrading agricultural skills, improving the health status of the population, aligning the above with the supply, replication and diffusion of technology.

(i) Education

Realizing the positive role that education plays in the development of a society and reducing poverty, the Ethiopian government has adopted a new Education and Training Policy (ETP) in 1994. The document outlined the mission and goals of the new education system of Ethiopia to achieve the present and future national economic and social development goals. The policy focuses on increasing access to educational opportunities with enhanced equity, quality and relevance. This was the basis for the multi-year Educational Sector Development Program (ESDP) that started in 1997/98 with the long-term goal of achieving universal primary education by the year 2015. The second phase of this program, ESDP II, shall span for three years similar to that of PRSP, from 2002/03 to 2004/05.

(ii) Health

Ethiopia is known to have one of the lowest health statuses in the world. This is mainly due to backward socioeconomic development resulting in



widespread poverty, low standard of living, poor environmental conditions and inadequate health services. Realizing this state of affairs, the Federal Democratic Republic of Ethiopia, embarked on a rapid economic development and a multi-pronged poverty reduction programmes. In line with this strategy, it took a number of measures in the health sector including the design of an appropriate sectoral policy, strategy and a twenty-year rolling health development programme. In response to the prevailing and newly emerging health problems as well as in recognition of the weaknesses of the existing health delivery system, the first phase of Health Sector Development Programme (HSDP I) was launched in 1998 (EFY 1990). It was developed in the context of a strong government commitment to democracy and decentralization, and was designed explicitly to respond to the health care needs of the rural population who constitute 85% of the total population. The sectoral programme demonstrates the priority that the Government accords to health, and backed by a firm commitment to allocate the necessary internal and external resources to facilitate HSDP implementation.

The need for broad partnership between, and active involvement of all potential partners involved in the financing, delivery, management, and use of health services was also recognized at an early stage, and HSDP I was therefore developed through a broad consultative process. It included mechanisms for transfer of power to the communities and their representatives in the management and support of local health service delivery, through health committees and management boards

established at hospitals and other health facilities.

Conclusion

The problem of widespread poverty is one of the most serious challenges facing Ethiopia. Currently, the government is seriously engaged to deepen the process. Commercialization, diversification and Specialization is to be intensified through farmers training and support of the extension system. This will help the farmer to transit from producing for subsistence to producing for the market, in the process realizing market driven agricultural development. This creates a basis for strong agriculture industry linkage for structural transformation of the Ethiopian economy. The government is working towards effective mobilization and coordinated use of the resources of the public, private, NGOs and communities to ensure rapid, broad based development and effectively attack one of the most serious challenges that Ethiopia is facing – deep and wide poverty. There is an expectation for increased inflow of ODA resources to support the country's strategy and priority programs for broad-based development and poverty reduction. It is also expected that aid flows are not impeded by traditional aid delivery mechanism. There is a clear and strong preference for budget support, which becomes an imperative with the ongoing decentralization from regions to Woreda and Kebeles. Development partners are also expected to facilitate market access trade and foreign investment flows to Ethiopia to contribute to the realization of development and poverty reduction objective of Ethiopia.



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