

Economic Development in Ethiopia

the politics of aid and the independent development of a nation

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Abbreviations

AED	African Elections Database
AFDB	African Development Bank
AU	African Union
BBC	British Broadcasting Corporation
BERR	Department for Business, Enterprise & Regulatory Reform
CIA	Central Intelligence Agency
Danida	Danish International Development Agency
EC	European Commission
ECBP	Engineering Capacity Building Programme
ECX	Ethiopian Commodity Exchange
EDF	European Development Fund
EPRDF	Ethiopian People's Revolutionary Democratic Front
EU	European Union
FDI	Foreign Direct Investment
GBS	General Budget Support
GDP	Gross Domestic Product
GHI	Global Hunger Index
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HRW	Human Rights Watch
HRW	Human Rights Watch
ICC	International Criminal Court
IMF	International Monetary Fund
MDG	Millennium Development Goals
MINBUZA	Ministerie van Buitenlandse Zaken (Dutch Ministry of Foreign Affairs)
MOFAED	Ministry of Finance and Economic Development
NGO	Non-Governmental Organisation
ODA	Official Development Aid

OECD	Organisation for Economic Co-operation and Development
PDS	Protection of Basic Services
PPP	Purchasing Power Parody
SDPRP	Sustainable Development and Poverty Reduction Strategy Paper
Sida	Swedish International Development Co-operation Agency
TE	Transparency International
TNC	Trans National Corporation
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USA	United States of America
USDS	United States Department of State
USLC	United States Library of Congress
WB	World Bank
WFP	World Food Programme
WTO	World Trade Organisation

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Preface

In 1986 a small family from the western part of Jutland in Denmark, decided to pack all their belongings together and move to Ethiopia. After living in Addis Ababa for over three years, the increasingly dangerous security situation, forced the family to move back to Denmark. Today, 20 years later, I returned to the country I once called home, with the goal of not only conducting research for my master thesis, but to experience and re-live some of my past memories of Addis Ababa and Ethiopia.

The writing of this thesis has been a long and at difficult experience, but at the same time it has given me a vast amount of first hand knowledge and expertise and experience. I would like to thank the people at Aalborg University for supplying me with the funding for my research, and my supervisor Mammo Muchie, for his support and supervision during this semester.

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Abstract

Although Ethiopia and the east-African region are renowned for droughts, famine, war and most recently, piracy, there is much undiscovered potential that is far too often overshadowed by these tragic events. So much so, that despite having the ninth largest global population of livestock, and vast amounts of surface water, Ethiopia remains the largest global recipient of food aid globally, and the second largest recipient of aid in sub-Saharan Africa today.

This thesis therefore sets out to explore the *how* and *why* of economic development in Ethiopia since the fall of the Dergue regime in 1991; *how* the international community, in particular the European States, and the national government have engaged themselves in these developments, and *why* policies and engagements are not achieving their goals.

In order to achieve this, a number of interviews were conducted with government officials, donors and NGOs, resulting in fundamental first hand data on this subject. The Danish government, otherwise widely engaged in development efforts throughout Africa, has no bilateral aid agreements with Ethiopia. However, two of Denmark's neighbours, Sweden and Germany, are both engaged in long-standing development efforts in Ethiopia. The Swedish are involved in a number smaller local initiatives, whilst the Germans are working together with the Ethiopian government on a number of issues, including a large scale capacity building program, supporting economic development. Another EU member state with a large engagement in Ethiopia is The Netherlands. In addition to this, the European Commission is one of the biggest multilateral donors in Ethiopia. In light of this it is noteworthy that the Danish government still does not find it fitting to provide bilateral assistance to Ethiopia.

This is mainly due to the fact that the Danish government does not feel it can ethically provide assistance to Ethiopia, well knowing the governments conduct towards its own people. The main causes for concern have been the terrible events that followed the 2005 elections, and most recently the establishment of the NGO law. In 2005 over 200 people died, as supporters of the opposition took to the streets as a result of controversial election outcomes. Government troops fought back in what became one of the bleakest moments of modern Ethiopian history. In the midst of this, the government issued restraints on freedom of press, and has since, been reluctant

to allow foreign journalists access to all areas of Ethiopia. The NGO law is set to limit the number of foreign NGOs operating in Ethiopia, categorising any NGO receiving more than 10% of its funding from abroad as foreign. This new law is receiving widespread criticism, and many donors are still anticipating what the outcomes of the law on the NGO community in Ethiopia will be. Interestingly, the Danish government is not alone in their criticism towards the Ethiopian government, however other donors have not decided to downscale their presence in the nation, rather downscale the scope of their projects, ultimately resulting in less significant results.

With recent increases in GDP and PPP (and other indicators) the Ethiopian economy is showing signs of growth. However, Ethiopia suffers from huge inflation, lack of foreign currency, and lack of capital for local investors, slowing the overall progress of further economic growth and development. Despite the government taking steps to liberalise the economy since 1991, their continued Marxist approach to development runs the risk of causing serious stagnation in the Ethiopian economy as time progresses. In addition to this, the government's disregard to foreign criticism is making further development and investment cooperation increasingly difficult.

In light of this, the 2010 elections in Ethiopia will be a milestone for both the international community and the Ethiopian government alike. The donors will be looking to see how the government will proceed with carrying out fair and free elections, whilst they no doubt will be hoping for another landslide victory. The most important aspect however, is that an open-dialogue between the parties is established, so that aid efforts become more effective, enabling sustained long-term independent development to take place in Ethiopia. In addition to this, it is vital that the large influx of aid to Ethiopia does not make the government less accountable to its citizens.

1. Introduction

The politics of aid

Do politics play too big a role in the way we give aid, in the sense that aid allocation is done too scarcely and too carefully so that it does not have any positive and sustainable effect on the environments in which it is given?

This thesis will examine the economic development of the Federal Republic of Ethiopia since 1991, and how aid has had an impact on the economic growth and development of the nation, with a focus on aid from Denmark, The Netherlands, Germany, Sweden and the European Commission.

There are many reasons why Ethiopia is an extraordinary nation. As one of the oldest countries in the world, not only has it never been colonised, it is a landlocked nation in an extremely unstable region of the world which possesses one of the longest and richest histories of present day nations. Nevertheless, these are not the attributes for which Ethiopia is known. Instead Ethiopia is known for its numerous famines, droughts, wars and corruption. However since 1991, Ethiopia has been through a vast political development, which has undoubtedly resulted in long periods of peace and stability, yet it remains to be seen whether the current political structure can bring sustained economical development to the nation. The government is not only dealing with the continued issues of droughts, famines, poverty, and high inflation rates, it is also under tough scrutiny from many nations (in particular the larger aid donors such as Denmark and The Netherlands), for its conduct in domestic and international matters. Most notably the controversial elections in 2005, the recent establishment of the NGO law in 2008, and Ethiopia's disregard to the International Criminal Court (ICC) with regards to Sudan.

Unfortunately the conduct of the Ethiopian government has resulted in a number of cuts in official development aid (ODA) from nations such as Denmark and The Netherlands. These cuts undoubtedly effect the most needy of Ethiopia's citizens. Nevertheless, these donor nations do not feel that they can rightly give aid to Ethiopia when they do not agree with the political conduct of the ruling government. Germany and Sweden, on the other hand, still have a large involvement in Ethiopia; this however, is based on a very different approach than that of the Dutch and Danish aid agencies. Germany has focused most of its efforts on so-called 'technical assistance' and

‘capacity-building’, whilst the Swedish International Development Co-operation Agency (Sida) has, like other donors, cut the amount of aid Ethiopia has received since 2005, but has decided to continue supporting areas such as micro-credit facilitation, water, roads, and most notably helping farmers obtain legal rights to their land in the Amhara region (Sida, 2007a).

Below is a short summary of the work that some of the donor agencies involved in Ethiopia carry out. These agencies include: Danida (Danish International Development Assistance), Sida, The Dutch Embassy (Minbuza), the German aid agency GTZ through their involvement in the ECBP (Engineering Capacity Building Programme), and the Delegation to the European Commission in Ethiopia. A more detailed outline of the individual involvements in Ethiopia is set out in section 6.

Through Danida, the Danish foreign ministry has no bilateral aid agreements with Ethiopia. In fact, according to the Danish embassy in Addis Ababa, the Danish government decided to focus its aid efforts in Mali rather than Ethiopia, due to the Ethiopian government’s conduct during the 2005 elections (Johansen, 2009). As a result, the primary reason for the Danish government’s presence in Ethiopia, is because the African Union’s headquarters and the UN Economic Commission for Africa, are both located in Addis Ababa. However, in a recent interview with the Danish Embassy in Addis Ababa, Flemming Johansen, Defence Attaché, revealed that although talks between the Ethiopian government and Danida were revived in November 2008, the true outcome of these talks will only become apparent after the 2010 elections in Ethiopia. Before these elections have been held, Danida does not feel that it can establish any bilateral aid agreements with Ethiopia, as the undemocratic practices of the Ethiopian government get in the way of any current aid efforts. However, as Mr. Johansen also pointed out, despite the undemocratic nature of the Ethiopian government, the region has been at peace in recent years, an argument that David Turton highlights in his study of Ethnic Federalism in Ethiopia (Turton, 2006, p. 2).

In contrast to Danida, the Dutch Ministry of Foreign Affairs, has decided not to cut all bilateral aid, but rather to re-channel its efforts through the World Bank’s ‘Protection of Basic Services’ programme (PBS). This is so despite a recent comment by Hans Poley, First Secretary of Trade and Investment, (a view also expressed on the Dutch Embassy web-site) that “the omnipresence of the EPRDF continues to cause concern for international partners whose vision of democracy is not aligned with EPRDF’s ‘revolutionary democracy’... EPRDF policy prioritises economic rights over political and human rights...” (Minbuza, 2009). In connection with this, the Dutch government has

decided that most of its efforts in Ethiopia will be in relation to *Component 2* and *4* of the PBS, namely being; 'Promoting of Health Millennium Development Goals' and 'Social Accountability' (WB, 2008), whilst the Dutch government will continue to provide emergency relief aid. However, as Mr. Poley points out, the future of Dutch development aid is dependant on the outcomes of next year's elections and the implementations of the NGO Law in Ethiopia.

The Swedish aid organisation, Sida, has been providing support to Ethiopia since the 1950s. This support is aimed mainly at democratisation, respect for human rights, social issues and economic growth (Sida, 2007b). The Swedish strategy in Ethiopia is therefore based on the Ethiopian government's own strategy paper, the Sustainable Development and Poverty reduction Strategy Paper (SDPRP), and will provide funding in order for this strategy to be implemented (Sida, 2003, p.3). Despite the fact that Sida's strategy in Ethiopia has been outlined in their 2003-2007 'Country strategy for development co-operation with Ethiopia' report, like so many other donor agencies the amount of aid Ethiopia has been receiving from Sida has decreased after the 2005 elections. In a recent interview with Gisela Strand, Deputy Head of the Development Cooperation Section at the Swedish Embassy in Addis Ababa, she expressed a certain degree of frustration towards the Ethiopian government's political actions, as they only resulted in cuts to aid budgets, making the work of donors more difficult. On the other hand, Ms. Strand also expressed a great deal of optimism towards development in Ethiopia, but stressed that policy changes are needed to help realise these potentials.

When looking at the German approach to development in Ethiopia, this thesis will specifically examine one of the projects that Germany is currently engaged in, namely the *Engineering and Capacity Building Programme (ECBP)*. The ECBP is promoted by the Ethiopian Ministry of Capacity building, and was designed in close collaboration with Germany. It is based on four main goals, namely the Private Sector Business Development; Quality Infrastructure; Ethiopian Technical and Vocational Education and Training; and the University Reform Goals. In their own words, the ECBP is a "national programme aimed at broadening the perspectives of all Ethiopians through employment generation as a result of accelerated industrial development" (ECBP, 2006).

The overall goal of the ECBP is for Ethiopia to develop through a participatory and interactive process where democratic rule, good-governance, and social justice reigns, encouraging development so that in time poverty becomes a thing of the past and Ethiopia grows to be a

middle-income country (ECBP, 2006, p. 17). The main vision for the ECBP is to develop the industrial sector of Ethiopia, so that it is competitive in an international context. The belief being that this will then enhance standards of living and society in Ethiopia. This paper will focus mainly on the *Private Sector Development* objective of the ECBP as this is the goal that is directly connected with economic development in Ethiopia.

The ECBP has a number of national and German stakeholders¹ that all contribute to the programme. These include a number of Ethiopian Ministries and various German agencies, including the 'Deutsche Gesellschaft für Technische Zusammenarbeit' (GTZ). The budget has previously been mainly funded by the German agencies, however in recent years, the Ethiopian government has become the main funder of the ECBP².

Compared to the approaches outlined above by the Dutch Ministry of Foreign Affairs, Sida and Danida, the ECBP provides a very different structure and approach. Interestingly, the ECBP appears to have less of a political agenda, instead placing more emphasis on the overall goals of the programme. The hope is that by achieving these goals, development will spread throughout Ethiopia as a *trickle down* effect. The programme has however encountered various problems that could be directly linked to current government policies. Overall, the German approach through the ECBP is very different to that of the other donors mentioned above, as it is based purely on technical assistance with a high level of involvement from local actors.

Taking this into consideration, one cannot help but ask whether the international community has become too focused on the political situations in the developing world, emphasising political change to such a degree that countries like Ethiopia miss out on essential aid, while developed nations disagree with their policy creation and development. It is hard to imagine how Ethiopia would develop without foreign assistance, and even in the current situation where some nations are choosing to reduce their aid programmes, Ethiopia has certainly benefited from the construction of vital infrastructure in both Addis Ababa and rural areas of the country. Additionally, while both German and Swedish aid agencies are highly engaged in projects in Ethiopia, the reluctance of further Dutch and Danish involvement sends mixed signals to Ethiopia, as there seems to be an unclear opinion of the Ethiopian situation within the European Union

¹ See appendix I

² see appendix I

(Simane B. ,2009). While involvement in Ethiopia may be viewed as risky given the current political situation, the long term effects of a politically stable and economically sustainable nation in the horn of Africa, is viewed by many as an extremely important factor that should not be disregarded by the donor community.

If we look at the geopolitical landscape of Ethiopia then “the country would appear to have several assets” (Cole & De Blij, 2007, p. 525), and has many features that could play to the nation’s advantage. These have been outlined by, among others, Cole and Blij as being: large, yet compact; having no lengthy protrusions; being in the proximity of a large coast-line; and having a centrally located capital which helps hold the state together (ibid.). Nevertheless, as Cole and Blij further outline, these possible advantages are continuously undermined by the “internal division and fragmentation in Ethiopia” (ibid.), and have become a critical issue for further development in Ethiopia, as these regional boundaries, or physiography, enhance communication problems, “slows the spread of ideas from the capital, isolates communities ... and raises [the regional] cost of importing and exporting” (ibid.). Cole and Blij go on to add that if these limitations of Ethiopia’s development were simply limited to the lack of a transportation infrastructure, many of the problems that the nation is experiencing would be equivalent of those of other developing nations, namely the need for “improved communications systems to stimulate development and foster national spirit among people...” (ibid. p. 526). In Ethiopia, the problem is unfortunately more serious, requiring more than the mere improvement of the communications and transportation infrastructures.

In light of these concerns, this paper will analyse how economic development in Ethiopia has grown since the fall of the communist regime in 1991, and how ODA from a number of European states is having an effect on this growth as well as the political landscape. The role of the 2005 elections and the political situation in Ethiopia will be discussed in light of the upcoming 2010 elections. The central question of this thesis is therefore:

How has the economic landscape in Ethiopia developed since 1991, and how is donor aid involved in this development?

In order to answer this, this thesis has been divided into the following chapters: The methodology outlining how research and data collection has been conducted, along with the challenges associated therewith; A short outline of some of the different theories in development studies

that play a role in the discussion of development in Ethiopia; A brief history of aid, and how aid efforts have developed since the 1940's; Donor aid to Ethiopia since 1991, in particular the efforts and approaches taken by the Danish, Dutch, German, Swedish, and the EC donor agencies; A closer look at some of the basic indicators of economic development in Ethiopia including the overall economic situation in the country; and finally, the conclusion will reflect on the theories and data presented, analysing what the future may hold for Ethiopia and what scenarios we are likely to see in terms of further economic development in the nation.

2. Methodology

The topic of Economic Development in Ethiopia is one which there is a large amount of available data on, with respect to financial indicators from institutions such as the World Bank (WB) and the United Nations (UN). More in-depth data concerning approaches to development, results and monitoring, are not as widely available however. The following will therefore outline the methodological approaches that have been considered for the completion of this thesis.

As mentioned above, there is a vast amount of readily available financial data, or indicators, on the economic situation on Ethiopia, however, since this data does not take more in-depth results into consideration, it was necessary to collect a substantial amount of first-hand data (or primary sources) on the topic of this thesis. *Primary Sources* may be defined as “those created by direct observation... [where] the writers were participants or observers in the events they describe” (Rozakis, 2007, p. 38). For purposes of this thesis, this was done by conducting numerous *semi-structured* and *unstructured interviews* of government officials, donors and NGOs in both The Netherlands and Ethiopia.

The interviews were organised to last between 45 minutes and an hour, with a list of themes or questions that would be covered, varying from interview to interview, leaving room for variation and additional questions depending on the flow of the interview (Saunders et al., 2003, p. 247). Ideally all interviews would have been digitally recorded, unfortunately, however, not all interviewees were willing to be recorded. In these cases note taking was used as a means of data recording. Using this form of interviewing, also known as *non-directive* (ibid.), allowed the interviewee to talk freely about the topics covered in the interview. These *qualitative interviews* were all conducted in a one on one, *face-to-face*, situation. Using this structure and type of interview for qualitative research, fostered an environment of open discussions which created an opportunity “not only to reveal and understand the ‘what’ and the ‘how’ but also to place more emphasis on exploring the ‘why’” (ibid. p. 248).

In addition to these interviews, secondary data was collected through a number of sources that have dealt with the topics and issues regarding the subject matter of this thesis. These sources tend to base their conclusions on more theoretical approaches, compared with the interviews

which produced information based on more practical experiences than theory. By gathering information from both primary and secondary sources and analysing the approaches taken and their outcomes in light of the main topic, this provides a clearer picture of the actual situation through its combination of theory and practice. This thesis will therefore combine inductive and deductive research in order to gain a broader understanding of the issues at hand (Saunders, et al., 2003, pp. 85-89).

The secondary sources used in this thesis cover a wide spectrum within the development field, including general political studies, international relations, economics, development, and research methods. The main sources are in the form of published books, articles and journals, including electronic sources of the same category. The main theories, approaches, and frameworks considered and analysed in this thesis range from, among others, post-development theory, dependency theory, modernisation theory, the works of Schumpeter, Keynes, Collier, Sen, Ziai and Martinussen.

With respect to the forms of data collected, there are a number of advantages and disadvantages that should be taken into consideration. Concerning the primary data collected through interviews, the issue of subject or participant bias should be taken into consideration. This is especially so with respect to the interviews which were conducted at the various embassies in Ethiopia as the interviewees may have felt restrained by their positions and therefore unwilling to be critical in contrast to, for example, the interviewees working for an independent NGO. In addition there is also the issue of possible observer error or bias, where the interviewer interprets the answers of the interviewee incorrectly. This is especially likely to arise in situations where the interview is not conducted in the interviewee or interviewer's native language, as was often the case during the interviews conducted for this thesis. It is therefore impervious that primarily data is evaluated and balanced accordingly (ibid. p. 101). Nevertheless, an advantage with collecting data through interviews is that it allows for the possibility of collecting up-to-date first hand data that is not readily available through other sources.

In contrast, the *secondary data* alone would not have been sufficient with regards to this topic, as not only is the data scarcely available, the data which is available, is often biased depending on its source. The data is useful, however, secondary data is often less resource demanding, thereby allowing for broader research and comparisons to be made (ibid. p. 200-201). Some of the

disadvantages related to secondary data is that the data collected may not match the purpose of the research question. Great caution should also be taken when evaluating secondary sources, as they may be biased, including data from governments (ibid. p. 201-203). The works of Saunders, Lewis and Thornill have therefore been taken into consideration when evaluating the validity and reliability of the different sources used in this thesis.

In conclusion, this thesis aims at providing an in-depth study of the economic development of Ethiopia, how the government and ODA efforts are dealing with the issue, and what approaches they are taking. The research approach is one that is both based on both *interpretivism*, *realism*, and *exploratory* methods. The idea being to combine the theory and the practice in an effort to better understand the *how* and the *why* of economic development in Ethiopia.

3. Theories of Development

This chapter will outline some of the different theories, or schools of development, to facilitate a better understanding of the various approaches to development. This outline will then be used in the following chapters concerning the more specific topic of development in Ethiopia and reflect on the theories, and schools, mentioned henceforth. The three main theories that have been chosen are Modernisation, Dependency, and Post-Development. These three theories all include aspects that are vital in relation to the economic development debate in Ethiopia. In addition to this, views on economic growth and development will be discussed.

When examining some of the different development theories it is important to consider the rationale behind the theory. As Martinussen mentions, when discussing the theories of development it is important to distinguish between theories that focus on economic conditions and ones which focus mainly on socio-political conditions (Martinussen J. 1997, p. 49). In light of the subject matter of this thesis, emphasis will be placed on the economic conditions of development. Socio-political conditions, however, will also be touched upon as the two areas are closely related, often intertwine, and are difficult to separate.

Economists such as Schumpeter, Keynes and Marshall, have been among the founders of development economics today, and their works have played a vital role in the advancement of the economies of the developed world. For example, Martinussen describes how after World War II countries that were in need of economic growth and development embraced Schumpeter's "basic distinction between economic growth on the one hand, and development as a structural transformation process on the other" (ibid. p. 50) by emphasising the importance of industrialisation as the lack of industrialism in poorer developing nations was viewed as the reason for their impoverished status.

Martinussen further remarks that the approach taken by the United States and the European nations after the Second World War was one that was based on growth and modernisation, paying significant attention to internal factors such as "sources to economic growth" (ibid. p. 51). Under this theory, economies would be able to develop through a sustained accumulation of capital, coupled with a "trickle down" effect of economic growth. In addition to this, there was mutual recognition that there was a need for structural reforms, conceiving of development as a

discontinuous process with different stages (ibid.). This in turn explains the European and American approach to development work today. Past experiences with their own development have set the playing field for their approach in the developing world. These approaches are however heavily criticised for not taking the interests of the recipient nations into consideration. The post-development school often voices such criticism. Aram Ziai “urges for alternatives to development combining elements of traditional and modern culture” (Ziai, 2004, p. 1045). Michael Foucault describes post-development as a discourse, and that the notion of ‘development’ implicates a certain power relationship and our view of the world (Foucault in Ziai, 2004).

Continuing the focus on economic development, the neo-classical school of development economics, teaches us to “focus upon individuals, households and companies, and the markets where these interact” (Martinussen J. , 1997, p. 52). According to Martinussen, this is the outset of micro-economic thinking, and forms the basis for the neo-classical thinkers approach to a macro-economic level. Furthermore, there is made no division between industrial countries and developing countries, making the same assumptions concerning the “utility maximisation of consumers, the profit maximisation of producers and the markets central role as the major determinant of economic behaviour” (ibid.). In this regard, Perraton outlines how a Marxian model of economics claims that capitalism is in fact development, essentially differentiating itself from the belief of dependency theory (Perraton, 2007, p. 31).

According to Geoffrey Underhill, the various theories that attempt to outline the approaches to development all share at least one essential characteristic, namely that they “tend to be based on an analysis of the sociopolitical effects of economic structure and therefore do not adequately deal with the relationship between structure and agency” (Underhill, 2000, p. 15). Quoting Philip Cerny, Underhill goes on to explain how the theories are weak, and that there is a lack of structure in the available theories showing how structures originate, change, work, and reproduce themselves; according to Underhill “...what we need is a theory of politics in a wider sense of the word” (ibid.).

3.1. Modernisation theory

Modernisation theory historically originated after World War II, as the United States rose as a capitalist superpower, becoming much of a model for many other countries to follow (Nustad, 2001, p. 480). During the post war period, many new nation states, particularly in Africa, arose

after having claimed independence from their colonial rulers. The role that the US now took, was to move European and many of the third world states, towards the path of capitalism, and away from communism, as communism was perceived as being a threat to development, and hindering the modernisation of the state. Modernisation theory therefore implies that the Western industrialised nations are modern, whilst developing countries are traditional and in need of development. Martinussen mentions how modernisation theorists are concerned with how traditional values, attitudes, practices and social structures can be replaced with more modern ones (Martinussen J. , 1997, p. 56). However, when governments of developing countries start to develop their own systems for change that differ from those of the developed nations, problems arise, as these changes are often seen as obstacles to development, rather than tools.

In addition to this, the positive developments in post war Europe, lead to steps being taken in this period, to become a somewhat *blueprint* for development. Western states have therefore often taken this very same approach to development. Martinussen outlines how one of the main characteristics of modernisation theory is that it claims economic growth and modernisation are possible through the impact of trade between poor and industrialised countries (ibid.). Rosentein-Rodan believed that high unemployment rates and underemployment in the agricultural sector are a major characteristic of developing countries, and that the only solution to this was to industrialise. Rosentein-Rodan's approach is known as the *big-push*, where the state actively got involved in the education of their workforce and planned large-scale investment programmes (Rosentein-Rodan in Martinussen J. , 1997, p. 57).

Nurkse took this one step further, explaining that some developing countries were in fact caught up in a vicious poverty circle, a circle that outlined the issue from a supply and demand side, where because "demand is low and markets limited, there will be no incentive to make private investments" (ibid. p.58). In short, the lack of capital in the developing world results in low productivity of goods, resulting in numerous low-income jobs that do not foster capital saving. This in turn does not make the market appealing to foreign investors. Both Nurkse and Rosentein-Rodan therefore believed that increased capital investments in developing countries would grow if the governments in questions created a lucrative enough environment for investment (ibid. p. 59).

In the context of Ethiopia, the government is actively involved in the development of the educational sector, however, programmes are still lacking for private foreign investors (Mulugeta,

2009). Furthermore, the Ethiopian government takes a very Marxist approach to governance, choosing development models that do not always suit the demands or views of the donors³ (Clapham, 2006, p. 147), as the Ethiopian government outlines its own *roadmap* to development with their 'Sustainable Development and Poverty Reduction Programme', written by the Ministry of Finance and Economic Development (MOFAED, 2005).

Therefore, since 1991 the approach taken by donors in Ethiopia⁴ has differed to that of the modernisation approach. The donors themselves may in fact have wanted to follow this approach, as they do in many other developing countries, but because of the stronghold of the government on policies regarding development, and especially investment, the donors have had to adapt their approaches, or simply move their interest elsewhere⁵. In relation to this, section 5 will outline some of the major donors activities in Ethiopia further.

Lastly, modernisation theory is often heavily criticised for creating a situation where developing nations are more dependant on Western states for economic development, than independent and able to go their own route towards development, a view which is strongly emphasised by the dependency school.

3.2. Dependency theory

Geoffrey Underhill states, Dependency theorists see flaws in the capitalists approach to development, where global firms, often supported by their home states, seek profit-making opportunities abroad. According to Underhill, the dependency theorists believe that this approach is instead likely to create core and periphery areas of the global economy (Underhill, 2000, p. 15). It is therefore safe to say that dependency theory is heavily critical of the modernisation perspective outlined above. It is also in this perspective that dependency theory is interesting for the case of Ethiopia, as the Ethiopian government, with its own plan for development, is set to reach its own goals on its own premises. The question however remains whether or not this in fact is the best solution for further development.

³ In a recent interview with Flemming Johansen, Defence Attaché, at the Danish Embassy in Addis Ababa, this view was expressed (Johansen 2009)

⁴ In this regards, Denmark, The Netherlands, Germany, Sweden and the Delegation to the European Commission are being used as primary sources to data, due to the nature of the research of this thesis.

⁵ This is very much the case with regards to Danida, as funds that were originally going to be allocated to development in Ethiopia, are now being used in Mali (Johansen 2009)

Defining dependency theory can be difficult. A good definition of the theory is therefore that of Theotonio Dos Santos, where he outline dependency theory as follows:

“By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or negative effect on their immediate development”

(Dos Santos in Perraton, 2007, p. 31).

Paul Baran explains how underdevelopment lies in the fact that markets are often constrained by their small size, and due to the agricultural sectors often being large and only marginally productive, whilst the industrial sectors (where the profit opportunities lie), are often very small (Baran in Martinussen J. , 1997, p. 86). However, unlike Rosentein-Rodan, Baran took a more classical Marxist approach to understanding why developing countries remained underdeveloped. According to Baran, the economic forces that would be able to create capital growth in the developing world are not always inclined to do so, as these forces would in fact be risking their own access to income, if they were to promote industrialisation (ibid.). These classical economic forces are according to Baran, the landowners, moneylenders, traders, and foreign and national capital owners. The last group, especially the internationals, are believed to be inclined to this development, as in doing so, they would be undermining their own positions in the nations in question. In fact, the only way that Baran could see out of the misery was “...through extensive state interventions to promote nationally-controlled industrialisation” (ibid.).

Samir Amin, another economist who has done extensive work in the field of dependency theory, constructed two ideal-type societal models in his academic works, linking condition and relations of trade. One of these models is the *auto centric* economy, which is not entirely self-sufficient, but rather self-reliant in the sense that intra-social linkages between the main economic sectors predominate and shape the basic reproduction processes. In so doing, Amin believes that these internal production relations determine a societies ability to develop (Amin in Martinussen J., 1997, p. 90). Amins other model is the *periphery economy*, and is very different to the auto centric

economy. This economy is mainly export driven, and lacks in a capital goods industry as well as a sufficient small-sector manufacturing facilities for goods of mass consumption (ibid.). This type of economy is heavily dependent on the world market, and the economies of centre countries.

In short, dependency theory denies that capitalism is the only universal path to development, claiming that capitalism differs greatly between the developed and underdeveloped states. Development in *core* states, and underdevelopment in *periphery* states, takes place simultaneously. Therefore, trade and capital flows between the *core* and *periphery* constrain development in the *periphery*, resulting only in gains for the *core*. Perraton believes dependency theory effectively denies the possibility of development in poorer economies, as international economic relations between the core and periphery are inherently zero-sum (Perraton, 2007, p.31-32).

However, much of dependency theory is based on so-called *post-colonial dependency*, where previously colonised states maintain much of the infrastructure and systems that were introduced by their colonial rulers. In the case of Ethiopia, the 5 years the nation was under Italian rule can hardly be defined as a period of colonisation. Traditional dependency theory is therefore not so applicable in the sense that Ethiopia is not dependant on Western states due to their historical relations, but rather that the contemporary economic system ties Ethiopia to the West. In this sense, Ethiopia's economy is dependant on trade with the Western states, but their development has been independent.

The works of both Baran and Aminare are very much relevant in the perspective of Ethiopian development. In order to prevent lack of development due to the interests outlined by Baran, the Ethiopian government maintains a state monopoly over land ownership and other essential sectors of the economy (Teferra, 2005, p. 14). Furthermore, the government takes a very auto centric approach to development, focusing on the industrial and agricultural sectors in order to achieve poverty reduction goals and sustainable development (MOFAED, 2005). These issues will be further elaborated upon in section 6.

3.3. Post-Development theory

The way we think about development and the *Third World* is attributed considerable significance in post-development. According to Susan Maiava, the dominant Western nations represent, understand, and talk about the developing world through a prism of development, which in turn misrepresents the actual opportunities for the developing world as we are stuck in the prism that this specific part of the world is in need of development (Maiava, 2002). This critique of development lies in the notion that we are attempting to restructure the developing world according to an image that fits the needs of the West (Ziai, 2004, p. 1047). This is often combined with a criticism of aid structures as being a neo-colonial arrangement of westernisation. Post-development is therefore concerned with finding alternatives to development through a combination of traditional and modern culture.

According to Ziai there are two variants of post-development, the *sceptical* and the *neo-populist*. The neo-populist approach “romanticises traditional culture, portraying cultures as static and rigid... [rejects] modernity and promotes the return to subsistence agriculture” (Ziai, 2004, p. 1054). The sceptical variant “employs a constructive perspective on culture and avoids sketching models of future transformations of society” (ibid.). It is Ziai’s belief that at least one of these variants, can be found in post-development texts. In addition to this, Hoogvelt outlines that post-development is not anti-development, as the theory does not deny globalisation or modernity, but rather seeks to find “ways of living with it and imaginatively transcending it” (Hoogvelt in Ziai, 2004, p. 1054).

In order to understand the theory better, Arturo Escobar, who is one of the most profiled writers on post-development, describes some of the main characteristics of the theory:

- an interest not in development alternatives but in alternatives to development, thus a rejection of the entire paradigm;
- an interest in local culture and knowledge;
- a critical stance towards established scientific discourses;
- the defence and promotion of localised, pluralistic grassroots movements.

(Escobar in Ziai, 2004, p. 1046)

According to Ziai, one common attribute to a number of post-development texts is that they “criticise development simulates as a Eurocentric discourse, an at least partly imperialist project and (often) a meaningless concept” (Ziai, 2004, p. 1046). Furthermore, as Escobar points out, local culture is a central interest for post-development theorists, so much so that Rahnema describes the idea of development as an illness, or virus, attacking traditional culture, caused by contact with Western modernity (Rahnema in Ziai, 2004, p. 1055). Ziai however, argues that this point is not entirely valid, unless the people in question are forced to give up their culture. The neo-populist Rahnema, on the other hand, maintains “the people’s opinion should not be ultimately relevant, because the poor have internalized the developers perception of what they need” (Rahnema in Ziai, *ibid.*).

Post-development theory is therefore interesting when looking at development in Ethiopia. First of all, because Ethiopia has not undergone a long period under colonial rule, it is not tied to any Western states as Ghana or Tanzania for example. In addition to this, the political and legal infrastructure in Ethiopia is not one that has been forced upon the nation by an outside power. The Ethiopian government is, taking cautious steps on the road to development, taking care not to spoil their national heritage and culture. This makes Ethiopia an extremely interesting case with regards to development studies, as the state is so inclined to satisfy the needs of donors, resulting in a tedious and ineffective relationship with donors (Johansen, 2009). This point will be extensively covered in the sections below, however it is worth mentioning, that during a recent interview on this subject, Hans Poley of the Dutch Embassy in Ethiopia, stated that one of their main problems with the Ethiopian government was their persistence to do things their own way. More precisely, Mr. Poley stated that “Ethiopians have their own way of doing things, and they prefer the World to change around them, than to change themselves”(Poley, 2009). In relation to this, it seems that the Ethiopian development perspective is not far from the views of Banuri who expressed that “it is not for the outside expert to insist that the goals which he or she thinks worth pursuing are the ones which should be pursued by all societies” (Banuri in Ziai, 2004, p. 1052).

The theory is also heavily criticised for being a “...cynical legitimating of neo-liberalism or a futile romanticisation of pre-modern times” (Ziai, 2004, p. 1045). Furthermore, it is argued that post-development does not offer any constructive alternatives to development, and is offering only criticism of other development theories. In closing, post-development theory provides us with fundamentally important critiques of development theories, yet does not provide us with an

alternative, as it would in reality then be doing what it is criticising. According to Nustad, the theory can help stimulate criticism of development interventions, and must be kept separate from a call for alternatives (Nustad, 2001, p. 479).

3.4. Economic Growth and Development

Joseph Schumpeter is another well-known economist who has done extensive work in the field of development economics. Schumpeter's distinction between economic growth and economic development is especially interesting, as he outlines growth as "the gradual extension of the capital apparatus and increasing population" (Schumpeter in Martinussen J., 1997, p. 24). At first, conventional economists did not generally accept this distinction between growth and development. According to Martinussen, economic growth was seen as the "supreme goal in itself... it was economic growth that poor nations needed" (Martinussen J. , 1997, p. 36). During this period, simple indicators of growth, such as *per capita income*, were used, mainly due to the fact that no alternative indicators were widely available. However, it was clear that measurements in growth based on per capita incomes were "faulty... and did not in all cases give a correct impression of the condition and changes" (ibid).

In the view of Schumpeter, population increases set a number of economical factors into play. Population growth results in the rise of the labour force, increasing the original factor of production. Production becomes cheaper for the businessman and at the same time, it permits a higher level of production of goods in the wider economy. Wages may fall due to an increase in labour supply, however the total sum of wages generally will rise. The situation of the labour class could of course get worse, making the economic result achieved by an increase in population rather ambiguous. Nonetheless one could still speak of economic development as the appearance of the economy has changed (Schumpeter, 2003, p. 69).

Schumpeter outlines five elements in classical economic development theories that can all effect the economic environment. These elements are considered to be:

- an increase in population;
- a rise in capital;
- progress in the methods of production;
- progress in the economic organization of the industrial society;

- and development of consumer wants (Schumpeter, 2003, pp. 67-68)

Meier, on the other hand, sees economic development as “a process whereby the real per capital income of a country increases over a long period of time while simultaneously poverty is reduced and the inequality in society is generally diminished” (Meier in Martinussen J. , 1997, p. 37). However, in many developing countries, capital markets are imperfect, thereby limiting the poor to access necessary credit for production and investment. According to Mookherjee and Ray, “increased inequality can exert negative effects on both levels and growth rates of per capita income... inequalities may also create conditions for self-perpetuation, generating a lock-in effect with economic stagnation (Mookherjee & Ray, 1999, p. 8).

Schumpeter regards these elements fundamental in the sense that when change occurs in any one of the elements, economic development takes place. Furthermore, Schumpeter sees economic development in a broader sense, where it is not necessarily a positive development that takes place (Schumpeter, 2003, p. 69). Meier’s adaptation of the term however, is one that is far more positive, yet only if policy creation is in place so that per capita growth, resulting in the desired *trickle down* effect.

The question of economic development in Ethiopia will be outlined further in section 6 below, however at this point, it can be established that developments in one sector of the economy is not necessarily positive for overall growth, and that in order to fully grasp whether sustainable growth and development are taking place, a number of factors, other than per capita income, have to be taken into consideration.

4. Brief history of Aid

The contemporary discussion regarding aid is often critical towards, not only the results of aid, but to a high degree also the motives that lie behind aid. It is therefore often suggested that we should look back historically to see when aid was last given as a means to help a region of the world recover. By doing so, we see that the last time aid was seriously given was in the 1940's, when the Americans created the Marshall Plan to help the European nations rebuild themselves after the Second World War (Collier, 2008). In addition to this, America's motives were of course also to prevent the weakened European states from turning towards the Soviet Union for assistance.

Since the end of the war, Europe has indeed developed, so much so that the European Union today is the largest single market in the world⁶, and is "a bigger trading area than the US and Japan combined" (BERR, 2009, para.3). So why were the European nations able to develop, achieving economic growth and social stability, whilst other aid recipient nations have been less successful? In order to understand the success of the Marshall Plan, we need to look at how it was implemented and to what degree the nations involved were devoted to its cause. In doing so we discover that the Marshall Plan worked because of the dedication devoted to it by both America and the European States. The United States reformed their trade and security policies, opening up the American market to the Europeans, and ensuring security by intensifying their military presence in Europe. In addition to this, national sovereignty was over-looked; as the United States helped to create the United Nations, and encouraged the European nations to create the European Union and institutions to help encourage governance support (Collier, 2008). This approach, is according to Collier, still the "waterfront of effective policies; aid, trade, security, and governance" (Ibid).

Taking this into consideration, we then look towards how aid is given post World War II, towards the Cold War period and post Cold War period. International Political Economy (IPE), becomes a very significant part of the equation in the 1970's as a response to the development and increased interrelationship between the global economy and international security (Ravenhill, 2005, p. 26). According to John Ravenhill, "international political economy is a field of enquiry, a subject matter

⁶ Based on population

whose central focus is the interrelationship between public and private power in the allocation of scarce resources” (Ravenhill, 2005, p. 17).

In relation to aid, IPE plays a very important role, as with the end of the Cold War most bilateral donors altered their development goals, so that they would also touch upon the “political situation in recipient countries” (Martinussen & Pedersen, 2005, p. 30). Among these goals were: democratisation, respect for human rights, and good governance (ibid.). This phenomena of using foreign aid to change political situations, has not always been accepted, as it can be considered as being in direct conflict with, not only the interest, but also the sovereignty and self-determination of a state (Ziai, 2004, p. 1052). These strategies have often been referred to as structural adjustment programmes, which were introduced by multilateral donors such as the IMF, and the World Bank, making it evidently clear that donor organisations wanted to stress the importance for “recipient countries to implement a specific economic policy according to the recommendations of ‘Washington Consensus’” (Martinussen & Pedersen, 2005, p. 27).

However, this point of view has very much changed since the 1990’s, and influencing political situations and development, is very much an integrated part of modern aid assistance (ibid., 2005, p. 30). This is mainly due to the argument that such political reforms will encourage economic development. In short, since the end of the Cold War, bilateral aid donors have set political preconditions for recipient countries, very much taking the stance of the modernisation theory of development, which argues that economic growth brings together changes in the overall socio-economic structures and the forces emerging from this transformation favour democratic governance. As Marianne H. Marchand points out, with the fall of the Soviet Union in 1989, western ideas evidently triumphed, quoting Francis Fukuyama as he points towards the “total exhaustion of viable systematic alternatives to Western liberalism” (Fukuyama in Marchand, 1994, p. 294).

Taking this into consideration, one might conclude that aid has shifted from being based on national security interests, to political (moral and humanitarian), environmental, and economic interests (Martinussen & Pedersen, 2005, p. 17). According to Martinussen and Pedersen, giving aid based on national security interests has decreased after the end of the cold war, with the increase in bilateral aid (ibid., 2005, p. 16). In addition to this, Marchand points out that during the period of the Cold War “U.S. foreign policy became preoccupied with security issues...”

(Marchand, 1994, p. 290) placing much of the U.S. interest in the emerging newly independent states. According to Marchand, this created a “world order with both material and ideological dimensions...” (ibid.), as the US sort to influence states so that they would not turn “anti-western or, even worse, Communist” (ibid.). As Martinussen further adds it can be very difficult to define and see the actual motives behind bilateral aid, as some motives appeal more to tax payers than others. In reality it depends greatly, on which authority the donor decides to direct their appeals too (Martinussen & Pedersen, 2005, p. 17).

According to Barry Buzan “the twentieth century in a historical perspective might well be seen as an era of wars between great powers about the right economic ideology” (Buzan in Martinussen, 1997, p. 284), concluding with the end of the Cold War and the victory for *Western Market Capitalism*. Developing countries will no longer be able to count on “massive military aid or maintenance of the level of economic aid, because they have lost much of their value as strategic assets in great-power rivalry” (ibid. p. 285). According to Keith Griffin, “Aid has always predominantly been a product of the Cold War and thus shaped by the strategic and political interests of the rich countries” (Griffin in Martinussen, 1997, p. 285). What now lies ahead for the global aid system, as a result of the end of the Cold War, is still unclear. What is clear is that aid (ODA) has been steadily falling in recent years (Thirlwall, 1999, p. 472). What lies ahead may be a period of increased asymmetrical dependence of the developing world towards the developed world, which will no doubt lead to an increase in underdevelopment. However, there is also another option, which could encourage both growth and development, by tying together the theories of Amin, Neo-Marxism and post-development. In this case it is essential that the periphery regions are integrated and move more towards the more dominant centre. However, this may prove too difficult as, since the end of the Cold War, centre regions are only becoming increasingly dominant whilst periphery regions are becoming increasingly subordinated (Martinussen, 1997, p. 286).

With regards to donor aid in Ethiopia, there have been many developments in this area in recent years, mainly due to the political situation in Ethiopia, causing donors to re-think their strategies, or in some cases, even consider pull out totally. In the following chapter this topic will be discussed in greater detail, looking into the approaches of four European countries engagement in Ethiopia since 1991. However, it is worth mentioning that Ethiopia remains a large recipient of

ODA, due to what many consider, its strategic influence in US led the war against terror (HRW, 2008).

5. Donor aid to Ethiopia since 1991

In order to fully understand the developments in the flow of donor aid to Ethiopia, it is vital to understand the complexity of the nations history. The following chapter will therefore give a brief outline of Ethiopia history, followed by an substantially in-depth account of the flow of donor aid to Ethiopia, and its developments since 1991, focussing mainly on the efforts by the donor agencies mentioned above⁷.

5.1. Brief Historical account - Ethiopia post 1991

With the fall of the military Dergue regime in Ethiopia in 1991, the path was cleared for the first democratic elections in the nations history in 1995. Long before the Military Communist regime of Dergue, Ethiopia had been ruled as a empire for numerous decades, however with varying degrees of success. It was not until Menelik II came to power in 1889 (Cole et.al., 2007, p. 523), when changes towards social and economic development truly started to take shape. Menelik II re-embarked on the construction of the railroad from Djibouti to Addis Ababa, began road-building programmes, and a number of other activities all aimed at modernising Ethiopia. In addition to this, he embarked on an imperialist campaign, using many of the European powers to his advantage, expanding the territory of Ethiopia, and mapping out the boundaries of the nation, as we know them today (ibid. p. 524). According to Cole and Bijl, Menenlik was able to consolidate Ethiopia “...and withstood European intervention at the time when most of Africa was being parcelled out by colonial powers” (ibid. p. 252).

After Meneliks death in 1913, his successors failed to develop the country further in the same spirit as that of Menelik. In 1930, Haile Salassie was crowned emperor of Ethiopia, as he sought, as his predecessors had, to unite and consolidate Ethiopia. Nevertheless, his attempts came to an abrupt end in 1935, as Italy invaded Ethiopia, marking the beginning of the Italian occupation of Ethiopia in 1936. Haile Salassie was forced to flee Ethiopia, but returned as reappointed ruler in

⁷ Danida, Sida, The Netherlands, GTZ (and others), through the ECBP, and the EC

1941, as the Italian occupation was overthrown with the assistance from British troops. However, since the end of the Second World War, “Ethiopia has struggled to modernise its economy and break with the past” (ibid. p.526). Haile Selassie remained emperor of Ethiopia until 1974, when he himself was overthrown by a military coup, called the *Dergue*. Colonel Mengistu Haile Mariam became the new leader of Ethiopia, and remained so, until 1991. During the period of the Dergue rule, Ethiopia was a communist state, with very close relations to both the Soviets and Cubans. When the Soviet Union therefore came to an end in the early 1990’s, so did the rule of the Dergue communist state of Ethiopia.

5.1.1. Post Soviet Union

Since the fall of the Soviet system and the end of the Cold War, much of the development debate has switched to whether or not globalisation is good for the developing world. The opponents of globalisation generally argue that it should be governments, rather than the market, that should manage the economy of poor countries. According to Teferra, this view argues that globalisation has to be reshaped with all countries having a voice in policies affecting them...” (Teferra, 2005). On the other hand, the supporters of globalisation argue that rather than government; the market should manage the economy.

5.1.2. Elections in Ethiopia

First elections held in Ethiopia

According to the Ethiopian Peoples Revolutionary Democratic Front (EPRDF), from the period after the fall of Mengistu till 1995, Ethiopia went through, what was known as a transitional period of government. During this period, the first multi-party elections were held in 1992, and the Ethiopian constitution was created outlining the basis of the ethnic federal state of Ethiopia as we know them today (BBC, 2009)(EPRDF, 2005). In 1995, elections were held for Ethiopia's first popularly chosen national parliament and regional legislatures. However, many opposition parties decided to boycott the elections, resulting in a landslide victory for the EPRDF(USDS, 2009). According to the US Department of State “International and non-governmental observers concluded that opposition parties would have been able to participate had they chosen to do so” (USDS, 2009). Furthermore, the elections were monitored by the African Union, and were described as being fair and free (USLC, 2005). As a result, Melese Zenawi was elected president.

2000 elections

In the 2000 elections, no opposition parties or independent candidates boycotted the elections, and there was a voter turnout of almost 90% (EPRDF, 2005). Once again, the elections were praised for being fair and free, and according to a US Congress report, "...The Government of Ethiopia demonstrated its commitment to holding democratic elections in the 2000 parliamentary elections because of its willingness to re-run parliamentary elections in 14 constituencies in which elections irregularities were reported" (USLC, 2005). It is in fact in this very same report that the US Congress urges the Ethiopian government to "...hold orderly, peaceful, and free and fair national elections in May 2005" (ibid.). Melese Zenawi was re-elected in the 2000 elections.

2005 elections

The 2005 elections in Ethiopia were once again won by the EPRDF, reconfirming Melese Zenawi's position as Prime minister, with his third consecutive election victory. However, unlike previous years where the elections had been proclaimed as free and fair, the aftermath of the 2005 elections came under much scrutiny from the international community and many NGO's. The elections that were set to be a milestone in Ethiopian political history, became a thorn in the eye for the EPRDF, as violent demonstrations broke out throughout the country, as opposition parties called for a boycott of the elections. In the US Department of State country report for Ethiopia, the following, with regards to the 2005 elections is outlined:

"...the government arrested several dozen opposition leaders, as well as members of the independent media and civil society groups, for alleged participation in unlawful activities. Security forces also detained between 30,000 and 50,000 demonstrators without charge" (USDS, 2008)

In addition to this, the same state report outlines that international observers by and large reported that the elections had been generally credible, and there had only been few irregularities (USDS, 2009). However, in the violence that followed, 193 people were killed and around 20,000 people arrested. According to BBC reports:

"More than 100 opposition leaders, journalists and aid workers were rounded up during the protests and are currently on trial, accused of treason and attempted genocide" (BBC, 2006)

Since these events took place, much of the donor community has reconsidered their position and stake in Ethiopia. In addition to this, the Ethiopian governments decision to introduce a law, that hampers foreign NGO's involvement in Ethiopia, has not exactly had a positive impact on the Governments already tarnished image in the international community.

5.1.3. The Ethiopian NGO Law

In addition to the 2005 elections, the donor community in Ethiopia has expressed a great deal of concern towards the recent establishment of the NGO Law in Ethiopia, forbidding any foreign NGO's from engaging in anything to do with democracy, human rights, or justice. In addition to this, if any local NGO receives more than 10% of its budget from international sources, it will be classified as foreign, and will therefore not be aloud to be engaged in the any political engagement (The Economist, 2009). This of course makes the work of any NGO very difficult, as their work often express' a political position, not as their main focus, but as a result of their work.

During the turbulent election period in 2005, the Ethiopian government shut down newspapers based in Addis Ababa and arrested numerous journalists. Moreover, the government passed laws that would enhance their control over the media. According to the US Department of State report on Ethiopia, the "government passed a law that prohibits broadcast organizations that were established and have financial or management assistance from outside the country from owning broadcasting companies" (USDS, 2008). In addition to this, the Ministry of Information was given the duty to "direct and coordinate government information and communication activities and also to serve as the main source of government information" (USDS, 2008). Newspapers were required to maintain a certain bank balance when registering for their publishing license, which resulted in many smaller publications being unable to register. In a recent article in The Economist, it was stated that the newspapers in Ethiopia "are now the least informative in east Africa" (The Economist, 2009).

The aftermath of the 2005 elections, and the introduction of the above outlined NGO law, has not encouraged foreign engagement in Ethiopia, especially for the international donor community, as not only did they see the arrests and killings in 2005 as a serious setback in the democratic development of the nation, but also the recent introduction of the NGO law was seen by some as

an indication of the ruling governments intent to strengthen its position through any means necessary (Interview, 2009)⁸.

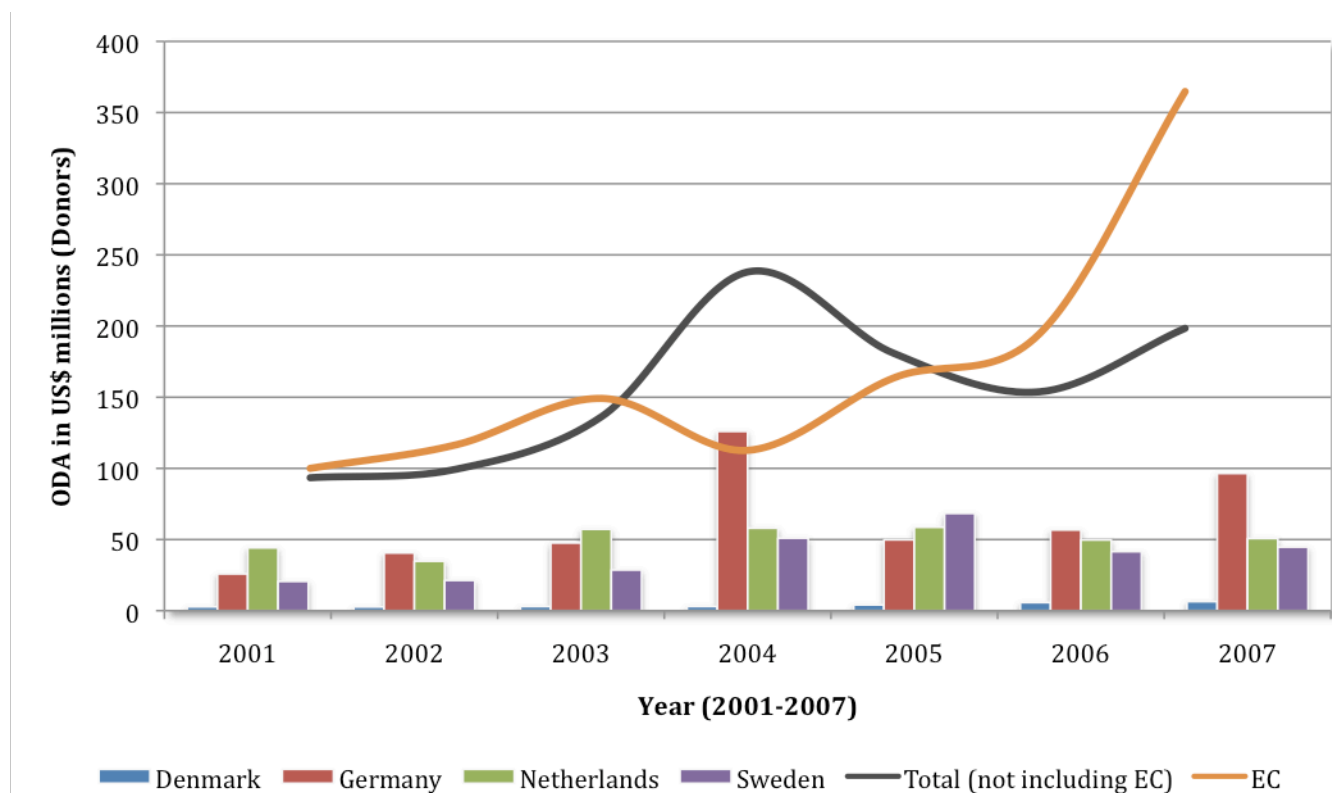
⁸ Due to the sensitivity of the subject, the identity of the interviewee will remain anonymous

6. Official Donor Aid and Ethiopia

Post development thinking, rejects the idea of development aid, and looks for alternatives that better suit the needs of the country. However, most donors do not follow the post-development way of thinking, and are more inclined to accept the works of the modernisation theory. The romanticism of post-development tells us that traditional development work puts cultural heritage at risk of being eradicated in order to make room for Western styles of development. This type of thinking is very critical, and often condescending, because it tends to ignore the fact that traditional cultures and societies are at times oppressive (especially with respect towards minorities). In the case of Ethiopia, we can assume that the Ethiopian government is very much following its own path towards development, and not the blueprint of a Western state, and therefore post-development thinkers would be content. However, one tends to overlook the fact that the Ethiopian government is highly oppressive towards the general population, as was seen during the last elections in 2005. In addition to this, the recent NGO law forbids any foreign NGO's from engaging in democracy, human rights, or justice issues. Furthermore, any local NGO engaged in these issues, receiving more than 10% of its funding from international sources, will be classified as foreign and will be forced to shut down (The Economist, 2009) (HRW, 2008). This therefore contradicts the theory, as in post-development, civil society plays a very important role. In this regard, we once again reflect on the impervious role of the Ethiopian government with regards to foreign Aid. According to Eyasu Yimer, Director of Transparency Ethiopia, then NGOs have no mandate to monitor the flow of Aid to the Ethiopian government, and how the government sees fit to spend these funds (Yimer, 2009). Mr. Yimer adds, "it is the responsibility of the federal agents to look after the abuse of funds and not the civil society... unless the government calls for the civil society to do so" (Yimer, 2009).

If we therefore take a closer look at development aid going to Ethiopia, we see that the donors all have very different approaches, yet often share the same criticism. In the following sections, the approaches taken by some of the main donors in Ethiopia will be elaborated upon, primarily on the bases of data collected in a number of interview sessions with embassy employees and NGO workers in Ethiopia. The graph below illustrates the different donors economic involvement in Ethiopia, and how for example, the elections of 2005, resulted in a decrease in ODA from the donor nations in question. An interesting observation however, is the increase in aid from the EC, that same year.

Graph 1: ODA to Ethiopia in US\$



Source 1: OECD Stat Extracts⁹

6.1. The Donors

6.1.1. Danida

The Danish International Development Assistance, which is the branch of the Danish Foreign Ministry that administrate aid and projects in developing countries, does not have any bilateral aid projects in Ethiopia. Prior to the 2005 elections, Danida was in the process of evaluating possible opportunities for development cooperation in Ethiopia, however after 2005, it was decided that choosing Mali as a recipient country was a better and more responsible choice than Ethiopia (Johansen, 2009). This was also made clear in the Danida Annual Report for 2005, where it was stated that a choice for where a new programme should be established had to be found between Ethiopia, Mali and Niger. Danida outlines “the political unrest in Ethiopia after the election in May 2005 was a crucial element behind the decision to strike Ethiopia off the short-list” (Danida, 2005, p. 66). In addition to this, Danida is not part of any of the PBS initiatives. In short, the main

⁹ Appendix VI

rationale behind the Danish embassy in Addis Ababa is that the AU and UNECA have their head offices there.

However in 2008, the Danish embassy held a number of meetings with Ethiopian government officials about the re-establishment of bilateral agreements. It was decided that a final decision on this point would not be taken until after the 2010 elections, and once there is a clear indication of how the new NGO law effects the work of independent NGO's in the country (Johansen, 2009). Danida's interest in the NGO law is particularly fascinating, as although there are no bilateral agreements between Denmark and Ethiopia, Danida funds a number of NGO's in the region, including the Danish-Ethiopian Mission¹⁰, and the Danish-Ethiopian Common Mission¹¹ (Danida, 2005, p. 42). As of 2005, Danida's largest involvement, in terms of bilateral aid to Africa was in Tanzania, with over 85 million US\$ (see appendix VIII).

In relation to this, it is not uncommon that Danida takes a very cautious approach to its work, so much so that in a recent OECD peer-review report, it was recommended that Danida take bigger risks in its approach, as current involvement does not encourage innovative thinking:

“Denmark tends to be cautious about taking risks, in particular regarding financial management issues. This may lead to insufficient scope for learning, experimentation and initiative, both for the recipient country and Danida, thereby weakening the ability to improve performance and implement the ownership and alignment principles. It may also lead to Denmark favouring relatively stable and well-performing countries over more risky environments... Denmark should consider how it can balance the short-term need to demonstrate results inter alia to shore up public and political support with the need to take risks, engage in difficult environments and meet its commitments to aid effectiveness...” (OECD, 2007)

According to Turton, the Ethnic Federalism in Ethiopia, despite the critical undertakings of the Ethiopian government has “not only prevented the violent dismemberment of the country, but also provided peace and security for a great majority of its population” (Turton, 2006, p. 2). Interestingly, Flemming Johansen of the Danish Embassy in Addis Ababa, agrees with this point, and acknowledges Ethiopia's role in the region, and the importance of further stability (Johansen,

¹⁰ Received 333.800.000 US\$ in 2005 for humanitarian assistance

¹¹ Received 474.310.000 US\$ in 2005 for humanitarian assistance

2009). It can therefore be assumed that the standpoint of the Ethiopian government is that they will go their own way to insure peace and stability, despite criticism from outside nations. This is perhaps a post-development standpoint, finding solutions to the contemporary problems in Ethiopia, and not trying to follow a model of development passed down by a donor. Taking this into consideration, the government's behaviour towards the NGO community can conceivably be defended, as the desire for more national (Ethiopian) NGOs can be interpreted as an attempt to protect local culture and interest from outside influence. On the other hand, this is also highly critical, as funding of such NGOs is now also extremely limited.

If we reflect on Danida's approach to development in Ethiopia, we can draw close ties between this and the modernisation approach. By selecting *low risk* nations, and following the trend to avoid *high-risk* areas (where Danida do not agree with local approaches), Danida is protecting its own interests and image. Therefore, countries trying to break free of the norms of development, are set in a difficult situation, as Danida's strives to satisfy the needs of the Danish electorate by keeping stories of corruption and wasted aid funds out of the press, by implementing aid programmes with *low risks*, and high variables for success. However in most cases, these selected areas are not always the ones that are in need of most support, as they are in fact doing reasonably already. According to the OECD peer review report, Denmark is in a strong position to help "the donor community in pursuing the Millennium Development Goals (MDGs) and in implementing the aid effectiveness agenda" (OECD, 2007). In relation to this, Denmark's strong focus on work in Africa, and the support given to Danida by the Danish Government makes it well suited to working in fragile states.

According to Olsen, Danish aid policy has been a result of close collaboration with the NGO community, the Business community, and the international environment (Olsen, 1998, p. 616). In light of this, one can assume that the relatively closed Ethiopian market, in combination with the new NGO law, does not encourage Danida to take further steps towards new aid collaborations with Ethiopia.

On this note, it is safe to recommend that Danida enter into bilateral relations with Ethiopia as soon as possible, as Danida are able to support Ethiopia with their goals of achieving the MDGs, based on their substantial knowledge of working in developing countries, and in assisting other nations in much the same areas. Furthermore, this would be a much-needed step in supporting

Ethiopia's future development, although perhaps high-risk in terms of public relations, the benefits or positive outcomes should surely overshadow these discrepancies. Moreover, the politics behind Danidas aid programmes should be reconsidered, as the humanitarian aid being delivered to Ethiopia by Danida, could perhaps be put to better use as bilateral funds, enabling the Ethiopian government to better create sustainable solutions to tackling the matter of why humanitarian aid is needed in the first place.

6.1.2. The Netherlands.

The Dutch involvement in Ethiopia, is one of the largest in the international donor community, in fact, The Netherlands have given over 350 million US\$ since 2001 in ODA to Ethiopia, almost one third of the total given by the EC, and only approximately 90 million US\$ less than Germany gave in the same period. Furthermore, despite the Dutch governments (or Ministry of Foreign Affairs, MINBUZA) disapproval of the events after the 2005 elections and the recent introduction of the NGO law, MINBUZA have not lowered their ODA to Ethiopia to the same extent as some of the other donors (see graph 3¹²). This is due to the fact that MINBUZA decided that instead of cutting ODA, they instead would move it to other sectors and provide it through other channels. In a recent interview with Hans Poley of the Dutch Embassy in Addis Ababa, it was outlined how since the war with Eritrea in 2000, MINBUZA has not been giving budget support to the Ethiopian government, and after the 2005 elections all prior talks of the establishment of such support was once again withheld (Poley, 2009). Instead, MINBUZA provides its support through the World Bank PBS system, focussing on the *Component 2* and *4*, namely the Promoting of Health Millennium Development Goals and Social Accountability (WB, 2008). In addition to this, the Dutch are working on an emergency aid programme together with eight other donors, that will provide basic services to the most needy in the country (Poley, 2009).

What is interesting is that with this approach, MINBUZA has continued their efforts in Ethiopia despite their difference of opinion with the government. The Dutch have therefore overlooked political interests and maintained a focus on a more social level through emergency aid and the PBS. From a theoretical perspective, this is very interesting, as MINBUZA has decided not to get involved in the Ethiopian governments actions (as would be seen in a modernisation approach), but rather let them go their own way (as is much desired in the post-development view). So is

¹² Appendix VI for more detailed data

MINBUZA taking a post-development stands in their engagement in Ethiopia? The answer to that would have to be *no*, as MINBUZA are undoubtedly interested in the protection and well being of the Ethiopian people, that they go through their own channels to provide them with help. On the other hand, these channels are no doubt monitored by the Ethiopian government, who is unable to provide these services themselves, and are therefore forced to accept them.

Despite their involvements, and disinclination to get involved with Ethiopian politics, the Dutch still feel that the Ethiopian governments reluctance to follow international regulations or norms is a hindrance to the countries further development (Poley, 2009). With regards to the Ethiopian governments comments accession to the WTO, Poley stated that the government is of the mindset that: "...the WTO should change, not Ethiopia, for [Ethiopia] to be a good member" (Poley, 2009). Furthermore, as far as MINBUZA is concerned, one of the other underlying issues as to why there is no increased commitment by the Dutch in Ethiopia is that "one of the general problems... is that Ethiopians have their own way of doing things, and they prefer the word to change around them, than for them to change themselves" (Poley, 2009). Here we see the classical modernisation theory reflected in the Dutch approach, and the post-development, independent approach by the Ethiopians, clashing. Furthermore, the Dutch Embassy provides one of the main sources of funding for Transparency Ethiopia, which until now has not been affected by the NGO law, simply because of the current wording of the Law. However, according to Mr. Yimer of Transparency Ethiopia (TE), TE will have to find other sources of funding after the NGO law is implemented in the end of 2009 (Yimer, 2009).

In short, the Dutch Government will continue to provide emergency relief aid to Ethiopia, however, as Mr. Poley points out, the future of Dutch development aid is very dependant on the outcomes of next years elections and the implementations of the NGO Law in Ethiopia. MINBUZA is not entirely committed to the WB PBS (only components 2 & 4 as stated above), due mainly to the recent implementation of the NGO law.

6.1.3. Sida

Ethiopia is Sweden's oldest beneficiary country, with cooperation between the two nations dating back to 1954. In graph 1, it is possible to see how after the war with Eritrea in 2000, Swedish support to Ethiopia diminished greatly. However, since 2004, this has been on the rise again, so much so that between 2002 and 2005, Swedish aid to Ethiopia tripled (Strand, 2009).

Nonetheless, following the trend of many other donors, Swedish support to Ethiopia fell by almost 40% after the 2005 elections. In a recent interview with Gisela Strand of the Swedish Embassy in Addis Ababa, it was expressed how the outlook to support the Ethiopian government, through means of *budget support*, looked good in 2003, however these plans were cancelled in 2005. As a result, Swedish aid today is approximately 40 million US\$, whilst the target (through a budget support programme) would have been almost 63 million US\$ (Strand, 2009).

Today, Sida's main approach in Ethiopia is based on the SDPRP, and will provide funding in order for this strategy to be implemented (Sida, 2003, p. 3). In addition to this, Sida provides a great deal of support to economic growth projects in Ethiopia, contributing to the development of the business sector. Sida has been especially active in the Amhara region in the areas of; microcredit facilities, access to water, and road development (Sida, 2007a). Furthermore, Sida has helped many farmers in this region, with obtaining legal rights to their land (Simane B. , 2009).

What is interesting, with regards to Sida's approach, is that despite their restrictive stance to the Ethiopian government, they are still heavily engaged in aid efforts, and have been increasing their support in recent years (since the decline in 2005). This being said, a large part of Sida funds go to numerous NGO's accounting for approximately 20% of Sida's funding. With the introduction of the new NGO law, if Sida feels that their funding is not being well spent, they will cut their funding in this area, meaning that many NGO's will miss out on vital funds (Strand, 2009). What Sida is attempting to do is somewhat in line with the Dutch approach in Ethiopia, where despite their difference of opinion with the Ethiopian government, they are still prepared to deliver continued aid, even though they may feel that it is not as effective as it could be.

Ms. Strand expressed a great deal of enthusiasm towards the opportunities that Ethiopia has as a nation to develop both economically but also socially, however she also expressed concerns with regards to the current governments attitude of *why do we need donors?* (Strand, 2009), as support from the international community is of tremendous importance to Ethiopia, even if the Ethiopian government asserts its right to determine its own route to development (Sida, 2007b; Strand, 2009). In addition to this, Ms. Strand expressed further concerns towards the high inflation rates that Ethiopia has been experiencing in the last years, stating "the nation is suffering from *Dutch Disease*" (Strand, 2009) as sectors of the economy have developed at different rates causing inflation and harming the export sector. Not surprisingly, Prime Minister Meles Zenawi recently

stated in an interview with the BBC, "...the fact that [Ethiopia] has inflation, at a time when the globe is facing deflation, seems to suggest that [the Ethiopian] economy is growing robustly..." (Zenawi, 2009).

Going back to Sida's involvement in Ethiopia, we have already maintained that the approach of the Swedish Government is not far from that of the Dutch. What remains to be seen is if this type of cooperation can continue, as one side is playing down its need for aid, whilst the other is determined that help is needed, and is therefore turning the blind eye to what other nations are criticising openly. Sida has in fact had to extend its strategy plan for Ethiopia for about another two years, as the political situation hindered their further progress (Sida, 2007b). There is reason to believe that this has resulted in future strategies having to be put on hold, thereby undermining the effectiveness of Sida's work in Ethiopia. This is particularly apparent with regards to Sida's wish to give budget support to the Ethiopian government, as in their strategy report, Sida expressed; "budget support should be an integral part of Swedish development cooperation" (Sida, 2003, p. 29), an aspiration that Sida has not yet been able to fulfil.

6.1.4. Germany

As has been outlined in the introduction, this thesis will focus mainly on one of Germany's engagements in Ethiopia, namely the *Engineering and Capacity Building Programme (ECBP)*. However, in more general terms of German involvement in Ethiopia, we can see that out of the four national donors we have been focusing on, Germany is the donor giving the largest amount of economic support. Since 2001, Germany has given over 440 million US\$ in ODA to Ethiopia, which is a substantially higher number than any of the other donors. However, German ODA has also fluctuated the most out of all the other donors, this is clearly illustrated in graph 1 above¹³.

With regards to the ECBP, Mr. Yared Fekade, Executive Programme Officer, Private Sector Development, of the ECBP, was interviewed in Addis Ababa about the work that the ECBP does in Ethiopia, what its goals are and how it aims to achieve these. Looking more closely at the ECBP source of funding, we see that the programme is mainly funded by a number of German organisations (through the German Government), and the Ethiopian government. The input by the Germans, is mainly in the form of technical assistance to the programme, and is seen as providing

¹³ See appendix VI for detailed data

a benchmark and capacity transfer within the four main components of the ECBP (Fekade, 2009; ECBP, 2006). In the ECBP strategy plan it is henceforth outlined:

“It is the primary and most prominent task of the external German change agents to impart capacity building for their Ethiopian counterparts and to the stakeholders involved. Only through this mechanism can the external interventions become sustainable and produce an impact in the system” (ECBP, 2006, p. 28).

These four lines in fact outline the very essence of what the ECBP hopes to achieve, namely to develop Ethiopia’s capacity to develop its main sectors in order for further growth to be achieved. The aim is for this to be done by Ethiopian’s themselves, and only with minimal assistance from their German partners. Ultimately, the goal is that the programme is able to phase out once a substantial level of sustained capacity has been reached, however there is no exact time frame for when this will be achieved (Fekade, 2009).

What we have discovered in the approached of the Dutch and Swedish governments is that their work, or ambitions, has been limited due to political issues. However, the work of the ECBP is, according to Yared Fakade, not political and the ECBP do not encounter political issues that hinder their work, as they are directly involved with private companies (Fekade, 2009). Nevertheless, there are some issues of a more political dimension that are seen as a threat to the programme. These include an inconsistency of governmental guidelines and rules and regulations, high costs of land, and an inefficient tax administration (ECBP, 2006, p. 71). The ECBP may not be experiencing obstacles to their work at their present stage, however, they may very well encounter such issues once the programme is better established.

When it comes to measuring the progress of the ECBP, no annual reports or consolidated papers are published, and there are no specific guidelines for this (Fekade, 2009). There is however conducted an internal assessments of the main departments, but this seemed to be very vague and loose. This is particularly interesting as such a large part of the funding to the ECBP still comes from international sources, and in comparison to other donor agencies, where numerous reports are released every year on evaluating the progress of programmes, no such reports where available at the ECBP.

When looking at how the ECBP work, we will focus on one of their four sectors; *private sector development*. In this sector, the ECBP has done a great deal of work for the leather industry in Ethiopia, with their main focus being on the export opportunities for this sector. The main objective of the ECBP is to provide support to the main strategic issues of the upgrading process of the private sector, by using experiences from Germany as their benchmark. In doing so, the ECBP follow the value chains of the leather production industry, analysing each aspect of the chain to see where improvements can be made (Fekade, 2009). In other words, they are analyzing “every step in the leather production, from raising cattle to producing shoes and jackets...[as] production in every segment has to be efficient to guarantee overall success” (Asmerew, 2009). The leather industry is very important for Ethiopia, and the government knows this, and supports ECBP in all its efforts (ibid.). The great importance of leather production is reflected in the fact that the end product is a manufactured good, and is thus a so-called *high-end* product with a higher value than raw produce such as coffee or oil seeds.

When discussing some of the main challenges that the ECBP faces, Yared Fekade explained that they often had difficulties finding significantly qualified personnel, not in terms of manufacturing, but in trade and economics. In this respect, the commonly known issue of *brain drain* is very much an issue. In addition to this, there is a lack of regulatory frameworks, and a number of other issues as were outlined above (Fekade, 2009). Nonetheless, Yared Fekade believes that capacity building is the right approach to create a continued economic and social development in Ethiopia, as Mr. Fekade expressed: “traditional aid is not sustainable” (Fekade, 2009). A view very much shared by Dambisa Moyo, who argues that aid offers governments easy access to cash and makes them less accountable to their people (Moyo, 2009, p. 57).

In a more theoretical framework, this approach can be seen as a combination of post-development theory and modernisation theory, eradicating dependency by creating sustainable solutions in close collaboration with the recipient nation. Keeping the Ethiopian government involved at all stages, and creating programmes through their own frameworks for development has created a very interesting and dynamic development programme. However, challenges do lie ahead for the ECBP, including not only the issues already outlined above (such as brain drain), but also weak investment opportunities, and lack of investment profiles, a weak level of PPP, and inadequate infrastructure, may hamper the overall future aims of the programme (ECBP, 2006).

6.1.5. European Commission

The European Commission (EC) approach to developmental programmes in Ethiopia involves work as one of the major development partners in (among other areas) trade, education, the PBS programme, capacity building, infrastructure, food security support, good governance and human rights. The EC's approach has been of a long-standing nature and was formally introduced with the signing of the Lomé Convention in 1975 (ECDE, 2009). In addition to this, the EC very clearly states its further commitments to Ethiopia on their website:

“The EU-Ethiopia partnership is a rising success and becoming more strategic and well organized. As Ethiopia's long-standing partner in development, the European Commission reaffirms its continued support to the country's development strategies” (ECDE, 2009).

Taking this into consideration, Christoph Wagner of the EC Delegation to Ethiopia, is very positively about some of the recent economic developments that have taken place in Ethiopia. In a recent interview he mentioned how economic growth rates, and infrastructure had developed positively, showing promising outlooks. However, Mr. Wagner described that there are a number of negative areas, such as low public funded growth, decrease in donor funds, lack of foreign exchange, and banks being reluctant to invest in private sector projects, which in turn is not good for medium and long term growth, as there is a lack of a strong private sector and middle class (Wagner, 2009). Interestingly, Wagner pointed out that Ethiopia is a stable country in a very unstable part of the World, and the government knows this, and uses it to their advantage towards donors and the international community. This can for example be seen in the large amounts of funding that Ethiopia receives from large donors such as the EC, the UK and the USA (Wagner, 2009)¹⁴. This is clear when one looks at the amount of funding from the EC to Ethiopia (see graph 1), where even with decreases from other donor agencies, the EC has been increasing its support over recent years.

According to the EC, total donor funding did not decrease as a result of the events in 2005, however the international communities public outcries of concern with regards to the events, have not strengthened the dialogue between the government and the donors (Wagner, 2009). The NGO law is described as a big concern to the EC, as there is a very big level of uncertainty as to the

¹⁴ See Appendix VI

effect that it will have on the NGO community in Ethiopia. One of the main concerns is where the government will draw the line, in terms of interpretation of the law, as the current law points out that no foreign NGOs can have a political agenda. However, it is very difficult for an NGO to be non-political, the question then remains, where the government draw the line on how political and NGO is allowed to be.

In light of this, despite the Commissions optimism towards recent development in the last years, there is concern that if the Ethiopian government continues the way it has in recent years, the further development of Ethiopia will be seriously hampered (Wagner, 2009). According to Wagner, there is a lack of competition, and there is no market understanding, which in turn will make the nation very vulnerable on the international market, and Ethiopia as a market place, may be overlooked in the long run (Wagner, 2009). This view very much falls into the category of the modernisation approach to development; assuming that what Ethiopia needs is the same tools for development as the European Union saw in the aftermath of the World Wars. However, in its defence, modernisation theory may not be so far from the truth, as in an ever-technologically advancing world, and increased globalisation, to avoid modern capitalistic models of development, and open market strategies, may in the long run be cutting Ethiopia off from the rest of the World.

Mr. Wagner mentioned the issue of *Brain Drain* in Ethiopia, as skilled workers leave to pursue careers abroad as appropriate opportunities are not available to them in Ethiopia. This in fact may be seen as a direct consequence of an increasingly globalised planet, where one can pursue a career despite of national borders. In a move to educate more Ethiopians, the government has therefore opened a number of new universities and educational institutions, resulting in more people getting an education. There are however, questions being asked as to the quality of this education as there seems to be put more effort into quantity rather than quality of education at present. This was also a point very much stressed by Dr. Solomon Mulugeta of Addis Ababa University, who did not question the aims of the government, but rather the quality of all the new educational institutions that have been established in recent years (Mulugeta, 2009).

There are also many strengths regarding Ethiopia's move for development. According to Wagner, some of these strengths are; the relatively low levels of corruption, a disciplined civil society, a general level self-awareness, confidence, high levels of natural resources (water; which can be

used to produce electricity), a large population (cheap labour force), a very good international and domestic airline, and an constantly improving level of infrastructure (Wagner, 2009). Furthermore, the ECBP was mentioned as a good bottom-up approach to development, where both donor and government are working closely together. However, Wagner also pointed to the same observations made by the ECBP, that there will be a need for larger policy reforms for the programme to be successful on a medium and long-term basis.

In this view, the EC sees many positive aspects and perspectives for Ethiopian economic growth, including tourism and in the export of electricity. It is the view of the EC that these areas have not yet been fully explored, and are seen as being very lucrative opportunities for the nation. Some work has been done in these fields, especially with regards to the export of hydroelectric electricity; the Ethiopian government is exploring the opportunities to expand its power-grid in the near future. However, the current power situation in Ethiopia is very congested, and is not meeting the current demands of the citizens who experience frequent power shortages and rationing. Therefore the aims of the government to export electricity are very ambitious, but will not be realized until they are able to solve their own power issues.

Lastly, Wagner pointed out that there needs to be a harmonisation of donor efforts in private sector development, working closely with the ministry of trade in order for real progress to be made, as outlined with regards to the ECBP (Wagner, 2009).

Reflecting on the approach of the Commission, it is interesting that despite their reservations and concerns towards the Ethiopian government, they have increased their level of funding by almost four times the amount they gave in 2001 (see appendix VI). In addition to this, under the 10th European Development Fund (EDF), financial resources that will be made available to Ethiopia will be €644 million between 2008-2013 (European Commission, 2007). Not surprisingly, this is seen as a little inconsistent with the behaviour of other EU donors, who have lowered their financial support in recent years, or decided to provide it through different channels. According to Dr. Belay Simane of Addis Ababa University, this sends a misleading signal to both the local community and government. Donors tie political attachments to their funding, and insist on sending their own experts, who are often not of a very high standard (Simane B. , 2009). In view of this, Simane does not find this to be the position of a fully committed development partner.

Putting this into a more theoretical perspective, it is clear that the ambitions of the EC are based on a modernisation approach to development, with an increase in trade and opening up of markets. However, this is clearly not the first priority of the Ethiopian government, who wishes to see a slower integration of their markets onto the global market, protecting areas such as land, telecommunications and banking. In light of this, the EC want to push for more liberal policy reforms to encourage growth through programmes such as the ECBP, a programme that is showing promising results. However, if the government of Ethiopia remain reluctant to open there markets and institute the needed policy reforms, development in the private sector may halter.

6.2. The pros and cons of Aid

As it is often very difficult to distinguish between the actual results of giving aid, it is important to understand some of the pros and cons related to giving and receiving aid. This chapter will therefore briefly discuss some of the pros and cons of giving and receiving aid and elaborate on some of the main motives and interests from both sides.

When discussing the pros and cons of aid, it is important to understand the motivations of both the recipient countries and the donor countries. When it comes to donor countries, it is often difficult to see where their motivation for giving aid actually lies. One might hope that such motives are purely moral and humanitarian, but the fact of the matter is that many of these motives are intertwined, and are all in fact part of the general development sphere (Martinussen & Pedersen, 2005, p. 17). Martinussen and Pedersen's categorise the main motives as: national security, economic, environmental, and moral and humanitarian (ibid.). A.P. Thirlwall, refers to only three categories, yet considers the same main areas, namely: moral, humanitarian; political, military and historical; and economic (Thirlwall, 1999, p.465). Lastly, G.R. Olsen refers to foreign aid, coming from small and middle power nations (such as Denmark, The Netherlands, Sweden), as being motivated by what Olsen refers to as 'human internationalism' (Olsen, 1998). Olsen defines this type of aid as the principle that citizens of the developed, industrialised nations, moral obligations towards other people and events beyond their own borders, it further implies a "sensitivity to cosmopolitan values, such as the obligations to refrain from the use of force in the pursuit of national interests and respect for human rights" (Olsen, 1998, p. 608).

Taking these categories into consideration, and reflecting on the above outlined donor approaches and programmes; Ethiopia is regarded as a recipient of aid due to; humanitarian, security, and economic interests. Security has started to play an increasingly important role for Ethiopia, as many in the international community see them as one of the only stable nations in the Horn of Africa (Simane B. , 2009).

On the other hand, recipient countries motives for receiving aid, are not always clearly defined, nor tangible. According to Martinussen and Pedersen: “governments in the South want aid to promote economic and social development...” (Martinussen & Pedersen, 2005, p. 21). However, exactly how such development is to take place is often not clearly established. In relation to this, “pressure groups have been formed in many developing countries, which want foreign aid either phased out or radically changed” (ibid., p. 22). The belief, which is very much based on that of the dependency theory, is that aid has to be stopped as to help prevent the increased dependence of recipient countries to donor countries. In this context, it is often easy to understand why recipient governments are more inclined to accept multilateral, rather than bilateral aid.

According to Roger Riddell, development assistance has predominantly been motivated by moral arguments (Riddell, 2007, pp. 98-99). This has very much been the case especially in the former colonial states of Great Britain and France, leading one to the conclusion that by giving aid, they might overtime help overshadow and defuse the treacheries acts, which they committed during the colonial period. In which case, making this a pro for the donor, who in turn would argue that this is also in the best interest of the recipient. This however, is hugely dependent on the type of aid that is given. If one were to consider economic aid, in the form of infrastructure programmes, Thirlwall argues that “no one who has seen infrastructure projects the world over, financed on concessional terms by donor countries and multilateral agencies, could possibly claim that developing countries cannot benefit from aid” (Thirlwall, 1999, p.466). This pro argument for recipient nations, can also be argued as a con as a recipient nation, becomes dependant on this aid to develop its infrastructure, or even accountable to develop certain policies or regulations as outlined by the donors, in exchange for such aid.

This type of giving with conditionality's, is referred to as *tied aid* by Martinussen (Martinussen & Pedersen, 2005, p. 11). Reflecting on the case of Ethiopia, we see that donor assistance has in fact helped extensively with the modernising of infrastructure around the country, especially in the

urban areas. The major investors here are largely Chinese investors and the Chinese government, who have been praised by Ethiopian Prime Minister Meles Zenawi, as having “a major impact on Africa's implementation of infrastructure projects” (Zenawi in Fei & Xiong, 2009). However, criticism towards the Chinese approach is also widespread, especially with regards to the lack of conditionality connected to the support and investment offered by China, who have a very *business as usual* approach to development, ignoring “...the political, conditional terms that characterize Western assistance” (Desta, 2009). In this sense, one can clearly categorise the Western European States, which are mentioned above, as having clear political motives, or conditionality, connected to their funding, which in turn, is not as productive as the Chinese approach.

One of the main critics of aid, Peter Bauer, expresses that individuals and states have no moral obligation to help others. Furthermore, Bauer states that donor countries have no right to “allot part of the state's taxes to poor developing countries” (Bauer in Martinussen & Pedersen, 2005, p. 11), as such money should be used to benefit the citizens of the donor nation themselves. This is also pointed out by David Ellerman, who argues that for conservative approaches (such as that of Bauer) “...development assistance effort[s] from the developed countries to the developing world has created a massive generalised moral hazard problem” (Ellerman, 2007, p. 572). In relation to this, the cons of giving aid as a donor nation come to light. As it is often difficult to evaluate the results of aid, especially when many aid programmes are sometimes very vaguely formulated, i.e. to ‘alleviate poverty’, many donor governments have been heavily criticised for their lack of visible results (Martinussen & Pedersen, 2005, p. 224). According to Martinussen and Pedersen, this dilemma is demonstrated by the problem of identifying “...what effects are due to aid efforts... and what effects are due to other factors in recipient countries and their international relations” (ibid., p. 225). One might consider the use of *emergency relief aid* by donor governments as a way of achieving results that could easily be monitored, and to some extent, are more publicly visible, mainly due to the *CNN effect*. However, according to Martinussen and Pedersen, this is not the case. In fact, the EU wants to shorten the, so called *time gaps* “...between short-term relief and long-term development promotion” (Ibid., p.211).

The EU goal of limiting *time gaps*, illustrates the difference in priorities presented by the EU as a multilateral donor, and its member states as bilateral donors. In addition to this, one can reflect on the EDF, and how the EU wants to enhance General Budget Support (GBS) efforts over the

course of the new EDF programmes, and how these plans collide with the views of the independent EU donors. Roger Riddell points out that budget support accounted for over 20% of the official aid to Ethiopia between 2003-2004 (Riddell, 2007, p. 199), meaning that following the events of the 2005 elections, when the donor community decided “it could no longer be business as usual and discontinued their general budget support” (Poley, 2009), Ethiopia was suddenly left with a huge absence of funding, as donors limited their economic commitments. One might assume that the EU was left to fill the void, particularly if one looks at the financial figures from that period¹⁵.

Looking into of *food-aid*, it is clear that it has a short-term impact on the region in which it is implemented, which is a pro for both donor and recipient nations. However, the long-term impacts of food-aid, can lead to an array of other negative impacts on local sale and production of food. The way in-which a donor governments administrate food-aid is also extremely crucial, as this type of aid can be used as a political empowerment tool for corrupt governments, only distributing food among their supporters, or imposing unreasonable conditions for its distribution. In this view, such aid can be beneficial for recipient governments, whilst less lucrative for the local population (Martinussen & Pedersen, 2005, p. 22). Another issue concerning food aid is the high cost of tied aid. According to Sophia Murphy and Kathy McAfee, the US alone “requires that at least 75 percent of the procurement, processing (including fortification with nutrients), bagging and shipping be handled in the U.S., by U.S. firms” (Murphy & McAfee, 2005, p. 11). In this regard, the cost of food aid increases to an average of 46% more than if the food was purchased locally (Clay in Riddell, 2007, p. 342). In addition to this, Riddell focuses on the issue of the delivery of food aid to those most needy, as one of the main obstacles to humanitarian aid, adding that food aid is often less efficiently provided as, for example, water, sanitation and health needs, often providing insufficient quantities without understanding the needs of the recipient (Riddell, 2007, p. 343).

With regards to food aid, Ethiopia has been a major recipient of this type of aid for many years. According to the World Food Programme (WFP), more than 10 million Ethiopians have been affected by droughts, and 4.6 million are in urgent need of food assistance (WFP, 2009). Despite improving in the Global Hunger Index (GHI) since 1990, Ethiopia remains in the category of

¹⁵ See appendix VI

Extremely Alarming when it comes to domestic food production (Welthungerhilfe, 2008). As a response to the growing food security problems in Ethiopia, the government introduced restrictions on the export of certain produce, which according to the Welthungerhilfe organisation “has constricted supplies on world markets and exacerbated the upward pressure on prices” (ibid. p. 23). This in turn makes tied food aid even more expensive for donors, resulting in less aid resources going to other sectors.

According to Dambisa Moyo, there are four main economic challenges that face poor economies when they receive large amounts of aid. These include: reducing of domestic savings and investment in favour of greater consumption, inflation, diminishing exports, and difficulty in absorbing such large cash influxes (Moyo, 2009, p. 60). Moyo believes that Aid is one of the contributing problems to the developing worlds lack of development. With regard to Moyo’s point on diminishing exports, we can reflect on the issue of *Dutch Disease*, as aid influx increases (in foreign currency), there is a need to exchange this currency into local tender in order for this money to be spent locally. The value of the local currency then increases as there becomes a higher demand for it, making export goods more expensive, and uncompetitive on the international market. This process is, according to Moyo, the *Dutch Disease*, that is facing much of the developing world today, where aid is creating inflation pushing prices up, creating more unemployment and poverty; thereafter more aid is given as a solution only to increase the problem (Moyo, 2009, p. 63).

In short, it can be difficult to show the beneficial results, as well as overall negative results of aid. In general, aid remains within an unclear framework, due to lack of coherence and understanding of the terms and conditions linked to development, by donor and recipient countries. The impact of aid therefore remains uncertain and controversial (Martinussen & Pedersen, 2005, p. 264) (Riddell, 2007). What might then be the solution to this shortfall of effective aid to help stimulate more sustainable development?

The answer to this question remains largely disputed. On one side of the argument, critics, such as Brauer, criticise aid as being morally unjustifiable. Very much in favour of the abolishment of the notion of development (and thereby development aid as such), we have the post-development thinkers, arguing for a re-thinking of development. They argue that development has been unsuccessful, destructive, and has led to the degradation of the nations of the developing world.

However, the key to sustainable development, is to find a middle ground, not to compromise, but to find where common interest between donors and recipients meet. According to Simane, there are many opportunities for *win/win* situations in Ethiopia for example, however they require more cooperation with donors and recipients (Simane B. , 2009). In relation to this, aspects such as, stable flows of aid, reductions of foreign debt, increased knowledge support and transfers, and lastly increased trade (both North-South, but more importantly South-South) are all key elements. These types of aid take time to accomplish and an increased openness and willingness from all parties involved to participate. Governments need to establish long-term internal, regional, and international goals, whilst increasing accountability and transparency both in recipient countries as well as donor countries, encouraging independence and not dependence in the developing world.

7. Economic Development in Ethiopia

Under the mainstream economic development theory, it is believed that the transfer of capital from the centre to the periphery is the only solution to economic development. This theory, however, poses a problem in developing countries, as a lack of capital and nationhood is not addressed – the very factors which are often viewed as some of the root causes of economic underdevelopment. As Teferra points out, “ethnic heterogeneity, social cleavages between elite and non-elite, and lack of shared political culture” are additional aspects which the mainstream economic development theory neglects to consider in its assumption of how the developing world should develop (Teferra, 2005, p. 2).

In contrast, the dependency theory posits that developing nations have been underdeveloped by the same system that created capitalism; the capitalist system created class structures which hindered the development of the nation. According to Teferra, the dependency theory argues “local elite groups in alliance with international capital squandered the economic surplus or directed it abroad to the further development of the advanced capitalist countries” (Teferra, 2005, p. 2). The obvious lack of economic development, has in turn given the dependency theory notable support in much of the developing world.

Lastly, the modernisation theory states that developed and underdeveloped countries will benefit mutually from each other’s engines of growth in boom times, while impeding each other’s progress in times of recession (Martinussen J., 1997, p.70). However, this relationship is not as symmetrical as the theory suggests, as much of the overall world trade is dominated by only a few nations. Additionally, while the current economic crises is having a global effect on world trade, the effect is more critical on the less developed, more dependant nations. As markets and consumer habits change, these nations will suffer from a lack of economic flexibility and overall flow of capital.

Following the collapse of the soviet social system, the market economy and capitalism were viewed as triumphant. The debate has now changed into whether globalisation was good for the developing world or not. It is argued that governments rather than the market should manage the economy in poor countries, and that all countries should have an equal voice in the policies

affecting them. In fact, according to Teferra, the general impact of globalisation on African countries is insignificant (Teferra, 2005). In 2000, Africa only accounted for 1.7% of World trade, and of this figure, South Africa and Nigeria accounted for 27% and 15% respectively. Ethiopia on the other hand, accounted for only 0.7% of Africa's total share of world trade (Teferra, 2005).

One of the main reasons for the vast differences in opinion as to the effects of globalisation on the developing world, is that there is no clear definition of poverty, or consensus on whether poverty should be measured in absolute or relative terms (Hobden in Burnell & Randall, 2008). Absolute methods, such as the less than a dollar a day scale, in fact show a decrease in global poverty while relative measures such as the comparison of the proportion of global wealth enjoyed by the world's wealthiest to the poorest people in the world, show that there is an increase in poverty. This demonstrates how difficult it is to measure the effects of globalisation. Hobden however, points out that the effects of globalisation not only differ from country to country, but also within the social groups of a country. In fact, Hobden argues that the levels of inequality have increased both internationally and nationally, whilst poverty has decreased on an international scale (Hobden in Burnell & Randall, 2008).

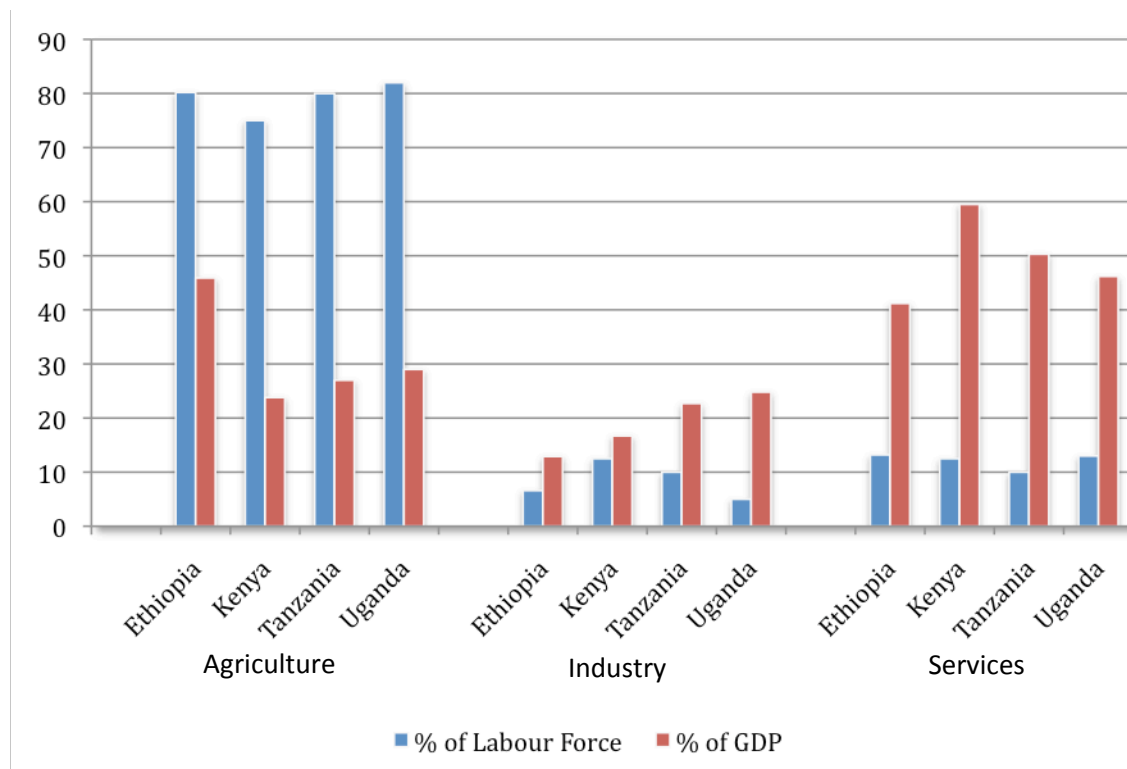
It is extremely difficult to evaluate economic development. Not only does the debate often turn into a distinction between development and growth, the vast differences between individual countries means that different approaches are needed. The approaches undertaken by western states on their road to their stature of today, are not ones which can be copied, but are important to understand and analyse for future development. Teferra points to what he believes to be the main reasons for the western states economic development. These elements include:

- a thorough agricultural transformation;
- commercial advancement and entrepreneurship;
- work ethic and upward mobility;
- a spirit of scientific inquiry;
- internal capacity to borrow and adapt modern technology; and
- a nation-state and unified market (Teferra, 2005, p. 7)

This chapter seeks to examine some of the aspects and approaches towards economic development, which Ethiopia has adopted. The two main areas of focus will be foreign direct investment and the agricultural sector. In Ethiopia, the agricultural sector is the biggest sector in

terms of employment, employing approximately 80% of the workforce, yet only accounts for just under 46% of the national GDP. Meanwhile, the services and industrial sector accounts for over 54% of the national GDP, while only employing a mere 20% of the workforce (CIA World Factbook, 2009). It is therefore interesting to look at FDI and how increased investment can create more jobs in the most lucrative sector in Ethiopia, while helping to advance the biggest sector, namely agriculture. Graph 2 below, illustrates the current situation in Ethiopia, compared to that of some of its neighbouring countries.

Graph 2: Labour force and GDP in %



Source 2: CIA World Factbook

It is worth noting that the current government has embarked on a cautious programme of economic reform. According to the US Department of State (USDS), this includes the privatisation of state enterprises and the rationalisation of government regulation (USDS, 2009). The USDS, however, is of the view that although this process is still ongoing, “so far the reforms have attracted only meager foreign investment, and the government remains heavily involved in the economy” (USDS, 2009).

Finally this chapter will examine some of the basic indicators of economic development in Ethiopia, giving a comprehensive outlook of the contemporary situation and the trends.

7.1. Foreign Direct Investment

Foreign direct investment (FDI) has become a major aspect of globalisation and a main topic in the debate on the economic growth of the developing world. FDI mainly refers to the relocation or transferral of parts of the production or services of firms to other countries. These firms are often referred to as transnational corporations (TNCs). According to Hobden, although the levels of FDI have increased in recent years, it still remains to be seen whether these investments and activities of TNCs have assisted or undermined economic development (Hobden in Burnell & Randall, 2008).

While Ethiopia has received an average of 200 million US\$ in FDI per year since 1991, this figure has been steadily increasing over the last 10 years¹⁶. Despite the figure from 2007 being lower than previous years, the trend is upward going. These developments are interesting, because when compared to some of Ethiopia's direct neighbours, Ethiopia has received much higher levels of FDI. On this note, it is worth mentioning that both the WB and the IMF, encourage governments to lower taxes, and remove controls of capital flows in order to encourage FDI (Hobden in Burnell & Randall, 2008). Ethiopia has in fact undergone such developments, and today particularly Dutch investors in the flower and agricultural sector, have made large commitments in Ethiopia.

The recent Dutch investments in Ethiopia have been possible mainly due to the steps taken by the Ethiopian government since 2000 to improve the business environment in the country. The steps taken by the Ethiopian government has lead to improvements in international business and investing ratings. According to Poley, however, these positive improvements have started to level out and in order for further improvements to take place, greater policy changes are needed, including a more open market orientated structure, and the opening-up of the land, banking and telecommunications sectors (Poley, 2009).

One of the things which Ethiopia needs is more local investors. The current lack of national investors in Ethiopia has forced the government to attract foreign investors. This is so even though local investors would, according to Mulugeta, be the most ideal outcome for the nation

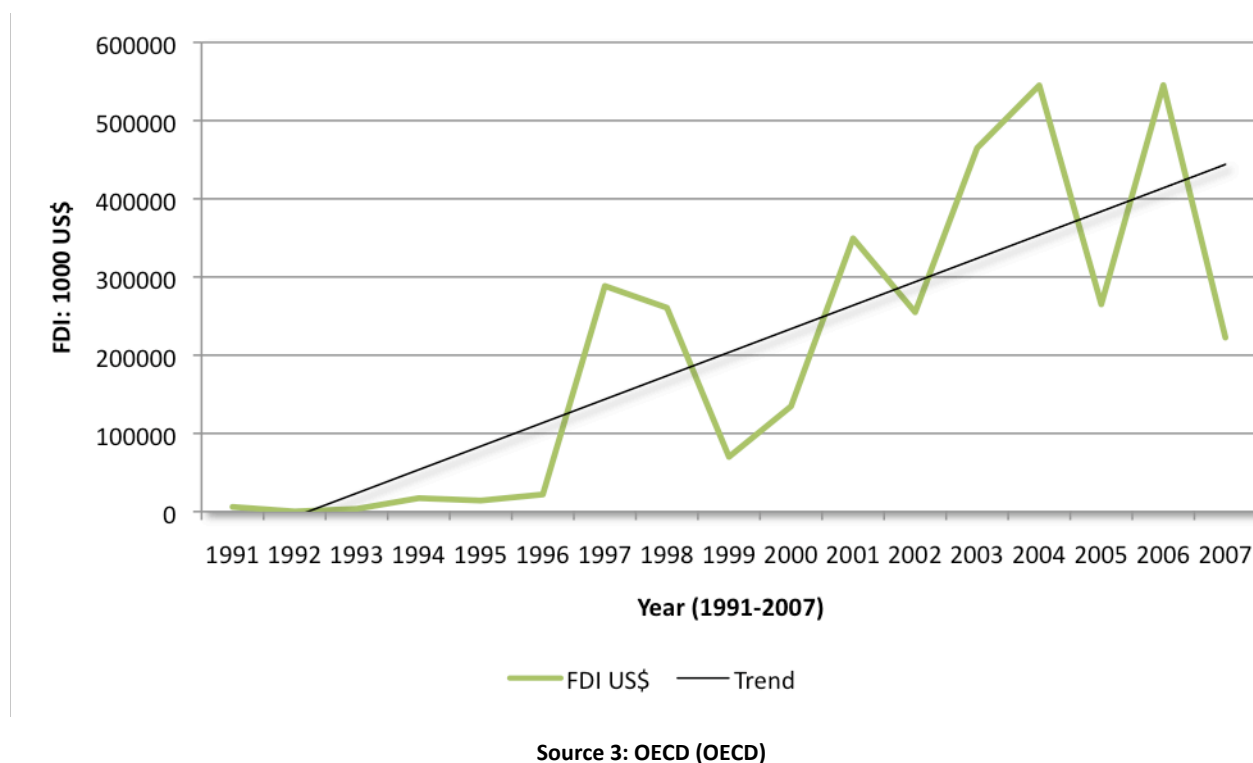
¹⁶ Appendix IX

(Mulugeta, 2009). Dependent on foreign investments due to the lack of local capital capable of similar investments, Ethiopia has seen some benefits from foreign investments (Ibid.). For example, the investments by the Dutch flower industry have had a positive impact on the Ethiopian economy and created employment opportunities through the hire of local workers (Ibid.) Furthermore, it is vital that Ethiopia outlines its “priorities in terms of development... and change[s] the image of the country to help attract tourism and further investment” (Mulugeta, 2009). The Ethiopian government has also expressed interest in increased FDI flows. As a result, the ministry of Finance and Economic Development has defined one of its goals for development as: “Enhancing Resource mobilization – domestic (public revenue, social mobilization, private investment) and external (in the context of scaling up harmonization, and improved predictability as well as increased trade and FDI)” (MOFAED, 2005).

Since 1991, there have been substantial increases in both domestic and foreign investment in Ethiopia. According to Kifle Abraham, most foreign investment in Ethiopia occurred post 1996, with large investments being made in very specific sectors of the economy, and domestic investments being spread across a broader spectrum, but in smaller economic quantities (Abraham, 2001, pp. 93-97). Interestingly, Abraham points out that there has been little investment in the agricultural and mining sectors, and that the government should do what it can to encourage this investment due to Ethiopia’s natural advantages in this area. Abraham further notes that Ethiopia has Africa’s largest, and the world’s ninth largest livestock population¹⁷, a sector that is yet to be explored by investors (Abraham, 2001).

¹⁷ Date is from the time of Abraham’s publication, 2001, however today Ethiopia is ranked seventh in the world according to the Food and Agricultural Organisation of the UN (FAO, 2009)

Graph 3: FDI in US\$ - 1991-2007



Levels of FDI often fluctuate greatly, and this is especially visible when one looks at the data from Ethiopia¹⁸. According to Hobden, however, this is not necessarily a reflection of the situation in a given country, as general levels of FDI dropped after the World Trade Centre attacks in 2001, and the current economic down turn is also having an effect on TNCs ability to invest. Moreover, from a global perspective the entire continent of Africa only receives 8% of global FDI, which is hugely overshadowed by China and Hong Kong, which account for over 40% of global FDI (Hobden in Burnell & Randall, 2008, p. 65). Despite the low levels of investment (as seen from a global perspective) FDI is still viewed as a major component in the global financial market. Nevertheless, it is heavily debated what the costs and benefits of FDI is for developing countries. Consequently, although we see great fluctuation in influx FDI to Ethiopia, the general trend is upward going.

7.2. Agriculture

The agricultural sector in Ethiopia employs over 80% of the population, and contributes over 45% to the national GDP (see graph 2 above). Major exports of Ethiopian agricultural produce include, coffee, hides and skin, pulses and oilseeds. In addition to this, the production and sale of *khat* has

¹⁸ Appendix IX

increased in recent years, due mainly to the decline in international coffee prices. According to the USDS and the International Coffee Organisation (ICO), coffee earnings in Ethiopia have dropped by 65% since the mid-1990's due mainly to the depletion of the US dollar in recent years. However, coffee consumption in traditional markets remains stable, so the market for export remains, presently at a lower profit (USDS, 2009) (ICO, 2009).

According to Teferra, in order to increase economic development you need to achieve a greater increase in real national income than in population, causing the per capita income to rise. Agricultural developments are therefore essential for this type of economic development. Due to Ethiopia's imperial tradition, which gives the ruling elite and the state a monopoly over land ownership, the country has not transformed its agricultural sector (Teferra, 2005).

This becomes an issue for Teferra who argues that in order to encourage investments for agricultural developments, the policies regarding land ownership need to be reformed (Teferra, 2005). It is only when the land policies are reformed that the potential of Ethiopia's agricultural sector can truly be executed (Teferra, 2005). Teferra opines that the current government's ethnic-based administration has "fostered ethnic hatred and hindered the free movement of labour and capital into and within rural areas... the policy of ethnic division [has] fragmented the national economy and seriously hampered agricultural transformation" (Teferra, 2005, p. 14). Interestingly, the Ethiopian Commodity Exchange (ECX) does not agree with this argument. In a recent interview with Tilahun Bekele of the ECX, he argued that the ECX has not received any complaints from farmers that their production is limited due to the land rights in Ethiopia. According to the ECX, the main concern of the farmers is the poor level of infrastructure, which prolongs transportation time, and the low price of coffee on the international market (Bekele, 2009). Additionally, the ECX has experienced issues with the quality of the produce, which does not always meet international standards.

Ethiopian agriculture suffers from other major problems, namely droughts and the degradation of soil quality, overgrazing, deforestation, lack of irrigation systems, and poor levels of infrastructure. Despite these issues, however, the USDS describes agriculture as the country's most promising resource, stating that Ethiopia has the potential to become self-sufficient in grains, oilseeds, sugar, vegetables, and fruits (USDS, 2009). With this in mind, one might reflect on the numerous accounts of lack of food in Ethiopia, and the vast number of Ethiopians that are in need of food aid

every year. It is therefore safe to say, that Ethiopia would benefit greatly from becoming self-sufficient in certain agricultural sectors in order to establish sufficient levels of food security.

Amartya Sen has done extensive work in this area, stating that:

“hunger relates not only to food production and agriculture expansion, but also to the functioning of the entire economy and –even more broadly – the operation of the political and social arrangements that can, directly or indirectly, influence people’s ability to acquire food and to achieve health and nourishment” (Sen, 2001, p. 162).

People suffer from hunger and starvation, not because food is unavailable, but because they are unable to acquire or buy this food. This may primarily be solved by the development of a healthy well functioning market in collaboration with an open and democratic government. According to Sen, there are three influences that determine the entitlement of adequate food supply. These include empowerment, decision-making powers, and the ability to influence when and how you buy or produce your food. These ‘influences’ cannot easily be applied to Ethiopia where farmers do not own their own land and do not have many options other than to sell their produce at government markets - often for a low price and through numerous middle men. Despite these realities, it would appear that – on the surface at least - the Ethiopian government is taking steps in the right direction. The idea behind the establishment of the ECX for example, is to give farmers the ability to see the real traded prices of their produce, the ability to sell their produce without travelling great distances, and to streamline their production to better fit the needs of the market (Gabre-Madhin, 2007).

According to Sen, famines are easy to prevent. The problem however lies in the distance between the ruler and the ruled. Sen further states that “the proneness to famines is much greater when the population is generally impoverished and when public funds are hard to secure” (Sen, 2001, p. 175). It is therefore important to secure economic development to insure that a country is able to buy and supply food to its public. In this regard food availability is not as important as the ability to make food available to you. Therefore weak economies are more prone to famine, not because there is no food in these countries, but because the population does not have the resources to acquire the available food.

Famines in Ethiopia and Sudan during the late 1970's and 1980's come about due to the political immunity that the governments in these two nations enjoyed. There were no democratic institutions or media in place to criticise or put pressure on the governments in question (Sen, 2001, p. 179). Today, the situation has not changed much in either country. As outlined above, Ethiopia in particular has a very strict government that denies international civil society organisations from operating in the country, and ensures that the government is not openly criticised in the media or through civil society.

Samuel Gebreselassie further adds that the small farms are hindering the development of Ethiopian agriculture, as they are often unable to generate sustainable amounts of produce for themselves. Gebreselassie mentions "the average farm size is considered by many to be too small to allow sustainable intensification of smallholder agriculture... empirical evidence shows that the probability of adopting fertilizer and improved seeds decreases with declines in farm sizes" (Gebreselassie, 2006, p. 8).

The problems, which need to be addressed in Ethiopia, therefore include the small farms, farms with low productivity, a growing scarcity of productive farmlands, environmental degradation, and lack of investment. There is also a high level of farm fragmentation, that according to Gebreselassie, forces parents to "incorporate their children who reach working age into family labour, rather than partitioning their land and allowing them to run independent farms" (Gebreselassie, 2006, p. 9). The result of this merely increases the number of people working on small unproductive farms, thereby decreasing their productivity by producing less produce for more people.

Gebreselassie also points out that a common argument for why farmers in Ethiopia need not be permitted to own their land, is that farmers in China also do not own their land and this has not had a negative impact on Chinese agriculture. This is a rather weak argument, however, because even if China has enjoyed relative success with such a model, this does not mean that this will also be the case in Ethiopia, nor has it been the case since 1975 when the policy was implemented in Ethiopia.

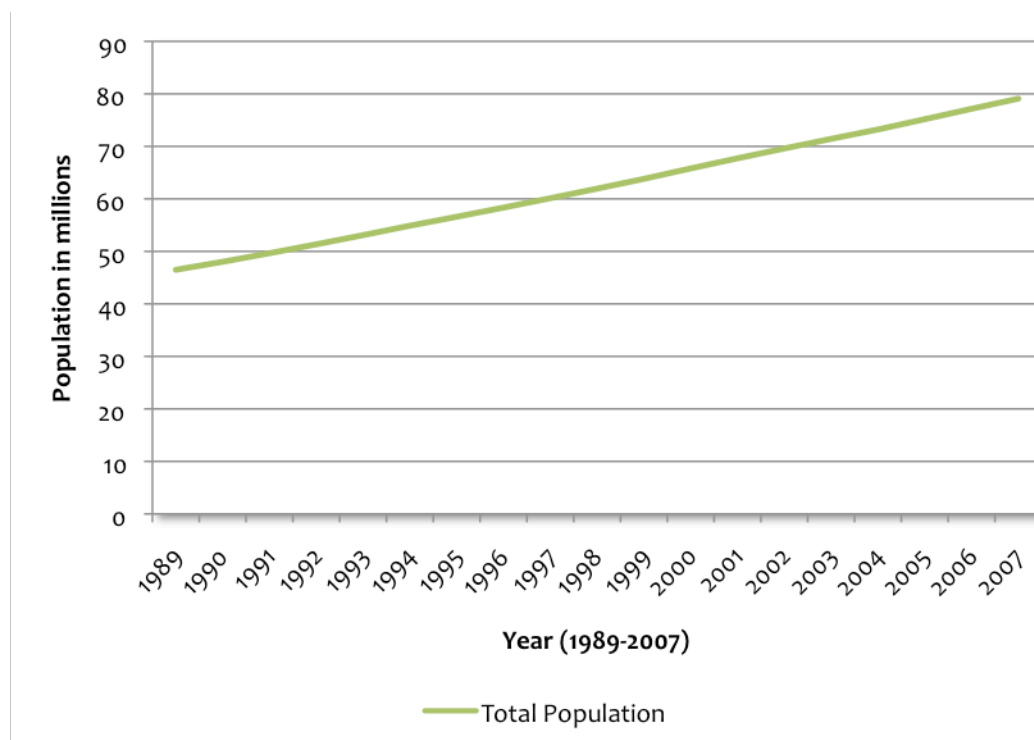
7.3. Basic Economic Indicators

In this section, various economic indicators showing data from Ethiopia will be evaluated. In order to fully understand this data, it will be viewed in the context of the five indicators of economic development as outlined by Schumpeter. These indicators can be outlined as follows:

1. an increase in population;
2. a rise in capital;
3. progress in the methods of production;
4. progress in the economic organization of the industrial society; and
5. development of consumer wants (Schumpeter, 2003, pp. 67-68)

With regard to population, Ethiopia has witnessed an excessively growing population in the last years. Graph 4 below, shows the increase in population that Ethiopia has encountered since 1989. In fact, since 1989, Ethiopia's population has almost doubled from 46 million to more than 79 million today¹⁹.

Graph 4: Population of Ethiopia - 1989-2007



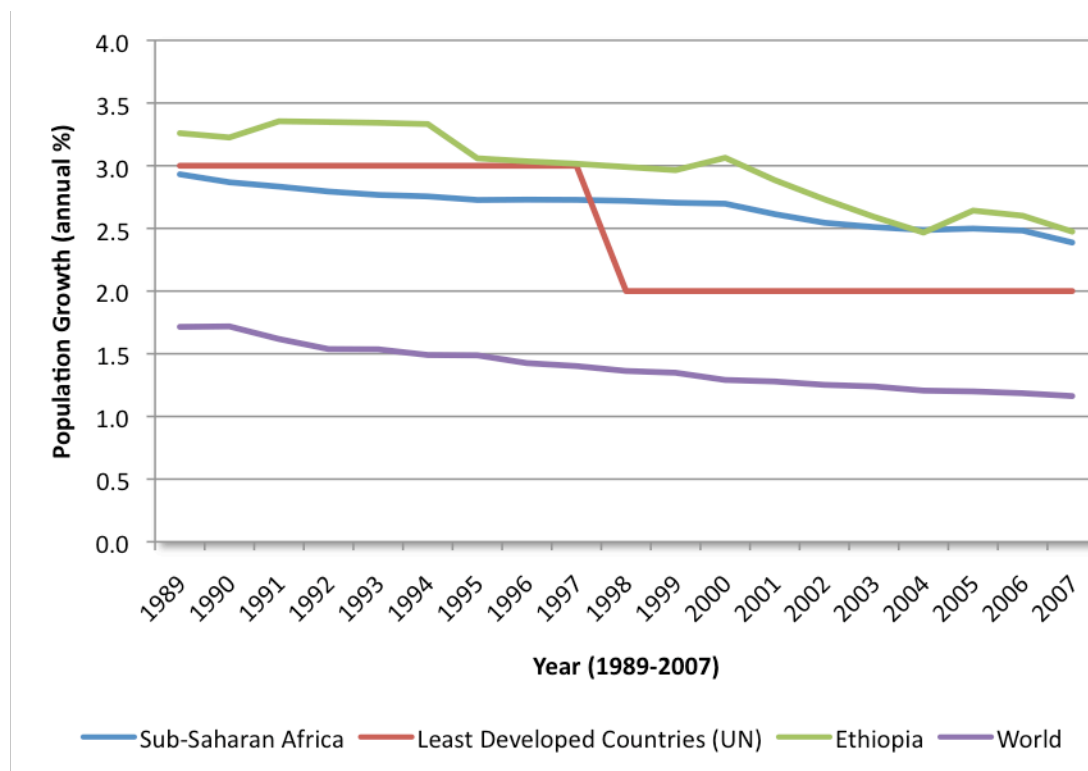
Source 4: World Bank, Data & Statistics

¹⁹ See appendix II for a more detailed description of these data

In order to put this into perspective, graph 5 below illustrates the average population growth in sub-Saharan Africa, the World, the least developed countries (UN) and Ethiopia, between 1989 and today - the same time period as graph 4.

Viewing graph 5, it is evident that while Ethiopia's population growth generally follows the average of sub-Saharan Africa, Ethiopia has a fractionally higher growth rate. As compared to the global average, all the developing countries show substantially higher growth rates. Drawing conclusions from this data may be dangerous as low growth rates may just as easily have a negative impact on an economy, as high growth rates. In the case of Ethiopia however, the high growth rates that the country has experienced have in fact had a negative effect on the country. In addition to this, an African Development Bank, Country Assistance Evaluation report of Ethiopia from 1996-2007, indicates that Ethiopia has a population dependency ration²⁰ of about 90% (AFDB, 2008, p. 2).

Graph 5: Population Growth in % - 1989-2007



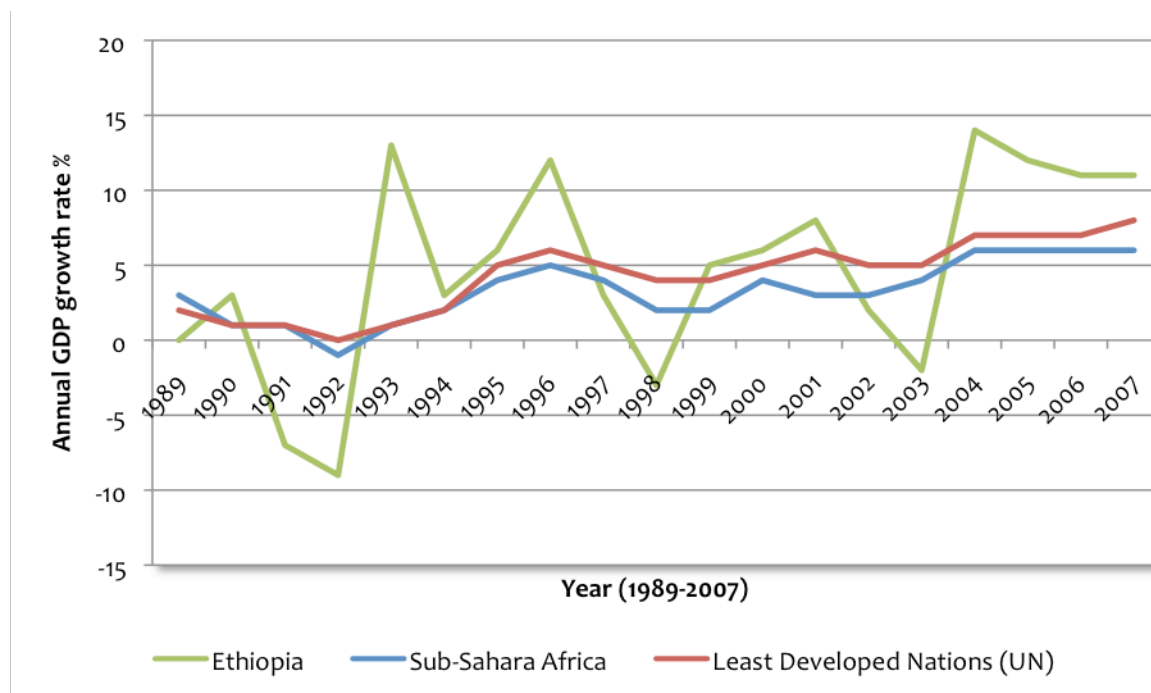
Source 5: World Bank, Data & Statistics

²⁰ Population dependency ratio indicates how many young people (under 16) and older people (over 64) depend on people of working age (16 to 64)

What is interesting with respect to population is that according to Schumpeter, an increase in population is a sign of economic progress, as an increase in population will increase the size of the workforce, thereby forcing wages down and increasing competition. An increased population workforce also means that there is more money in circulation, thereby increasing the demand for goods. In the case of Ethiopia, the increase in population in recent years has yet to prove Schumpeter's theory. Until now, Ethiopia's population growth has only served to increased the already fragile issue of food security in Ethiopia.

Point 2 of Schumpeter's indicators is growth in capital. This will involve analysing the annual GDP growth rates and GNI per capita. With regards to GDP, Ethiopia has seen a positive growth rate in recent years, especially since 2003. Compared to Sub-Sahara Africa, and the least developed nations of the world (UN), Ethiopia has also shown a greater increase in GDP.

Graph 6: Annual GDP growth, 1989-2007

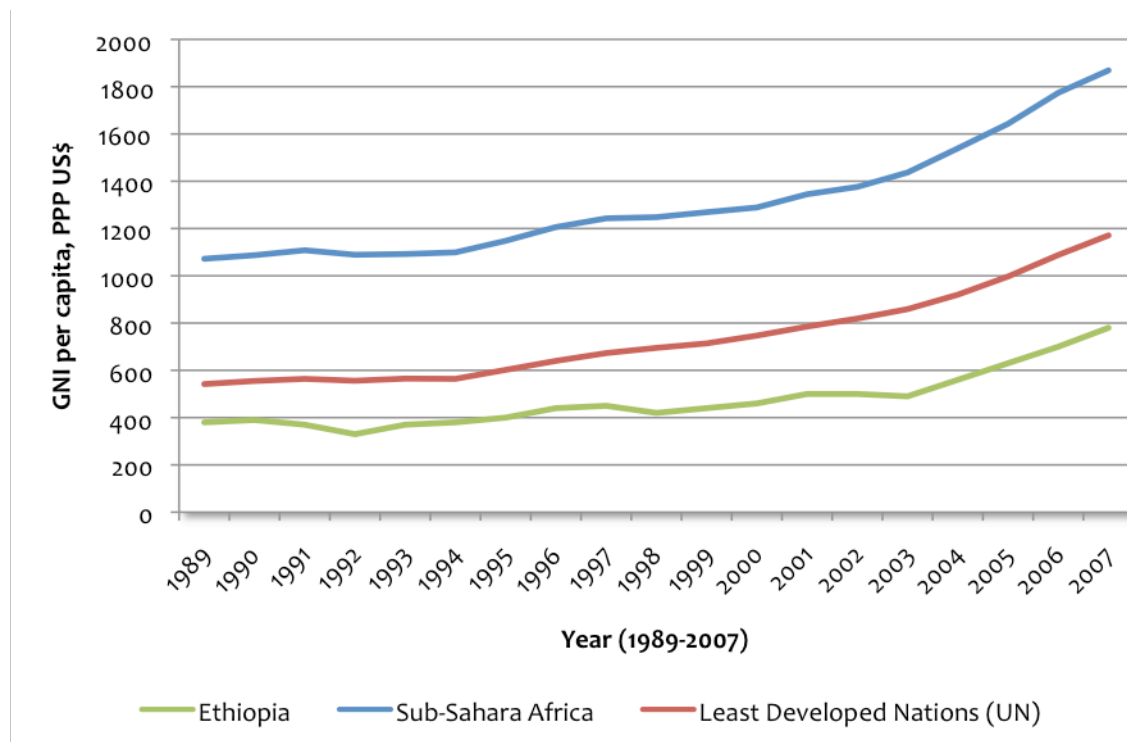


Source 6: OECD Stat Extract (OECD)

GDP is often not the best indicator of the health of an economy due to a number of factors, including how wealth is distributed within a given country. Rebuilding after a war or natural disaster may also increase the GDP because of an increase in economic activity. GNI (PPP) per capita, is therefore a better indicator of the economic situation in a country. The graph below indicates GNI per capita growth in Ethiopia. As is evident from the graph, despite a steady increase

in Ethiopia's GNI per capita, Ethiopia's growth remains lower than the average of Sub-Saharan Africa and the least developed countries of the world (UN), illustrating Ethiopia's status as one of the poorest nations in the world today.

Graph 7: GNI (PPP) per capita, 1989-2007



Source 7: OECD Stat Extract (OECD)

In order to evaluate the methods of production and the economic organisations of the industrial sector, factors such as the time required to open a business, exports of goods and services (% of GDP), and the export high-technological goods should be taken into consideration²¹. With respect to these factors, there have been significant positive advances in recent years. As noted by Poley, the advances made by the Ethiopian government to attract and develop the business sector have been substantial in recent years (Poley, 2009). For example, while it took an average of 44 days to open a business in 2003, today it takes an average of 16 days. Exports of goods and services have more than tripled since 1991, and exports of high-technology goods went from 0% of manufactured exports in 1991, to 3% in 2007. Although these developments are small, they are moving in a positive direction. The concern, however, is whether the government will allow this trend to continue by improving the business environment for both foreign and local investors.

²¹ See appendix XI

With regards to the development of the consumer wants, this will follow as the other factors develop and the general consumer develops different needs. A good example of this is the mobile phone industry in Ethiopia.

7.4. SWOT Analysis

In order to give a clearer overview of economic development in Ethiopia, the challenges and the prospects, the following SWOT analysis has been formulated:

Strenghts	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none">• Capacity of private sector to create jobs• Capacity of private sector to create wealth• Contribution of private sector towards economic development• Comparably low levels of corruption• Upward moving trend of FDI• Natural resources• Excellent regional/ international airline• Self-awareness• Stable nation in very unstable part of the world	<ul style="list-style-type: none">• Lack of skilled workforce• Lack of competition• Language barriers local/ international• High dependency on humanitarian aid• Image problem• NGO Law• Political freedom• Poor leadership• High inflation rates• Weak macro-economic balance• Low agricultural productivity• Black market trade	<ul style="list-style-type: none">• Large labour force• Tourism• Natural resources• Ethiopian Diaspora• Increase in educated population• Agricultural sector• WTO membership• Increased open-market strategy• Telecommunications market• Banking & Insurance market• Private sector development• FDI	<ul style="list-style-type: none">• Lack of investment promotion• Brain drain• Inconsistency of government guidelines• High cost of land• HIV/AIDS• Poor tax administration• Inadequate infrastructure• NGO Law• Unstable neighbours• Environment• Natural disasters/droughts• 'Dutch disease'• International financial crises• Low domestic investment• Image problem• Political leadership

7.5. Summary

High volumes of aid can cause macroeconomic imbalance in Ethiopia, affecting exchange rates and undermining the export sector. These effects are known as *Dutch disease* and have been seen in a number of African economies receiving high volumes of ODA. Exchange rates can be managed by an active central bank (as was seen in Uganda), however it is widely recognised that “large volumes of aid can and does undermine competitiveness” (Moss et al in Easterly, 2008, p. 261). It is further noted that aid often increases public spending without increasing income, further illustrating that large aid inflows can lead to more negative than positive impacts (ibid.).

This does not mean that aid only has negative effects. Aid can be effective and has had a positive outcome on some developing economies where it was given under the right circumstances. For aid to be beneficial and in order for the donor community to best target their support, it is vital that the recipient governments have a clearly defined vision of what their wants and needs are (Winters). Donor governments have too often used models of conditionality, which have proven ineffective, or models of non-conditionality, which are highly criticised by the public in donor nations, where the money being given is public money. At the same time, excessive levels of aid, given over longer periods of time, can have a distorting effect on the outcomes that the donors are in fact trying to encourage (Moss et al. in Easterly, 2008). Over time, the purpose of aid is ultimately that recipient governments will no longer have to rely on these sources of funding, as was the case in South Korea. However, for most of Sub-Sahara Africa, aid streams continue to flow while effectively damaging what they set out to develop. As the World Bank notes, “an effective state is the cornerstone of successful economies, and without it, economic and social development is impossible” (WB in Haili, 2001)

In 2007, Ethiopia was the second largest recipient of ODA in Sub-Sahara Africa, receiving more than 2.4 billion US\$ in aid²². As a result, the Ethiopian economy would be highly susceptible to increased inflation and decreased exports. In fact, as outlined above, Ethiopia is suffering from *Dutch disease*, experiencing high inflation levels in recent years. In combination with this, the Ethiopian economy is heavily reliant on the agricultural earnings of a few vulnerable crops in order to obtain substantial foreign exchange earnings and is heavily reliant on imported oil (USDS, 2009). According to the USDS, the government has attempted to solve these problems by creating high

²² Appendix VII

import regulations and subsidising gasoline. The Ethiopian economy, however, is unable to meet budget demands, requiring ODA to fill the gaps where domestic earnings have been insufficient.

8. Conclusion

Looking at the economic indicators, it may be concluded that since 1991, Ethiopia has made progress by means of economic development as levels of GDP, PPP and FDI have all increased, painting an image of progression. However, under the exterior of indicators, graphs and numbers, the reality is another story, and despite the relative progress, steps remain to be taken to ensure progressive development and the sustained growth of the nation. Ultimately, development aid sets out to assist governments in achieving these goals and assisting governments in ensuring their citizens receive a better quality of life. However, in the case of Ethiopia, many donors have restricted their involvement due to the government's lack of cooperation and continued exploitation of their people; denying them the right to fair and free elections, the presence of the international NGO community, freedom of press, and ownership. Nonetheless, donors remain reluctant to voice their discontent, as Ethiopia remains an important ally in the ongoing war against terror.

Today Ethiopia remains highly dependant on donor assistance, and is among one of the largest donor recipients in Sub-Sahara Africa. As a result, the Ethiopian government remains highly criticised by numerous sources, right from their protectionist economic policies to their oppressive form of leadership, and yet it still obtains immense sums of ODA every year. The precise rationale behind these influxes in ODA remain uncertain and may be due to a number of factors, including the large sums of humanitarian aid needed every year in Ethiopia. In addition to this, the US defined Ethiopia as one of their main allies in the *war against terror*, and although military funding is not classified as ODA, this funding allows the Ethiopian government to provide its own assets on military spending as ODA covers other areas of the general budget. Human Rights Watch have gone as far as to say that both the US and UK government are reluctant to openly criticise the Ethiopian government over fears that the government will react poorly to such criticism (HRW, 2008). In other words, some donor governments have decided not to point to the flaws and shortcomings of the Ethiopian government in order to keep the peace between the parties in their ongoing *war against terror*.

As outlined above, many of the current bilateral donors in Ethiopia have been reluctant to increase their economic commitments in the country. Nevertheless, multilateral donors such as the EU, have increased their funding despite criticism from bilateral donors. It is particularly this

point which has created a degree of confusion among Ethiopians who are unable to discern the aim of donors through the mixed signals they are receiving. Despite the criticisms, donations have continued to increase. As the donors remain divided in their criticism and commitment, it is difficult for them to enforce or invoke any change as they see fit.

Returning to the issue of economic development, we see that Ethiopia is at an important stage of being able to attract the right amounts of foreign investment without overshadowing its own domestic potential for investment. The central areas of concern for economic development remain: the issues related to land-ownership; investment opportunities; lack of capital; peace and stability (both political and regionally); inflation; donor involvement; and political manifestation.

Ethiopia undoubtedly suffers from an image problem, as it is often portrayed only for the terrible incidences we hear and see in the media, focussing mainly on food security issues, droughts, and war. The fact remains that Ethiopia does have a serious food security issue, and is highly dependant on food aid. Nonetheless, there remains a potential in the land that has not been realised as foreign investors remain unaware and national investors are unable to develop this potential. An example of this is that Ethiopia has a huge surface water area, which can be utilised in a number of ways, including the establishment of hydroelectric power facilities (Simane B. , 2009). However, droughts remain a huge problem, as the nation lacks the capacity to distribute and store the water (UNDP, 2007, p. 179). Additionally, there have not been any advancement in the creation of water irrigation systems; systems that could no doubt have profound effects on the agricultural sector (Mulugeta, 2009).

Further complications are caused by the Ethiopian government exercising its right to own most of the agricultural land in the country, only allowing farmers to lease their plots of land. This does not encourage investment and development of the land, as farmers have no incentive to make long-term investments in land that they do not own. We can reflect on the words of writer and agricultural economist, Arthur Young, who said: "Give a man secure possession of a bleak rock, and he will turn it into a garden; give him nine years' lease of a garden, and he will convert it into a desert". Teferra very much shares this opinion, and believes that Ethiopians should be given the right to their land, as this in turn will also give the people the power to influence the government (Teferra, 2005). As outlined above, many Ethiopians do not view the topic of land ownership as one of the main obstacles to development. However, not only does Sida see the importance of

this issue, but the Ethiopian government also understands the importance of this issue, as foreign investors are given long-term ownership rights to plots of land (99 years in most cases), to attract and to encourage their long-term economic commitments in the country. With this in mind, one may wonder why the government is not willing to allow its own people these rights in order to attract the same type of commitment and investment nationally. The Ethiopian government no doubt demonstrates a political agenda that has higher priority than the overall economic agenda.

The Ethiopian government has taken steps towards the privatisation of certain sectors of the Ethiopian economy, however, it seems that the government remains hesitant to take the final step in this process. Both the insurance and banking sectors have, to some extent, been privatised. Nevertheless, foreign banks are still not permitted to operate in Ethiopia, as the government fears that the Ethiopian financial sector is not ready for this type of competition. Of course, the fact that foreign banks may have more capital and experience, and thereby the ability to provide much of the needed capital inflow to further stimulate economic development, apparently does not factor into the government's considerations.

The global approach to development in the last 20-30 years has been a very free-market orientated approach, encouraging developing markets to open up to international trade. Unfortunately this approach has not had the positive effects one might have hoped for and has often been criticised for having a devastatingly negative effect on developing markets. Where the responsibility lies as to who is to blame for this lack of development is an ongoing debate, and one that has caused a division in the WTO. One problem however remains: developing countries are still faced with issues of protectionism imposed on them by their governments. The operation of global markets has the opportunity to create enormous wealth on the one hand, while exploiting the most vulnerable on the other hand. Globalisation can have a positive or negative effect on any country, but developing nations particularly vulnerable. The key is to choose a strategy that will not isolate your markets from the global economy, so that you do not miss out on trade and investment opportunities, while not leaving your markets vulnerable to exploitation.

The Ethiopian government needs to open-up to its own people and the international community by encouraging ownership and local investment among Ethiopians and attracting foreign investment in these projects through transparent policies and an open-market approach to development. The combination of a post-development approach focussing on social needs and

local ownership, coupled with a modernisation approach to development is needed. Both approaches are needed, as one without the other will only push the nation into further crises and underdevelopment in a time of Keynesian economics and the rapid growth of globalisation.

In order to facilitate this movement, the international donor community needs to take a unified stance by putting pressure on the Ethiopian government to meet the demands of good governance, free and fair elections, and respect for human rights. That is not to say that there is a *one size fits all* approach, on the contrary, Ethiopia needs to develop its own democratic structures and culture in open dialogue with local government, civil-society, the international community, academics, and last but not least the people. The donor community has the economic power and expertise to help Ethiopia advance positively, however, until now their efforts have been half-hearted, suppressing their public discontent for the government's undertakings, while protecting their own interests.

In April 2009 the Ethiopian government announced that it had successfully prevented a coup attempt, and arrested over 30 people involved. In addition to this, that same month, the opposition party was given permission to rally, demanding the release of Birtukan Mideksa, the 34-year-old leader of the Unity for Democracy and Justice Party. These were the first public demonstrations since the terrible events in the aftermath of the 2005 elections. Next year (2010) Ethiopians will once again go to the polls in what will likely be a decisive milestone in the future development of the nation. The international donor community will be keen to see the outcome, and more importantly how the government officials and security forces will deal with the possible reoccurrence of the events of 2005. A worrying factor remains the introduction of the so-called NGO law, greatly limiting the work of civil society organisations in Ethiopia, a civil society that would otherwise play an important role in the monitoring of elections and campaigns. Many bilateral donors have also expressed their concerns towards the NGO law, and have, to say the least, since 2005 been cautious with their undertakings. The 2010 elections are therefore seen as a deciding factor in the further commitments of many bilateral donors who will no doubt remain in Ethiopia despite the outcome of the elections, but are hoping for fair and free proceedings, so they might engage in more long-term commitments, such as direct budget support.

In conclusion, since 1991 the economic landscape of Ethiopia has developed immensely, and classical economic indicators will support this. The current approach of the government however,

appears to have reached its full potential in terms of taking the nation further. Ethiopia has developed from a closed communist state to a more market orientated economy, but is heavily limited by the current government's Marxist approach to development. Additionally the donor community have in their power the opportunity to assist in every way possible, but remain reluctant to do so, focusing instead on their short-term efforts towards humanitarian goals that are *low-risk* in the eyes of the electorate in their respective countries.

This thesis has outlined the diluted efforts of bilateral aid, and its lack of commitment to a sustained development process in Ethiopia, due to political dissatisfaction with the ruling Ethiopian government. This paper has also noted that the Ethiopian government is highly dependant on ODA, yet is reluctant to meet the demands of the donors, in pursuit of their own goals. This politicalization of aid efforts undermines the overall goals and efforts of aid, as each side blindly fights for their own interests. Furthermore, these large influxes of aid run the risk of making the government less accountable to its citizens.

This thesis therefore calls for an open and constructive dialogue between bilateral and multilateral donors and the Ethiopian government as a vital step in the further development of the nation. Without such engagement, the fear that potential investors will overlook Ethiopia and donors will continue to deny the nation help where it really needs it remains a very real threat. The *how* is engagement, commitment and open-dialogue, the *why* is sustained, independent, accountable development.

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10. Appendix

Appendix I – Engineering Capacity Building Programme (ecbp)

Stakeholders:

The principal Ethiopia stakeholders involved with the ECBO:

- **Ministry of Capacity Building**
- **Ministry of Trade and Industry**
- **Ministry of Education**
- **Ministry of Agriculture and Rural Development**
- **Public and private higher education institutions**
- **Chambers of Commerce and sector associations and professional associations**
- **Quality and Standards Authority of Ethiopia**
- **Ministry of Works and Urban Development**
- **Regional Micro and Small Enterprise Development Agencies (ReMSEDAs)**

The German implementing agencies:

- **gtz Gesellschaft für technische Zusammenarbeit mbH**
Responsible for coordinating the overall German personnel contribution to ecbp
- **kfw Entwicklungsbank**
Financing TVET equipment and buildings and promoting micro-finance
- **ded Deutscher Entwicklungsdienst**
Provision of long-term personnel, especially to private sector development
- **PTB Physikalisch-Technische Bundesanstalt**
Provision of short-term experts for national quality infrastructure
- **DAAD German Academic Exchange Service**
Provision of Academic staff for faculties of technology
- **inwent**
Training to increase partners' capacities
- **CIM Centre for International Migration and Development**

Provision of long-term personnel, primarily for reform of universities, faculties of technology, and TVET reform

- **SES Senior Experten Service**

Provision of short-term personnel

- **DVV**

Institute for International Cooperation of the German Adult Education Association

- **sequa**

Promotion of chambers of commerce and professional associations

- **German Chamber of Crafts**

Rhein-Main Region

ECBP Budget and Projected budget:

ECBP budget projections (2009-2011)

Euro ¹	2009	2010	2011	Total
Private Sector Development	24,140,000	24,140,000	24,140,000	72,420,000
Quality Infrastructure	2,216,599	2,574,208	2,902,689	7,693,496
TVET Reform	39,640,000	60,130,000	60,170,000	159,940,000
University Reform	72,260,000	68,810,000	56,360,000	197,430,000
PMU incl. ICT, PR, Regional Coordination & Matchmaking	3,000,000	3,000,000	3,000,000	9,000,000
Total	141,256,599	158,654,208	146,572,689	446,483,496

ECBP budget (2005-2008)

Euro	2005	2006	2007	2008
1. GTZ ¹	556,833	7,094,802	9,969,500	-
2. KfW	450,000	670,000	5,166,000	12,510,000
3. CIM ²	178,750	1,117,500	1,975,000	1,657,500
4. DED ³	699,093	834,271	1,488,325	2,721,708
5. DAAD	-	-	96,000	115,000
6. PTB	42,640	128,567	200,000	200,000
7. InWent	116,200	273,000	200,000	250,000
8. SES	-	-	-	-
German Development Cooperation	2,043,516	10,118,140	19,094,825	17,454,208
9. Ethiopian Government	-	6,242,475	9,363,713	47,250,000 ⁴
Total	2,043,516	16,360,615	28,458,538	64,704,208

1. 2006: In addition expenses in the predecessor programs still occurred so that a total of approx 8 million Euros were spent in 2006 particularly for C1/ C2
2. Budget for experts under contract and vacancies (contract period until the end of 2008)
3. DED has offered to provide finance for 6 local experts (sectoral associations); 3 local experts (consumer protection association)
2007: around 60 contract-months are being co-financed by MoCB
2008: around 216 contract-months are going to be financed by MoCB; 48 contract-months for c3 have been requested to be financed by MoCB
4. Includes the 17,250,000 Euros for Infrastructure for the Universities as well as the additional Budget projections of components for 2008

Source: ECBP (ECBP, 2006)

Appendix II - Data on Population and Population Growth

Year		1989	1990	1991	1992	1993
Sub-Saharan Africa	Growth %	2.93	2.87	2.83	2.79	2.77
World	Growth %	1.71	1.72	1.62	1.54	1.54
Ethiopia	Growth %	3.26	3.23	3.35	3.35	3.34
Ethiopia	Population	46.493	48.017	49.655	51.346	53.091

Year		1994	1995	1996	1997	1998
Sub-Saharan Africa	Growth %	2.76	2.73	2.73	2.73	2.72
World	Growth %	1.49	1.49	1.43	1.40	1.36
Ethiopia	Growth %	3.33	3.06	3.04	3.02	2.99
Ethiopia	Population	54.890	56.595	58.339	60.125	61.950

Year		1999	2000	2001	2002	2003
Sub-Saharan Africa	Growth %	2.70	2.70	2.61	2.55	2.51
World	Growth %	1.35	1.29	1.28	1.25	1.24
Ethiopia	Growth %	2.96	3.06	2.89	2.73	2.59
Ethiopia	Population	63.814	65.799	67.725	69.601	71.429

Year		2004	2005	2006	2007
Sub-Saharan Africa	Growth %	2.49	2.50	2.48	2.39
World	Growth %	1.21	1.20	1.19	1.16
Ethiopia	Growth %	2.47	2.64	2.60	2.47
Ethiopia	Population	73.213	75.173	77.154	79.087

Source: World Bank, Data & Statistics (WB , 2009)

Appendix III - GNI per capita in US\$ and annual GDP growth rates in %

	1989	1990	1991	1992
Ethiopia				
GNI per capita, PPP	380	390	370	330
GDP growth (annual %)	0	3	-7	-9
Sub-Sahara Africa				
GNI per capita, PPP	1072	1087	1108	1089
GDP growth (annual %)	3	1	1	-1
Least Developed Nations (UN)				
GNI per capita, PPP	542	555	564	556
GDP growth (annual %)	2	1	1	0

	1993	1994	1995	1996
Ethiopia				
GNI per capita, PPP	370	380	400	440
GDP growth (annual %)	13	3	6	12
Sub-Sahara Africa				
GNI per capita, PPP	1092	1099	1148	1206
GDP growth (annual %)	1	2	4	5
Least Developed Nations (UN)				
GNI per capita, PPP	565	564	602	640
GDP growth (annual %)	1	2	5	6

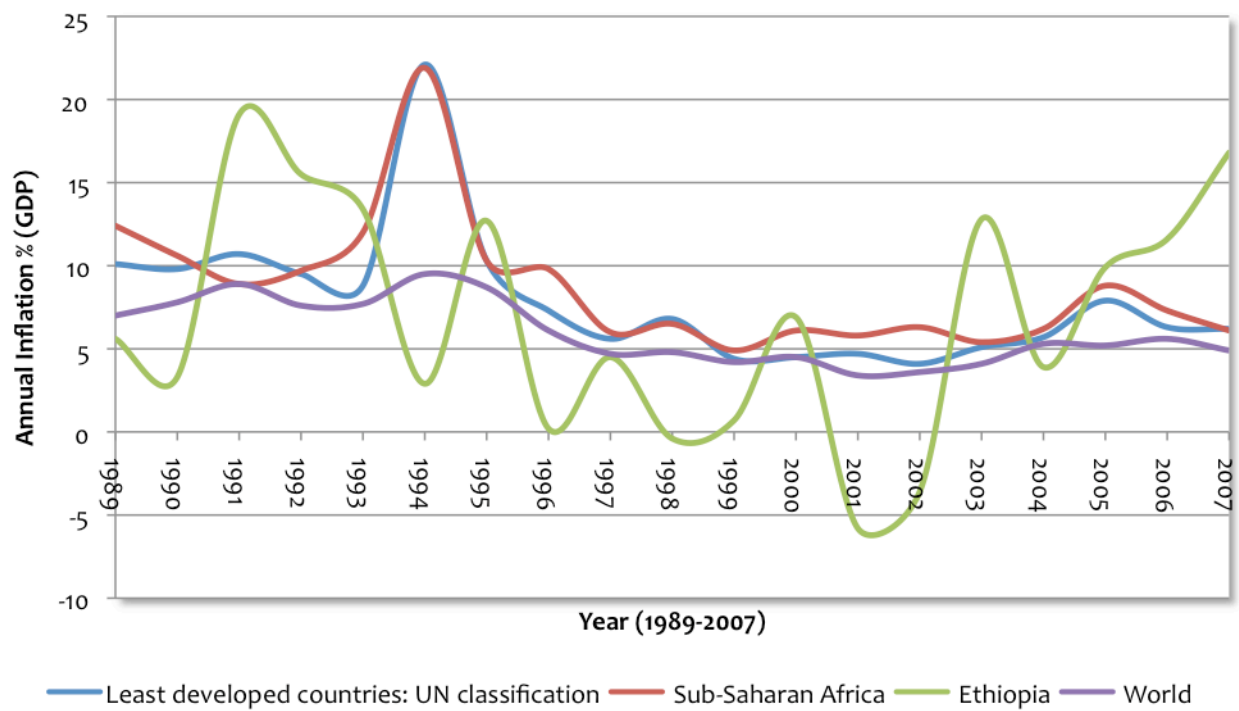
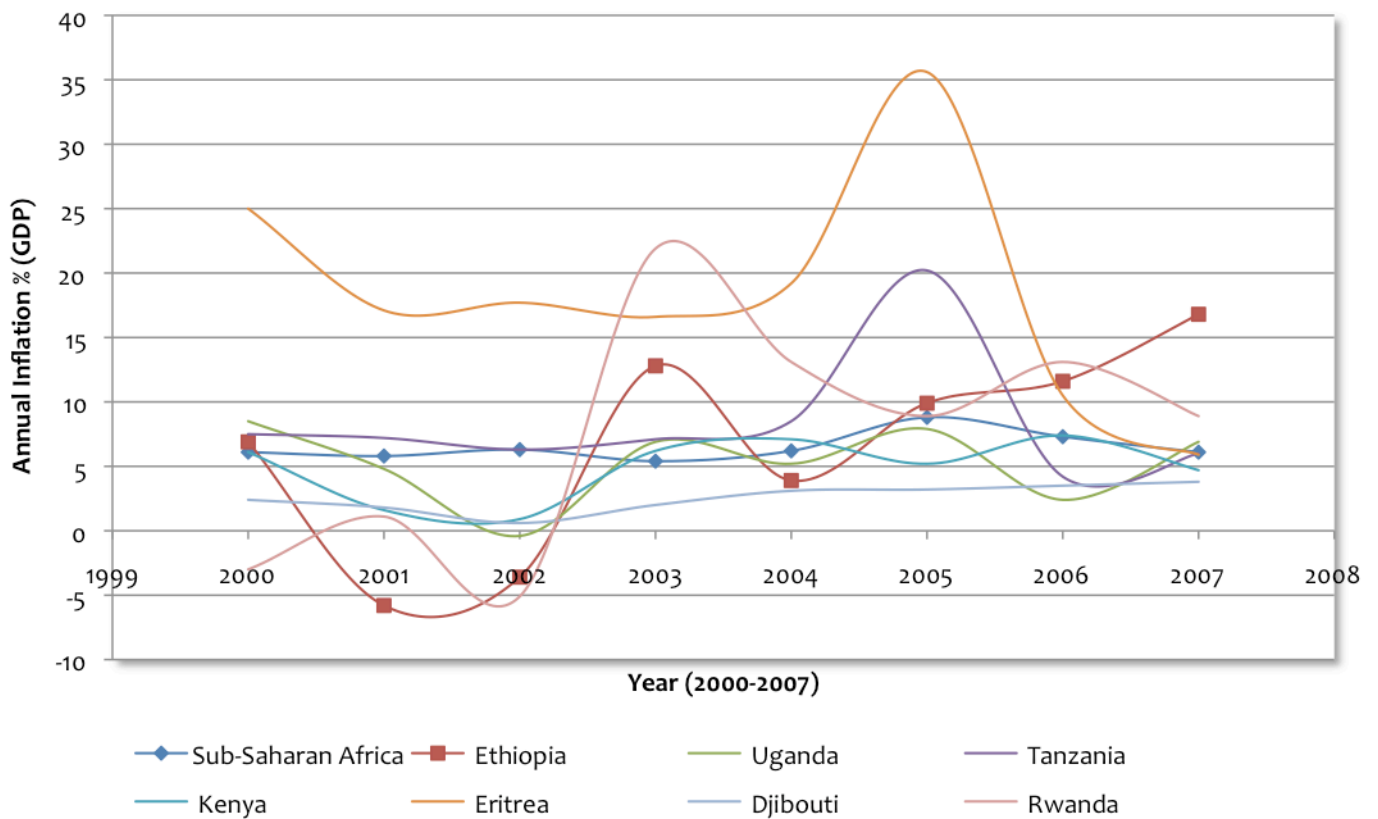
	1997	1998	1999	2000
Ethiopia				
GNI per capita, PPP	450	420	440	460
GDP growth (annual %)	3	-3	5	6
Sub-Sahara Africa				
GNI per capita, PPP	1243	1248	1269	1289
GDP growth (annual %)	4	2	2	4
Least Developed Nations (UN)				
GNI per capita, PPP	673	695	714	747
GDP growth (annual %)	5	4	4	5

	2001	2002	2003	2004
Ethiopia				
GNI per capita, PPP	500	500	490	560
GDP growth (annual %)	8	2	-2	14
Sub-Sahara Africa				
GNI per capita, PPP	1345	1376	1437	1539
GDP growth (annual %)	3	3	4	6
Least Developed Nations (UN)				
GNI per capita, PPP	785	819	859	920
GDP growth (annual %)	6	5	5	7

	2005	2006	2007
Ethiopia			
GNI per capita, PPP	630	700	780
GDP growth (annual %)	12	11	11
Sub-Sahara Africa			
GNI per capita, PPP	1643	1774	1869
GDP growth (annual %)	6	6	6
Least Developed Nations (UN)			
GNI per capita, PPP	997	1088	1171
GDP growth (annual %)	7	7	8

Source: OECD (OECD)

Appendix IV - Annual Inflation % (GDP)



Source: OECD (OECD)

Appendix V – Election Results

Parliamentary election results

Election Year - 1995	
EPRDF	483
Independent	8
Other	46
Unconfirmed	11
Total Seats	548
Election Year - 2000	
EPRDF	481
EPRDF - Affiliated Parties	37
Independent	13
Other	16
Total Seats	547
Election Year - 2005	
EPRDF	327
CUD	109
UEDF	52
OFDM	11
BGPDUF	8
ANDP	8
GPDM	3
SMPDUO	1
HNL	1
SPDP	23
ANDO	1
Independent	1
Vacant	2
Total Seats	547

Voter Turnout

Election Year	1995	2000	2005
Amount	20,068,508	19,607,841	N/A
Procent	94.10%	89.80%	N/A

Source: African Elections Database (AED, 2007)

Appendix VI – Net ODA in US\$ (Data)

Net ODA in USD Millions

	2001	2002	2003	2004	2005	2006	2007
Denmark	2.75	2.68	2.97	3	4.06	5.74	6.43
Germany	25.88	40.61	47.61	126	49.85	56.76	96.48
Netherlands	44.18	34.79	57.23	58	58.66	49.76	50.76
Sweden	20.62	21.31	28.63	51	68.37	41.53	44.72
EC	100	116.55	149.14	112.65	163.47	194.37	364.76
USA	94.42	156.43	567.8	402.3	608.61	315.78	371.73
UK	27.61	43.66	62.92	147	75.48	164.61	291.5
Developing Countries, Total	8 284.14	10 570.1	14 658.6	16 249.5	25 582.04	21 162.12	18 901.21

Source: OECD (OECD)

Appendix VII – ODA to Sub-Sahara Africa in US\$ (2000-2007)

	Angola	Benin	Botswana	Burkina Faso	Burundi	Cameroon	Cape Verde
2000	302,210,000	240,830,000	30,620,000	337,840,000	93,120,000	380,510,000	93,910,000
2001	282,720,000	278,100,000	28,810,000	393,560,000	139,000,000	475,720,000	77,190,000
2002	414,030,000	220,720,000	37,190,000	476,870,000	171,800,000	656,640,000	91,740,000
2003	493,370,000	300,970,000	27,750,000	521,720,000	227,360,000	895,140,000	143,290,000
2004	1,144,420,000	391,170,000	46,420,000	642,580,000	359,030,000	780,340,000	143,180,000
2005	436,830,000	348,110,000	48,090,000	696,250,000	364,470,000	419,070,000	162,140,000
2006	170,720,000	374,990,000	65,610,000	869,700,000	415,440,000	1,689,390,000	138,360,000
2007	241,190,000	469,940,000	104,440,000	930,440,000	466,260,000	1,932,600,000	163,440,000

	Central African Republic	Chad	Comoros	Congo, Dem. Rep.	Congo, Rep.	Cote d'Ivoire	Equatorial Guinea
2000	75,280,000	130,150,000	18,710,000	177,120,000	33,180,000	350,760,000	21,290,000
2001	76,120,000	182,930,000	27,560,000	243,110,000	74,360,000	186,810,000	13,240,000
2002	59,760,000	230,940,000	32,400,000	1,174,820,000	56,870,000	1,067,910,000	20,150,000
2003	51,220,000	250,600,000	24,480,000	5,416,900,000	68,940,000	253,940,000	20,930,000
2004	109,750,000	330,480,000	25,430,000	1,825,690,000	115,480,000	160,710,000	29,160,000
2005	92,130,000	384,330,000	24,880,000	1,828,230,000	1,444,630,000	110,350,000	38,160,000
2006	133,490,000	283,660,000	30,420,000	2,048,850,000	259,100,000	250,680,000	26,210,000
2007	176,480,000	351,590,000	44,460,000	1,216,540,000	126,880,000	165,050,000	31,360,000

	Eritrea	Ethiopia	Gabon	Gambia, The	Ghana	Guinea	Guinea-Bissau
2000	175,840,000	686,140,000	11,660,000	49,640,000	599,690,000	152,850,000	80,290,000
2001	280,580,000	1,095,720,000	8,530,000	51,990,000	640,470,000	279,940,000	60,090,000
2002	230,050,000	1,302,650,000	71,710,000	60,480,000	657,760,000	249,760,000	59,410,000
2003	316,080,000	1,599,540,000	(11,030,000)	62,760,000	968,220,000	242,020,000	145,230,000
2004	262,670,000	1,808,920,000	39,890,000	55,260,000	1,403,370,000	273,280,000	76,380,000
2005	354,320,000	1,916,290,000	52,700,000	61,310,000	1,147,310,000	201,220,000	78,670,000

2006	128,540,000	1,947,810,000	31,160,000	74,140,000	1,175,600,000	160,750,000	82,110,000
2007	154,860,000	2,422,480,000	48,380,000	72,350,000	1,150,930,000	224,390,000	123,220,000

	Kenya	Lesotho	Liberia	Madagascar	Malawi	Mali	Mauritania
2000	509,930,000	36,670,000	67,420,000	321,680,000	446,180,000	359,900,000	216,360,000
2001	468,020,000	55,020,000	38,480,000	367,040,000	406,020,000	357,690,000	272,440,000
2002	391,050,000	76,300,000	51,770,000	371,290,000	376,360,000	474,830,000	354,770,000
2003	521,420,000	79,290,000	106,560,000	543,000,000	515,190,000	554,250,000	249,200,000
2004	654,430,000	95,580,000	213,020,000	1,249,550,000	503,690,000	581,500,000	188,570,000
2005	767,240,000	69,120,000	232,560,000	916,920,000	580,740,000	710,620,000	200,480,000
2006	942,880,000	72,060,000	267,990,000	749,900,000	683,760,000	825,000,000	190,190,000
2007	1,275,240,000	129,510,000	696,170,000	892,020,000	734,710,000	1,017,220,000	363,770,000

	Mauritius	Mayotte	Mozambique	Namibia	Niger	Nigeria	Rwanda
2000	20,360,000	103,190,000	905,810,000	152,330,000	208,440,000	173,700,000	321,450,000
2001	21,350,000	120,190,000	962,520,000	109,430,000	253,450,000	167,820,000	304,560,000
2002	23,790,000	124,880,000	2,217,930,000	134,310,000	298,600,000	294,030,000	358,200,000
2003	(14,540,000)	166,040,000	1,048,820,000	146,070,000	461,000,000	308,060,000	334,930,000
2004	32,420,000	208,450,000	1,243,380,000	173,250,000	547,460,000	577,300,000	489,560,000
2005	34,220,000	201,340,000	1,289,920,000	113,920,000	520,400,000	6,414,130,000	578,490,000
2006	18,620,000	337,640,000	1,604,730,000	145,410,000	514,210,000	11,431,760,000	585,770,000
2007	74,570,000	407,240,000	1,776,740,000	205,070,000	541,590,000	2,042,330,000	712,590,000

	Sao Tome and Principe	Senegal	Seychelles	Sierra Leone	Somalia	South Africa	Sudan
2000	34,890,000	425,060,000	18,280,000	180,640,000	101,010,000	487,310,000	220,390,000
2001	38,220,000	416,020,000	13,460,000	334,540,000	147,730,000	427,830,000	180,530,000
2002	25,980,000	449,190,000	7,850,000	383,130,000	190,970,000	504,570,000	343,300,000
2003	37,650,000	453,790,000	9,210,000	337,090,000	173,690,000	641,250,000	612,670,000
2004	33,410,000	1,052,560,000	10,330,000	376,060,000	198,680,000	628,110,000	991,700,000
2005	32,450,000	687,410,000	14,990,000	350,390,000	238,930,000	680,350,000	1,829,060,000
2006	21,530,000	826,180,000	13,970,000	343,720,000	392,340,000	720,440,000	2,051,820,000

2007	35,980,000	842,800,000	2,780,000	535,370,000	384,150,000	794,140,000	2,104,190,000
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	Swaziland	Tanzania	Togo	Uganda	Zambia	Zimbabwe
2000	13,130,000	1,034,760,000	69,590,000	844,650,000	794,650,000	175,840,000
2001	29,150,000	1,275,290,000	45,990,000	825,060,000	551,090,000	162,150,000
2002	22,110,000	1,256,830,000	51,060,000	731,760,000	794,210,000	198,740,000
2003	34,230,000	1,721,420,000	50,010,000	999,170,000	754,560,000	186,330,000
2004	21,880,000	1,764,510,000	64,500,000	1,217,380,000	1,127,550,000	187,050,000
2005	46,660,000	1,490,710,000	83,010,000	1,194,860,000	1,164,580,000	374,140,000
2006	34,750,000	1,825,270,000	78,870,000	1,548,990,000	1,425,990,000	279,390,000
2007	62,840,000	2,810,840,000	120,880,000	1,727,780,000	1,044,760,000	465,330,000

Source: OECD (OECD)

Appendix VIII – Denmark Bilateral Assistance to Africa, 2005

Amounts in USD million	Project and programme assistance ¹⁾	NGO assistance ²⁾	Research and projects in Denmark etc. ³⁾	Special environmental assistance ⁴⁾	Humanitarian contributions and IHS ⁵⁾	Total
Programme country						
Benin	36.02	-0.07				35.95
Burkina Faso	48.86	0.00	0.07			48.93
Egypt	19.50	1.00				20.50
Ghana	50.75	5.35	0.61			56.71
Kenya	26.11	3.53	0.03	0.13	2.57	32.37
Mozambique	54.91	7.45		2.69		65.06
Tanzania	74.67	5.72	0.58	4.25		85.22
Uganda	48.29	14.39	0.28		2.17	65.12
Zambia	40.40	5.14		2.90	-0.00	48.43
<i>Total</i>	399.50	42.52	1.57	9.97	4.73	458.30
<i>Other countries</i>	52.32	23.58	2.04	13.82	57.99	149.75
Total	451.82	66.10	3.61	23.79	62.72	608.05

¹⁾ Falls under Appropriations Act Account 06.32, which comprises programme and project assistance to Africa, Asia and Latin America, technical assistance, the PSD programme, Mixed Credits, debt relief, development assistance to regions of origin, as well as transitional assistance to the Western Balkans.

²⁾ Falls under Appropriations Act Account 06.33, which comprises assistance channelled through NGOs.

³⁾ Falls under Appropriations Act Account 06.35.01, which comprises research, projects in Denmark, grants to information activities, cultural cooperation, fact-finding activities and seminars, courses and conferences.

⁴⁾ Falls under Appropriations Act Account 06.34, which comprises the special environmental assistance (which up to and including 2003 fell under Appropriations Act Account 06.11.16). Figures based on actually disbursed expenditure.

⁵⁾ Falls under Appropriations Act Account 06.39.02. Contains extraordinary humanitarian assistance, IHS and region of origin activities. The account was formerly reported as multilateral assistance; but from and including financial 2005 is reported as bilateral assistance.

Source 1: Danida Annual Report, 2005 (Danida, 2005, p. 86)

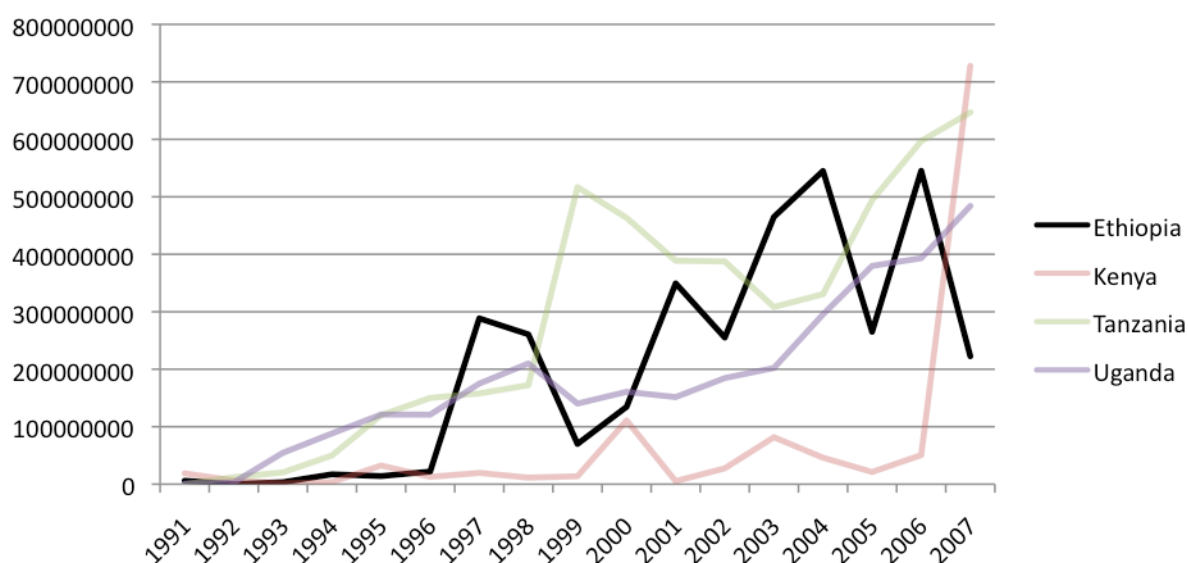
Appendix IX – FDI US\$ - 1991-2007

	1991	1992	1993	1994	1995
Ethiopia	6000000	170000	3500000	17210000	14140000
Kenya	18830977	6363133	1568929	3728775	32471425
Tanzania	10000	12169639	20457764	50000895	119936654
Uganda	1000000	3000000	54600000	88200000	121200000
Average	6460244	5425693	20031673	39784917	71937019

	1996	1997	1998	1999	2000
Ethiopia	21930000	288490000	260670000	69980000	134640000
Kenya	12746244	19665653	11413577	13821304	110904550
Tanzania	150066382	157885064	172306245	516700642	463401000
Uganda	121000000	175000000	210000000	140200000	160700000
Average	76435656	160260179	163597455	185175486	217411387

	2001	2002	2003	2004	2005
Ethiopia	349400000	255000000	465000000	545000000	265110000
Kenya	5302623	27618447	81738243	46060000	21210000
Tanzania	388800000	387600000	308200000	330600000	494050000
Uganda	151496151	184648059	202192594	295420000	379810000
Average	223749693	213716626	264282709	304270000	290045000

	2006	2007	Average
Ethiopia	545260000	222590000	203770000
Kenya	50670000	727730000	70108463
Tanzania	596950000	646970000	283300252
Uganda	393180000	484040000	186216870
Average	396515000	520332500	185848896



Source: OECD (OECD)

Appendix X – Labor force and GDP %

	% of Labor Force	% of GDP
Agriculture		
Ethiopia	80.2	45.9
Kenya	75	23.8
Tanzania	80	27
Uganda	82	29
Industry		
Ethiopia	6.6	12.9
Kenya	12.5	16.7
Tanzania	10	22.7
Uganda	5	24.8
Services		
Ethiopia	13.2	41.2
Kenya	12.5	59.5
Tanzania	10	50.3
Uganda	13	46.2

Source: CIA World Factbook

Appendix XI – Various indicators of industry and production

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)	4	3	6	7	10	9	11	13	12	12	12	13
High-technology exports (% of manufactured exports)	..	..	..	..	0	..	0	0	0	0	0	0
Industry, value added (% of GDP)	9	7	9	10	10	11	11	12	13	12	13	14
Merchandise trade (% of GDP)	5	7	11	20	21	21	19	26	26	21	28	27
Time required to start a business (days)	..	..	..	..	..	..	..	..	..	..	..	..

	2003	2004	2005	2006	2007	2008
Exports of goods and services (% of GDP)	13	15	15	14	13	..
High-technology exports (% of manufactured exports)	0	16	1	1	3	..
Industry, value added (% of GDP)	14	14	13	13	13	..
Merchandise trade (% of GDP)	31	37	41	39	34	..
Time required to start a business (days)	44	32	32	16	16	16

Source: OECD (OECD)

Appendix XII – Education data

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Primary completion rate, total (% of relevant age group)	..	..	..	..	14	..	..	..	19	22	27	30	33	36	41	45	46
Ratio of girls to boys in primary and secondary education (%)	68	..	..	..	..	..	..	..	62	65	68	69	69	73	77	81	83

Source: OECD (OECD)

Appendix XIII – Interview List

Name	Institute
Belay Simane Associate Professor, Environment and Agricultural Development	Addis Ababa University – College of Development Studies
Mulugeta Feseha Dean, College of Development Studies Associate Professor, Department of Earth Science	Addis Ababa University – College of Development Studies
Gisela Stand Deputy Head Development Cooperation Section	Embassy of Sweden - Sida
Hans Poley First Secretary Economic Affairs	Embassy of the Kingdom of the Netherlands
Yared Fekade Private Sector Development, Executive Program Officer	Engineering Capacity Building Program (ECBP) – German Development Cooperation
Tilahun Bekele Corporate Communications Manager	Ethiopian Commodity Exchange (ECX)
Meloku Muluolem	Ethiopian International Institute for Peace and Development (EIIPD)
Christoph Wagner Head of Economic, Trade, Social Development and Regional Integration Section	European Union – Delegation of the European Commission to Ethiopia
Flemming Johansen Colonel, Defence Attaché	Royal Danish Embassy
John Belt Senior Advisor	Royal Tropical Institute, The Netherlands
Eyasu Yimar Executive Director	Transparency Ethiopia, Addis Ababa

Appendix XIV – Interviews, Digital Copy & Notes

Digital - On CD

1. Hans Poley, First Secretary Economic Affairs - Dutch Embassy, Addis Ababa
2. Yared Fekade, Private Sector Development, Executive Program Officer – Engineering and Capacity Building Program, Addis Ababa
3. John Bolt, Senior Advisor, Royal Tropical Institute (KIT), Amsterdam
4. Mulugeta Feseha, Dean, College of Development Studies, Associate Professor – Addis Ababa University
5. Eyasu Yimar, Executive Director - Transparency Ethiopia, Addis Ababa

Interview notes

Flemming Johansen, Defence Attaché - Danish Embassy, Addis Ababa

- Development was being considered before 2005. After the Elections Mali was chosen as a new recipient of Danish development aid.
- Currently no bilateral work in Ethiopia
- Primarily works with the AU
- Is not part of the PBS
- Meetings between the parties were held in November 2008, and the possibility of opening up new partnership agreements was discussed. However, whether or not this will be possible, remains to be seen, as the Danish government want to wait till after the 2010 elections.
- On the topic of the new NGO law, it is seen as both good and bad, and not that its establishment is based on security issues, but rather a power basis.
- There is a language problem in the nation. Not only towards the international community, but also internally. This is especially apparent with the new system of federalism, where people are divided based on ethnicity and language. There is no common language, often causing barriers.
- It is viewed that the general practices of the government at undemocratic, however it is also acknowledged that these practices keep the peace in the nation.
- There is an issue of ownership that is seen as a hindrance to development, in this regard, the issue of land ownership is mentioned, and owner ship of businesses.

Gisela Strand - Swedish Embassy, Addis Ababa

- Structure reform needed for liberalism
- 2002-2005 aid to Ethiopia tripled
- Ethiopia is very committed to the MDG
- Ethiopia suffers from Dutch Disease – high inflation rates
- There is no competition law at present
- Low investment and low funds available
- There is a feeling among the government of ‘why do we need aid’?
- Macro economic balance is weak
- Problems include – Telecommunications, land issues, and banking
- There is a lack of investment in land
- The issue of land rights, and the constitution
- Low productivity – net buying farmers
- Ethnicity is an issue
- Black market selling and lease of land
- Amhara region – Land administration, sida helped farmers understand the rights they have to their land, and to claim user rights over their land. Fund Bahir Dar University in Land Administration
- Post 2005 elections figures in aid were around 25 € million per year
- Out-look to join budget support looked positive in 2003, but was cancelled in 2005. If this would have gone through, aid would have amounted to almost 45€ million today.
- Human rights policy – bilateral restrictions with relations with government. Sida is not part of the PBS. The arrests in 2008, and the NGO law, lead to restrictive policies, and restricted involvement from Sida.
- CSO used as apex, giving grants to NGO's, amounts to ca. 5 million €.
- If the Sida feels that the new NGO law will further restrict the work of NGO's in the country they will have to allocated their funding to other source, and funding will decrease.
- “Road to Private Sector Growth” – work with the chamber of commerce – try to be the voice
- Take off industries – such as flowers. Livestock has huge potential
- Opportunities for Ethiopia – Export is not the best solution – build up domestic and general trade – south/south trade. Export electricity, natural resources.

- Challenges – Languages, hygiene
- Ethiopia has a very socialist approach to development
- Would be better with a conducive market – let the market decide, but with encouragement of government – Challenge environments
- There is a great deal of investment from India coming to Ethiopia.

Christoph Wagner - Delegation to the European Commission, Addis Ababa

- Preparation of the new Pasdep – Good on the poverty front; decrease in poverty in recent years
- PBS – rather qualitative than quantitative
- May not be as sustainable as one might like
- High economic growth rates (numbers)
- Improving infrastructure is positive
- Negative changes include: low public funding growth, donor funding, crowding out effect on private sector, lack of foreign exchange, banks rather give to public sector, not good for medium and long term development with a weak private sector
- Donor funding has seen many political issues since the 2005 elections
- Aid has not decreased
- 30% of the Ethiopian governments budget comes from donor aid
- There is a target to give through budget support
- There is currently not a good dialogue between donors and the government
- The ecbp is a good programme – good bottom up approach, but needs a larger policy reform, the work will not be competitive on a medium and long term plan.
- Brain Drain is a problem for the nation. In addition to this, 1000's of people are getting an education now, but how good is the quality of this education?
- NGO Law is seen as a big problem, and concern. There is an amount of uncertainty as to what effect this will have on the NGO community, and where the government will draw the lines.
- Ethiopia is stable in an otherwise unstable neighbourhood. The government plays on this role for increased funding.
- Strengths: little corruption, disciplined civil society, self-awareness, confidence, natural resources (water), Electricity, large population, good airline, infrastructure, ad they follow IMF advice.
- If the government continues as now, there is not much optimism. There is no competitiveness, no market understanding – and the nation may be overlooked in the long run.

- If Ethiopia can become more attractive – tourism, electricity are positive outcomes. There is however a problem with the relationship to Sudan, which may become an issue for investment.
- The Ethiopian Diaspora does very well; but in Ethiopia it is a different issue, there is a cultural aspect that is holding the country back.
- Private sector development –
- With the ministry of trade
- Harmonise donors on private sector development
- Lack of communication with the government on Private Sector Development schemes – Policy changes need to be harmonised.

- Assistance is important, as there is not enough FDI and a need for more infrastructure. Support is needed and appreciated.
- For the horn of Africa it is important for peace and stability – largest population, unique, bio diverse, and good soil in Ethiopia.
- Water is important for peace – water from Ethiopian high lands
- Would be win/win situation to help/invest in Ethiopia
- Minerals un-touched
- String with aid from donors perspective is a problem (conditionality); should be agreed upon by all involved, not just from one side. Aid should be negotiated.
- Donors have different approaches- confusing;
- Misleading community and government
- Political attached, but experts sent are not up to standards – does not send clear signal of intent and involvement.
- No sustainable input
- Listen and discuss professionally – and results could be good, but this does not happen in the current system
- The platform for aid is narrow
- Sida is doing good work in the Amhara region and funding the University
- Political area for regional peace
- In a positive way find the negative areas and develop
- Acknowledge what needs to be done, and fill the gaps
- In the state shakes, the economy follows
- Fear – push someone into a corner and they will retaliate – look at Sudan.
- Optimism – more qualifies personal in Ethiopia, if properly utilized can lead to positive results.
- Small stimulus needed
- Corruption not a huge problem

Tilahun Bekele, Corporate Communications Manager - Ethiopian Commodity Exchange (ECX)

- The ECX is a joint partnership with private and public sector
- It ECX has been running for a year, and has proven that it is established and works
- There are currently 6 warehouses around Ethiopia, and 3 coffee information points
- One of the main issues that the ECX has been experiencing is that farmers are not able to meet the requirements for standards. These are the international standards.
- On the issue of land, this is not seen as a problem, or it is at least not one that the ECX has experienced, the problem is more with quality.