Ethiopia: Impressively Social-Economic Growth; Significant Poverty Reduction

By Melkamu Selam 02/18/14

Under a policy of Agriculture Development Led Industrialization, as a central element in Ethiopia’s economic development framework, the country’s agriculture sector has been identified as the most important economic sector, on the basis of the absolute necessity of ensuring food security and increasing agricultural productivity. Without improvements in these areas, the government has been fully aware it is impossible to achieve its aims of removing the legacy of abject poverty in rural Ethiopia and the resultant social and political instability which had such an impact in the country during the last century. Historically, for a variety of reasons, Ethiopia suffered from failure to use vast tracts of arable land effectively, and its dismal levels of agricultural productivity were not enough to provide food self-sufficiency. This has now begun to change. With increased investment to provide means of augmenting labor productivity and the provision of modern agricultural production methods, the government has managed to significantly increase the productivity, income and living standards of small-scale farmers. Building on the emphasis on agriculture development and improvements in productivity as the foremost elements in its development policy after it came to power in 1991, the present government has also now begun to extend the structural linkages of agriculture and industry, both in supplying cheap raw materials for a nascent industrial base, and to expand domestic markets and encourage exports. These are all seen as part of the necessary preconditions for overall economic growth and social development to which the government is so strongly committed.

I want here to provide an accurate and up-to-date appreciation of Ethiopia’s over economic performance as well as its social and infrastructure development, and its
emphasis on sustainable peace, security and the democratization process. This was sparked off by an article on Pambazuka (Ethiopia: An Analysis of Recent Economic Growth and Challenges (5.2.2014) by Mr. Fikrejesus Amahazion, who, worryingly, identifies himself as a PhD Candidate). It was an exceptionally misleading piece, being neither accurate nor up-to-date, in some cases quoting data that goes back at least a decade or even more. It ignores, either deliberately or through ignorance, numerous examples of easily available and more accurate and up-to-date facts and figures. The overall tone gives a deliberately negative view, based largely on innuendo and inaccuracies and ignoring any and all positive information. Indeed, if the footnotes are to be believed, and not all are accurate, much of the argument is based, directly or indirectly, on some highly controversial material including the reports of the Oakland Institute, the BBC’s Newsnight and the Bureau of Broadcast Journalism which have been comprehensively discredited and negated by independent reports, including donor ambassadors, NGOs and other visitors and individuals with experience of operations in those areas. To take one minor example, Mr. Amahazion says that in Ethiopia “dramatic inequities in education and employment – and broad discrimination – along rural-urban, gender, and ethno-religious lines are starkly apparent…” He footnotes this to a 2009 source, which offers a general overview of “Poverty and Poverty Reduction in Sub-Saharan Africa” and only mentions Ethiopia in general terms half a dozen times. It offers no evidence for “dramatic inequalities…” in Ethiopia or anywhere else, and its data is largely drawn from material nearly a decade old. There really is a great deal more accurate and timely data available!

Mr. Amahazion, who also claims Ethiopia is the second poorest country in the world, makes no mention that according to the UNDP’s Human Development Index, (which incidentally ranks Ethiopia well above that position) shows it having a steady increase in its HDI in recent years, averaging 3.49% annually in the decade 2000-2010, and
continuing since. Mr. Amahazion’s comments on politics and on regional relations are equally misleading. Ethiopia did not wage war on Eritrea 1998-2000; it responded to an unprovoked invasion by Eritrea. Equally, despite Mr. Amahazion’s repetition of the Eritrea’s government’s views, Ethiopia has consistently tried to resolve the problem over the Decisions of the Eritrea Ethiopian Boundary Commission since 2004. It has been Eritrea which has consistently refused to move the process forward despite numerous requests by Ethiopia and by other members of the international community.

I could fill another dozen pages with detailed rebuttals of Mr. Amahazion’s comments, but there is little point in bothering to comment on this largely inaccurate nonsense. However, it is, perhaps worth offering a more realistic and accurate picture of Ethiopia aims, efforts and achievements in the economic and development spheres. The central point of any analysis of these is that all the government’s policies and strategies, since 1991, have been designed to fight against poverty, backwardness and disease as well as ensure sustainable peace, good governance and democracy in the country, and the region, through popular and genuine participation of all the peoples of the country. This broad-based approach has provided for sustainability and led to the development of new development sectors. In the last decade in particular, these policies have begun to show impressive gains, with an annual GDP growth rate of over 10% for the last ten years, coupled with a dramatic decline in the proportion of people living in absolute poverty, falling from 45.5% in 1995/6 to 27.8% in 2011/12 (representing a fall of nearly 40%). In absolute terms this means Ethiopia lifted an estimated 10 million people out of extreme poverty in just over a decade (from 2000 to 2011). It might be noted that in that period the government focused nearly half of its total budget on poverty fighting sectors like health, agriculture, and education with donors also providing significant support. If these trends continue, and there is every reason why they should, extreme poverty in Ethiopia will be virtually eliminated by 2030 or even earlier.
The last IMF report for the annual Article IV Consultations with Ethiopia, produced last October, underlines these developments. In its discussions on economic development and government policies, the Fund noted that the policy of massive investment in key areas to build the foundation of growth had had positive results for the economy and been instrumental in achieving successive years of growth. The report stated “Ethiopia’s public sector-led development strategy has contributed to considerable poverty reduction and progress toward achieving the Millennium Development Goals (MDGs) as envisaged under the authorities’ Growth and Transformational Plan (GTP).” It further affirmed that the strategy had “provided an important impetus to growth,” as the GDP performance figures for the last ten years and the Growth and Transformation Plan (GTP) developments between 2010 and 2013 have underlined. The GTP growth averaged 10.5% over the last two years. This was less than hoped (between 11.5 and 15%) but a remarkable success given the recent global economic climate!

The IMF welcomed the Government’s determination to continue along the current lines, projecting that this robust growth rate would be maintained until the end of the GTP in 2015. Given some of the recent comments made about Ethiopia’s statistics, it is worth noting that the report accepted the Government’s statistical methodology had shown a considerable improvement and the IMF was therefore able to use them. In this connection, the IMF said that the Government’s fiscal discipline and the effectiveness of its monetary policies had been responsible for a significantly positive improvement in the rate of inflation, down from a peak of 40 percent in July 2011 to around 7 percent in June 2013. This prompted the Fund to conclude inflation would “remain in single digits over the medium term.” The report also endorsed the long-held Government position that the developmental state model of economic growth was the ideal approach to bring widespread improvement in basic economic indicators. Referring to the “dramatic”
drop in the national poverty rate, it agreed Government’s policies aimed at poverty reduction had been hugely successful, translating economic growth into higher living standards for its citizens, as the Human Development Index underlined. Other international institutions have also credited the substantial proportion of “pro-poor spending that has averaged more than 12 percent of GDP over the past decade” for improving living standards. In fact, Ethiopia’s economic growth has been particularly effective in reducing the incidence of poverty and in providing basic services for an unprecedented large proportion of the Ethiopian people. It has, indeed, meant an impressively even and equitable distribution of the increasing economic development, coupled with falling income inequality. Ethiopia is now one of the most egalitarian states in Africa with a Gini Coefficient of 33.6, and it stands out among comparable African countries regarding income distribution.

The primary objective of the development agenda has been significant reduction in the prevalence of poverty and the observations and conclusions of the IMF, the World Bank and other international institutions are a testament to the effectiveness of the government’s policies. It is one of the fastest growing economies in the world and is classified as one of Africa’s most vibrant emerging economies. Success for almost all the Millennium Development Goals, aimed to slash extreme poverty and hunger, ensure access to universal health care and education, achieve gender equality, cut maternal and child mortality, secure environmental stability, reduce HIV/AIDS and forge a global partnership for development, are within reach before the deadline in 2015. Poverty has declined, health has begun to improve and education and literacy have soared. All the indications are that the suggestion of rapid socioeconomic transformation to a middle-income economy by 2020/2025 does look achievable, though it will still require all the Nations, Nationalities and Peoples of Ethiopia to accelerate efforts to achieve the Renaissance of Ethiopia over the next decade, to focus, strategize, and mobilize. The
government would also acknowledge with great appreciation the contribution made by development partners to its efforts to reach the MDGs including the full achievement of MDG-4 and the reduction of under-5 mortality by 67%. And, yes, Ethiopia hopes its partners will remain optimistic and helpful to our determination to succeed in our future development efforts.

One of the most important areas for maintaining and sustaining socio-economic development is generation of power through renewable energy, a central policy of government. The government has already made significant progress in putting in place relevant policies and strategies aimed at building a carbon-free and resilient economy. An important element in this will be the completion of the Grand Ethiopian Renaissance Dam which will have a major impact in helping to meet the increasing demand for power both in Ethiopia and in the whole region. Such infrastructure development will promote regional economic integration as well as sustainable peace, security and development that can benefit all. Overall, under the umbrella of a “Sustainable Energy for All’ policy, Ethiopia has, in fact, charted out a new course of development based on green growth initiatives, harnessing its renewable energy sources, including hydro-power, wind and solar assets, to maintain and enhance development gains. It is all part of the country’s recognition of the importance of enhancing capacity for developing alternative sources of renewable energy and of expanding collective efforts to adapt to and mitigate the effects of climate change within the framework of the global development agenda.

A central element in the Growth and Transformation Plan is enhancement of land use, at two levels, for small-scale agricultural farmers and for commercial agricultural developments. The former have responded remarkably over the past two decades to the government’s pro-poor and broad-based policies, which have significantly advanced
the living standards of farmers, helped social development and assisted in a sharp rise in agro-processing and manufacturing. Some of these have involved resettlement projects to increase the facilities available to farmers in remote areas, particularly in Gambella, the Southern Region and Benishangul Gumuz. These have been the subject of a good deal of ill-informed criticism by individuals and organizations which haven’t bothered to visit the areas or to check their sources. They have claimed that the process has been involuntary and forcible. It is therefore worth noting briefly that the resettlement program in Gambella, for example, is a voluntary three year program that is providing food security, accessibility to development facilities and good governance. The process is based on detailed assessments by a task force, and was thoroughly discussed at woreda level and by local steering committees. Original studies were followed by thorough consultation and agreement with local people as resettlement sites were demarcated with availability of infrastructure, water, health, education and other facilities identified for incomers and local inhabitants. The first three years of the program achieved this for 45,000 households out of a total of 60,000 planned households. Implementation has been closely supervised, with follow up discussions involving various involved ministries and development partners. In 2010/11, a total of 38,414 hectares of farm land was distributed to 20,243 households in 43 villages. By the middle of last year, 156 water schemes had been developed, with 19 additional health institutions set up to add to 29 others; 41 primary schools constructed and 128 kms of rural roads; 1,600 heads of household given training in 27 agricultural centers; seeds, water pumps, oxen and tools distributed as well as 38 grain mills installed and 43 warehouses built. In all the villages, kebele administration offices, with development committees to deal with health, security, environmental protection, education and agricultural inputs had been set up. The same pattern has been repeated in other resettlement areas.
At the same time, in line with the policy of modernizing the agriculture sector to increase productivity and build a wide base for agro-processing and related industries, the Government has made 3.6 million hectares of arable land available for commercial farm investment, for such crops as cotton, palm trees, sugarcane, coffee plantations and other primary products. Some of this is being leased to external companies but most is earmarked for internal investment. One example of this is the government’s plans for sugar which involve the building of 12 new sugar factories and offer an impressively integrated development initiative. These will irrigate and cultivate 200,000 hectares of previously undeveloped land and will eventually provide for over 200,000 jobs. Sugar production will rise from the current 300,000 tons to 2.25 million by the end of 2015, of which some 1.2 million tons will be exported. The factories will be self-sufficient in energy, with production of ethanol rising from 14,500 to more than 180,000 cubic meters. This will allow the factories to contribute to the national grid. The sugar developments will take advantage of irrigable lands, significant water resources and low labor costs, to provide sizeable job opportunities, domestic market demands and substantial exports prospects. Ethiopia plans to become one of the world's top ten sugar producing countries. It is a good example of the way the GTP aims to maintain agriculture as the backbone of the country's economy while ensuring agricultural growth to build the country's manufacturing base.

There are a considerable number of investment opportunities in other sectors, including metallurgy and engineering, textile and garment production, agro-industries, food processing, large-scale commercial farming, extractive industries and other areas, in which the government wants to see private sector involvement. It has developed a loan system to encourage private sector activity and concentrated on improving human resources, encouraging youth training as well as expanding education. Indeed education is another very obvious success story. Expenditure on national education
doubled between 2000 and 2010, rising to 25% of government expenditure, together with improvements in planning and implementation capacity. According to the 2012 Millennium Development Goals Report, Ethiopia has made significant progress in meeting primary education targets, with a net enrolment ratio of children in school increasing from 77.5% in 2004/05 to 92.2% in 2011/12. The report underlines the prospect of Ethiopia in attaining the national vision and the targets of the MDGs by 2015.

These developments have resulted from the rapid, and equitable, expansion of access to free education arising from sustained government-led efforts to reduce poverty and expand the public education system. The major driving force has been government effort, enhanced planning, coordination and implementation capability, the increased participation of stakeholders, and, importantly, decentralization of power to regional and local governments. This last element was particularly important in helping the public education system to attract the support of parents, government officials at all levels, teachers and school administrators. It paved the way for the creation of real understanding of the significance of education in the minds of the local communities. Decentralization of leadership and responsibility also brought in mother-tongue instruction that won the hearts of many local and regional communities and encouraged them to enroll their children and become involved in public education. It underlined just how far the country had committed itself to the rapid expansion of education, the improvement of quality learning, increase investment on education, and the participation of all stakeholders. The government’s efforts have also been recognized by the United Nations for sustained commitment, leadership and improved investment in public education in the country, being honored as a Global Education First Initiative Champion Country this year. It joins a Group of Champion Countries which include Australia, Bangladesh, Brazil, China, Croatia, Benin, the U.S.,
Mozambique, Guyana, South Africa, and Tunisia. Secretary-General Ban ki-Moon said Ethiopia’s leadership and success in education should stimulate others to attain global education goals by 2015.

Another striking area of success has been the progress made in the health sector as a strong country ownership and leadership, active community involvement and unprecedented global support in creating access to and delivery of health services. The Government has also been aggressively expanding its primary health care network, reaching over 90% coverage with 15,000 health facilities constructed or refurbished and supporting the training of over 37,000 Health Extension Workers interfacing between the health system and local communities. The results of this concerted and coordinated effort are showing on every level, as Ethiopia is today on track to meet all its health-related Millennium Development Goals. These improvements are reflected across the entire health sector, leading to great achievements in the fight against the major diseases and public health in general. The country is reversing the trend of HIV; and tuberculosis case detection has increased from 49% in 2005 to 72% in 2011 and treatment success is approaching 90%. Moreover, Ethiopia is the first African Country in 50 years to complete a tuberculosis prevalence survey, which revealed a 32% reduction in tuberculosis-related deaths. As of May 2013, over 46 million insecticide-treated bed nets had been distributed and long-lasting insecticidal nets coverage had reached 55%, leading to a 40% reduction in malaria mortality. The Government has made it clear that while it draws much satisfaction from these achievements, it also recognizes the need to further enhance efforts towards reversing the impact of these diseases by ensuring universal access to health services and strengthened health systems especially for the poor and most marginalized populations. As a result it has implemented a number of laws and policies defining the state’s responsibility for the provision of necessary rehabilitation and health care services for the entire population.
A central factor in the country’s development policies has been the important of infrastructure, regional as well as internal. Infrastructure developments include the provision of clean water coverage, electrification, telecommunications and other areas. Clean water coverage has now reached over 60% of the country, and electrification and telecommunications coverage, both landline and mobile telephone expansion, up to expectations. The government has successfully concentrated on creating effective institutions, improving technical capacity and expanding awareness in these areas. Developments that impact on external infrastructure links include construction of 13,000-14,000 km of roads annually and the plans for 5,000 kms of railway to link different parts of the country and neighboring states. Above all there is the Grand Ethiopian Renaissance Dam (GERD), the flagship project of Ethiopia’s Renaissance which is now nearly 40% complete. This is a symbol of Ethiopia’s commitment to regional development, to its drive for cooperation with all other Nile Basin states, on the principles of mutual benefit.

This is why, on the basis of the public fundamental objectives and principles of the country’s Foreign Affairs and National Security Policy and Strategy, Ethiopia has consistently played a key role in strengthening relations with its neighbors, with Africa and with the rest of the world. It is strongly convinced that its aspirations for peace, development and prosperity cannot be realized in isolation from the region or from the continent. It is actively looking for peaceful solutions to the intractable conflicts in the Horn of Africa, notably in South Sudan and Somalia, and promoting economic integration with neighbors through transport, communications and energy infrastructure. One result of these policies is that Ethiopia enjoys excellent relations with all its neighbors with the one exception of Eritrea. It has consistently and repeatedly expressed its wish to defuse tensions and normalize relations by resolving
any issues through peaceful dialogue. The offers have yet to receive any positive response.

Ethiopia had had unprecedented double digit growth for the last decade. This has promoted extensive social and economic development. This has been the result of extensive pro-poor and pro-development policies and strategies implemented though integrated planning, coordination and effective management as well as through cooperation of Government and people. Certainly, progress in development has been substantial and impressive over the last decade. Equally, the Government is very aware that there is still much to be done to finally eradicate poverty, speed up the democratization process and create a stable democratic and developmental state, and achieve middle income status in the next decade.