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## Table of Contents

<b>Course Introduction</b> .....	<b>iii</b>
<b>Course Objective</b> .....	<b>v</b>
<b>Chapter One</b> .....	<b>1</b>
<b>1. Introduction to Development Dynamism</b> .....	<b>1</b>
1.1. Evolution of Concept of Development.....	2
1.2. Development Paradigm in Ethiopian context.....	2
1.3. The Origin of the Quest for Modernization and Development in Ethiopia (1855-1930) .....	3
1.3.1. Emperor Tewodros II and Ethiopia’s Modernisation .....	3
1.3.2. Reign of Emperor Menilik Modernization and Education in Ethiopia .....	8
<b>Chapter Two:</b> .....	<b>26</b>
<b>2. Development issues, Policies and strategies During the Imperial Regime of Haile Silassie I</b> .....	<b>26</b>
2.1. Modernization Projects of Haile Silassie from 1930-1941 .....	26
2.2. Development projects (1941- 1960s).....	27
2.3. Development policies (1957-1974).....	32
2.4. The socio-economic scene: Successes and Failures of the development projects of the Imperial Regime (post 1941-1974).....	36
<b>Chapter Three</b> .....	<b>48</b>
<b>3. Development Issues, Policies and Strategies during the Derg Regime</b> .....	<b>48</b>
3.1. Agricultural Development Strategy .....	48
3.1.1. The land reform program .....	48
3.1.2. Peasant Associations and Rural Development .....	48
3.1.3. Cooperatives and State Farms .....	49
3.1.4. Resettlement and villagization .....	52
3.2. Industrial policy and Development (1974-1991).....	53
<b>Chapter Four</b> .....	<b>55</b>
<b>4. Development Issues, policies and strategies in Post-1991 Ethiopia (1991-2010)</b> .....	<b>55</b>
4.1. Defining Features of Post 1991 development policies and strategies .....	55
4.2. ADLI and Agricultural Development Issues and Strategies .....	56
4.3. ADLI and Survey of some selected development policies and strategies .....	57

4.4. Progress and Challenges under PASDEP ..... 58  
4.5. Progress with GTP of Ethiopia ..... 60  
4.6. Developmental State Model..... 63  
References ..... 67

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## Course Introduction

This course basically deals with politics and political economy of development and development dynamism in Ethiopia both from historical and institutional approaches before 1991 and post-1991 Ethiopia via the political economy of development by way of critically assessing and address to central questions of what, why, how, with what resources, and for whom, and development policies, strategies, and program in tune with the performance, achievements, challenging problems, limitations, key gaps, and opportunities, as well as their successive end implications in light of change and continuities of the country. To this end, it is made to have the following five carefully selected chapters. With this in mind, the course is structured to have the following five carefully selected chapters/units.

In cognizance of this, the first chapter deals with an overview of the nature, foundations, and structure of the Ethiopian economy. Chapter two analyses the overall nature and why and how aspects the formulation, implementation and evaluation development policies, strategies, and program , as well as their performance, achievements and fundamental problems, gaps, and challenges, and policy implications in Ethiopia during the period between 1941-1974, which is known to be the modernization project of the Feudo-Capitalist Regime. Chapter three basically examines the overall nature, why and how aspects the formulation, processes and implementation and evaluation of development policies, strategies, and program, as well as their performance, achievements and fundamental problems, gaps, and challenges under the Derge Regime with the Socialist development Project and its impacts and policy implications on Ethiopia and on the contemporary state and societies in Ethiopia during the period between 1975-1990 in tune with analysing and diagnosing the fundamental structural weaknesses.

Chapter four basically identifies, discusses, examines the nature, driving forces, propelling reasons and justifications, processes and basis of post-1991 development policies, strategies and programs in tune with their performance, achievements, key challenges, opportunities as well as the nature and scope of the impacts they have essentially entailed and impacts with possible institutionalizing of the adaptive learning incrementally looking at development as praxis from the political economy approach to the development and development dynamisms in the contextual realities of Ethiopia.

## Course Objective

After the successful completion of the course, students will be able to:

- Appreciate the historical and cultural beauty of Ethiopia in the framework of development
- Define terminologies and key concepts in the field of development practices and theories.
- Explore the dynamics of poverty in the Ethiopian context.
- Express the major theoretical paradigms of poverty and development.
- Critically reflect on the various development policies and strategies under the three regimes in Ethiopia
- Explain the main features, challenges and prospects socio-economic development in Ethiopia.

## Chapter One

### 1. Introduction to Development Dynamism

At end of this chapter students expected to do the following activities/tasks.

- Student will reflect their opinion,
- understanding of key development concepts, measurements theories,
- Understanding of development paradigms in Ethiopia during Tewodros II and Emperor Menilik.

What is development? Different people are defining Development in different ways. When we define development, knowing or understanding the determinants or indicators of development is very important or must issue. Mainly to discuss definition of development, classifying into **traditional measures (old approach)** and **modern measures/approach/** is very important.

#### **Traditional Approach**

- In traditional approach, development is simply achieving growth of income per capita.
- Earlier it is equivalent to economic growth. Under this approach, development concept is not more than economic growth, and
- Economic growth is simply considered more output and greater efficiency.
- Again it is quantitative and sustained increase in the country per capital output or income.
- Later concept of development was upgraded to economic development.
- Again it is too narrow. Economic development is more output and changes in technical and institutional arrangements by which it is produced and distributed.
- It is growth plus change.

#### **Modern or New Approach**

- Under this approach concept of development were very broad and comprehensive.
- Different international organization and authors were recognized its broadness.
- For instance, according to M. Todaro, Development is not purely an economic phenomenon but rather a multi-dimensional process involving reorganization and reorientation of entire economic and social system.

- Development is process of improving the quality of all human lives with all aspects.

In other way Amartya Sen and J. Stiglitz were also list dimension of wellbeing:-health, education, income/per capita, political voice and governance, social connection and relationship and environment and security of economic and physical nature

### **1.1. Evolution of Concept of Development**

In 19<sup>th</sup> century for England development referred to remedies for shortcomings of progress. This includes questions such as population growth, job loss, social questions and urban quality. During 1870s and then after for latecomer perspectives it means industrialization and catching up/spreading up/. During 1950s and then after for modernization theorists it has been economic growth, political and social modernization. During 1960s and then after for dependency theorists it has been accumulation of national wealth and capital. During 1970s and then after for alternative development theorists it has been human flourishing. During 1980s and then after for neoliberalists it has been economic growth, structural reform, deregulation, liberalization, privatization. During 1990s and then after for post development it has been authoritarian engineering, disaster.

### **1.2. Development Paradigm in Ethiopian context**

Countries as well as the international development community in different periods have privileged specific ways of achieving development, adhering to a specific “Development paradigm” It is defined as a modality or path to follow to achieve development, based on a codified set of activities and/or based on a vision regarding the functioning and evolution of a socioeconomic system. There are different international organizations with different development strategies as well as those superpower countries and their influence is high for developing countries like Ethiopia. For instance FAO, USAID, WB, WTO, AGRA, etc were also have different development model in which developing countries are influenced by them.

### 1.3. The Origin of the Quest for Modernization and Development in Ethiopia (1855-1930)

#### 1.3.1. Emperor Tewodros II and Ethiopia's Modernisation

Tewodros has been described as 'Ethiopia's first monarch with a concept (however vague) of modernization' (Crummey, 'Tewodros',457). Given the breadth of vision and the energy that he brought to the Ethiopian scene, this is a fair assessment. The parenthetical qualification contained in the above characterization is highly appropriate, however. Not only was Tewodros's concept of modernization vague, but his reforms also lacked consistency and method. Ultimately, they remained tentative gestures rather than comprehensive programmes of lasting importance. The social and political edifice of the Zamana Mesafent proved too strong for Tewodros's modernizing efforts. The **military and administrative reforms** he envisaged were bereft of economic and technological bases. The foreign assistance that he sought so avidly was not forthcoming. In the end, Tewodros remained a lone and somewhat confused prophet of change

#### ➤ Administrative reforms

The lack of consistency and the force of inertia of the Zamana Masafent were also evident in his administrative policy. Tewodros did not make a clean sweep of the local dynasties. In many instances, **he confirmed them in their regional bases**, at best appointing those he considered pliant members of the dynasties. Thus, in Tegre, he appointed Dajjach Kasa Subagadis, the son of the Agame chief who had died fighting against Ras Mareyye of Bagemder in 1831. In Wallo, Tewodros placed first Dajjach Liban Amade and then Amade Ali, son of Warqit, an important female leader. It was later that Tewodros entrusted Maqdala to one of his most loyal followers, Grazmach Alame. In Shawa, while the resuscitation of the old title of mar'ed azmach was probably a calculated blow to Shawan royal pretensions, Mar'ed Azmach Hayla-Mikael in effect continued the Shawan dynastic line. It was only in Gojjam that, from the outset, Tewodros appointed one of his own commanders, Ras Engeda.

Divisive tendencies of the Zamana Masafent, in actual fact it turned out that being Tewodros's 'own man' was not synonymous with loyalty, nor did having a dynastic base

inevitably lead to rebellion. Both Engeda and Alame eventually fell out with Tewodros. The defection of Alame, one of the Emperor's most trusted followers, was a particularly bitter pill for him to swallow. Conversely, Mar'ed Azmach Hayla-Mikael dutifully paid his annual tribute. Dajjach Kasa Subagadis of Agame made a dramatic demonstration of his loyalty by sending the tongue of a follower of the rebel, Agaw Neguse of Semen; the unfortunate victim had bragged in front of his master that he would bring him the severed head of Tewodros. As a man who had been liberated from Dajjach Webe's prison by Tewodros, Kasa Subagadis was understandably grateful to the emperor, Conversely, he was implacably opposed to Webe's successors; after all, he had come out hunchbacked from prison.

Tegre's loyalty to Tewodros had even more concrete manifestations than the dramatic gesture by Dajjach Kasa Subagadis. The largest portion of royal revenue came from Tegre, including, that is, the regions of Hamasen, Saraye and Akala Guzay. It amounted annually to about 200,000 Maria Theresa thalers (compared with the less than 50,000 thalers from Bagemder). Of this, over 35,000 thalers, some 18%, was paid by DaiJ'ach Baryaw Pawlos, the governor of the northern part of present-day Tegray, who was married to Aletash, daughter of Tewodros. About 32,000 thalers, or over 16%, came from DaiJ.ach Haylu Tawalda~adhen of Hamasen and Saraye, and over 17,000 thalers, or about 9%, came from Basha Gabra-Egzie of Akala Guzay.

### ➤ **Military reform**

Tewodros's **commitment to military reform** was less equivocal than his administrative policies. The army has generally been the first concern of any modernizing ruler of a country, because of its pivotal role in the conquest and maintenance of political power. Even in the case of Ethiopia's medieval rulers, their correspondence with European monarchs was dominated by requests for the fruits of modern military technology. To Tewodros, who owed his political power more to his military prowess than to his genealogy, the central role of the army must have been even more vital. He accordingly set out to remould the military structure of Ethiopia in three important respects: **organization, discipline and armament**. Yet, like almost all the other reforms of Tewodros, those in the military sphere were also vitiated by **lack of consistency and of thoroughness**.

What Tewodros attempted to do in the **organizational sphere** was to replace the regional armies of the Zamana Masafent with a national army which cut across local loyalties. Thus soldiers coming from different regions were formed into one regiment. A new hierarchy of command, with military titles which are still in use in the Ethiopian army -for example, yasar alaqa, yamsa alaqa, yashi alaqa, respectively commander of ten, commander of fifty, commander of a thousand -was introduced. Tewodros also cut down on the traditional retinue of the army, which had retarded its mobility and at the same time presented logistical problems. Although there is no evidence as to the amount and manner of payment, Tewodros is also credited with replacing the vicious system of billeting by payment of salaries. At least at the outset, before his sense of justice fell prey to his indiscriminate violence, he was severe towards any of his soldiers caught looting. Yet, when Wallo rebels killed his night guard and stole some mules, he gave his soldiers permission to loot the locality in retribution. In another situation, the uncontrollable urge of his soldiers to plunder led him into a desperate consideration of abdication.

**Discipline** remained a lasting concern of Tewodros; one of the lessons that he had drawn from the Battle of Dabarqi in 1848 was of its value, but he proceeded to apply a harsh version of it. During his first Wallo campaign, he had the limbs of his own soldiers amputated for unauthorized fighting in which they had lost both men and firearms. In Shawa, when some of his soldiers mutinied because of strong rumours that he planned to send them on a campaign to Jerusalem, he punished them with a severity intended to prevent further such occurrences: forty-eight of them were hacked to death or shot. The two ringleaders first had their limbs amputated, and were then hanged. Yet such measures of primitive justice, far from reinforcing Tewodros's authority, only tended to spiral towards universalized violence. The very last letter of his life -written to Sir Robert Napier, the leader of the British military expedition, in the aftermath of the Battle of Aroge, which led to Tewodros's suicide in 1868 -was apathetic admission of his failure to instil discipline in his subjects. 'My countrymen have turned their backs on me,' he wrote, 'because I imposed tribute on them, and sought to bring them under military discipline. You have prevailed against me by means of a people brought into a state of discipline' (Holland and Hozier, II, 42).

The **third** aspect of Tewodros's military reforms was his unrelenting **drive to acquire modern arms**. Although his stockpile grew largely through purchases and seizure from vanquished enemies, it was to arms manufacture that he applied himself with remarkable persistence. The first experiment came right after the Battle of Dabarqi: as Kasa Haylu, Tewodros improvised a rather crude explosive from the trunk of a tree. It was to be set off from a distance by means of a connecting thread. The whole experiment was aborted when one of Kasa's followers, captured by the enemy, divulged the secret under torture. When Tewodros later sought foreign assistance, it was not so much the arms that he sought as the skilled manpower to manufacture those arms and to impart those skills to Ethiopians.

The upshot of this strategy appeared at Gafat, an area near Dabra Tabor which, more than any other place, symbolized Tewodros's modernizing drive. Gafat was at the same time a symbol of the uneasy relationship between Tewodros and the European missionaries. The latter came to Ethiopia to preach the gospel of love. They ended up being commandeered to manufacture weapons of destruction by a Christian sovereign who wanted from the Europeans their science, not their religion. At Gafat, a school was established where Ethiopian youths acquired literacy and some technical skills. By trial and error, and under the emperor's ceaseless prodding, the missionaries managed to manufacture some weapons.

At Maqdala, the first well-documented arsenal in Ethiopian history was established, with 15 cannon, 7 mortars, 11,063 rifles of different types, 875 pistols and 481 bayonets, as well as ammunition including 555 cannon-shells and mortar-shells and 83,563 bullets.

#### ➤ **An attempt to end slave trade**

Tewodros also made the first attempt to put an end to the slave trade which had become endemic in Ethiopian society. During one of his campaigns in Gojjam, he freed all the slaves at the Basso market and, in an impromptu wedding ceremony, he had all the male slaves married to the females. He followed this by an official ban on the slave-trade throughout his realm. In Qallu, Wallo, he forbade his soldiers to resell slaves they had captured. Such measures against the slave-trade did not extend to an abolition of the institution of slavery itself; perhaps understandably so, since slavery had come to be

embedded in the Ethiopian social fabric. Indeed, later in his reign, we find Tewodros, exasperated by the guerrilla tactics of the Wallo rebel Amade Bashir, authorizing his soldiers to enslave the Muslim followers of his enemy.

Culturally, Tewodros's reign is significant because it witnessed the birth of a fairly well-developed literary Amharic. A world of stylistic difference separates the Amharic correspondence sent by Tewodros and that of previous correspondents such as DeJach Subagadis. Amharic prose attained even higher, almost poetic, elegance in the chronicle of Dabbara Zanab, the emperor's admirer.

Like all modernizing rulers, Tewodros realized that introducing far-reaching reforms was impossible without **a secure financial base**. It was in an effort to solve this problem that he came into collision with the Ethiopian Orthodox Church. That ultimately proved his undoing. His conflict with the clergy initially arose from two different levels of morality. With understandable exaggeration, Zanab draws a striking contrast between the virtues of Tewodros and the vices of the clergy of the Zamana Masafent: purity versus debauchery, chastity versus licentiousness, monogamy versus polygamy, and honesty versus dishonesty. Further, just as he sought to establish a unitary state, Tewodros wanted to see the church overcome its doctrinal divisions and emerge as a united institution. His 'concordat' with the Egyptian bishop Abuna Salama, whereby the latter gave his blessing to Tewodros's seizure of political power in return for his enforcement of the Tawahedo doctrine, appeared to have ushered in a new era of the unity of church and state.

But this spirit of co-operation was short-lived. The relationship between Tewodros and the clergy was soon beset with fundamental political and economic contradictions. As was revealed by the controversy over the temtem, the turban customarily worn by Ethiopian Orthodox Christian priests, Tewodros appears to have been bent on establishing absolute power over the clergy. He could not tolerate the fact that they appeared turbaned in front of him, whereas they had to take off their turbans in the holy of holies, the inner sanctuary of a church. It was the vital question of land, however, which made the church a sworn enemy of the emperor. In a question of striking directness, Tewodros enquired of the clergy in 1856: 'What shall I eat, and with what shall I feed my troops? You have taken half the land as masqal maret and the other half as rz.m and gadam' (Zanab, 28).

(Tewodros was here referring to three of the various categories of church land.) The response of the clergy was as medieval as the emperor's question was modern. He was told to roam from one province to another and live off the land, 'as in the past'. Tewodros found the suggestion not at all attractive. After four years of procrastination in view of strong clerical opposition, he expropriated what he deemed was land in excess of the clergy's requirements and distributed it among tribute-paying peasants.

### **1.3.2. Reign of Emperor Menilik Modernization and Education in Ethiopia**

#### **A. The birth of a capital**

Midway through the process of expansion, the capital of the empire-state was born named Addis Ababa, New Flower, it turned out to be the third most important capital city in Ethiopian history, after Aksum and Gondar; and, because of the southward enlargement of the new empire, it was the southernmost capital. This new political centre also happened to be the geographical centre of the country.

In his early years as negus of Shawa, Menilek had followed the tradition of his medieval ancestors and ruled from different camps. In addition to the main Showa town of Ankobar, on the edge of the Rift Valley escarpment, he had established camps at Leche, in northern Shawa, and Warra Illu, in southern Wallo. As he began to look southwards, however, his attention was drawn to the hills surrounding the future site of Addis Ababa. In 1881, he finally moved to Entotto (Dildila), the range north of the future capital, after a short sojourn west of the site, at Mount Wachacha (also confusingly known as Entotto). In addition to its strategic advantage, the area had for Menilek the attraction of having reputedly been the camp site of medieval kings. A sizeable settlement began to grow around the palace, with the churches of Saint Maryam and Saint Raguel on the eastern and western limits, respectively, rivalling one another for favour and pre-eminence.

But Entotto's historical importance as the centre of the Shawan kingdom was short-lived. In November 1886, four years after the first permanent structures had begun to be constructed at Entotto, a new settlement, destined to be the political centre of the empire, was started on the plains to the south. The move from Entotto to Addis Ababa, effected by Empress Taytu while her husband was on the Harar campaign, had many factors behind it.

Foremost were the hot springs (Fel Weha), which had already been a regular resort of the Entotto settlers because of their warmth and curative value. The strategic value of Entotto had diminished. Moreover, its insufferable cold and the denudation of its forests, as well as the tiresome descents and ascents to and from Fel Weha, made the hilly settlement less and less attractive.

Although Addis Ababa came into existence in 1886, it did not become the capital of Menilek's empire until about 1892. The construction of the palace (called the gebbi) on an elevated site gave the growing settlement its primary nucleus. Saint George Church to the west formed not only the town's main religious centre but also its commercial centre, Arada. The nobility came to settle on the other hillocks of the emerging town, on land granted to them by the emperor as a reward for services. Round the gebbi of each member of the nobility clustered his dependants and followers, giving rise to the typical settlement pattern of the town, the safar, originally an encampment. Thus were born quarters like Ras Berru Safar, Ras Tasamma Safar and Fitawrari Habta-Giyorgis Safar. The settlements of the palace servants, generally located on the slopes, gave rise to such occupational areas as Saratagna Safar (the Workers' Quarters), Zabagna Safar (the Guards' Quarters) and Weha Senqu Safar (the Quarters of 'The Unprovisioned', an Imperial Army unit, said to be only with water).

Many events and developments contributed to consolidating the position of Addis Ababa as capital of the Ethiopian empire-state. Of these, probably the most important was the Ethiopian victory at the Battle of Adwa in 1896. On the one hand, it marked the transition from the era of campaigning to that of settled civilian life. Most members of the nobility now began to settle in Addis Ababa and to build more or less permanent residences. On the other hand, with the growth in the prestige of Emperor Menilek, foreigners began to come and settle in Addis Ababa in increasingly large numbers. The legations had large estates carved out for them in the northern outskirts. The merchants and craftsmen settled at Arada.

The protests against moving made by the legations, who had already made some investment in buildings, and the importation of the eucalyptus tree were what saved Addis Ababa from suffering the same fate as Entotto. Beset by the perennial problem of

wood, Menilek had seriously begun to consider moving his capital to Addis Alam, some 38 miles (60 km) to the west by the road built to Addis Ababa. Construction of a new palace had begun. With the abandonment of the project, the road became the first inter-urban road of Menilek's empire. The **registration of urban land and the granting of land charters as of 1907 removed the air of impermanence and insecurity that had constantly hung over Addis Ababa.** The long awaited arrival of the **railway** from the French port of Djibouti, on the Gulf of Aden, in 1917, put the seal on Addis Ababa's future as the capital of Ethiopia.

## **B. The socio economic order**

### **➤ Mode of surplus appropriation**

In the nineteenth century, as indeed also in earlier centuries of Ethiopian history, the economic basis of political power was tribute and surplus labour. Both were extracted from the peasant, who held his land (rest) by genealogical descent, and who was known as gabbar (after geber, tribute). The tributes were of a diverse nature. The main tribute was the land-tax or rent. Its value varied according to the degree of cultivation of the land (cultivated, lam; uncultivated, taf; semi-cultivated, lam-taf). Next came the tithe, asrat, which, as both the English and the Amharic words indicate, amounted to a tenth of the peasant's harvest. In addition to these two tributes, the gabbar was obliged to supply provisions, maten and dergo, for officials and visitors passing through his district. He had to provide firewood for his overlord, known as malkagna or shalaqa (representative or commander), twice or thrice a year. He made available the honey (mar) that was so essential to make taj (mead, hydromel) for the ruling class. He was also expected to express his joy by offering 'gifts' at the appointment of a new governor, his promotion or decoration, or the birth of a son to him.

The ruling class appropriated not only surplus product from the gabbar but also surplus labour. The chief expression of this forced labour or corvee was farming on state or governor's land (hudad). This generally took about a third of the gabbar's labour time. The gabbar also ground grain for the malkagna. He was engaged in the construction of granaries and fences for the governor or the malkagna. He was custodian of any state

prisoner, with liability to take his place if a prisoner escaped. He also provided transport service (elf), carrying personal effects of the governor or an official in times of peace and provisions in times of war.

### ➤ Land measurement

One of the forces which had a profound impact on the systems of land tenure in the south was the institution of land measurement at the turn of the century. This was known as the qalad, after the rope used to measure land. Although land measurement had had a relatively long history in Bagemder, in north-western Ethiopia, it is in conjunction with the creation of Menilek's empire-state that it came to have wider application. While land measurement was prevalent in Shawa and its environs, many other provinces were affected as well. In Wallaga, for example, the measurement process which started in 1910 resulted in the appropriation by the state of three quarters of the land. Peasants who had tilled the land under another lineage system of ownership known in Wallaga as qabiye found themselves forced to buy their own land. Failure to do so reduced them to the status of tenancy. In Walayta, some of the common lands were appropriated through the qalad and given out to the church for its maintenance (as samon) and to individuals.

A major objective that land measurement was designed to achieve was facilitating taxation. The measured land was divided into lam, lam-taf and taf. These terms denoted the degree of cultivation and human settlement, not, as is commonly assumed, the fertility of the soil. Lam land paid the highest and taf the lowest rate of tax. As the former category of land tended to be occupied mostly by peasants, the burden of taxation thus fell most heavily on them. In addition to taxation, registration tended to promote the twin processes of private ownership and land sale. In both northern and southern Ethiopia, traditional land tenure had had a communal character, with peasants enjoying only usufructuary rights over the land. In the twentieth century, however, a steady process of privatization set in, with implications of sale and mortgage. Perhaps the most dramatic case of land sale in the early twentieth century was that of Dajjach (later Ras) Berru Walda-Gabr'el in Arsi. On a large tract of land given him by Menilek, Berru forced the peasants either to buy the plots they were farming or to become his tenants, giving him a quarter of their harvests. Those who could afford to buy the land (at the rate of 30

Maria Theresa thalers per gaska, about forty hectares, of lam land) still remained Berru's gabbar.

It was also the qalad system which enabled the state to appropriate large areas of land either for its own benefit or for that of individuals and institutions it wished to reward. The pattern of land tenure in the twentieth century was largely determined by this policy. The local ruler, generally referred to as the balabbat, retained from a sixth to a third of the land -often erroneously characterized as siso (third).

The land still kept by the peasants, and subject to payment of tribute and rendering of labour services, was known as gabbar land. The rest was largely at the disposal of the state. In the old tradition of the unity of church and state, the church was given samon land. Government officials were granted madarya, land in lieu of salary. There were further types of land tenure which catered to the specific needs of the palace, such as baldaras and warra gannu for the upkeep of its horse and cattle, respectively. Similarly, owners of what was known as gendabal land rendered a host of services to the state in times both of war and of peace. Large tracts of land also became the property, as ganagab or madbet (literally, kitchen), of members of the royal family and were administered by a representative (meslane). These had the lands farmed by means of compulsory labour, and sent the harvest to their patrons.

The balabbat, mediating between the peasant and the state, played an important role in the evolution of the tributary relationship. The siso in effect symbolized their intermediary role in the whole exploitative system. It was the village chief, abba qoro, who implemented the land measurement policy in Wallaga. The assignment of quter gabbar in Harar was also effected through the agency of officials named the damin and the garad, subordinate to the damin. On a higher level, there was also the case of the rulers of Leqa Naqamte, who developed their own mechanism for surplus extraction by imposing a number of taxes, including the- tithe, on the peripheral regions. Ultimately, the Wallaga aristocracy was to prove the most successful of the southern elite in integrating itself into the Ethiopian ruling class. It is this reality which reinforces the point that the class basis of exploitation and oppression was as important as the ethnic one.

In spite of the multiplicity of tenure described above, the basic mechanism of surplus extraction was the **gabbar-malkagna** or (as came to be generally the case in the south) the **gabbar-naftagna** relationship. This was also the focal point of class contradiction. Gabbar reaction to exactions from his overlord was varied, including flight from his plot, petitions to the central government and armed uprisings, particularly in times of crisis at the political centre. The cause of the gabbar was ardently championed by the progressive Ethiopian intellectuals of the early twentieth century, who began to agitate for reform. The situation even gave rise to what one may call 'colonialist revolutionaries', Europeans who resented the frustration of capitalist penetration that the debilitation of the peasantry through the gabbar system had entailed, and who urged a fundamental overhaul of Ethiopian society. The Times of London on 18 April 1931 called the gabbar system a far worse evil than slavery'. The first group, the Ethiopian intellectuals, aspired to what we may call national capitalist development on the Japanese model; the Europeans aimed at dependency capitalism of the colonial type.

The relatively more progressive elements of the feudal ruling class also sought to **reconstitute feudalism** on a new and more solid foundation. The series of measures undertaken first by Lej Iyyasu, Menilek's grandson and successor (r. 1913-1916, officially; in fact, 1911-1916), and then by Ras Tafari Makonnen in the 1920s, tended not only to buttress private property but also to release the productive potential of rural society by minimizing the wastefulness of the system. Iyyasu, for instance, forbade the confiscation of property as a penalty for embezzlement, as was hitherto the custom. He also tried to reduce the waste entailed by the prevalent system of assessment of harvest before the collection of asrat, with the attendant delays in harvesting when the assessors failed to come on time. Tafari reinforced the measure against confiscation, and took further steps to regularize the collection of asrat. Lastly, in May 1935, after he had become Emperor Hayla Sellase in 1930, he issued a decree abolishing corvee and the tax in honey (mar geber). A high point in feudal reform was reached with the institution in May 1935 of fixed tax (qurt geber) of 30 Birr per gasha. But the abolition of the whole gabbar system had to await the post-1941 era, following the end of the Italian occupation.

## ➤ Trade

Next to land, trade provided another source of income for the Ethiopian ruling class. Control of trade routes and customs duties therefore became an important factor in the political power struggle. Compared with the situation in the nineteenth century, a major reorientation of long-distance trade routes and outlets had taken place. A series of events had had the effect of giving the eastward route, terminating at Zeila or Berbera on the Somali coast, precedence over the northbound route. Shewan victory over Gojjam at the Battle of Embabo in 1882 was the first of such events. The decline of Gondar and Matamma as a result of the Ethio-Mahdist hostilities was another. The shift of the geopolitical focus to the south, signalled by the emperorship of Menilek, and the foundation and growth of Addis Ababa as the political centre of the empire, put the seal on the whole process. In terms of outlet, the Italo-Ethiopian conflict of the 1890s and then the amputation of the Marab Melash (Eritrea) had given rise to the emergence of the French port of Djibouti as Ethiopia's main outlet to the outside world. Djibouti's pre-eminence was attained at the expense not only of Massawa and Assab but also of Zeila and Berbera.

Another feature of twentieth-century Ethiopian trade arose directly from the aftermath of the Battle of Adwa. The juxtaposition of independent Ethiopia with European colonies spurred the adjacent powers to start a policy of commercial penetration of their respective 'hinterlands'. Frustration of the Italian bid for unilateral colonial domination led to multilateral competition to tap as much of the resources of Ethiopia as possible. Economic penetration of the frontier regions was sometimes thought of as ultimately conducive to political control. The establishment of consulates in these frontier regions likewise reinforced this objective. Thus the British tried to attract as much of south-western Ethiopian trade as possible to Sudan via Gambela, an inland port in south-western Ethiopia that they had leased from Menilek as a result of the Ethio-Sudan boundary delimitation treaty of 1902. Likewise, they penetrated southern Ethiopia from their colony of British East Africa, and the Harar region from British Somaliland. They established consulates at Harar, Mega in southern Ethiopia, Gore in Illubabor and Dangela in Gojjam. The Italians similarly tried to draw the northern Ethiopian regions into the economic orbit of their Eritrean colony. They too set up consulates, at Adwa in Tegray, Dessie in Wallo, and in Gondar. Control of the railway, Ethiopia's main medium of

external trade, saved the French from making similar exertions. Powers with no adjoining colonies, such as the United States and Germany, were forced to concentrate all their energies on capturing the centre.

In spite of the trans-frontier challenges, Djibouti's pre-eminence as the main conduit of Ethiopia's foreign trade was beyond dispute. On the average, some 75% of the trade passed through Djibouti. The Eritrean route stood second, followed by the Sudan and British Somaliland routes. The pull from British East Africa and Italian Somaliland was not of much consequence. On the other hand, the export share of the Sudan route was much higher, rising to 20 % around 1930 -a result of its attraction of much of the coffee which grew in south-west Ethiopia. As a result, the Sudan route was characterized by a favourable balance of trade for Ethiopia. Conversely, the Djibouti route showed an unfavourable balance, suggesting that the railway was more instrumental than the steamer (the means of transport used on the Gambela route) in drawing Ethiopia into a pattern of dependence.

In the items of trade, there was a significant change from the nineteenth-century pattern. Such commodities as ivory and civet musk, which had dominated the trade in the earlier century, progressively declined in importance -inevitably in view of the exhaustible nature of the animals from which they were extracted. Coffee became the principal export item, a position it has maintained to this day. Coffee's counterpart on the import side was the unbleached cotton sheeting known as abujedid, much valued for clothing as well as for making tents. Commercial rivalry among Ethiopia's trade partners centred on this highly marketable commodity. It was abujedid which brought first the Americans and then the Japanese to Ethiopia. With the completion of the railway and the relative sophistication in consumption tastes, items ranging from felt hats to Scotch whisky and French brandy also began to enter the list of imports.

The traders who controlled Ethiopia's external trade were mostly expatriates -a significant change from the pattern in the long distance trade of the preceding century. This had largely to do with the influx of foreigners into Ethiopia subsequent to the Battle of Adwa. At the outset, benefiting from the favours that their country enjoyed during the Adwa days because of their country's policy of condoning the import of arms into

Ethiopia, French traders had the upper hand. Leon Chefneux, winner of the railway concession and close confidant of Emperor Menilek, was one of them. A. C. Savoure was another. But it did not take long for the British, through their Indian surrogates, to attain prominence. The frugality and low-cost management of Indian traders gave them a sharp edge over their European rivals. One of them, Mohammed Ally, became the biggest name in Ethiopian import-export trade of the years before the Italo Ethiopian war of 1935-1936. As successful as the Indians, particularly in the south-west, were the Greeks, thanks largely to the ease with which they adapted to the Ethiopian milieu, possibly, among other things, because of their Orthodox Christian faith. The Armenians, also Orthodox Christians, like the Greeks, and welcomed to Ethiopia at a time when they were suffering persecution in their homeland, were to attain the highest level of integration into Ethiopian society.

They thrived mainly as craftsmen catering to the upper classes. But one of their pioneers, Sarkis Terzian, made his fortune as an arms trader and his fame by introducing the steamroller (aptly named 'Sarkis babur', the steam-engine of Sarkis) into the country. The Jewish merchant Benin was another successful trader, and gave his name to Benin Safar in Addis Ababa. The Syrian Hasib Y dlibi not only attained prominence and notoriety in the world of commerce and concessions but also briefly (during the reign of Iyyasu) became politically powerful. His protégé and compatriot, Majid Abud, started as a rubber trader in western Ethiopia and ended up as the most energetic agent of central government authority in the land of the intractable Anuak people. Somewhat later, the more conventional representatives of European capital, such as Seferian and Company, and A. Besse and Company, came into the picture.

Ethiopian traders were invariably relegated to internal and local trade. On the other hand, the ruling class more and more shed its martial character of the pre-Adwa days and developed business instincts. A series of profitable partnerships were struck between its members and the expatriate merchants and concessionaires. Menilek conducted a thriving business lending money to Indian traders.

Empress Taytu, his consort, owned Addis Ababa's first hotel, named after her title, the Etege, and later, in the 1970s and 1980s, renamed Awraris (rhinoceros) and then Taytu.

Deemed equally important was the assertion of central government authority over the customs from external trade. The division of Gambela customs became a hot issue between the Ethiopian and Sudan governments in the 1920s. It was finally resolved along lines favourable to the former. Ethiopian rights to levy import duties had been shackled by the Klobukowsky Treaty of 1908. The treaty exempted French subjects from the laws of Ethiopia and limited the customs duty to 10% ad valorem; for liquor it was to be even lower -8%. Thanks to the convenient provisions that other powers had earlier made in their treaties with Menilek for the extension of such privileges to their subjects, the treaty came to cover almost all European subjects and governments. It had profound implications for Ethiopia's relations with foreigners. The extraterritorial rights granted European subjects often became a licence for racial arrogance and irresponsible behaviour. The low import tariff encouraged the inflow of European goods into the country.

The repeal or revision of the Klobukowsky Treaty became one of the main preoccupations of Tafari, both before and after his coronation as emperor. During his tour of Europe in 1924, this was one question he broached with the French government. Lacking any positive response, he made a unilateral revision of the treaty in March 1931 by proclaiming the excise and consumption tax. This raised the import tax to up to 30% ad valorem on what were regarded as luxury items, such as alcoholic drinks, cigarettes, umbrellas, carpets and underwear. In spite of protests from the European legations, the government stood its ground. While it was an emphatic assertion of Ethiopian independence, the move at the same time negatively affected the Ethiopian consumer in view of the attendant rise in prices. In terms of the augmentation of central revenue, however, the new tax was not without some significance. Out of an estimated total annual revenue of about £400,000, the income from the tax was valued at £25,000, or slightly over 6% (Perham, 194).

### ➤ Concessions

If trade was one medium for European penetration of the Ethiopian economy in the post-Adwa years, concessions were another. The latter were often viewed by Europeans as a sure means of making accessible to themselves the reputedly rich resources of the country that Adwa had denied them -or at least one of them, Italy. Indeed, concessions

were deemed less expensive than outright colonial domination. In the words of one of the spokesmen of European imperialist penetration in Ethiopia, 'In order. ..that the great natural riches of Abyssinia may be thrown open to European trade and industry, there is no need of a war, or of a costly establishment of sovereignty over the land' (Bahru, 'Fumbling Debut', 331). The quest for concessions coincided with the monopoly capitalist phase of imperialism, which was characterized by the export of finance capital.

As in trade, however, the reality did not always match the dream of a bonanza for merchants and investors. Although a large number of concessions were granted to expatriates by Ethiopian authorities, few of them achieved any practical significance. Most of them remained baits for the over-credulous European investor. Ethiopian authorities also benefited from the whole exercise through cash

bribes given them for the acquisition of concessions and royalties for their duration. The whole situation gave rise to what were known as concession-hunters, who assumed the profitable role of intermediary between the European investor and the Ethiopian ruler. The most remarkable of these concession-hunters were the German Arnold Holz, the Italian Alberto Prasso and the Syrian Y dlibi. ~

Two concessions, however, were translated into reality of considerable import for Ethiopian history. The first was the **railway concession of 1894**; the second was the **banking concession of 1905**. They were secured by the two major rival powers in Africa -the French and the British, respectively. Although the railway concession (which initially provided for the building of a railway from Djibouti via Entotto to the Nile was granted in 1894, it was soon overshadowed by the Adwa campaign. Construction did not begin until 1897, and the railway reached its first major terminal in 1902 -one differing from the initial plan, which involved the town of Harar. The new site was named New Harar, later renamed Dire Dawa. Thereafter, for a period of six years, construction was discontinued as a result of inter-power rivalry and Menilek's resentment at the French government's take-over of what was initially a private undertaking. The international status of the railway was regulated by the 1906 Tripartite Agreement between Britain, France and Italy. Two years later, Menilek signed with the French a new concession offering slightly better terms for Ethiopia. Work on the railway was resumed the following year, but it

did not reach Addis Ababa until 1917. The idea of extending it to the Nile had already been abandoned in face of British opposition.

The completion of the railway was an event of considerable socioeconomic significance for Ethiopia. It put the final seal on the centrality of Addis Ababa. It also gave birth along the railway-line to new towns: Dire Dawa, Nazareth and Mojo. It became the chief medium by which Ethiopia was drawn into the world economy. Although its service was impaired by the high tariffs imposed by the company, the railway none the less became the main means of transport for both goods and passengers to and from Ethiopia. It was also through the railway that ideas and fashions percolated to the country. Politically, it contributed to the rise of Ras Tafari to power, as it facilitated the speedy despatch of loyal troops from his base in Harar to the capital.

The banking concession was given to the British, more specifically to the British-controlled Bank of Egypt, in March 1905. It entitled them to exclusive banking rights in Ethiopia as well as those of the minting of coins and the issuance of notes. What came to be known as the Bank of Abyssinia was thus established with a starting capital of £100,000. Drawing from the lessons of the railway, a conscious effort was made to internationalize the venture. The founding committee was composed of three British members, three Italian members and one German member. The shares were simultaneously offered in Addis Ababa, Cairo and a number of European capitals, as well as in New York. The combined shares of the French and the Italians were fixed to be exactly equal to those of the British. Notwithstanding such precautions, however, the bank remained primarily a British concern, as evidenced in the composition of the key personnel.

Although a number of branches came to be opened in the provinces, the impact of the bank on the Ethiopian economy does not seem to have been substantial. Its high lending rate (15%) was certainly not conducive to borrowing. Nearly a decade was to pass before the bank's books showed any profits. Fundamentally, the bank faced inherent problems of a capitalist institution grafted on to a feudal structure. It was not easy to overcome the competition of the informal credit system or the ingrained habit of private hoarding. On the other hand, the monopoly it enjoyed aroused some opposition. Gabra-Heywat Baykadagn,

Ethiopia's leading intellectual of the period, was among its most severe critics. In 1909, Empress Taytu created a rival lending institution known as the Society for the Promotion of Agriculture and Trade, but it was unsuccessful, lasting only one year. Finally, in 1931, the bank was 'nationalized'. It came to be known as the Bank of Ethiopia, ancestor of the State Bank of Ethiopia, in the years after the Italo-Ethiopian war and Italian occupation, and the current Commercial Bank of Ethiopia, founded in 1963.

### ➤ **Modern education and the birth of an intelligentsia**

Interest in modern education in Ethiopia goes back to the nineteenth century. The missionaries, who saw education as an effective means of proselytization, were active in establishing a number of schools and sending the more promising students abroad. Impressed by European technological power, and more particularly the military manifestation of that power, Emperor: Tewodros II had started a school at Cafat to train young Ethiopians in the technique of arms manufacture. In the post-Adwa period, the more intensive relations with Europe created ampler opportunities for the spread of modern education. The expansion of the state apparatus (through the ministerial system and customs administration, for instance) made the training of a cadre of officials imperative. But it was not only as clerks and accountants that these .educated Ethiopians left their mark on Ethiopian history. Some of them were to give eloquent expression to the problem of Ethiopia's backwardness. They constituted a passionate, if poorly organized, force for reform. Sometimes characterized as the 'Young Ethiopians', they laid the foundation for a radical tradition which was continued and amplified by the Ethiopian Student Movement in the 1960s and 1970s.

The first educated Ethiopians were mostly sponsored by missionaries. The most prominent of these were Professor Tamrat Amanuel of Gondar, one of the many Falasha who had benefited from their close association with the missionaries; Kantiba (Mayor) Gabru Dasta, also from Gondar, whose illustrious career as interpreter, envoy, mayor, senator and Resistance fighter spanned five decades, from the reign of Emperor Yohannes IV to the Italian Occupation; and Onesimus Nasib, an Oromo of Illubabor, who translated the Bible into his native tongue. There were a few others who do not conform to this pattern. Mahdara-Qal Tawalda-Madhen, interpreter successively to Emperors

T;wodros and Yohannes, received his education under official French patronage. Warqenah Eshate (later renowned as Hakim Warqenah or as Dr Charles Martin) started his career under fortuitous circumstances. Found after the Battle of Maqdala at the age of about four by one of the British officers in the Napier expedition.. he was trained as a medical doctor in India and Scotland. Returning to Ethiopia in the early twentieth century. As Dr Martin, Hakim Warqenah recovered his family and his name, and served in various capacities: as superintendent of the Tafari Makonnen School, director of the school for freed slaves, negotiator with a United States company for the construction of a dam on Lake Tana, governor of the model province of Char char (in Harar), and Ethiopian minister to London during the outbreak of the Italo-Ethiopian war.

Ethiopians who went abroad did not always undergo formal training. In many instances, it was through their exposure to a different environment rather than through any formal education that they came back changed. In one or two cases, in fact, Ethiopians achieved prominence abroad as teachers rather than as students. This was the case with Alaqa Tayya Gabra-Maryam from Gondar and Mawarq Gabra-Iyyasus from Gojjam. After spending his youth at the Swedish evangelical mission at Menkullu (near Massawa), Alaqa Tayya joined the high-level German diplomatic mission that visited Ethiopia in 1905, and went to Berlin, where he taught Ge'ez. Mawarq Gabra-Iyyasus, called 'professor' by the Italians, published a number of books during his sojourn in their country, including the first Amharic novel, *Toby*. At least three Ethiopians received their scholastic foundation in Russia. Two students named Gezaw and Dagne returned with medical training and helped to set up Menilek II Hospital in 1910. Takla-Hawaryat Takla-Maryam of Shaw studied artillery in St Petersburg military school, attaining the rank of colonel. Back in Ethiopia, however, it was not as a military expert that he became famous, but rather as provincial governor, agronomist, drafter of the 1931 Constitution and treasurer (bajerond, his permanent title after 1931 ).

The most illustrious of all the pre-war intellectuals does not seem to have had any official sponsorship for his foreign visits. This was Gabra-Heywat Baykadagn from Adwa, who spent his teenage days in Germany. From there he returned with an early mastery of political economy which, when applied to the Ethiopian reality, was to be astounding in

its rapid grasp of the situation and its extraordinary depth. A shorter stay in British-ruled Sudan impressed on him the disturbing contrast between the progress of colonial Sudan and the backwardness of independent Ethiopia. His ideas were to become public in his two major works: 'Atse Menilek-na Ityopya' (Emperor Menilek and Ethiopia) and *Mangest ena ya Hezb Astadadar* (Government and Public Administration), the first published in 1912, the second posthumously in 1924; the author died at the early age of thirty-three years. The most important post that he had occupied was that of *naggadras* of Harar, a title which has clung to his name.

Not all the intellectuals and prominent civil servants of the pre-war period had a missionary background or had been exposed to life outside the country. The most prolific writer of them all, Heruy Walda Sellase, from Shawa, was a product of traditional church education. He occupied various prominent positions in the civil service including that of foreign minister on the eve of the 1935-1936 war with Italy. In fact, the *dabtara* (the learned men of the Ethiopian Orthodox Church, of whom Heruy was one) were to constitute a significant element of the intellectual ferment and the budding modern administration of the period. The church of Saint Raguel on Entotto mountain played an important role in this regard. Among its 'graduates' who attained fame and power were Takkala Walda-Hawaryat, customs official, mayor, fiery patriot and implacable opponent of Emperor Hayla-Sellase after the war and the Italian Occupation of Ethiopia, and Makonnen Habta-Wald, a minister of exceptional political longevity (c. 1930-1960) and a power-broker of the Hayla-Sellase regime.

There were also those who were influenced by the ideas of men like Gabra-Heywat Baykadagn, and who continued the reformist tradition. Of these, the most conspicuous was Fitawrari (later Blatta) Deressa Amante, member of the Wallaga aristocracy and one of the regular contributors to the *Berhanena Salam* newspaper, the voice of the progressive intellectuals. Like Gabra-Heywat, Deressa too had spent some time in Sudan.

In terms of formal education, the last years of Menilek saw a significant event -the founding in 1908 of the first school set up along modern lines. This was Menilek II School. The staff, composed mainly of Egyptians of the Orthodox Coptic Christian Church, was a good example of the Emperor's concern for a happy compromise between

tradition and innovation. It was felt that the Copts would filter down to their pupils a tempered version of modern ideas. The syllabus showed a distinct bias towards languages, partly an indication of the practical need for interpreters. French was the medium of instruction, and it was to remain the lingua franca of the Ethiopian intelligentsia until superseded by English after 1941. French cultural paramount was further reinforced by the opening after 1912 of Alliance française schools in Dire Dawa and Addis Ababa. Tafari Makonnen School, opened by Ras Tafari in 1925, was even more French-oriented than Menilek II School, with French directors and with the students sitting for French Government Certificate examinations. Ethiopian supervision was, however, provided for by the creation of the post of superintendent. At the central administrative level the Ministry of Education had evolved as an independent ministry by 1930; Menilek's initial arrangements had made it a mere adjunct to the office of the archbishop. The 1930s saw the founding of a number of schools in the provinces as well as in Addis Ababa.

The 1920s also witnessed the onset of a new phase of sending young Ethiopians abroad for education. The destination of most of these students was France, with the Lycee at Alexandria in Egypt serving as a transit point. A number of Ethiopians who were in prominent positions after the Italian occupation belonged to this category: A smaller number found their way to Britain and the United States, with one or two going to Switzerland. All in all, a total of some 200 Ethiopians reportedly studied abroad, through government or private means, in the decade and a half before 1935.

As in many other societies, the spread of modern education in Ethiopia had two major effects: the training of skilled personnel to staff the growing bureaucracy and the dissemination of ideas of change. In short, modern education produced functionaries and intellectuals. The functionaries were the more integrated into the state apparatus and were thus invariably too absorbed in the routine of administration to have time for strictly intellectual pursuit; Heruy Walda-Sellase was a phenomenal exception. The intellectuals were generally only peripherally attached to the state apparatus. The functionaries were predominantly trained inside the country; the intellectuals tended to have lived or studied abroad. Of the functionaries, only one or two had reached ministerial level by 1935, the

upper limit of their rise in the bureaucracy often being that of director-general of a department.

In their critique of the backward state of their country, the intellectuals represented a counter-current to the smug confidence that had ensued after the Adwa victory. They advocated a series of reforms in order to give socio-economic content to the political independence that Adwa had guaranteed. The reforms they recommended included the introduction of fixed tax; religious freedom; updating of the traditional code, the Fetha Nagast (the Law of Kings); rationalization of the Amharic alphabet, which has about 300 characters based on seven forms to which diacritical marks are added; institution of centralized and uniform customs administration; and military and currency reforms. But the two themes that received the widest attention were the elimination of the iniquities of the gabbar system, and the promotion of education. Many a powerful pen was employed to depict the miserable lot of the gabbar and to make suggestions for his liberation. And, if there was one word which could be described as the motto of the progressive intellectuals, it was 'education'. The country which they adopted as their model was Japan, dramatically transformed in a matter of decades from a feudal country like Ethiopia into an industrial power; hence the label 'Japanizers' that has come to be given to them. The 1931 constitution, which was drafted by one of these intellectuals (Takla-Hawaryat Takla-Maryam), appears to have been very strongly inspired by the Japanese Meiji Constitution of 1889.

A major handicap of the intellectuals was their amorphous and unorganized character. To implement their ideas of reform, the intellectuals had no other recourse but to seek the patronage of an enlightened prince. This quest brought some of them into temporary alliance with Le). Iyyasu. This was the case with both Takla-Hawaryat and Gabra-Heywat Baykadagn. Takla-Hawaryat rose to become the young ruler's most favoured confidant until, swept by the tide of opposition, he turned against Iyyasu in 1916. Gabra-Heywat's 'Atse Menilek-na Ityopya' is also addressed to Iyyasu. After Iyyasu's downfall in 1916, Ras Tafari became the natural ally of the progressives. Indeed, the reforms Tafari introduced during his regency and the first five years of his emperorship have a striking affinity with the ideas of Gabra-Heywat. Takla-Hawaryat, who had had a hard time getting

I yyasu to pay attention to his explanation of an administrative manual that he had prepared, was now commissioned by Tafari to draft a constitution. But the marriage of convenience between Tafari and the intellectuals did not remain a happy one. More than they were able to use Tafari, he used them for his objective of power consolidation. The eventual quarrel between Tafari as Emperor Hayla-Sellase and Takla-Hawaryat is a clear illustration of this unhappy marriage.

### Self - test exercises

#### **Part I: write “True” if the statement is correct and “False” if the statement is not correct**

1. Existences of different international organization and developed countries have no any influence on Ethiopian development model/strategy.
2. Economic growth is increment of output and changes in technical and institutional arrangements by which it is produced and distributed.
3. Development is not entirely an economic phenomenon but rather a multi-dimensional process involves different aspects.
4. Definition of development is the same all over the world even in different time series.
5. Tewodros's commitment to military reform was vague than his administrative policies.

## Chapter Two:

### 2. Development issues, Policies and strategies During the Imperial Regime of Haile Silassie I

At end of this chapter students expected to do the following activities/tasks.

- Student will reflect their opinion on lesson learned in this chapter.
- Understanding of the modernization projects during Hailesillasié Regime.
- Understanding of Successes and Failures of the development projects of the Imperial Regime.

#### 2.1. Modernization Projects of Haile Silassie from 1930-1941

Development projects in Ethiopia were influenced by Italian rule (1935-1941)

Above all, Italian rule was distinguished for the achievement for which that people has always been famous: **road engineering**. This has often been somewhat overemphasized. To begin with, Italian road construction was more extensive and impressive in the northern than in the southern half of the country. This is not surprising, as Italian road-building was geared towards 'promoting the conquest of the country rather than its development. Moreover, the war of liberation was to take heavy toll of the road network, and the post-Liberation government was to be faced with the extremely daunting task of maintenance. All the same, the Italian network provided a skeleton for future expansion and betterment. Further, it gave an impetus to the **development of motor transport**. The defeated Italians left, behind a number of cars, trucks and skilled personnel, all of value to such post-Liberation enterprises as the Public Transport Department, ancestor of the government-controlled Anbassa (Lion) Bus Transport Company.

In the economic sphere, Italian rule, true to the Fascist ethos that permeated it, was **corporatist** in character. As a prelude to complete control of the economy, **a policy of weakening or destroying none-Italian expatriate firms was adopted**. Among the victims of this policy were the Indian and the French firm. Concurrently, the Italians set up a number of parastatal organizations in industry, commerce and agriculture. Three such organizations were created to realize their most ambitious programme -the settlement of

Italian farmers as colonists in selected fertile areas of Ethiopia. This was considered essential not only to ease Italy's demographic pressure, particularly in the south, but also to make the colony self-sufficient, in line with the Fascist principle of economic autarky. It was even hoped that the colony would eventually develop to a position where it would be able to feed the metropolis. Three areas which were selected for colonial settlement were Wagara in Semen, Charchar in Harar, and Jimma.

In contrast to the expectations generated by the scheme, the returns were very disappointing. Far from feeding the metropolis, the colony could not even support itself. The main problem faced by the agrarian scheme was insecurity. The farmers lived under the constant threat of attack by the patriots' guerrilla bands. Settlers who had come with wild anticipations of fast in money ended up writing to their relatives back in Italy not to fall into the same trap. Thus, by the end of the period, only 10% of the projected colonization scheme had been implemented. This contrasted sharply with the much higher level of activity in the fields of commerce and industry -areas which, because of their urban location, were less subject to the pressures of the Resistance.

## **2.2 Development projects (1941- 1960s)**

Development projects were influenced by the presence of united state of America particularly during the 1950s and 1960s.

Official contacts between Ethiopia and the United States of America go back to the arrival in 1903 of the Skinner Mission, named after the American envoy, Robert P. Skinner, and the subsequent signing of a treaty of friendship and commerce between Emperor Menilek and the American envoy. Yet, although American cotton goods had a fair share of the Ethiopian market, the tripartite domination of the Ethiopian diplomatic scene gave little room for the United States before 1935. It was after World War Two that the Americans emerged into the foreground.

The initiative for closer contacts came from the Ethiopian side, however. Distressed by the stringent control exercised by the British after the Liberation, the emperor sought the Americans as a counter weight.

As already described, the British had come to exercise administrative and fiscal control over the country incommensurate with the financial or military assistance they rendered.

While grateful to them for giving him asylum and restoring him to the throne, the emperor became aware that the proper reinstatement of his autocratic power could only come about through tying Ethiopia's fate to the generous ally that the United States was expected to be.

The first official contacts between the two states were made in 1943, during the visit to the United States of the then Vice-Minister of Finance, Yelma Deressa. **Ethiopian requests centred on military aid and the secondment of financial and legal experts.** The US response came in the form of **an extension of their Lend-Lease to Ethiopia and the sending of a technical mission in May 1944.** The latter, known as the Fellows Mission (after its leader, Perry Fellows), could be said to have laid the groundwork for the subsequent American involvement in Ethiopia. Its recommendations, further elaborated in 1947, laid particular emphasis **on the development of infrastructure.** They became eventually concretized in the Point four Agreement of 15<sup>th</sup> May 1952. One of the most conspicuous manifestations of the American presence in Ethiopia in the 1950s and 1960s, **'Point Four', as the organization was known, was involved in agricultural and public health education, locust control, public administration training and the awarding of scholarships.**

For the Ethiopian government, the value of the United States was not so much in such issues of development as in the diplomatic leverage that the USA could exercise on the British, and in the military assistance likely to be offered. **In 1945, the emperor met President Franklin D. Roosevelt in Egypt, and discussed issues of Italian concern to Ethiopia at the time -Eritrea, the Ogaden and the railway.** But the Americans were not particularly keen about giving diplomatic support to Ethiopia's territorial claims, or about offering the military assistance that the Ethiopian government so persistently and ardently requested.

The year 1950 may be regarded as a turning-point in this respect. **The withdrawal of the BMME in late 1950 lent weight to the Ethiopian request for military assistance. The Egyptian revolution of 1952 forced on Washington a rethinking of its alignments in the Middle East and the Red Sea.** These developments formed the background for the **Ethio-US Treaty of 1953**, which defined the relationship between the two countries in the following decades. In return for continued use of the **communications base** in Asmara,

renamed **Qagnaw** to commemorate the first Ethiopian battalion which fought as part of the United Nations forces on the American side in Korea between 1950 and 1953, the United States undertook **to launch a military aid programme.**

A unit called the Military Assistance Advisory Group (MAAG) was set up to train three divisions, each of 60,000 men, at a cost of 5 million US dollars. The US made further commitments to military assistance in subsequent years. By 1970, Ethiopia had come to absorb some 60% of US military aid to the hole of Africa.

**The 1950s and 1960s might therefore justifiably be described as the American era, as far as Ethiopia's international alignment is concerned. The American impact** was felt in many facets of Ethiopian life, but perhaps most conspicuously in the spheres of **military organization, communications and education.**

- **In the military sphere, American influence was at the outset concentrated on the army.** In time, however, other units of the armed forces, **initially entrusted to non-American advisers, also came under American control.** Such was the case with the **air force and the navy**, at first under Swedish and Norwegian direction, respectively. Even the Haile Sellassie I Military Academy of Harar, modelled after Sandhurst, the British military academy, and run by British-trained Indians, obtained American advice and assistance. **The police force and the Imperial Bodyguard were perhaps the two units least affected by the American presence, the former being trained and equipped mainly by Germans and Israelis, the Bodyguard by Swedes.** Yet it was the Bodyguard which supplied the men for the Qagnaw troops that fought in Korea, a situation that brought the Ethiopian soldiers into close contact with their American counterparts. **American military influence was most evident in the fields of training and equipment.** US military aid in the period between 1946 and 1972 came to over 180 million US dollar. Over 2,500 Ethiopians underwent diverse forms of military training in the United States between 1953 and 1968. The jet aircraft, anti-tank and anti-aircraft weapons, naval craft, infantry weapons and sometimes even the uniforms were of American origin. **In both equipment and training, the air force remained the most prestigious show-piece of American military aid in Ethiopia. It was also reputedly the most modern and efficient unit of the armed forces.**

➤ The Americans left their stamp on **civil aviation** as well as on the air force. In 1945, the Ethiopian delegation attending the founding conference of the United Nations approached the Americans for assistance in setting up a civilian airline. In the same year, **an agreement was concluded between the Ethiopian government and the Transcontinental and Western Airline (TWA), setting up Ethiopian Air Lines (EAL)**. The agreement lasted three decades, with TWA providing the **managerial and supervisory personnel for most of that period**. Beginning with five C-47 aircraft (veterans of World War" Two), of which three were soon converted to the passenger version, the DC-3, EAL entered the jet age in 1962. The issue of **Ethiopianization** dominated the history of the airline, with the Americans trying to delay its realization for as long as possible. But the airline managed to achieve self-sufficiency in flying, technical and administrative personnel by the end of the period under study. The first Ethiopian general manager was appointed in 1971.

EAL's domestic network played a vital role in facilitating national integration and the speedy transport of such lucrative commodities as coffee. Its international network was marked not only by a pioneering route to Beijing in 1973, but also the transcontinental air service, which cut the umbilical cord that had tied colony and ex-colony to the metropolis, and which, symbolically, was inaugurated in 1960, the year of African independence.

➤ **Improvement of surface transport** was likewise a product of the Ethio-American connection. In 1941, the road network for which the Italians were so famous was a shambles, having been destroyed in large part, as a result of the battles of the Liberation campaign. **Restoration of the network** thus became one of the main issues that, preoccupied the post-Liberation regime. As in many other spheres, the **British were not co-operative** in this regard. Inevitably, therefore the Ethiopian government turned to the Americans for support. **In January 1951, the Imperial Highway Authority (IHA) was brought into existence**, and entrusted with the task of maintaining and developing the country's road network The IHA was modelled after to US Bureau of Public Roads. Its **managerial personnel** were all seconded from the American organization until Ethiopians took the management in 1962. **Loans for its new construction** undertaking also came from the American-dominated International Bank Reconstruction and Development (IBRD), which continued to exercise a preponderant influence over the activities of the IHA.

- **Although telecommunications came to be a Swedish preserve, stimulus for setting up an independent authority came from Americans.** The beginnings of telecommunications in Ethiopia back to the days of Menilek. In addition to the domestic network which had played a not inconsiderable role in facilitating political control, Ethiopia was linked to the outside world via two major international lines: one linked the capital with Djibouti via Harar, and other with Massawa via Asmara. The opening of radio communication on the eve of the Italo-Ethiopian war of 1935 gave Ethiopia measure of independence in this sphere. As in surface communications, the years immediately after 1941 confronted the Ethiopian government with almost overwhelming difficulties of maintaining telecommunication service. Transmitters secured under the lease agreement facilitated radio communication between the major towns. A contractual arrangement was also made with the American multinational International Telephone and Telegraph (ITT) organization, to repair destroyed telephone lines. Finally, in 1950, an survey under the auspices of IBRD recommended the creation of Imperial Board of Telecommunications, which was duly establish in 1952.
- Banking was perhaps one modern institution. Post-Liberation banking had its antecedents in the British-controlled Bank of Abyssinia and the state-controlled Bank of Ethiopia. During Italian Occupation, a number of metropolitan banks (Banco de Roma, Banco di Napoli, etc.) opened branches in Ethiopia. In the State Bank of Ethiopia was established, and continued to as both commercial bank and central bank of the country until when new legislation set up the Commercial Bank of Ethiopia and National Bank for the two respective functions. In the same year, a private bank named the Addis Ababa Bank was founded, and rose to become an energetic rival to the state-sponsored Commercial Bank in the subsequent decade. The Agricultural and Industrial Development Bank (formed in 1970 through the merger of the Development Bank and the Investment Corporation) and the Savings and Mortgage Corporation (founded in 1965) completed the pre-Revolution banking scene.
- Finally, **the Americans exerted a clearly preponderant influence in the field of education.** The educational system of the country was conducted along more or less American lines, if we may make an exception of the few elite schools which served as the last centres of British and French educational influence. The United States became the chief destination of

young Ethiopians seeking higher education. American agencies such as Point Four, USAID, the African American Institute and the African Graduate Fellowship Program (AFGRAD) became the main source of scholarships. In the national university itself, the enrolment and evaluation 'system was indistinguishable -and still is, for that matter -from that of a standard American college. At the administrative level, the vice-presidential post appeared to have been regarded as a slot reserved for American nationals. In the high schools, the advent of the Peace Corps Volunteers in the 1960s presented a serious challenge to the dominant role that Indian teachers then enjoyed.

The preponderance of Americans in almost all aspects of Ethiopian life bred resentment, especially among the students, who viewed the whole situation as being within the global framework of American imperialism. Anti-Americanism grew particularly strong in the late 1960s and early 1970s. As it happened, this was also the time when the United States was pursuing a policy of disengagement from Ethiopia. Advances in satellite communication were rendering obsolete the Qagnaw station on which the Ethio-American alliance had been predicated. The pro-Western shift in Egyptian policy initiated by President Anwar Sadat must also have diminished the value of Ethiopia for American strategy in the Middle East. Thus, on the eve of its demise, the Hayla-Sellase regime began to lose its most powerful and steadfast ally.

### **2.3. Development policies (1957-1974)**

The imperial government of Haileselasie, was the first government to exercise different development policies as Ethiopia is first African state to attempt economic development planning. But the plans determined only general trends and likely development rates as they gave an extremely generalized allocation to particular sectors of the economy.

During this time three five-year plans were prepared for the development of the economy with different targets and area of priorities. They were:

- ✓ The first five year plan (1957-62)
- ✓ The second five year plan (1963-67)
- ✓ The Third five year plan (1968-73)

#### **The First five year plan (1957-62)**

This plan had some **targets on the agricultural sector**. According to the evaluations of the plan targets that was made in the second five year plan, its impact on the agricultural sector was **negligible since emphasis during this plan period was on infrastructure and social transformation** (raising the level of education and the training of technical personnel).

**Donor's policy of this period was biased in favour of urbanization** vis-à-vis rural development, the world bank for example, by far the largest single source of development assistance to Ethiopia in recent years, allocated 85% of its total loans to modern roads during the 1950-59 period, and **nothing to the agricultural sector**(world Bank 1985).

#### **The Second five-year plan (1963-67)**

Mainly the priority focus was given to industry (manufacturing), minerals and electric power development, but, unlike the first five year plan, some attention was given to agriculture.

In this plan, quantitative targets for the production of **agricultural marketable products like cereals, cotton, cattle, and coffee; and for the rate of growth of agriculture** were set. To achieve the production targets set in the plan **three main approaches were outlined: Execution of land reform, introduction of tools and machinery as well as elementary training of the producers so as to raise productivity, per capita income and consumption.**

However, in the second five-year plan agriculture was anticipated to grow at a rate of 2.4 percent, but it was said to have grown at a rate of 1.9 only, It was only 42.2 percent of the investment target that was actually full filled because of which much of the development programs were not achieved, The land reform policy was completely ignored, a fact which basically accounted for the failure and above all, there was lack of progress in policy measures and organizational programs, which were essential for the success of the plan.

Because of all these, the agricultural sector could not develop as much as it was anticipated in the plan.

#### **The third five-year plan (1968 -73)**

This time exhibited a marked departure from the previous plans. **It recognized the importance of the agricultural sector and charted out a relatively clear and well articulated agricultural development strategy.** The plan argued that modernization of peasant subsistence agriculture in all areas of the country simultaneously is hardly possible, but no time should be lost in making a start in strategically selected areas in which good results can soon be seen. This being the strategy, two main approaches for the development of Ethiopia agriculture were

indicated in the third five-year plan. These were **the package program and the development of large-scale commercial farms:**

### **The Package Program**

The package program followed the policy of concentrating development efforts in a given area so as to bring the required changes in agriculture. The practice was to be limited to specific areas since the modernization of peasant subsistence farms in all areas of the country simultaneously was assumed that it would lead to the dilution of efforts and scarce resources.

In accordance with this, the implementation of the program was started in strategically selected areas where good results were expected in a relatively short period of time. At first the package program took the form of a Comprehensive Package Program (CPP), and later the Minimum Package Program followed.

### **The Comprehensive Package Program**

The CPP aimed at achieving maximum result by focusing on specific high potential areas such as Chilalo, Wollaita, Ada District, Tahtay Adyabo, Hadegti and Humera and established agricultural development units for each of them. This program had the following objectives:

- ✓ To increase the income of small holder farmers and tenants and narrow the prevailing income disparities in the rural areas;
- ✓ To achieve economic and social development;
- ✓ To enhance local participation in development;
- ✓ To increase employment opportunities; and
- ✓ To stress on research, training, and transferability.

.The objectives were supposed to be achieved through:

- ✓ The provision of extension services; i.e., spreading innovations and organizing demonstration fields to farmers;
- ✓ The establishment of marketing organizations aiming at selling production fairly in comparison to the cost of production;
- ✓ Sale of inputs through marketing organizations which would make high yielding seeds and fertilizers available to the farmers;
- ✓ The provision of credit facilities at a reasonable rate of interest so that the farmers could be able to purchase the new supplies; and

- ✓ Promoting improved water supply system and expansion of education. Health and nutritional studies were to be established

In general, the CPP has resulted in the increase of incomes of peasants and tenants in the project areas. The increases in incomes were, however, directly related to the size of the land holdings and thus it resulted in growing differentiation among the peasantry. This and its huge resource requirements led to the re-evaluation of its adoption of what is known as the minimum package program.

### **The Minimum Package Program (MPP)**

**The comprehensive package projects were found too costly to be duplicated in other parts of the country.** It was thus decided to launch a scheme which was thought to be less costly per farmer. Thus, in 1972 the minimum package program (MPP) involving only those minimum services considered critical for rural development (mainly fertilizer and credit) started to be implemented along all-weather roads.

The MPP was envisaged to reduce the cost of developing the agricultural sector that in comparison to the CPP a much wider coverage could be attained. Tentative programs were made for the establishment of about ten projects in selected high response areas each year for thirteen years. According to the program; by 1985 it was estimated that one million families or about 20 percent of the total would be reached.

The MPP was designed to cover 440 woredas out of the 550 woredas of the country and this was to cover about 70 percent of the agricultural population. For the implementation of MPP, the Extension and Project Implementation Department (EPID) was established. To achieve the objectives, the diffusion of a few proved methods and innovations including improved seeds, fertilizers and farm implements as widely as possible was envisaged to reach the small farmers in various parts of the country.

However, due to shortages of manpower, improved seeds and fertilizers, the MPP was not able to achieve its objective of coverage of wider areas and the cost of the MPP was not as low as it was envisaged for landless and semi-landless rural population.

As a result of these, agricultural production did not increase as much as anticipated was not increased and the standard of living of the majority did not improve. In fact the programs demonstrated that rural development policy based on feudal land holding arrangements would tend to worsen the conditions of the low-income target population.

## **The Development of Large Scale Commercial Farms**

The objectives in establishing large-scale commercial farms were to achieve rapid gains in output both to domestic consumption and the availability of surpluses for investment, to get an increase in agricultural exports or substitution for imports, to create new employment opportunities. This was because of the fact that such farms require big investment which was not available from internal sources; the implementation of the strategy necessitated a heavy dependence on foreign capital. To attract foreign investment a number of incentives were provided including: Exemption from income tax (tax holiday) for five years for investments of Br. 200,000 and above; Exemption from customs duty; and Remittance of profits and salaries in hard currency.

As a result, a number of large-scale commercial farms, mainly owned by foreigners, such as the Wonji Sugar Enterprise, the Setit Humera Plantation, and the Tendaho Plantation were quickly established.

But due to misguided incentives, capital dependent operations and outflow capital the large farms did not live up to the expectations of the country.

The third five-year plan largely followed and coincided with the strategy of what has been known as the Green Revolution (1960s-70s) and which had its own success story in raising agricultural production tremendously in (e.g., India, Pakistan, and other Asian countries). However, it could not minimize the income gap (in fact it is believed to have increased it) and benefits were not fairly distributed (many areas were not included in the program).

### **2.4. The socio-economic scene: Successes and Failures of the development projects of the Imperial Regime (post 1941-1974)**

In spite of the growth and expansion of a number of towns and the establishment of a few industries in the post-1941 period, Ethiopia remained a predominantly rural society. Agriculture engaged more than 80% of the population, and accounted for about 60% of the gross domestic product in the 1960s. Over 90% of the value of exports was derived from agricultural commodities, of which perhaps 60% came from coffee. Internally, however, grain constituted the most important agricultural product, followed by pulses and oil-seeds. The country's livestock population was reputedly one of the largest in Africa, and the per

capita consumption of meat was among the highest in the continent. The dominant role that agriculture played in the national economy necessarily gave a pivotal place to land and its ownership.

### **Agriculture and land tenure**

The underlying theme in this period in the area of land tenure was an acceleration of the process of privatization of land, which had already started before 1935. Only in the northern provinces did the old communal kinship system of land tenure continue to wage a defensive struggle against the pervasive influence of privatization. In the south, private tenure increasingly became the norm. The process had three facets. Firstly, northern settlers who had acquired tributary rights over southern peasants, the gabbar, ended up by owning the land altogether, through purchase from the distressed gabbar or through forcible seizure.. Secondly, madarya land given to those in government service in lieu of salary was made convertible to freehold. Thirdly, and this appears to have been the most prevalent pattern, the government made extensive land grants from its large reserve, which came under the conveniently vague rubric of government land (ya mangest maret).

The ultimate objective of these government grants was evidently to broaden its basis of support. Begun soon after the Liberation, the policy reached its peak during the last decade of Hayla-Sellase's life, as the regime became more and more desperate for political support in face of mounting opposition. The main beneficiaries of these grants were patriots, exiles, soldiers and civil servants. Subsequently, the policy was given an egalitarian and developmental facade by extending it to include 'landless and unemployed Ethiopians'. But the overall pattern of land allotment left no doubt as to the target group of the government policy, that is, those who served it in war and in peace. Of the nearly 5 million hectares allocated after 1941, only a few thousands reached the landless or the unemployed.

**The privatization process had a number of consequences.** At the conceptual level, it was attended with changes in the connotation of some important terms. Rest, in origin signifying the usufructuary rights enjoyed under the kinship system, now denoted absolute private' property. Likewise, the term gabbar lost its exploitative associations and assumed the more respectable connotation of taxpayer. Absolute private ownership rights to land

above all entailed unrestricted freedom to dispose of it, most significantly through sale. The post-Liberation period thus witnessed a remarkable growth in land sales, particularly in the last decade and a half before the Revolution of 1974. Correspondingly, the price of land continued to rise in most areas. In eastern Shawa, for example, the average price of land increased threefold between the 1950s and the 1960s. An inevitable result of the increase in land sales was the growing concentration of land in the hands of the few. Large holdings were prevalent in the south, where the privatization process was most advanced. Holdings as big as 200,000 hectares were recorded for some areas. Conversely, in the north, where the kinship system of tenure still predominated, the main problems were litigation over land-use rights and fragmentation of holdings.

But, undoubtedly the most important consequence of the growth of private tenure was the concomitant spread of tenancy. Some 50%-65 % of all holdings were estimated to fall under this category. Understandably, tenancy was most widespread in the southern provinces (for example, 75% in Hararge, 67% in Shawa and 62 % in Kafa), and less so in the northern provinces (15% in Bagemder, 20% in Gojjam and 25 % in Tegre). Absentee landlordism, estimated at about 25 % in the 1960s, constituted the other side of the coin. Most tenancy agreements were verbal, involving sharecropping arrangements known as *erbo* (a quarter), *siso* (one-third), or *ekul arash* (half). As the value of land rose with commercial farming and mechanization, the arrangement tended to be weighted increasingly against the tenant, often culminating in his eviction. In addition to the agreed upon share that he paid to the landlord, the tenant often had to bear the burden of the tithe (*asrat*), and sometimes even that of the land tax.

Parallel with the privatization process went the efforts of the central government to increase the revenue it obtained from land. In broad terms, this involved the elimination of the intermediary tiers of revenue appropriation, and gave the government direct access to the source of revenue. Concretely, it meant the conversion of tribute to tax. Like many other developments, the process had begun before 1935, but it was after 1941 that it speeded up. Aware of the precarious nature of its hold, the government proceeded rather cautiously at first. Thus, the first land-tax decree (1942), 'taking into account the sufferings of Our people and Our country in the past five years', fixed the tax rate on both measured and unmeasured land at half that in force in 1935. For measured areas, the rate for forty

hectares (gasha) was \$Eth.15 for cultivated land (lam), \$Eth. 10 for semi-cultivated land(lam-taf), and \$Eth. 5 for uncultivated land (taf).

The reprieve granted the tax-paying population was terminated some two and a half years later. In late 1944, a new decree was issued which raised the tax on measured land to a total of \$Eth. 50, 40 and 15 per gasha of lam, lam-taf and taf respectively. The increase was represented by the tax in lieu of asrat, now commuted from kind to cash in all the three categories. The measured lands subject to this rate were located in Shawa, Harar, Arsi, Wallo, Wallaga, Sidama, Illubabor, Gamu Gofa and Kafa. A lower rate was fixed for Shawa rest land, but Gojjam, Tegre and Bagemder were to pay the land-tax at the 1935 rate plus the asrat on assessment.

In theory, **the decree of 1944 represented the first step in the rationalization of land revenue.** The abolition of the numerous fees and labour services traditionally imposed on the tiller is a case in point. In practice, however, such labour services continued to be exacted. A proclamation in 1947 further emphasized that the church was exempted from the abolition order. With regard to the land-tax as well, a great deal of revenue that was due to the state was absorbed by holders of hereditary tribute right (resta gult), tribute levied by the landlord or balabbat (siso gult), and by church lands (samon). No landtax was exacted from madarya holders unless they had become gabbar by converting their holdings into freehold. The introduction of education and health taxes on land in 1947 and 1959, respectively, could thus be said to have provided much needed additional sources of revenue to the state.

The third decree on land-tax, issued in 1966, was apparently designed to terminate the intermediary role of the gult-holder in the surplus-appropriation process. All owners of land under resta gult and siso gult were to pay the land-tax directly to the state, instead of to the gult-holder as was hitherto the case. In effect, this was tantamount to the abolition of both resta gult and siso gult. In practice, the holders of such rights, particularly of the resta gult, were too well entrenched and too close to the centre of power to allow the full implementation of the decree. Measures to terminate the church's gult were not even considered.

Despite persistent efforts to augment the revenue accruing from land, therefore, the state was unable to obtain the maximum it could possibly get. By the mid-1960s, revenue from

the agricultural sector, undoubtedly the most important sector of the economy, amounted to only 7 % of the total. Such was the background of the initiation of the government's last measure to augment agrarian revenue: the agricultural income tax of 1967, which was part of a general revision of the country's income-tax regulations.

On the surface, the new tax schedule represented a more rational basis for the collection of agricultural tax. The disparity between measured and unmeasured land was removed, as tax was levied on agricultural produce irrespective of the status or nature of the land. The progressive nature of the tax also promised greater social equity and more revenue yield to the government. In practice, however, the implementation depended on assessment committees which, subject as they were to various influences, could not be expected to be completely honest in their determination of income. Moreover, the new tax met stiff opposition in the rest-holding regions of northern Ethiopia, as it was viewed as a veiled attempt to introduce the qalad in the north. The Gojjam peasant uprising of 1968 was triggered by government attempts to implement the new tax law.

When we come to consideration of the government's strategy for agricultural development, the result is disappointing. Budgetary allocation for agriculture was 2% in 1967. This was attended by correspondingly low growth rate of the agricultural sector. When the government did turn its attention to agriculture, in the third of Five-Year Plans, 1968-1973, priority was given to commercial rather than to peasant agriculture. This probably reflected the government eagerness for higher revenue as well as its own class interests, since it was the big landlords who stood to gain from commercial farming. The last decade of the regime thus saw extensive commercialization and mechanization of agriculture. Some observers even began to speak of the birth of an agrarian bourgeoisie. This agrarian transformation had three agents: private Ethiopians, expatriate concessionaires and the government. The first, landlords turned entrepreneur enterprising professionals leasing out land, were particularly active in southern Shawa and in Satit Humara and in north-western Bagemder. Of the foreign-owned plantations, the Italian Elaberet farm in Eritrea and the Tandaho cotton plantation in the Awash river valley, run by the British Mitchell Cotton Company, deserve particular mention. Finally, a government agency, the Awash Valley Authority, was set up in 1962, to act as an umbrella organization, sponsoring a host agricultural, agro industrial and hydroelectric enterprises.

Rather belatedly, a not so successful attempt to promote peasant agriculture was made. A 'package' approach to agricultural development was introduced, mainly in the central provinces, to provide high quality seeds and fertilizers to poor peasants. The government set up unit known as the Extension Project Implementation Department (EPID) to coordinate what were termed 'minimum package programmes'. The Swedish International Development Agency (SID) ran similar extension programmes, of which the most notable was the Chilalo Agricultural Development Unit (CADU). Ostensibly designed to benefit the poor peasants, CADU ended up by enriching the rich landlords, who contrived ways of circumventing the prerequisites of eligibility for the extension facilities. Further, the programme accelerated the process of mechanization of agriculture and the eviction of tenants, as landlords found it more profitable to work the land themselves or to lease it out to commercial farmers. The Wolaita Agricultural Development Unit (WADU), financed by the United Nations World Bank, was relatively more successful in easing land congestion through its settlement scheme.

The cumulative effect of the process and policies described above was to polarize rural society into landlords and tenants, particularly in the southern half of the country. The problem of tenancy became too acute to ignore. Largely pushed by its external sponsors, the government was forced to consider what came to be known rather loosely as 'land reform'. A committee on land reform was first set up in 1961. In 1965, this concern crystallized into the Land Reform and Development Authority, which was reconstituted as the Ministry of Land Reform and Administration a year later.

But all efforts to introduce any meaningful changes in the conditions of tenancy foundered on the inescapable reality that they impinged on the vested interests of the landlord class which dominated the state apparatus. It is also of some interest that the Amharic name for the new ministry had no element of 'reform' in it: a more strict English translation would be Ministry of Land Tenure (yezota) and Administration. It was Parliament, the declared spokesman of the people, which thwarted government initiatives in this regard. Given the high representation of landlords in that institution, the outcome is not surprising. A tenancy bill was first presented to Parliament in 1964. The obstruction it faced in Parliament formed the background for the student demonstration of

1965, under the banner of 'Land to the Tiller' -a political act that augured the radical phase of the Ethiopian Student Movement.

A much more comprehensive bill to regulate the terms of tenancy was presented to Parliament in the twilight of the Hayla-Sellase regime. There was nothing radical about the bill. It did not insist on written leases. It envisaged a rent going as high as half the tenant's produce. It did not promise security to the tenant, as the contract could be terminated unilaterally, and as mechanization was deemed sufficient ground for eviction of a tenant by the landlord. Perhaps the only progressive aspect of the bill was its provision for the taxation of unutilized land. All the same, the bill had scarcely any supporters. A few opposed it because it did not go far enough. Many opposed it because they felt it went too far. The net effect of the bill was to accelerate the process of eviction of tenants, as landlords rushed to pre-empt the legislation.

The increasing pressures on the peasantry, combined with natural disasters such as droughts and locust raids, made it easy prey to famine. This is seen in the high incidence of famines in this period, particularly in the northern parts of the country. An outbreak of famine in Tegre in 1958 claimed the lives of about 100,000 peasants. In 1966, Wallo was the scene of famine affecting a number of districts. Government response to famines was characterized by bureaucratic inertia and deliberate efforts to cover up the disaster. This became particularly evident in the course of the most devastating famine of the period, the Wallo Famine of 1973. When the human catastrophe was finally unveiled by university staff and students and the foreign media, it exposed the bankruptcy and irresponsibility of the old regime, and became one of the immediate causes for its demise.

### **Trade and industry**

The striking thing about trade and industry as aspects of economic activity is their **insignificant role in the national economy.** In the 1960s, trade constituted a mere 7% of the gross domestic product; industry's part was even less than that. This implies a rather low rate of circulation of goods, as well as revealing the infant stage of industrialization in Ethiopia. The trade pattern, too, reflected the predominantly agricultural character of the country. Agricultural products constituted the bulk of the country's exports. Coffee, as

indicated earlier, was valued at from 50% to 65% of the total exports, followed by hides and skins; next came pulses and oil-seeds.

While the pre-eminence of coffee as an export item continued unchallenged, a significant shift was taking place on the import scene. Textiles were giving way to machinery and chemicals. This was in large measure a result of the policy of import substitution that underpinned the country's industrialization, as local production of textiles became the most notable achievement of that policy. With regard to the nature of the country's trade partnership, it reflected its international alignment. Forty percent of the country's trade was with the United States, which absorbed about 70 % of the total coffee export.

On the import side, however, the United States came third after Italy and Japan. The balance of trade was generally unfavourable to Ethiopia, a situation aggravated by the steadily declining price of exports and the rising price of imports.

With respect to internal trade, the commercial centrality of Addis Ababa, begun in the late nineteenth century, was further consolidated. The competition it faced from trans-frontier trading posts dwindled until it died altogether with the end of colonial rule. Inside Addis Ababa itself, the Italians left behind an enduring legacy as far as the commercial topography of the city was concerned: the pre-war market of Arada, renamed the Piazza by the Italians, was eclipsed by the Mercato. Correspondingly, the expatriate domination of trade met a serious challenge from a class of national traders -a process partly facilitated by the Italian policy of destroying the expatriate mercantile class in favour of state monopoly of trade. The Mercato became the stronghold of these national traders, most notably the Gurage traders. Their displacement of the Yemenite Arabs, who had earlier dominated retail trade, remains a remarkable example of national enterprise.

This is far from saying that a national commercial bourgeoisie had come into existence, however. Only a handful of Ethiopians were involved in the export-import trade. Apparently taking their cue from the Italians, Ethiopia's rulers set up a series of parastatal organizations which controlled the country's foreign trade. The first of such organizations was the Ethiopian National Corporation (ENC). Created soon after 1941 by the Minister of Commerce and of Agriculture, Makonnen Habta-Wald, the ENC made substantial profits from the sale of cereals to war-torn Europe in the years between the liberation of Ethiopia and the end of World War Two. In 1944, its profits were estimated at over

f.1,200,000 sterling. A parallel organization, the Ethiopian Society for Commerce and Transport (popularly known as the Mahbar Bet or Self- Help Association), enjoyed a virtual monopoly of the import of cotton goods. The latter-day National Coffee Board, Livestock and Meat Board and the Grain Corporation could be viewed as successor organizations to the ENC, designed to control the three most important export commodities: coffee, hides and skins, and grain.

The government, propelled by the perennial desire to augment its revenue, also gave particular attention to the collection of customs. This was a continuation and elaboration of the pre-war policy of the government's assertion of its rights to levy import and export duties at rates it deemed appropriate, as symbolized by the 1931 Excise and Consumption Tax Proclamation. But the pre-war efforts had the appearance of tentative steps in customs legislation as compared with the elaborate provisions of the post-1941 laws. The standard was set in the Customs and Export Duties Proclamation of 1943, a lengthy document which fixed the rates for almost all conceivable imports. The bias was clearly towards import rather than export duties. Only four commodities were singled out in the latter category: hides and skins, civet musk, wax and coffee. As a result of this, import duties constituted an important source of government revenue, rising to a quarter of the total, as opposed to the insignificant share contributed by export duties. An idea of the importance of customs duties for government revenue, particularly in the early years, can be obtained from the fact that in 1944, out of a total revenue of £2,843,600, £650,000 was from customs, while £590,000 was from land-tax.

In the industrial sphere, although negligible when viewed in absolute terms, there was some progress when compared with the situation before 1935. This was partly due to the foundation laid down by the Italians; partly, too, it was the result of post-Liberation policies and efforts. In the former category, we have already cited Dire Dawa's textile mills and cement factory, and oil mills, flour mills and sawmills throughout the countryside. In Addis Ababa, there were fibre mills and four flour mills and the capital's electricity supply from the hydroelectric plant set up south of Addis Ababa during the Occupation by the Italians. We may note here that the major hydroelectric plant at Qoqa, in south-eastern Shawa, which later became the main source of power for a large part of the country, was built with money paid by the Italians as war reparations.

The thrust of the government's industrial policy, more particularly in manufacturing, was towards import substitution. Textiles, the major import commodity, thus became the main focus of attention. Many textile mills were opened, of which the two most important were the Indo-Ethiopian Textile Mills at Aqaqi, on the southern outskirts of Addis Ababa, and the Bahr Dar Textile Mills in western Gojjam. Beverages constituted a second area of import substitution. The Saint George Brewery, a pre-1935 enterprise which became one of the most lucrative businesses for the emperor, was supplemented by the Metta Abbo Brewery. Soft drinks factories began to operate under patent, including the famous American brands Coca Cola and Pepsi Cola.

But the big success story of post-1941 industrialization was the sugar-manufacturing industry monopolized by the Dutch firm Handelsvereeninging Amsterdam (HVA). Expelled from Indonesia by President Achmed Sukarno, HVA found a propitious investment climate in Ethiopia. In 1954, it set up two major centres of sugar manufacturing, the first at Wanji, the second at Matahara, both along the Awash river. Like many other industrial undertakings of the post Liberation era, the Wanji sugar-plant had Italian antecedents: it was established on the site of a sugar-cane plantation run by an Italian firm during the Occupation. In 1958-1959, the Dutch company was reorganized to ensure greater Ethiopian participation, and at the same time it was renamed HVA-Ethiopia, but the Ethiopian share in its capital rarely exceeded 20 %. Assisted by the Liberal Investment policy of the government, and through ruthless Industrial exploitation, HV A made huge profits from its sugar-manufacturing enterprise. In 1966-1967, for example, profits exceeded \$Eth. 10 million. Conversely, the high price the company charged for sugar cast doubt on the benefits of the whole government policy of import substitution.

As indicated above, an important factor for the success of HVA was the government's liberal investment policy. An income-tax proclamation of 1949 had ruled that no profit tax would be levied for a period of five years on an initial capital of SEth. 200,000 invested in mining, industry and transport. Further, tax on business enterprises was not to exceed 15% of the net profit. The Third Five-Year Plan (1968-1973) also provided for duty-free import of tractors and chemicals. Additional inducements for foreign capital investment in Ethiopia were a generous remittance policy, high tariffs on competitive imports, and ready co-operation in fixing high prices for commodities produced locally.

Mining, the big bait of foreign capital before 1935, had relatively greater success in an area which hitherto had not attracted the prospector's attention. In the early decades of the twentieth century, many an adventurer had come to Ethiopia in search of gold.

Numerous mining concessions had been granted, and much heat and excitement had been generated in the centres of European finance. Ultimately, however, the record was one of futility, if we may except the Yubdo platinum mine in Wallaga, run by the Italian Alberto Prasso. After 1941, a gold-mine at Adola in Sidama became a steady booster of the royal coffers. In 1944, for instance, the official revenue figure from Adola came to nearly a fifth of total government revenue. Appropriately enough, the name Adola was changed to Kebra Mangest (Glory of the State). In the public vocabulary, however, Adola remained, signifying terror both in the forcible recruitment of labour and in the conditions of penal servitude that prevailed in the labour camp.

A notable feature of industrialization in Ethiopia was its concentration in three cities of the Empire: Addis Ababa, Asmara and Dire Dawa. About half of the industrial establishments were in the capital. This was a reflection of the un integrated nature of the country's development. Concentration of industry, however, meant concentration of the labour force as well, with the obvious implications for industrial and political struggle. In 1970, the labour force employed by the various industrial establishments was estimated at only 50,000 personnel. But the small overall number of personnel was compensated for by its concentration. Labour agitation for better pay and working conditions became a regular feature of the industrial scene. In Wanji, the first strike took place in 1954, the very year of the factory's establishment. Starting as mutual aid and savings associations (eder and equb, respectively), the workers' organizations matured into full-fledged trade unions in the 1960s. Unable to resist the pressure from labour any longer, the government issued the first labour legislation in the country's history in August 1962. A year later, the Confederation of Ethiopian Labour Unions (CELU) was formed. The banner of industrial agitation, since the 1920s carried by the railway workers alone, now came to be shared by those of the Addis Ababa Fibre Mills, Indo-Ethiopian Textiles, Wanji Sugar Estate, Ethiopian Air Lines, and General Ethiopian Transport (Anbassa Bus Company) -to mention only the more prominent unions.

## Self - test exercises

### **Part I: write “True” if the statement is correct and “False” if the statement is not correct**

1. Mainly, Italian road-building in Ethiopia was geared towards promoting future expansion, the conquest of the country by regarding development of occupied country.
2. Different development policies during Imperial government of Haileselassie were plans gave an extremely detail allocation to all sectors of the economy.
3. During Italian government intervention, agriculture sectors were the major sector of intervention and higher level of activity were undertaken in the sector.
4. Development projects of Ethiopia were influenced by the presence of England during the 1950s particularly.
5. The priority focus was given to industry, even though quantitative targets for the production of agricultural marketable were set during Second Five Year Plan of Imperial.

## Chapter Three

### 3. Development Issues, Policies and Strategies during the Derg Regime

At end of this chapter students expected to do the following activities/tasks.

- Student will reflect their opinion on lesson learned in this chapter.
- Understanding of the agricultural development issues and strategies particularly land reform, resettlement and villagization program during DERG Regime.
- Understanding of Successes and Failures of the development projects of the DERG Regime.

#### 3.1. Agricultural Development Strategy

The agricultural development strategy of the Derg period was what was known as "socialist transformation of agriculture"; that of transforming agriculture along socialist lines. This was to be implemented through:

##### 3.1.1. The land reform program

The 1975 land reform of the 'Derg' was a radical measure in abolishing the economic, social and political administrations of the older land tenure system. It abolished the tenant-landlord relations and benefited social groups that did not traditionally own land. The basic provisions of Proclamation No 31/1975 were public ownership of all rural lands; distribution of land to the tillers; prohibitions on transfer of use rights by sale, exchange, succession, mortgage or lease; setting a limit of ten hectares for a family; and prohibition for an able adult person against using hired labour to cultivate his holding. The power of administering land was vested on the Ministry of Land Reform and Administration through Peasant Associations at the grass root level.

##### 3.1.2. Peasant Associations and Rural Development

Articles 8 and 10 of the 1975 Land Reform Proclamation of the regime required that peasants be organized into a hierarchy of associations that would facilitate the implementation of rural development programs and policies. Accordingly, after the land reform announcement, the government mobilized more than 60,000 students to organize peasants into associations. By the end of 1987, there were 20,367 peasant associations with a membership of 5.7 million farmers.

Each association covered an area of 800 hectares, and members included tenants, landless laborers, and landowners holding fewer than ten hectares.

Former landowners who had held more than ten hectares of land could join an association only after the completion of land redistribution. An umbrella organization known as the All-Ethiopia Peasants' Association represented local associations. Peasant associations assumed a wide range of responsibilities, including implementation of government land use directives; adjudication of land disputes; encouragement of development programs, such as water and land conservation; construction of schools, clinics, and cooperatives; organization of defense squads; and tax collection. Peasant associations also became involved in organizing forestry programs, local service and production cooperatives, road construction, and data collection projects, such as the 1984 census.

### **3.1.3. Cooperatives and State Farms**

Starting in 1976, the government encouraged farmers to form cooperatives. Between 1978 and 1981, the Derg issued a series of proclamations and directives outlining procedures for the formation of service cooperatives and producers' cooperatives. Service cooperatives provided basic services, such as the sale of farm inputs and consumer items that were often rationed the provision of loans, the education of peasant association members in socialist philosophy, and the promotion of cottage industries and small enterprises. The producers' cooperatives alleviated shortages of inputs (because farmers could pool resources) and problems associated with the fragmentation of landholdings. The governments ordered the creation of these cooperatives because of its belief that small farmers were inefficient and were unable to take advantage of economies of scale.

The Directive for the establishment of cooperatives was based on the following principles:

**The principle of voluntarism.** This principle indicates that cooperatives shall be established on the free will of those to be cooperativized.

**The principle of gradualism.** According to this, the development of cooperatives shall proceed from the simpler type to the more advanced types of cooperatives.

**The principle of all round state assistance.** The government is expected to provide all embracing assistance to the establishment and consolidation of cooperatives

In practice, the principle of voluntarism was violated. In many cases the establishment of cooperatives was conducted by force as opposed to the principle of voluntary entry. As for the gradualism, the producers' cooperatives developed in three stages. The first stage was the *melba*, an elementary type of cooperative that required members to pool land (with the exception of plots of up to 2,000 square meters, which could be set aside for private use) and to share oxen and farm implements. The second stage, *welba*, required members to transfer their resources to the cooperative and reduce private plots to 1,000 square meters. The third stage, the *weland*, abolished private land use and established advanced forms of cooperatives, whose goal was to use mechanized farming with members organized into production brigades. Under this system, income would be distributed based on labor contributions.

With regard to all round state assistance, the government provided a number of inducements to producers' cooperatives, including priority for credits, fertilizers, improved seed, and access to consumer items and building materials. According to the ten-year plan, more than half of the country's cultivated land would be organized into producers' cooperatives by 1994. Despite the incentives, farmers responded less than enthusiastically. They saw the move to form cooperatives as a prelude to the destruction of their "family farms." By 1985/86 there were only 2,323 producers' cooperatives, of which only 255 were registered. Some critics argued that the resistance of farmers caused the government to formulate its resettlement and villagization programs.

A major component of the Derg's agricultural policy was the development of large-scale state farms. Following the 1975 land reform, the Derg converted a majority of the estimated 75,000 hectares of large, commercial farms owned by individuals and cooperatives into state farms; not long afterwards, the government expanded their size. By 1987/88 there were about 216,000 hectares of state farmland, accounting for 3.3% of the total cultivated area. The ten-year plan indicated that state farms would be expanded to 468,000 hectares by 1994, accounting for 6.4% of the cultivated land.

The primary motive for the expansion of state farms was the desire to reverse the drop in food production that has continued since the revolution. After the 1975 land reform, peasants began withholding grain from the market to drive up prices because government price-control measures had created shortages of consumer items such as coffee, cooking oil, salt, and sugar.

Additionally, increased peasant consumption caused shortages of food items such as teff, wheat, corn, and other grains in urban areas. The problem became so serious that Mengistu Haile Mariam, the chairman of the Derg, lashed out against the peasantry on the occasion of the fourth anniversary of military rule in September 1978, criticizing them for their capitalist mentality and their petit bourgeois tendencies. Mengistu and his advisers believed that state farms would produce grain for urban areas and raw materials for domestic industry and would also increase production of cash crops such as coffee to generate badly needed foreign exchange.

Accordingly, state farms received a large share of the country's resources for agriculture; from 1982 to 1990, this totaled about 43% of the government's agricultural investment. In 1983 state farms received 76% of the total allocation of chemical fertilizers, 95% of the improved seeds, and 81% of agricultural credit. In terms of subsidies, between 1982/83 and 1985/86 the various state farm corporations received more than 90 million Birr in direct subsidies. Even if the state farm received the subsidies they were found to be not profitable. Here these indicates that during these regime the peasantry agriculture is neglected even in resource allocation and focus was given to state farm which was hoped to be the input for industry , service and urban food. Despite the emphasis on state farms, state farm production accounted for only 6% of total agricultural output in 1987 (although meeting 65% of urban needs), leaving peasant farmers responsible for over 90% of production. Furthermore import substitution strategy which was informed from the classical theories is an example in Ethiopia where agriculture is constrained.

State farms performance had been very disappointing due to the following main reasons.

**Management inefficiency:** Lack of appropriate management in the state farms resulted in misutilization of resources. Highly centralized management system curtailed the exercise of managerial autonomy at farm levels.

**Problems of Planning and Implementation:** Farmers were not given the right of preparing their own plans. Plans were prepared at enterprise or corporation level, and each farm was

ordered to implement the plan, which may not reflect the objective conditions in the farm. The establishment of state farms was not conducted on the basis of proper study and analysis.

**Inadequate Controlling Systems:** State farms, as in other public firms, had little managerial freedom to plan and to control. Even the cost-benefit analysis was worked at higher levels and each farm is evaluated base on the grand balance sheet of the enterprise or corporation.

**Disguised Unemployment:** Every farm was over populated. There exist unnecessary labour imposing additional costs to the farms. Unnecessary structures were formulated deliberately to absorb more employees.

#### **3.1.4. Resettlement and villagization**

The policy of encouraging voluntary resettlement went back to 1958, when the government established the first known planned resettlement in Sidama. Shortly after the 1974 revolution, it became Derg policy to accelerate resettlement. By 1986 the government had resettled more than 600,000 people to three settlement areas. After a brief halt to the program in response to international pressure, the program resumed in 1987.

In 1985 the government initiated a new relocation program known as "villagization". The objectives of the program, which grouped scattered farming communities throughout the country into small village clusters, were to promote rational land use; conserve resources; provide access to clean water and to health and education services; and strengthen security. Government guidelines stipulated that villages were to house 200 to 300 households. By March 1986, about 4.6 million people in Shewa, Arsi, and Harerge had been relocated into more than 4,500 villages. Although the government had villagized about 13 million people by 1989, international criticism, deteriorating security conditions, and lack of resources doomed the plan to failure.

Opponents of villagization argued that the scheme was disruptive to agricultural production because the government moved many farmers during the planting and harvesting seasons. There also was concern that villagization could have a negative impact on fragile local resources, particularly on water and grazing land; accelerate the spread of communicable diseases; and increase problems with plant pests and diseases. In early 1990, the government essentially abandoned villagization.

### 3.2. Industrial policy and Development (1974-1991)

The military government nationalized most of the MLSM (medium and large scale manufacturing) enterprises, which were later reorganized under state corporations. The government also declared 'a socialist economic policy' and introduced various restrictions on the private sector and the market. Private investment was restricted to not exceed half a million Birr and entrepreneurs may participate in only one venture. Price controls were instituted covering a wide range of products and the labour market highly regulated. The imports were also subjected to quantitative restrictions and higher tariffs in this period. The Ethiopian national currency, the Birr, was set fixed at about 2.07 per US\$1 and continued at this rate throughout the period of the military regime (1974/75-1990/91).

The manufacturing sector exhibited a sharp decline particularly in the first few years following the revolution. In 1977/78 the government initiated a successive production campaign locally known as '*zemecha*' to improve productivity mainly through increasing capacity utilization and have partly reversed the declining trend. Nevertheless, the government had no industrial policy per se until the mid-1980s. A central planning body was established in 1984 and a Ten-Year Perspective Plan (TYPP) was formulated. This comprises a macro-economic framework, a public investment programme, an indicative portfolio of projects and production targets for the period 1984/85-1993/94. **The main focus of the industrial development plan in this period was to promote the import-substituting and labour-intensive industries.** The public sector investment was considered as the main mechanism in the progress toward industrialization.

The nationalization and continued systematic restriction of the private sector from engaging in major economic activities had virtually reduced the emerging vibrant sector into micro- and small-scale manufacturing activities. In contrast the state became the sole responsible organ owning and operating the MLSM activities. In 1985/86, one decade after the revolution, the state-owned enterprises (SOEs) managed to command 95 per cent of the value added and 93 percent of the employment of all MLSM enterprises. They continued to dominate the sector until the last year of the regime (1990/91). Despite their largest share in the sector, the SOEs financial position became increasingly weak and had to rely on government subsidies and overdraft facilities for their working capital requirements. Manufacturing establishments were seriously

constrained by shortages of foreign exchange, raw material supply, working capital and the like. Most were forced to operate far below their installed capacity and because of the poor quality of produced product, they were unable to meet the local demand let alone compete in the international market.

The last years of the Derg regime sought another sharp decline in the Ethiopian economy. There was a continuous decline in GDP and all other major sectors particularly in the period 1987-91. The manufacturing sector was the most affected by this turmoil and exhibited about 40 percent decline in value added in 1991 alone. The number of establishments in the MLSM sector also shrunk from about 380 in 1987/88 to 275 in 1990/91 with a corresponding decline in employment. The hostile policies toward the private sector, large inefficiency in the public sector and intensification of the then undergoing conflict in the country were some of the major causes of this decline. In March 1990, the regime adopted a mixed economic policy to shift the country from one of a centrally managed economy to a modest liberal economy. This initiative was, however, too late and short-lived without bearing fruit, as there was a regime change in May 1991.

### Self - test exercises

**Part I: write “True” if the statement is correct and “False” if the statement is not correct**

1. The agricultural development strategy of the Derg period was transforming agriculture along capitalism lines
2. Derg government owned Medium and Large Scale Manufacturing activities were with fruitful result
3. During Derg period, former landowners who had held more than ten hectares of land could join an association without any precondition
4. The principle of gradualism is one of criteria for development of cooperatives and smallholder farmers shall proceed directly to more advanced types of cooperatives
5. Practically, establishment of cooperatives was conducted in line with the principle of voluntary entry.

## Chapter Four

### 4. Development Issues, policies and strategies in Post-1991 Ethiopia (1991-2010)

At end of this chapter students expected to do the following activities/tasks.

- Student will reflect their opinion on lesson learned in this chapter.
- Understanding of the feature of Post 1991 development policies and strategies
- Understanding of ADLI and Agricultural Development Issues and Strategies post 1991

#### 4.1. Defining Features of Post 1991 development policies and strategies

With the coming of the Interim Government in July 1991, Ethiopia abandoned economic planning and adopted a market-oriented economic system. The national economy at that time was on the verge of collapse. The radical shift in policy orientation was necessary because of: (i) the failure of the previous socialist government to realize economic growth and improvement in the living standard; (ii) the necessity of securing finance from donors and international financial institutions; and (iii) the urgency of addressing pressing economic issues during the transition from civil war to peace. The shift in economic policy opened the door for the private sector to play an important role as opposed to the previous hostile policy environment that kept the private sector and market forces at bay and in a very rudimentary state.

During the transition from 1991 to 1995, important policies were adopted and later incorporated into key policy documents. As an expression of the policy thrust of the Interim Government, Economic Policy for the Transitional Period in 1992 proclaimed a shift toward market orientation, removal of most restrictions on private sector activities, and liberalization and reforms in sectoral, investment, and public enterprise laws. The policy also retained some features of the previous regime such as the state ownership of land and development centered on agriculture and rural areas. The idea of Agricultural Development Led Industrialization took its concrete shape as an overarching economic strategy between 1992 and 1994, and An Economic Development Strategy for Ethiopia in February 1994 introduced the term ADLI to define its strategic direction. These policy features were also manifested in the new constitution which established the Federal Democratic Republic of Ethiopia in August 1995.

## **4.2. ADLI and Agricultural Development Issues and Strategies**

Agricultural Development Led Industrialization (ADLI) is defined to be the “development strategy which aims to achieve initial industrialization through robust agricultural growth and close linkage between the agricultural and industrial sector.” This is the strategy which was formulated in the early 1990s and has been implemented in stages in Ethiopia, especially from the early 2000s.

The main motivation behind ADLI is the recognition that Ethiopia is predominantly an agrarian society in which the bulk of the population, about 86 percent, resides in rural areas earning a livelihood from land. Agriculture has long dominated the economy in terms of output, employment, and export earnings. The government emphasizes that economic development and structural transformation should be initiated through robust agricultural growth, and that peasant farmers and pastoralists should constitute the main agents of economic growth. Labor and land are the main—and abundant—factors of production in the nation and their effective use should generate rapid and sustainable development.

Initially and primarily, ADLI targeted smallholder farms, especially crop producers, so as to achieve rapid growth in agricultural production, raise income for rural households, attain national food self-sufficiency, and produce surpluses which could be marketed to the urban or industrial sectors. More specifically, the government was to provide smallholder farmers with technologies and better farming practices, improved seeds, fertilizers, irrigation, rural roads, and marketing services. A rise in agricultural output was expected to stimulate industrial production, including the production of consumer goods, thus establishing a supply link between the rural and urban sector. The industrial sector, in turn, could produce inputs to agriculture such as fertilizers and farming tools and equipment as well as consumption goods for rural households. Such dynamic linkage was supposed to ignite the first stage of industrialization before the economy moved into a higher level of development.

What are aimed here are simultaneous increases in output and productivity of both agriculture and industry under the condition that they are achieved through close input-output interdependence between the two sectors. In this domestically closed input-output interdependence, the featured industries were agro processing (including leather products) that

uses domestic agricultural inputs as well as agricultural machinery, chemical fertilizers and pesticides, construction materials, and basic consumer goods such as processed food and beverages, clothes, and household goods demanded by rural population.

The Industrial Development Strategy (2002) additionally lists the following conditions under which industrialization must proceed:

- The leading role of the private sector
- Parallel development of agriculture and industry through mutual dependence (ADLI)
- Export orientation
- Focus on labor-intensive industries
- Proper roles of local and FDI enterprises
- Strong state guidance
- Mobilization of all social groups including government-capitalists, capitalists-small farmers, and labor-management

Moreover, the second (ADLI itself) can be re-interpreted as the requirement for the maximum use of domestic resources. These three are the main requirements for establishment of the linkage between agriculture and industry. It should also be confirmed that this sectoral linkage is not a permanent one but something that can evolve into a new pattern in which industry will take the main lead once the initial stage of industrialization is realized. The Industrial Development Strategy clearly states that “when we say that we follow agriculture development led industrialization this does not mean that it will be so forever... if agricultural development led industrialization strategy is successfully applied it will be changed to industry led development strategy.”

### **4.3. ADLI and Survey of some selected development policies and strategies**

The first expression of ADLI in the form of a medium-term economic program was made in 2002 when the government incorporated the main ideas of ADLI into the poverty reduction strategy paper, or the Sustainable Development and Poverty Reduction Program (SDPRP) 2002/03-2004/05. This program sought to promote agricultural development and poverty reduction in rural areas by: (i) strengthening agricultural extension services; (ii) the training of

extension agents in Technical Vocational Education and Training (TVET) and the training of farmers in Farmers Training Centers (FTC); (iii) water harvesting and irrigation; (iv) improved marketing opportunities; (v) restructuring peasant cooperatives; and (vi) supporting micro-finance institutions.

However, the policymakers came to realize the limitations of the first phase of implementation of ADLI through SDPRP. By the time the second phase of the program (SDPRP II), more commonly known as A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2005/06-2009/10, was prepared. There was sufficient recognition of the problems associated with the agricultural development strategy which was exclusively rural centered. The productivity in the agricultural sector did not show significant improvement and output remained volatile because of heavy dependency on the amount and timing of rainfall. During the 2002/03 season, the output of the crop sub-sector contracted by 16.5 percent following the decline of 3.7 percent in 2001/02. It was only in 2003/04 that growth in the agricultural sector and especially the crop sub-sector started to recover significantly. However, from a long-term perspective, the labor productivity of agriculture has been on a declining trend (World Bank, 2007). Although agriculture has shown strong performance in recent years thanks to favorable weather, this does not necessarily reflect a significant structural change in the sector such as crop diversification or productivity improvement.

PASDEP 2005/06-2009/10 made important adjustments over SDPRP 2002/03-2004/05 as it broadened the policy scope from smallholder agriculture to other sectors, especially the industry sector and the urban sector. In what may be called Enhanced ADLI, strong emphasis was placed on growth acceleration which was to be attained through the two main thrusts of commercialization of agriculture and private sector development.

#### **4.4. Progress and Challenges under PASDEP**

##### **4.4.1. Progress**

The development policies and strategies pursued during Sustainable Development and Poverty Reduction Program (SDPRP), the country's vision and achievements registered under SDPRP were the basis for the PASDEP. The Plan for Accelerated and Sustained Development to End Poverty (PASDEP) is the First Five Year Phase to attain the goals and targets set in the MDGs at

a minimum. The main objective of the PASDEP is to lay out the directions for accelerated, sustained, and people-centered economic development as well as to pave the groundwork for the attainment of the MDGs by 2015.

The Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) followed the SDPRP and covered 2005/2006–2009/2010. PASDEP maintained the emphasis on the eradication of poverty, also stressing governance and decentralisation.

PASDEP consisted of eight pillars:

1. Commercialisation of agriculture and promotion of more rapid non-farm private sector growth;
2. Geographical differentiation;
3. Population;
4. Gender;
5. Infrastructure;
6. Risk management and vulnerability;
7. Social services; and
8. Employment.

PASDEP contained a new emphasis on the commercialisation of agriculture and strong private sector growth. This included a shift to higher-value crops, including niche high-value export crops and a focus on selected high-potential areas. It also included support for large-scale commercial agriculture where feasible, and better integration of farmers with local and global markets. PASDEP recognised the challenges of combining this new focus with support for pro-poor subsistence farming and also included support for improving the yields of basic food grains through intensified extension, demonstration and small-scale irrigation, complemented by veterinary services, a productive safety net, off-farm income generation and environmental protection. The main instrument for delivering agricultural growth in PASDEP was the PADETES programme, which was further intensified.

The Growth and Transformation Plan, like PASDEP, follows the principle of pro-poor economic growth and has the following major objectives.

- ✓ Maintain at least an average real GDP growth rate of 11% and meet the Millennium Development goals,
- ✓ Expand and ensure the qualities of education and health services thereby achieving the MDGs in the social sectors,
- ✓ Establish favorable conditions for sustainable state building through the creation of a stable democratic and developmental state,
- ✓ Ensure growth sustainability by realizing all the above objectives within a stable macroeconomic framework.

#### **4.4.2. Major Challenges Encountered**

The major challenges encountered in the years of PASDEP implementation were:

- High inflationary pressure which partly induced by external factors was a serious challenge to the macroeconomic stability. However, this inflationary challenge had been effectively managed by the Government to a single digit through fiscal and monetary policy and administrative measures.
- Inadequate capacity for domestic revenue collection was another challenge encountered during the period of PASDEP implementation. This challenge has significantly improved through reform and administrative measures of the government towards the end of the planning period.
- Low level of domestic savings to support the huge demand of the country's investment for accelerating growth and development in the process of eradicating poverty.
- In some areas of the country, delayed entrance of rainy seasons, early withdrawal and mal-distribution of rain were challenges from which great lessons have been drawn to seriously look into expansion of small, medium and large scale irrigation in perspective.

#### **4.5. Progress with GTP of Ethiopia**

The importance of agriculture, and of the commercialisation of smallholder agriculture, has been generally supported in Ethiopia. The focus on commercialisation saw the introduction of the Ethiopia Commodity Exchange (ECX) under PASDEP in 2008. This was the first such

exchange in Africa and is a unique partnership of market actors, the members of the exchange and the government of Ethiopia. The ECX is an example of a national multi-commodity exchange that provides a low-cost, secure marketplace and services to benefit primarily agricultural market stakeholders. It connects all actors – from farmers to exporters – to market information system, linking rural sites and remote electronic trading.

Improved training for extension and vocational training; the Growth and Transformation Plan (GTP) followed PASDEP and apply to the five-year period 2010/2011–2014/2015. The overriding development agenda of the GTP is to end poverty by sustaining the rapid and broad-based growth path witnessed during the past several years.

The GTP has seven pillars:

1. Faster and equitable economic growth;
2. Maintaining agriculture as a major source of economic growth;
3. Creating favourable conditions for the industry;
4. Infrastructure;
5. Social development;
6. Governance; and
7. Empowerment for women and youth.

The GTP continues to emphasise the importance of agriculture, focusing on the intensification of marketable farm products for both domestic and export markets by small as well as large farmers. The emphasis remains on high-value crops, high-potential areas, commercialisation and large-scale commercial agriculture, where it is feasible. There is also continued emphasis on water resource management and irrigation, especially at small scales. The government recognises that past plans have not achieved expected levels of agricultural growth and intends to build on new initiatives, including the Agriculture Growth Programme and the Agricultural Transformation Agency.

The main extension package types promoted by PADETES are:

- Regular extension packages for cereal crops which are mostly seed and fertiliser;
- Minimum packages emphasising management of natural resources and traditional crops; and

- Household packages providing farm households with a menu of technology (water harvesting, dairy, apiculture and horticultural production).

At first, the focus of PADETES was demonstration and training on the use of improved crop technology packages through the provision of seed, fertiliser and credit. The extension method involves mass media and groups, as well as providing extension services to farmers through farm and home visits. The minimum package extension services are delivered to groups through group leaders. Technology demonstrations are carried out on farmers' fields and the transfer of technology from farmer to farmer is facilitated by organising field days. Group leaders representing farmer groups attend the field days to demonstrate improved technology packages; in turn, the group leaders facilitate the delivery of the extension message to their members. Social and religious gatherings are also used to transmit extension messages.

In its early stage (1995–1999), PADETES was characterised by the following:

- Top down approach;
- Blanket recommendation of inputs (fertiliser, seed, etc.) for all agro-ecologies, irrespective of the apparent heterogeneity of physical and socio-economic features across the country;
- Lack of flexibility to fit technological packages to local contexts and knowledge of farmers;
- Supply-driven and predetermined (centralized) programme, not based on adequate consultation and feedback on the relevance of packages to farmers' priorities, which impeded participation; and
- Neglect of indigenous knowledge and resources. Taking into account these limitations, and based on evaluations of past experiences, some adjustments have been attempted by the government over time. From the production side it was observed that it was necessary to prepare and implement the agricultural development packages to be tailored to and compatible with different agro-ecology zones (AEZs).

These adjustments include the following:

Strategies of identifying potential commodities for cash crops;

- Domestic and export market studies;
- Promoting farmers' marketing cooperatives and unions;

- Facilitating domestic output markets including local purchase by donors of grain for use in food aid; and
- Training programmes for middle-level agricultural extension workers to provide extension and training services at the community level. Whereas the initial focus of PADETES was on food crops, the extension system later developed redefined packages to fit the conditions of the different AEZs and the types of crops grown. In response to evaluation findings and feedback, modified packages that specifically targeted the following products were developed:
  - High-value crops (spices, oilseeds, vegetables);
  - Livestock (dairy, poultry, beekeeping, fattening);
  - Natural resources (forestry, soil and water conservation); and
  - Coffee.

#### **4.6. Developmental State Model**

What is developmental state? - several definitions:

Since the mid-1990s, however, another shift in understanding the role of the state in development has become observable. A development state is a state where government is intimately involved in the macro and micro-economic planning and implementation in order to grow the economy in a regular but rapid manner (Onis, 1991). Developmental state aims at rational and deliberate development and implements state driven industrial policies, with co-operation between the government and private enterprises (Johnson, 1982). A state is developmental when it establishes as its principle of legitimacy, its ability to promote and sustain development.

International thinking on the role of the state in development has been undergone several changes over the past 50 years:

1. State-led development is encouraged and supported by the international community (1950s and 1960s);
2. State-led development is criticized as inefficient and distorting in the light of macroeconomic instability, especially in Africa and Latin America (1970s and early 1980s);

3. The implementation of structural adjustment and market-oriented reforms are put into practice as part of the Washington Consensus; ten economic policy reforms advocated for developing countries by Washington Consensus.-based institutions such as the IMF, WB and the US Treasury.

- i. Fiscal discipline - avoidance of large fiscal deficits/shortage/
- ii. Tax reform - broadening the tax base and adopting moderate marginal tax rates;
- iii. Redirection of public spending/expenditure priorities towards education, health and infrastructure;
- iv. Liberalization of Interest rates - market determined and positive (but moderate) in real terms;
- V. Competitive exchange rates - devaluation of currencies;
- vi. Liberalization of foreign direct investment - elimination of barriers to FDI;
- vii. Trade liberalization - liberalization of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); keep away from protectionism.
- viii. Privatization – eliminate of state enterprises;
- ix. Deregulation-abolition of regulations that impede market entry/exit or restrict competition, except for those justified on safety or environmental and consumer protection grounds; and
- x. Security for property rights

Results of Washington Consensus': much debated but most agree that the reforms led to: Destabilization , Economic crises (e.g. Argentine economic crisis of 1999-2000) , Exacerbation of economic inequalities (particularly in Latin America) and China and India in the 1990s : general economic policies remained the exact opposite to the Washington Consensus' main recommendations.

4. The role of the state in development is re-evaluated based on the successful experiences of state-led development in several Asian countries emerging since the mid-1990s;

#### **4.6.1. Experience of this model**

Since the beginning of Japan's modern period (the "Meiji Restoration of 1868"), the state has been crucial to the country's development. Initially, the Japanese state established state-owned "model factories" in a number of industries—shipbuilding, mining, textile, etc and after these were privatized, the state subsidized their operations. The first modern steel mill was established by the government in 1901. The state was heavily involved in infrastructure development, as with the railroad and telegraph system. At the center of the Japanese state system was a competent bureaucracy staffed by the country's brightest students, dedicated to devising and implementing a planned process of economic development. The economic "miracle" in postwar Japan and the East Asian newly industrialized countries (NICs—South Korea, Singapore, Taiwan) since the 1970s was fundamentally due to activist industrial, trade, and technology policies introduced by the state. States intervened to systematize economies through indicative (suggestive) planning—that is, planning via subsidies, grants, and tax inducements.

States regulated the entry of firms into key industries and restricted intercompany competition. Foreign investment was restricted and regulated. And states were actively involved in enhancing countries' skill bases and technological capabilities through granting or subsidies and public provision of education, training, and research and development. In a majority of African countries, a committed and competent civil service failed to emerge or was eroded (often despite repeated attempts to develop it) (Rocha Menocal, 2004). Civil service structures and other benefits generated by state-led development were frequently manipulated by the government apparatus and ruling elites as a source of proving. The state was captured by narrow interests more concerned with building clientelistic networks than with fostering a transformation of the country's economy (Van de Wall, 2001; Bayart, 1993). Successful developmental states such as Botswana can be mentioned

#### **4.6.2. Why Ethiopia failed with the model?**

- Lack of a strong state/Failure to build strong institutions/
- Legitimacy problem

- Lack of commitment and capacity of civil servants
- Corrupted leaders
- Lack of dominant party democracy to achieve continuity
- Prevalence of widespread sense of marginalization and exclusion
- Lack of nationalism
- Ethiopia fails to adopt reform and prevent elite contest for state power.
- A developmental state could be authoritarian
- Overall the real problem is therefore not a failure to articulate it in economic terms but the challenges of implementing it properly.

#### ✎ Self - test exercises

**Part I: write “True” if the statement is correct and “False” if the statement is not correct**

1. Sustainable Development and Poverty Reduction Program (SDPRP) is program solely focus on agriculture sector
2. Foreign investment was restricted and regulated in Developmental state model
3. The agricultural development strategy of the Derg period was transforming agriculture along capitalism lines
4. SDPRP made important adjustments over PASDEP as it broadened the policy scope from smallholder agriculture to other sectors
5. Right to self-determination of nations, nationalities and people were one major feature takes place pre 1991 in Ethiopia

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