



## Eradicating Extreme Poverty and Hunger in Ethiopia

A Review of Development Strategies,  
Achievements, and Challenges in  
Relation with MDG1

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*dialogue*

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*Left:* View of a rural area around South Wolo in the Northeastern part of Ethiopia. Like much of the land in this area used for grazing and natural rehabilitation, it is degraded and would require conservation measures, especially as agriculture is still the main development sector in the country. (Photo by Aklilu Amsalu, November 2011)

*Right:* New government housing for lower-income households on the outskirts of Addis Ababa, June 2011. Housing complexes of different kinds have burgeoned in the past few years in the capital city, revealing efforts to develop the urban potential in Ethiopia. (Photo by Anne Zimmermann)

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# Abbreviations

ADLI	Agricultural Development Led Industrialisation
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
CAADP	Comprehensive Africa Agriculture Development Programme
CRDA	Christian Relief and Development Association
CSA	Central Statistical Agency
CSO	Civil Society Organisation
DA	Development Agents
FTC	Farmer Training Centre
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GTP	Growth and Transformation Plan
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
MDGs	Millennium Development Goals
MoFED	Ministry of Finance and Economic Development
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organization
NLFS	National Labour Force Surveys
ODA	Official Development Assistance
PANE	Poverty Action Network of Civil Society Organisations in Ethiopia
PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Programme
PSNP	Productive Safety Net Programme
SAP	Structural Adjustment Programme
SDPRP	Sustainable Development and Poverty Reduction Programme
TVET	Technical and Vocational Education and Training
UEUS	Urban Employment and Unemployment Surveys
UN	United Nations
UNDP	United Nations Development Programme
WB	World Bank



# 1 Introduction

With a population of about 74 million in 2007 and an average annual population growth rate of 2.6% over the period 1994-2007 (CSA, 2010), Ethiopia is the second most populous country in Africa after Nigeria. It has a total area of 1,106,000 km<sup>2</sup>, which makes it the ninth largest country on the African continent. The population structure is dominated by young people, with those under 15 years of age representing 45% of the population, which results in a high dependency ratio (CSA, 2010). The level of urbanisation is extremely low (16.6% in 2010), even by African standards (UN Habitat, 2010). Ethiopia is a country with enormous geographic diversity, as it has a wide range of agro-ecological zones reflecting the wide variation in rainfall, temperature, altitude, topography, and soils. The country also has a long history and is a patchwork of more than 80 ethnic groups and their diverse cultures.

The Ethiopian economy has recorded an impressive average growth rate of 11.5% per annum over the past six years (MoFED, 2009). Although agriculture has been the major source of growth in the economy, this has been complemented by strong performance in manufacturing, construction, and service sectors. However, compared to other countries in the world, Ethiopia is still a small economy that has not succeeded in fully satisfying the development needs of its citizens. For example, its gross national income (GNI) per capita income of US\$870 purchasing power parity (PPP) is low even by sub-Saharan Africa standards of US\$1,950 PPP (PRB, 2009).

Data from the Ministry of Finance and Economic Development (MoFED, 2006) for the year 2004/05 indicates that the agricultural sector contributed 46% of gross domestic product (GDP), while the industrial and service sectors accounted for 14% and 40% of Ethiopia's GDP respectively. Agriculture and related activities also provided around 80% of employment opportunities and 90% of export earnings (MoFED 2006). In 2007/08, about 14 million hectares of land were utilised for various agricultural purposes. In terms of land use, about 79% was under crop production, 7% fallow land, 10% grazing land and the remainder was taken up by woodland and other uses (EEA, 2009). The agricultural sector is operated by millions of smallholders on a largely subsistence basis, highly dependent on rainfall, and uses limited amounts of modern farm inputs.

Although the average farm size is a little over one hectare, over 55% of the farmers cultivate less than one hectare of land. In line with this, the World Bank (2007a) showed that the size of farm-holdings in Ethiopia has declined rapidly, from 0.5 ha per person in 1960 to 0.21 ha per person in 1999. There is little new land available and the soil is eroding fast. On the other hand, the lowlands have lower population densities and could be used for resettlement, but they are not well equipped with basic infrastructure, are malaria-infested, and suffer from the presence of the tsetse fly, which makes it difficult to undertake traditional ox-plough agriculture (World Bank, 2007a). Mixed farming is dominant in the highlands, with crop and livestock farming practiced in the same management unit (FDRE, 2008).

The industrial sector is in its infancy and its share of GDP hovers around 12%; this growth has been largely dominated by the electricity, water and construction sectors (EEA, 2009). The fact that growth in the industrial sector is attributed to construction and infrastructure shows that there is weak backward and forward linkage between the agricultural and the industrial sectors. The export industry has enjoyed a plethora of incentives over the past decade. Incentives such as credit guarantee schemes, foreign exchange retention schemes and duty drawback schemes have succeeded in attracting huge investments to the sector. As a result, export revenue reached a record high of US\$ 2 billion in 2009/10. Switzerland, China, Germany and Somalia are Ethiopia's major trading partners and the major commodities responsible for earning such revenue are coffee, oilseed, gold and khat (*Catha edulis*) (Access Capital, 2010).

The service sector is more diverse, comprising different elements ranging from trade and tourism to transport and communications, and from education and health services to banking and insurance. The share of the service sector in GDP has increased significantly in the last 15 years to reach about 43% (EEA, 2007), which makes it the second largest sector of the economy after agriculture. For instance, during the years 2006/07 and 2007/08, the service sector grew by 14.3% and 17% respectively. This has led to an increase in the service sector's share of total GDP from 39% in 2003/04 to 43% in 2007/08 (EEA, 2009). This growth in the service sector is attributed to the growth of trade, hotels and tourism, financial intermediations, real estate development and education.

Such economic growth is expected to contribute significantly to poverty reduction within the country. A series of poverty reduction and development strategies have been put in place over the past years specifically to address extreme poverty. There has, however, been scant analysis of the achievements and challenges of these policy and development interventions. This review therefore aims to examine the achievements and challenges of the Ethiopian government's poverty reduction strategies in recent years. Specifically, it is intended to investigate how the strategies are linked to MDG1 and the debate surrounding the completion of MDG1. It is hypothesised that the poverty reduction strategies have contributed considerably to reducing extreme poverty in the country. Data was obtained from various sources including a review of related literature, analysis of various strategy documents, statistical reports, and interviews with key informants and experts in key sector offices.

## 2 Conceptualising Poverty in Ethiopia

Poverty is a multi-dimensional concept which generally refers to households' inability to provide sufficient means of subsistence and to lead a decent economic and social life. Poverty in Ethiopia is persistent, deep-rooted, multi-faceted, widespread and dominantly structural (Brown and Teshome, 2007; Girma, 2008). The Ethiopian government defines poverty as a multi-dimensional concept that extends beyond a low level of income (Woldehanna, 2004). The first dimension is material deprivation (lack of opportunity), which is measured using an appropriate income- or consumption-based concept. For the income dimension of poverty, the poverty line was defined based on the minimum calories required for subsistence and essential non-food expenditure. The second dimension is low education and health achievements (low capabilities). The third and fourth dimensions of poverty are vulnerability (and exposure to risk or a low level of security) and voicelessness (and powerlessness).

### Poverty indicators

Although different kinds of indicators have been developed to measure poverty, the Ministry of Finance and Economic Development (MoFED) used consumption – which is measured through a consumption expenditure survey – as a metric to measure poverty in the Ethiopian context in order to define a monetary poverty line. There are also non-consumption dimensions of poverty indicators in the country such as nutrition, health, housing, and access to public services (MoFED, 2008). According to MoFED, consumption is a better measure of longer-term household welfare than income because it is subject to less temporal variation and consumption is likely to be measured more accurately than income. In Ethiopia, the methods described above were first applied in the context of the 1995/96 Poverty Analysis Report. This was based on the cost of 2,200 kcal per day per adult food consumption with an allowance for essential non-food items. The food poverty line was 647 Eth. Birr in 1995/96 at national average prices. This has been updated by deflating all food and non-food consumption items by spatial price indices (disaggregated at the regional level relative to national average prices) and temporal price indices (relative to 1995/96 constant prices). Accordingly, the poverty line is set at 1,075 Eth. Birr per adult equivalent at 1995/96 national average constant prices (MoFED, 2008). In addition to consumption, indicators such as pre-school nutritional status, health, housing quality, and access to public services are used to measure the non-income dimensions of poverty.

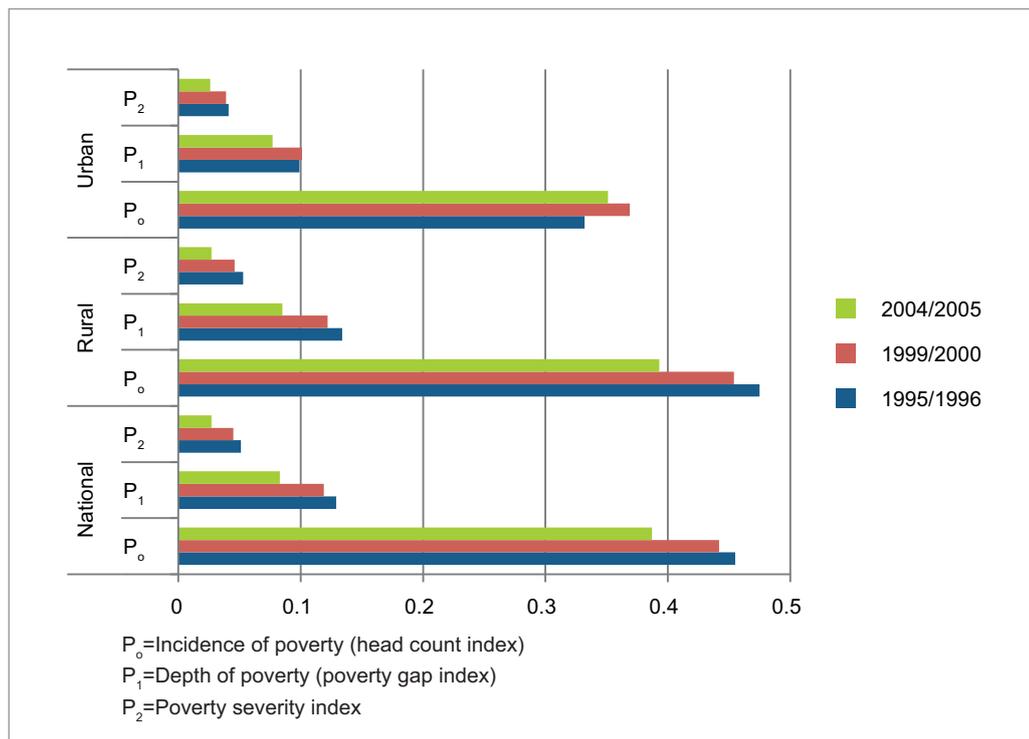
According to MoFED (2002), poverty in Ethiopia is highly correlated with the size and composition of households, the education of the head of the household, the degree of dependency within the household, asset ownership particularly ownership of oxen in rural areas, the occupation of the head of the household, and several other institutional variables that provide access to public services. Rural areas are the centre of mass poverty; and, as reflected by the food poverty head count index, food insecurity is still a major contributor to poverty in Ethiopia (Table 1).

**Table 1:** Trends of poverty incidence in Ethiopia. (Total Poverty Head Count and Food Poverty Head Count Indices)

Poverty Incidence	2004/05	2005/06	2006/07	2007/08	2008/09
Total Poverty Head Count (%)	39	36.6	34.6	32.7	29
Food Poverty Head Count (%)	38	35.6	33.5	31.6	28

Source: PASDEP Annual Progress Reports

In 2004/05, about 38.7% of Ethiopians lived below the poverty line, and poverty was slightly higher in rural areas (39.3%) than in urban areas (35.1%) (MoFED, 2005). The poverty gap index was 8.3% in 2004/05; again, it was slightly higher in rural areas (8.5%) than in urban areas (7.7%). Similarly, the poverty severity index was 0.027, with the rural poverty severity index (0.027) slightly higher than in urban areas (0.026) (Figure 1). The decrease in national poverty is due to a reduction in rural areas; the gap in poverty between rural and urban areas is narrowing. The decrease in rural poverty since 1995/96 is substantial. The head count, poverty gap and poverty severity indices in 2004/05 for rural areas have fallen by 13%, 31%, and 41%, respectively compared to the levels of five years ago.



**Figure 1:** Poverty level and indices of poverty measures in Ethiopia. (Source: MoFED, 2008)

Another UN report is in agreement with the MoFED report, but with some deviations in statistics/data. Accordingly, compared to 1999/2000, poverty head count, poverty gap, and poverty severity indices in Ethiopia have decreased substantially. The 2004/05 poverty head count index is 12% down on the 1999/2000 index, while the

poverty gap and severity indices are 30% and 39% lower respectively, indicating a decrease in poverty over the five-year period ending in 2004/05 (UN Ethiopia, 2010). Although Ethiopia remains one of the poorest countries in the world, with an annual per capita income of US\$170, there has been progress in poverty reduction in recent years. The UNDP's Human Development Report for 2008 ranked Ethiopia 171st out of 188 countries included in the analysis (UNDP, 2009), representing slight progress over the past decade.

Life expectancy at birth increased from 48 years for the period 1990-1995 to 52.5 for the period 2000-2005, and is projected to reach 55 years in 2005-2010. Similarly, the Infant Mortality Rate decreased from 115.5 for the period 1990-1995 to 88.0 for the period 2000-2005, and is projected to fall to 79.1 in 2005-2010 (UN, 2010). There has also been progress in education over the past two decades as far as increasing enrollment and completion rates and reducing the gender gap are concerned. The net enrollment rate for primary level has increased significantly from 23.3% in 1990 to 78.2% in 2008, while it increased from 11.7% in 1999 to 25.3% in 2006 for secondary education (World Bank, 2009). The same report also showed that the gender gap in primary education narrowed over time, while it showed a slight increase for secondary education.

Though the country has reasonably good natural resource potential for agricultural development, it is faced with complex and deep-rooted poverty that keeps a significant proportion of the population in continuous deprivation. The proportion of the population living below the poverty line (both food and non-food estimated at 1075.0 Eth. Birr in 1995/96 and 1999/00) was 44% in 1999/2000, of which 37% were in urban areas and 45% in rural areas (MoFED, 2002). Rural areas make up about 85% of the total population, while their contribution to the total poverty head count index stood at about 88%. Many of the rural poor are cereal buyers due to traditional agriculture with limited use of external inputs and diminishing per capita land holdings. They are also more vulnerable to fluctuations in rainfall and rising food prices. In the decade to 2004, an average six million people per year required food aid, and this spiked to 14 million during the 2003 drought (World Bank, 2007b). Most of Ethiopia's population is trapped in low-productivity employment, with little opportunity to increase their income. Due to the nature of the subsistence economy, open unemployment is fairly low in rural areas, but underemployment is widespread. However, data from the 1999 and 2005 National Labor Force Surveys (NLFS) and the 2003, 2004 and 2009 Urban Employment and Unemployment Surveys (UEUS) showed that there was some decrease in the national unemployment rate between 1999 (8.0%) and 2005 (5.0%). On the other hand, unemployment is higher in urban Ethiopia, and it has decreased from 26.1% in 2003 to 22.9% in 2004 and to 20.4% in 2009 (CSA, 2010). Improvement in urban employment is the result of fast urban development and the flourishing tourist industry in the country's major cities.

The trends of poverty incidence and levels outlined above indicate the patterns and magnitude of the problem in the country. Poverty reduction is still one of the country's foremost development challenges. However, the poverty reduction strategies aimed at fulfilling the MDG1 have contributed to the slight improvements recorded so far. The next section discusses the MDGs, focusing mainly on MDG1.



### 3 Prologue to the Millennium Development Goals

The Millennium Development Goals (MDGs) are the most broadly supported, comprehensive and specific development goals the world has ever agreed upon, based on the development aspirations of the world as a whole (UNDP, 2003). Eight time-bound goals were created at the UN Millennium Summit in New York in 2000 and the declaration was adopted by 189 nations and signed by 147 heads of state. The goals provided concrete, numerical benchmarks for tackling extreme poverty in its many dimensions. The goals also encompass universally accepted human values and rights such as freedom from hunger, the right to basic education, the right to health and a responsibility to future generations (UN, 2008). The eight goals are set to be achieved by the year 2015. The goals are: eradicate extreme poverty and hunger (MDG1); achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV and AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development (UNDP, 2003). If these goals are achieved, world poverty will be halved, tens of millions of lives will be saved, and billions will have the opportunity to benefit from the global economy (UNDP, 2003). MDG1 has three targets:

- To halve the proportion of people whose income is less than a dollar a day;
- To halve the proportion of people who suffer from hunger; and
- To achieve full and productive employment and decent work for all, including women and young people.

Nonetheless, the MDGs have not gone uncriticised. The most vehement criticism comes from the work of William Easterly, in which he argued how unfair the MDGs are to Africa. Easterly (2007) indicated that the MDGs are poorly and arbitrarily designed to measure progress against poverty and deprivation, and that their design makes Africa look worse than it really is. He further argued that measuring social and economic progress is not at all as straightforward as the discussion of the MDGs makes it seem, and setting targets in a particular way will make some regions look better and others look worse depending on a number of choices that any target-setting exercise must make.

Globally, the proportion of people living below the poverty line fell from 42% in 1990 to 25% in 2005 (Melamed and Sumner, undated). Between 1990-1992 and 2004-2006 the proportion of undernourished people in developing regions dropped from 20% to 16%. Regionally, East Asia and the Pacific have made the greatest progress since 1990, reducing the proportion of people living below the poverty line from 55% in 1990 to 17% in 2005. South Asia has made some progress towards the target, with the proportion of people living below the poverty line dropping from 49% in 1990 to 39% in 2005. Sub-Saharan Africa remains off-track - the proportion decreased only from 57% in 1990 to 51% in 2005. The trend shows that the region will not meet the 2015 target.

## Food prices

High global food prices pushed about 100 million more people into hunger in 2007, of which 24 million were from sub-Saharan Africa (FAO, 2008). Food price hikes limit the ability of poor people to obtain not only food but also other essential goods and services, including education and health care. Though there is no quick fix for the underlying cause of the food crisis, urgent interventions have been needed to address immediate food shortages for the countless people facing hunger and malnutrition. A High-Level Conference on World Food Security, held in Rome in June 2008, identified a number of concrete steps to mitigate hunger, of which increasing emergency food aid and assisting poor people to obtain maximum yields are the major ones.

## Employment

Poverty reduction cannot be accomplished without full and productive employment and decent work for all. The proportion of the working-age population that is employed is a good indicator of an economy's ability to provide jobs. Nevertheless, the UN (2008) argued that there is no optimal employment-to-population ratio. The very high ratios in sub-Saharan Africa indicate that a large number of poor people have to work to subsist, regardless of the quality of the job. Low-paying jobs leave one in five developing country workers mired in poverty and half the world's workforce toil in unstable, insecure jobs where they are likely suddenly to lose their job, leaving them with no means of covering their expenses, either through their own resources or public support. The case of sub-Saharan Africa is unique: the demographic profile of these countries is youth-dominated, since most countries in the region are at the incipient (or early) stage of the demographic transition. Consequently, there are huge numbers of youths joining the labor force in the hope of employment opportunities, which in turn makes it harder to achieve the goal of full employment and decent work.

## Commitment to the MDGs

It is universally agreed that the single most important success to date has been the unprecedented breadth and depth of commitment to the MDGs - a global collective effort that is unsurpassed in 50 years of development experience. According to the UN, it is not only governments of developing countries and the international community that have adopted the MDGs as their framework for international development cooperation, but also the private sector and civil society in both developed and developing countries. Besides being advocates for the MDGs, private foundations in developed countries have become an important source of funding for a wide range of activities aimed at achieving them. NGOs in developing countries increasingly undertake these activities, as well as monitoring the outcomes (UN, 2008).

However, assessment of the MDGs indicate that either there is now less commitment made by the developed world or this has been destroyed by major unforeseen events such as 9/11 and the financial crisis (Sachs, 2005). The rich world had famously agreed to the target of devoting 0.7% of GNP to official development assistance (ODA), direct financial aid to poor countries, yet the share of financial aid as a proportion of rich

world GNP actually declined from 0.3% to 0.2% to the 1990s. In the particular case of Ethiopia, Gill (2010) noted that, when the world began to be buffeted by the 2008 economic crisis, the “perfect storm was brewing in Ethiopia” due to the rise in global food prices, in turn reducing the capacity of donors to provide their regular levels of aid and also increasing domestic inflation, which drove up the cost of food by more than 50% in a year. Alongside the successes are an array of goals and targets that are likely to be missed unless urgent action is taken. In sub-Saharan Africa, the proportion of people living on just over a dollar a day is unlikely to be halved.



## 4 The Feasibility of Rapid Progress in Africa

In recent years, important success stories have emerged from some African countries that are sometimes concealed by the overall picture. According to the UN, with the exception of MDG5, reducing maternal mortality, each Goal will only be met by a few African countries. For example, the combination of African leadership and effective international support accounts for Malawi's marked reduction of child mortality rates, Tanzania's increase in primary school completion rates, and Senegal's remarkable progress towards the water target (UN, 2008). But it is the strong and visible African leadership demonstrated by African Governments and regional bodies, such as the New Partnership for Africa's Development (NEPAD) that gives the MDG Africa Steering Group (UN, 2008) confidence that the Goals can be widely met. The MDG Africa Steering Group has identified a list of concrete opportunities to implement and scale up interventions in support of the MDGs. They include meeting short-term emergency food needs; launching an African Green Revolution within the framework of the Comprehensive Africa Agriculture Development Programme (CAADP); implementing national school feeding programmes; investing in education; strengthening health systems; making critical infrastructure investments; systematically empowering women and young girls; and addressing the central challenge of environmental sustainability through effective policies and laws.

On the other hand, the deliberations of a recent experts' meeting in Addis Ababa underlined that there has been remarkable progress in meeting education targets, gender empowerment, and combating HIV/AIDS, while progress is slower in poverty reduction and environmental sustainability (UN ECA & AU, 2011). It is indicated that economic growth in Africa has not been translated into a reduction in absolute poverty, and unemployment and hunger remain high. While Africa's high growth from 2001 to 2008 was a positive turnaround, it could not address the problem of widespread unemployment and poverty. The proportion of people in Africa living in poverty is decreasing, while the number of poor African people is increasing. This is because the population is growing faster than the rate of poverty reduction. While some countries in Africa are making progress in poverty reduction, the region as a whole is unlikely to meet the goal without significant additional policy efforts and resources.

According to MDG-ASG (2008), Africa should benefit from proven and cost-effective technologies that exist today to launch an African Green Revolution that can double yields per hectare among smallholder farmers in a short period of time. Meanwhile, high agricultural commodity prices are an opportunity for agricultural producers in Africa to expand production (UN, 2008). According to Collier (2010), Africa needs the Green Revolution, but the reality is that the Green Revolution was fuelled by chemical fertilisers - and Africa did not adopt fertilisers even when they were cheap. To counter the effects of rising population and a deteriorating climate, according to Collier (2010) Africa needs a biological revolution, i.e. it needs to offer genetically modified crops, but only if sufficient money is put into research. Climate change is already affecting

agricultural activities in many African countries. Precipitation patterns are changing, crops are reaching the upper limits of heat tolerance, and pastoralists spend more time than before in search of water and grazing grounds (MDG-ASG, 2008). Interventions are therefore required to support agricultural production and ensure food security.

So far, few hints on the conceptual debates on the MDGs and potentials (in principle) for achieving these goals have been provided. In the next sections we will turn to the reality on the ground, i.e. how has poverty reduction – informed by the MDGs – taken place in Ethiopia, and what has been achieved? In the conclusion section, we will discuss some of the challenges between the theoretical potential and practical reality.

## 5 Poverty Reduction Strategies in Ethiopia and the MDGs

Ethiopia was one of the member states that adopted the Millennium Declaration in 2000. With this, the country entered into a political commitment to devise and adopt appropriate strategies that would help achieve the development goals. Poverty reduction was, perhaps, the major target on which the country laid the greatest emphasis. Hence, the Ethiopian government developed Poverty Reduction Strategy Papers (PRSPs) I and II for the periods 2002-2005 and 2006-2010, in order to deal with the severe poverty situation the country. Donors and international organisations rallied around the strategy, hoping to make a dent in the country's huge number of poor people and with a view to setting it on the road to sustainable development. Poverty reduction strategy papers have become the operational frameworks to translate the MDGs targets into national action in the country. In the following, details of these two PRSPs as well as the third generation of PSRPs, i.e. the Growth and Transformation Plan (GTP), are described.

### 5.1 The Sustainable Development and Poverty Reduction Programme (SDPRP) (2002 – 2005)

Ethiopia prepared its Interim Poverty Reduction Strategy Paper (IPRSP) in November 2000 and the preparation of the full Poverty Reduction Strategy Paper (PRSP) - called the Sustainable Development and Poverty Reduction Programme (SDPRP) - was finalised in August 2002 (Woldehanna, 2004). In June 2002, as PRSP preparations moved forward, Africa's first MDG Action Forum, organised by several UNDP offices and held in Addis Ababa, significantly raised the profile of the MDGs within Ethiopia (UNDP, 2005). The forum brought together high-level government officials, civil society leaders, private sector representatives and UN staff from 14 Central and East African countries to plan actions, policies and programmes to achieve the MDGs.

The poverty reduction strategy's main aim was to reduce poverty at the same time as maintaining macroeconomic stability. In the strategy, the poverty head count ratio was projected to decrease by about 10% (about 4 percentage points) by the end of the poverty reduction strategy programme period (2004/05) from its 1999/00 level of 44%, and real GDP was targeted to grow by at least 7% on average.

Given that poverty reduction would continue to be the core of the agenda of the country's development, the strategy was built on four pillars that are believed to be effective in the fight against poverty and ensure rapid and sustainable development (MoFED, 2002). These are:

1. Agricultural Development Led Industrialisation (ADLI) and food security,
2. Justice System and Civil Service Reform,

3. Decentralisation and Empowerment, and
4. Capacity Building in public and private sectors.

### Agricultural Development Led Industrialisation (ADLI)

Since 1991, the Ethiopian government has been implementing its long-term strategy of “Agricultural Development Led Industrialisation” that sees agriculture as the “engine of growth”. Its main drivers have been to:

- Improve agricultural extension services,
- Promote better use of land and water resources,
- Enhance access to reliable financial services,
- Improve access to domestic and export markets, and
- Provide rural infrastructure (FDRE, 2008).

The strategy is intended to help accelerate economic development by stimulating and sustaining agricultural growth, which will in turn lead to fast and sustainable growth in other sectors of the economy such as trade and industry through strengthening production and consumption linkages or, more broadly, the forward and backward linkages. In addition, increased production of agro-industrial raw materials both in quantity and quality is assumed to increase the demand for agricultural products and thus enhance the income and living standards of producing farmers. The linkages are assumed to lay the foundations for accelerated and sustainable growth in the industrial and trade sectors.

Ethiopia’s existing situation reveals an acute shortage of capital. In contrast, the country is endowed with a huge labour force and ample land that could potentially be developed for crop cultivation, particularly in the lowlands. Hence, the government is strongly convinced that ADLI is the right strategy, as it helps to raise the employability of the idle labour resource and enhances the productivity of land, which leads to capital accumulation. ADLI stresses on a modernisation package for the production of food grains by using seasonal farm credit for the purchase of improved seeds and inorganic fertilisers. However, the number of participating farm households in the use of the modern packages was only 37% of the estimated 7.5 million farming families in the country (Belshaw and Coyle, 2001). Besides, only 15% of Ethiopia’s population live in urban areas and most of its rural population is concentrated in the highlands. As mentioned earlier, fertile land is still available in the lowlands, though they are not well supplied by infrastructure and many areas are malaria-infested. They also suffer from the presence of the tsetse fly, a vector for trypanosomiasis, preventing the use of oxen traction. Cultural differences between the low- and highlanders further hinder intra-regional migration.

## The justice system and civil service reform

Cognizant of the urgent need to address the wide array of capacity constraints that hindered the performance of public institutions in Ethiopia, the government embarked on a comprehensive Civil Service Reform Programme in 1996 (MoFED, 2002). Indicative of Ethiopia's "first generation" capacity building efforts, the reform is intended to build a fair, transparent, efficient, effective, and ethical civil service primarily by focusing on strengthening core technocratic systems within the public sector.

## Governance, decentralisation, and empowerment

Following the adoption of a decentralised governance system in the country, decision making power is devolved to regional governments. For instance, by way of ensuring their autonomy in terms of resources, block grants are directly allotted to districts (*Woredas*) that provide a basis for meaningful popular participation in local development programmes. The budget grants are intended to empower districts to make appropriate decisions to deal with their problems according to local conditions. However, the form that participation takes in the country is criticised for being more directive and top-down than participatory.

## Capacity building in public and private sectors

Capacity building is taken to cover the development of human resources, the building and strengthening of institutions, and establishment of effective working practices. In 1998 the government prepared a strategy and programme framework for capacity building which is intended to feed into the other three pillars, i.e. ADLI, judiciary and civil service reform, and decentralisation and empowerment (MoFED, 2002). For agricultural development, farmer training, support for micro-finance institutions, and strengthening public and private sector organisations involved in the development of agriculture were the main activities. Various activities were also planned to develop private sector capacity, including establishing industrial training institutes, strengthening the financial sector, supporting the development of chamber of commerce and industrial associations, and improving product standardisation.

## 5.2 Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2006 – 2010)

Based on the lessons learned from the SDPRP, Ethiopia drafted and implemented the second PRSP (2005/06-2009/10) called the "Plan for Accelerated and Sustained Development to End Poverty (PASDEP)". PASDEP, unlike PRSP I, has eight pillars (MoFED, 2006):

1. Building all-inclusive implementation capacity;
2. A massive push to accelerate growth;

3. Creating the balance between economic development and population growth;
4. Unleashing the potential of Ethiopia's women;
5. Strengthening the infrastructure backbone of the country;
6. Strengthening human resource development;
7. Managing risk and volatility; and
8. Creating employment opportunities

In the agricultural sector, PASDEP (i.e. PRSP II) focuses on market-based agricultural development, increased private-sector investment, the provision of specialised support services for differentiated agro-ecological zones, improving rural-urban linkages, and particular attention to pastoral development. These objectives are underpinned by investments to improve rural infrastructure, enhance access to financial services, promote irrigation development, ensure land tenure security, and improve the performance of agricultural markets. PASDEP recognises the importance and urgent need to manage the natural resource base better and to protect the environment (FDRE, 2008).

As in PRSP I, agriculture remained the engine of the Ethiopian economy in PASDEP. The major focus of activities, in the agricultural sector, to be undertaken in the five years period between 2006 and 2010 were (MoFED, 2006):

- Adequate capacity building through the implementation of relevant training programmes;
- Introduction of high yielding technologies supported by agricultural research and extension services;
- Increasing the quantity and quality of marketable agricultural products with demands in both domestic and international markets
- Providing support for the establishment of appropriate marketing systems;
- Expansion of small and medium scale irrigation and water conservation schemes; and
- Ensuring prudent utilisation of natural resources.

Table 2 provides comparison of the three PRSP processes in terms of content and the major pillars.

**Table 2:** Comparison of Ethiopia's three PRSP processes.

	<b>Contents</b>	<b>Major pillars</b>
<b>SDPRP</b>	<ul style="list-style-type: none"> <li>▪ Focus on agriculture and rural development and public sector reform and capacity building</li> <li>▪ Explicitly pro-poor and rural in focus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agricultural Development Led Industrialisation (ADLI) and Food Security</li> <li>▪ Civil service and justice system reform</li> <li>▪ Governance, decentralisation and empowerment</li> <li>▪ Capacity building (including education)</li> </ul>
<b>PASDEP</b>	<ul style="list-style-type: none"> <li>▪ Greater focus on growth and private sector development.</li> <li>▪ Building on SDPRP in: agriculture and rural development, expanding education, health and HIV/AIDS, capacity building, decentralisation and food security programme.</li> <li>▪ Greater attention to urban issues</li> </ul>	<ul style="list-style-type: none"> <li>▪ A massive push to accelerate growth</li> <li>▪ A geographically differentiated strategy</li> <li>▪ Addressing the population challenge</li> <li>▪ Unleashing the potential of Ethiopia's women</li> <li>▪ Strengthening the infrastructure backbone</li> <li>▪ Managing risk and volatility</li> <li>▪ Scaling up to reach the MDGs</li> <li>▪ Creating jobs</li> </ul>
<b>GTP</b>	<ul style="list-style-type: none"> <li>▪ Meeting the MDGs by the end of the programme period, i.e. 2015.</li> <li>▪ Doubling the economy in the next five years</li> <li>▪ Massive infrastructure development in the next five years, and</li> <li>▪ Industrial development is expected to gradually take over the leading role in the economy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustaining faster and equitable economic growth</li> <li>▪ Maintaining agriculture as a major source of economic growth</li> <li>▪ Creating favourable conditions for the industry to play a key role in the economy</li> <li>▪ Enhancing expansion and quality of infrastructure development</li> <li>▪ Enhancing expansion and quality of social development</li> <li>▪ Building capacity and deepening good governance</li> <li>▪ Promoting women and youth empowerment and equitably distributed benefits</li> </ul>

Source: Brown and Teshome, 2007; MoFED, 2006, MoFED, 2010

On the other hand, in addition to the strategic directions pursued under PRSP I, PASDEP embodies new directions related to greater commercialising of agriculture by enhancing private sector development, industry, urban development and a scaling-up of efforts to achieve the MDGs (MoFED, 2006).

According to the government, the PASDEP process benefited from two rounds of consultation with civil society, non-government actors, and partners. The Poverty Action Network of Civil Society Organisations in Ethiopia (PANE), the Christian Relief and

Development Association (CRDA), the Development Assistance Group, the Chambers of Commerce and development partners, the business community (private sector), and donor partners all had a say on issues and priorities reflected in the PASDEP. The baseline achievement of total poverty head count by the end of 2004/05 was 39% and the PASDEP target (2009/10) was 29%. On the other hand, the baseline achievement of food poverty head count by the end of 2004/05 was 38% and the PASDEP target (2009/10) was 28%.

As PASDEP continued the ADLI strategy, thousands of Development Agents (DAs) were trained through the agricultural Technical Vocational Education and Training (TVET) initiative. Farmers Training Centres (FTCs) have been established and several farmers were also trained and encouraged to shift to small-scale, modern farming practices. Improved extension package services were implemented in accordance with the existing environmental and market conditions and were geared to addressing problems of production and productivity, as well as to responding better to farmers' needs.

The National Food Security Programme, called the Productive Safety Net Programme (PSNP), was launched with the goal of attaining food security for five million chronically food-insecure people and another 10 million who were badly affected by food shortages in drought years. The programme was designed to address shortfalls in food production, vulnerability to falls in consumption and incomes, and the consequent recurrence of famine faced by the country. The strategy includes measures to reduce the variability in crop production and overall food availability through greater irrigation and water control, diversification of crops, and more integrated markets, transport, and information links. It also included livestock development through improved breeds, forage development, and veterinary service; and the implementation of the national environmental programme that established regional environmental agencies and institutions by developing the necessary guidelines and laws to promote proper land use and soil conservation, water resource management, forest resource management, and wildlife and biodiversity utilisation and conservation.

Despite the improvements made in the country's second PRSP, there were doubts about the plan's contribution to achieving the set goals. For instance, UNDP (2005) noted that PASDEP requires several meaningful links to the MDGs: it needs clear actions that are able to achieve the MDGs by 2015, a timeline to ensure targets are ambitious enough and key parts of the population are reached, and to recognise fully the multidimensional nature of poverty and the interdependence of sector policies.

### 5.3 The Growth and Transformation Plan (2011-2015)

As a third generation of PSRPs, the government of Ethiopia adopted an ambitious five-year Growth and Transformation Plan (GTP) for the period between 2011 and 2015. Agriculture was the decisive strategy of PASDEP, and the GTP also sees agriculture as crucial to the social and economic development of the country. Sustaining the current 11 percent average rate of economic growth over the coming five years is the basic case scenario, while the high case envisages a doubling of current economic growth by

registering an average 14.9 percent economic growth for each year of the GTP period. The plan highlighted the doubling of agricultural output, the doubling of the economy, and massive infrastructure development in the next five years; industrial development is also expected gradually to lead the economy. Hence, the main objective of GTP is to meet the MDGs by the end of the programme period, i.e. 2015.

The plan has been criticised by the public, civil society organisations, development partners and opposition political parties as being virtually out of reach. The other criticism centres on the fact that there has been no rigorous evaluation of PASDEP that can serve as a basis for designing the GTP. On the other hand, the government insists that the plan is achievable in view of the country's economic performance in recent years.

In the GTP, seven strategic pillars are identified that are instrumental to accelerating development and attaining the MDGs:

1. Sustaining faster and equitable economic growth;
2. Maintaining agriculture as a major source of economic growth;
3. Creating favourable conditions for the industry to play a key role in the economy;
4. Enhancing the expansion and quality of infrastructure development;
5. Enhancing the expansion and quality of social development;
6. Building capacity and deepening good governance; and
7. Promoting women and youth empowerment and equitable benefit.

However, the GTP plan dropped the population pillar that was included in the PASDEP document (MoFED, 2010).

According to the GTP, agriculture will continue to be the engine of economic growth for the next five years. The focus will be on: strengthening market-oriented and improving agricultural production for local and international markets; encouraging private investment in the agricultural sector and providing better support for large-scale agricultural investment; developing potentially productive areas; encouraging farmers and investors to produce for the market and to grow agricultural products that can fetch better prices; conservation of natural resources through active participation of farmers and pastoralists; developing both ground and surface water sources and improving their uses; and the expansion of irrigation.

In particular, GTP envisages accelerated growth in the industrial sector by creating an enabling environment that will make the sector the basis of future economic development. In this regard, the focus will be on the development of small-scale and micro enterprises that foster export-based industrial development and import substitution. The

development strategy will prioritise industries that are labour-intensive and have wider market opportunities, use agricultural products as input, and contribute to faster technology transfer. Hence, real GDP growth is planned to grow from 10.1 % in 2010 to 11.5% in 2015, and per capita income from US\$235 to 354.7. It is anticipated that primary education and health coverage will have reached 100% by the end of the period.

## 6 The Role of Development Actors and Public Participation

### 6.1 Civil society organisations

The Ethiopian government recognises that civil society organisations (CSOs)<sup>1</sup> are important development partners in the country's efforts to fight poverty and bring about sustainable development. Over the past several decades, the contribution of CSOs to the various sectors of the economy such as agriculture, health, education, water, rural roads and other rural development activities has been instrumental in improving the livelihood of millions of people in the country. Nonetheless, CSOs' engagement needs to go beyond providing relief and development assistance and make significant contributions to policy (Kassahun, 2007).

Networks of CSOs have been more or less instrumental in raising attention to poverty, hunger and other needs. Only more recently, however, did they become more closely involved in the government-led poverty reduction processes. In March 2004, more than 40 CSOs came together to form the "Poverty Action Network Ethiopia" (PANE), an evolution of the earlier "NGO Task Force for the PRSP". PANE has carried out national and local awareness raising and planning workshops on the PRSP and MDGs in collaboration with government agencies in charge of PRSP. They also implemented a Citizen Report Card in five regional states of the country to provide independent user ratings of basic services including primary education, health, water, sanitation and agriculture. According to PANE, the Report Card was introduced to cross-check government data on poverty and development for the whole country, and was used as an input for the second PRSP. In addition, PANE provides training and technical support to strengthen effective communication and networking systems between CSOs, government and donors at various levels.

Civic organisations such as the Ethiopian Economic Association and Forum for Social Studies have also carried out broad activities in relation to the poverty reduction strategy programme. They organise workshops aimed at different sections of society such as farmers, technocrats, administrators, NGOs and civil society organisations as well as community-based organisations, people from religious bodies, unemployed youth, teachers, politicians including parliamentarians, and the private sector to gather views and opinions on the multifaceted features of poverty, their causes and remedies. According to Rahmato et al., (2008), they are also very active in promoting popular awareness and policy advocacy by utilising various mechanisms such as sponsoring radio and television programmes and publishing research outputs and policy briefs. Some CSOs promoted strategic activities to strengthen the capacity of the government to provide effective leadership, e.g. for drafting the food security strategy, preparing strategic and development plans for *woredas* and regions, and by organising training

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<sup>1</sup> The term CSOs is used in this document as a generic term referring to Civil Society Organisations, Non-Governmental Organisations (NGOs), Community Based Organisations, Professional Associations, and Faith-Based Organisations.

and awareness-raising opportunities. Others such as PANE are engaged in activities that aim to track, reflect on and inform about the performance of public institutions with regard to delivering planned poverty reduction services and goods (Rahmato et al., 2008).

## 6.2 Donors

The donor community is an important development force and partner in Ethiopia. Donors have been and are assisting Ethiopia's development efforts for a long time now and have been involved in preparing the PRSP. Ethiopia has so far received considerable support from international donors. In 2008, it was the largest recipient of net ODA disbursements in Africa, followed by Sudan and Tanzania, though the per capita ODA is still significantly lower than the sub-Saharan African average. Apparently, the Ethiopian government has maintained good relations with the donor community and has gained a reputation for reasonably good macroeconomic governance and for pursuing an economic strategy that complies with the requirements of the International Financial Institutions (Connolly, 2007). However, the fact that the country is highly dependent on aid and loans would make it susceptible to changes in the flow of aid, and there has also been a major problem of over-indebtedness, as the country's export performance and foreign-exchange-earning capacity remain low (Siraj, 2012).

Given the high incidence of poverty and the low level of per capita ODA Ethiopia currently receives, there is an expectation of increased ODA inflow to support the country's strategy and priority programmes for broad-based development and poverty reduction. Development partners are also expected to facilitate market access, trade and foreign investment flows to Ethiopia to contribute to the realisation of its development and poverty reduction objectives. There has been support for capacity building for trade so that the country can effectively make use of existing market access opportunities such as the African Growth and Opportunity Act (AGOA).

## 6.3 Donor–government relations

In late 2002, the MDG Task Force launched a public MDG campaign with an Amharic slogan, "Yichalal" (meaning "It is possible!") after the famous Ethiopian athlete Haile Gebreselassie. Targeting a broad audience, the campaign advocated the possibilities of reaching the MDGs and focused on making stakeholders aware of their potential roles and obligations. The campaign included radio spots, songs, an art competition, posters and more in order to reach all Ethiopians, including the many who cannot read. Other initiatives included a football match between parliamentarians and UN staff with the theme "Score a Millennium Development Goal!", broadcast live on Ethiopian television. The campaign used targeted activities to reach youth, government officials, donors, journalists and UN staff. Following the workshop, Members of Parliament agreed to incorporate the MDGs into the daily work of Standing Committees and attended additional training courses about specific goals (UNDP, 2005).

Nevertheless, the pattern of aid flow to the country is hampered by political instability, particularly in relation to elections. For example, bilateral ODA increased up to 2005 but returned to 2003 levels in 2007. This trend is indicative of the post-election unrest in 2005 that raised concerns among the donor community, particularly in the areas of democratisation and human rights, and resulted in the suspension of general budgetary support in 2006 (Chang, 2010). More recently, the government of Ethiopia has been wrangling with the donors over two issues - the issue of good governance and the need to undertake macro-economic reform.

Following the 2005 election, and the alleged involvement of NGOs in the process, the relationship between the government and the donor community soured, and a political and ideological war emerged between the two. In the hands of the big western donors, the approach became aid conditionality and a need for good governance predicated on Amartya Sen's concept of development as freedom (Sen, 1999). On the other hand, the government went so far as to describe NGOs as "the opposition in disguise", as most of them pursue a "rights-based" approach to development. In what is known as its Charities and Societies Proclamation,<sup>2</sup> the government struck at the foundations of the modern aid movement, whose objective was to "empower" the poor, not just to help them (Gill, 2010). The real challenge, however, came in the Proclamation's definition of an Ethiopian charity as one that acquired no more than 10% of its funds from foreign sources and the provision that only an Ethiopian charity could take part in activities such as "the advancement of human and democratic rights" and "the promotion of the rights of the disabled and children". Apart from technical limitations in the generation and unitisation of funds for poverty reductions activities, the Proclamation has caused widespread mistrust among development partners and the donor community.

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2 In February 2009, the Ethiopian parliament passed the Charities and Societies Proclamation (No.621/2009). This law is adopted to regulate all domestic and international civil society organisations carrying out activities in the country. The law has been strongly criticised by opposition politicians, international human rights groups and national civil society organisations.



## 7 Ethiopia's Development, Poverty Reduction, and MDG Challenges

In the following section, we shall discuss the challenges Ethiopia faces in implementing the ambiguous poverty-oriented policies described in Section 5.

### 7.1 Economic issues

Ethiopia faces macroeconomic challenges due to the sluggish impact of growth rates on the mass, a high debt burden, and its extreme dependence on the agricultural sector, which is sensitive to frequent external shocks such as droughts and unequal terms of trade. Historically, the country has experienced economic misfortunes under the previous regimes, whose cumulative effect is to restrict the available avenues out of poverty. Excessive dependence on the agricultural sector leaves a large part of the population at risk of famine due to low yields and vulnerability to frequent drought, a situation that is exacerbated by the weak rural infrastructure. Hence, household food security is a major challenge. Local grain markets are also unstable, and farmers have limited protection from price slumps when harvests are good.

### 7.2 Inflation and global economic crisis

Other challenges that could seriously derail the drive towards attaining the MDGs could be the high current inflation rate, estimated by the Central Statistical Authority (CSA) at 18.4% in 2007/08. Historically, Ethiopia has known low rates of inflation. According to the CSA (2010), food inflation was 23.6% in 2007/08. Rural households that are net producers of food have benefited to some extent from rising prices. However, most rural households are either net buyers of food or rely on food aid to meet their food security gaps. Rural households tend to spend more of their income on food and the recent increase in food prices has meant that poor rural and urban households are finding it more difficult to secure adequate food supplies, particularly since food prices are rising faster than the prices of non-food items. In addition to high food prices, the price of fertiliser has more than doubled in the past year. Such high prices are likely to reduce the application of fertilisers, with potentially adverse effects on future food production and on agricultural and economic growth (FDRE, 2008).

Poverty reduction and development efforts tend to be threatened by recent challenges such as the global economic crisis which was exacerbated by food and fuel crises in 2007–08 (OECD, 2010). The energy sector in Ethiopia is dominated by biomass fuels, which account for 89% of total energy consumption in 2006. IMF forecasts indicate that a growing share of Ethiopia's export earnings will be spent on oil imports; petroleum fuel imports will absorb 99% of export earnings in 2013/14, compared to 89% in 2009/10 (EEA, 2009). The economic and energy crises have resulted in sluggish, or even negative, economic growth, diminished resources, fewer trade opportunities for developing countries, and possible reductions in aid flows from donor nations, seriously jeopardising growth and the MDGs.

It is expected that consumption of petroleum will rise as the country becomes more developed; and the country has been totally dependent on imports to meet its requirements for all types of petroleum products. A rise in oil prices increases government expenditure on implementing the activities it designs, thereby forcing the government to reduce its ambitions in the areas most affected by the increased oil price and cut back on these activities (Figure 2). It furthermore worsens the balance of payments, which in turn affects the government's ability to purchase the imports necessary to implement the strategies, resulting in a lack of foreign exchange. Similarly, increasing oil prices make fertiliser imports expensive, as production of nitrogen-based fertiliser is energy-intensive (natural gas) and is one of the most price-sensitive commodities with respect to oil prices. Therefore, escalating oil prices could greatly handicap the country's development endeavours.

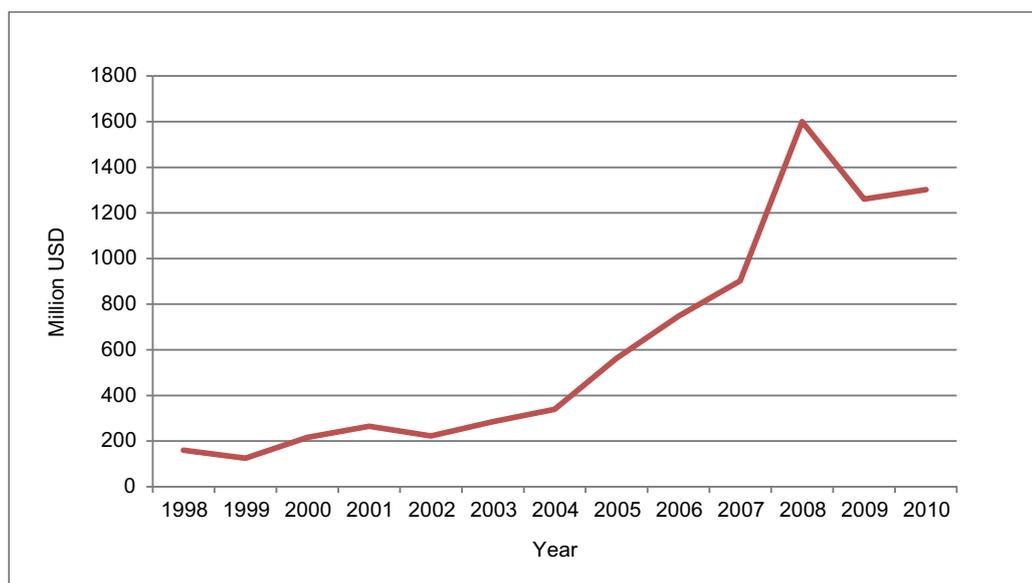


Figure 2: Petroleum imports between 1998 and 2010. (Source: Ethiopian Petroleum Enterprise, 2010)

### 7.3 Savings and investment

Other major constraints to building the productive capacity of the Ethiopian economy are limited savings and investment. There is 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 extreme poverty. Foreign Direct Investment has been quite limited compared to other developing countries. The government has implemented reforms to attract and encourage private sector investments although the sector is still in its infancy. The debt burden and limited development assistance have also thwarted the country's efforts to move forward. Though revenue did grow, it was not sufficient to support the development efforts. All these have been major constraining factors on poverty reduction and achieving the MDGs.

## 7.4 Infrastructure development

Limited infrastructure is still one of Ethiopia's greatest challenges in its endeavours to bring about socio-economic transformation and poverty reduction. The country's road network is among the least developed in Africa, a density of 29 km per 1000 sq. km in 2001/02 meaning that vast expanses of the country's potentially productive areas lay far from all-weather roads. A limited, but growing, telecommunications network and power sector is also important predicaments. There are nevertheless encouraging recent signs, particularly in access road building and hydropower development, whose contribution to poverty reduction would be considerable.

## 7.5 Population growth and land-related issues

One major contributing factor to the challenge of reducing poverty in Ethiopia and other African countries is continuing rapid population growth. Ethiopia's population gains about 2 million people every year at the current population growth rate of 2.6%. It is a serious challenge to have 1.5 – 2 million new mouths to feed every year and to create jobs for the growing population when agricultural plots are already too small to support their consumption. The number of people in need of health, education, economic, and other services is large and increasing, which in turn means that the amount of resources, personnel, and infrastructure required to meet the MDGs is also increasing. In light of this fact, development efforts in support of the MDGs should not overlook the importance and benefits of slowing population growth (Villanger, 2006).

However, the government of Ethiopia is apparently passive on issues of population pressure. For instance, population has been removed as one pillar of development in the new GTP (MoFED, 2010). Faced with the dual challenge of population and development, the Government of Ethiopia focused more on development without paying enough attention to issues of family planning and population policy. Low in-country funding for the family planning service,<sup>3</sup> a lack of programmatic detail for family planning (USAID/HPI, 2007) and an unfavourable policy environment that is not supported by public authorities such as the head of the government (USAID/HPI, 2009) are proof of the lower attention given to family planning services in Ethiopia. According to Gill (2010), the question remained whether the government had acted robustly enough in tackling the twin elements of its original analysis that population growth and agricultural backwardness were equally responsible for the country's poverty.

Another impediment to sustainable poverty reduction in Ethiopia is the strong nexus between land degradation, low agricultural productivity and rural poverty (FDRE, 2008). A lack of improved technologies and land-use planning, combined with deforestation, perceived land tenure insecurity, soil erosion, overgrazing, drought and population pressure contribute to severe environmental deterioration. Per capita land holding is generally di-

<sup>3</sup> The amount of money spent on family planning services between 2000 and 2010 was around US\$ 1.2 million (<http://rhi.rhsupplies.org>), while the Government of Ethiopia spent US\$ 426 million purchasing fertilizer between 1996 and 2004 (EEA, 2009).

minishing in the country. According to the World Bank (2007a), per capita landholdings in Ethiopia have decreased to 0.21 ha in 1999 from the 1960s level of 0.5 ha. Long-term leasing of agricultural land for large-scale commercial crop farming is an emerging and hotly debated issue in the country. Over the past five years, the government has leased out a considerable area of farmland to domestic and foreign investors, and there is a growing concern that this will undermine poverty reduction efforts.

## 7.6 Climate change

The effects of climate change are also becoming increasingly apparent. Ethiopia is extremely vulnerable to the impacts of climate change due to various social, economic and environmental factors. In particular, high poverty levels, rapid population growth, over-reliance on rain-fed agriculture, high levels of environmental degradation, chronic food insecurity, and frequent natural drought cycles increase its climate change vulnerability (Kidanu et al., 2009). A 2008 World Bank study about the impact of climate change on the Ethiopian economy also indicated that the Ethiopian economy is heavily dependent on rain-fed agriculture, and its geographical location and topography in combination with low adaptive capacity make it highly vulnerable to the adverse impacts of climate change (World Bank, 2008). Another study by Kidanu et al. (2009) on the health dimension of climate change noted that children aged five and born during a drought are 36 percent more likely to be malnourished and 41% more likely to be stunted than those born during a period of normal precipitation. There are also studies that indicate the positive correlation between climate change and malaria prevalence in the country. Climate change is therefore one of the country's main challenges in its endeavours to eradicate extreme poverty and hunger in particular and attain the MDGs in general.

## 7.7 Conflicts

The unprovoked Eritrean war of aggression against Ethiopia in 1998 displaced families from their communities and destroyed infrastructure. During this time, not only did increases in official defence spending significantly reduce funding to other sectors, especially for anti-poverty programmes, but donors and investors also reduced their support (World Bank, 2004 cited in Xinshen and Alejandro, 2005). This in turn, at least temporarily, slowed the poverty reduction pace the country had achieved. Political instability, including border conflicts, remains a possible threat to achieving the MDGs (FDRE, 2008). Collier (2007) noted that one of the factors behind the lack of growth in countries like Ethiopia is the trap of being landlocked with unfriendly neighbours. In general, the UNDP (2003) recommends that breaking out of poverty traps requires a multifaceted approach, one that goes beyond the usual sound commandments of good economic and political governance. It further identifies crucial policy clusters for countries trapped in poverty, which include:

1. Investing in human development;
2. Helping small farmers;
3. Investing in infrastructure;
4. Industrial development policies that bolster non-traditional private sector activities, with a focus on small and medium-sized enterprises;
5. Human rights and social equity; and
6. Promoting environmental sustainability and improving urban management.

As shown above, many of these points are proving difficult for Ethiopia to solve in its battle against poverty. Sachs also explained this very well (2005). He identified factors that make some countries fail to achieve growth while others thrive and control poverty. He particularly mentioned the importance of fiscal traps, where governments have little room for manoeuvre to supply social and economic infrastructure; physical geography, which creates variations among countries in natural resource endowments, access to ports, and differences in climate and soils; governance failure, where governments fail to promote an enabling environment for growth that incorporates the private sector, and other traditional roles of government; cultural barriers that block the role of women, leaving half of the population without economic or political rights and without education; geopolitics through trade barriers that are erected by foreign countries either on grounds of good governance or to topple a regime that they do not like; a lack of innovation mainly discouraged by the absence of a large market that increases the incentive to innovate and bring new technologies; and the demographic trap, whereby poor countries are caught in high fertility and low income (Sachs, 2005).

## 7.8 Institutional issues and ownership

Other key obstacles to the successful implementation of the poverty reduction programmes include limited institutional capacity, weak monitoring and evaluation systems, and a lack of stakeholder ownership of the knowledge management and communication strategy. The other important dimension of the institutional problem is capacity deficiencies in the public and private sectors and in civil society, which include the lack of an efficient, transparent and accountable civil service. A strong judicial, legal, and regulatory framework is another outstanding task for the country. Also, failure to strengthen the implementation capacity of the decentralised administration will slow down the pace of planned investments and with it the achievement of the MDGs.



## 8 The MDGs and the Prospects of Poverty Reduction in Ethiopia

Since it committed itself to meeting the MDGs in general and poverty reduction in particular, the Ethiopian government has devised a number of development strategies that were discussed in earlier sections. The efforts so far show promising developments towards meeting the MDG targets, although a lot still needs to be done in the remaining period. The economy needs to grow at an average rate of 5.7% per annum in real terms until 2015 to contribute substantially to poverty reduction targets.

According to MoFED (2005), a national poverty rate of 48% in 1990 was reduced to 44.2% in 2000 and then to 40% by 2004/5. The national food poverty index decreased from 42% in 1999/00 to 38% in 2004/05. Nevertheless, the rate of change is so slow that the country is labelled as being unlikely to meet the target by 2015 if the trend continues in this direction (UNDP, 2005). Although the MoFED report (2005) stated that targets related to poverty, hunger, education and health were well articulated in the PRSP and fairly consistent with the MDGs, understanding developed that Ethiopia's strategies lacked specific, scaled-up actions that would be able to achieve the MDGs by 2015. There were concerns that the country did not have enough resources and hence official development assistance would need to double, at the very least, to reach the MDGs, and a greater share of expenditure would need to go to longer-term investments in agriculture, education and health (UNDP, 2005).

In the past five years, Ethiopia has registered meaningful economic growth. The macroeconomic performance and development outcomes of PASDEP indicate that annual average GDP growth was 11% over the period 2006-2010 (MoFED, 2010). The total percentage of the population living below the poverty line declined from 39% in 2005 to 29.2% in 2010, while the total percentage living below the absolute food poverty line decreased from 38% in 2005 to 28.2% in 2010. Regarding the non-income poverty indicators, primary education gross enrolment rate leaped from 79.8% to 94.2% in the PASDEP period. The percentage of primary health service coverage showed a dramatic increase from 30% in 2005 to 89% in 2010, while the maternal mortality rate (per 100,000 population) and the infant mortality rate decreased from 871 to 590 and 123 to 101 respectively over the same period.

Through the GTP, the government intends to achieve the MDGs by 2015. However, the success of the GTP depends to a great extent on the country's financial capacity, which the government is campaigning to generate from internal and international sources. On the other hand, policy reforms in the legal system to enforce contracts, safeguard property rights, reduce conflicts and improve the efficiency of civil services remain major preconditions for generating a growth pattern that ensures faster poverty reduction and sustainable development in the country. The private sector needs to be encouraged, and an enabling policy environment should be put in place, though there are already some efforts to increase domestic credit and ensure functioning credit markets.

The government strongly believes that land certification<sup>4</sup> has helped to improve the security of land tenure and transport linkages (MoFED, 2005). The contribution of investment in basic infrastructure, which helps to accelerate growth relative to the base rate, is very important for achieving poverty reduction efforts. According to Sundberg (2005), the on-going comprehensive tax reform, which is designed to create a strong domestic revenue base for sustained growth and poverty reduction, is another area of government intervention with implications for sustained social impact.

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4 Private ownership of agricultural land is not permitted in Ethiopia. All land belongs to the state and people of the country and farmers only have the right to use land under their holding and transfer it to their siblings. Farmers cannot sell or mortgage their land. Rural land certification is one of the recent reforms carried out by the government with the aim of ensuring tenure security and improving agricultural productivity.

## 9 Some Criticisms of Ethiopia's PRSP and the Debates

This section outlines some of the major criticisms related to the Ethiopia's PRSPs and the debates surrounding it.

### Is ADLI a viable strategy?

Researchers and civil society organisations have persistently disputed the success of ADLI as a viable development strategy to eradicate extreme poverty and hunger in Ethiopia (e.g. Teshome, 2006; Rahmato, 2008). The strategy is criticised for failing to bring about the anticipated food security and sustainable economic growth in the country since its adoption in 1993. Farm size, a lack of tenure security and declining productivity are some of the constraints that will continue to affect agricultural development in the years ahead. Despite such criticism, the government continued to focus on agricultural development as an engine of the Ethiopian economy in the previous two PRSPs and in its current Growth and Transformation Plan (GTP), although there is a belated move by the government to give more emphasis to the industrial sector in its plan to transform the economy from agriculture-led to a balanced form (MoFED, 2010). This, among other things, is reflected in the plan to increase the share of the industrial sector in the growth of GDP from 11.7% in the five PASDEP years to 28% in the next five GTP years (EEA, 2011).

In addition, there have been concerns about the contents of the PRSPs. Villanger (2006), for instance, has noted that the relationship between the poverty analysis and the poverty reduction strategy is clear, even though the poverty analysis as spelled out in the document seems a bit shallow. He contends that PASDEP provided no detailed analysis of how the different components will translate into income generation, and no pointers as to the extent of overall agricultural growth. It also lacks an analysis of what the major obstacles to agricultural growth have been and fails to explain why agriculture has performed poorly in recent years.

According to Ellis and Woldehanna (2005), poverty reduction strategies require a re-balancing of priorities so that promotion of agriculture is placed in a broader context of facilitating the transition from farm to non-farm occupations. This is because the current strategy is risky, since gains in agriculture will be continuously eroded by farm sub-division and shrinking grazing land, with the result that rural household living standards will remain more or less the same indefinitely. Analysis of the business-as-usual growth path based on average agricultural and non-agricultural growth trends for 1995–2002 by Xinshen and Alejandro (2005) indicated that 90% of total crop production increases and 70% of cereal production increases resulted from area expansion, not from an increase in land labour productivity; and the cereal production growth rate was below 2% per year, which is lower than the 2.5% population growth rate.

Their analysis further revealed that the livelihoods of the majority of Ethiopians will not improve by 2015. Without changes to the country's current economic environment, growth in agriculture will not keep pace with the population growth rate and the national poverty rate will rise (the model forecasts an increase from the 2003 highpoint of 44.4% to 45.7% by 2015). Under these conditions, the majority of the country's poor people will continue to struggle to meet their most basic needs. The researchers argue that considerable growth in staple crops – especially when combined with better performance in the livestock sector – would stimulate GDP and agricultural GDP growth which, in turn, could significantly reduce poverty in Ethiopia, as small farmers would directly benefit from improved staple crop productivity.

Successful poverty reduction and fulfilment of the MDGs in Ethiopia necessitates growth in all agricultural sub-sectors as well as in non-agricultural sectors. Kelly et al. (2003 cited in Xinshen and Alejandro, 2005) contend that an agriculture-led growth strategy does not imply that investments should be in agriculture alone. Poor infrastructure and dysfunctional markets prevent farmers from profiting from agriculture. Hence, improving market conditions creates a more efficient trading sector, which itself can generate greater non-agricultural income at constant costs, thereby contributing to poverty reduction. There is a weak linkage between the agricultural and non-farm sectors in the country, which makes livelihood diversification elusive. This is partly due to the low incentive provided by the non-farm sector, which in turn is a result of a lack of policy (at least until recently) and strategy that recognises the role of the non-farm sector; low productivity and income from agriculture deny the opportunity for income generated in the sector to be invested in high-return activities in non-farm sectors, and imperfect factor markets (especially rural land markets) hinder the partial or full occupational shift of farmers out of farming (EEA, 2009).

The recent development and poverty reduction plan (GTP) appears to be a shift – or at least laying the foundations for a shift – from an agriculture-dominated sector to one in which industry will play a pivotal role in the economy. However, it seems that sufficient groundwork has not been done to allow this leap forward. Various bottlenecks are likely to be encountered. The infrastructure is in its infancy, there is a fragile economic base, the quality and quantity of trained labour is still a formidable problem; the aid dependency syndrome is still invasive; capital resources are scarce, prices of import commodities – particularly petroleum, which touches all sectors of the economy – have been escalating; inflation has been a major problem during the PASDEP period and will continue to be so in the GTP due to the investment boom; the export sector has a narrow base and still suffers from price shocks; there is rainfall unreliability; corruption is still pervasive; and people's work and saving culture capital accumulation has been very low.

### Stakeholder engagement

Since poverty is a multidimensional and dynamic phenomenon with multiple causes that display economic, social and political characteristics, poverty reduction efforts should involve all stakeholders. In particular, the formulation and implementation of poverty reduction policies, strategies and programmes requires the active participation

and engagement of key stakeholders such as academics, the media, civil society organisations and the private sector (Girma, 2008). The central tenet of the PRSP is that there should be increased engagement and ownership of local stakeholders, which include the private sector, CSOs, the media and others. Although the introduction of the PRSP entailed unprecedented discussions with stakeholders at the different levels of the administrative tier (federal, regional and *woreda* levels), it is questionable to what degree these discussions were genuinely consultative (Brown and Teshome, 2007).

The country's policy-making process is criticised for being largely top-down. In the PRSP process for instance, there was massive public consultation, although the contributions generally did no more than endorse the policies and strategies that the government had been pursuing long before the PRSP initiative. The Ethiopian government also insisted from the beginning that the country had been pursuing poverty reduction strategies well before the PRSP initiative and nothing really new was added, apart from involving the public and sharpening the poverty focus (Teshome, 2006).

CSOs in Ethiopia have grown substantially over the past four decades, mainly during the 1970s, due to the droughts and famines, and in the early 1990s, due to the legal provision that citizens have the right to organise themselves freely, and within the parameters of the law (Kassahun, 2007). They have become important channels for the delivery of social services and for the implementation of development programmes, especially in areas where government capacity is weak or where the regions are marginal and beyond the reach of government for various reasons.

For the Ethiopian civil society, however, engaging in policy-making and advocacy related to poverty reduction presents many challenges. Civil society has been able to take advantage of the opportunities offered by the poverty reduction strategy process, in particular the requirement that a broad range of stakeholders be consulted. In 2001, when the Ethiopian government produced a poverty reduction strategy, various CSOs got the chance to organise and participate. They formed a taskforce within an umbrella organisation, the Christian Relief and Development Association (CRDA), which provided a platform to coordinate members' views and a means of informing them about the PRSP process. As many CSOs members lacked the experience or skills needed to engage in policy analysis and advocacy work, the taskforce then decided to expand its membership to include professional associations and research institutes, and re-launched itself in 2004 as the independent Poverty Action Network Ethiopia (PANE). Nevertheless, the involvement of CSOs in the first PRSP was much lower than in other countries, reflecting the lower level of civil society development and the weak relationship with government or the limited opportunities for involvement (Connolly, 2007). CRDA and PANE played a considerable part in preparing and monitoring the second PRSP – which is entitled PASDEP.

However, it is strongly believed that CSOs/NGOs have had a significant impact on the overall development effort of the country: on the lives of the poor and the disadvantaged, and the broad range of basic services made accessible to them; on the country's economy and the development programmes; on the process of democracy building, access to justice and good governance; on public awareness and empowerment; and on

the capacity of government agencies especially at the *woreda* and *kebele* levels (Rahmato et al., 2008). Nevertheless, the political environment remains very difficult for many CSOs to freely engage in development activities and policy advocacy, especially since the passing of the Charities and Societies Proclamation mentioned above. Critics considered the new law to be an effort to suppress civil society activities and to restrict the will and ability of international partners to support poverty reduction and sustainable development efforts in the country (Brown and Teshome, 2007; Connolly, 2007).

Private sector participation in the economy is an area of discussion within the country. The private sector is a crucial stakeholder in the effort to bring about structural changes in the economy and foster the country's endeavours to end poverty. However, the country's private sector is still too young, its life span being less than two decades. The political environment within which the private sector operates is largely to blame for not being conducive to the growth of the sector. Hence, its influence in the policy-making process is fairly limited, with the exception of the Chamber of Commerce which has had some success in lobbying for a more enabling environment for business (Brown and Teshome, 2007). According to PANE (2007), expansion of the private sector with a major emphasis on export diversification and job creation would create better opportunities for improving the lives of the poor, as well as producing more of the required goods and providing enhanced services. However, the World Bank (2008) has indicated that the formal private sector in Ethiopia has not been a dynamic engine of growth, and in general Ethiopian firms are not internationally competitive. In terms of the overall business climate, access to land and the tax regime appear to be the major concerns voiced by private firms in the country.

### The need for capacity development

As the PASDEP clearly indicates, the government recognises inadequate capacity as the chief constraint to the country's development and to the MDGs being achieved. This inadequacy is manifested in limited technical capacity and limitations in the required number and quality of institutions, working systems and human resources. The role of the private sector is quite significant in this regard. International actors such as the World Bank, the IMF and bilateral donors exercise influence on Ethiopian policy-making. The SDPRP is an example of a process in which the government was "forced" to repackage its existing poverty-oriented policies to meet the financial institutions' requirements (Brown and Teshome, 2007).

Urban poverty remains an issue of policy debate in the country. There is a growing influx of the rural poor to urban centres in search of better opportunities. The capital, Addis Ababa, and other emerging major urban centres in the country are already experiencing severe levels of poverty. PANE (2010) argues that, despite the prevalence of a high level of urban poverty in the country, development policies and planning frameworks remain rural-centred with limited opportunities and support for potential contributions by the urbanisation process to socio-economic development. PANE's criticism in this regard is quite normative, since urbanisation has also been seen as the root cause of "African cities in crisis". The role of the manufacturing sector in creating employment in urban areas is also very limited due to the sector's low level of

development, its relatively high capital requirements for investment and its utilisation of imported material inputs, which has eroded the country's foreign exchange reserves (Enquobahrie, 2004). Hence the focus on ADLI as the key to poverty reduction may be seen as an insufficient attempt to address the growing impact of urbanisation, both in terms of problems and opportunities. Cognizant of this fact, and learning from ADLI's shortcomings, the Government of Ethiopia has begun to pay attention to the industrial sector and, although agriculture remains the main engine of the economy, in the five-year period from 2010/11 to 2014/15 there will be considerable structural transformation of the industrial sector (MoFED, 2010), despite very ambitious targets.

### Issues of governance

Girma (2008) argues that the concept of poverty reduction has some ambiguous features and is imprecise in its meaning – the poverty index could be reduced without necessarily reducing the absolute number of people floundering in chronic poverty. The issue of governance in addressing poverty in Ethiopia is also considered a vital element in the poverty alleviation process. According to Sundberg and Lofgren (2005), simply tripling or quadrupling aid cannot help achieve the MDGs in Ethiopia. Several other, perhaps even more important conditions must also be met, including improvements in governance, strengthening institutions, and improving the business climate, in the same way as serious steps by donor countries to improve the quality and alignment of aid with national strategies, and the harmonisation of administrative procedures. Good governance can facilitate participatory approaches to poverty issues, ensuring power sharing and empowerment of the poor. The implication of such a perspective is that poverty could be eliminated only if there is a national consensus and support, and a nation cannot consistently reduce – let alone eliminate – poverty through foreign aid. It is therefore important to develop poverty elimination strategies that appeal both to the poor and the non-poor in society and to emphasise the idea that eliminating chronic poverty is in the economic, social and political interest of the whole population of a nation (Girma, 2008).

### Land tenure security

The other bone of contention relates to whether land should remain the property of the state or be privatised. In this case it is argued that the existing state ownership of land does not allow for sufficient tenure security and hence undermines the incentives for productive and sustainable use of agricultural land. Access to land and land tenure security are central to rural poverty reduction. Nevertheless, the government seems determined to keep the system of state ownership of land intact.

In an effort to ensure security of tenure, the Ethiopian government has started land registration and certification. Although the certification of land rights is likely to reduce the impact on investments or transfer rights, it may not eliminate systemic uncertainty of tenure security (Deininger et al., 2007). On the other hand, based on a survey of land tenure conducted in the country, Seifu (2002) contends that a marginally higher section of society favours state ownership of land and the government's effort to issue land certificates. A recent study by Rahmato (2009) in the northern and southern

parts of the country indicates that there is no evidence that land certification has given peasants any sense of empowerment and autonomy or that their subordinate attitudes towards the state and state officials has changed in any way since. The study noted that some of the institutional changes at grassroots level that have accompanied land certification have enhanced the authority of the state over the farm household.

Girma (2008) underlines that Ethiopia has a formidable challenge if it is to address the problems of poverty and hunger in the medium to long term. The median variant of Ethiopia's projections indicates that it will have a population of about 97.2 million by 2015. An additional two million people or so every year implies that even if the country were to succeed in reducing the poverty index by half from its current level, about 21.5 million Ethiopians will be living in chronic poverty by 2015. This casts doubt on the success of the government's current PRSP strategies to meet the targets by the end of the MDG period.

## 10 Conclusion

The Millennium Development Goals (MDGs) are the most broadly supported, comprehensive and specific development goals the world has ever agreed upon based on global development aspirations. Eight goals were created that were to be achieved by the year 2015. They provided concrete, numerical benchmarks for tackling extreme poverty in its many dimensions. One of the eight goals is to eradicate extreme poverty and hunger; it is known as MDG1. Ethiopia was among the developing countries that adopted the Millennium Declaration in 2000. The country has entered into a political commitment to devise and adopt appropriate strategies that will help achieve the MDGs. The country has perhaps over-emphasised poverty reduction and thus the government has developed PRSPs in order to deal with the severe poverty situation in the country. However, despite the improvements that have been made so far, there are doubts as to whether the country will achieve the development goals by 2015.

Ethiopia faces macroeconomic challenges due to sluggish growth rates and extreme dependence on the agricultural sector, which is susceptible to frequent external shocks such as droughts and unequal terms of trade. An excessive reliance on the agricultural sector leaves a large part of the population at risk of famine due to low yields and vulnerability to frequent droughts. The strong nexus between population pressure, land degradation, low agricultural productivity and rural poverty poses a serious constraint to sustainable poverty reduction in the country. Issues of population pressure have apparently received little attention from the government; they are not well integrated into the PASDEP, nor into the new GTP. Other key challenges to the successful implementation of the poverty reduction programmes include limited institutional capacity, weak monitoring and evaluation systems, and a lack of stakeholder ownership. This implies that the strategies that have been pursued lack specific and up-scaled actions that will be able to help achieve the MDGs by 2015. The recent global economic downturn, which has been exacerbated by food and fuel crises, has led to sluggish, or even negative, economic growth, diminished resources, fewer trade opportunities, and a reduction in aid flows from donor nations, resulting in debilitating conditions for growth and hopes of attaining the MDGs.

The experiences of poverty reduction efforts in Ethiopia indicate the need to step up the involvement of key stakeholders. Although the introduction of the PRSP entailed unprecedented discussions with different stakeholders, the degree to which these discussions were genuinely consultative is questionable. In general, the policy-making process in the country is criticised for being largely top-down. Massive consultations in the PRSP process have been conducted with the public, although the popular contribution has largely been no more than the endorsement of existing policies and strategies. As clearly indicated in the PASDEP, the government recognises that inadequate capacity is the chief constraint to the country's development and attainment of the MDGs. This inadequacy is manifested in limited technical capacity and limitations in the required number and quality of institutions, working systems and human resources. Successful poverty reduction and fulfilment of the MDGs in Ethiopia necessitates growth in all agricultural sub-sectors, as well as in non-agricultural sectors. The GTP

appears to be a shift – or at least lays the foundations for a shift – from an agriculture-dominated sector to one in which industry will play a pivotal role in the economy. However, it seems that the groundwork has not been done for this leap forward due to several constraints ranging from basic infrastructure development to the lack of an enabling policy environment. This casts doubt on the success of the government's poverty reduction strategies to meet the targets by the end of the MDGs period.

Poverty reduction strategies and the MDGs are reflections of the lessons learned and experiences acquired from the failure of past IMF and WB policies such as Structural Adjustment Programmes (SAP). These policies imposed on developing countries have contributed the least to poverty reduction and therefore to a further exacerbation of poverty in some countries, and led to a decline in these countries' development. This suggests that there is a need to devise a holistic approach that focuses on meeting human needs along with a concomitant reduction of poverty. However, the holistic approach should not be a one-size-fits-all strategy, as countries have different cultures, histories, geographies, economic status, and capacity. More importantly, it is wrong to lump together different countries with different levels of economic status to achieve the same targets.

Most of the targets set in the MDGs are numerical. Although such high numerical targets serve as a motivation for more aggressive action to achieve those goals, they are also dangerous. The fact that over-ambitious numerical targets are set for African governments to achieve has led these countries to sacrifice quality for quantity. The problem is even more risky for countries like Ethiopia, and other countries in Africa that started from low levels and performed unsatisfactorily in the 1990s. In the rush to meet these targets, these countries have therefore either manipulated data or use pseudo indicators or compromise on the quality aspects of development.

For Ethiopia, one clear observation is in the education and health sectors, where access and coverage are satisfactory, but the achievements have come about largely at the expense of quality. Such neglect of quality could have far-reaching consequences for the country's sustained development. Therefore, the MDGs need to be assessed with qualitative methods and approaches to support or oppose achievements made through quantitative ones. Also, valid, standard and reliable indicators need to be developed for the quantitative targets. Missing and/or less emphasised MDGs such as conflict resolution, fair trade, energy security, population pressure, etc., which the countries of the bottom billion are facing, need to receive considerable attention in the global fight against poverty or in the struggle to eradicate extreme poverty.

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## Working Paper Series, SRP 4 “MDGs”

**The present study is part of the Working Paper Series for the Special Research Project on “Poverty-oriented development policy beyond the Millennium Development Goals”.**

With 2015 fast approaching, a sense of disenchantment is growing in some circles as many working towards the high-profile Millennium Development Goals realise how far out of reach they remain. Disillusionment is already giving way to critical reflection, however, and the contours of a new critical discourse on global poverty and development are beginning to emerge. Many have begun questioning implicit norms and assumptions that underpin the MDGs. Critics see the first goal in particular – “to reduce by half the proportion of people living on less than a dollar a day” – as subtly re-enforcing a mainstream view of poverty couched in ideals of global capitalism and market growth.

An NCCR North-South working group is examining the emerging critical debates, which are likely to shape development policy and interventions for years to come. The working group is seeking to generate an overview of the debates within a range of specific countries, i.e. India, Nepal, Pakistan, Ethiopia, Ivory Coast, Costa Rica, Bolivia, and Switzerland. The overviews will define core dimensions that characterise these debates, and critically assess them in light of NCCR North-South research findings. This will help formulate recommendations for a post-2015 development agenda based on differentiated experiences and understandings – globally and locally – of poverty, poverty alleviation, and well-being. Please follow the project at <http://www.north-south.unibe.ch/content.php/page/id/320>

The present Working Paper by Aklilu Amsalu provides the working group with an overview of related debates at global level. Responsibility for its content rests with the author.

Zurich / Bern, August 2012, Urs Geiser and Didier Péclard, Project Coordinators

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Ethiopia was one of the developing countries of the world that adopted the Millennium Declaration in 2000. Since then, the country has entered into a political commitment to introduce appropriate strategies that will help achieve the MDGs. Poverty reduction is one of Ethiopia's major development challenges. The country developed PRSPs (Poverty Reduction Strategy Papers) in order to deal with extreme poverty and hunger in line with the targets set in the MDGs. However, despite an impressive growth record in recent years, there are doubts about whether the poverty reduction strategies will succeed in leading the country to meet the targets by the end of the MDG period.

Ethiopia faces macroeconomic challenges due to sluggish growth rates and is extremely dependent on the agricultural sector, which is vulnerable to frequent external shocks such as droughts and unequal terms of trade. Low levels of incomes and savings, productivity challenges in the agricultural sector, limited implementation capacity, and unemployment are also major hurdles the country has been facing in its efforts to eradicate poverty. An excessive reliance on the agricultural sector coupled with a narrow modern industrial sector base leaves a large part of the population at risk of famine due to low yields and vulnerability to frequent droughts. Therefore, successful poverty reduction in Ethiopia requires growth in all agricultural sub-sectors, as well as in the non-agricultural sectors.

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