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Power crisis, social insecurity and deepening of poverty in Ethiopia

1. Tracing the Traditional Past and the Present Deviation

Ethiopia is one of the world's oldest country with around 3000 years of history of statehood. It is the only country in Africa that could defended it's independence and territory against the colonial powers. The ethnic groups that belongs to the Semitic language group (Amharas, Tigrays, Gurages etc.) settled mostly in the Northern and central part of the country. The kings that ruled Ethiopia for centuries linked the history of their Christian kingdom, their family tree, and tradition partly with the Jewish society. Mainly the kings claimed their comings to the throne being elected by God from the conquering lion of Judah. The Kushitic (e.g., Oromo, Sidama, Somali etc.), Omotic (e.g., Welayta, Kefa etc.) and groups that speak the Nilo-Saharan languages mainly settled in Central, Eastern, Western, Southern part and the boarder areas. Amharic is the official language of the country. It is estimated that over half of the population speaks Amharic (Mulatutu and Yohannes, 1988:126). The conservative cultural and social life of the Ethiopians have origins and reflections of the beliefs from Animism, Judaism, Christianity and Islam. Even though the late-comer Islam and its Ethiopian followers are significantly present in Ethiopia, the traditional link of the monarches with the Jewish people and the Christian civilization of Europe was firm and strong. The arrival of the Portuguese crusaders to defend the Ethiopian Christians from the invasion of Islam in the 15th century (S.Pankhrst, 1955:328-338) and the ambition of Ethiopian kings such as Kaleb (5th cent.), Tewodros and Yohannes (19th cent.) to liberate Ethiopians and Jerusalem from the Islamic rulers, justify this fact.

1. The Merits of the Traditional Administration

The modern history of Ethiopia has greatly connected with emperor Haile Silassie who ruled Ethiopia for 44 years (1930-74) and was a prominent figure from Africa in the anti-fascist struggle in the Second World War. Under his rule Ethiopia has become a founding member of different international organisations and he was the only African leader (South of the Sahara) who raised voices in favour of the Africans during the era of colonialism. Though he was successful in international diplomacy, domestically his regime kept the Ethiopian society under the nightmare of the middle age in every respect i.e., social, economic, culture, health, etc.

2. In Defiance of the Imperial Power

(1) The First Crack

Since Italy's defeat in Ethiopia in 1941 up to 1960 opposition to the emperor came from various quarters of the population included by few noblemen, provincial governors, nationalists, soldiers and young university graduates. The most serious power crisis faced by the emperor was the abortive coup of December 1960 carried out by the imperial body guard which left a feeling on the nation that the imperial rule which had been considered as a divine power can be challenged.

(2) The Second Crack

The global radical political movement that gave rise to a sweeping changes both in political and economic thinking in the 1970s had affected the Ethiopian intelligentsia in all aspects of life, too. The process of transformation from imperial rule toward democracy has been visible since the early 1970s. However, most of the intellectuals and the youth were aware of the limitations with regard to social organization. In the period 1960s up through 1970s three types of opposition movements can be identified. The first one was

intellectuals and students-led leftist and liberal non-violent movement for democracy, that comprised a variety of organized civilian groups, of which the three most important were the Confederation of Ethiopian Labour Unions (CELU), the Ethiopian Teachers Association (ETA) and the National Union of Ethiopian University Students. The second opposition grew from young officers that sourced themselves from the military and police officers training schools in Harer, Debrezeit, Mitswa, Holeta and Addis Abeba as well as from those soldiers attended civil colleges and made frequent contact with civilian intellectuals. The inner circle of the military government that ruled Ethiopia for seventeen years (1974-1991) had been educated in the above mentioned military science institutions which was almost equivalent to the standard of knowledge given to junior college graduates in the Addis Abeba University.

The third was the separatist-nationalist movement that now succeeded to form transitional governments in Ethiopia and Eritrea since 1991 and many other nationalist organizations operating in the Coastal, Central, Western, Eastern and Southern parts of the country.¹ The new power elite in both Ethiopia and Eritrea is made up mainly of a combination of those university students who abandoned classes and a secondary school graduates who joined the guerilla fighters that opposed both the Haile Silassie and the Mengistu regimes.

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At present more than one hundred ethnical based parties, groupings and various underground multi-ethnical parties are found. Among them the following are the most significant: AAPO, ALF, ARDU, BPLM, CAFPDE, COEDF, EDC, EDUP, ENDP, EPDA, EPDM, EPRDF, ESDL, ESD, EDU, GPDF, HPDO, IFLO, IGLF, KPC, OLF, ONLF, OPDO, SEPDC, SPDO, TPLF, WSLF

2. Opening the Traditional Economy to Foreign Investors

During the imperial era, Ethiopia had experienced nearly 15 years of what was then called Comprehensive Planning. At that time 80% of the population employed in agriculture and the peasants use little capital, hoes, wooden ploughs and machetes and virtually with almost no modern system of agricultural management, it was the state that was considered as an important factor of progress to develop the economy. In the period between 1957-1973 there were at least three Five year plans which were not identical with that of the classical socialist economic planning. The Ethiopian planning was designed for an economy where more than 90% of ownership was under individual private hands. The First Five Year Plan took place between the period 1957-1962 giving top priority to infrastructure development. By the time the international business community had found the Ethiopian condition conducive for investment, especially compared to that of the newly independent African countries. Major concessionaires were made with western investors particularly the British and the Dutch that converted traditional grazing lands in the rift valley into sugar and cotton plantation. The Second Five Year Plan (1963- 1967) emphasized on productive investment particularly in manufacturing, mining, and electricity. As Mulatu and Asres (1988:88) indicated the proclamation No. 51 of 1963 was unique in that it encouraged both foreign and domestic investment by consolidating other previous investment policies, giving various incentives in the form of income-tax relief, import and export tax-relief, remittance of foreign exchange, and tax exemption of dividends. The foreign investment valued USD 49 million in the period of the second five year plan. The Third Five Year Plan (TFYP) which was implemented from 1968 to 1973 focussed on agriculture particularly on the expansion and development of large-scale mechanized farms. The participation of foreigners was dramatic in the manufacturing industries too. In 1971/72 for example 41 percent of the paid up capital in the manufacturing industries was

contributed by the foreign investors and this share estimated to be 66 percent if the government's share excluded (p. 89). Comparing the value of foreign investment with that of the previous plan year it reached USD 77 million, showing a difference of almost 60% more. Most of state sponsored projects in this period were depended on foreign financing.

1. Centralized Modernization Efforts and Traditional Blockades

The TFYP that stressed on mechanized farms was faced opposition from two fronts. One from the landlords who were frequently resistant to the development of new production relation and the introduction of new techniques and technology of cultivation other than the traditional one. The second came from the small holders and the serfs that were frequently evicted from their plots and became victims of large-scale mechanized farming. More than that the economic planing of the imperial rule had been proceeded without viable land reform policy. This important legislation was blocked several times by the Senate (nobles and aristocrats), the upper house of the parliament and by the house of commons which was filled mainly of landlords. Further more the imperial Planing Board had no formal link with either the parliament or the private sector. It was somewhat like an appendage institution to the crown headed by the emperor.

2. The fall of the Imperial rule and the rise of the junta

The society that led by intellectuals and university students was the one that was strongly believed to take Ethiopia to modern life after the removal of the imperial power. Amidst of a wide lack of political and other social organization, this section of the society was coherent and well coordinated that would have been capable of filling and bridging the power vacuum that was created at the eve of the overthrow of the Haile Silassie regime. But this was not followed. Almost the society was at the step door of democracy, when the movement was hijacked

by power-monger military officers that promised power will be handed over to people representatives soon.

The transformation of power in Ethiopia from the imperial rule to oligarchy military rule in 1974 was a national tragedy that accompanied great loss both in material and human wealth. Within 17 years of the military rule (1974 - 1991) 2 million people lost their lives in the civil war, natural calamities and political execution (World Development Report, 1991:141). Out of this number, almost a quarter of a million intellectuals, students, and enlightened civilians summarily executed between the years 1976 - 1978 by the inhuman operation called Red Terror. Such a circumstance lead to the food self-sufficiency drastically decline. As the civil war intensified in the Northern provinces and other parts of the country, people were drawn at gun point into the war by both the military government and the "liberation" fighters against their will. For example 40% of the land was estimated to have been left idle in 1987 in the ex-Ethiopian province of Eritrea (p.141). The period between 1974 - 1991 was a period of a regime of military autocrats with unparalleled reign of brutality. The content of their ideology, the character of their political organization was Stalinist combined with a pure culture of military administration.

In the years 1975-1976 all industrial companies, rural lands, mineral, mining, financial institutions, urban lands and extra houses, private schools and major commercial activities came under the control of the state. In 1978 the Imperial Planing Board was transformed into an organ of new planning machinery under the name of National Revolutionary Development Campaign and Central Planning Supreme Council. The then new military rulers and their vulgar cadres without proper knowledge of management of economy had become key figures in formulating economic policies carrying out planning activities in accordance with the directives from executive committee of immediate higher organ in each case. The authority and

directives of these political junks had been felt from the top down to the peasant association as well as to the level of the family houses.

The whole governmental structure and socio-economic institutions were converted into the type of police state administration similar to that of a Stalinist order of the 1950s in Hungary. Between 1977-1979 three one year Plans were executed with forced mass mobilization and campaigns. According to official figures² the government was able to maintain some results of an annual growth rate of 5.7%, 5.7%, and 3.1%, in the years indicated. These were attained through high social cost. By the time teachers and students were forced to withdraw from universities and schools, workers from their factories, peasants from the fields, traders and artisans from their businesses etc. to the state production sites to perform forced labour with no payment. Since 1980/81 a Ten Year Development Plan had been implemented giving top priority to agricultural sector. Though the sweeping land reform that took place in 1974 dismantled the feud system in rural Ethiopia, the lack of the rights to private ownership and free management on the plot the peasants have owned, the restriction of government support to state farms and cooperatives was largely harmed the small private peasants and limited their participation to the subsistence level. As a consequence the domestic production constantly failed to meet the consumption level since the late 1970s up through the 1980s. At the eve of the downfall of the junta it was more than ever obvious that food self sufficiency not achieved and the country became heavily dependent on foreign loans, grants, and foreign food aid. Per capita income and profitability of public enterprises permanently declined. Gross domestic savings decreased from 12.9% in 1973/74 to 7.5% in 1974/75 and to 2.0% in 1989/90. Whereas public consumption increased, particularly the military expenditure had reached more than

² J. Picket (1991) shows a constant GDP decline in the years indicated

40% of the GDP in 1989/90. The external debt as a percent of GNP reached 53% (1988) which was 19.6% in 1980.³

The history of socialist planned economy came to an end in May 1991. Despite efforts on the adult literacy and the basic health care fronts, the military junta and its command economy made Ethiopia remain far below the level of many other poor performing countries of the developing countries.

3. Comparison of Some Characteristics of Ethiopia with SSA* and D Cs*

The following table illustrates some basic economic and social indicators of the country as compared to the total image of the Sub-Saharan Africa at the end of the 1980s and at the beginning of the 1990s.

	Ethiopia	SSA	DCs
Per capita GDP (USD)	120,0	330,0	971('88)
Share of agriculture in GDP (%)	40,0 ('93)	33,0	16
External total debt / GNP	54,4 ('92)	80,8	45
Life expectancy	47,0	51,0	58
Daily calorie supply per capita	1749,0	2096,0	-
Access to safe water (%)	19,0	40,0	467('88)

Source. World Development Report 1991 and other World Bank materials: Paris Declaration and Programme of Action for the 1990s (UN, 1992: ix)

** SSA = Sub-Sahara Africa

D Cs = Developing Countries

³ World debt Tables 1991-1992, External Debt of Developing Countries Vol.II., The World Bank, Washington D.c., p.134

Mishra (1991:3) estimated in 1990 out of the total population of 51.86 million, 31.06 million were under nourished. 37.91 million categorized as food insecure, as much as 25.52 million are living in resource poor, rural households and a further 5.54 million are in marginal areas. The Ministry of Public Health (Zein and H. Kloos,1988) further described between 1986-1988 the very basic problems of Ethiopia i.e., 38% of children under the age of four are underweight, 43% of the children between 2-5 years of age suffer from stunted growth. Between 10000-15000 mothers die yearly of otherwise easily preventable pregnancy related complications deriving from poverty-related infectious diseases.

Despite of all mentioned problems population growth is the most serious. In 1991 it has reached 50.3 million (Excluding Eritrea) with an increasing annual rate of 3.1% during the period 1980- 1991 (Europa World Year Book, 1993, p.1050). This rate was, 2,5% for the developing countries and 0.6% for the developed market economy countries in the years 1980-1989.

4. Delayed Reaction to Fast Global Chanes

One year before the collapse of the military government economic reforms which would transform the economy back into a market-oriented economy was proposed. Elements of a market economy introduced and many of the economic structures that had been established after 1974 revolution began to be dismantled. However, with a single party dominating at the top and the central planning framework persisting, nobody had expected the proposed economic reform might be realised.

Many Ethiopian intellectuals irrespective of their ethnical origin, had strongly criticized at the eve and right after the assumption of power of the military government and predicted a pessimist future as long as the military remains in office. Their early warning voices were remained unheard. Generally the economic and social degradation

worsened more under the military than the period under the monarchy. The real rate of average growth of the GDP under the monarchy in the years 1965-1975 was 3.9 percent which was better than the level of other SSA countries with average rate of 3.3%. In the years 1973 - 1980 the figure for the SSA countries dropped to 1.9% and for Ethiopia the growth rate came down to a level of 1.6%. In the following seven years i.e., 1980-1987, the SSA figure further dropped to 1.4% and Ethiopia's to 0.3% (Picket,1991:190). The military junta with its mistaken and rigid economic policy of 17 years had destroyed the traditional economies and the emerging capitalist development both in the rural and urban areas and made Ethiopia the most poverty-stricken and heavily indebted country throughout Africa.

5. The Main Stream of Oppositions to the Military Junta and their Propositions

1. Concerning the Eritrean Problem

The opposition to both Haile Silassie and Mengistu regimes has been divided in two main trends of discussion on the countries future since almost three decades. The first trend accepted the EPLF's (Eritrean Liberation Front)⁴ contention that Eritrean question is a colonial one. The other opposed a poor country like Ethiopia be branded as a colonizer. Rather they proposed the problem to be settled democratically through the establishment of popular elected government first, and then taking the problem to the parliament for final decision without making any change in the national boundary. The EPLF and its ally the EPRDF fought for the first alternative and since May 1991 the two have become the new rulers of Ethiopia and Eritrea. This way the transformation of power from one military autocrat to two guerilla commanders has taken place along with

⁴ The name is changed into the people's front for democracy and justice,PFDJ in February 1994

providing a forced solution to the Eritrean question. The changing face of the US government policy toward Ethiopia since February 1991 (Africa Events, May 1991, P.35) had also played a significant role for events to recourse. As E.I.U. (1993:11) expressed it, by sponsoring the London conference in May 1991, the US government unexpectedly found itself acting as a midwife to the new governments.

2. Experimenting the Ethnical Based Political Administration in Ethiopia: The First in its Kind in Africa

The movement toward democracy and free market seems to have kindled ethnic tensions not just in central and Eastern Europe but also in the poorest states of Africa like Ethiopia, Somalia, Burundi and Rwanda. The long time hoisted banner and principle of Mao Tse Tung "a political power grows out of a barrel of a gun" materialized in both Ethiopia and Eritrea after thirty years of bitter struggle. Days before assuming power, the EPRDF (the ruling single party in Ethiopia) expressed its commitment to pluralism and democracy as well as the possibility of a provisional transitional government in which all opposition parties⁵ could participate. Contrary to its claim an ethnically based Council of Representatives⁶ convened under the vanguardship of the EPRDF in July 1991. The council drafted a National Charter which then became a transitional legislature. A year after the Transitional Government of Ethiopia (TGE) in office the total production of goods and services declined by about 10%, owing to the ethnical clashes around the country, variable weather conditions, depressed coffee prices, scarce foreign exchange and fundamental policy disequilibria (IMF Survey, 1995 January 23:17).

⁵ More than 50 parties mainly of multinational political organizations are opposing either politically or through armed struggle the present government.

⁶ See details on Dawn in Ethiopia, Journal of the council of ministers, June 1992, Addis Abeba

(1) Ethnically biased Economic Policy

In August 1991⁷ the prime minister has presented his draft economic policy and was accepted unanimously by the Council. The economic policy believes that agriculture is the main stay of the Ethiopian economy and condemns the previous government of its wrong agricultural policies. The policy objective states that there will be a change in the government's role in the economic activities, that is, it will change the interventionist policies of the past. Entrepreneurs, private investors, especially domestic investors will be encouraged to take their initiatives and it promises to the removal of price controls and to limit the role of the government to general directives.

The policy defies the private ownership and sale of land. Out of the two main factors of production in Ethiopia, i.e., land and labour, the TGE withdraws land from the market cycle and thickly underlines as *land will not be saleable*. It argues against the private ownership of land⁸ by forwarding non-economic reasons such as it will impoverish the peasantry, it will affect income distribution, it denies the rights of women and children and it denies the right of nationalities. Mentioned arguments are in short of logics and lack of any reasonable backings. No disadvantage will arise if land is owned by individual citizen privately and marketized for the citizens of Ethiopia. Nobody can present any international synonym that the right of nationality is denied when land and freedom to decide is given as a private property to individual citizens.

With respect to the industry, mining and energy the government expressed to take part significantly in those that are considered essential for the development of the economy. These are described as mining, energy and large scale engineering and metallurgical plants,

⁷ See details TGE economic policy of Ethiopia for transitional period 1991, Addis Abeba

⁸ More than 90% of the agricultural sector is managed by smallholder peasants

large scale fertilizers and pharmaceutical plants and industries which are not existing at present.

(2) The External Pressure and the Reform Program

In October 1992 the TGE arranged its three year economic reform program in such a way as to fit the Structural Adjustment Facility (SAF) of the IMF. Under the medium range program the government intended to attain an economic growth of 6%, to bring down the inflation to the rate less than 4% by the year 1996/97 and to reduce the current account deficit to levels that could be financed by concessional external assistance. In the longer run the policy aims to:

- ☞ liberalize trade and financial sector
- ☞ privatize the S O Es
- ☞ improve the environment for private sector's development
- ☞ make agriculture the springboard for the development of other sectors
- ☞ give the private sector a vanguard role in the economy. Though private sector considered as the main engine in the transition period, the state has been reluctant to safe guard the citizens' private property rights, to protect the security of innocent civilians and establish law and order at a time when efforts are made to dismantle all kinds of oppressing mechanisms that were imposed by the former military administration.

The TGE is weak when measured on the basis of:

- ☞ making dialogue and reaching to a compromised agreement on major policy issues with the opposition
- ☞ abandoning the practice of one-way model of administration
- ☞ the behaviour to respect the principle of transparency

Real Growth Rates and Inflation Rates in the First Half of the 1990s

Year	GDP	Growth (%)	Inflation rate (%)
	Ethiopia	Africa (average)	Ethiopia
1990/91			21
1991/92	-3,2	-0,3	21
1992/93	12,3	1,1	10
1993/94	1,3	2,8	6,3
1994/95	5,5	3,0	10,0

Source: IMF Survey, January 23, 1995; Africa Recovery (1994:13), UN

The data above from the IMF show Ethiopia's real GDP growth has shown a modest optimism since 1992. Even the rate is relatively higher than the average growth registered by the whole continent. IMF has presented the figures as if Ethiopia has embarked into the path of development and the economy is returing under the correct leadership of the TGE and the adjustment program which so often failed in the African soil to show good achievements results. Those figures do not give any information whether the mentioned results are produced by the effective use and allocation of factors of production in the real economic sphere or it is produced as a result of manoeuvring the financial sphere. Other data in hand speak the jump in the real GDP and the decline in inflation rate can only be of a temporary phenomenon in the case of Ethiopia. Since 1992 Ethiopia has benefited from debt and interest relief as well as succeeded to reschedule its debts as a consequence of the Paris Club agreement. The ODA flow/capita is in constant increase which contributed 11.6% and 16.5% of the GNP in the years 1989 and 1991⁹ respectively. The amount of External debt is constantly increasing in the 1990s. The

⁹ World Development Report 1991 and 1994, The World Bank

case that the inflation rate is low because the consumer price is heavily suppressed by international donors providing grants and food aid imports otherwise the rate would have been risen to the top if it was not prevented this way from rising. Thus the above results could only be the products of external factors than internal. It is not yet real to demonstrate that the Ethiopian economy is heading to the take-off. In this case as Samuelson and Nordhaus (1992:701) show we give the truth to those who believe that growth is a balanced process with countries progressing steadily ahead. Making continual progress should be emphasized rather than magnifying an economy that resembles a hare, making runs in spurts and then rests.¹⁰ The main fear and the big question about the consistency of the above figures is what will happen if the continuous support from donor countries withdrawn or bad weather occurs ?

(3) Privatization in the absence of Legal and Institutional Frame works

Regarding to privatization the TGE has set up a privatization committee chaired by the minister of planning and economic development. The committee's activities has essentially been confined to conducting studies. The operational body is at the top mainly made up of members from the new power elite. According to the government's view those enterprises which can not operate with profit will be either sold or liquidated and those in a better condition will continue working as a state property. Full autonomy of operation and freedom of decision at the plant level is promised for all public enterprises. Public enterprises will be evaluated under the criteria of profitability before the decision either enterprises divested or liquidated (Eshetu,1993). The greatest problem to such kind of the government's concept of privatization is that no private investor has

¹⁰ Such GDP instability has been termed *cortoplazismo* in Latin America meaning „short termism“. See Dani Rodrik (1990: 934)

found to buy a loss-making public enterprise. This is the fact what we have observed from the experiences of privatization process in the Central and Eastern Europe.

Regarding to trade the government preferred to remain as a major importer and exporter of important commodities such as petroleum and coffee. Private sector is also invited to various other fields of foreign and domestic trade. Considering the minimal extent and the role of local capital, the government issued a proclamation No. 15/1992 to encourage, expand and coordinate investment dated of 25 May, 1992¹¹ The proclamation is so much similar to the special decree No. 17/90 of the previous government that elaborated an investment promotion policy based on freedom of profit repatriation, tax-holidays and tariff concessions combined with measures to ease the administrative hurdles to investment. Despite of the extreme generosity of the previous and present governments with respect to allowing foreign enterprises to repatriate licensing fees and royalties as well as profits, individual investors are reluctant to start business in Ethiopia due to the very nature and type of both governments. In general African economies get very little share in world-wide FDI. In 1993 (OECD,1993:10) it has got only 9% of all the FDI to developing countries and of that only 1% went to non-oil exporting African countries of which Ethiopia is belonging to. In the years in 1990 and 1991 the value of FDI entered Ethiopia was USD 12 million and 1 million (World Investment Report, 1993) respectively. The declining trend shows no improvement because investors do not find such self appointed provisional governments to be trusted partners for business affairs.

¹¹ See details Negarit Gazeta, 51st year No., 1992

6. The hope of recovery

Almost Four years counted after the down fall of the military regime. Though relative peace attained in the Northern part of the country, forced eviction of innocent civilians from their homes and deprivation of their assets is taking place in the South. Usually the rural well-to-do farmers, small business men and urban small entrepreneurs mainly of the Amhara, the Guraghe, and Christian civilians in the South are victims of the new government's ethnically based politics. It is observed that the new rulers strategy for overcoming ethnic inequalities is undergoing through the expropriation of power, employment, ownership, and income (Klitgaard,1991:228) from the non-preferred nationalities such as the Amhara and the Guraghe. The new political order allows the setting up of several independent „homelands” consisting of pure and one ethnic group with in each boundary, which such a policy may instigate and deepen teh negative consequences a ethnic line division all over the country.

The previous military regime had enforced its rule and economic policies by implanting those in military or comradeship back ground in key governmental offices. Similar work habit is undergoing by the TGE throwing intellectuals from the university into the streets and accommodating and putting mostly its fighters and cadres in different positions.

The Ethiopian economy was poorly prepared for socialism as the junta had tried to transform from a stage of late feudalism or early capitalism to a socialist system through coercion. Similar case exists now when the country tries to deviate to market economy. The most important of all a constitution and a parliament elected by universal suffrage are lacking. The effort to expand education is minimal. There still exists an acute shortage of skilled man-power worsened by the flight of many intellectuals because of a political disagreement with the new government. Qualified personnels are reluctant to return home

from abroad for fear of future instability. Infrastructure development and production activity are not yet started properly. Still much of the Ethiopian economy stands on the two factors of production: land and labour. Labour is largely unskilled, much of the land is unexploited and the level of production technology is very backward.

In 1993 the UN Economic Commission for Africa estimated that 30% of the Ethiopian work force was an employed and further deterioration is immanent in 1994 and 1995. The government budget deficit for 1993 / 1994 was Birr¹² 4.55 billion.

The total external debt gets growing from USD 3.6 billion in 1990 to USD 3.96 billion in 1991 and USD 4.2 billion in 1992. Malnutrition and famine are threatening once more with millions at risk of death. Life has become more complicated and difficult than ever. Low productivity, low income and high inflationary rate which was 35.3% in 1991, keep savings and local capital formation even smaller. Still 80% of the population is living and working in the poor rural sector. Efforts to reconstruct the war-damaged economy and to alleviate poverty is overridden by political adventurism. The government has found largely engaged itself in sponsoring and its ethnic based political view as well as in creating and consolidating ethnic based regional boundaries.

The hope of recovery depends on the TGE and all the opposition forces how much attention they are paying to real problems of the society and on the art of reaching to a negotiated agreement on the country's future. Otherwise "if good governance not achieved, if the benefits of economic growth are monopolized by a handful of individuals and unless a state is established based on the rule of law that is uniformly and transparently applied, then we have been building on sand" (IMF Survey, 1995 January 23:23).

¹² Birr = Ethiopian currency, average rate 5.3 Birr = USD 1

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