ETHIOPIA
Poverty Assessment Study

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Table of contents

Executive Summary

0. Introduction

0.1 Background
0.2 Economic and political context
0.3 Key questions and objectives of the report
0.4 Methodology and data used
0.5 Organisation of the report

1. Poverty and Destitution in rural Ethiopia

1.1 Introduction
1.2 Long-run trends in living standards
1.3 Measuring consumption poverty
1.4 Consumption poverty in rural Ethiopia
1.5 Poverty in recent years
1.6 Conclusions

2. Characteristics of the rural poor and determinants of poverty

2.1 Characteristics of the poor

2.2.1 Demographic, gender and educational dimensions of poverty
2.2.2 Children and poverty
2.2.3 Activities of the poor

2.2 Asset poverty

2.2.1 Land
2.2.2 Livestock
2.2.3 Access to economic infrastructure
2.2.4 Access to health infrastructure
2.2.5 The environmental resource base: water and fuel

2.3 Risk and vulnerability

2.4 Coping with poverty and vulnerability

2.4.1. Individual and household coping strategies
2.4.2. Community coping strategies

3.1 General economic policies

3.1.1 Macroeconomic stability
3.1.2 Market and trade liberalisation policies
3.1.3 Rural taxation policies
3.1.4 The recovery in the 1990s revisited

3.2 Rural and agricultural policies

3.2.1 Agricultural development policy
3.2.2 Food security policy
3.2.3 Land policy
3.2.4 Input delivery policy
3.2.5 Food marketing policies
3.2.6 Environmental policies

3.3 Health and education policies

3.3.1 Health sector policies
3.3.2 Education sector policies

3.4 Safety net policies and food aid

3.5 Policy institutions and participation

4. Lessons learned and priorities ahead

4.1 From production to access to food
4.2 Improving access to social sectors for the poor
4.3 Strengthening coping strategies
4.4 Improving access to income earning opportunities for the poor
4.5 Encouraging rural asset formation
4.6 Strengthening communities
Executive Summary

1. Ethiopia is one of the poorest countries in the world. It has a per capita GNP of only $110. Infant mortality is currently 118 per 1,000 children; child mortality stands at 173 per 1,000. About a quarter of adults can read and write. Ethiopia is the second most populous country in Africa. Population is growing at a rate close to 3 percent per annum. About 86 percent of the population depends on rain-fed agriculture. In recent years, economic growth has been well above population growth, but agricultural growth has only just kept up.

2. In 1991, the previous regime, the Dergue, was defeated in the civil war and the new government embarked on political and economic reform. A new constitution provided for a decentralised system in which substantial political, economic and social policy powers have been devolved to the regions, which are organised on ethnic grounds. The majority of the rural population lives in four regions: Oromiya, Amhara, Tigray and Southern Region (a union of some Southern regions).

3. An economic recovery programme has started in 1994 with donor support, building on some measures taken in the years before the fall of the Dergue. Exchange rate markets have been gradually liberalised, as have domestic and international trade. Some privatisation has started. Overall, the proclaimed strategy is to achieve agriculture-led labour-intensive growth. Rural and agricultural policies are focused on increasing agricultural production, largely via technology and input transfer. Grain markets have been liberalised, as have fertiliser markets. Land rental and labour markets are allowed to function as well, although land remains the state property and no sale is possible. Important investment programmes focusing on the social sectors (mainly health, education and water) have started.

4. In this report the focus is on rural poverty and vulnerability. It presents a number of quantitative and qualitative indicators, drawing on nationally representative surveys, as well as detailed socio-economic surveys and village level studies. It analyses the determinants of poverty and the characteristics of the poor. It discusses the nature of government policies pursued and its consequences for poverty alleviation. It makes recommendations for the type of interventions needed at the local level to start a process of poverty eradication.

5. Nothing is surprising about the nature of rural poverty in Ethiopia, except for its scale. Most social and human development indicators, such as life expectancy, mortality, literacy, school enrolment, child malnutrition, etc., are among the worst in the world. The evidence suggests that there are no large differences between the four largest regions. There is no evidence of any improvement in the last two decades. If anything, after a further worsening during the late 1980s with intensifying civil war exacerbated by the drought and famine of the mid-1980s, we have some evidence of a recovery in the 1990s, but only to levels encountered in the beginning of the 1980s.
6. Using the most recent data on consumption, we present the latest official poverty estimates, using a standard poverty line applied on household consumption data. The poverty line is calculated so that households are poor who have not enough consumption to obtain a basic local diet of 2200 Kcal per day per adult allowing for some necessary non-food consumption. The line obtained is about $165 per adult per year, of which about $100 per year for food alone. Using the data from the Central Statistical Authority, poverty rates of about half the rural population and a poverty gap of about 13 percent of total consumption has been found. Note that given the way these data are collected, and the procedure used for the poverty analysis, the absolute figures cannot be compared with, for example, poverty in neighbouring countries.

7. The poor typically live in larger households with a high dependency rate. They have lower education and their children still are less likely to go to school. Women are typically not poorer; they are typically not more malnourished. Most evidence suggests that female headed households are not poorer in general. However, some female headed rural households may be in weaker positions than male headed households, linked to local circumstances and the causes of female headship. Women have generally less opportunities: they have lower education and girls are far less likely to go to school. Both boys and girls are typically kept from school to assist in farm and household work.

8. Most of the poor depend on agriculture for their economic livelihood. Off-farm activities add income for the poor and rich alike. The poor mainly depend on casual off-farm wage work, businesses that require no skills or working capital and general collecting and gathering activities, such as collecting firewood. All the off-farm activities in which the poor are involved are relatively low return activities.

9. Poverty is closely linked to the lack of assets in the form of human, physical and social capital. Poverty alleviation will have to start by assisting household and community asset formation. In general, continuous land reform since 1976 has meant that most of the poor own some land, even though the poor typically appear to have less land and of poorer quality. The poor have very few productive assets: they lack oxen, a crucial asset for farming in the dominant ox-plough system, and in general, they lack livestock, a source of fuel, livestock products and manure, and the most important store of wealth. The poor depend relatively more on the environmental resource base for water and fuel.

10. The poor typically have less access to economic infrastructure, such as transport, all weather roads or communication services. Although distances to social infrastructure are not necessarily much different between the poor and rich, the poor rely much more on self-treatment, including traditional means, and cheaper forms of health care such as pharmacies and rural drugs vendors. High costs of treatment, not least in the public health care system, is quoted as the main reason for not going to modern facilities when ill. Demand considerations also matter crucially in the decision not to send children to school. Direct costs are typically not the main reason for low school enrolment; rather, it is the need to keep boys and girls at home to help on the farm or in the household.
11. Rural households are exposed to many sources of risk. Drought, pests, flooding, frost, livestock diseases, own illness, war and crime are all important reasons why households face crises. Households use different strategies to cope with risk. They diversify their agricultural activities or mainly grow low risk crops. They attempt to enter into off-farm activities, although they are mainly giving a low return. Livestock provides high returns and a store of wealth, but the poor cannot acquire sufficient amounts. Informal credit is used to cope with shocks; most credit is for consumption purposes. Extensive community support systems have also developed. They help to increase allocative efficiency within communities and provide alternative forms of insurance. Nevertheless, households and communities remain highly vulnerable, especially to community-wide shocks.

12. In the last decade, most of the extreme extraction policies and economic controls used during the Dergue have been reversed. In principle, the government is intending to follow an agriculture-led labour-intensive growth strategy. Partial or total liberalisation of many markets, including exchange rate, labour, food, and fertiliser markets provide more incentives for private initiative. There is evidence that in subsequent years poverty has decreased in some communities. However, not all poor rural households managed to improve their lot. Only those with sufficient labour, sufficient land and other assets and those living close to towns or roads managed to reduce their poverty. The others stayed as poor as before, or even impoverished further.

13. Agricultural policies are characterised by a continued commitment to production increases, with an emphasis on high potential areas. The strategy is focused on technology and input transfers, via off-the-shelf packages of fertiliser, pesticides, extension and credit. In practice, the results are not yet very satisfactory with fertiliser sales well below stocks. Problems include a continued poor functioning of fertiliser distribution and the accompanying credit supply. Despite a stated commitment to liberalisation, political and bureaucratic control and the oligopolistic nature of markets are still problems. For poverty alleviation, the strategy is unlikely to work in its current form. Evidence shows that the poor cannot afford to take up fertiliser given the high costs, collateral requirements and the risks involved related to the harsh enforcement of non-repayment even in case of harvest failure.

14. A food security strategy has been outlined by the government focusing on income and employment creation via growth, entitlement creation and protection, with targeted programs, and emergency capabilities. However, the actual proposals emphasise growth in agricultural production as the only requirement for food security, with an emphasis on household, regional and national self-sufficiency. Since the production strategy also appears to favour technology-based solutions, it is unlikely to have much impact on the poorest segments of the rural areas. Evidence suggests that the poor do not take up these technology packages because they cannot afford the costs. Even if they can get access to credit, they cannot bear the risks associated to adoption. Currently, these issues are debated between the donor communities and the different levels of the regional and federal government.
15. Land has remained state property although a semblance of land tenure security is included in current legislation. Nevertheless, recent land reform episodes in some regions and the reluctance to look for solutions for newly formed households result in continued inconsistencies in land policy implementation. While landlessness is currently unlikely to be very large, there is a risk that in future it may create further problems for the poor.

16. Land tenure insecurity also gives limited incentives for investment in soil conservation and other environmental concerns. Rural households, especially the poor, are very dependent on the environmental resource base, not just via soil fertility and water management, but also for drinking water and fuel, mainly in the form of firewood. Predictions on the scale of soil erosion and environmental damage of current rural and agricultural practices have long been very pessimistic. Generally, large-scale, community-wide initiatives using (simple) technological solutions have been promoted as a means of combating these problems, including via rural public works financed by food aid in the form of food-for-work. While environmental problems definitely should not be underestimated in Ethiopia, serious doubts have risen about the nature of the damage done by traditional practices by peasants and about the strategies used to combat the environmental problems, including the lack of incentives to farmers to invest in their land.

17. Health and education policies have come to the fore in recent years, with large investment programmes supported by donors. In practice the approach taken is to increase the supply of health and education facilities. Most research and recent policy reviews have emphasised the importance of the demand-side: the high actual cost of primary health care for the user and the high opportunity costs involved in sending children to school are crucial factors in explaining the low usage of the facilities, especially by the poor. The lack of targeted schemes and incentives to the poor in both sectors are evident in social sector policies. Despite large investment, the current policies are unlikely to achieve much poverty reduction unless these issues are properly addressed in interventions.

18. Current safety net policies are largely financed via food aid. Most food aid, close to two-thirds of total supplies, is used in the form of food-for-work (FFW) programmes; the rest is used for direct transfers. Government targets are to distribute even larger proportions via FFW. Most reviews of food-aid in Ethiopia have noticed that the poor are not very well targeted: most aid seems not to discriminate between poor and non-poor, contrary to its stated objectives. FFW programmes tend to create rural assets, although poor incentives for community management of the assets have at times raised doubts about their sustainability.

19. Design and implementation of rural development and social sector policies has been devolved to the Regions since 1994. Nevertheless, this has not meant a further strong move of decentralisation and participation in all regions. Policy making remains largely centralised with local communities or local social facilities only involved to a limited extent. Participation by communities is often interpreted as supplying labour to construction of infrastructure or facilities, even if it is not always fully voluntarily supplied.
20. To contribute to poverty alleviation interventions at the local level, a series of priorities can be drawn from the recent experience in Ethiopia. First, there is a need to move away from the current emphasis in rural development policies to just increase food production, using a technology-based strategy, since these policies are unlikely to effectively reach the poor. Secondly, access to education and health by the poor needs demand-side policies, beyond the current focus on increasing supply by expanding facilities. Thirdly, since rural households are very vulnerable to shocks, efforts should not just focus on increasing production or income, but also on strengthening the ability of the poor to deal with risk via their own coping strategies. Fourthly, while increasing agricultural income will help the poor, in many areas it will be necessary to strengthen the ability of the poor to earn from non-agricultural activities, by alleviating the constraints on entry. Fifthly, rural asset formation needs to be encouraged, both at the household level and at the community level. Sixthly, interventions need effective participation, for example via traditional community level organisations.
0. Introduction

0.1 Background

1. Ethiopia is a desperately poor country. In this report, we try to provide a description of the current state of poverty and vulnerability in the country, with an emphasis on rural poverty. The report presents a number of quantitative and qualitative indicators that describe different dimensions and expressions of poverty. It draws on nationally representative surveys, as well as detailed socio-economic surveys and village level studies. The report will focus on the underlying causes of poverty, both at the micro as at the macro-level. It discusses the nature of government policies pursued and its consequences for poverty alleviation. It makes recommendations for the type of interventions needed at the local level to start a process of poverty eradication.

2. Any discussion on poverty is bound to hit upon a number of methodological issues and controversies. For example, does it make sense to construct a poverty line? Have quantitative measures of poverty much value since it strips poverty of the local or individual contextual information needed to appreciate its meaning? Are surveys not just riddled with too much measurement error to be reliable? Can selective local level evidence be used to build up a national picture of the consequences of policy? In this report we try to use a number of different sources and approaches, without expressing a clear preference. Different indicators allow us to form a realistic picture. The emphasis is not on the number of poor or the number of malnourished children. Rather, it focuses on what the available evidence tells us about these poor, especially about the determinants of poverty, about their experiences in recent years and about the mechanisms they have used to cope with their poverty. It also discusses the role of policy in this respect, more specifically on the scope for helping them to move out of poverty via different interventions.

3. In this introduction, we first sketch the general economic and political context of Ethiopia in recent decades. We then present the core questions of the report. In section 0.4 we give an overview of the data and methodology used. In the final section of this introduction we give an overview of the different parts of the report.

0.2 Economic and Political Context

4. Ethiopia has one of the lowest per capita incomes in the world. Recent estimates put per capita GNP at $110, which is less than one-fourth the average of Sub-Saharan Africa. In terms of population, it is the second largest country in the region, with close to 60 million people. In the 1980s, the population grew by 3.1 percent per year and is expected to reach about 100 million by 2025.

5. About 86 percent of the population lives in rural areas. Agriculture provides just over half of the country’s GDP. Incomes in the rural sector are highly variable. Small-scale farm-household production systems are dominant in Ethiopia. Large-scale production has never accounted for more than 10 percent of the cultivated
land area. The overwhelming share of both cash and food crops are produced by peasants. Livestock are mainly kept by mixed (settled) farmers or by pastoralists. Pastoralists account for not more than about 5 percent of the rural population, although they own more than a third of livestock. Three main farming systems can be distinguished. First, the ox-plough cereal system in the Northern and Central Highlands (accounting for just under half the settled population). Secondly, the grain plough/hoe complex consists of the grain plough complex of Arsi/Bale and the sorghum/hoe complex mainly in Hararghe (about 10 percent each). Finally, the enset (false-banana) complex, with or without coffee and cereals, provides a livelihood for about 32 percent of the settled rural population, in the Central/Southern part of the country. The latter farming system is based on permanent crops, with enset providing the main home-consumed food, although some annual crops are grown as well.

6. Agriculture is largely rain-fed. Rainfall is highly variable, with on average every three or four years a drought. About a quarter of a percent of land is irrigated, which is less than one-third of the African average. Crop pests and animal diseases are common. Farming systems are characterised by low land and labour productivity.

7. Political factors, related to repression and the civil war disrupted rural communities further. In 1974, civil unrest resulted in a military government, which became known as the Dergue. During the ‘Red Terror’ period, urban and rural areas were characterised by state-sanctioned violence and killings. During the 1980s, the civil war intensified, especially in the North of the country, causing further hardship. In 1991, the Dergue was defeated by a group of movements under the EPRDF and a Transitional Government was established. A rebellion by the OLF in 1992 was repressed. Since then, most parts of rural Ethiopia have experienced relative peace. In 1998, war with Eritrea resulted in some border areas turning into new war zones.

8. Ethiopia used to be a highly centralised country. Both during the Emperor and during the Dergue, very little power had been given to local authorities. Of the political reforms implemented since 1991, an important measure has been the decentralisation of extensive political and economic powers to newly established regional administrations and councils. In total 11 administrative regions were established\(^1\). The result is that the federal (central) government has largely lost most power to implement specific policies, such as those related to the different sectors. Overall economic policy, defense and foreign affairs is still strongly nested in the centre. The different sectoral federal ministries have much reduced powers. Their role in guarding and guiding policy is easily curtailed by regional governments. The regions obtain a general disbursement from the federal government. In principle, regions can allocate these budgets across different sectors and consequently make their own priorities and decisions. In due course, this could imply deviating regional policies from national (federal) policies. At present, while differences exist, broadly speaking there is still a degree of

\(^1\) The regions are: Tigray, Afar, Amhara, Oromia, Somali, Benishangul-Gumuz, Southern Nations, Nationalities and Peoples Region (S.N.N.P.), Gambela, Harari, Addis Ababa and Dire Dawa. In terms of rural population, four regions contain more than 90 percent of the rural population: Tigray, Amhara, Oromia and S.N.N.P. Region. In this report, regional results for rural areas will only be presented for these four regions, if only because data on the other areas are less reliable.
consistency, if only because the central government and regional governments currently belong to the same political party, the EPRDF or its allies.

9. Throughout this century until recently, economic policies towards rural areas were largely extractive, putting further pressure on livelihoods. During the reign of the emperor, until 1974, rural areas were largely feudal. In the North, private, family based land ownership with complicated property rights were common. In the South, a substantial part of land was owned by absentee landlords, with many farmers only tenants without property rights. Land inequality was large throughout most parts of the country, while high taxation was common. During the rule of the military government, land reform provided access to land to all farmers although not in the form of permanent property rights. The benefits of the land reform for poor farmers were largely wiped out through heavy rural taxation, in the form of compulsory delivery of crops at low prices and via extensive controls on the movement and marketing of agricultural commodities. Additionally, various measures such as a ban on migrant labour, a ban on wage labour, forced labour within communities and villagisation affected many rural communities.

10. By 1988, worsening economic conditions and pressure for change, resulted in a start of economic reforms. Early measures included the freeze on land reform, the abolition of the quota system and the removal of some of the restrictions on the movement of food across regions. After the fall of the Dergue, economic reforms continued. In 1992 a large devaluation took place and gradually many restrictions on the private and banking sector have been removed. Substantial international trade liberalisation was implemented. Input marketing has been liberalised and extension activities reformed.

11. The political and economic measures contributed to the dismal performance of the economy, including the agricultural sector, throughout the 1970s and 1980s. Per capita income declined by about 0.2 percent per year in the period 1965-90. Economic policy and the civil war contributed to drought in parts of Northern Ethiopia in 1984 to develop into a widespread famine. Localised famine characterised many areas throughout the 1980s. Since the 1990s, growth has returned to the economy. During the 1990s, a recovery is taking place. Table 1.1 provides details. Since the Fiscal Year 1992 (the year of the change of government), the economy grew by 6.3 percent per year in real terms, although this was largely due to non-agricultural growth. Agriculture grew by only 3.4 percent per year. However, the recovery in the rural sector predates 1992, while the non-agricultural growth is largely a return to earlier levels. In particular, compared to 1989, agricultural GDP grew by about 3 percent, while total GDP grew by 3.4 percent per year. Estimates of current population growth vary, so two sets of estimates of per capita GDP growth are given. They indicate that in recent years substantial growth in per capita incomes has taken place, even though at least part of this is a recovery from low levels in the late 1990s. Finally, table 1 also indicates the high variability in GDP. Some of this variability is clearly linked to variability in agricultural GDP.
Table 0.1 Total and agricultural growth 1989-1998

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Source: Statistical abstract 1994, IMF and WB data.
High population growth: 3.1 percent; low population growth: 1.7 percent per year. Based on data from World Bank (1998), Social Sector Note.
Data for fiscal years (September t-1, t).
Real growth: growth relative to previous year. Constant 1981/82 prices.
0.3 Key questions and objectives of the report

12. The changing political and security situation, combined with the particular economic policies and institutional context over time and the harsh environmental and agro-climatic conditions have had profound implications for the state of poverty, especially in rural Ethiopia. In this report, we try to provide answers to the following questions:

(a) what is the extent of rural poverty?
(b) who are the poor? Are there gender dimensions to the extent of poverty?
(c) where do the poor live? Are there regional dimensions to poverty in Ethiopia?
(d) can we determine the underlying causes or determinants of poverty at the household and macro-levels? What is the link between the macro-context and the micro-level extent of poverty?
(e) what are the constraints to and opportunities for rural poverty reduction strategies? What is the contribution of agricultural and rural development policies?
(f) are current macro and sectoral policies in Ethiopia conducive or sufficient for widespread poverty alleviation? What alternatives, if any, can be suggested?
(g) how can IFAD contribute to rural poverty eradication, primarily through improved household food security and nutritional levels for the poorest segments of the population?

13. These questions are no doubt important. They are also difficult questions to answer. The emphasis in the analysis will be on the socio-economic dimensions of these questions, although if useful political, administrative or anthropological dimensions will be added.

0.4 Methodology and data used

14. This report is not an original research paper. However, there is no up to date detailed rural poverty analysis on Ethiopia currently available for policy formulation. Consequently, many of the results presented in this report are effectively unpublished. A serious attempt has been made to bring together a number of quantitative and qualitative sources. To provide nationally representative quantitative information, we use the information from the census collected in 1994 and, for comparison, the census of 1984 (both collected by the Central Statistical Authority). Data and results available from the Welfare Monitoring Survey (WMS) and from the Household Income and Consumption Expenditure Survey (HICES) collected in 1995/96 by the Central Statistical Authority is also used. This data set contains information on about 12000 households from a large, representative survey for the entire country (excluding the pastoralist areas\(^2\)). More detailed survey data on a number of villages was collected by the Economics Department of Addis Ababa University in

\(^2\) This is a shortcoming for most of the data sources on Ethiopia. Although in terms of population, the pastoralists constitute only less than 5 percent of the total population, they are still a relevant and largely neglected group in most poverty analysis.
collaboration with the Centre for the Study of African Economies and the International Food Policy Research Institute. Data and results from this work is included in this report. Finally, a number of smaller village level studies, some more qualitative in nature, have also been used. The work by Dessalegn Rahmato can explicitly be mentioned, although others are referred to in the references.

15. These sources provide a number of indicators of human development, including measures of long term welfare, such as life expectancy or stunting, as well as more short-run measures of poverty and vulnerability, such as poverty measured by consumption falling below a minimum food basket (absolute poverty line), children’s enrolment in school, health and nutrition indicators. Other indicators, such as those based on subjective poverty impressions and those based on group-based techniques are also presented.

16. The survey evidence also allows us to present a profile of the rural poor: what are the family characteristics of the poor, what activities are they involved in, are there regional dimensions to poverty, are there gender dimensions to poverty?

17. It further allows us to study the endowment position of the poor. In particular, a striking characteristic of rural Ethiopia is the very low asset base in general and especially for the poor. In this respect we will focus on different types of assets. First, what is the physical (or productive) asset base of the poor. This raises issues of access to land, ownership of livestock, access to techniques and to farm tools. Secondly, what is the human capital of the poor? This relates specifically to education and skill formation. Thirdly, what is the social infrastructure available to the rural poor? This raises the problem of access to health services, access to educational opportunities, but also access to safety nets and other forms of public assistance. Fourthly, what is the economic infrastructure available, in the forms of roads, markets, etc. Or are the poor generally living in remote areas, largely excluded from the economy? An increasingly important issue is also the environmental resource base, with issues of common property such as water and issues of soil degradation. A final source of asset base of the poor is their own community or social capital base. This is particularly strong in Ethiopia, with several well functioning social institutions, such as insurance schemes developing from funeral societies (iddir), traditional group based credit and savings schemes (equbs) and other traditional community-based organisations.

18. The latter form of the asset base of the poor is particularly useful in the context of the high-risk environment in which rural households have to operate. No analysis of poverty in Ethiopia can ignore the presence of high climatic but also political risk, since it has such profound consequences both for the consequences and experiences of poverty as well as for the opportunities that may exist for households to move out of poverty. The report includes an explicit discussion of these coping strategies in rural Ethiopia.

19. Any discussion of the options available for a successful rural development strategy needs to take into the account what the macro-policies imply for rural development opportunities. Indeed, it can be argued that many micro-level programmes and projects fail simply because the changes in the macro-environment make the micro-strategies not feasible any more. In this respect, the
report will focus on the macro-micro linkages from some of the policies currently introduced and implemented in Ethiopia, both at the macro-level (general liberalisation, exchange rate policies, regionalisation, etc.) and at the sectoral level (including agricultural markets, land, education and health and safety net policies).

0.5 Organisation of the Report

20. The structure of the report is as follows. In the next part, we provide evidence on some different welfare indicators, reflecting long-run trends, basic needs and nutrition outcomes. We present the most recently available evidence on rural poverty estimates, explaining the strength and potential weaknesses of the indicators used.

21. In part 2, we focus on the characteristics of the poor and the determinants of poverty. We first discuss some of the demographic and gender dimensions, and the activities the poor are involved in. Then we focus on the asset base of the poor and will argue that poverty is closely linked to deep asset poverty. Poverty alleviation will have to start with trying to encourage household and community asset formation. Then, we introduce the risk dimension and its consequences. Finally we discuss individual, household and community level strategies to cope with adversity.

22. Part 3 presents a discussion of the macro-micro linkages of poverty in Ethiopia, with a focus on the policies pursued at the macro and sectoral level, and their consequences for the poor. In part 4, a series of lessons from the analysis for rural development interventions are presented, with an emphasis of their specific nature, scope and targeting to have maximum poverty reduction impact.
1. Poverty and Destitution in rural Ethiopia

1.1 Introduction

1. Attempts to describe living standards in a poor economy always suffer from methodological problems and are liable to serious criticism. In this report we take the view that different approaches to poverty provide some insight on the extent and nature of poverty. The standard view in the economics literature on poverty has been to take a ‘money metric’ measure of welfare, i.e. an indicator expressed in monetary terms, such as income or consumption. Then, one determines a ‘minimum’ level of consumption or income (a poverty line) below which individuals are deemed poor. The recent poverty report by the Welfare Monitoring Unit (March 1999) uses this approach, based on consumption measures derived from a large household survey conducted by the Central Statistical Authority (WMS/HICES 1995/96). These results (with additional comments) will be reported in section 1.3 and 1.4. However, this approach gives limited information about the nature of poverty and is highly controversial as a useful tool for policy making. Also, there is no comparable information on consumption poverty for past years from the Central Statistical Authority, while the methods used in data collection and analysis imply that no acceptable comparison can be made across different countries. Another survey, conducted by the Addis Ababa University and the Centre for the Study of African Economies, allows us to make some comparison over time. While the sample is smaller, the data have information on the same households over the period 1989-1995. These data allow us to make some statements about the likely evolution of poverty in recent years. Section 1.5 reports the results.

2. In this respect it is useful to supplement consumption poverty estimates with more direct (non-monetary) measures of poverty. Life expectancy gives a direct measure of the average probabilities of survival in society. While life expectancy is an average indicator for the entire population, it is highly influenced by the survival probability during childhood. Child and infant mortality provide direct measures for the survival probability. Since low child survival probabilities are closely linked to the level of household welfare, including access to health care and nutrition, they provide a direct alternative indicator of poverty and destitution. Child malnutrition data (stunting and wasting) are also available as direct measures of individual welfare. Mortality and life expectancy only give an indication of the ‘quantity’ of life. Human development has also to do with opportunities for higher quality of life. It is generally agreed that education and literacy opens more opportunities to participate in society and to better themselves, with important additional effects on health and well-being. For this reason, we also use literacy rates as a way of describing changing well-being over time, as well as to provide a consistency check on some of the other findings. In the next section (1.2) an overview of the trends since the beginning of the 1980s in life expectancy, child malnutrition, child mortality and literacy is given.

3. These monetary and non-monetary quantitative measures of poverty are often criticised for they reduce the poor to passive statistics, without focusing on ‘the poor as active agents responding to their life conditions in ways calculated to ensure their survival and their esteem in their communities’ (Dessalegn Rahmato
Any attempt to discuss poverty must take into account the experiences of poverty and the way individuals cope with poverty within their communities. A continuing problem with this approach is that policy makers interested in overall strategies need representative information, while most of the information supplied on these other dimensions is contextual and may well be location-specific. Still, it is important at least to report on this type of work in a poverty study. While in this part of the report, we focus on the statistical evidence, in the next part, when looking at the determinants and means of coping at poverty, we present some evidence from this type of work.

1.2. Trends in Living Standards in the 1980s and 1990s

4. As in most developing countries, reliable data to establish the recent evolution of poverty is not available, especially on income and consumption. In section 1.3 and 1.4, we provide estimates of consumption poverty in Ethiopia using recent survey data. However, it is useful to consider these results in a more long-term perspective on the evolution of the standard of living in Ethiopia. The only data that may be reasonably reliable to discuss this evolution, are data on life expectancy, mortality and nutrition. In this section we present a discussion of these indicators in the 1980s and 1990s.

5. Table 1.2 presents data on child and infant mortality and on life expectancy based on the census of 1984 and of 1994. While for all indicators values in both years are virtually unchanged in urban areas, we notice a decline in living standards in rural areas. Consequently, the gap between urban and rural areas has increased in this period. As with all indicators presented in this report, the levels of deprivation implied by the data are close to the worst in the world. Life expectancy for both men and women has declined by 2 years in this period, to less than 49 years for men and 51 years for women in rural areas. Under-one-mortality rates (the number of babies not surviving past one year of age per 1000 children born alive) have increased in this period to 131 for men and 112 for women. More than one in six children do not reach the age of five. These indicators are worse than the African averages. Infant mortality is in Sub-Saharan Africa estimated to be 92 per 1000, while life expectancy is 52 years (World Bank, World Development Report, figures for 1994).
Table 1.2  Life expectancy, Infant Mortality and Child Mortality, 1984-1994

<table>
<thead>
<tr>
<th></th>
<th>1984 rural</th>
<th>1984 urban</th>
<th>1994 rural</th>
<th>1994 urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life expectancy at birth - men</td>
<td>50.7</td>
<td>53.3</td>
<td>48.7</td>
<td>53.7</td>
</tr>
<tr>
<td>Life expectancy at birth - women</td>
<td>52.8</td>
<td>56.8</td>
<td>51.0</td>
<td>57.2</td>
</tr>
<tr>
<td>Life expectancy at birth – all</td>
<td>51.7</td>
<td>55.1</td>
<td>49.8</td>
<td>55.4</td>
</tr>
<tr>
<td>Under 1 mortality rate – male</td>
<td>118</td>
<td>103</td>
<td>131</td>
<td>103</td>
</tr>
<tr>
<td>Under 1 mortality rate – female</td>
<td>104</td>
<td>85</td>
<td>112</td>
<td>81</td>
</tr>
<tr>
<td>Under 1 mortality rate – all</td>
<td>112</td>
<td>94</td>
<td>122</td>
<td>93</td>
</tr>
<tr>
<td>Under 5 mortality rate – male</td>
<td>167</td>
<td>144</td>
<td>188</td>
<td>144</td>
</tr>
<tr>
<td>Under 5 mortality rate – female</td>
<td>157</td>
<td>125</td>
<td>170</td>
<td>119</td>
</tr>
<tr>
<td>Under 5 mortality rate – all</td>
<td>162</td>
<td>135</td>
<td>179</td>
<td>131</td>
</tr>
</tbody>
</table>

Notes:
- Calculated from various regional reports of the 1994 Census (CSA (1996)). Measures for 1984 are from the census of that year, published in CSA (1991). All measures are population weighted. In 1984 rural Tigray was not included in the survey. However this does not affect the comparison, since the values in 1994 for Tigray are very close to the population weighted means.
- Life expectancy: expected years at birth;
- Under 5 mortality rate: number of deaths before the age of 5 per 1,000 live births;

6. These decreases in life expectancy and the increases in infant and child mortality in rural areas relative to urban areas are remarkable. They are a reflection of the large increases in deprivation in rural areas in line with rural neglect, the political and economic context during the 1980s and the long-term consequences of the famine of the mid-1980s. Across the four main regions, some differences can be noted, although they are not very large (table 1.3).

Table 1.3  Regional profile of life expectancy, child and infant mortality (population weighted)

<table>
<thead>
<tr>
<th>Region</th>
<th>Rural Life expectancy</th>
<th>U1MR</th>
<th>U5MR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tigray</td>
<td>49.5</td>
<td>123</td>
<td>181</td>
</tr>
<tr>
<td>Amhara</td>
<td>50.7</td>
<td>117</td>
<td>171</td>
</tr>
<tr>
<td>Oromiya</td>
<td>50.0</td>
<td>121</td>
<td>177</td>
</tr>
<tr>
<td>SNNP</td>
<td>48.3</td>
<td>130</td>
<td>192</td>
</tr>
</tbody>
</table>

Source: data from 1994 census 1995/96. U1MR is under-one-mortality rate, U5MR is under-five mortality rate.

7. Table 1.2 presents data based on the census of 1984 and of 1994. While for all indicators long-run living standards declined because of the reforms started at the end of the 1990s or have they declined because of the crisis and famine in the mid-1980s? We have some evidence to suggest that the latter factors were mainly responsible, causing a deep decline by the end of the 1990s, to give a recovery in the 1990s. Table 1.4 gives literacy rates for adults, using the census of the 1984 and 1994, as well as data from the Welfare Monitoring Survey (WMS) conducted for the government by the Central Statistical Authority. Literacy rates are both a reflection of well-being as an input into wealth creation. The literacy rates reported in this report are for the population aged 10 years and above. The data from the census suggest large declines in rural literacy rates in the 1980s in rural areas: from 27 to 23 percent of males and to below 10 percent for females. Note
again the large urban-rural gap and that the rural figures for 1994 are probably the poorest in the world. The WMS suggests that the poor results of the census are being reversed in rural areas, at least for men. The increase in the rural figures between 1994 and 1996 are probably too high to be credible; but the most likely direction of change is an increase. The data in the WMS suggest that the largest improvements have taken place in Tigray, were substantial alphabetisation efforts appear to take place in the aftermath of the war.

Table 1.4  Literacy rates 1984 to 1995/96 (persons aged 10 year and above)

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1994</th>
<th>1995/96</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>rural</td>
<td>urban</td>
<td>total</td>
</tr>
<tr>
<td>Male</td>
<td>27.0</td>
<td>81.0</td>
<td>34.6</td>
</tr>
<tr>
<td>Female</td>
<td>11.1</td>
<td>62.7</td>
<td>19.6</td>
</tr>
<tr>
<td>Both</td>
<td>19.1</td>
<td>71.0</td>
<td>27.0</td>
</tr>
<tr>
<td></td>
<td>rural</td>
<td>urban</td>
<td>total</td>
</tr>
<tr>
<td>Male</td>
<td>22.9</td>
<td>80.2</td>
<td>31.1</td>
</tr>
<tr>
<td>Female</td>
<td>9.0</td>
<td>62.8</td>
<td>17.5</td>
</tr>
<tr>
<td>Both</td>
<td>16.0</td>
<td>71.0</td>
<td>24.3</td>
</tr>
<tr>
<td></td>
<td>rural</td>
<td>urban</td>
<td>total</td>
</tr>
<tr>
<td>Male</td>
<td>29.2</td>
<td>82.3</td>
<td>36.5</td>
</tr>
<tr>
<td>Female</td>
<td>9.2</td>
<td>60.4</td>
<td>18.1</td>
</tr>
<tr>
<td>Both</td>
<td>19.4</td>
<td>70.0</td>
<td>27.3</td>
</tr>
</tbody>
</table>

Source: calculated from Census 1984 (results exclude rural Tigray), Census 1994 (results exclude Somali Region) and WMS/HICES 1995/96. The survey results of 1995/96 are based on a question whether an individual can read or write. Questions related to educational status would suggest slightly higher literacy rates, especially for women.

8. Not all long-term living standards indicators suggest that this recovery. Different national surveys conducted in the 1980s and 1990s suggest that child malnutrition figures, especially long-run indicators, are still worsening. Table 1.5 combines evidence from national surveys in 1983, 1992 and 1996. The data suggest that stunting has increased in each period. The evidence on wasting suggest at least a stagnation in this period. Data on stunting and wasting are liable to substantial measurement errors related to the scales and measures used, and they are strongly dependent on data cleaning procedures used. Consequently, we may want to be careful to attach too much importance to the findings. Nevertheless, stunting has consistently been between 60 and 70 percent of children, again one of the worst results in the world. No signs of improvement can be noticed. Below, in section 1.5 we return to this issue, using data on the changes in consumption poverty in recent years.

---

3 In 1994, the average for Africa was estimated to be 57 percent; literacy in Kenya was 78 percent, for Uganda 62 percent and Tanzania 68 percent.

4 The figures for 1995/96 are not from a census but from a survey of 12000 households. National and rural figures are affected by small changes in the weights used.
Table 1.5  Child malnutrition (children between 6-59 months) in Ethiopia (population weighted)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>All</td>
<td>Male</td>
<td>Female</td>
<td>All</td>
</tr>
<tr>
<td>Severe Stunting</td>
<td>39.0</td>
<td>36.9</td>
<td>38.0</td>
<td>65.7</td>
<td>62.7</td>
<td>64.2</td>
</tr>
<tr>
<td>Stunting</td>
<td>61.0</td>
<td>58.6</td>
<td>59.8</td>
<td>70.0</td>
<td>66.7</td>
<td>68.4</td>
</tr>
<tr>
<td>Severe Wasting</td>
<td>3.4</td>
<td>3.1</td>
<td>3.2</td>
<td>3.4</td>
<td>3.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Wasting</td>
<td>9.0</td>
<td>7.8</td>
<td>8.3</td>
<td>9.3</td>
<td>9.8</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Definitions: Severe Wasting: weight-over-age z-score below –3; Wasting: weight-over-age below –2; Severe Stunting: height-over-age z-score below –3; Stunting: height-over-age z-score below –2.

1.3. Measuring consumption poverty

9. More information is available to discuss current poverty levels across the country. Recently, poverty figures have been published by the Welfare Monitoring Unit (MEDAC) using data collected by the Central Statistical Authority in 1995/96 (HICES/WMS) (Welfare Monitoring Unit (1999)). Since the study used one of the standard approaches to measure poverty and since the results appear to become the official poverty figures, it is useful to briefly explain in this section how the results were obtained.

10. The data come from a nationally representative survey, using clustered two-stage sample design. In total 11569 households in about 900 clusters were interviewed during two different periods in the cropping year. Information was collected on consumption, income, demographic variables, and linked to the survey, a series of welfare indicators including on education, nutrition and health. The resulting data are not without problems, but provide at least a large enough sample to base a national description of poverty on.

11. Although the report consistently refers to ‘income’ as the basis of the poverty estimates, as footnotes make clear, the analysis is conducted using consumption as the welfare indicator. This is standard practice for many reasons, including the problems of measuring income in households with a variety of income sources with high fluctuations. Given the survey instrument, consumption was clearly better measured so the choice of consumption as the welfare indicator is sensible in this context. Consumption is measured to include both cash expenditure as as well as consumption on the basis of own production and gifts.

12. Consumption was made comparable across areas using a regional price deflator to correct for price differences. To correct for different household size and composition, standard nutritional adult equivalent scales were used. These scales are based on the relative food needs of different age groups in the households, so that children have a lower weight than adults when constructing consumption levels for inter-household comparison. Consequently, the indicators below will be presented in terms of ‘per adult equivalent’, i.e. all household results are scaled as reflecting consumption per adult in this household.

13. To construct poverty levels, a standard approach to calculate a poverty line was used, referred to as ‘the cost of basic needs’ (Ravallion (1994)). This involves a series of steps. First, it uses the data to construct a typical diet for the poorer half of the sample, using expenditure shares. These expenditure shares are then converted into calorie shares, using standard calorie conversion tables. The resulting diet is recalculated to exactly obtain 2200 Kcal per day per adult, i.e. the recommended minimum requirement per day according to the World Health Organisation. The quantities of each food item in this diet to obtain this minimum level of consumption are then valued in terms of birr (the local currency). The total value of that basket constitutes the basic food needs, or the food poverty line. Individuals have, however, also essential non-food needs. To allow for this, regression analysis is used to determine the share of non-food that is typically spent by a household only just having sufficient food consumption to guarantee
2200 Kcal per day per adult. The interpretation is that the non-food expenditures for such a household must be essential, since otherwise the household would actually have diverted some of this non-food expenditure to food expenditure to boost food consumption.

14. Table 1.6 gives details on the diet implied by the data and the resulting food poverty line. It was found that more than 70 percent of calories come from cereals, about 8 percent from tubers and 11 percent from tubers or (sweet) potatoes. In terms of expenditure, cereals are about half of the value of consumption. Note the high consumption of coffee (and to a lesser extent tea), which is culturally very important. Also, protein mainly comes from pulses, with meat or fish consumption very low.

Table 1.6  Typical diet and contribution to food poverty line

<table>
<thead>
<tr>
<th></th>
<th>Calorie share (percent)</th>
<th>Expenditure share (percent)</th>
<th>Value of poverty line (birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
<td>70</td>
<td>49</td>
<td>317</td>
</tr>
<tr>
<td>Pulses</td>
<td>11</td>
<td>9</td>
<td>59</td>
</tr>
<tr>
<td>Tubers/Potatoes</td>
<td>8</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Oil seed/Oil</td>
<td>2</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Meat/Fish</td>
<td>0</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Bread/Prepared food</td>
<td>2</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Milk/Cheese/Egg</td>
<td>1</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Coffee/Tea</td>
<td>2</td>
<td>11</td>
<td>71</td>
</tr>
<tr>
<td>Spices/Salt/Sugar</td>
<td>3</td>
<td>9</td>
<td>56</td>
</tr>
<tr>
<td>Fruit/Vegetables</td>
<td>2</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>648</td>
</tr>
</tbody>
</table>


15. The food poverty line was found to be about 648 birr per adult per year (about $100 per year). The non-food share for essential consumption was found to be about 40 percent. Consequently, an amount was added to the food poverty line to satisfy these needs. This resulted in a poverty line in terms of total consumption of 1075 birr (about $165 per adult per year). This figure is used below in the analysis.

1.4. Consumption Poverty in rural Ethiopia

16. Table 1.7 summarizes mean rural and urban consumption per adult, corrected for rural-urban price differences in the data from the HICES/WMS 1995/96. Total consumption in rural areas is well below urban consumption; the same applies for food or non-food consumption. Details on actual food consumption suggest that calorie intake per adult is below 2000 Kcal per day\(^5\). Note that we need to be very careful about comparing these results with findings in the past or in other countries, since it is well known that small changes in the methodology applied to...

---

\(^5\) Note that in per capita terms, this only means calorie intakes of about 1600 Kcal per day. In dollars per capita, the figures suggest consumption of about $160-170 per year per capita.
calculate these figures could make large differences. Nevertheless, these figures suggest again low average living standards, especially in rural areas.

Table 1.7 Consumption and calorie intake in Ethiopia in 1995/96

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Urban</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food consumption per adult</td>
<td>697</td>
<td>947</td>
<td>732</td>
</tr>
<tr>
<td>Non-food consumption per adult</td>
<td>561</td>
<td>750</td>
<td>588</td>
</tr>
<tr>
<td>Consumption per adult</td>
<td>1250</td>
<td>1693</td>
<td>1311</td>
</tr>
<tr>
<td>Calorie intake per adult per day</td>
<td>1938</td>
<td>2050</td>
<td>1954</td>
</tr>
</tbody>
</table>

Data from WMS/HICES 1995/96 (per year, population weighted; consumption in real terms; using nutritional adult equivalence scales).

17. As was reported in the previous section, the Welfare Monitoring Unit found an absolute poverty line of 648 birr for food only and 1075 birr for total consumption per adult per year. At an exchange rate of about 6.5 birr at the time of the data collection, this is about $165 per year per adult for total consumption, of which $100 for food only. Note that this is a relatively low poverty line, compared to the standard of ‘one dollar per day’ suggested by the World Bank. In the analysis, we decided to use a few alternative poverty lines, consisting of 25 percent less (to identify ‘severe poverty’) and 25 percent more than the standard poverty line (‘moderate poverty’).

18. Table 1.8 gives the resulting poverty estimates. We use the standard ‘head count index’ (the percentage of the population that is poor) and the ‘poverty gap’ (the percentage of total (cumulative) consumption of the population that would be needed to get rid of poverty altogether, if targeting were perfect). The results suggest that close to half the population is ‘poor’, and that the average poverty gap is 13 percent. Poverty in rural areas is higher than in urban areas, consistent with other measures of well-being reported above and consistent with findings in other parts of Africa.

Table 1.8 Poverty estimates based on different poverty lines

<table>
<thead>
<tr>
<th></th>
<th>Head count index Po</th>
<th>Poverty Gap P1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>Moderate poverty</td>
<td>0.66</td>
<td>0.49</td>
</tr>
<tr>
<td>Poverty</td>
<td>0.47</td>
<td>0.33</td>
</tr>
<tr>
<td>Extreme poverty</td>
<td>0.25</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Source: based on results from the WMU.

6 Sometimes, the standard of a-dollar-a-day is applied using dollars, corrected for purchasing power parity. For a country like Ethiopia, this would imply that less than a dollar per day is needed to obtain the purchasing power of one current US dollar. Nevertheless, data on the actual conversion needed for this procedure is not available. In discussions with World Bank officials it has been suggested that the poverty line used by the WMU is probably close to one ‘real’ dollar per day, although this is based on judgement, not evidence. In short, one should be very careful to compare the findings of poverty levels in Ethiopia using this approach with other countries. Recall that more standardised non-monetary measures (such as stunting, literacy or life expectancy) suggest considerably worse conditions in Ethiopia than in most of the rest of Africa.

7 The poverty gap is one possible measure of the depth of poverty, albeit one that does not attach a higher weight to very low consumption outcomes. The study by the WMS gives alternative measures, but these does not change the overall picture.
19. Table 1.9 gives some details on the regional patterns of consumption poverty using the head count. For comparison, figures on stunting and wasting of children below the age of 5 are given as well, based on the same survey and period. The data suggest that three out of the four regions have barely distinguishable poverty levels (Tigray, Amhara and SNNP), although poverty in the central region of Oromiya is lower. This suggests that no simple priorities in terms of broad regional targeting of poverty alleviation activities can be presented. Note that the stunting figures follow the same pattern. The wasting figures are less systematically linked to the poverty figures, not an unusual result in this type of survey evidence. Although the samples are relatively small, the evidence for the other main rural regions suggest that poverty levels in these regions are somewhere in between the figures for the three high poverty regions and the results for Oromiya, in the following order: Affar (0.52), Bengshagul-Gumuz (0.48), Gambella (0.42) and Somali (0.57). Note that the sample excluded pastoralist areas.

<table>
<thead>
<tr>
<th>Region</th>
<th>Rural poverty</th>
<th>Rural Stunting</th>
<th>Rural Wasting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tigray</td>
<td>0.58</td>
<td>74.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Amhara</td>
<td>0.57</td>
<td>73.4</td>
<td>10.1</td>
</tr>
<tr>
<td>Oromiya</td>
<td>0.35</td>
<td>61.9</td>
<td>9.6</td>
</tr>
<tr>
<td>SNNP</td>
<td>0.57</td>
<td>69.0</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: HICES/WMS 1995/96

1.5. Poverty changes in recent years

20. In section 1.2, it was argued that there were some signs of limited improvement in the standard of living in Ethiopia in the 1990s, mainly based on some improvements in literacy. Despite the currently high levels of poverty and deprivation, there is some further evidence on at least a limited recovery in rural areas based on consumption poverty. The Economics Department of Addis Ababa University and the Centre for the Study of African Economies, Oxford constructed a panel data survey based on six villages (about 400 households) in different parts of the country. While the sample is not representative, the villages selected had all suffered considerably in the 1984-85 famine. Data were available for 1989 to compare with data on consumption in 1994-95. The results have been reported in Dercon and Krishnan (1997). They found that mean consumption had increased in this period. Even though inequality appears to have increased, poverty levels decreased as well, by about a quarter to a third, depending on the measure. For example, the head count index of poverty declined from 61 percent to 46 percent in this sample between 1989 and 1995. These results are consistent with the view that welfare decreased considerably during the 1980s, and that in the 1990s some

---

8 Note also that more detailed analysis of household poverty and child malnutrition (e.g. via regression analysis or simple correlation coefficients) does suggest that there is a positive link, but it is not a clear-cut as table 1.9 would suggest. Again this not uncommon.

9 Contrary to what is sometimes suggested, pastoralists correspond to less than five percent of the population. Nevertheless, they are almost as a standard procedure excluded from data on living standards due to lack of data.
improvement has taken place, even it is likely that the improvement is at least partly just a return to the rural standard of living of the early 1980s.

21. However, the evidence of a recovery is quite mixed: of the six villages, poverty decreased considerably in 3 of them, poverty remained unchanged in two and increased in one village. In all, about half the people improved their consumption levels significantly, but a third faced lower consumption by 1995. There is other evidence confirming this pattern. A larger survey conducted by the Economics Department of Addis Ababa University and the Centre for the Study of African Economies, Oxford interviewed 1477 households in 15 villages across the country, chosen to reflect different agro-climatic areas in the country. Questions were asked in 1995 about households’ subjective assessment of their changes in living standards since 1990. Table 1.10 gives the results. More people suggested an improvement than a decline in living standards: 45 percent suggested that their well-being increased, while 35 percent reported a worsening living standard. Again, this is mixed evidence: welfare is likely to have increased on average in this period, but not all households have benefited from this increase.

Table 1.10: Subjective assessment of change in well-being 1990 to 1995
(percent of households, full sample)

<table>
<thead>
<tr>
<th>percentage of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>much better</td>
</tr>
<tr>
<td>better</td>
</tr>
<tr>
<td>about the same</td>
</tr>
<tr>
<td>worse</td>
</tr>
<tr>
<td>much worse</td>
</tr>
</tbody>
</table>

| Source: ERHS (1994/95) |

1.6. Conclusions

22. There is nothing surprising about the overall pattern of poverty in Ethiopia, except for its scale. Using a series of monetary and non-monetary measures, poverty, malnutrition and destitution is extremely high, compared to other African countries. Urban living standards are considerably higher. There is evidence to suggest that living standards declined further in the 1980s. The combination of poor policies, war and climatic shocks are probably linked to this. Since the 1990s, some indicators (such as consumption poverty or literacy) suggest an improvement, although by the mid-1990s, this is probably still only recovery to the levels of the early 1980s. Note that this does not necessarily mean that the reforms are working, since many harvests in the 1990s were relatively good, linked to better weather conditions. In section 3., we will return to the issue of macroeconomic reform, sectoral policies, food security and poverty. In the next section, we attempt to identify the poor further and discuss the micro-levels determinants of rural poverty and food vulnerability.
2. Characteristics of the rural poor and determinants of poverty

2.1 Characteristics of the poor

2.1.1 Demographic, gender and educational dimensions of poverty

1. As was argued in the previous section, the poor are not lifeless individuals but people actively trying to cope with their poverty. Beyond the poverty statistics are individuals with particular characteristics. Some of the survey data available allows us to describe the typical poor; case studies supplement this information. The nationally representative data available in the results from the 1995/96 WMS and HICES allows us to provide demographic characteristics of rural households. Table 2.1 gives demographic characteristics of rural households, organised by quartile, based on consumption per adult equivalent. Since about half the rural population is poor, the poorer two quartiles can be considered as the poor. By not just giving the characteristics of the poor as defined by the consumption poverty head count relative to the non-poor group, we acknowledge that the poor nor the non-poor belong to homogenous groups.

<table>
<thead>
<tr>
<th>Table 2.1 Demographic characteristics of poor households in rural Ethiopia 1995/96</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Number of female adults</td>
</tr>
<tr>
<td>Number of male adults</td>
</tr>
<tr>
<td>Number of female children</td>
</tr>
<tr>
<td>Number of male children</td>
</tr>
<tr>
<td>Dependency ratio</td>
</tr>
<tr>
<td>Household size</td>
</tr>
<tr>
<td>% female headed</td>
</tr>
</tbody>
</table>

Source: 1995/96 WMS and HICES.
Notes: Adults are above 15 years of age; children below 15 years of age. Dependency ratio is defined as the number of children below 15 years of age plus elderly above 65 years divided by the number of adults (15-65 years). Quartiles defined using population weighted consumption per adult equivalent. Data are household weighted.

2. Table 2.1 suggests that the poor live in larger households. They have more children, although also more adults. Nevertheless, the dependency ratio (children plus elderly dependants divided by adults) is larger for the poorer households. Other studies also found this correlation: Dessalegn (1992) suggested that dependency ratios are a good predictor of poverty in his study area in Bolosso. Note however that the average household size in rural Ethiopia is relatively small: only just over 5. Although case studies have found slightly larger household sizes in particular areas (especially the South), in general households are relatively nuclear, with a small number of adults and some children. It would therefore be wrong to conclude that households are poor simply because the household is too large. While population issues are a concern for Ethiopia, there is ample evidence that in Ethiopia (as elsewhere in Africa) children are needed as old age security and labour (Cockburn (1998), Dahl-Jorgensen (1990)).
3. Table 2.1 also provides evidence on the relationship between female headship and poverty. First, it is striking that close to a quarter of households are female headed in rural Ethiopia. However, as can be seen in the table, there is no simple relationship between poverty and female headed households. This has also been noted by the participatory poverty assessment conducted for the World Bank in 1996 (World Bank, 1998). It found that while no doubt certain female headed households are poor, the evidence is more mixed. Nevertheless, poor female-headed households may well be more vulnerable, since they generally and traditionally have less easily access to land and productive resources. The reason for the lack of direct relationship between poverty and headship in households is likely to be linked to the large number of widows but also divorced female household heads: half the female headed households are widows, while a quarter are divorcees. Other case studies have also found a large number of divorcees, especially in Northern Ethiopia (Dessalegn Rahmato, 1991). Whether divorce or widowhood results in poverty is not possible to say in general, since in different parts other customary laws and practices exist related to the access of women to resources after the death of the husband or after a divorce. (For details, see e.g. Levine (1965), Pankhurst (1992)).

4. Participatory poverty assessment studies find similarly not a clear link between female heads of household and poverty. For example, a World Bank study (World Bank (1998)) found that in most communities they studied female-headed households were spread among different categories of wealth ranking, although in poorer communities they were predominantly poor. In another study, the WID PRA study, it was found that because female-headed households are predominantly widows with their sons in the study areas, their socio-economic status is linked to their late husbands’ wealth and shows considerable variance.

5. Another characteristic of households is the educational level of men and women in the households. Poverty and educational levels are closely linked. Table 2.2 gives details on the level of education of men and women above the age of 10 in the WMS/HICES 1995/96. While most men and women do not have any formal education, the percentage of men without education of the poorest quartile is about a quarter higher than that of the richer households. Very few have education beyond primary education. Women have far less education: even of the richest quartile, 87 percent have no formal education at all.
Table 2.2 Education and poverty (percentages)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Men above 10 years of age</th>
<th>Women above 10 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>poorest</td>
<td>poor</td>
</tr>
<tr>
<td>no education</td>
<td>0.76</td>
<td>0.71</td>
</tr>
<tr>
<td>some primary</td>
<td>0.15</td>
<td>0.18</td>
</tr>
<tr>
<td>primary completed</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>more than primary</td>
<td>0.03</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Source: WMS/HICES 1995/96

2.1.2 Children and poverty

6. Children in rural Ethiopia deserve some extra attention. With very high infant (120 per 1,000) and child mortality (180 per 2,000) (table 1.5), children appear especially vulnerable to the consequences of poverty. Evidence from several nutritional surveys suggested that children in the age group from birth to 24 months are especially vulnerable. Low birth weight affects a substantial percentage of children, while a large increase in malnutrition (measured by weight for age, weight for height or by height for age) can be observed between the age of 12 months and 24 months, a period when additional weaning foods are necessary for children (World Bank (1998a)). There are no systematic differences between girls and boys in this respect.

7. Children in rural areas are only given limited opportunities to attend school. Table 2.3 shows that the net primary school enrolment rate (measuring the percentage of the children of primary school age actually enrolled in school) is only 16 percent for boys and 9 percent for girls. Gross rates are considerably higher: 35 percent for boys and 17 percent for girls. This is a reflection of the fact that children in rural Ethiopia start school very late. In fact, a typical reason given by parents why a child does not attend school is that the child is considered too young. Gross and net enrolment rates in rural areas are close to the lowest in the world. They are also systematically lower for girls and for poorer households. For example, the gross enrolment rate for the poorest quartile is about 30 percent for boys, while that for the richest group is more than 45 percent. Note that the levels for boys at the lowest quartile are still higher than for girls in the richest quartile.
Table 2.3 Primary school enrolment rates (percentages) by quartiles

<table>
<thead>
<tr>
<th></th>
<th>net rates</th>
<th></th>
<th>gross rates</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>boys</td>
<td>girls</td>
<td>boys</td>
<td>girls</td>
</tr>
<tr>
<td>Poorest 25%</td>
<td>13.2</td>
<td>7.3</td>
<td>29.7</td>
<td>14.1</td>
</tr>
<tr>
<td>Poor 25%</td>
<td>15.4</td>
<td>8.3</td>
<td>34.7</td>
<td>16.9</td>
</tr>
<tr>
<td>Less poor 25%</td>
<td>18.9</td>
<td>10.4</td>
<td>39.9</td>
<td>17.8</td>
</tr>
<tr>
<td>Better off 25%</td>
<td>23.8</td>
<td>13.8</td>
<td>45.5</td>
<td>20.6</td>
</tr>
<tr>
<td>All</td>
<td>16.0</td>
<td>9.0</td>
<td>34.8</td>
<td>16.6</td>
</tr>
</tbody>
</table>

Source: WMS/HICES 1995/96

Net enrolment rate is the percentage of children of primary school age (7 to 12) actually attending primary school. The gross primary enrolment rate is the ratio of the number of children attending primary school divided by the number of children of the relevant age group. Quartiles using consumption per adult.

8. Children are typically left out of school to help their parents at home. In the survey conducted by the Addis Ababa University and Oxford University, parents were asked to give reasons why children were never sent to school. Table 2.4 gives the reasons based on those respondents that provide a reason. More than 60 percent of answers for boys not attending was that the boy was required for farm work, while for girls about half suggested that they were required for other household work. For boys, this included any farm work, including herding (provided the household has livestock – see below). For girls, tasks are looking after other children, fetching water and helping with firewood. That schooling is too expensive was the third most commonly quoted reason for not going to school.

Table 2.4 Reasons for never attending school

<table>
<thead>
<tr>
<th></th>
<th>boys</th>
<th>girls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required for farm activity</td>
<td>61</td>
<td>14</td>
</tr>
<tr>
<td>Required for other household activity</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>Required to work for wages</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Schooling too expensive</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>School too distant</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Schooling inappropriate for girls</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Schools not believed to be valuable</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>No places available at the local school</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: AAU/Oxford Survey 1995/96

9. Distances to schools do not appear the main reason for not sending children to school, although it was still quoted by some as important. The distances to a primary school in rural Ethiopia is on average about 4 km. There is not a large difference between the richer and poorer, according to the nationally representative data from the WMS/HICES 1995/96. While providing a good quality school within a reasonable distance for households is likely to contribute to increased enrolment, the opportunity cost, in terms of needing the children at home to work, is likely to remain a crucial element in trying to get more children into schools.
2.1.3 Activities of the poor

10. In rural Ethiopia, poorer households rely mainly on agriculture for their livelihood. The actual activity mix depends on local circumstances. Unfortunately, there is no reliable national data on specific income sources, but numerous case studies provide a wealth of evidence. In general, since the land reform of 1976, rural households have access to some land. Provided they have labour in the household and access to farming animals such as oxen (see below), they will cultivate this land. As will be discussed further below, if they lack sufficient assets for agricultural production, the poor will lease out their land, usually in a sharecropping agreement. Cereals such as teff, wheat, sorghum or maize are grown for cash as well as for home consumption. Enset (in the South) is a bulky tuber and virtually exclusively grown for home consumption.

11. Off-farm activities are quite common as a source of supplementary income. It is hard to generalise about the typical percentage contribution of off-farm income to total income of households, since it is highly variable by area but also, given the high variability in agricultural incomes, it varies substantially from year to year. The type of activities households are involved in are forms of farm and off-farm wage employment. In some areas, this may involve migration to get these jobs: for example, migration from some Hadiya communities to sugar cane plantations and mills is reported in World Bank (1998) and found in the Addis Ababa University/Oxford University survey. Getachew Diriba (1995) found that opportunities had decreased in recent years in the areas in Kembatana Hadiya he has studied. In World Bank (1998), in a community in Amhara region, agricultural wage labour is an activity for the poor, but one that makes one loose the community’s respect. In many areas, food-for-work programmes appear to provide an additional source of income for poor and non-poor alike (see below for a full discussion).

12. Collecting and selling fuelwood or dungcakes is in many areas an increasingly important source of off-farm income for the poor. Webb et al. (1992) report that in the communities they studied it constituted up to a quarter of the income of the poor in 1988/89. The PPA-study (World Bank (1998)) found that in the communities studied it was an important livelihood strategy for the poorer households. Getachew Diriba (1995) also found this in many communities. In Southern communities, selling grass or enset leaves is also a typical activity for the poor.

13. Crafts such as pottery or working as a blacksmith are also often an activity of the poor. These households are often outcasts in the community, and traditionally treated with suspicion governed by traditional beliefs. Off-farm business activities, such as trading or crafts for the urban market (e.g. weaving of baskets) appear not often done by the poorer households.
2.2 Asset poverty

14. Underlying the activities of the poor lies a very poor asset base. For rural households, this relates to the physical asset base, including land (2.2.1) and livestock (2.2.2), the access to economic and health infrastructure (2.2.3 and 2.2.4) and access to fuel and water as part of the environmental resource base (2.2.5). The livelihood of the poor is fundamentally determined by this asset base. Given this asset base, household decisions are strongly influenced by the highly risky environment, discussed in 2.3. High risk and a low asset base results in the need for complex survival strategies. These strategies will be discussed in 2.4. While some individual and household strategies are available, the community is an important element in these strategies. They are discussed in 2.4.2.

2.2.1. Land

15. Land is a crucial asset in rural Ethiopia. Since 1975, land has been state owned, the ‘collective property of the Ethiopian people’. In that year, the new Dergue government declared all private ownership of land illegal as well as the transfer of land by lease, sale or mortgage. Households could obtain access to land via the local Peasant Association. A Peasant Association consisted of one or a few villages and effectively functioned as the local authority, replacing any previous local village powers and in various ways and varying degrees controlled by the state. Households in a village had to register with a Peasant Association in order to obtain land. The maximum amount of land that a household could own was set at 10 hectares, this being estimated as the maximum an average household could farm with oxen and tools.

16. In practice, holdings were much smaller at about a hectare on average per household. Land was, in principle, allocated on the basis of household size. When a new household was formed, for example after marriage, or if the household expanded, the Peasant Association could be asked for new land. In practice, this often meant that marginal land or land of deceased persons was allocated to these households. Obviously, in areas with population pressure (which is the case in many parts of the highlands, e.g. in some Southern parts such as Hadiya or Kembata, as well as in some Northern areas), increasingly more marginal land had to be brought into cultivation. To provide land, however, repeated land redistribution was needed in many areas. Although some have argued that not much redistribution has been achieved during this period for most peasants kept the land they tilled (Pausewang (1990)), about a third of the farmers in the household survey of Addis Ababa University/Oxford University reported having lost some land during the 1970s and 1980s due to land redistribution. While the land reform was meant to bring secure access to land to farmers, in practice tenure insecurity was high.

17. By the end of the 1980s, the situation became quite untenable in many areas and as part of the first market oriented reforms, the practice of continuous land reform was de facto frozen in 1989. When the Dergue was replaced by the Transitional Government under the EPRDF, a fairly public discussion ensued on the future of land reform. From this, it became clear that the enormous sensitivity of the land
issue would make any change in the fundamental principle of state ownership of land quite impossible. As a consequence, the 1994 constitution de facto restated the Derg principle of the state ownership of land. Nevertheless, contrary to the Derg legislation, lease rights became legal, but sales remain illegal. In principle, the risk of leasing out land has been considerably reduced. Nevertheless, land policy remains very uncertain and in some areas land redistribution has again started to provide land to new claimants. Providing land to demobilised soldiers and taking land away from cadres of the previous regime have been the main arguments to justify new land reforms after 1992, effectively ending the freeze on land reform\textsuperscript{10}.

18. Land appears to be distributed according to family size. Although we do not have national data available, table 2.5 gives data on land distribution in the main cereal-growing areas of the survey of Addis Ababa University/Oxford University for 1994. Land distribution is closely related to household size, reflecting the consequences of the extensive land reform of the last few decades.

<table>
<thead>
<tr>
<th>Household Size (Assumed Quintiles)</th>
<th>Southern/Central</th>
<th>North</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>0.88</td>
<td>1.24</td>
<td>1.14</td>
</tr>
<tr>
<td>4-5</td>
<td>1.34</td>
<td>1.85</td>
<td>1.64</td>
</tr>
<tr>
<td>6</td>
<td>1.62</td>
<td>1.93</td>
<td>1.78</td>
</tr>
<tr>
<td>7-8</td>
<td>1.70</td>
<td>2.79</td>
<td>2.11</td>
</tr>
<tr>
<td>8 and more</td>
<td>1.74</td>
<td>2.87</td>
<td>1.98</td>
</tr>
</tbody>
</table>

Source: Addis Ababa University/Oxford University ERHS.

19. Nevertheless, land ownership and poverty are closely linked. In the AAU/Oxford, the poorest 20 percent of households owned about 0.28 hectare per adult equivalent, compared to 0.59 hectare per adult for the richest 20 percent. Other surveys and studies confirm that access to sufficient land is definitely one characteristic of the poor. For example, Dessalegn reports that insufficient land is a typical characteristic of the poor in Bolosso, Wollaita in the early 1990s (Dessalegn (1992)). The World Bank’s PPA (World Bank (1998)) reports that those with low land, under one hectare per household is typically quoted as a characteristic of the poor. There is also evidence from the AAU/Oxford survey that the poor are those who obtained land during land redistribution; the World Bank PPA suggests this as well. The issue is that land given during redistribution is often the less fertile land in the community. The role of land in explaining poverty and food security is also stressed in the communities studied by Getachew Diriba (1995).

\textsuperscript{10} In 1997, land reform was for example implemented in Amhara Region, leading to opposing demonstrations by peasants in Addis Ababa.
20. There is an increasing concern about a rise in landless households. The background is that the absence of a market for buying and selling land and the end to repeated land reform in most parts of the country implies that newly formed or expanding households cannot obtain access to more land. There is evidence that this indeed is the case in many areas (PPA, World Bank (1998)). Household size becomes a larger constraint on young families, creating pressure on these families. Another crucial consequence is that many young adults end up dependent on their families and their largely inadequate resources, and as a consequence farm plots are subdivided into ever smaller parcels (Dessalegn (1995)). This is a problematic legacy of land reform: by denying young adults means to gain access to land, a rural group of disenfranchised landless youngsters might well be created.

2.2.2 Livestock

21. A generally accepted indicator and underlying determinant of poverty in Ethiopia is livestock ownership, although its role in the different livelihood systems may be different. Oxen are crucial in ox-plough farming systems in most of the Ethiopian Highlands. In the other farming systems, where oxen are less important for traction, livestock provide a very important source of additional income, via milk and meat, dung, etc. In all farming systems, livestock are the single most important store of wealth. Many studies found the correlation between poverty and livestock ownership. In all the rural communities studied, the World Bank PPA (World Bank (1998)) found that owning no or very little livestock was a clear characteristic of the poorest part of the community. Other evidence from community level studies confirms this (e.g. Webb et al. (1992), Getachew Diriba (1995), etc.).

22. The differences in livestock holdings and oxen ownership are shown in table 2.6, using data from the Addis Ababa University/Oxford survey of 1994/95. The poorest 20 percent own only about a third of the value of livestock of the richest. The richest 20 percent own on average one oxen per household, the poorest only 0.63. Note also the overall poverty in terms in the number of oxen across all the communities surveyed: average holdings are less than one oxen per household, while an oxen pair are in fact needed to plough.

<table>
<thead>
<tr>
<th>Livestock value per adult</th>
<th>Quintile</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>all</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>188</td>
<td>310</td>
<td>447</td>
<td>468</td>
<td>553</td>
<td>394</td>
</tr>
<tr>
<td>Number of oxen</td>
<td>Quintile</td>
<td>0.63</td>
<td>0.72</td>
<td>0.87</td>
<td>0.98</td>
<td>1.05</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Source: AAU/CSAE survey in rural Ethiopia; 1477 households. Consumption per adult quintiles. Livestock values deflated by regional price deflator. Survey villages in Oromiya, Tigray, Amhara and SNNP. Quintile 1 is poorest 20 percent; quintile 5 is richest 20 percent.

11 The HICES/WMS survey of 1995/96 had some questions related to this and failed to pick up significant landlessness. However, it has been argued since that the survey questions could not have picked up the particular type of landlessness referred to here.
23. Given the crucial importance in the farming system for highland agriculture, it remains remarkable that poor households often do not have oxen for traction power. Contrary to land, livestock markets in Ethiopia have consistently been very active with little interference. However, this does not mean that oxen rental markets are very common, resulting in potential big problems for some households to farm. In fact, despite having land, households without oxen are often forced to give out their land to another household in the form of a sharecropping agreement instead of cultivating their own land (see Aspen (1995), World Bank (1998)).

24. The poor typically have also limited other assets. For example, according to the WMS/HICES of 1995/96, few households have bicycle or motorcycles (let alone cars) in rural Ethiopia. Only 8 percent of households own a radio; of the poorest 20 percent only 3 percent a radio. Few other valuables or farm assets of any significant value can be found in rural Ethiopia.

2.2.3. Access to economic infrastructure

25. The poor have limited assets in terms in livestock and land for farming. They also have limited access to different forms of economic infrastructure. All-weather roads and feeder roads are still very limited and few of the poor have easy access to public services and markets. Table 2.7, based on data from the WMS/HICES of 1995/96 gives some details. Average distances to transport, telephone or post office services is about 20-26 km in rural Ethiopia. The poor are typically further away from these services.

| Table 2.7: Access to economic infrastructure (in km, by quartile) |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                   | poorest | poor | less poor | better off | all |
| Distance to food-market | 7       | 8     | 8         | 7           | 7     |
| Distance to post office   | 28      | 25    | 23        | 20          | 25    |
| Distance to transport service | 25    | 20    | 19        | 15          | 20    |
| Distance telephone service | 31     | 26    | 24        | 21          | 26    |

Source: WMS/HICES of 1995/96

2.2.4. Access to health services

26. Health is a crucial asset in rural Ethiopia. Household labour is often one of the few means of earning income the poor can rely upon. Given the strong seasonal nature of agricultural activities, timing of performing tasks is very important to result in reasonable yields. If illness strikes and working days are lost, income will be strongly affected. For example, in malaria-prone areas, malaria often strikes during the rainy season, just when important tasks such as sowing or weeding need to take place.

27. Ethiopian rural health care is characterised by poor quality and by limited access. There is only one health station (the basic health care unit) for every 23,000 people (compared to an African average of one per 8,000) and a health centre for
nearly 300,000 people (World Bank, 1998a). Quality of the health service is poor, with most facilities lacking drugs and maintenance. On average in rural Ethiopia, the distance to the nearest health facility is about 10 km (WMS/HICES 1995/96). There is a difference between poorer and richer rural households in the distance to health care, although the difference is relatively small.

28. There is nevertheless an important difference between the rich and the poor in terms of use of health care when ill. The Addis Ababa University/Oxford University 1994/95 survey investigated this in more detail. Table 2.8 gives details. It can be seen that less than only in half the cases treatment is sought when illness is reported, treatment is sought. (Analysis of the WMS/HICES survey data on a larger sample, results in a similar result.) Treatment is mostly sought in the nearest station or centre, followed by the nearest hospital or a pharmacy. Traditional healers are reportedly much less consulted. This result is typical for this kind of data, and is very likely a substantial underestimate. For our purposes it is striking that the poor are less likely to seek treatment, while if they do, they are relatively more likely to go to a pharmacy. The rich go relatively more often directly to the hospital. The reason for using pharmacies appears to be that drugs can be bought directly, without seeking better quality advice in medical facilities. It is likely that this has to do with the problem of the relatively high costs of health care, even in the public system, so that avoiding the charges to health care is an important reason for going directly to pharmacies (Social Sector Review, 1997).

Table 2.8 Seeking treatment and types of facilities visited by quartiles of wealth

<table>
<thead>
<tr>
<th></th>
<th>poorest</th>
<th>poor</th>
<th>less poor</th>
<th>better off</th>
<th>all</th>
</tr>
</thead>
<tbody>
<tr>
<td>No treatment</td>
<td>48</td>
<td>47</td>
<td>46</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Nearest hospital</td>
<td>4</td>
<td>9</td>
<td>11</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Nearest clinic/centre</td>
<td>21</td>
<td>19</td>
<td>17</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>13</td>
<td>8</td>
<td>10</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Clinic (not nearest)</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Home of health worker</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Traditional healers</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ERHS Addis Ababa University/Oxford University 1994/95

29. The fact that the cost of health is an important reason for not using health care is confirmed by table 2.9, also based on the AAU/Oxford data. Reasons were asked why treatment was not sought when ill. Of those giving answers, the most important reason is that the cost of treatment is too high: half the poorest group give this as the main reason, compared to about 29 percent for the richest group. Note that distance or quality is less important, especially for the poor.
Table 2.9  Reasons for not seeking treatment (reason quoted as one of the two most important ones) by quartiles of wealth

<table>
<thead>
<tr>
<th>Reason</th>
<th>poorest</th>
<th>poor</th>
<th>less poor</th>
<th>better off</th>
<th>all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of treatment too high</td>
<td>49</td>
<td>32</td>
<td>30</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>Transport cost too high</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Absence or quality of facility</td>
<td>10</td>
<td>12</td>
<td>14</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>No-one to escort</td>
<td>2</td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Mild illness</td>
<td>11</td>
<td>14</td>
<td>12</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Unlikely treatable</td>
<td>10</td>
<td>9</td>
<td>19</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Other reasons</td>
<td>13</td>
<td>19</td>
<td>14</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ERHS Addis Ababa University/Oxford University 1994/95

2.2.5 The environmental resource base: water and fuel

30. It is well-known that the environmental resource base in Ethiopia is under substantial pressure. Households are dependent on environmental resources for firewood, water, waste disposal and grazing land. Political uncertainty and change in the systems of local administration during the last decades have jeopardised stable local arrangements to manage these resources in a sustainable way. Population growth and high population density put further pressure on these resources.

31. Safe water is probably the single most important factor in prevention health problems in rural Ethiopia. Data from the WMS/HICES 1995/96 suggest that more than half the rural households depend on rivers or lakes for their water supply for cooking. Unprotected wells are used by about 20 percent of the rural population. Less than 10 percent use protected wells or public taps. The data could not detect a strong difference between the poor and the richer rural households in this respect. However, there is evidence that the poor cannot easily afford the measures to cook the water before use, given the scarcity and cost of fuel products, such as firewood. In fact, virtually no households reported systematically boiling water before drinking in this survey. In all, it means that water remains a crucial problem for rural Ethiopia and the poor in particular. Water management by communities and education on water remains an important constraint.

32. Households are largely dependent on firewood collected on common land for their fuel. Increasingly, in many areas dung cakes increasingly have to be used for fuel rather than, for example, for fertiliser (Helen Pankhurst (1990)). The WMS/HICES has information on the rural sources of fuel for cooking. 74 percent use collected firewood, about 20 percent use dungcakes. There is virtually no difference between the richer and poorer households in the use of fuel for cooking.

2.3 Risk and vulnerability

33. Peasant life is strongly affected by risk and shocks. Farmers know that rainfall is not very reliable. Stories and beliefs are abound about cycles of good and bad years. For example, traditional Christian belief names years after saints, with
different saints to be linked to good or bad years (Dessalegn (1991a)). Usually, risk in Ethiopian agriculture tends to be reduced by policy makers to the risk of drought. While real, there are a large number of other agro-climatic and other sources of risk in agriculture. Frost is common in some parts of the Northern highlands, while waterlogging and flooding is common, e.g. in some Southern parts of the country. Plant diseases and pests affect harvests in many parts of the country. Also, animals such as oxen and other livestock are very vulnerable to disease. Livestock disease created important problems in 1994/95 is some parts of the South.

34. Agricultural risks are not the only ones to have affected farmers in recent decades. War, insecurity and political violence have affected farmers in different parts of the country in the last few decades. Especially during the Dergue, the sudden introduction of taxes and levies to finance ‘development’ or war campaigns, the conscription of tens or even hundreds of thousands of young men, imprisonment of youngsters with only the vaguest sympathies to resistance or opposition movements, etc. terrorised the country site during many years. Economic policies, such as villagisation, ban on migration, forced ‘corvée’ labour for ‘public’ projects, etc. disrupted farm life and income generation. Insecurity of tenure, with the risk of appropriation of land for land reform, created further risk in the decision making of households.

35. The survey by the Addis Ababa University/Oxford University questioned household across different parts of the country about the main risks they have faced in recent years. Table 2.10 reports the percentage of households in different parts of the country reporting that a particular type of events has caused considerable hardship in the last 20 years. It also gives (in brackets) the most frequently quoted year. The table shows that across the country, the most frequently quoted cause of hardship has been harvest failure. Mostly this is reportedly due to drought, but often also due to frost or water logging. The most often quoted year is 1984, which is obviously the year of the start of the famine of the mid-1980s. However, the second most often quoted problems relate to what has been grouped under policy problems, mainly to do with the Dergue: people mentioned policies such as villagisation, the ban on migration, the ban on wage labour, the quota system of forced sales to the grain parastatal, the high rural taxes and levies, forced labour, etc. This is striking and important, and provides further evidence on the role of the rural extraction policies pursued in the 1970s and 1980s and the effects on vulnerability in rural Ethiopia.

36. The third most frequently quoted event has to do with labour problems in the household. Most often it is related to illness or death of a household member causing labour shortage and high expense. Note that the most frequently quoted year is still quite recent, suggesting that this will remain a crucial problem in the future that needs to be addressed in rural development policies. Other problems often quoted are to do with oxen and livestock, as argued before a crucial production factor and source of wealth in rural Ethiopia. Note finally that problems with war or crime have in comparison with other problems affected rural

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12 For example, in 1994 some Southern areas were close to famine due to particular plant diseases affecting crops such as Enset. It was referred to as a ‘green’ famine, since superficially, the crops looked green and healthy, and sufficient rain had fallen.
households far less than could have been expected. It is again a reflection of the fact that the direct effects of war not as much noticed in many communities; indirect effects, working via the possible collapse of the economy, are likely to be more important (on this see Daniel et al. (1999)).

Table 2.10 Percentage reporting that particular type of events has caused considerable hardship (loss of income or wealth) during the last 20 years, by region. Percentage of households with in brackets the mode year of the event reportedly occurring within the sample.

<table>
<thead>
<tr>
<th>Event</th>
<th>Villages in Tigray (2)</th>
<th>Villages in Amhara (4)</th>
<th>Villages in Oromiya (4)</th>
<th>Villages in SNPP (5)</th>
<th>ALL</th>
</tr>
</thead>
</table>

war: abduction men and women, destruction market, destruction of crops and livestock, death or disability due to war.
harvest: drought, flood, pests, storage losses, frost, etc.
labour problems: illness or death household members, divorce, etc.
land problems: land reform and nationalisation, loss of land due to disputes, transfers to family members, etc.
asset losses: destruction of house (fire, etc.), theft, house loss due to villagisation, etc.
oxen problems: disease, theft, drought related death and distress sales, etc.
other livestock: disease, theft, drought related death and distress sales, etc.
policy: villagisation, resettlement, ban on migration, ban on wage labour, AMC quotas, taxation and forced contribution, forced labour, etc.
crime/banditry: theft, killing, wounding, disability due to banditry or other crime.
Source: Dercon (1999).

37. High risk affects the ability of households to build up a sustainable livelihood, resulting in important fluctuations in agricultural output and total income. Another source of fluctuation in income is the seasonality of agricultural activities. Tasks have to be performed at particular times in the season and returns are earned at different times. There is evidence of very high fluctuations in nutritional status of children and adults across the seasons. Vosti et al. (1990) and Dercon and Krishnan (1999) found fluctuations in adult nutritional status which suggest some of the highest seasonal and intertemporal fluctuations found anywhere in the world. Most of the fluctuations appear to be linked with shocks, affecting the ability of the family to feed itself. There is evidence that part of the fluctuations are intentional: given the deep poverty of rural households, it is necessary to skew resources to periods when heavy agricultural work requires better nutrition. It also results in skewing of resources to some of the stronger workers in the households. Observed fluctuations for women appear to be higher than those for men (Dercon and Krishnan (1999)).
2.4 Coping with poverty and vulnerability

2.4.1. Individual and household coping strategies

38. Households and individuals actively respond to their conditions to ensure their survival. They do not passively endure life, but constantly adapt and adjust to new circumstances. Understanding the complexity of their strategies is crucial for any policy intervention aimed at improving survival opportunities of the poor. First, we will discuss the coping strategies used to cope with poverty and vulnerability at the level of the household. In a next section, we look how community institutions and interactions are important in this respect.

39. Households and individuals are constrained in their responses by the very low asset base they face. As was shown above, poor households lack assets such as sufficient and fertile land and lack oxen and other livestock. Their human capital is limited by poor literacy but also by problems with health. In their survival strategies, households are involved in many activities. A large number of these activities are related to agriculture. Households typically grow a large number of crops. While one reason may be risk management (see below), different crops also allow a more efficient spreading of labour allocation, since they often involve different peak periods in terms of tending and harvesting. For example, households involved in permanent crops (such as enset or chat) are often also involved in annual crops, following another cycle. Small livestock provides an important source of additional income.

40. Off-farm activities provide a substantial additional source of income. These activities are among others important since they provide employment during the slack period in the agricultural calendar. They also provide a crucial source of income for those households lacking sufficient farm animals or labour to fully involve themselves in agricultural activities.

41. Seasonal and longer migration has often been used as a central part of poverty coping by households to provide more income. In many parts of the country, such in Gurage, Kembata, Hadiya but also in Northern Ethiopia, this has long been part of the traditional poverty coping strategy (Getachew Diriba (1995), World Bank PPA (1998)). During the Dergue, in many areas, e.g. in Tigray and Wollo, ban on migrant labour effectively meant that this strategy could not be used effectively. There is evidence that this weakened the income base before the drought in the mid-1980s in Northern Ethiopia, contributing to the famine (Dessalegn (1991a)). In recent years, after the fall of the Dergue, it appears that migration in Northern Ethiopia is crucial in attempts by households to recover from the crisis in the 1990s (Hendrie (1999)). In other areas, regionalisation and retrenchment in state farms has meant that certain ethnic groups find it harder to use these strategies. For example, in one of the survey villages of the Addis Ababa University/Oxford University, in Kembata (SNNP) it was found that in 1995 men could not migrate anymore to the sugar factories near Nazret (Oromiya), where they typically went for work.
42. Despite the fact that off-farm income provides a very important source of income for those involved, it is striking that the type of activities the poor are involved in are often very low return activities. As was argued before the activities are typically casual wage labour or activities such as firewood collection. In a study of the patterns of off-farm income generating activities, Dercon and Krishnan (1996) found that entry constraints, in the form of skill and capital requirements, are the main reasons why poorer households do not enter the more profitable activities such as trading or other off-farm business activities. In other words, just as the lack of assets constrain households to fully benefit from agricultural activities, the lack of assets and skills also constrain households to benefit from off-farm activities. Only the activities which rely on the asset base the households have access to can be used. In particular, the poor depend on their own labour and on the common resource base available in the community. But the labour supplied by the poor is however usually unskilled and often sick, and the environmental resource base is increasingly under pressure. In general, the household poverty coping strategies employed are essential for their survival, but they do not provide much scope for gradually moving out of poverty.

43. The presence of high risk in income implies that households must attempt to manage the risks involved in activities and also find ways of coping with the consequences of high risk. We can distinguish agriculture-based risk management strategies: intercropping, staggered planting, etc. have been widely reported (e.g. Webb et al. (1992)). It is claimed that enset is spreading beyond its traditional areas due to its drought-resistant properties (World Bank PPA (1998)). Dessalegn (1992) reports sophisticated techniques in the southern parts of the enset zone, such as terracing, irrigation and water conservation techniques. In Dessalegn (1991a) for Wollo, details are given on very sophisticated soil and moisture conservation techniques to manage the vagaries of rainfall. Across Ethiopia, farmers grow a variety of crops, often with different climatic dependence and therefore effectively diversifying risk.

44. Off-farm activities have long been part of a strategy to cope with risk (e.g. Dessalegn (1991a), Webb et al. (1992), Dercon and Krishnan (1996)). By its nature, off-farm activities are a useful means for diversification, because returns are likely to be less covariate with weather and therefore agricultural income. As was mentioned before, the type of activities households can enter into are limited by skills and capital. For risk diversification purposes, income sources that are less linked to local risk and conditions are preferred. Given that rural households are living in quite remote areas, with relatively poor road and economic infrastructure, off-farm diversification cannot be exploited to the same extent in more affluent areas.

45. Livestock provides another source to diversify income (Webb et al. (1992), Getachew Diriba (1995)). Livestock are dependent on water, but are generally more resilient to drought, if only because they can be moved ‘on the hoof’ to areas with water.

46. Income diversification and other adjustment to reduce risk are not sufficient to get rid of risk in income altogether. Drought tends sometimes to affect large areas and demand for off-farm products and supply of off-farm work dries up as well.
Households traditionally used strategies to cope with the consequences of income fluctuations. One typical strategy is self-insurance: building up assets when harvests are good and income are high, to sell these assets when income is low. The typical asset used for this purpose in rural Ethiopia is livestock: it keeps its value reasonably well over time, it provides a return (in livestock products and offspring) and can easily be sold whenever needed. In Ethiopia, just as in many other African countries, livestock are by far the most important liquid asset and consciously used by farmers as a store of wealth.

47. Credit is another mechanism to cope with temporary shocks. Formal credit from banks is very rare, except for inputs such as fertiliser in some areas. Most credit transactions are however within the villages, the vast majority between friends and relatives (e.g. Addis Ababa University/Oxford survey). These loans are usually used for current household expenditures. Dessalegn (1992) reports some of the reasons in his survey site in Wollaita. About 40 percent borrowed money for food and household expenditures, 13 percent to pay tax, 16 percent for customary obligations and 16 for public contributions. The rest for other reasons. Credit is clearly part of the strategies to cope with risk and fluctuations in income; not to invest.

48. When small shocks occur, such as partial crop failure, these strategies are usually quite effective in coping with the consequences of risk. However, when large shocks occur, such as a drought, coping strategies may be insufficient to sustain households and serious hardship could follow. There is substantial evidence about the type and sequence of responses to a crisis. Reduction in consumption is a common initial response, combined with the sale of some assets, such as small livestock. Larger livestock and household assets are more reluctantly sold. Migration to seek work is also common. In a large crisis, all these responses have there well-known limitations. Selling livestock to obtain grain during the famine of the mid-1980s has resulted to extremely low exchange rates between livestock and grain. Seeking work is usually problematic in a crisis, since casual labour markets are flooded and demand is low. Local credit possibilities will dry up. While household coping strategies are very suitable to cope with individual or local risks, once the scale increases they become less effective.

2.4.2. Community coping strategies

49. Beyond household coping strategies, communities have developed a series of community-level institutions that help households to cope with poverty and with risk. They take different forms. Some are responses to missing market and provide non-market substitutes to improve resource allocation. Others are community support systems in which altruism and solidarity are at a core. In practice, it is hard to see the difference carefully. As Dessalegn (1992, p.10) puts it: ‘economic decisions are frequently informed by socio-cultural values’. The reverse is also likely to be true.

50. In Ethiopia, the repression of private initiative and markets during the Dergue has resulted in only limited operation of factor markets in labour. For example, officially migration and private wage labour was banned. Land markets were
illegal, not just for sales but also land cash rental markets. There were strict official rules on the types of households allowed to enter into land rental agreements, usually only these not able to farm their own land, such as the sick, handicapped, female headed households, etc. In recent years, these restrictions have been lifted and land rental or wage labour are allowed by law.

51. Still, both during the Dergue and since then, there is only limited evidence of well-functioning rural factor markets. There are also good economic reasons why some of these markets do not easily develop. For example, if labour monitoring and contract enforcement is difficult, then labour markets are likely not be functioning well. Another crucial input, oxen are still scarce but also extremely valuable. They are also often dependent on their driver, usually the owner of the oxen, so that they are not easily rented out to other farmers. Fear and insecurity about the reversibility of the current liberalisation and fear that future land reform may target more entrepreneurial farmers, may keep farmers away from entering in formal factor market arrangements.

52. However, for a long time, a series of informal market institutions have developed that implicitly fulfil the functions of formal factor markets. Sharecropping arrangements (e.g. Mekanajo) imply rental agreements in land, in which the land owner gives land to another farmer in return to a share of the harvest. Labour sharing arrangements (e.g. Dabbo, Wenfel) imply that when extra labour is needed for a particular task, such as ploughing or harvesting, a labour group is called. Participation in the labour group is most often a reciprocal arrangement in which the person calling the group commits himself to contribute to a group, called later by a participant. The only payment is usually some food and drink during the work. Oxen-sharing arrangements usually imply that two owners of one ox come together to form an oxen-pair for ploughing on each other’s field.

53. The lack of factor markets, for example the absence of a market for selling and buying land, may lead to inefficiencies in input allocation in production. Land rental and sharecropping could in principle contribute to equalising input ratios. Sharecropping is very common in Ethiopia. Given the relatively equal land distribution, share tenants are usually farmers with high endowments in terms of male labour and oxen. Since share-tenees and owners usually live in the same village, the informational requirements for relatively low-cost monitoring are in place, so that in principle there is little reason for the usual inefficiencies associated with sharecropping. The Addis Ababa University/Oxford data has been used to investigate this further below.

54. Despite this broadly equal land distribution, substantial amounts of land are under tenancy. About a fifth of households are renting in land under a sharecropping agreement. Renting against a fixed rent in cash or in kind is still not very common: only 2 percent report to rent in land under such contract. Crop agriculture in the main cereal growing areas depends on oxen traction. Consequently, the main input ratios to be considered involve labour, land and

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13 There is also evidence on India and Tanzania on this. See Dercon (1998).
14 For a detailed discussion on why sharecropping and not cash rental appears to be used in Ethiopia, see Dercon and Krishnan (1999).
oxen. Table 2.11 reports the endowment and input ratios for those leasing in land, self-cultivators and those leasing out land.

Table 2.11 Differences in characteristics by leasing land or not

<table>
<thead>
<tr>
<th></th>
<th>leasing in land</th>
<th>self-cultivators</th>
<th>Leasing out land</th>
</tr>
</thead>
<tbody>
<tr>
<td>land owned (ha)</td>
<td>1.84</td>
<td>1.62</td>
<td>1.89</td>
</tr>
<tr>
<td>land sharecropping (ha)</td>
<td>0.79</td>
<td>0</td>
<td>0.84</td>
</tr>
<tr>
<td>land fixed rent (ha)</td>
<td>0.06</td>
<td>0</td>
<td>0.06</td>
</tr>
<tr>
<td>Oxen-land ratio (no./ha)</td>
<td>1.19</td>
<td>0.78</td>
<td>0.21</td>
</tr>
<tr>
<td>Males-land ratio (no./ha)</td>
<td>1.88</td>
<td>2.02</td>
<td>0.92</td>
</tr>
<tr>
<td>Number ploughings meher</td>
<td>3.00</td>
<td>2.94</td>
<td>3.02</td>
</tr>
<tr>
<td>Labour input meher (days/ha)</td>
<td>56.0</td>
<td>55.1</td>
<td>62.9</td>
</tr>
</tbody>
</table>

Source: ERHS (1994)

55. The table illustrates the way informal land transactions, combined with other factor transactions achieve a more efficient allocation within villages. First, note that leasing in or out land is not linked to land abundance as such, but to male labour-land and oxen-land ratios. Those with relatively little male labour and no or few oxen tend to lease out their land. Sharecropping dominates fixed price rentals. Substantial amounts of land are leased in and out. The bottom two rows of the table suggest that quite a remarkable input-ratio equalisation takes place via these transactions. Very similar numbers of ploughings and labour input per unit of land are used across all farms. In short, the usual inefficiencies associated with land market imperfections (or for that matter, with sharecropping) appear not to be present.

56. At the core of the relatively high efficiency in resource allocation achieved by non-market institutions are the land transactions, with some role for the labour-sharing arrangements. Labour sharing is also usually involving relatives, so that poor households living at the fringes of local communities are unlikely to benefit. Those with a lot of oxen are taking in land from those without land; there is a relatively small frequency of actual oxen-rental arrangement involving those without oxen. Most oxen-sharing arrangements are between those owning at least one oxen; those without oxen have to ‘beg’ for oxen. If at all, they are only helped after oxen owners have finished with the work resulting in less than optimal timing of ploughing. In short, this illustrates a fundamental principle of many of the traditional production factor transactions observed in villages in Ethiopia: while they help those with less production factors to achieve better incomes, it is not driven by charity towards the poor. The relations are at least partially governed by mutual self-interest, in the same way as standard market-relations. It also results in continued differentiation between the poor and rich in these communities. Land reform has broadly equalised land holdings; livestock and oxen ownership become then the crucial differentiating factors.
57. There are other non-market community institutions that contribute to coping with poverty and vulnerability. Lack of formal insurance institutions is compensated for by the development of informal insurance mechanisms within communities. In Ethiopia, they are remarkably strong and widespread. The most commonly observed institution is the iddir. Originally, it was a ‘funeral insurance system’ developed in Gurage (SNNP). During this century, it has been spreading rapidly across the country in rural and urban areas. There role has been developing in some communities. Individuals in each community tend to contribute monthly a particular sum of money. When a death occurs in a member’s household, a contribution to funeral and other expenses is made according the relationship of the member. Sometimes more long term aid is provided by the iddir. In many areas it is developing into other functions: providing credit or providing illness insurance are often observed. In many ways, the speed with which they are spreading across different areas and different levels of society, their gradual broadening of their purposes and their degree of formalisation make the iddir a rather unique and underexplored institution in rural Africa and beyond.

58. Another community-level non-market institution are the ‘equbs’. They are traditional rotating savings and credit associations (rosca). As most roscas, they combine a regular saving by members and the payment of the lump-sum to one of the members on a rotating basis. The poor are rarely members of these roscas, simply because they cannot afford the regular contributions.

59. Other institutions have less of a direct economic function, although they include mutual assistance as one of their traditional tasks. They include women’s and/or church based organisations. Their influence and scale depend on local circumstances, but their role cannot be underestimated. Still, they remain local organisations, implying that they are most suitable to deal with relatively small shocks or shocks that only affect individuals, not communities as a whole. When a large crisis occurs, these institutions are hardly sufficient to sustain the communities.
3. Government policies and Poverty Reduction

1. In this part, we focus on the link between the policies pursued by the government and the consequences for poverty reduction efforts. The emphasis will be on the consequences of, and opportunities created by the current policy context on poverty. Policies pursued by the government at the national, sectoral and local level have important consequences for rural poverty and the possibilities to affect poverty by local-level intervention. First, we will discuss how the general (macroeconomic) policies in the context of the economic reforms are likely to have affected the rural poor (3.1). Next, we will discuss the specific rural and agricultural sector policies currently pursued (3.2). We will first focus on the current view on agricultural policies and on food security in Ethiopia. We will then discuss current land policy (3.2.3), input market and rural credit policies (3.2.4), crop marketing policies with an emphasis on food (3.2.5), the environmental policy context (3.2.6). Given the poor state of health and education, social sector policies are important as well. In section 3.3, we will discuss policies pursued towards education and health in rural sectors. Given the continued vulnerability of the rural population, safety net policies will be discussed in 3.4. Finally, we will discuss the nature of policy making, focusing on decentralisation and local level participation.

3.1. General economic policies

3.1.1. Macroeconomic stability

2. After the fall of the Dergue in 1991, a programme of macroeconomic reform was started. Unlike most African countries, the goal of macroeconomic stabilisation was relatively easily achieved with little initial social costs. The reason is linked to the remarkable monetary and exchange rate stability that was sustained during most of the 1970s and 1980s. Unlike currencies in neighbouring countries, the birr remained relatively stable with black market premiums not very large by African standards during most of this period. The crucial policy measures involved were a very cautious central bank and credit policy and ultimately relatively cautious government expenditure.

3. This situation changed in the late 1980s, with the economic crisis intensifying and the war effort resulted in galloping government expenditure. The birr became gradually overvalued with a black market premium of more than 100 percent relative to official exchange rate. Inflation remained relatively repressed until the year of the fall of the Dergue, when a collapse in revenue and confidence in the state resulted in a brief period of high inflation (about 60 percent inflation over 18 months in 1991/92).

4. The devaluation of 1992 of 142 percent (from 2.07 to 5 birr per dollar) largely restored the confidence in the birr. Prudent fiscal and monetary policy in the aftermath of the devaluation, helped by a series of coincidences (a coffee price boom, a series of bumper cereal harvest, large aid flows, etc.), resulted in a very low inflation rate in most subsequent years. In all, the macroeconomic
stabilisation package has resulted in relatively little social cost, especially on rural areas. Exchange rates are gradually liberalised with auctions resulting in the official rate shadowing the evolution of the black market rate. In recent months, the increased uncertainty linked to the Ethiopia-Eritrea border conflict has resulted in a relatively sharp rise of the black market exchange rate. The effects on macroeconomic stability of the war are not yet clear and will depend on the duration and scale of the conflict.

3.1.2. Market and trade liberalisation policies

5. Since 1989, some measures were implemented effectively starting a gradual and still ongoing liberalisation process. Markets were increasingly allowed to function, with restriction and some taxation on the movement of commodities removed. The immediate results in rural areas were a gradual easing of rationing of basic commodities. For tradable commodities, the devaluation resulted in price rises although they appear to have remained limited for most commodities, simply because they were already largely imported as contraband and therefore rural prices had been reflecting black market exchange rates.

6. Some factor markets, most notably for labour, were liberalised, with the end to certain bans on wage labour, mobility and migration. Also, the increased security after the end of the civil war in 1991, and further improved after the defeat of the OLF in 1992, facilitated labour flows. This also allowed more trade to take place, helping rural markets to expand across the country.

3.1.3 Rural taxation policies

7. During the Dergue, a large number of taxes and obligations resulted in high taxation in rural areas. On the one hand, agricultural marketing policies implied that farmers were forced to supply part of their harvest at relatively low prices to the government parastatal, the Agricultural Marketing Corporation. Coffee producers were receiving also increasingly lower percentage of world prices, through very high export taxation, compounded by overvaluation. For some, the black market became a profitable option for exports. Dercon and Ayalew (1995) estimated that the premium in black market became more than 200 percent by the late 1980s. On the other hand, rural communities were faced by heavy direct taxation. Conscription into the army affected ten thousands of households. A large number of national and local taxes were imposed on households as well. Peasant association fees, development levies and special levies, such war or famine levies, resulted in a typical tax burden of close to 100 birr per household per year (more than $40 at the exchange rate in the 1980s). Forced corvée labour had to be supplied as well, with some estimates suggesting an average of 40 days per adult per year (Clapham (1988)).

8. The removal of the marketing controls in grain markets in 1989 resulted in better producer prices for cereals in the surplus areas and lower consumer prices in some deficit areas (Dercon (1995)). The devaluation wiped out about three-quarters of the premium in the black market for coffee. After the fall of the Dergue, a large part of the rural taxation was removed and forced labour practices were stopped.
In all, the end of the rural extraction policies via different forms of taxation resulted in an important net income gain in most rural areas.

3.1.4. The recovery of the 1990s revisited

9. The measures outlined above and the fairly good weather conditions in the first part of the 1990s resulted in somewhat better incomes and some agricultural growth. Rural studies have suggested that in all, farmers typically report to be somewhat better off compared to the 1980s (see part 1). For example, the Addis Ababa University/Oxford survey data for 1989 compared to 1994/95 suggested that overall poverty rates in the villages of their study declined. Not everybody gained, although more households escaped out of consumption poverty than moved into poverty. Further analysis of these findings has suggested that most of the gains can be contributed to increased in the returns to factors of production: an increased return to land, an increase in the return to (male adult) labour and to education. However, typically those living close to towns and all weather roads are the only ones that have gained: those in relatively remote areas saw little change in their poverty, or even lost (Dercon and Krishnan (1998)).

10. These effects would be consistent with the effects of the reforms, even though part of the poverty decrease can be attributed to better weather conditions. To benefit from better prices and market opportunities, both in agricultural and non-agricultural activities, sufficient factors of production in terms of labour and assets will be necessary. Also, proximity to markets and economic infrastructure appears to be crucial. This has important implications for poverty alleviation policies: the poor typically have few productive assets, in terms of land or livestock and have poor labour available, both in terms of quality and quantity. They also have poor access to infrastructure. As a consequence, the general economic policies, focusing on liberalisation and stabilisation, are unlikely to be sufficient to directly benefit the poor, since they cannot take advantage from these opportunities by lack of private and public assets. In other words, these policies will be insufficient to have a real impact on the poorer segments of the rural population.

3.2. Rural and Agricultural policies

3.2.1 Agricultural development policy

11. Agricultural strategies have focused on the challenge of production increases for many years, well before the Dergue regime. Since the 1960s, the scene has been dominated by large-scale rural development projects. The Chilalo Agricultural Development Unit (CADU) was started in 1967. It was followed by similar projects such as WADU in Wollaita. Until the end of the Dergue, government policy has been emphasising large-scale enterprise, in the form of state farms and (centrally instituted) producer co-operatives. Self-sufficiency was a central government objective and agricultural strategies focused mainly on high-potential areas.

12. Agricultural growth is at the core of the stated development policy since the fall of the Dergue. The growth strategy aims to favour labour-intensive agricultural-led
growth. Poverty alleviation via agricultural development has therefore come to the fore. Contrary to the Dergue period, smallholders form the core of the development strategy. A fast increase in domestic food production remains a central theme.

13. In terms of policy implementation, the chief instrument proposed to achieve agricultural growth and development is improved technology. Policy documents stated: “To increase food production as quickly as possible, the strategy focuses on the diffusion of simple technology packages, off the shelf, within smallholder areas of reliable rainfall”. This emphasis on technology packages stems from earlier efforts in which recommended farm inputs were channelled to farmers via Service Cooperatives. A new impetus to the technology-based approach to agricultural growth was given by the arrival of the Sasawaka-Global 2000 (SG 2000) program in the country in 1993. With substantial support within the top of the government and among donors, it contributed to the new extension policy in 1995 in the form of seed-fertiliser-credit off the shelf packages to be distributed among farmers. The National Seed Systems Development Project and the National Fertiliser project are in line with this approach.

3.2.2 Food security policy

14. In 1996, a new Food Security Strategy was also adopted. In principle, according the official document (Federal Democratic Republic of Ethiopia (1996)), it contains three pillars: (a) Economic Growth and Employment (b) Additional Entitlement/Access and Targeted Programs [because growth is not enough] and (c) Emergency Capabilities [to be maintained and strengthened]. In table 3.1, we give the overview as reported in the official documents. In theory, this is quite an exemplary program, in which growth objectives and entitlement protection are linked. The first objective is a restating of the labour-intensive agriculture-based growth strategy. It aims to give priority to rural development with a focus on agriculture, in the context of sound macroeconomic policies. The strategy aims to keep real food prices for consumers low via increased production and via low cost marketing. The second part aims for entitlement protection through (1) rural supplementary income generation schemes, for example via food-for-work; (2) targeted programs for the very poor and vulnerable groups and (3) nutrition and health interventions, including child health preventative and health education campaigns and specific interventions for supplementary feeding for children. A final part deals with the capacity to deal with large-scale crises.

15. However, the strategy is very general, seemingly designed to keep all interests balanced and meant as a template, among others for the development of regional strategies and for donor discussions. Recent plans presented by national and regional governments provide a sense of the identified priorities. Recent multi-donor meetings with the government have highlighted some of the major differences. From the point of view of the national and of the regional government

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15 Service cooperatives were institutions set up during the Dergue within Peasant Associations whose functions were to provide a limited range of consumer goods at controlled prices, to channel recommended farm inputs to peasants and to act as a buying agent for the supplies to the Agricultural Marketing Corporation.
plans circulating, it appears that food security is still largely defined in terms of production, more specifically in terms of food production. Food self-sufficiency at the national, but also at the regional and household level, appears to have returned as a key objective. Donors, such as the World Bank, have criticised this view, since it contradicts the objectives of the Food Security Strategy. The latter stressed the large efficiency gains in terms of exploiting comparative advantage both in international as in interregional trade. In practice, this means that production strategies need to be complemented with well-functioning crop marketing channels, to achieve relatively high producer prices but low real consumer prices.

Table 3.1 Components of the Food Security Strategy

I. Economic Growth and Employment
   (a) maintain sound macroeconomic policies and population policies
   (b) give priority to rural-development, and focus on agriculture
   (c) hold, or lower real food prices through:
       - increased production [short term: sustainable extension, inputs]
       - low cost marketing [roads, transport, competition policies]
   (d) encourage rapid growth of small business enterprises that create jobs
   (e) agricultural diversification and exports in support of food trade
   (f) develop measures for regions with less reliable rainfall and pastoral areas

II. Additional Entitlement/Access and Targeted Programs [because growth is not enough]
   1. Supplementary employment/Income Schemes
      (a) link with priorities for rural areas, agricultural production/marketing, natural resource management and nutrition/health focuses [i.e. roads, irrigation, soil conservation, water supply, sanitation]
      (b) link with lower real food prices [which support labour-intensive public works and job creation generally]
      (c) decentralise administration
      (d) build on critical assessment of experience already available in Ethiopia
      (e) develop sustainable financing plans [including donor assistance]

   2. Targeted Programs [for very poor and vulnerable groups]
      (a) build on successful Safety Net Program
      (b) establish strong monitoring arrangement
      (c) focus on especially on women
      (d) plan graduation from targeted programs

   3. Nutrition and Health Interventions
      (a) children’s immunisation and diarrhoea prevention
      (b) nutrition education and family planning
      (c) better weaning foods, micro-nutrients, school feeding programs

III. Emergency Capabilities [to be maintained and strengthened]
   (a) monitoring, surveillance, and early warning arrangements
   (b) food and relief distribution capabilities

16. The Food Security Strategy and the subsequent proposed programs continue to emphasise the benefits of technology transfers as being at the core of a rural development strategy (consistent with the agricultural policies). However, the proposed plans deviate from the supply-side strategies in the Food Security Strategy, which emphasised measures to increase production in high-potential areas (in terms of more than average rainfall). The proposed plan by the government emphasises supply approaches (also) in the repeatedly drought affected chronic food deficit districts in the country (for a critique, see World Bank (1999)). In some regional discussions, a similar emphasis appears to be present too (e.g. Scoones and Keeley (1999)). In other words, agricultural supply measures mainly based on technology (inputs, etc.) are also proposed for areas with very low potential, rather than for example using the finances for the program to promote employment in non-farm activities.

17. These apparent contradictions and disputes over the relative balance of the implementation of food security policies will need to be addressed by donors and government. Below we will return to different aspects of the policies related to food security and agricultural development, and especially to the extent that it affects the rural poor. We will discuss elements of the production strategy, such as the land policies (3.2.3) and the policies related to the input markets and technology transfer (3.2.4). The issues related to the marketing of output, more specifically related to the functioning of food markets are discussed in (3.2.5). Finally, we put the discussions on the production strategy in the context of the current rural environmental policies. As table 3.1 showed, part 2 and 3 of the strategy emphasise supplementary income strategies and targeted interventions. Note that some elements of these will be picked up again in our discussion of targeting and access of health and education policies (3.3.1 and 3.3.2) and the use of food aid as a source of supplementary income via targeted programs and food-for-work (3.4).

3.2.3 Land policy

18. Given the crucial role of land in the economic livelihood of the poor, the policies governing access to land remain a critical policy issue (see also 2.1). Despite donor pressure, including from the World Bank, the 1994 Constitution enshrined the state property of land in law. Sale and purchase of land titles remains impossible. Rural households have a right to land and ought to obtain land from the local peasant association. Land rental and hire have become legal. However, as was argued before, the current arrangements remain problematic. Tenure insecurity remains, since, for example, it is still a realistic possibility that land may be taken away from some to give to other households. Nevertheless, the expectation is that repeated land reform as was experienced during the Dergue years is unlikely to return, implying that many households, such as newly formed households or split households, may not be able to claim land.

19. The reasons behind the current land policy are relatively clear. Land has been a very sensitive issue in Ethiopian politics for many decades; opposition to the Emperor was organised around it, while land reform was the core of early Dergue
policies. The current reluctance to give land titles to households remains nevertheless a puzzle. The worry effectively is that the poor may sell their land in case of need. Given that land titles could be distributed relatively equitable, the policy of the illegality of land sales is then effectively based on a policy ‘to protect the poor against themselves’ (Dessalegn (1995)).

20. The long-term consequences of the lack of land rights relate to the likely disincentive effects of the lack of land security. In theory, some legal framework exists to try to solve this issue. The Constitution states that individual citizens have the ‘full right to the improvements he brings about the land by his labour or capital. This right shall include the right to alienate, to bequeath and where right of use expires, to remove his property, transfer his title or claim compensation for it’ (article 40.7). In practice, there is no clear framework to implement this, if only because in a rural context, this appears to be difficult to reconcile with the state property of land and the control by the Peasant Associations. There is no evidence that farmers have started to invest in their land in any long-term sense.

3.2.4 Input delivery policies

21. As was argued before, a crucial part of the current agricultural development strategy is technology-based increases in production, especially of food. Trials in the first part of the 1990s had shown very large yield increases from basic seed-fertiliser packages. Agricultural policies center now around the further design and delivery to smallholders of better technology. On the one hand, a new system of agricultural extension, known as the Participatory Demonstration and Training Extension System (PADETES) was launched in 1994/95. The system tries to merge “training and visit” extension systems with the technology diffusion experience of the SG 2000 program. It aims to deliver off-the-shelf extension packages consisting of fertiliser, improved seeds, pesticides and better cultural practices for the main cereals. On the other hand, a series of measures have been introduced since 1991 progressively liberalising fertiliser supply and marketing. In 1997, fertiliser subsidies were removed and retail prices liberalised.

22. Since liberalisation and the start of PADETES, fertiliser use has not been progressing as rapidly as desired. For example, in 1996 and in 1997 only about 60 percent of stocks were actually sold. This has been presented as a puzzle, especially since field trials suggested yield increases by up to 600 percent, while economic cost-benefit analysis suggested that the technology quite profitable (Mulat Demeke et al. (1997)). Three factors appear most important in understanding this. First, economic cost-benefit analysis has not necessarily taken into account the returns in low potential areas. With food prices in good years relatively low and fertiliser not cheap, expected returns may not justify the risks involved in taking up new technology (for evidence see Demeke et al. (1997)). Secondly, the fertiliser market structure is all but competitive and transparent. Especially the link between fertilisers and credit supply requires more attention. Finally, the risks involved in taking up the new technology for the poor, including in terms of committed working capital, are high and are likely to be a key factor in deterring the poor to enter into modern input use. We will discuss the latter two points in more detail.
23. Before 1991, the fertiliser market was entirely controlled by the state owned Agricultural Input Supply Corporation (AISCO) (the predecessor of the Agricultural Input Supply Enterprise, AISE). Since liberalisation, its monopoly was removed. AISE appointed its own wholesales and retailers, while two firms have joint the input import business. Firms were set up by regional governments to distribute inputs; only one large private firm entered the different chains of the fertiliser market. Generally, the market is highly segmented and in virtually all regions, firms with close regional government connections are controlling most of the fertiliser market. At present, very little competition takes place, with extensive vertical integration of fertiliser distribution and virtual local monopolies.

24. Probably even more problematic is the organisation of fertiliser credit. Given that fertiliser and other inputs are relatively expensive, working capital requirements imply that short-run input credit is a key part of input delivery and uptake by farmers. Estimates suggest that close to 80 percent of sales are covered by credit (Mulat Demeke et al. (1998)). The Agricultural and Industrial Development Bank of Ethiopia (AIDB) had experienced a massive default in fertiliser and other credit during the transition period in the early 1990s. Other (state owned) banks were allowed to enter in the provision of input loans. They enforce a strict policy of credit recovery and current recovery rates are relatively high (more than 90 percent on average). The loan administration is, however, in virtually all areas controlled by the local government agencies. Loans are taken up by regional governments and distributed via the local agricultural and finance bureaux. In other words, despite the seemingly liberalised structure of fertiliser supply, the financing of fertiliser credit is still closely controlled by the government structures. Input supply and credit are usually dealt with in one transaction, with the local government only allowing their own preferred suppliers to conduct sales on credit. This means that the semblance of a liberalised market is highly misleading.

25. The nature of the credit arrangements reduces the attractiveness of input uptake. To be eligible, a farmer must have repaid all previous loans. Demeke et al. (1998) reported that penalties for those who failed to repay immediately after harvest may include the sale of assets (e.g. oxen or other animals) by the authorities (together with policemen). A service cooperative may not receive new credit if one member defaults on the loan, even though a typical service cooperative has easily over 1000 member households. Also, this measure is applied even though there are no local community participatory measures in screening borrowers. Fertiliser credit is expected to be paid regardless of the harvest and there are no provisions to help those requesting even the postponement of repayment to the next season. While it

16 For example, in Amhara and Southern regions the processing and administration of credit is the sole responsibility of the regional governments. The regions borrow directly from the banks and rely on its administrative machinery and peasant organisation to disburse and collect the loan. Farmers have to apply via the service cooperatives, which submits applications for credit the Wordea Agriculture Bureau (district authority). The Finance Bureau also gets involved. Service cooperatives collect a 25 percent down-payment of the fertiliser price. An agreement is signed between the Finance Bureau and cooperatives. The downpayment and signing results in a delivery order by the Finance Office which the cooperatives use to collect their stock from the designated supplier.
is likely that in a large-scale crisis, some postponement may be granted, it is unlikely that individual shocks would be a reason for postponement.\footnote{A source interviewed in Keeley and Scoones (1998) reported that ‘at the moment SG-2000 farmers are put in prison for being unable to repay credit when the rains fail’ [in parts of Southern region].}

26. The relatively high cost and the risks involved in adopting new technology mean that this strategy is unlikely to reach the poor. To obtain credit, there often is a collateral requirement that the poor cannot meet. Without credit, sufficient working capital is needed, which the poor do not have. The problems related to risk fall in two categories. First, typically a new technology is more risky in that in case of normal or good rains the output is very high, but when the rains fail or other problems occur, harvest failure is more severe. Data on this problem in the case of the typical package currently supplied in Ethiopia is not available, nor does it appear to be discussed. However, the other risk problem is at least as serious. Given the way the credit arrangements are organised and enforced, the risk of default is a very serious risk for the farmer. While in a typical year, the return from a purchased input is likely positive, if the harvest fails, the return may not be enough to pay back the loan. The lack of any insurance arrangements, linked to the supply of credit, make it a very risky investment for the poor.

27. Earlier work on Ethiopia in the 1980s (Shukri Ahmed (1996)) has shown that adoption of modern inputs is typically not done by those with little assets in the form of livestock. Recall that livestock are the most important store of liquid wealth and used as a buffer in case of crop failure. Mulat Demeke et al. (1998) showed that adoption is linked to households and areas with relatively more asset and livestock holdings and other characteristics of relative wealth. In other words, as a strategy for poverty alleviation, the current program of input supply linked to credit and extension is unlikely to succeed. It is unlikely to reach the poor and therefore it will have little impact on poverty.

3.2.5 Food marketing policies

28. In the last decade, there has been a large shift in food marketing policies. During the Dergue, the government implemented a series of measures to favour the government’s own parastatal Agricultural Marketing Corporation (AMC). Farmers were expected to sell some part of their harvest to the AMC at low prices, while traders were forced to sell half the amounts transported across regional borders to the AMC, again at low prices. Contrary to most African countries, however, markets were not illegal, trading across regional borders was not banned and prices were officially not fixed. Rather, the government used the supplies via the AMC to supply army and favoured groups, as well as supply the mainly urban ‘kebele’ shops with rations for the (selected) urban dwellers at low prices. The consequences of these policies was that producer prices in surplus areas were very low and that consumer prices in deficit areas were very high; in urban areas, were competition of the ration shops meant relatively high supplies, the effect was a priori not clear.
29. In 1989, liberalisation took place and most restrictions were lifted. The return to safety after the end of the war gave a further impetus to trade. Research has shown that the effects of the liberalisation and the increased security both contributed to higher producer prices in surplus areas, while consumer prices generally decreased, even in urban areas. There is evidence that transport constraints but also road checkpoints remain hindering food marketing. Nevertheless, markets appear interconnected, in that spatial arbitrage takes place and margins are not excessively large (Dercon (1995), Asfaw Negassa (1998), Asfaw Negassa and Jayne (1997), Gebremeskel Dessalegn et al. (1998)). In all, the allocative efficiency of the food marketing system has increased substantially in recent years, suggesting that food marketing is not constraining food security and poverty alleviation.

3.2.6 Environmental policies

30. In the mid-1980, the Ethiopian Highlands Reclamation Study was highly influential in providing a high profile to environmental problems, especially related to soil conservation. Donors and the government alike put the environmental issues high in the debates on priorities for Ethiopia. Predictions have appeared that at current rates, complete deforestation will occur by 2025 and that the land unable to support agriculture because of soil erosion will increase to some 10 million hectares by 2010.

31. Also in terms of active policies, after the 1984/85 drought and the after the publication of the Ethiopian Highlands Reclamation Study, environmental issues became more important. Donors and the government alike found environmental interventions a useful means to focus many Food-for-Work programmes around. Since then, many of these programmes have been construction huge conservation works, with an emphasis on soil conservation. This formulay provided a means of linking the relief role of food aid to a long-term development objective. Results have been published by the Ministry of Agriculture and Natural Resources in terms of the number of terraces and bunds built, and the area of hillsides closed (Keeley and Scoones (1998)).

32. Nevertheless, in recent years, doubts have been raised about the correctness of the view that local communities’ actions are as highly damaging to the environment and that deforestation and soil erosion are taking place at these dramatic rates. For example, it has been argued that forest cover used to be as scant as it is now (for a discussion see Keely and Scoones (1998)). Also, in recent years, a more critical view has emerged on the actual programmes. During the overthrow of the Dergue and in the period soon afterwards, the extensive destruction of conservation measures, perceived as top-down and inappropriate, was seen as a sign of major public discontent with the previous policy (Dessalegn (1994)). Also, reviews on the large Food-for-Work programmes are not very positive on the achieved results in terms of conservation measures. A crucial problem that needs to be addressed is to find means to involve farmers themselves, not in a top-down strategy, but starting from the principles that farmers are likely to know their resource base best and that they must find it in their interest to collaborate in conservation work. Note that the current land tenure insecurity still does not provide credible
incentives to farmers to implement long-term investment in their own resource base.

3.3 Health and education policies

3.3.1. Health sector policies

33. As it was discussed in 2.2.4, health remains a serious problem for the rural poor. Since the fall of the Dergue, health care policies have become an important objective in government policies, receiving substantial support from donors. In terms of the actual policies towards rural health service provision, many shortcomings have been identified in recent work (Federal Democratic Republic of Ethiopia (1997) and World Bank (1998)). In recent years, the main strategy for improved health care provision has been to build more clinics. While more clinics are useful, it has meant an overemphasis on the capital budget rather than on the recurrent health care budget. Increasingly, recurrent expenditures only cover salaries and wage; the share spent on drugs and supplies has been declining. In short, the quality of health care provision has been suffering while the quantity has been expanding.

34. Another problem has been the bureaucratic nature of the health care system and the lack of local participation. While in the context of decentralisation, the regions have become in charge of health care provision, local health providers have still little power in the system, for example in ordering supplies. Local participation remains very low, except via user charges. Cost recovery has been consistently very high in Ethiopian health care provision ever since the 1980s during the Dergue. However, the funds generated have always been transferred to government coffers and the local health providers had no control over it.

35. The high costs of health care provision have been illustrated in 2.2.4. There is a lot of evidence that cost considerations are very important in excluding the poorer households from basic health care provision. For example, Federal Democratic Republic of Ethiopia (1997) and World Bank (1998) have shown that the poor spend a larger share of their income on health than do richer households, so that user charges are working like a regressive tax. Usage also appears to be highly sensitive to charges. In other words, demand considerations are crucial to increase use of health care. Nevertheless, government policies towards health care remain predominantly supply-side. Very little consideration appears to be given to the issue of access to health care by the poor, for example through targeted exemptions or selective subsidies to primary rural health care. In principle, a system of exemptions exists, in which kebeles (local administration) can exempt individuals from payment for health care. However, in practice, more exemptions are given in urban areas or to better off households than to poor rural households. (see the Social Sector Review, , Federal Democratic Republic of Ethiopia (1997)).

3.3.2. Education sector policies

36. Education is also currently a favoured sector by government and donors alike. Current educational levels of adults and enrolment of children are among the lowest in the world (see 2.1). Just as in the health sector, current policies are
predominantly supply-side, but are facing important imbalances, e.g. between capital expenditures and recurrent non-wage expenditures to guarantee quality. However, low enrolment is largely linked not with lack of facilities but with low demand. Contrary to health, actual cost considerations appear less important. Opportunity costs, especially in the form of labour, are an important reason. Other concerns raised relate to issues such as that the current private rate of return to education is very low. The reason is that education typically leads to white collar jobs, and current unemployment rates in urban areas suggest low chances to enter into well-paid employment. Linked to this is a rising concern that the current curriculum in the educational system is not suited to form employees for the private sector or business. In conclusion, human capital and skills of the poor are very low and there are serious problems for the poor to enter into formal education. Just as critical is that current labour market conditions make it not necessarily an attractive proposition.

37. Education also has high external (social) benefits, such as better health and lower fertility. This in itself should be a good reason for governments to attract more children into schools. It is striking that very little effort is made at the micro-level to get children into school, beyond building schools and supplying teachers. A useful measure in 1995/96 was the abolition of school fees in some regions. Beyond this, no incentives schemes could be detected (Federal Democratic Republic of Ethiopia (1997)). Active school enrolment policies at the local level are rare but appear to be necessary to boost educational levels, especially for the poor. Measures could include incentives to parents, even in cash, or school meals for children, etc.

38. Especially via girls the external effects of education are known to be very high. Nevertheless, educational levels and enrolment for girls are much worse than for boys and little improvement can be observed. Beyond the general reasons given above, additional efforts would be needed.

3.4 Safety net policies and food aid

39. The government has committed itself to the formation of a well-functioning safety net. The government’s National Policy of Disaster Prevention and Management (1993) stated that ‘no human life shall perish for want of assistance in time of disaster’. In the Food Security Strategy, a distinction was made between food-for-work or other income generating labour schemes (supplementary employment and income schemes), aimed at able-bodied adults, and targeted interventions for especially vulnerable groups. They cover both interventions in large scale crisis and programmes designed to reach particular groups over longer periods. In practice, a very large proportion of interventions involves food aid.

40. Food aid has long contributed to food supplies in Ethiopia. This dependence has been exacerbated by the food shortages during the famine in 1984-85, the increasingly desperate situation in many rural areas in the late 1980s, linked to civil war and political turmoil. The annual volume of cereal food aid has typically been about 2,000 to 6,000 metric tons per year in the period 1986-1995, representing about 5 to 15 percent of production. Even in average years, the volume of cereal food aid in a given region can account for 25 percent or more of
It has long been recognised that effective targeting of food aid is necessary to ensure the largest impact on the needy and to avoid the disincentive effects on cereal prices and markets. In this respect, a substantial portion (over 80 percent in bad years) of food aid has been used for emergency relief purposes. Targeting can occur via different principles. Broadly speaking three principles can be considered: administrative targeting, self-targeting and community-based targeting. Administrative targeting occurs when the beneficiaries are determined by others, using ‘objective’ criteria such as ownership of land or livestock, age, gender, etc. Self-targeting implies that the amount and/or type of benefit only attracts those who are intended to benefit from the intervention, usually via low wages below market levels or by supplying inferior goods. Community-based targeting implies that the community can decide about the beneficiaries of the intervention, exploiting the superior information local communities have about the needs of individuals (Sharp (1997), Clay et al. (1998)).

In Ethiopia, the official guidelines for food aid distribution have evolved in recent years. Guidelines in 1979 were suggesting administrative targeting, with priority to those without food, assets or other sources of income. In 1983, these criteria were revised to include a specific necessity of recipients to be registered with the kebele authorities (the local administration) and had to be members of a mass organisation before the disaster. The latter rules were supposedly included to increase efficiency by avoiding that multiple rations were received in different Peasant Associations (the local administrative units). Many suspected that it had been included as a political tool and means of control (Sharp, (1997)).

After the fall of the Dergue, an important shift in policy occurred. In the National Policy on Disaster Prevention and Management (1993), it was stated *inter alia* that communities were to be given an increased role in implementing relief projects and that no free distribution of aid be allowed to able-bodied affected population. In other words, it meant an important shift from free aid distribution to achieving transfers by channelling relief supplies through employment-based safety net schemes. In practice this suggests that Food-for-Work and Cash-for-Work programmes become favoured forms of supplying relief, which links the activities directly to development activities, in the forms of public works. The standard government ‘rule-of-thumb’ target is to distribute about 80 percent of food aid via employment schemes and only 20 percent in the form of free aid (including targeted to specific groups).

In practice, this target appears not to be reached, at least according to one study using a sub-sample of the nationally representative data used for the HICES/WMS for 1995/96. They found that 63 percent of food aid was distributed via

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1. Sharp (1997), in her review of food aid targeting in Ethiopia, suggested that ‘emergency’ Employment Generation Schemes should be considered different from standard Food-for-Work or Cash-for-Work schemes. The former are for areas and periods of emergency, i.e. transitory food insecurity, while the latter are not. The latter may well be targeted as chronically poor areas, but provide regular employment. In practice, this distinction does not appear to be made in a systematic way in Ethiopia, see e.g. the Food Security Strategy (1996).
employment schemes in that year (Clay et al. (1998)). The more important question for our purposes is to what extent aid assists the poor and vulnerable. Sharp (1997), who reviewed a large body of evaluation studies as well conduct several new case studies, found that food aid has in recent years been spread too thinly over too many areas and too many people. Little evidence of area targeting can be found. Furthermore, in most cases, participants to schemes are selected at the community level, but there is a clear reluctance to select some households while excluding others, so that much larger numbers are involved in the programmes than what they were intended for. The result is that targeting errors of inclusion (providing aid to people who are not in the intended target group) are a greater problem than errors of exclusion (failing to provide aid to the people who need it most) (p.75). The result is that often too little aid is provided to the poorest to make much difference. A similar result was found in the sub-sample of the large nationally representative HICES/WMS survey for 1995/96. Daniel Molla et al. (1998) found the most important factor determining access to food aid was simply whether a programme existed in the area. Half the food aid distributed went to households with more than sufficient food from their own resources. It should be stressed that these types of findings are not uncommon across other developing countries. Nevertheless, they appear to have encouraged many donors to reassess their activities in these areas.

45. These results were also found in study by Dercon and Krishnan (1996), looking explicitly at the effects of food-aid and food-for-work on consumption and poverty in a number of poor communities in Ethiopia. The data used are part of the Ethiopian Rural Household Survey collected by the Economics Department of Addis Ababa University and the Centre for the Study of African Economies, Oxford University. In table 3.5 the poverty reduction that can be directly attributed to food aid is given, by comparing the head count index of poverty in the community before and after food aid. It can be seen that the impact of food aid is high in some communities, but not all communities with high poverty seem to benefit. In fact, there is little link between poverty levels and poverty reduction via food aid.

<table>
<thead>
<tr>
<th>Community</th>
<th>Before food aid</th>
<th>After food aid</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haresaw</td>
<td>0.61</td>
<td>0.20</td>
<td>-67</td>
</tr>
<tr>
<td>Geblen</td>
<td>0.80</td>
<td>0.62</td>
<td>-23</td>
</tr>
<tr>
<td>Dinki</td>
<td>0.46</td>
<td>0.46</td>
<td>0</td>
</tr>
<tr>
<td>Shumsheha</td>
<td>0.36</td>
<td>0.16</td>
<td>-44</td>
</tr>
<tr>
<td>Koredegaga</td>
<td>0.81</td>
<td>0.61</td>
<td>-25</td>
</tr>
<tr>
<td>Garagodo</td>
<td>0.78</td>
<td>0.76</td>
<td>-3</td>
</tr>
<tr>
<td>Domaa</td>
<td>0.60</td>
<td>0.60</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: AAU/Oxford University, ERHS (1994)

19 The findings of the latter study were published by the Michigan University researchers on their internet site before the government had approved the study, despite it being an official study at the Ministry of Economic Development and Cooperation. The negative results on targeting resulted in some critical exchanges with donors after which the researchers from Michigan University were told to close their research programme in Ethiopia and leave the country.
46. Although food aid has a substantial effect on poverty in the areas it is distributed, it definitely does not lift all the households above the poverty line. One reason may be that the poor are systematically reached. In Table 3.6, some indicators of the effectiveness of targeting the poor are given. First, the percentages of the poor and non-poor receiving food aid are given (using poverty measures calculated using consumption excluding the food aid given). As can be seen a lot of 'non-poor' are receiving food aid, although usually a higher proportion of the poor than the non-poor receive the aid. Note that only in one community (Shumsheha) more than 90 percent of the poor receive aid, but also about the same percentage of non-poor! In some very poor communities, the number of poor receiving aid is negligible. The amounts received per person per month (in value terms) also show substantial leakage. Only in one village (Haresaw, Tigray) somewhat more food aid per adult was given to the poor than to the non-poor. In some villages, the non-poor receive much more.

<table>
<thead>
<tr>
<th>Community</th>
<th>% receiving aid</th>
<th>Amount received (in birr per adult per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>poor</td>
<td>non-poor</td>
</tr>
<tr>
<td>Haresaw</td>
<td>80</td>
<td>52</td>
</tr>
<tr>
<td>Geblen</td>
<td>64</td>
<td>54</td>
</tr>
<tr>
<td>Dinki</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Shumsheha</td>
<td>94</td>
<td>89</td>
</tr>
<tr>
<td>Korodogega</td>
<td>73</td>
<td>76</td>
</tr>
<tr>
<td>Garagodo</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Domaa</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: AAU/Oxford University, ERHS (1994)

47. The relatively poor targeting of the poor in the employment schemes is only one aspect of the impact on the poor. During the scheme, assets tend to be created. The long-term benefit to the poor of these assets needs to be taken into account. It has been reported that the quality of works are a typical constraint (GTZ-report, quoted in Humphrey (1998)). One reason is that many projects try to maximise labour intensity even at the expense of quality enhancing machinery. The long-term benefits are also influenced by who chooses the projects, and often local involvement is rather limited; sustainability and maintenance is also quoted as a problem. Nevertheless, Humphrey (1998) suggests that generally the outputs contribute to the communities. Still, especially given the relative problematic findings on targeting, it is likely to be very important to continuously reconsider the costs and benefits of this strategy to create rural public goods and infrastructure.

3.5. Policy Institutions and Participation

48. Ethiopia traditionally has been quite a centralised country, with power during this century increasingly vested in the capital. Nationality and ethnicity has been a crucial element in the civil war, with Tigrayan and Eritrean nationalist movements active for a half a century. With the fall of the Dergue at the hands of the Tigrayan-led EPRDF, a federal constitution was approved in 1994, devolving substantial power to 11 regions. Four regions constitute most of the rural
population: Oromiya, Amhara, Tigray and Southern Region (SNNP, in fact a union of Southern regions). Afar, Benshangul-Gumuz, Somali and Gambella also have significant rural population. Dire Dawa, Harari and Addis Ababa are effectively city-regions.

49. The regional governments have substantial powers. They receive a budget from the central government, which they have the right to allocate over the sectors. A system of local administration, from the regions to the zones, woredas (districts) up to the peasant associations and kebeles implements policy. Elected councils exist at all levels. However, in the decentralised structure it appears that most power is vested with the regions. Although experiences will vary between areas and regions, generally speaking decentralisation has not meant a deeping of local level power, since regions are generally still very large entities. Central (federal) government still tries to make general policy strategies. Currently, its influence remains very large, if only because in all regions the EPRDF and their allies are currently in power.

50. Ethiopia has always known a relatively well-functioning but hierarchical bureaucracy. Local levels have relatively little power. For example, the Social Sector Review (1997) noted that the local health care planning and provision of inputs (drugs, etc.) were ‘top-down’: local facilities have little power to order supplies while all money generated via cost-sharing had to be returned to the regional treasury and not managed locally for better service provision. Another example is the management of fertiliser credit, in which the total supply of credit is not determined by local level demand but determined by the regions. It appears nevertheless, that different bureaucratic cultures are developing between the regions, for example with documented differences between Tigray and Amhara regions, compared to Southern Regions, in the way local authorities are allowed to exercise their powers (Keeley and Scoones (1998)). It is likely that these differences will develop further.

51. The hierarchical and centralist traditions of politicians and bureaucrats also mean that what is presented as community level participation in planning or implementation of programmes, for example in conservation measures or in infrastructure construction, often do not really involve the community. During the Dergue, communities were often requested to contribute labour to community or district level projects. Far from being voluntary, it is estimated that in some cases up to 40 days per adult per year of communal ‘corvée’ labour had to be supplied (Clapham (1988)). Belsaw (1997) also noted that even now, for many politicians and officials ‘participation’ means the free supply of labour and/or materials to projects by the presumed future beneficiaries. Indeed, the large-scale destruction of communal forests and other projects during the transition after the fall of the Dergue is a reflection of the dislike of the rural population of these practices. Current extension and input programmes in agriculture claim to be ‘participatory’ such as PADETES. However, in some areas, it appears that woreda councils put pressure on extension agents to get as many farmers as possible in the

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20 PADETES stands for ‘Participatory Agricultural Demonstration and Extension Training System’. The Ethiopian Herald, the government newspaper reported in 1998 : “Unlike the top-down extension method, demonstration in PADETES is designed to ensure farmers’ participation. The farmers are involved in all stages of activities, from planning to evaluation.”
programmes. Not entirely voluntary ‘labour mobilisation’ is still part of many activities.

52. A large number of groups are active in communities in rural areas, including foreign NGOs, indigenous NGOs and traditional community organisations. During the Dergue, community organisations had a difficult time since most activities were taken over by the ‘Kebele’, the local-level administration within Peasant Associations. These were heavily politicised, in some areas also deeply implicated in the political violence, such as the Red Terror in the 1970s. Since 1991, a large number of organisations have emerged or re-emerged, while NGOs have moved in again in large numbers. Kebeles have not disappeared, even though their role and purpose is now not always clear. With powers devolved to the regions, regional governments also have started to build up organisations. These ‘Development Associations’ have emerged in many regions. Some (such as REST in Tigray) originating from relief work in ‘liberated’ areas in Tigray, while others were more recently founded as an interface between communities and the government (as in Southern Region).

53. In practice, all these organisations are involved in rural development work, although in some cases the legal position of some activities is not altogether clear. Legally, the Development Associations have been given substantial powers in development activities. For example, new legislation has meant that most NGOs involved in micro-finance operations appear to be doing this illegally; some have ceased their activities in this area (e.g. Action Aid); organisations linked with Development Associations appear to have obtained licenses to be involved in these activities. Some Development Associations appear to be heavily politicised, which may give rise to doubts about their role as agents to ensure participation. In practice, the Development Associations may prove to be useful instruments to ensure community-level participation. It is too early to make this judgement and the experiences are also likely to be different across the country.
4. Lessons learned and priorities ahead

1. In this section, we briefly summarise the main findings of the report and focus on the key lessons for the design for interventions at the micro-level when the objective is the highest poverty impact of interventions.

4.1 A focus on increased entitlements to food, not on just on agricultural production

2. There is a continuous tendency in rural development policy formulation to reduce the problem to one of insufficient production. At the household level, more productive agriculture is bound to be helpful for poor households experiencing productivity increases. However, most rural development interventions in Ethiopia focus too much on total food production increases via modern inputs and extension, thereby assuming that any production increase by the rural sector will be beneficial for the poorest. Experiences in Ethiopia and beyond have shown that a pure technology-based strategy is bound to surpass the poor, not least in drought-prone or risky areas. Furthermore, it is not necessarily true that increasing food production is the best strategy for the poor to reduce their poverty. In many areas, other activities, including non-farm activities may yield a much higher poverty alleviation impact.

4.2. Improving access to social sectors for the poor

3. The renewed attention to health and education is encouraging for poverty alleviation. Policies to expand health care and primary school provision are overdue. However, health outcomes, literacy and school enrolment remain not just low because of the lack of service supply, but at least as important is the effective demand for the services. Primary health care appears excessive costly for the poor, while the opportunity costs of schooling in terms of labour lost remain very high. Any social sector intervention that aims to reach the poor must include careful and targeted measures to boost demand. Examples are an effective exemptions system for health care or incentives to poor households to send their children to school.

4.3 Strengthening coping strategies

4. No-one questions the risky nature of rural life in Ethiopia. However, it is striking that most policies towards rural development focus on growth and output increases, usually ignoring the high variability of incomes. Households have ingenious strategies to cope with risk, via managing the risk in their activities, via savings and credit or via community systems. Rural development strategies should build on these strategies, for example by widening household risk management and coping possibilities. These could include: introducing possible new activities to be used in an income diversification strategy, such new crops or livestock; encouraging the development of different off-farm activities; opening up new possibilities for seasonal or temporary migration; encouraging programs for savings-for-consumption; systems of micro-finance, including credit for
consumption purposes; encouraging new forms of community insurance schemes; programs to strengthen and widen the role of traditional community organisations, such as the iddir or equb. Employment generating schemes, such as food-for-work programmes could help as well, although the design of the activities and the targeting of the employment should be looked at carefully. While, in theory, at present a system of community-based targeting is used, these mechanisms must be strengthened, possible by using alternative targeting mechanisms as well.

4.4 Improving access to new income earning opportunities for the poor

5. Coping with risk will not be sufficient to help people to escape poverty. Higher income generation from agriculture is clearly needed. Extension and technology transfer may play a role in this, but it would have to be tailored to the needs and constraints of the poor. For example, the technology proposed should not result in more risky income. In resource-poor areas, off-farm activities may need to be promoted as a possible alternative. Given that most high return activities are not accessible to the poor because of capital or skill constraints, market liberalisation has not been sufficient for the poor to enter. Specific interventions designed to build up skills and circumvent the capital constraints would be needed.

4.5 Encouraging rural asset formation

6. The rural poor are characterised by extreme asset poverty. It is their lack of assets that results in continuously low returns, even in good years. Lack of assets causes also high vulnerability to shocks. Interventions should always aim to provide incentives for and facilitate rural asset accumulation by the poor. Livestock accumulation is the standard option; providing alternative means to store and accumulate wealth, for example via strengthening group-based credit systems such as equbs, should be considered. Rural infrastructure also remains very poor. Typically, returns to new roads or other public goods are higher for the rich than for the poor. Still, lack of infrastructure limits the opportunities for the poor. To make rural infrastructure sustainable, participation in planning and incentives for the maintenance by individuals and the community are crucial.

4.6 Strengthening communities

7. Community participation is essential for the sustainability of local-level interventions. Decentralisation to the regions has not necessarily brought a reversal of typical ‘top-down’ strategies. Effective forms of participation, beyond the rhetoric of project documents, need to be developed. The experiences of the destruction of rural common property developed during the Dergue, with forced labour and local levies under the veil of ‘participation’, should not be forgotten. Within Ethiopian communities, a large number of community-based organisations have traditionally flourished, designed to deal with the consequences of market failures and to provide insurance against shocks. Interventions rarely try to build upon these community initiatives or even take their existence into account. Possibilities should be explored to link interventions to these community institutions.
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