

## REFLECTIONS ON DEVELOPMENT IN ETHIOPIA

by Paul B. Henze

Introductory Note: I visited Ethiopia frequently and traveled extensively in all parts of the country during the Derg period. I observed firsthand the deleterious effects of the Derg's attempt to turn the country into a communist "people's republic".[1] Since the fall of the Derg in May 1991, I have made fifteen visits to Ethiopia, usually for periods of several weeks, totaling well over a year of travel in the country in all. During these same years I have also spent time in sixteen other post-communist countries, ranging from Slovenia and Armenia to Mongolia, observing the political, economic and social problems of recovering from communism and restoring cultural heritage. I delivered a paper summarizing some of this experience in comparison with Ethiopia at the 14th International Ethiopian Studies Conference in Addis Ababa in November 2000.[2] The present discussion is based on observations from travel in Ethiopia, discussions at conferences, and familiarity with literature relevant to the subject of economic and social development.

The Role of Government: It has become almost universally recognized in the world since the collapse of communism that governments which try to take total responsibility for economies and societies more often than not do the wrong things or do right things badly. Maximization of government control impedes the freedom and innovation which is essential for accelerated development. By the time the TPLF/EPRDF took power in 1991, its dominant leaders had come to the realization that decentralization was desirable in Ethiopia. They recognized that the population longed to be relieved of the burden of government on their lives and quickly implemented several measures giving individuals greater freedom of decision and action. They then proceeded to lay the basis for a decentralized governmental system. They chose ethnicity as a framework for devolving authority to regional administrations.[3] The 1995 constitution formalized this and other liberal, modern principles. They have been gradually implemented, though some are too idealistic to be rapidly realizable.

Decentralizing Ethiopia has not been easy. Capacity for governance has had to be created in the new regional states. Centuries of tradition and decades of bureaucratic habits have accustomed the population to think that all initiative must come from higher authority. All over the country werketoch[4] still have to be produced to get things done. Excessive bureaucracy is still a serious problem in Ethiopia. Local authorities are often reluctant to authorize or initiate activity without the approval of higher-level officials. In developing the capacity to govern their states, regional governments have had to expand bureaucracy. Investors, both Ethiopians and ferenjis[5] often complain that they encounter several layers of authority which do not coordinate with each other when they try to implement a project or start a new activity. Bureaucrats

naturally tend to maximize their function--this leads them to say no more often than yes, to impede more often than facilitate. Limited revenues make it difficult to pay bureaucrats high salaries. When they earn little, the temptation to exploit their status to gain money or services can become irresistible. Thus bureaucracy breeds corruption. A communist system leaves a legacy of tolerant attitudes in the population toward corruption. It is regarded as the only way to get things done, or done quickly. The dilemma for accelerating development momentum in a more open economy is that the mentality of both government bureaucrats and the public must be changed.

Democratic practices and procedures are no magic cure for these problems, but in experienced democracies openness works well most of the time to deter or contain undesirable practices and call corrupt officials to account. Periodic elections give the public opportunities to eject corrupt officials. Opposition candidates scrutinize the record of officials they aspire to replace. The private press publicizes governmental shortcomings and officials' misdeeds. I have observed these desirable trends beginning to develop and take root in Ethiopia, but changing a political and economic culture cannot be done overnight. In this respect, as I have written, Ethiopia is in most respects ahead of other countries recovering from communism in overcoming Derg malpractices, but the country has an even longer accumulation of traditional attitudes and practices that need to be changed.

The best solution for the problem of excessive bureaucracy is to eliminate as many bureaucratic procedures and bureaucrats as possible, pay officials who are really needed good salaries and hold them to high standards of performance. The best way to limit the intrusiveness of government is to keep governmental structure small and transparent at all levels and restrict governmental functions to tasks that are best performed by government. A government committed to accelerating developmental momentum must devise methods to examine its performance frequently. In respect to each major function, it should pose questions for itself: "Does this function have to be performed by the government? If so, is it being performed efficiently? If not, can it be eliminated, delegated, or privatized? Public input into this process should be encouraged.

The present trend throughout the world--in advanced societies as well as developing ones--is toward limiting government intervention in economic and social affairs and confining government activity, insofar as possible, to regulatory, supervisory, oversight, educative and judicial functions, setting, reviewing and enforcing standards of performance at various levels. Parallel trends include contracting specialized functions to business organizations or shifting responsibility for necessary governmental activity from the central/federal level to states and subordinate jurisdictions.

Debate about what governments should do, and need not be doing, is healthy and

necessary in a developing society. The fields for which governments traditionally take primary operating responsibility include: highways, other forms of transport, power, postal service and other forms of communication, education and a variety of services from surveying and map-making to provision of health facilities where the capacity of private facilities is too limited to provide the service. In Ethiopia long-established public enterprises such as EHA, EELPA and EAL have a good record of performance, largely because they have enjoyed a large degree of managerial autonomy.[6] They have provided services that could not have been developed as efficiently in any other way. Ethiopia's educational system has been successfully developed, maintained and expanded as a major governmental function. In many of these fields governmental predominance has not precluded comparable forms of initiative: e.g., feeder-road development, school-building by local groups, and recently the establishment of private colleges. While the federal government continues to operate the "commanding heights" in many of these fields, there is a strong case for not only permitting but encouraging regional, local and private initiative. Since 1991 there have been good developments, but there are many areas where non-governmental initiative would generate development momentum. Let me discuss some examples:

\*Ethiopia's hydro-power potential is enormous. Major power-development projects have to be undertaken by the federal government, but these cannot satisfy all needs or exploit all possibilities. Shortage of electricity is a severe hindrance to development of industry. No bureaucratic obstacles should be allowed to restrict regional, local or private initiative in this field. Local jurisdictions, including cities and towns, should be encouraged to develop power projects. Private entrepreneurs should not be hampered by excessive regulation or restriction. Foreign investment should be encouraged in this field. The role of the federal government should be confined to setting and monitoring standards of performance and fair business practices affecting consumers.

\*In other respects Ethiopia also fails to make good use of the water nature provides. The country's potential for development of irrigated agriculture may be as great as its hydro-power potential. Major irrigation projects will inevitably entail governmental initiative, but there are enormous opportunities for medium- and small-scale irrigation installations that can rapidly increase food-producing capabilities in several respects: field crops, orchard crops, livestock raising. The appropriate role for federal and regional government in this field is education of farmers on the value of irrigation, provision of guidance on methods and encouraging (subsidizing) programs for credit for surveys and equipment. The latter functions can probably be most efficiently performed by private entrepreneurs.

\*Since Ethiopia's university system cannot cope with the demand for higher education, private colleges and universities are needed to help fill the gap. They are now expanding at a rapid rate. The role of the Ministry of Education

is to set standards and monitor performance, not obstruct private educational initiative. This, fortunately, seems to be understood. At a lower level, however, governmental interference in the establishment and operation of private elementary and secondary schools seems at times to be less facilitative.

There are many other fields where government has a role but the role needs to be defined and exercised to encourage initiative, accelerate development, and spread knowledge of successful enterprise rather than interfere and obstruct. Governmental management and control should not be extended beyond the point where it is necessary or useful. Let me continue with observations relating to specific fields where accelerated developmental initiative is essential.

Privatization: Since the 1991 change, Ethiopia's new leaders have repeatedly endorsed privatization in principle. After ten years, accomplishment is short of early expectations. It is time for a serious speed-up of the process, for postponement of privatization of unprofitable enterprises results in continued absorption of budgetary resources that could be more productively allocated to other purposes. Crassly put, it wastes the people's money and sometimes prolongs mistaken Derg measures. The Derg nationalized all large and medium-sized hotels and placed them in groups under the administration of major Addis Ababa hotels. This created a costly and cumbersome system. When the Derg fell, given the high potential for tourism earnings which the World Bank and the IMF judged Ethiopia to have[7], the new government embarked on a program of rapid investment in rehabilitation of major hotels that had been severely damaged during the civil war: the Yeha in Axum, for example, and the Roha in Lalibela. Resources were also invested in others that had not suffered major damage in Gondar, Bahr Dar, Goba, and Addis Ababa itself, and all remained government-managed enterprises. While some tentative steps toward privatization of the country's hotel system have since been taken, the approach has been far too hesitant. Prices were set too high to appeal to potential buyers.

Meanwhile another highly constructive and successful government policy has compounded the problem. During the last two years of the Derg construction of private hotels and even small factories was permitted. By the time the EPRDF took over, the country was experiencing a building boom which has continued ever since. In Addis Ababa and throughout the country new hotels of many kinds have been built (as well as buildings serving many other purposes). The new hotels have captured most of the customers. No one would choose the Castle Abraha in Makelle over the new Axum Hotel there for an equal price. Several new hotels now compete with the Roha in Lalibela and with the Yeha in Axum and more are being built by private entrepreneurs in these and other localities. The government cannot afford to invest more to keep up the hotels it owns; they are deteriorating. If they had been privatized at a token price--for all practical purposes given away--in 1991 or 1992, the government would have been relieved of the cost of managing them and they would be operating far more productively than they are today. This lesson applies to other nationalized enterprises (whether

nationalized by the Derg or previously operated by the Imperial Government) and should be applied in privatization programs now.

To speed up development in Ethiopia, the government would be well advised to review the status of every kind of activity it is conducting, then retain responsibility for it only if no way of dispensing with it (including giving it away) can be found. The EPRDF government's commitment to encouragement of new private enterprise is commendable and has produced some excellent results. Service industries in Ethiopia have expanded greatly during the past decade. Many new manufacturing enterprises have been established. Small-scale commerce is booming. Major trading enterprises have expanded. None of this is enough--for Ethiopia's large population represents a market for both services and consumer goods with almost unlimited potential.

Tourism: A brief discussion of tourism is in order, for, properly developed, tourism can contribute to the development process in many ways beyond serving merely as an earner of foreign exchange. For reasons outside anyone's control (most recently, the Eritrean War) Ethiopia's tourism sector has failed to develop rapidly and contributes little to the country's foreign exchange earnings. Private entrepreneurs have been active in developing capabilities to serve tourists. The quality of their performance ranges from outstanding to poor. The primary difficulty to date has been the fact that government programs for tourism development have followed the easy course: emphasizing promotion over performance. This is not surprising, for Ethiopia has enormous tourism potential. Thus people concerned with tourism development find it easy to concentrate on publicizing the country's attractions while giving lower priority to the more difficult task of creating good tourism infrastructure and educating the population in the value of good performance and effective service.

The role of the government in tourism should be educational and regulatory. There is no need for the government to operate tour companies (NTO should be privatized), hotels, restaurants, or land transport services for tourists. The government should set standards for all these functions, inspect and grade hotels and restaurants catering to tourists and periodically assess the quality of performance of tour companies. The federal or state and local governments should also set guidelines and assist in the development and maintenance of sites of major tourist interest: national parks, religious sites, historic monuments, natural attractions, etc. Governments should set standard fees for visitation and conduct surveys to ensure that they are observed. A national association of tour operators could eventually reach the stage where it could assume a number of these functions. The government has a role in tourism promotion, of course, but it should also encourage private preparation of maps, brochures, guidebooks and materials of interest to tourists.

Tourism in a developing country can contribute to the development process in many constructive ways by encouraging small-scale service enterprises and

handicraft development. Training programs for hotel and restaurant personnel, guides, and tour operators will have positive spill-over effect on other segments of the economy and society as a whole. But there is also a downside to tourism development. Tourism can have serious adverse effects. Tourist centers in Ethiopia already attract beggars, pickpockets, panhandlers and prostitutes. At many tourist sites teen-age boys and young children harass tourists to the point of spoiling their ability to enjoy and understand what they are seeing. The best way to promote expansion of tourism is to see that tourists go home enthusiastic about the experience they have had and ready to urge others to go. All too easily a country can gain a reputation as a place where tourists consistently have unpleasant experiences. For all its appeal, this is a danger for Ethiopia. The country needs a coherent and sustained program of education of its population in the importance of tourism to the country's economy and social development and, consequently, in the advantages of considerate behavior toward tourists. Where education alone is not enough, local authorities need to be made to understand that they have a duty to police tourist sites to keep undesirable elements under control.

Tourism development efforts should not be targeted entirely at foreigners. The Ethiopian diaspora in Europe, America and other parts of the Middle East and Africa already provides a continual flow of people who come to visit families and familiar places. More often than not these people also want to see more of the country and frequently travel to famous historical sites. I have met them everywhere. In addition, domestic tourism has already begun to develop in Ethiopia. Its ultimate potential as a factor in the economy is great.

Agriculture and Agribusiness: Except in a few exceptional areas Ethiopia cannot soon expect to develop industry to the point where industrial exports contribute significantly to the country's foreign exchange earnings. And though cottage industry and handicrafts production can be expanded, these fields will remain marginal as export earners. Ethiopia must exploit agriculture as a source of increased export earnings. Recent experience with falling world prices underscores the disadvantages of relying on coffee as the greatest source of export revenue, though coffee will continue to be important. Over the next decade it would be desirable to expand exports to the point where coffee, even perhaps at a higher level, would account for only a quarter of the country's export earnings. There are many ways in which agricultural production can be increased. I have already cited the potential for expansion of irrigation. Other ways of increasing agricultural production are well known: fertilizer, better seeds, crop rotation, techniques of pest control. They are all being applied and are having impact. Effort needs to be expanded.

The most important factors for expanding the value of agricultural production are (1) diversification of production and (2) development of processing of agricultural products, thus adding value to them and improving quality. During the time I have known Ethiopia (over 40 years) I have observed striking changes

in the food habits of the population. Even in remote country markets it is now common to find a good variety of vegetables and fruits for sale. Ethiopians are now eating more varied and wholesome food which is improving the health of the population.[8] The notion that Ethiopian farmers are too conservative to try new crops and new methods of cultivation has been disproven over and over again.

They need incentive to expand production beyond their own and local market needs. In many regions I have seen vast quantities of tomatoes, e.g., piling up, far beyond the capacity of anyone to use them--but there is no processing industry to which they could be sold before they rot. The same is true of many other fruits and vegetables. Various kinds of processing--canning, drying, eventually freezing (when sufficient electricity is available) can ensure that the national market will be better supplied and possibilities for export sale can be exploited. The same applies to many crops grown on a larger scale: corn (maize) for example, and sugar. It is now a pleasure to find supermarkets in Addis Ababa and provincial cities stocked with all manner of candies, cookies, jams, cheeses and snack foods imported from Europe, India, Kenya and the Middle East. There is little or nothing produced in Ethiopia to compete with most of these products.[9] Modern methods of production of animal feeds have so far been neglected in Ethiopia. Urban Ethiopians have become fish-eaters in the past two decades and some of the lakes are already being over-fished. Fish farming has barely begun to develop, but appears to have a high potential for expansion to satisfy domestic demand and for export to nearby areas in Africa and the Middle East.

Agriculturally based light industry extends well beyond processing of food. Much other production is agriculturally based. Ethiopian textiles and clothing have difficulty competing with Indian, Far Eastern and Turkish producers, but low labor costs give Ethiopia advantages, not only in production from cotton, which can be grown domestically, but from wool, the quality and supply of which can be substantially increased. Ethiopia has ample raw material to support increased production of carpets and mats for domestic use and export. Ethiopia's enormous livestock herds already provide leather for footwear and clothing industries. These appear to be susceptible to continual expansion for domestic sale as well as export. Methods of improving quality need to be more widely applied. Highly specialized agricultural crops, especially those that require particular tropical growing conditions, also offer lucrative possibilities for Ethiopia because the country possesses such a wide variety of climates, soils and altitudes along with unlimited availability of labor. Other specialized Ethiopian agricultural products also offer opportunities for expansion and export: spices, raw materials for production of pharmaceutical products. Stress should be not only on new products and new initiatives. Possibilities for increasing production of traditional or currently profitable export crops should, of course, not be ignored: pulses, oilseeds, fruit and vegetables, flowers. The same applies to export of live animals.

Press and Parties: In contrast to the dull diet of propaganda of the Derg

years, publications and parties proliferated after 1991. But quantity was not matched by quality. The constructive role a free, private press can play in a developing country was poorly understood by most of the early sponsors of newspapers and magazines. They concentrated on entertaining but too often sensational and inaccurate reports, championed the interests of particular groups, and competed with each other to attack and distort the motivations of government officials. This has gradually and fortunately changed. Publishers and editors of newspapers have developed an understanding of the constructive role they can play in Ethiopian society. Several newspapers have now emerged that specialize in economic news. Informative, carefully researched reports and articles on economic and social issues are no longer uncommon. Officials are less fearful of being interviewed and having their statements misrepresented. These wholesome trends encourage intelligent public debate about the real problems Ethiopia faces in accelerating development and coping with social problems.

Political parties have, on the whole, begun an evolution comparable to the press, but further improvement is needed. Many parties which formed during the time of the Transitional Government lacked the characteristics of serious political organizations. They were interest groups promoting their organizers' personal ambitions or advocates of ethnic interests. This was probably inevitable in view of the emphasis the new leadership placed on ethnicity but it led to little or nothing constructive. Many opposition politicians left and still leave the impression that the welfare of the country as a whole is of little concern to them. Some of them operated entirely in negative terms: opposing, criticizing, denouncing and demanding privileges for themselves while making no effort to develop constructive policy proposals. Others spent most of their effort seeking foreign support to pressure government leaders to let them share power. Such efforts were futile, for most foreign governments lost interest in defending opposition elements that do nothing but oppose and obstruct. Multi-party democratic politics should revolve around debate about meaningful issues. Ethiopia has plenty of them. None of the potential answers to the challenges the country faces is easy. Serious debate about economic and social problems helps both governmental officials and citizens find solutions.

Conclusion: There is no single formula for promoting development in Ethiopia. Mengistu Haile Mariam thought he had found it when he adopted Stalinist communism. Men with good training indulged his dogmatism. He brought disaster on the country and on many of those who supported him. Intending only to punish those who challenged him, Mengistu drove tens of thousands of talented Ethiopians abroad. Unwittingly he made a great gift to the country he seemed to hate most: America. Ethiopians have made a contribution to American professional and academic life out of proportion to their numbers. But in broadening and improving themselves they are also benefitting Ethiopia. Serious discussion of Ethiopia's potential for accelerated development at conferences abroad contributes to debate about important issues in Ethiopia itself. The

press will report it and, hopefully, politicians will take an interest in it. Ethiopia, so long isolated from the world, has been swept into the currents of globalization. The process began more than a century ago. It has gained further speed and depth since 1991. It will continue to accelerate.

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[1]I would not deny that there were some accomplishments during the Derg period. This is a separate subject which I will not go into in this paper, but on which I have written in the past. These accomplishments, however, were vastly outweighed by the damage Derg practices did to the Ethiopian economy and the continuing negative effect of attitudes and bad habits Derg policies engendered among the population.

[2]"The Challenge of Recovering from Communism--Comparison between Ethiopia's and Other Countries' Experiences". The paper was published in two parts in *The Ethiopian Herald* in early 2001.

[3]Stress on ethnicity has generated criticism which has never ceased. My own observation has been that in practice the system has been working well and has not generated the extreme adverse consequences critics envisioned. On the other hand, decentralization of administrative authority does not need to be based on ethnicity; it could just as well have been based on the historic provinces that long existed in Ethiopia. These, or sections of them, continue to be important as administrative zones within ethnic states. Some negative consequences of adherence to the ethnic principle have now become apparent: the weaker ethnic states have been slow to develop administrative strength, while small ethnic groups in larger states have begun to agitate for separate status. On the other hand some hitherto neglected regions have gained a new sense of vigor which has been translated into emphasis on economic as well as cultural development--Waghimra is an example I have observed closely.

[4]Authorization papers.

[5]Foreigners.

[6]They have sometimes had to defend themselves energetically. During the Derg period, the *Economist* highlighted EAL's performance--"A successful

enterprise in a disastrous economy"--which resulted from stubborn refusal by its leadership to tolerate bureaucratic interference.

[7]I do not question this judgment, but for several reasons, not all the responsibility of the government, the potential has not been realized.

[8]It is true that the country has still not overcome the problem of periodic agricultural failures which threaten famine conditions. Performance in anticipating and dealing with these problems has steadily improved during the past ten years. With steady expansion of irrigation and steady improvement in methods of cultivation Ethiopia, in spite of its expanding population, should look forward to being able to feed its population with a selective surplus for export in ten years.

[9]I do not mean to imply that Ethiopia should resort to policies of autarky--import substitution--in encouraging the development of agribusiness. Trade in all directions serves as a stimulus to local production when resources to support it are available.