

Acute Poverty amidst “Double Digit Economic Growth”: *Contradiction in Terms*

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Introduction

Gebru Tarek, once a professor of history at Haile Selassie I University, wrote: “...by supporting a social hierarchy that was markedly extractive and exploitative, Ethiopian peasants lived for very many years in a terrible state of ignorance and gruesome conditions of deprivation and poverty”¹. Philippa Bevan of the University of Bath made reference to this statement to explain how the tradition of exploitative structures which existed in Ethiopia was the major cause of the poverty of the Ethiopian people². Today, twenty years after the seizure of the state power by a group that claimed to abolish this exploitative structure, and after two decades of foreign aid by the West, the Ethiopian peasants still live in a terrible state of ignorance, deprivation and poverty.

Despite the glaring poverty of the people of Ethiopia, excepting the power players, the government of Mr. Meles Zenawi, for political reason, has continued to issue inflated figures of economic growth in the country. Certain international backers of the government, in particular the IMF and the World Bank, have also been irresponsibly reproducing and propagating the same faulty and manufactured data and information supplied to them by the government.

Paradoxically, these repeated lies about economic growth and development in Ethiopia appear to have duped some of our own Ethiopian compatriots in the Diaspora, who are misled to believe that the country is enjoying an enormous economic growth unseen ever before. Quite a few of them have already fallen in the traps set up by the TPLF regime in a sudden urge to be part of the going economic life of the country. They share their casual observation on some of the economic activities in the service, constructions, and real-estate sectors in some urban areas reveal their lack of awareness of the extent to which such activities are controlled by Zenawi’s party as an instrument of subjugation and propagation of absolute power over the people.

The purpose of this paper is, therefore, to carefully analyze the true and sad state of the economic situation in Ethiopia, with particular reference to studies conducted by other reliable and independent sources.

The Claims

¹ Gebru Tareke. (1991). *Ethiopia: Power and Protest: Peasant Revolts in the Twentieth Century*. Cambridge University Press.

² Bevan, Philippa. (2000). *Poverty in Ethiopia: Discussion paper prepared for DFID: final draft*. University of Bath

It's now humdrum that Meles Zenawi and his government attribute and attempt to legitimize the continued one-party rule over Ethiopia to their alleged success in bringing economic growth and ushering in a new era of economic prosperity to the country. As recently as September 22, 2010, when asked to justify how his party was able to get 99.6% of the seat in the recent election, Mr. Zenawi retorted: "...[h]is party is popular because he's presided over seven years of growth"³. Earlier on September 16, 2010, addressing the 8th organizational conference of his ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF), in Adama, he claimed, "Ethiopia has registered remarkable economic growth for the first time in the history of the country over the past seven years," and further asserted: "... the rapid economic growth registered over the past seven consecutive years is the direct result of the development policy implemented under the leadership of the EPRDF"⁴. He is also quoted on many other occasions as declaring that "the "base-case" scenario of 11% average economic growth over the seven year-period was "doable" and that the "high-case" scenario of 14.9 % for the next 5 years is "not unimaginable".

Through the web pages of its embassies, Mr. Zenawi's government repeats the same claim of continued economic growth. Listing "stable economic environment" as one of the 10 reasons why people should invest in Ethiopia, it declares that "Ethiopia has been able to achieve macro-economic stability" and to record "stable annual economic growth in double digits since 2003," thereby giving prospective investors a sense of assurance of "stable exchange rate" and "government commitment to the private sector".⁵

The Truth Behind Zenawi's Growth Numbers

To anyone familiar with the appalling living conditions of the Ethiopian people, urban or rural, the spurious figures manufactured by Zenawi's regime are not only ridiculously imaginary, but sinister and immoral. The claims are outlandish, because there are compelling reports by independent researchers and institutions showing to the contrary. The assertions are criminal because they are intended to hide the bare fact from the outside world that poverty is a potent instrument chosen by Zenawi's regime to subjugate the populace, win elections and command absolute rule.

The following are but samples of recent reports to invalidate Zenawi's manufactured growth figures:

1. Looking at Ethiopia's poverty in the wider context and using World Bank World Development Report, Bevan, in the discussion paper he drafted in 2000, reported that Ethiopia ranked at "210th out of a total of 210 countries in GNP per capita terms and 208th in terms of GNP per capita measured at Purchasing Power Parity (PPP). He further concluded: "[Ethiopia is] by any measure, one of the poorest countries on earth." His

³ <http://spectrum.columbiaspectator.com/spectrum/live-from-the-zenawi-speech#more-15323>.

⁴ constituencyinfo@ethiopianembassy.org, Thursday, 9/16/2010.

⁵ <http://www.ethiopianembassy.org/PDF/10ReasonstoInvestCombo.pdf>

report also pointed out “a growing concern about the apparent increase in the number of destitute households in the Northeastern Highlands (Amhara region)”.⁶

2. Recently, the Department of International Development of Oxford University, in its Multidimensional Poverty Index (MPI), ranked Ethiopia as the 2nd poorest nation in the world, barely above the tiny West African nation of Niger, with 90% incidence of poverty⁷. The MPI further showed that Ethiopia is at the bottom of the list with respect to the three weighted indicators of well-being, which are also defined by the World Bank. More specifically, in education, 64.9% of school age children lack enrollment; in health, child mortality rate stands at 38%; and in basic living standard measures, 85.7% lack electricity, 87.6% don't have sanitation, 54% don't get clean drinking water, and 89.6% have no cooking fuel.
3. In 2008, The African Development Bank could not hide the fact that Ethiopia, despite its large population, the 2nd largest in Africa, has one of the smallest economies in the continent, accounting for only 1% of the continent's Gross Domestic Product (GDP)⁸.
4. Merlin, USA, a medical relief project operating in Ethiopia, in 2007 reported that Ethiopia is one of Africa's poorest countries, where about 90 percent of the nation's 77 million people live below the poverty line⁹.
5. The UNDP Human Development Report, published in 2009, shows that Ethiopia has a Human Development Index (HDI) of 0.414, much lower than the 0.535 figure for all Sub-Sahara African countries put together (excluding South Africa that has an index of 0.624).¹⁰ In particular, with regard to the composite measure of the three most important dimensions of human development, Ethiopia occupies a miserably low position, ranking 151st in terms of life expectancy, 145th in adult literacy rate, and 171st in PPP.¹¹

While the above statistics nullify the myth of Zenawi's growth figures, anecdotal stories, as narrated recently by Raymond Thibodeaux, a Nairobi-based freelance journalist on assignment for Cox Newspapers, depict the depth of poverty in rural Ethiopia. Thibodeaux, wrote about Biset Chanie, a graying father of four and a farmer in the village of Debark, Gondar, whom he had met in January of 2006. The farmer told the reporter how he was compelled by poverty to pull his two sons from school and hired them out to farmers in other villages in return for meager remittances, and of the humiliating possibility that he might send his two daughters, Simoni, 15,

⁶ Bevan, *ibid*, p.6

⁷ <http://www.ophi.org.uk/policy/multidimensional-poverty-index/>.

⁸ African Development Bank Group, Ethiopia Country Assistance Evaluation 1996–2007, Operations Evaluations Department, (OPEV), 14 November 2008.

⁹ <http://www.merlin-usa.org/Where-we-work/Ethiopia.aspx>

¹⁰ http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_ETH.html

¹¹ The report cautions that the index is not in any sense a comprehensive measure of human development. It does not, for example, include important indicators such as gender or income inequality nor more difficult to measure concepts like respect for human rights and political freedoms. What it does provide is a broadened prism for viewing human progress and the complex relationship between income and well-being.

and Destayehu, 10, to follow their brothers.¹² This anecdotal story is shared by millions of other families across most of Ethiopia, while a few supporters of the regime enjoy a lifestyle and economic prosperity unheard of in a poor country like Ethiopia.

A Misguided Economic Policy Under the TPLF Oligarchy

Ethiopia is a predominantly agrarian society with more than 80% of its population subsisting on farms no bigger than one or two acres. Poverty in Ethiopia is largely manifested in hunger and famine, as direct consequences of failed agriculture. According to the Oxford MPI report, the percentage of Ethiopians who were in chronic need of food aid in 2009 doubled to nearly 20 percent of the population (more than 16 million) compared to 1990, when the country was ruled by the pro-Soviet government of Mengistu Haile Mariam.

In his review of Peter Gill's new book, *Famine and Foreigners*, William Easterly of the New York University, in reference to the predicament of the Ethiopian people, noted: "[I]f it were possible to sum up in one sentence Ethiopia's struggles with famine over the past quarter-century, I'd suggest[I]t's not the rains, it's the rulers. ... Drought has not been as devastating to Ethiopians as their own autocratic governments". Concurring with Amartya Sen aphorism, he added: 'Ethiopia is a classic example of Amartya Sen's dictum that famines don't occur in democracies, only under tyrannies'. He further stated, "... although Stalinist Marxism is done, not much else has changed. The former Tigrayan rebels, led by Meles Zenawi, now rule Ethiopia. The country's agriculture remains in what Mr. Gill calls 'a state of almost permanent crisis'."¹³

When the country's agriculture remains in a state of permanent crisis, the vast majority of the Ethiopian people, who subsist on farm, will always face the risk of being vulnerable to devastating shocks. Stefan Dercon, a professor of Development Economics at the University of Oxford, conducted an excellent analysis on the links between risk, vulnerability and poverty in Ethiopia, using a rural household survey covering over a five year period (1999-2004)¹⁴. Vulnerability, in the context of the Ethiopian poor, mainly the farmers, refers to the exposure of this group of people to contingencies and stresses relating to hunger and famine. The Ethiopian people have generally been defenseless, and lacked any means to cope with such contingencies and stresses without enduring some sort of damaging losses. Although they can take a variety of forms, Dercon found that these shocks, resulting from poor performance of the agriculture in the country, virtually led to substantial loss of income, wealth or consumption. In this study, he observed that 95% of the households surveyed had reported to have experienced a shock that

¹² Raymond Thibodeaux, Cox Newspapers, Sunday, January 22, 2006

¹³ <http://online.wsj.com/article/SB10001424052748703618504575460680218948348.html>

¹⁴ Stefan Dercon, Vulnerability: a micro perspective, April 2005

had caused substantial loss of income, assets or consumption”. Remarkably, of these 95% households, about 47% had been affected by death and 28% by illness¹⁵.

There is no report of significant increase in the intensification of agriculture through technology transfer or mechanization and irrigation in Ethiopia under the government of Meles Zenawi. Obsolete farming methods depending on rains are still dominant. The naked truth in the country is that prolonged drought, deforestation and soil erosion are adding to the misfortune of the Ethiopian farming population and making it harder for them to even feed their families, let alone produce excess for the market. This creates the rural-urban connection of the much pronounced poverty in the country. Despite the exaggerated government figures of improved agricultural performance, like the claim about the doubling of cereal output in the last several years (a figure unheard of in the recorded history of green revolutions in the world), there still is food shortage in Ethiopia.¹⁶

Without regard to the long-term adverse impacts on the environment, and the competitive positions of domestic farmers, in his insatiable appetite for hard-currency, Meles Zenawi has invited foreign investors to land grab frenzy unheard of in history. As reported by Shepard Daniel, by 2013, three million hectares of Ethiopian fertile farmland will be allotted to foreign investors.¹⁷ Contrary to the assertion of Zenawi’s government, the land that is being parceled out is fertile land in use by the local farmers. As summarized in a recent report with reference to the case of the Anuaks in Gambella:

“It is a myth propagated by the government and investors to say that there is wasteland or land that are not utilized in Gambella. The foreign companies are arriving in large numbers, depriving people of land they have used for centuries. There is no consultation with the indigenous population. The deals are done secretly. The only thing the local people see is people coming with lots of tractors to invade their lands”.¹⁸

In its September 17, 2010 issue, The Economics Times reported Zenawi’s intention to lease 50,000 hectares of land to Punjab farmers at a nominal rate of Rs 400 (rupees) per acre per year. At the current foreign exchange rate, this amounts to the dirt cheap price of less than \$9 per hectare, while denying native Ethiopians access to fertile farmland. In addition to the cheap

¹⁵ Stefan Dercon, *ibid*, p.5

¹⁶ For detailed discussion, see Stefan Dercon, Ruth Vargas Hill and Andrew Zeitin, *In Search of A Strategy: Rethinking Agriculture-led Growth in Ethiopia*. Synthesis Paper prepared as part of a study on Agriculture and Growth in Ethiopia. May, 2009

¹⁷ Rice, Xan. “Ethiopia – country of the silver sickle – offers land dirt cheap to farming giants.” *The Guardian*. January 15, 2010. See Shepard Daniel with Anuradha Mittal, (Mis)investment in Agriculture, The Oakland Institute, The Role of the International Finance Corporation In Global Land Grabs, 2010 for detailed discussion and report.

¹⁸ In a March 2, 2010, Shepard Daniel conducted an interview with GRAIN, in which Nyikaw Ochalla, an indigenous Anuak from Gambella in Ethiopia, described the current situation in his home region. For the complete interview, see http://www.nyuakmedia.com/com_10_03_2.html.

price, these foreign farmers enjoy considerable benefits, including “duty free imports of capital goods and the zero duty on farm exports”. Leading a delegation of 16 interested potato growers from Punjab to Ethiopia, Sukhjot Singh Bhatti, President of the Punjabi Confederation of Potato Seed Farmers, reportedly acknowledged:

"We will be inking a deal with the Ethiopian government next month for getting at least 50,000 hectares of area for growing crops like pulses and maize, which will be exported to India and Europe.... Unlike here, most of the agricultural land is with the Ethiopian government and it has offered us to acquire land on lease for a period ranging between 25 to 40 years at a nominal rate, which works out to Rs 400 per acre per annum in Indian currency. Moreover, we will not have to pay for the first five years of our operations. With less pressure on land there (Ethiopia), the soil will be suitable for growing pulses, maize and other cash crops. These crops will be exported to India and Europe."¹⁹

While there is a general recognition of the need for a sound investment strategy in agriculture, the politically motivated policies that attract foreign investors to grab land at cheap prices and to grow and export food for their own markets are very detrimental to the long-term wellbeing of the Ethiopian people. Such a policy will inevitably contribute to further intensify hunger and famine in the country, accelerate destruction of families and households, and inflict catastrophic social problems, such as infectious diseases, sexual violence and human displacement. Studies indicate that when children from rural areas are displaced or driven out of their homes due to lack of food, move to urban areas in search of work or handouts, thereby swelling the number of squatters and homeless in the cities, where unemployment is at 50%. By most estimates over half a million homeless children roam the streets of Addis Ababa alone. The homeless typically sleep in trash-strewn alleys or abandoned buildings, and are often subjected to sexual assaults and other forms of exploitation.

Conclusion

In Ethiopia the one-party government of Meles Zenawi owns all the urban and rural land and completely controls the major economic activities, including manufacturing, construction, and finance. This monopoly of the economic activities of the country, coupled with the absence of democracy, has contributed in a major way to the widespread poverty in the country. In a recent report, Ken Ohashi, the World Bank’s Country Director for Ethiopia and Sudan, wrote:

The relatively nascent nature of the private sector in Ethiopia, after the repression under the Derg, is surely part of the explanation for the low productivity. But, if the market system works well, then key factors of production (land, labor, and credit) should shift from the firms with low productivity ... to those with high productivity ..., thereby increasing overall productivity even without any technological break-through. That

¹⁹ <http://economictimes.indiatimes.com/news/economy/agriculture/Punjab-farmers-to-acquire-50000-hectares-of-land-in-Ethiopia/articleshow/6572086.cms>

process is not working well in Ethiopia. For some reason, the market is badly organized. That hinders competition, and traps Ethiopia in low productivity. Low productivity means low income.”²⁰

The report further elucidated the economic damage caused by the preferential treatment bestowed upon endowed firms owned by the TPLF oligarchy, without any regard to their productivity. More specifically, Ohashi enumerates six factors that create structural bottlenecks and problems:

1. Access to finance driven in large part by government policy or collateral
2. Lack of confidence by business that contract disputes can be rapidly and equitably resolved.
3. Limited access to land for small, start-up firms.
4. Government industrial policy that tends to channel resources to a few priority sectors.
5. Existence of “endowment companies” that hinders open and fair competition, and
6. Existence of regulatory barriers to entry for a substantial number of economic activities.

Because of such a misguided policy, Ethiopia is at the bottom of the list of all countries in the world with respect to every conceivable index of development. The government of Meles Zenawi continues to shamelessly tell the world that the country has entered an era of prosperity, while the people are denied basic human rights and live under poverty, disease and illiteracy. Increased production of goods and services on the one hand and skyrocketing prices of commodities are contradictory in basic concepts of economics. Increased production of goods and services means increase in supply of these commodities in the market place. Increase in supply of commodities will necessarily be followed by proportional decrease in prices of these commodities. Is the economy stupid in Ethiopia that we see almost hyperinflationary prices of all commodities while the government is claiming such miraculous increase of production? Increase in production also assumes increase in employment, and concomitantly, increase in income of the people. But, what we see is to the contrary, that is decrease in real income and further destitution of the people around most part of the country. It is true that a minority which controls power enjoys unparalleled prosperity while poverty of the vast majority of the population has continued to deepen.

The one-party government has never demonstrated a desire to bring the people out of the abject poverty through vibrant macroeconomic policies that are anchored on strong, sustainable and balanced/even growth and development strategies. There are no genuine efforts on the part of the one-party government to guarantee access and entitlement of the poor to food, health, education, finance, trade, resources and freedom, that are the immediate prerequisites to bring the people out of poverty.

A policy that ensures the economic wellbeing of all the people can only be implemented by a government grounded in democracy and good governance. The government of Meles Zenawi is fundamentally autocratic, and cannot implement a policy that benefits the people of Ethiopia.

²⁰<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,contentMDK:22407734~menuPK:51340323~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

Indeed, the cycle of poverty in Ethiopia can only be broken by abolishing the ethno-centric dictatorship that is characterized by the absolute monopoly and domination of the economy and politics of the country through ethnic-party-government merger. Therefore, as pronounced in the recently released declaration, for example, “The New York Manifesto”, the focus of all Ethiopians, at home and abroad, should be on changing the current dictatorship of ethno-centric party and government.

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