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# MISSED OPPORTUNITIES AND/OR LATENT POTENTIAL FOR POVERTY REDUCTION AND ALLEVIATION IN ETHIOPIA

**By: Dr. Hansjorg Neun**

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# LIVELIHOODS, THE POVERTY REDUCTION STRATEGY PAPER AND EMPLOYMENT BASED SAFETY NETS

## AN OPPORTUNITY FOR INTEGRATION IN ETHIOPIA

**By: Peter Middlebrook**

# Food Aid:

# Missed Opportunities[1] and/or Latent Potential for Poverty Reduction and Alleviation in Ethiopia[2]

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by

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[1] In economic terms one could refer to it as opportunity cost

[2] A Paper Presented at the 'International Conference on Poverty Reduction and Alleviation Strategies' Addis Ababa 15th to 18th May 2000

[3] The views expressed are those of the author and do not represent necessarily the official views of the European Commission

## 1. Introduction

This paper contributes to the current discussion on food aid without the intention to provide a comprehensive and full picture of all relevant aspects. The paper aims at highlighting in a nutshell only some major aspects of Food Aid and its potential if used for creating productive assets.

A general intention of many donors one can assume is to reducing gratuitous food aid distributions to an absolute minimum level limited to mainly disabled, elderly etc. vulnerable population groups. The medium to long-term objective of all donor assistance should be seen in creating productive assets in order to stimulate development/economic growth and in the case of food security to assist a beneficiary country to reach food self-sufficiency.

The major bottlenecks can be analysed along the criteria set in the Ethiopian Food Security Strategy (FSS)[4] in light of the three major pillars, namely:

a) Increasing productivity (economic and agricultural) and food availability,
b) Entitlement or access to food (increasing purchasing power etc), and
c) Improvement of disaster prevention and management.

A concise analysis of food security related problems, underlying sources and proposed actions is provided in a paper attached hereafter[5]. This paper also focuses on the most crucial issues hampering improvements in the field of food security without claiming to provide a detailed analysis.

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## 2. Grain Production and Food Aid in the Ethiopian Context

Based on the recorded food aid receipts to Ethiopia over the period 1985 to 1998 the following analysis should be noted:

| | | | | |
|---|---|---|---|---|
| a. | Grain production | '85 – '98 | 99.600.000 MT totally or | 7.100.000 MT/year |
| b. | Food aid | '85 – '98 | ~ 9.700.000 MT totally or | ~ 700.000 MT/year[6] |
| c. | Food aid | '85 – '98 | ~ 10 % of grain production | |

Including commercial grain imports of around 50 - 60.000 MT[7], the annual grain gap is of around 750.000 MT (in 2000 it may amount at 1.000.000 MT or even more).

UN-EUE has calculated that based on a 3 % population growth rate per annum the additional annual food (cereal) requirements would amount at around 250.000 MT. It should be noted that there is no corresponding agricultural growth rate. Consequently, the structural food gap will increase considerably without adequate corrective measures. Ethiopia is mainly based on agricultural production and more than 85 % of

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[4] Ethiopia - Food Security Strategy Document, 1996
[5] Dr. Hansjörg Neun: Main problems related to Food Security - a shortened logical framework analysis.
[6] DPPC's appeals request food assistance for 3.827.272 people (annual average from 1985 - 1999) and 4.481.711 including the manmade vulnerable population. This represents per vulnerable person 181 (154) kg per year, 15 (12.6) kg per month or 0.5 (0.42) kg per day.
[7] These are the 1998/99 commercial grain imports. Commercial grain imports were literally non-existent before 1991 in Ethiopia.

the population is working in the agricultural sector. It should therefore go without saying that increasing agricultural production should be amongst others a main emphasis of Ethiopian policy.

It is obvious that there is enormous agricultural potential that is under-utilised (not used in the most productive manner) or not used at all. Areas of high potential that could increase agricultural production significantly, to name only a few, would be Gambella (alwero dam providing enormous irrigation potential for ? ha - idle), Amhara (Foggera plain etc. areas to be easily developed for irrigation estimated by the Amhara Government to around 100.000 ha), Welega state farm[8] of around 48.000 ha - not producing at present, the Gojam-Gondar state farm has been sold to a private investor in 05/2000, the Gode farm providing potentially around 300.000 ha irrigable land not yet productive), in Awash around 13.000 ha irrigable land are obviously not used due to management constraints, etc.. Further medium and small- scale irrigation projects are listed in the Ethiopian Irrigation Policy Strategy (1990) such as Angelele Bolhamo (11.160 ha), Amibara (4.500 ha) Borkena (3.000 ha), Meki (3.000 ha).

This again is not a complete picture of Ethiopia's enormous agricultural potential. It should, however, be recalled that the potentially irrigable areas in Ethiopia are estimated at around 3 million ha. Currently, irrigated area is less that 200.000 ha or around 6 % of the potential areas. The idle agricultural production areas need to be identified systematically through a study and developed accordingly.

Just to recall that theoretically a grain gap of say around 900.000 MT would only require 300.000 ha at around 30 quintals/ha. This is technically feasible without any problem. Increase of grain production would both minimise Ethiopia's dependency from donor food aid as well as mitigate problems such as port congestion at Djibouti.

As regards the necessary investment for the development of irrigation potential, the economic value of food aid in terms of subsidies should not be overlooked.

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## 3. The labour value of Food Aid

The annual Ethiopian food aid receipts of around 700.000 MT would lead to the **generation of 231,261,666 person days** of employment annually (at a daily rate of 3 kg/person) **for productive asset creation**.

The medium-term objective should be to channel more and more **food aid through EGS** (Employment Generation Schemes) as a basis for an 'Employment Based Safety Net (EBSN)'[9]. This **would provide sufficient labour to construct any one the following volume of activities** frequently covered under the EGS programme:

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[8] The Wolega state farm was handed over to the regional State of Oromyia in April 2000. About 8.000 ha has already been allocated to around 10 investors.

[9] See also Peter Middlebrook: Ethiopian Poverty, the poverty reduction strategy paper & employment based safety nets: An opportunity for Integration? - a paper presented at the International Conference on Poverty Reduction and Alleviation Strategies, Addis Ababa 15th - 18th May 2000.

| Activity | Work Norm | Achievement based on ~ 693,785 MT Food Aid* |
|---|---|---|
| Road Construction (RR 10) | 2000 PD/Km | 115,630 Kms |
| Hillside Terracing | 150 PD/Km | 1,541,744 Kms |
| Soil Bund Construction | 70 PD/Km | 3,303,738 Kms |
| Spring Development | 1700 PD/Spring | 136,036 Springs |
| Earth Dam Construction | 120,000 PD/Ave. Dam | 1,927 moderate earth dams |

* Labour cost only - excluding capital inputs.

In other words, the annual food aid receipts in Ethiopia would allow to accomplish all these activities within five years.

## 4. The monetary and economic value of Food Aid

Average annual food aid receipts to Ethiopia from 1985 to 1998 equals 700,000 Mt/year. Each tonne can be valued at around 250 $ US/Mt at present prices and accordingly, **food aid receipts to Ethiopia** can broadly be valued at **$ ~175,000,000 per year** (~ ETB 1,387,571,360). These figures compare with selected Ethiopian budget[10] positions ('99 in ETB) as follows:

| | | |
|---|---|---|
| Subsidies from fed. GoE to regions: | 3.142.100.000 | ETB |
| - Amhara | 689.630.000 | ETB |
| - Oromiya | 757.060.000 | ETB |
| - SNNP | 581.420.000 | ETB |
| - Tigray | 241.900.000 | ETB |
| Other expenditure: | 4.366.902.100 | ETB |
| - public debts | 2.229.350.000 | ETB |
| - Safety net[11] | 110.000.000 | ETB |
| External assistance | 1.643.200.000 | ETB |
| National Defence | 2.512.148.400 | ETB (recurrent budget) |
| DPPC including EFSR | 15.299.200 | ETB (seems to be rather low) |
| DPPC - construction of FS stores | 9.134.400 | ETB (capital budget) |
| Food Security Programme | 52.737.200 | ETB (cap. budget) |
| Aid in kind | 1.000.000.000 | ETB (cap. budget) |

Without expanding into a discussion on public expenditure, this shows that the annual food aid equals almost the value of the federal government subsidy to both Amhara and Tigray region collectively.

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[10] The **Federal Budget for 1999 is of 13.922.135.900 ETB** (The Federal Democratic Republic of Ethiopia, 1992 Budget Year Budget Proclamation (Draft), Ministry of Finance, Addis Ababa, June 1999)

[11] Under subsidies the figure is 100.000.000 ETB only.

## 5. An Alternative Scenario for Food Aid / Food Security Assistance

Based on DPPC **vulnerability figures**, the following scenario can be given: In Ethiopia the population needing external assistance from '94 - '99 was of around 3.500.000 people[12] (chronic, transitory vulnerable population + internal displaced people)[13]. The medium- to long-term objective should be to make these vulnerable people (more) food secure. Furthermore, it should be achieved **to scale down food aid and to shift more and more towards cash based Employment Generation Schemes**. One would like to assume that the **GoE[14] should make provisions on a regular budget** basis for funding both social safety nets as well as EGS activities to provide income and/or food to the **vulnerable population** for productive asset creation.

A budget scenario could be given as follows:

| | No of people | payment/day in US $[15] | No of days per year | Budget per year in US $ | Budget per year in ETB | in % of Eth. federal budget |
|---|---|---|---|---|---|---|
| a) | 3.500.000 | 1 | 200 | 700.000.000 | 5.670.000.000 | ~ 40 |
| b) | 3.500.000 | 1 | 100 | 350.000.000 | 2.835.000.000 | ~ 20 |
| c) | 3.500.000 | 0.5 | 100 | 175.000.000 | 1.417.500.000 | ~ 10 |

**Scenario a)** is based on the Indian Maharashtra model providing around 1 US $ per labour day calculated for an average of 200 labour days per year leading to an amount of around 5.670.000.000 ETB or of around 40 % of the annual federal budget.

**Scenario b)** is based on the assumption of providing 1 US $ per labour day calculated for an average of only 100 labour days per year leading to an amount of 2.835.000.000 ETB or of around 20 % of the annual federal budget.

**Scenario c)** is based on the assumption of providing only around 0,5 US $ per labour day calculated for an average of only 100 labour days per year leading to an amount of 1.417.500.000 ETB or of around 10 % of the annual federal budget.

It can be assumed that providing around 0,5 $ US equivalent to 4 Birr/day in the most vulnerable rural areas of Ethiopia for 100 days per year for around 3.500.000 people on a planned basis through well prepared shelf-projects[16] would make a significant difference to food security in Ethiopia over a few years.

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[12] One should recall that this includes the two best agricultural production years that Ethiopia has ever seen, namely 1996/97 and 1997/98

[13] In 2000, DPPC requested food aid assistance for around 8.100.000 vulnerable people (DPPC main appeal launched on 21 January 2000).

[14] It should be mentioned that the Government of Ethiopia has allocated 100.000 MT of grain to the emergency in 2000.

[15] The daily wages vary from 3 to 8 ETB/day for labour in rural areas. 1 US $ ☐ 8.1 ETB (Oct. '99)

[16] India/Maharashtra has always ready prepared shelf-projects' plans for 200 % of expected employment requests.

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It should be further assumed that Government's commitment through regular budgeting should facilitate donors' food security assistance in form of cash support (maybe even budgetary support in the medium-term) on a multi-annual basis.

Another major advantage of such regular Employment Based Safety Net (EBSN) would be that the real emergency requirements would be considerably reduced and could then be handled with pure relief response mechanisms - thus also more efficiently.

## 6. Ethiopia Food Aid Receipts Compared to CILSS Countries

Sometimes the question is asked whether food aid allocations are appropriate or insufficient or maybe even overstated. It is obvious that there is no universal key for defining the most appropriate food aid allocations. The following analysis assumes that food aid allocations could be seen in relation to the wealth of a nation measured in GNP per capita.

To find out how food aid donations can be seen in relation to GNP per capita the food aid commitments to Ethiopia have been compared with those of the nine CILSS[17] countries. The picture is as follows:

| | Population | GNP per capita in $ | Annual Food Aid average in MT[1] | Food aid per capita per year in kg |
|---|---|---|---|---|
| Burkina F. | 10,100,000 | 274 | 51,652 | |
| Cape Verde | - | 320 | 63,872 | |
| Gambia | 1,100,000 | 330 | 12,121 | |
| Guinea B. | 1,130,000 | 240 | 11,352 | |
| Mali | 7,696,348 | 250 | 48,550 | |
| Mauritania | 2,147,778 | 480 | 62,044 | |
| Niger | 7,734,789 | 230 | 51,666 | |
| Senegal | 6,896,808 | 600 | 64,509 | |
| Chad | 7,200,131 | 180 | 29,644 | |
| | | 2904 | | |
| **CILSS total** | **44,005,854** | | **395,410** | 9 |
| **CILSS average/year** | | **323** | | |
| **Ethiopia** | **58,125,563** | **100** | **693,786**[2] | **12** |

[1] For CILSS states calculated on the basis of 1985 to 1995 averages
[2] Based on the 1990/1998 averages from the DPPC relief appeals
Different sources (e. g. World Bank, CILSS), compiled by LFSU in: Food Security, Entitlement and Employment Generation in Ethiopia (1999, P. Middlebrook)

This analysis shows that the GNP/capita in Ethiopia is around 1/3 of the average GNP per capita in the CILSS countries. However, Ethiopia receives only 1.33 times more food aid per capita per year compared CILSS countries on an average. The conclusion must be that there is no uniform donor approach to define criteria for the most

[17] Comité Permanent Imter-Etats de Lutte contra la Sécheresse dans le Sahel (CILSS) comprises the following member-countries: Burkina Faso, Mali, Mauritania, Niger, Senegal, Chad, Guinea Bissau, Gambia and Cap Verde Islands.

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appropriate food aid quantity in a given country. Based on the criteria of general wealth or poverty, another (maybe risky[18]) conclusion could be that there is room for Ethiopia for requesting even more food aid or food aid cash equivalent. The author's individual opinion is that this could be justified subject to creating the necessary framework conditions in order to ensure that food aid or equivalent cash allocations would be used in order to create productive assets in order to improving food security in Ethiopia.

## 7. Selected Framework Conditions to Improve the Use of Food Aid Through EGS

A recent study tour of 31 Ethiopian Government officials to the India/Maharashtra Employment Guarantee Scheme summarised the main conclusions in order to make EGS to become an Employment Based Safety Net (EBSN) as follows:

a. Ethiopia would need a clear EGS policy to be enacted officially,
b. Out of such an officially enacted policy should derive regular budgeting and clearly defined structures and responsibilities, both at federal as well as at regional, zonal and woreda levels,
c. A gradual shifting to self-targeting would make the use of Food Aid more efficient (and ease DPPC's burden and responsibility of ensuring correct targeting),
d. A gradual shifting from Food Aid/Food For Work (FFW) to more Cash-For-Work would offer tremendous efficiency gains against the background of high food aid costs (around 40 % are food aid kind cost and around 60 % are overhead cost including transport cost).

Other observations during this study tour were:

a. Maharashtra uses EGS to provide labour support to private entrepreneurs,
b. EGS activities are found both on private as also on communal land,
c. Water management and adapted water harvesting techniques (e. g. percolation dams) are of paramount importance to improving agricultural productivity and allow agricultural production in combination with drip irrigation in areas with an annual rainfall of 250 millimetres only.
d. One official of the Maharashtra Government pointed out that food aid also has to do something with (in)dignity and should be dealt with accordingly. It should be the objective of any food aid assistance that food aid recipients can get the chance to regain their dignity.

## 8. Conclusions and Main Recommendations

The paper is based on the assumption that Ethiopia has a tremendous potential be it in increasing economic and agricultural growth or improvements in access/entitlement of vulnerable population to food as well as in strengthening the relief management system.

[18] This comparison does not include other elements such as budgetary support (structural adjustment), stage of market liberalisation, absorption capacity of the countries under comparison etc.

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The paper clearly states that to make significant changes towards improved food security in Ethiopia feasible, the federal Government's commitment regarding food security is a condition sine qua non. Donors and international institutions can only assist in achieving such structural changes as proposed in a nutshell.

To make things happen it is necessary to improve the policy dialogue between the main stakeholders in order to come to a commonly shared understanding on how to achieve food security in Ethiopia and how to set priorities. The Government should establish the necessary committees as stated in the Ethiopian Food Security Strategy in order to bring the Government, donors and international institutions together. In this respect, the establishment of functional food security units in Amhara, Oromyia, SNNPR and Tigray is highly encouraging.

Finally, it is obvious and definitively not easy to get away from the rather well established food aid system. However, and apart from the humanitarian value provided through food aid and all related achievements, it should not be forgotten that food aid is also a tremendous business (many food aid implementation institutions are paid per MT).

Would it not be more appropriate to focus on a more strategic approach to Poverty Alleviation based on multi-annual cash-based transfers through a formal Government Employment Based Safety Net (EBSN)?

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**ETHIOPIA** **Main problems related to Food Security** **EC-LFSU 16/03/2000**

| Problems | Underlying sources | Proposed actions |
|---|---|---|
| **0. Policy environment problems**<br>- unsatisfactory policy dialogue with mainly fed. GoEs so far<br><br>- co-operation between donors and other stakeholders insufficiently coordinated | - no clear interlocuteur on FS at fed. GoE<br>- after discussion with PMO there is very little follow-up from GoE<br>- MEDAC-FSU is understaffed & not equipped to assume their responsibilities efficiently<br>- FS is a complex theme covered by various sector policies (--> weak ownership)<br>- GoE has other priorities at present<br>- rel. betw. reg.&fed.GoE not fully productive<br><br>- Joint GoE-donor working group and/or steering/techn. committees not established | * fed. GoE responsibilities need to be established<br>* **Establish FS Steering Committee**<br>* Strengthen donor coop. with reg. GoE<br>* Analyse major bottlenecks related to FS and **define priority areas** of intervention<br>* Invite fed. GoE representatives to maybe attend FSAC meetings |
| **1. Food availability**<br>- National agricultural & food production (esp. cereals) irregular & insufficient<br>- agr. prod. potential not fully utilised<br>- annual average grain deficit ~ 1.000.000 MT<br>- additional annual grain requirements due to population growth of ~ 3 % estimated at ~ 250.000 MT<br><br>- Significant post harvest losses (~ 20 %)<br><br>- Low agric. Diversification<br>- Significant Food aid and commercial cereal imports (tax, surcharge)<br>- Significant (grat.) Food Aid distributions<br>- Chronic poverty | - mainly rain-fed agriculture/irregular rainfall<br><br>- FSS doesn't cover all regions (Gambela, etc.)<br>- Eth. FSS puts emphasis mainly on food production in marginal areas<br>- land tenure syst. inhibits priv. investment<br>- land holdings insufficient & fragmented in deficit areas<br>- insufficient post harvest techniques (transport, transformation, storage etc.)<br>- consumption habits / pattern<br><br>- entitlement (purchasing power) deficit and decline | * **expand irrigated cultivation**<br>* **ensure input availability (fertilizer etc.)**<br>* Better balance the FSS<br>* explore more cost-efficient production areas<br>* conduct studies on land tenure/poverty<br>* land redistribution<br>* micro watershed dev. Approach<br>* further studies & projects<br><br>* further studies & projects<br><br>* **EGS on a regular budget**<br>* **realistic popul. & econ. growth policy** |

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| | | |
|---|---|---|
| **2. Access to food/entitlement**<br>- grain markets inefficient<br>- high food prices<br><br>- purchasing power insufficient<br><br><br><br>- parts of the population affected by disasters (drought, floods, civil-/wars)<br><br>- chronic malnutrition rates amongst substantial parts of the population | - insufficient market information<br>- high production & marketing cost due to poor market integration & road sector<br>- agricultural production insufficient<br>- off-farm income diversification possib. lacking<br>- low access to credit<br>- landless population not strategically tackled<br>- increased land fragmentation | * improve market information systems<br>* Lower real food prices through lower transaction costs<br>* **EGS needs to become an active policy with a GoE regular budget & structures**<br>* promote off-farm investment<br><br>* needs better assessment & planning in order to avoid unnecessary delays, **improve DPPC's efficiency through:**<br>- assess chronic & transitory needs<br>- **dev. pilot self-targeted cash based transfer programs on a regular budget with donor multi-annual contribution**<br>* develop labour and other factor markets (e.g. land, agricultural produce) |
| **3. Disaster management**<br>- DPPC (fed.& reg.) lacks efficiency<br><br>-- in the assessment (poor Early Warning System)<br><br>-- in management<br><br><br><br>-- in monitoring<br><br><br>- GoE emergency response insufficient | - insufficient staff & procedures (tools)<br>- insufficient budget (15 m Birr incl. EFSR)<br>- assessment methodology not satisfactory<br>--> chronic needs to be distinguished from pure emergency needs<br>- official mandate for EGS is with DPPC<br>- EGS implementaiton linkage between DPPC & line departments underdeveloped<br>- **Nat.Dis.Prep.&Prev.Fund** not yet established<br><br>- monitoring system for food aid distribution not efficient | * capacity building & decentralisation<br>* **increase recurrent DPPC budget**<br>* strengthen EWS<br>* chronic food requirements need regular budgeting & planning<br>* **public expenditure review to foresee regular budget for chronic vulnerable population**<br>* GoE decision required/donor assistance<br>* Grain flow/ balance sheets / data base<br>* institutional linkage between DPPC & line dep. For planning EGS/micro-watershed dev. to be improved |

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# Livelihoods, the Poverty Reduction Strategy Paper & Employment Based Safety Nets: An Opportunity for Integration in Ethiopia?[1]

by

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The views expressed in this paper are the views of the author and not necessarily those of the European Commission (EC)

[1] A Paper presented at the 'International Conference on Poverty Reduction and Alleviation Strategies' Addis Ababa 15th to 18th May 2000

**Abstract**[2]

This paper argues that economic development is not an equitable process and that unemployment is a 'normal' condition that neo-liberal economists believe will decrease through the trickle down effect of strong macro economic performance. The study of normative economics demonstrates that neo-liberal, institutionalist of structuralist economic positions will needless to say translate into different economic prescriptions to be adopted to combat the problem of unemployment and chronic poverty. However, despite the divergence in economic thinking, productivity growth in many countries has materialized as a result of strong macro economic policies, prudent fiscal and monetary measures, liberalization and the encouragement of a strong private sector. Economic performance determines the creation of both short and longer term employment. On the other side of the line, international experience also bears testimony to the growing numbers of unemployed and under employed that receive social sector subsidies as part of a social safety net – social service provision.

In this paper, the specific poverty context of Ethiopia is reviewed in order to create a framework to demonstrate the significant role an Employment Based Safety Net (EBSN) may have in addressing the problem of chronic vulnerability. This vulnerability, can increase as part of the process for structural readjustment of the economy, where for example, a removal of fertilizer and seed subsidies increases the investment risk to farmers in a drought prone economy. The marginal crop production areas are often seen as the most economically disenfranchised areas where even agricultural smallholder subsistence agriculture remains a significant challenge. Here, social subsidies in the form of relief food act as an informal and unprogrammed safety net. In these areas, the problem is not transitory, but rather a deep form of chronic poverty where under capitalised households struggle to subsist on meager on and off farm income sources. The numbers of chronically vulnerable varies but are in the order of four to five million annually. In 2000 at least 9 million people will receive food aid. In 2001 at least 5 million are expected to receive food aid and it is argued that neither the government or international community needs to wait until the January relief appeal to meet the needs of these people. The problem is chronic, structural and programmable.

Poverty is multidimensional and the poverty profiles of households vary between agro ecological zones among other variables. In areas where deficit cereal production is a chronic problem specific actions are urgently needed to enable the poor to share in the benefits from growth, to increase their capabilities and well being, and reduce their vulnerabilities to risks. A clear household livelihood strategy is needed and this could be built into the PRSP process.

In 1993 the National Policy for Disaster Prevention and Management (NPDPM) put the planning and implementation of Employment Generation Schemes (EGS) as the corner stone of the policy so as to alleviate the employment needs of the non-performing agricultural areas. While much progress has been made since its inception the programme remains retarded by serious bottlenecks which could be overcome if the EGS evolves into a formal Government 'Employment Based Safety Net (EBSN)' where the comparative labour advantage of small holder and landless households could be exploited. This paper expands on the proposed EBSN approach and forwards a number of policy considerations for the Government and international community to take into consideration in the drawing up of the Ethiopian Poverty Reduction Strategies Paper (PRSP) as part of the wider Comprehensive Development Framework (CDF)[3] proposed by the World Bank, IMF and other multi and bi lateral cooperation partners.

[2] This economic discussion is based on the principles of normative economics where value judgments, related to economic development policy and economic theory are reviewed within the context of a Poverty Reduction Strategy and in the light of the need for a safety net programme.

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[3] The CDF and PRSP are new 'conditions' proposed by the World Bank and IMF within which Ethiopia can access concessionary credits. The CDF operates around a matrix which links macro economic and social factors on one side and relates these to the complimentary roles played by all primary and secondary stakeholders.

## Glossary of Terms

Absolute Poverty: Given as the income level below which a nutritionally adequate diet plus essential non food requirements are not affordable.

Absorptive Capacity: In general economic development analysis the idea that productivity from new investment is a declining function of the rate of investment. In commodity assistance, the ability of a receiving institution to adequately store and distribute goods to vulnerable groups in a timely-manner. The level of food aid that can be absorbed by a local economy without causing price distortion.

Cash for Work: Payment in cash in exchange for labour in labour intensive public works schemes.

Disaster Management: All aspects of planning for and responding to disasters, including the risks and consequences of disasters.

Disaster Mitigation: Measures taken to minimize the destructive and disruptive effects of threatening events, thus lessening the magnitude of a disaster.

Disaster Preparedness: Measures that ensure the readiness and ability to forecast a threatening event and take precautionary action respond to and cope with the effects of a disaster by organizing and delivering timely and effective assistance

Disincentive Effect: The disincentive effect of food aid refers to the negative impact in targeted communities on food production. Observable impacts include discouraging domestic production, monetization of food aid inputs at below market prices, food subsidies that increase urbanisation, food for work discouraging farmers from fulfilling their usual seasonal activities related to crop production, and a country (Ethiopia) being now structurally dependent on food imports.

Employment Generation Scheme (EGS): EGS is the term used for labour intensive public works schemes, planned in a participatory manner, utilising relief resources and targeted towards the able bodied sections of vulnerable communities.

Entitlements: The term largely engendered by Amartya Sen whereby entitlements are seen as social and economic claims on goods or services. A range of entitlements have been identified that broadly relate to having access to and command over both productive and non productive assets.

Food Entitlements Decline: The process of breakdown for claims on or access to food, as an explanation for the precipitation of famine as opposed to food supply failure.

Food For Work: Food wages to participant/beneficiaries in exchange for work (usually labour) inputs.

Food Security: The World bank definition usually applied is "access by all people at all times for enough food for an active and healthy life". EuronAid states "Food security is an economic question of access to resources through land, income and other entitlements, and not only a question of distribution of consumption".

Mitigation: Prevention, early warning and amelioration. In the context of Ethiopia this usually includes the early allocation of food inputs targeted towards labour intensive public works, gratuitous relief and market stabilisation.

Safety Net: Programmes that protect a person or household against the advise outcomes of chronic incapacity to work (chronic poverty) and a decline in this capacity from a marginal situation that provides minimal means of survival with few reserves (transient poverty). Also temporary food or cash assistance to complement coping strategies, where and when needed, to address periodic shortages without losing assets or reducing assets or consumption to an unhealthy level.

Targeting: The process of defining specific target groups as participants or beneficiaries in development interventions. Targeting can be by geographic concentration, vulnerable group (women, elderly, disabled etc.), sex, status, health or by household income.

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## 1. Introduction

The process of economic development does not pay dividends for everybody. Indeed, the capitalisation[4] of the economy frequently results in an unjust form of capital accumulation and wealth redistribution. The richest three people in the world are reported to own more than all least developed countries? Clearly, economic development creates an underclass of disenfranchised, under capitalised and non entitled people who remain unable to compete in the normal process of market placed interaction and fall below or hover just above the poverty line wherever it may be drawn. Moreover, the gap between the rich and poor is increasing and even in Europe unemployment figures of four to five million are considered by 'developed' governments as somehow an acceptable price for strong macro economic performance. Social security systems operate as a safety net, paying cash transfers to the unemployed from revenue from the richer employed. The global employment and poverty challenge is framed by the following conditions:

a) Abject poverty and hunger are the worst problems facing the world today - although it often remains to be fully recognised by the affluent international community.
b) Starvation is both unnecessary and abhorrent.
c) Over-nutrition and under-nutrition are somehow connected problems.
d) Two fifth of the world fail to meet their daily minimum food intake.
e) Vulnerability is caused through unequal social relations and neo liberal economics have failed to address this problem.
f) Only radical change in international societal thinking and the structure of economic relations can address the scale of the problem.
g) The problem of chronic poverty and unemployment remains to be tackled by modifying approaches to resource utilisation.

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While economists continue to argue over different theories of value and what stimulates sound economic growth[5] in many poor countries the poor just keep on getting poorer. No economy of economic ideology has provided full employment to its people despite the fact that the neo-liberal economist has at least been able to demonstrate that the employed can be taxed to form a safety net for the unemployed. In Ethiopia, a liberalised market economy may benefit many, as seen in the GDP growth figures from 1991 to 1998. However, the rural poor in drought prone food deficit producing areas are not benefiting and fixed capital formation is not taking place.

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[4] Capitalism is here defined as an economic system based on private ownership of all factors of production in which owners of capital act as entrepreneurs and coordinate their activity through the market place. State capitalism is defined as a system under which governments intervene widely in markets and provides an alternative to the market.

[5] Ideology differs based on different interpretations of efficiency, market justice and distributive justice as goals of economic policy.

The process of structural adjustment also carries significant risks for vulnerable groups as subsidies for agricultural inputs, for example, are removed. In response to new economic measures, in 1992 and World Bank and the then Ministry of Planning and Economic Development conducted poverty assessments based on the possible negative impact of structural adjustment (devaluation). As a result of the analysis, the TGE's 'Safety Net Task Force' proposed several safety net programmes to protect the poor from price increases of food and other essential commodities. Two schemes were proposed: a food and Kerosine Voucher and Urban Public works programme. Neither of these programmes yielded significant results and did not continue. Macro economic performance may provide an overall umbrella for access to social services but it does not meet the needs of those who fail to capitalise at a microeconomic level.

In order to meet the needs of the most vulnerable and destitute, the Ethiopian Government needs to enact further pro poor policies that focus on poverty reduction and alleviation by harnessing the latent labour potential of such groups and it is argued by the author that 'employment based safety nets' should be an essential component of such a poverty approach in Ethiopia where labour supply far outweighs demand.

Poor under capitalized households, those without coherent livelihood strategies and capabilities, are clearly in need of a wider basket of assistance. Households surviving on less that half an hectare of marginal rain fed land, no oxen, poor access to micro finance and extension services – they can not even reach the level of a subsistence livelihood. Food aid bridges the gap year after year. However, while these households are capital poor – they have a comparative advantage in labour supply and policy makers needs to take this into consideration when designing capital intensive projects where the benefits do not reach the table of the poor.

Labour remains an area of comparative advantage for low income groups falling below the poverty line and labour productivity remains unacceptably low. Under employment is everywhere in Ethiopia as is unemployment. Given the level of absolute poverty, would it not be appropriate to utilise this large labour potential, through an enhanced employment generation scheme operating as an EBSN, to increase the productivity of labour intensive rural works and to provide for seasonal and non seasonal employment needs?

It appears that new poverty focused international conditionalities are evolving – and for good reason. For Ethiopia to receive concessional credits from the World Bank, IMF and potentially multilateral and bilateral agencies an Ethiopian Poverty Reduction Strategy Paper (PRSP) will now need to be developed by the GoE. Support in the development of the PRSP will also be provided by international cooperation partners.

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However, it needs to be cautioned that the ownership of the PRSP process needs to rest on the shoulders of the GoE and in particular on the regions as the process of fiscal and administrative decentralization continues to evolve. In recent research conducted by the author with 35 senior Ethiopian government officials from federal and regional levels more than 50 per cent had not read the GoE Food Security Strategy. What then would be the status of the policy implementation and how can the PRSP avoid such policy implementation bottlenecks?

According to the International Monetary Fund (IMF) and World Bank the proposed PRSP would need to:

a) Be prepared by the country with the active participation of stakeholders;
b) Focus on faster economic growth – growth from which the poor benefit and to which the poor contribute;
c) Reflect a comprehensive understanding of poverty and its determinants;
d) Assist in choosing public actions that have the highest poverty impact; and,
e) Establish output/outcome indicators which are set and monitored using participatory processes.

It is the opinion of the author that the PRSP will clearly need to include a basket of economic measures to enhance the productivity of the rural poor (through normal market transactions) at the same time as a safety net to absorb the labour demand of those falling below the poverty line be it seasonally of permanently - to tap the labour comparative advantage of vulnerable households. The expected Ethiopian PRSP will need to look seriously at the safety net issue as a priority area. It is wrong to assume that the process of economic development, through a policy of market reform and liberalisation, will automatically provide employment opportunities for all even in the smallholder agriculture sector. It will not and the landless population will continue to increase each year as land cannot be continuously reallocated except in low land areas where health provisioning would need to be intensified to deal with malarial and other problems. Indeed, to every solution there is an associated problem.

Clearly, from a development perspective, country-ownership of a poverty reduction strategy is of paramount importance and a clear understanding of the nature and determinants of poverty, and the public actions that can help reduce it is required for strategy formation. Goals for poverty reduction, including key poverty outcome and intermediate indicators, are needed to ensure that policies are well designed, effectively implemented and carefully monitored. However, monitoring of macro economic performance will not be sufficient and the monitoring of livelihoods will be critical to capturing the household level picture. While international experience has demonstrated that sustained poverty reduction will not be possible without rapid economic growth,

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macroeconomic stability, structural reforms and social stability we need to be cautious that we don't miss the micro picture.

Poverty is multidimensional and the poverty profiles of households vary between agro ecological zones among other variables. In areas where deficit cereal production is a chronic problem specific actions are urgently needed to enable the poor to share in the benefits from growth, to increase their capabilities and well being, and reduce their vulnerabilities to risks. A clear household livelihood strategy is needed and this could be built into the PRSP process. A poverty reduction strategy should integrate institutional, structural and sectoral interventions into a consistent macroeconomic framework but also framework the provision of a safety net to address both supply and entitlement failure. The development of such a strategy for poverty reduction and safety net development would provide the context for improved coordination of development cooperation partners. However, poverty reduction is complex economic challenge and experience shows that short, medium, and long-term perspectives are needed. Poverty reduction will involve policy and institutional reform on the side of the Government as well as capacity building at different administrative levels in Ethiopia. Longer term support for the development and implementation of Ethiopia's PRSP will need solid support from the international community over the next ten to twenty years or more if the Government's target level of nominal national income is to be reached[6].

It is vital that a PRSP, as part of the wider comprehensive development framework, is underpinned by changes in the conceptualization of poverty causation in Ethiopia and premised on strong Government commitment to meet targets and to guarantee that a basket of poverty alleviation and reduction measures are implemented. Many structural livelihood problems will need to be addressed and the development of different factor markets (labour, natural resources and capital) will also need to be prioritized for the rural economy.

This paper will outline some of the more essential elements of the specific poverty context, the options for a 'Formal Government Employment Based Safety Net to exploit the labour comparative advantage of poor households as part of the PRSP process and forwards a set of policy considerations for both the Government of Ethiopia and international cooperation partners.

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[6] Nominal national income is given as the level of nominal national income judged by economist to be most nearly compatible with the goals of full employment, price stability and real economic growth.

## 2. Poverty Perspectives in Ethiopia

Over the last twenty years Ethiopia has been the recipient of more relief food assistance than any other African country. However, it is claimed by the World Bank that *"remarkable changes are beginning in Ethiopia's agriculture after decades of slow growth in which both food and agricultural production fell behind population growth, and both food aid and food imports increased"* (World Bank, 1997). Despite the progress seen in recent years, it is worthwhile registering the reservations of some commentators about the validity of this statement because recent increases in agricultural production are perhaps more closely linked to increased land fragmentation and area under production than purely to the successes scored by interventions such as the new extension system despite the fact that such inputs will bring complimentary benefits. It should also be noted that changes in yield are not being widely reported outside the demonstration plots.

In 1996, Ethiopia's largest production season achieved over 11,996,607 Mt of cereal production and the GoE exported over 45,000 MT of cereals to Kenya. However, the notion of national food self sufficiency (sufficient food produced to theoretically feed the population) should not be confused with household food security (the fact that food distribution is not equitable and poorer households remain under nourished) as the major problem which persists is not one of national production but rather one of access and disposable income. This has been called by Sen, the difference between Food Availability Decline (FAD) and Food Entitlement Decline (FED) (Sen, A, 1981). Accordingly, even in 1996, which has been recorded as the greatest production year in Ethiopian history, over 2,000,000 individuals were in need of food aid assistance. A recent World Bank study, the Social Sector Report, stated that "*nutritional deficiencies in Ethiopia directly account for 7.8 per cent of all deaths*" and that "*an estimated 52 per cent of the country is food insecure with average consumption of approximately 1,770 Kcal per capita, 16 per cent below the minimum level accepted by the government. To achieve the FAO/WHO recommended per capita calorie intake of 2,000 Kcal per person per day total food production needs to increase by 6.5 per cent per year*". (World Bank, 1998). Moreover, it should once again be recognised that growth in the agricultural sector alone does not imply equitable access and distribution.

Since 1991 the FDRE has begun to address some major structural, policy and institutional issues and accordingly the agricultural sector is in the process of being transformed to promote economic growth. Major changes initiated in the agricultural sector include the following: market liberalisation, the restructuring of public sector enterprises, the re-organisation of public sector research and extension systems, increasing land and tree tenure security, focusing on environmental degradation, improving both storage and handling as well as transport infrastructure, political and administrative reforms based upon regionalisation, and, poverty alleviation and employment. However, many of the measures introduced are in need of greater

commitment and much remains to be done. These reforms urgently need to be pushed through if Ethiopia is to realise the challenge of achieving sustainable rural employment and development through agricultural sector growth. Moreover, and in order to do this successfully, the government would do well under estimate the possible role of land capitalisation, the role of female farmers and producers, agricultural taxation and potential for targeted recurrent and capital subsidies, rural development investment opportunities, focusing of household food security and not national food self sufficiency (which are linked but also distinct concepts) and adopting land tenure policies which lead towards land ownership and not land tenancy. The task of poverty alleviation is complicated by the fact that over 20 million Ethiopians are estimated to be in a state of chronic poverty in rural areas (World Bank, 1997). Employment opportunities will therefore need to be urgently expanded largely through agricultural sector activities as employment through the industrial and service sectors remains relatively undeveloped. A recent, 1995/96, rural households survey by the Addis Ababa University in co-operation with the Oxford University Centre for the Study of African Economies presented the situation of Ethiopians at various stages of the life cycle and highlighted key problems and constraints. This information is given in Table 1 below.

Table 1 Situation of Ethiopians at Various Stages of the Life Cycle

| Stage in the Life Cycle | Population Based on the 1994 Census | Situation, Problems and Constraints |
|---|---|---|
| Infants (Birth to 1 year) | 1.8 million | - 15% born with low birth weight (less than 1 Kg)<br>- 120,000 wasted (low weight for height)<br>- 12% (216,000) die before 1st birthday from ARI, malnutrition, diarrhea, measles |
| Early Childhood (1-5 years) | 8.4 million | - 25% report illness episodes in past 2 months<br>- 60% stunted (low height for age), 11% wasted |
| Primary School Age (7-14 years) | 12.0 million | - Only 8% (120,000) of 7 year olds are enrolled in grade 1<br>- 17% (2.1 million) enrolled in primary school (29% enrolment if older children included); majority of children out of school.<br>- Average age of grade 1 pupil: 11 years old<br>- 31% suffer from iodine deficiency disorders |
| Adolescents (11-14 years) | 4.8 million | - Early marriage – 35% of girls married before 15<br>- 70% of girls married by age 17<br>- 90% female genital mutilation<br>- 43% participation in labour force (18% female) |
| Adults (15-64 years) | 27.5 million | - 25% are malnourished of have low body mass index<br>- Sick 18-40 days a year<br>- Total fertility rate 6.1<br>- 7% contraceptive prevalence<br>- Maternal mortality rate of 540-1500 per 100,000 births<br>- 16% of all deaths due to prenatal-maternal problems<br>- Life Expectancy 49 years |
| Elderly (above 64 years) | 1.9 million | - 35% report illness in past 2 months |

Source: PHRD HICE/WMS 1995/96 survey: AAU-Oxford Survey: Population Census 1994

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The 'life cycle' characteristics provided in Table 1 show the both chronic (stunting at 60 per cent) and transitory (wasting) under-nutrition is widespread from birth where the infant mortality rate is 12 per cent and through middle and old age. Life expectancy, maternal mortality and school enrolment are unacceptably low. EBSN programmes will need to target areas suffering from both chronic malnutrition and transitory poverty (food insecurity) should continue to be addressed by the relief appeal. Poverty, caused by poor employment opportunities remains a significant problem and three scenarios generated by the World Bank in 1997 forecast possible changes in sectoral employment in Ethiopia over the next 15 years. The middle scenario, is based upon the doubling of per capita incomes over 15 years and growth in labour force of 3 per cent per annum. The labour force was anticipated to grow at lower rates than respective production, to allow for increases in productivity implied by rising incomes. Under this scenario, incomes would grow by 52 per cent in agriculture, 98 per cent in services and 93 per cent in industry, However, even this scenario would still mean that 80 per cent of the labour force was involved in the agriculture sector (World Bank, 1997). It is clear, that at present, development opportunities in Ethiopia are linked to changes in the agricultural sector rather than in services or industry and accordingly the government prioritises rural development as the key sector for investment. This is perceived by many observers as encouraging due to the fact that previous governments neglected agricultural development in favour of urban based policies and military spending. However, despite the increased focus, rural Ethiopia still remains vulnerable to drought and famine. Moreover, in order to assess the degree within which specific groups are seen as vulnerable, it is useful to define groups into chronic and transitory food insecure. A simple yet relatively accurate classification of food insecure groups in Ethiopia is given in Table 2 below.

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Table 2 Chronic and Transitory Food Insecure Groups by Area

| Classification | Rural | Urban | Others |
|---|---|---|---|
| Chronic | - Resource poor households:<br>- Landless or land-scarce<br>- ox-less<br>- poor pastoralists<br>- female-headed households<br>- elderly<br>- disabled<br>- poor non-agricultural households<br>- newly established settlers | - Low income households employed in the informal sector<br>- Groups outside the labour market:<br>- Elderly<br>- Disabled<br>- Some female-headed households | - Refugees<br>- Displaced people<br>- Ex-soldiers |
| Transitory | - Less resource poor households vulnerable to shocks, especially but not only drought:<br>- Farmers and others in drought-prone areas<br>- Pastoralists<br>- Others vulnerable to economic shocks, e.g., in low potential areas | - Urban poor vulnerable to economic shocks, especially those causing food price rises<br>- Urban poor displaced by protracted war | - Groups affected by temporary civil unrest |

Source: Based on work of Maxwell (1995)

The classification also splits the groups by urban and rural centres and others. While not exhaustive, it clearly shows the major social groups affected by food insecurity and these remain the main target groups for food security related interventions in Ethiopia. The vulnerability of different groups is dynamic. While such displacement can be considered transitory, the case of Ethiopian returnees from Eritrea should be considered a chronic problem as they returned without any significant productive assets and have no access to land. Rehabilitation interventions will undoubtedly be required beyond the year ahead. Moreover, in such situations, transitory events also affect chronically affected food deficit communities. Table 3 below provides the food aid and food production figures for Ethiopia between 1985 and 1998 and indicates that on average food aid is equal to approximately 10.35 per cent of agricultural production although it should be noted that in recent years this trend has been changing. The trend since 1995 is for food aid to be less than 5 per cent of production which of course is encouraging although once again in 2000 food aid figures will again reach 1 million Mt.

Table 3 Ethiopia – Food Aid and Food Grain Production (1985-1998)

| Year | Food Aid[1] ('000 metric tons) | Food Grain Production ('000 metric tons) | Food Aid as Proportion of Production (%) |
|---|---|---|---|
| 1985 | 1,272 | 4,855 | 26.2 |
| 1986 | 926 | 5,404 | 17.1 |
| 1987 | 277 | 6,684 | 4.1 |
| 1988 | 1,096 | 6,902 | 15.9 |
| 1989 | 461 | 6,676 | 6.9 |
| 1990 | 657 | 6,579 | 10.0 |
| 1991 | 925 | 7,078 | 12.0 |
| 1992 | 840 | 7,055 | 11.9 |
| 1993 | 519 | 7,619 | 6.8 |
| 1994 | 980 | 6,945 | 14.1 |
| 1995 | 683 | 7,492 | 9.1 |
| 1996 | 334[3] | 10,328[4] | 3.2 |
| 1997 | 199 | 10.700 | 1.8 |
| 1998 | 544 | 9.200 | 5.9 |
| Totals | 9.713 | 103.517 | 10.35 |

*Source*: Derived from DPPC annual Appeals and FAO/WFP field reports.

[1] All food delivered, including local purchases. For the period 1985-1994, 27 percent from USAID, 24 percent from WFP, and 19 percent from the EEC, 10 percent in addition from individual member countries of the EEC, 7 percent from Canada, 23 percent others. [Source: DPPC).

[3] Commitments for the 1996 calendar year

[4] 90 percent Meher season, 10 percent Belg

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The trend in food production has improved since 1994 probably as a result of increased area under production and intensification of small holder agriculture more that the wider uptake of fertilizers. As a result, the volume of food aid, as a percentage of production has fallen from more than 20 per cent in 1984 ( a major famine year) to on overage less than 5 per cent of production.

In recent years food aid has been made available both through imports and the pioneering of a LPP largely initiated by the EC Food Security and Food Aid Programme (Directorate General for Development – DGVIII) and based upon results of increased agricultural production in surplus producing areas. What remains significant, is that independently of trends in increased agricultural production and incomes, the nutritional status (indicated through stunting, wasting and under weight categories) is in fact increasing in real terms as Table 4 below shows.

Table 4 Prevalence of Malnutrition by Age and Sex between (1992-1995)

| | | Rural | | Rural 1994/95 | | | 1995/96 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gender | 1983 | 1992 | Round 1 | Round 2 | Round 3 | Urban | Rural | Total |
| Stunting | Female | 58.6 | 65.7 | 53.7 | 55.3 | 55.2 | .... | .... | 63.8 |
| | Male | 60.9 | 62.7 | 53.4 | 58.4 | 56.5 | .... | .... | 65.2 |
| | Both | 59.8 | 64.2 | 53.5 | 56.9 | 55.9 | 56.3 | 68.7 | 64.9 |
| Wasting | Female | 7.6 | 7.2 | 9.2 | 12.5 | 13.3 | .... | .... | 11.1 |
| | Male | 8.6 | 8.7 | 11.5 | 9.0 | 14.2 | .... | .... | 10.5 |
| | Both | 8.1 | 8.0 | 10.4 | 10.7 | 13.7 | 9.3 | 10.4 | 10.8 |

.... No data

Note: Stunting: z-score less than –2 for height-for-age; wasting: z-score less than –2 for weight-for-height

*Sources*: PHRD Study Number 2.b, 1996; PHRD Study Number 2.a, 1996; and Central Statistical Authority 1992.

It has been reported by the World Bank that despite considerable investments in rural areas in Ethiopia in recent years the levels of 'stunting' and 'wasting'[7] continue to rise. The report stated that "*In rural areas, the proportion of both male and female children under six who were stunted increased between 1983 and 1992, from 60 to 64 per cent. The proportion of children wasted seems to have increased rather steadily over the reporting period, particularly through the 1990s. Data for 1996 suggests that malnutrition is significantly worse in rural areas than in urban areas*" (World Bank, 1998: pp. 53). The figures provided above show a deterioration in nutritional status which is extremely alarming given the recent increased trends in agricultural production. This alone demonstrates that food production alone does not imply nutritional security.

As part of the reform process the government objective of doubling per capita incomes in 15 years "implies incomes growing at 4.75 per cent in real terms per annum. Since the population is growing at 3 per cent p.a., GDP must increase at more than 7 per cent p.a to achieve the required growth" (FDRE, 1996). Between 1980 and 1990 "agricultural production grew by less than 1 per

[7] Stunting means height for age and wasting corresponds to weight for height.



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cent" (Demeke, M 1996) and the scale of Ethiopia's net food deficit between 1974 and 1994 remains significant. The scale of the national net food deficit has been of set largely through imports of food aid which has been targeting, in recent years anyway, through EGS project implementation. However, it is hard to understand how it was only after 1984 that national deficits were registered and most likely that production figures prior to 1984 were misreported in relation to the population census. Despite trends showing increased productivity in the agricultural centre the national deficit remains. As recently reported by the GoE, *"between 1984 and 1995, the average level of food assistance to Ethiopia has been about 729,000 Mt per year, the highest being 1,272,221 Mt in 1985"* (FDRE, 1996). The EGS approach has been introduced largely as a way to effectively channel relief resources to vulnerable communities and to build sustainable community based assets.

The high numbers of beneficiaries requiring relief assistance often reaches 10 million and this provides an idea of the level of employment that an EBSN might have to occasionally cope with. In the late 1980s, it was estimated that domestic food production provided about 1,620 Kcal while total availability, including imports, was about 1,770 Kcal or 16 per cent below the minimum level" and that "an estimated 52 per cent of the population is food insecure" (ibid. 2). In 1994, the TGE set as " minimal acceptable weighted average requirement per person day for food for work at 2,100 Kcal. The large short fall in production over the last twenty years or more has been met by food aid assistance from the EC, United States Agency for International Development (USAID, the UN system (although largely through the World Food Programme (WFP) and United Nations High Commissioner for Refugees (UNHCR). Few would argue that such volumes of food relief assistance have not induced some kind of dependency effect and undermined local production and prices in grain markets. In recent years, as part of this acknowledgement, government and donors have focused increasingly on pre-positioning food inputs to be used through labour intensive public works schemes. The relief main appeal of DPPC is triggered by independent assessments of crop production conducted by FAO/WFP and DPPC. The results of the assessment is presented to donors in December for the main appeal (end of *meher* or long rains) and in April for the *belg* (small rains). Food aid pledges are then made and the relief food is either imported or locally purchased to support local production incentives and to provide higher producer prices. The locally purchased food is stored in the Ethiopian Food Security Reserve Administration (EFSRA) which now provides security reserves in the five most food deficit regions of Amhara, Tigray, Oromia, SNNP and Somali with warehouses in Mekelle, Kombolcha, Shinille, Nazaret and Shashemene.

In the first 9 years since EPRDF took power, it is broadly accepted that the focus has been largely on achieving food self sufficiency at a national level and in order to meet this challenge an accelerated agricultural development programme is being implemented, based around the introduction of external inputs, fertilizers and improved seeds, to grain producing areas with

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sufficient and consistent rainfall. Fiscal and administrative decentralization is also taking place. Despite the fact that the introduction of fertilizer is the one of the major components, according to CSA only 32.8 per cent of rural households used them in 1995. (CSA, 1996). The total applied fertilizer is equivalent to only 10.8 Kg per hectare compared to "48 Kg in Kenya and 60 Kg in Zimbabwe" (World Bank, 1995). A major component of this initiative in Ethiopia is the Sasakawa Global 2000 (SG 2000) project where half hectare Extension Management Training Plots (EMTPs) implant new technologies and build local production capacity. The increased production from these demonstration plots appears impressive to many observers although for some cereals, such as wheat, the internal rate of return on the investment is too low and farmers are forced to sell production at the end of the production season (when market prices are at their lowest) in order to repay the agricultural credit. In parallel, the government's response to SG 2000 was to launch a New Agricultural Extension Programme known as Participatory Demonstration and Training Extension System (PADETES) in 1994/95. Since the introduction of this system over 500,000 farmers have utilised external inputs such as fertilizers, herbicides, improved seeds and improved management practices. A ten fold increase in production has been stated in some cases. (Demeke, M et al, 1996).

Despite the fact that to many planners and policy makers, the primary way of directly reducing the food gap, whether at macro or micro levels, is through increases in crop yields and crop area under production, other supportive approaches such as integrated soil and water conservation, reforestation and area closure, expansion of irrigated areas, provision of tools, seeds and credit to rural farmers, livestock development, water supply development and food aid all contribute towards the overall objective. Ethiopia suffers from structural and transitory food insecurity and even if national food self sufficiency is attained, as has recently been stated by the GoE in 1996, pockets of vulnerable communities will continue to exist at various levels. It would be worthwhile stating that, while the government claims that food aid requests are purely a response to food emergencies, it should be noted that in places like eastern zone of Tigray, north and south Wello, east Haraghe, North Omo etc. the same families have been food aid recipients for 15 years of more. These families should not be seen as emergency victims but rather chronically vulnerable. Despite the recent down turn in food aid demand from Ethiopia, as indicated above, the nutritional status of the average Ethiopian, appears to be further declining. The volume of food aid channeled to Ethiopia probably depends as much on the GoE's ability to be able to request aid and the ability of donors to be able to provide it rather than the numbers of vulnerable.

As part of this challenge the FDRE initiated the National Policy on Disaster Prevention and Management (NPDPM) in 1993 to guarantee food security in vulnerable areas in the medium term and in November, 1996 the Ethiopian Food Security Strategy was jointly prepared by government and World Bank. The strategy is to be operationalised by the recent introduction of regional food security programmes which focus on both supply and demand areas. In 1997 the federal DPPC

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finalised the EGS Guideline, within which the objectives of the NPDPM were largely vested and in 1998 a regional and national food security programmes were prepared.

## 3. Rational for a 'Formal Public Safety Net' in Ethiopia

Safety nets promote economic efficiency by providing income to those falling below the poverty line and enabling them to manage risk. They are also designed to catch the negative fall out from structural adjustment reforms and market based liberalization. Without income, managing risk often leads to the destruction of natural resources and other socially destructive activities. Livelihood stress can further undermine the productivity base. Safety nets also allow market reforms to be made politically and socially acceptable.

Pro-poor economic development will need to exploit latent labour potential through the planning and implementation of labour intensive public works – increased labour intensification of the development process and minimises the negative effects of social instability caused by illegal activities conducted by poor groups. Growth, after all, is an equity issue and public action will be needed to reinvest (redistribute) the benefits of economic growth to lower income groups. The principle behind the collection of government revenue is that judicious re-investment, within a coherent economic policy framework, leads to greater national economic benefits than direct interaction. Tax after all - is the price of civilization.

Targeted programmes will need to be developed as part of the PRSP to assist low income groups. The National Targeted Food Security Programme now under implementation in Amhara, Oromia, SNNP and Tigray national regional states is but one example. However, the number of measures will need to increase and targeted subsidies[8] may need to be considered despite the economic arguments against this that a neo-liberal economist might present. The term 'public safety net' encompasses various transfer mechanisms and programmes to play both a redistributive role and risk reduction role in economic development. A safety net would provide the following to marginal and vulnerable groups as part of a wider livelihoods strategy:

a) Income Redistribution Role: The redistributive role of a formal public safety net is intended to reduce the negative impact of poverty and to provide incomes to vulnerable groups to bring them up from below the poverty line; and,

[8] The issue of subsidy is a complicated one. In most parts of the world agricultural subsidies are an important economic tool for encouraging agricultural growth. The removal of subsidies in Ethiopia for fertilizers is a classis neo-liberal economic position. However, it increases the repayment risk on marginal farmers and provides a further disincentive to increase production. The subject of subsidies (which are considered a form of social reinvestment) need to be revisited by the Government from a welfare economics perspective.



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b) Risk Reduction Role: The risk reduction role will protect individuals, households and the wider community against income and consumption fluctuations.

A formal safety net, to address the problem of chronic vulnerability in Ethiopia, will necessarily accomplish both objectives: redistribution and risk reduction. However, the country specific context of Ethiopia will need to be taken into consideration to determine the relative focus by area and over time. It will be important to design programmes that have a sectoral focus on productivity growth in deficit areas where irrigation potential remains to be further exploited. Labour intensive elements of road construction, integrated watershed development and irrigation works should be prioritized as all are vital elements of rural productivity.

A PRSP may need to consider a number of different safety net options that would need to be introduced at different stages depending on the specific context of rural poverty at that point in time. For example, as incomes rise, a shift away from employment based safety nets to credit based self employment programmes may need to be considered among other measures. The following safety net models, based on international experience, may be useful to consider:

a) Employment based public works safety net;
b) Public food distribution systems at fair prices;
c) Credit based self employment programmes; and,
d) Social service funds and related interventions.

The formal public safety nets that could be envisaged would need to be designed to compliment the informal safety nets already being employed by the most vulnerable – those falling below the poverty line. However, it needs to be stated that safety nets are not a panacea for poverty reduction but rather one of a basket of measures that should be considered by Government to address the problem of chronic poverty.

## 4. Safety Net Principles and Design[9]

In designing an EBSN a number of key considerations need to be made among which the safety net resource strategy is critical. Other issues such as the administrative costs of a safety net programme, low cost of public participation (transaction costs), low incentive costs, options for self targeting and project cost effectiveness are equally important as in the sectoral focus of the EBSN. An EBSN is a public works programme that provide employment at the same time as building productive assets and minimising the risk of vulnerable households of dipping below the

[9] The author acknowledged the work on safety nets of other commentators such as Maxwell, S. (1992), Dreze and Sen (1989), Webb, P., et al (1992), Clay, E., (1986) among others. The Maxwell paper presents the scope for an EBSN for Ethiopia.



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poverty line. There are a number of approaches to programming EBSN's in Ethiopia which might be considered under the PRSP as follows:

a) Ongoing Programmes: An EBSN should focus on the labour intensity of existing and planned public works programmes. These need to be critically reviewed and where possible expanded;

b) New Programmes: The introduction of new poverty alleviation programmes addressing livelihoods through employment generation can be introduced. In Ethiopia, the EGS policy and guidelines were specifically prepared to tackle poverty in known deficit producing areas. Food security/poverty alleviation is therefore a *'principle policy'* upon which all other policies are co-ordinated. The EBSN could be born out of the EGS with transfers to be primarily based on food payments.

In addressing this issues, Table 5 summarises the major difference between capital and labour intensive approaches and highlights the significance of affecting increasing the labour intensity of the development process by declaring a formal GoE EBSN.

Table 5 Binaries at Play in Capital and Labour Intensive Public Works

| **Capital Intensive Works** | **Labour Intensive Works** |
|---|---|
| Sectoral policy environment | Multi-sectoral Poverty alleviation policy environment |
| Development focused | Relief and Development focused |
| Capital Intensive (70 %) | Labour Intensive (70%) |
| Productivity support | Productivity and Livelihood support |
| Equipment based technology | Labour based technology |
| Machine focused | People focused |
| Centralised planning | Decentralised planning |
| Foreign Currency needs | National currency needs |
| Foreign currency transactions | National currency of in-kind transactions |
| High equipment running costs | Low equipment running costs |
| Simple labour management | Complex labour management |

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Capital intensive works minimise employment opportunities in favour of qualified labour inputs and costly equipment. In comparison, labour intensive works substantially boost employment creation opportunities and employ more menial labour as a key input. There are advantages and disadvantages in both approaches although, labour intensive works on balance carry a broader range of benefits.

The following sections detail some of the major issues which need to be taken into consideration in creating employment through either ongoing (EGS) or a new EBSN approach.

## 4.1 Objectives

It is postulated here that, if an EBSN were to be considered as a formal public safety net the following objectives would need to apply based on international experience

a) To provide temporary, gainful and productive employment to vulnerable groups;
b) To contribute to a reduction in livelihood risk factors and resilience to livelihood/entitlement failure through a build up of community based economic assets;
c) To reinforce the work ethos of gratuitous relief beneficiaries.

If an EBSN component were to be introduced, these objectives would need to be integrated into the PRSP process.

## 4.2 Basic Tenets of an EBSN Approach

For the sake of brevity the following fundamental principles would need to be respected with regard to EBSN programmes in order to maintain the basic characteristics of the intervention. The specific nature would be determined as part of the wider process of reaching consensus on the particular profile of vulnerability in Ethiopia. The EBSN should:

a) Be Employment driven;
b) Focus on Vulnerable area targeted;
c) Focused on productive asset creation only;
d) Be planned and mainstreamed into normal development plans;
e) Primarily self targeted to maximize resource effectiveness;
f) Participatory;
g) Driven by timely input delivery;
h) Complimentary to labour seasons and ongoing projects;
i) Livelihood sensitive; and,
j) Welfare driven.

These principle characteristics would form the framework for the intervention logic although some flexibility is needed in areas where one or more variable may risk negating the achievement of the overall objectives of such an intervention.

## 4.3 Resource Requirements

Input resources are usually referred to '*factor inputs*' or '*factors of production*' in the process of producing a good or service. Resources for labour intensive public works can be categorised as those falling broadly under the title of '*labour*', '*capital*' and '*natural resources*'. The balance

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between these three vital inputs depends on the detailed nature of the activity itself and on the degree to which generating employment is a central objective. The various factor inputs may come from a number of different sources of which the natural environment, local populations, government, multi-lateral and bi-lateral and NGOs are the most important. The various inputs required are listed below however, it needs to be stated that interventions in agriculture require different inputs than those for constructing rural access roads. Basic input categories include: unskilled and semi skilled labour, equipment and tools, machinery, materials, on site work amenities, transport facilities and, training inputs.

The value of the various factors of production depends on the supply and demand of that commodity. However, market imperfections also exist. Under labour intensive works it goes without saying that the cost of labour is the largest factor input frequently reaching 70 per cent.

In Ethiopia where both food supply and purchasing power are insufficient to maintain nutritional security, food aid can be utilised as an EBSN resource. However, frequently 60 per cent of the cost of food aid goes towards international transport, port charges and Internal Transport, Storage and Handling (ITSH) costs. Food aid is not an ideal resource for income transfer operations and Cash For Work (CFW) provides a better model. Resourcing an EBSN is a critical issue. The GoE may not feel that diverting hard earned capital into an EBSN operating as a social subsidy would yield the greatest return on the investment. However, the monetisation of food aid to derive counterpart funds may be an appropriate option as would the streamlining of food relief into the programme in areas of chronic poverty. It is proposed that the Government makes an annual commitment to such an EBSN based on counterpart funds, mainstreaming relief resources valued at over US$ 300 million annually and other grant based funding from cooperation partners.

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## 4.4 EBSN Programme and Implementation Approach

EBSN interventions can be large public works programmes employing tens of thousands of workers or small more discrete project related works involving only a handful of workers. The determining factor for size of works relates to the policy of the government, the resources available and the specific project requirement (labour demand) among others. For example, soil and water conservation activities or rural access road construction necessarily involve both large numbers of unskilled or semi-skilled workers and high labour intensity. However, the development of hand dug wells, for example, may in fact only require 3-5 workers to excavate the well. Despite these variations in scale, it is posited that well designed safety net programmes (of which EGS is an example) share similar approaches at various levels of the project. The following analysis, presented in table 6 provides a summary of the main features of the safety net approach offered that could be incorporated into the PRSP.

Table 6 Summary of the Main Features of a Formal Employment Based Safety Net

| Characteristic | Broad Statement of Possible EBSN Principles |
|---|---|
| Legal Environment | Formal legal framework required to make programme implementation mandatory, issues such programme finance, wage rates, payment procedures, organisational responsibilities to be defined in detail within legal framework. Such a legal environment can only be realised with strong political and organisational support for the programme. |
| Policy Environment | Specific PRSP policies need to be developed within the legal framework created by government. Other sector specific policies also apply. |
| Objectives | Livelihood protection and asset creation through employment generation on EBSN. |
| Rationale | Linking Relief and Development approaches. |
| Programme Focus | Natural resource conservation, economic infrastructure development – all productivity related interventions although watershed management critical to increased production. |
| Funding Arrangements | Financial support base of programme needs to be largely domestic (governmental funding possibly through taxation sources) although complimentary international support useful. Multi-annual commitments. |
| Implementation | Mainly public works programmes although can involve a combination of public and private works. Programmes/projects should be scalable to absorb labour and based on different appropriate remuneration models. |
| Project Resources | Cash over food based preferable to help increase purchasing power. Capital inputs and organisational inputs also needed. |
| Responsible Institutions | Responsibility for implementation with formally mandated line departments. |
| LRD Institutional Linkages | Linkage between disaster prevention organisations and line ministries essential. Clear institutional responsibilities need to be established for effective linkage. |
| Shelf Project Planning | Shelf projects equal to expected annual programme demand need to remain updated on the shelf. |
| Labour Intensity | Flexible but minimum 60 per cent labour cost for each intervention. |
| Skill Requirement | Largely focused on unskilled workers. May involve semi-skilled in key positions. |
| Target Group/Targeting | Self targeting mechanism prefer able although, this should depend also on availability of programme resources. |
| Wage Policy and Workers Entitlement | Below market wage essential but must be above minimum natural wage. Workers to be entitled to normal legal rights prescribed to natural workers in country of implementation. |
| On Site Amenities | All amenities (water, health, shade etc.) to be routinely provided. |
| Monitoring and Evaluation | To be participatory and focused on impact of income transfers through direct (wage) and indirect (asset creation). |
| Role of International Organisations | Supportive only. Not as key players as this leads to un-sustainable safety nets. |

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## 4.4 Employment Generation

Programme objectives and design clearly influence the labour intensity of works programmes. If programmes are designed with the specific intention of increasing opportunities then labour intensity is maximised and the targeting procedure and wage rate will be designed to attract those who are either unemployed or under-employed. Effectively designed public works for employment generation should also be focused as effective resource transfer programmes while at the same time as maintaining the normal project objectives and sectoral implementation guidelines for such works. The net transfer of resources to workers can be measured as the total labour cost as a percentage of the over all programme costs. However, the impact of such resource transfers on food consumption depends on many variables. In designing and implementing public works, issues of labour supply and demand need to be clearly evaluated so that distortions to the labour market are not created. In the case of self-targeting issues such as correct wage rates are critical in attracting only poorer households to participate in the works. In making such calculations the following minimum set of information needs to be gathered:

a) Labour supply; effective supply of labour on the local market;
b) Labour demand: numbers in need of employment;
c) Category of worker available: skilled, semi-skilled or unskilled;
d) Nature of employment needed: full time, seasonal, occasional etc.;
e) Market wage rates;
f) Targeting procedures most appropriate to attract vulnerable groups only;
g) Gender characteristics of the workforce;
h) Assessment of the resources available for employment programmes;
i) Assessment of ongoing and employment future initiatives and labour absorption capacity;
j) Assessment of capital/labour factor input ratio and ratio options;
k) Project labour scalability;
l) Additional work force needs;
m) Assessment of responsible line departments, NGOs etc.

Employment opportunities created through EBSN's can either create long term or supplementary employment for urban and rural populations. Self-targeted labour/income transfers, where sufficient resources exist, can also assist in creating sustainable assets at both community and individual levels. If relief food aid were to be mainstreamed within an EBSN the annual Ethiopian food aid receipts of ~ 693,785 MT would lead to the generation of 231,261,666 person days of employment annually (at a daily rate of 3 kg/person) for productive asset creation.

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If food aid were to be used as the basis for an 'Employment Based Safety Net (EBSN)'[10] this would provide sufficient labour to construct any one the following volume of activities frequently covered under the EGS programme:

| Activity | Standard Work Norm | Achievement based on ~ 693,785 MT Food Aid Only |
|---|---|---|
| Road Construction (RR 10) | 2000 PD/Km | 115,630 Kms |
| Hillside Terracing | 150 PD/Km | 1,541,744 Kms |
| Soil Bund Construction | 70 PD/Km | 3,303,738 Kms |
| Spring Development | 1700 PD/Spring | 136,036 Springs |
| Earth Dam Construction | 120,000 PD/Ave. Dam | 1,927 moderate earth dams |

The labour comparative advantage of poor households could be harnessed to increase economic growth through the adoption of a productivity focused EBSN. It would be possible that counterpart funds, generated from the sale of food aid for example, covers the 30- 40 per cent capital inputs needed under the progamme.

## 4.5 Economic Asset Creation

Assets can be under common ownership (roads, schools, health facilities etc.) or under individual control and utilisation (oxen, farm tools etc.). Such assets can be created under an EBSN for food security. However, in order to seed development initiatives the transfer of cash or food to workers in exchange for labour should not fall below the 'minimum natural wage'. The minimum desirable affect of such public works should be seen as the creation of income in order to purchase food and stabilise nutritional and at its maximum effect, long term structural and sustainable development needs to be derived community wide. The impact of such an EBSN therefore can be assessed depending upon which one of the following four levels of economic asset creation have been attained (see Table 7 below).

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Table 7 Income Effects of a Well Designed EBSN

| Levels | Income Effects | Characteristics |
|---|---|---|
| 1 | Enable nutritional security | During the course of employment nutritional security is reached for the worker as a result of income entitlement substitution |
| 2 | Enable access to surplus income | In addition to nutritional security food savings are created allowing nutritional security to endure beyond the period of the public works operation. |
| 3 | Enable cash and capital savings build-up and investment | Over a long period of time savings are made and investment opportunities arise leading to a more sustainable livelihood. |
| 4 | Create enduring community economic assets | The wider benefit of the public works programme creates enduring economic assets of use to all to enable greater long term development and income prospects. |

[10] See also Peter Middlebrook: Ethiopian Poverty, the poverty reduction strategy paper & employment based safety nets: An opportunity for Integration? - a paper presented at the International Conference on Poverty Reduction and Alleviation Strategies, Addis Ababa 15th - 18th May 2000.

The definition of these levels assists in conceptualising the extent to which LIPW creates different kinds of economic assets. The minimum requirement would be to attain level one where food or cash is transferred to enable nutritional security. Prolonged public works can enable surplus income (to be used for food purchase at some latter date) and potentially the creation of savings leading to investment. The wider impact of public works involves the construction of social and economic infrastructure which again provides greater access services.

## 4.6 EBSN's for Vulnerability and Poverty Reduction

As already suggested, a self-targeted EBSN can lead to vulnerability and poverty reduction through the build-up of economic assets. However, in order to be effective, works programmes need to focus on vulnerable areas and vulnerable communities. The normal approach of verifying food security status is through the monitoring of nutritional status and agricultural production data. However, pockets of food insecurity persist even in areas of surplus production and where community wide nutritional indicators show now sign of malnutrition. Both the objectives and targeting of any particular ENSN for food security need to take the following points into consideration in the planning phase:

a) The food security status of the area to be targeted by EBSN;
b) The seasonality of such works so as not to disrupt local farming practices;
c) The sectors of intervention and potential impact on increasing supply or effective demand;
d) Linkage with ongoing and parallel efforts in production and access;
e) The most appropriate targeting procedure to be adopted;
f) The most appropriate wage rate and medium (cash or food) for the local market condition; and,
g) The potential impact on the food security equation.

While other more minor consideration will also need to be taken into consideration the main points presented above provide a useful framework for understanding the role of LIPW for food security. Such programmes need to explicitly address food insecurity or chronic poverty at both strategic and practical levels.

## 4.7 Criteria for Designing and Selecting ENSN Activities

An Ethiopian EBSN, as a sub feature of a Poverty Reduction Strategy, should adopt the following set of principles if it is to be effective in addressing vulnerability and poverty reduction based on the notion of community based livelihood support mechanisms.

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The EBSN, as part of a PRS, should focus the design of labour intensive public works that are based broadly on the following criteria:

a) Maximise labour intensive;
b) Benefit members of the vulnerable community directly;
c) Be accepted by the community who should participate in the design of projects;
d) Be technically feasible and reap durable income benefits;
e) Aim to increase both supply and demand sides of the food equation;
f) Be environmentally sound;
g) Only commence when guaranteed resources are made available; and,
h) Be gender sensitive.

## 4.8 Typology of EBSN Works for Poverty Reduction

Just as targeting the most vulnerable community members assists in reducing vulnerability to food insecurity so does selecting the most appropriate sector of intervention to either increase agricultural productivity growth and/or augment purchasing power. In Ethiopia, insufficient attention has so far been paid to irrigation. Table 8 summarises the main sectors of intervention and the potential role such an intervention may have on food security.

Table 8 Possible Sectors of Intervention Under EBSN

| Sector | Potential Impact on Poverty |
|---|---|
| Soil and Water Conservation | To maintain and increase supply of agricultural staples. |
| Afforestation | To maintain and recover degraded areas so as to increase supply. |
| Micro Watershed Development | To increase supply and health of vulnerable population |
| Road Construction | Increase market integration between surplus and deficit production areas. |
| School Construction | Increase awareness, literacy etc. |
| Health Facility Construction | Increase access to health facilities thereby reducing morbidity. |
| Others | Largely supply side interventions. |

Demand is stimulated largely through the transfer of income to workers. Supply of agricultural production is increased leading to lower real food prices, therefore extending entitlements. Market integration assists in the process of increasing the supply of food to deficit areas, where effective demand has been created, and narrowing price spreads in the food market.

## 4.9 EBSN Targeting Options

Targeting is - the mode of selection of workers - is of critical importance. While much has been written about the merits of different approaches some fundamental principles still need to be observed. It is clear that all good EBSN projects for food security tend to use self targeting

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procedures by offering below market wages to attract the most vulnerable groups with few to no employment opportunities. However, administrative and community based targeting – where the most vulnerable are selected by local authorities – can also be effective although as an approach it is often open to corruption and to errors of inclusion and exclusion.

Self targeting provides a cost effective way of identifying the poorest and it avoids errors of exclusion. Critics state that such an approach should only be used in localities where employment needs don't significantly outweigh resources or the labour absorption capacity of the project. However, at the risk of repeating myself, a demand driven EGS approach needs to be both self targeting (focused on keeping the self selection process sharp) as this clearly singles out, through a process of self selection, the poorest whilst at the same time removing much administrative burden from local organisations. The wage rate paid is critical as the maximum number of workers to be employed times the wage rate, also to be called potential employment, must relate to the resources available for the project. Quite clearly a project demanding only 1,000 workers cannot absorb 5,000 without creating huge inefficiency. EGS projects need to keep track of potential demand and while community based administrative targeting can be effective in this respect caution needs to be taken not to exclude poorer groups who are less well connected. The role and capability of local administrators in this regard is critical.

Care must also be taken not to include un-necessarily those who should in fact be classified as un-abled bodied in the selection process and gratuitous relief may also be a desirable component here. Often, mothers with children, the elderly and partially disabled participate in public works often to their detriment. Employment needs assessment should also be undertaken prior to implementation so as to assess the demand. Once this has been done workers need to be registered with the organising authority and a guarantee of work should be given by the local or regional administration.

## 5. Public Works Transfer Options

Having determined the funding mechanisms, the mode of payment (income transfer) needs to be defined. Clearly a number of options exist here but decisions need to be taken based on what is appropriate for the market conditions (cash or food). And based on which resources are actually available (GoE, donor etc.) In areas where purchasing power is the major problem (Food Entitlement Decline) and observable marketable grain surplus exists on local markets cash should be prioritised. However, in deficit producing areas where cereal price spreads are substantial and market integration between surplus and deficit areas is poor (Food Availability Decline), food payments may be more appropriate.

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In an environment of chronic poverty, even if relief is to be provided through EGS, there are three important options to consider:

a) A direct food transfer (food);
b) A direct income transfer (cash); or,
c) A mixture of food and cash.

Cash is considered fungible to a far higher extent than small quantities of food. If the food shortage is created by loss of income entitlements, cash could be considered whereas a major production deficit leading to a cereals deficit in the local market, food might be considered. However, in situations where a percentage of the wages are monetised, a good response may be provide a mix of both payments. Where food is monetised, it can either be because payment is made through a commodity which is not readily consumed in that culture or because the individual still has sufficient resources to prioritise consumption items. These elements can be usefully explained as a situation characterised by a 'response failure' (the functioning of the market) or a 'pull failure' (effective demand). Most economists would argue that market failure to supply effective demand is an exceptional case where a real food scarcity might exist. If this is so, then it is appropriate to provide cash. In fact, in many areas affected by significant food shortage, an outflow of food to surrounding areas clearly demonstrates that pull factors dominate in the food security supply and demand equation.

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However, it needs to be firmly stated that most markets contain significant surplus (albeit at high prices) and that cash should be prioritised on most occasions as this supplements the cash based coping strategies of households and supports demand driven grain market development. In many areas, food payments are monetised at such a low price as to almost negate the significance of the wage.

Another significant issues, related to the transfer of food aid though such programmes relates to what can be termed the 'net volume of income transfer' where 50-70 per cent of food aid costs relate to the cost of the international transport and Internal transport, Storage and Housing (ITSH) costs. Cash based programmes make more effective transfer programmes as the larger percentage of the total project costs are transferred to workers in exchange for labour. Further arguments for providing cash include:

a) the often limited supply of transport facilities and poorly constructed distribution roots;
b) pull factors not response factors predominate;
c) cash helps to boost the local economy, food aid destroys the natural function of markets and contributes towards dependency;
d) cash payments in exchange for work support the notion of employment and not relief;

In addition to the mode of payment, wages to workers should be proceduralised so that the correct payment rate for unit of work output is clearly known. In addition, payments need to be made in a timely manner (every week or two) and not settled at the end of the project phase as is often the case for food aid projects. The best option is to provide cash for work, based on known standard work norms, with payment on a weekly basis. The wage cost of the intervention should be calculated in Person Days (PDs). As already suggested the going market rate for the work to be done should be the starting basis for wage rate determination and the applicable wage rate needs to be carefully determined within the local market context. However, the minimum natural wage rate, which is based on the minimum nutritional requirement for an individual engaged in labour intensive works and often cited as 2,200 Kcal per day needs to be maintained. Accordingly, a fine balance between the setting the wage rate and the established work norm needs to be achieved. As stated, wages can be paid in cash, food or a mix of cash and food.

One fundamental issue surrounding such schemes is the trade off between providing food which provides immediate nutritional support while cash makes a longer term impact on the purchasing capacity of the vulnerable group. Here, the availability of food as a wage should not distract policy makers from the fundamental issue of increasing purchasing power through cash wages. A combination of both forms of payment has many advantages. The value of the wage rate can be determined by the following elements among others:

a) wage rates corresponding to food needs and prices i.e. the volume of food required for adequate nutrition; or,
b) setting the wage rate on the basis of a nutritional standard using the cash value of the resulting food basket and the ongoing wage as a double check.

Wage payments in the form of food are usually calculated on the basis of the minimum wage and tend to be in the order of 12-15Kg per person per day. Cash wages should therefore relate to local market food prices and be based on the purchase price for an equivalent purchase of cereals. In practice, of course, as is the case in Ethiopia, individuals are only expected to work 5 days in the month to fulfill their nutritional requirement and this leads to a false understanding of wages and work rates. Individuals should be able to work for as long as resources exist and that they remain interested in doing so. Another concern, is the need not to destroy the natural agricultural labour cycle by offering wages significantly above the natural agricultural wage. Demand should be 'controlled' and targeted through the normal labour supply and demand model. Often, therefore, works are planned to be implemented in a slack agricultural season.

Most payments need to be work performance related and work norms are therefore calculated both to encourage labour effectiveness and the logical progression of works in general. Work norms

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corresponds to the period of time required, on average, to achieve a set volume of physical work by an average worker. Work norms are set out to:

a) enable detailed resource planning prior to implementation;
b) to assess the productivity of the labour input;
c) to assist in the contribution of project objectives by neither under or over estimating the task to be completed.

If a work norm is set to high (i.e. the work productivity (yield) is overestimated) this leads to a reduction in wages and workers will either receive a very low wage or eventually they will leave and search for other employment opportunities. If the work norm is to low this may lead to an over payment of wages and encourage too many workers where the scheme is self targeting. Work norms need to be modified depending on the productivity of the work force and on the sector of works being undertaken. The following key considerations need to be reflected in the planning exercise.

a) the sector of work and how it is to be organised;
b) the productivity of the work force;
c) the supply of labour and motivation and skills in LIPW offered by the work force;
d) the quality and quantity of available tools and equipment needed to implement works;
e) the level and competence of the works supervisors; and,
f) the environment where such work is being conducted.

Work norms, and therefore wages need to be co-ordinated. Achieving an efficient and effective balance between the variables is not an easy task and experience counts. Each activity has its own prescribed work norm and calculating a work norm is therefore a tedious and time consuming task. The role of the supervisor is critical and linkage between policy makers and practitioners needs to be maintained throughout the project period so as to adjust to the changing employment conditions.

## 6. The Ethiopian Employment Generation Schemes (EGS): A Safety Net Waiting to Happen?

Since 1993 the implementation of EGS has been considered as the cornerstone of the National Policy for Disaster Prevention and Management (NPDPM) although progress has remained slow. However, each and every year, relief resources in the form of food aid valued at between US$ 200 and US$ 500 million are provided annually to Ethiopia. However, most food aid is still not strategically targeted through public works and ends up as a gratuitous payment for chronically vulnerable groups. It seems almost criminal, given the resource scarcity in Ethiopia, that these

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resources are not more appropriately channeled through an EBSN focused on the areas of intervention outlined above.

In Amhara National Regional State the Regional Food Security Programme has established 14 Woreda offices in highly food deficit producing areas with the intention of guaranteeing resources to meet the chronic needs. The sectoral focus is on micro watershed development and road infrastructure development. Given that each year a minimum of 3 to 4 million Ethiopians need relief assistance is it not appropriate that the problem is seen as chronic and not transitory. The existence of chronic poverty allows many donors to channel multi-annual commitments in the form of a safety net programme. If the problem is chronic – the resources need to be programmed and not ad hoc. An EBSN could be programmed on the basis of a modest cash contribution from the GoE (representing the capital investment needs of labour intensive public works) complimented by counterpart funds generated from monetised food aid and supplemented still further by relief food as a form of food transfer targeted to the most vulnerable areas of rural Ethiopia. Not to explore this opportunity at the start of the PRSP would be a lost opportunity.

## 7. Towards a Set of Policy Considerations

The development of the PRSP within the broader framework of the CDF provides Ethiopia with a number of opportunities among which the development of a 'formal EBSN' focused on gainfull employment and the creation of productive assets maybe an important poverty alleviation and reduction measures to be further defined. However, the author is not proposing this as the major component of such a strategy but rather as a complimentary measure to provide livelihood support through gainful employment. Based on the broad analysis presented the following policy considerations should be discussed at the highest level within the government and international community, as part of the PRSP process if a durable and programmed solution to chronic poverty is to be found.

1. **Assessment and Consensus Building on the Specific Ethiopian Poverty Context**: An assessment of the contextualised nature of poverty in Ethiopia needs to be further undertaken through detailed assessment such as the work currently undertaken in Ethiopia by MEDaC's Welfare Monitoring Unit, Central Statistics Authority and the World Banks recent interventions in assessing, through panel data, the changing face of poverty. The nature of subsistence farming, production deficits, the seasonality of labour supply and demand in an agricultural economy and income entitlements needs to be better understood by responsible authorities so that programming of interventions assists in achieving these wider policy recommendations. A wider understanding of the nature of unemployment and over-employment needs to be institutionalised. The aim would be to move away from food security as an objective towards livelihoods through increasing employment.

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Poverty assessments should answer the question of who are the poor (small land holders and land less), where do they live (largely chronically food deficit areas), what are their income and consumptions profiles and wider livelihood potentials. Analysis supports the fact that poverty is chronic and not transitory and needs therefore to be programmed as a safety net operation based on labour demand – an EBSN. Consensus needs to be reached that poverty in Ethiopia is chronic as nearly 50 per cent of individuals fall below the absolute poverty line. Appropriate policy prescriptions are needed.

Macroeconomic performance is a vital but not sufficient condition to tackle the needs of the increasing, not decreasing under capitalized smallholders and landless in Ethiopia. A livelihoods perspective is needed within which to contextualise productivity growth at the macro level.

2. **Ownership of the Poverty Reduction Strategy Process**: The issue of ownership of the PRSP as part of the wider CDF process is a critical one given that poverty reduction and governance are linked concepts. The process of democratization has different outcomes for the poor and it is the responsibility of Ethiopia to shape the political opportunities open to the poor based on the poverty reduction strategies. The GoE should not fall into the same trap as it has with the Federal Food Security Strategy (heavily supported by donors) where strategy ownership at either federal level or regional level remains marginal. The PRSP process, as with the development of the CDF needs to be fully owned and controlled by the federal and regional governments with input only, from external sources.

3. **Decentralisation of Pro-Poor Political and Policy Environment**: While international consensus on the impact of decentralization on poverty reduction remains to be seen there are a number of good examples in Indian and other Asian states that political ownership and public accountability are vital elements. However, there is not reason to assume that the process of fiscal and administrative decentralization will be pro poor and different regions may develop different policies for poverty reduction with varying effectiveness. Moreover, it is clear that many policies needed to improve governance will in fact improve poverty reduction. What will be the relationship between the regional food security programmes and the PRSP? Should the regions not be at the heart of the PRSP process given that governance and poverty reduction are linked?

4. **Public Action for Poverty Reduction and Alleviation**: The poverty strategy will need to focus on public actions, largely in the areas of social provisioning, where targeted programmes can strategically meet specified and verifiable outcomes. The strategy will involve macro economic and micro economic reforms and interventions and a basket of

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poverty measures will need to be defined. The relationship between public and private investments and opportunities will also need to be clearly defined. The strategy may provide targeted assistance to develop infrastructure and to assist households in maximizing their comparative advantage within the market place. Public actions should be prioritized on the basis of maximizing the longer-term employment and economic development effects of the intervention.

5. **Adoption of a Formal Employment Based Safety Net by Harnessing the Resource Potential of EGS, Counterpart Funds and Regular Annual Government Contributions**: In areas of Ethiopia where higher levels of chronic poverty exist an 'Employment Based Safety Net' would need to be programmed in order that the excess labour potential is not under, but fully utilized through the implementation of productive works that lead to asset creation. It is recommended that the present Government EGS programme be used as the basis for programme resources although the generation of counterpart funds and a regular Government contribution would also be critical. The process of structural adjustment places a burden on the rural poor, for example with the removal of agricultural subsidies and the effect of currency devaluation on basic commodity market prices.

6. **Sectoral Focus of the EBSN – Gainful Employment and Productivity Focused**: Labour intensive public works should be focused on gainful employment and asset creation. Given the largely untapped small holder irrigation potential the EBSN should focus on Integrated Micro Watershed Development and water extraction focused on agricultural productivity growth and on horticultural development. Where inter Woreda, inter zone and inter regional roads are not available the road sector should be prioritised.

The microwatershed development approach needs to be institutionalised at regional, zonal and woreda levels and the new food security desks may be an appropriate vehicle to coordinate government, donor and NGO responses. Further training in this approach will need to be provided and assistance from relevant cooperation partners should be sought.

The aim of the National Policy for Disaster Prevention and Management (NPDPM) is to, through relief resources, reduce long term vulnerability to livelihood shocks. Under the EGS programme implementing partners have so far failed to embrace a microwatershed development approach but rather have concentrated on conservation as a means to uncertain end. The resourcing of line department microwatershed development plans through an EBSN is long overdue and the implementation of the policy could be substantially strengthened is such an approach were to be mainstreamed urgently addressed by policy makers

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7. **Development of Complimentary Employment Strategies for Economic Development**: Strategies for employment need to form the core of national development policies and strategies. In so doing, employment generation policies also need to encourage the establishment of grassroots organisations, trade unions and private investments. Where possible and desirable, the labour intensity of the development process needs to be increased to generate employment and further investments. Existing and future planned works can be modified with the aim of productive employment generation.

8. **Integration and Development of Labour and other Key Factor Markets**: The labour market should be assessed to identify target groups marginalised from the development process and in so doing focus on both long term structural and short term transitory employment and underemployment needs. Such groups generally include subsistence farmers, youth, women, elderly and disabled. Labour markets need to be further developed in conjunction with land, natural resources, agricultural production factors so that meaningful market integration can occur.

9. **Support for Employment Generation:** To encourage employment opportunities, support to workers including training, access to credit and education needs to be made available to increase both entry into labour markets and the value of wage earnings. Wage earnings below the natural minimum wage rate (survival) need to be discouraged.

10. **Promotion of Basic Workers Rights through Existing Democratic Institutions**: The full basic rights of workers needs to be guaranteed as defined under Ethiopian labour laws and international instruments of the ILO for example. The empowerment of marginal groups, through entry into labour markets, needs to be encouraged and the role of grassroots organisations needs to be expanded. The development of cooperatives remains unacceptably weak and this area needs to be further prioritised.

11. **Centrality of Monitoring Livelihoods Outcome as Part of PRSP**: The strategy would need to be accompanied by strong monitoring of the impact of different measures and achievements. The measurement of labour productivity and employment would need to be at the heart of such monitoring. The Government would need to strike a balance between macro and micro economic indicators as both perspectives are needed to build up a more detailed picture of the process of capital formation and redistribution. To assist in monitoring the development a 'Livelihoods Monitoring System' needs to be further developed based on the measurement of key socio-economic variable at a household level as proxy indicators for capabilities. This remains an urgent requirement.

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