

Socio economic development on poverty reduction of zanzibar economics essay



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INTRODUCTION

Low growth rates, unemployment and poverty, are the issues in which many developing countries fighting for in nowadays. While this has showed the way for a number of observers in the developed countries to ask, “ Why can’t people in these countries improve their situation – are they just lazy?”

(Bucciferro, 2007). The main target of different government’s medium term agenda in the world is to raise economy and reduce poverty by certain percentages and certain period of time. In achieving this target the gross domestic product rate must grow in higher level compared to the per capita income.

In this chapter, the main topics will be provided including background information, statement of the study as well as objectives of the study.

Contributions of the study, significance of the study, limitations of the study and organizations’ of the study are also listed in this chapter.

BACKGROUND INFORMATION

Jiangsu Province in China

Jiangsu Province is one among the provinces and located in the middle of the east coast of China. On the north is bordered by Shandong, Anhui to the west and Zhejiang province to the south. It is the largest economic center in China lies within the lower reaches of the Yangtze River and be close to Shanghai.

With an area of 102, 600 square km, Jiangsu Province has a population of approximately 76 million. The province has also a fertile land, plentiful water and a moderate climatic condition. There are 13 municipalities under the jurisdiction of the provincial government, namely, Nanjing, Wuxi, Xuzhou,

Changzhou, Suzhou, Nantong, Lianyungang, Huaian, Yancheng, Yangzhou, Zhenjiang, Taizhou and Suqian. The capital of the province is Nanjing (http://www.nj.gov/njbusiness/pdfs/Jiangsu_2009.pdf).

Jiangsu is very wealthy among the provinces of China, with the third highest total GDP after Guangdong and Shandong Province. As for the case of its economy, in 2008, its per capita GDP was nearly RMB 40,000 yuan (US\$ 5,700) and nominal GDP was over RMB 3 trillion yuan (US\$428 billion), at an annual growth rate of 12.5%.

Zanzibar

Zanzibar consists of two main islands namely Unguja and Pemba with the total areas of 2,654 square kilometers, and a number of smaller islets and some of which are uninhabited. All sides of western, eastern, northern and southern are surrounded by the Indian Ocean. The Islands be positioned about 40 kilometers off the coast of Mainland Tanzania from the western part and located between latitudes 5 and 7 degrees south of the Equator. Still Zanzibar is close to the East African countries which including Kenya, Uganda and Tanzania itself. In 1964, Zanzibar combined with Tanganyika to form the United Republic of Tanzania. However Zanzibar holds considerable autonomy over her internal affairs and has her own legislature, judiciary and an executive.

Additionally, Zanzibar follows a multiparty democracy and the president, members of parliaments and local governments are elected through popular vote in every five years. According to the census conducted in 2002, Zanzibar had a population of 981,754 residents, with a growth rate of 3.1

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percent and a population density of 370 per square kilometers. Of the total population 54% is in the age group of 15-55 years old which is indicative of the size of the active labor force. Up to 2005 population reached to about 1, 072, 000. According to Zanzibar Statistical Abstract (ZSA), 2007, about 1. 1 million (i. e. 1, 136, 100) populations are estimated until 2007 and out of that 40% live in urban area, and remaining 60% are settled in rural areas. As Zanzibar's population is relatively young, and it is projected that about 2 to 3 percent of the population join labor force every year. Zanzibar relies on three major sectors including agriculture, industry and services. In 2008 the growth domestic product (GDP) rate was about 747. 9 billion Tanzania shillings compared to 586. 4 billion (TSH) in 2007. And the government has carry out various policy and structural reforms with the objective of achieving stable macro-economic conditions and sustainable economic environment.

Statement of the problem

As far as human rights is concerned, socio-economic development is very essential thing that nation has to take into account, unless otherwise, it can create a serious problem within the nation. This is due to the fact that, it represent with other aspects like education, health, communication (infrastructure) and individual consumption (per capita income). Until now, we have studied macroeconomic interactions between industrialized countries market economies like those of the United States and Western Europe. Richly endowed with capital and skilled labor, these politically stable countries generate high levels of GNP for their residents (Krugman, et al. 2003). Since after the World War II, the trade between the developed and

developing countries are not only well expanded; the developing nations still try to have a loan from richer countries as well. This will in turn into easiest way of suffering from the emerging world financial crises.

However, Zanzibar and Jiangsu province is one of China's provinces are among the developing economies in the world. In such a way that in Jiangsu province there are well developed infrastructures that encourage many foreign investors to invest. Whereby some of the industry's operating cost reduced and finally come up with a huge of development. Poverty is the basic problem of developing countries and escaping from poverty is their overriding economic and political challenge (Krugman, et al. 2003).

Compared with Jiangsu province in China, Zanzibar is poorer especially on the side of factors of production that lead to the new industry like capital and skilled labor. While this will result in to low level of GDP and per capita GDP as also; and finally stop the country to gain economies of scale and scope from which Jiangsu province in recent years benefits from. On the other hand the different political ideology and instability in one way or another still remains to be a challenge that needs to be addressed.

In 1978, China opened up the door to the outside the world and encourage more foreign direct investments (FDI). Opening the economy up to trade would encourage more intensive use of existing factors of production (Husted, et al. 2001). From that point of view the province started receiving more foreign capitals flowed in to. This is because; foreign firms located in the province and helped a lot in expanding the local industries and promote production capacity as well as export sectors.

With such benefits from now on wards, it is very important for Zanzibar also to persuade foreign direct investment in order to address those challenges facing. Most foreign firms consider factors like government efficiency, preferential tax policy, human resources, market potential and environment laws for deciding investment in to foreign country. Therefore the most important thing first is to improve those mentioned factors.

From this perspective, the study looked at socio-economic development of Jiangsu province on how does it well performed until it reached the present state of among the leading province in China. Indeed Zanzibar is fighting for improving the economic situation on different environment and as a result it performs poor. Hence, this study will be highly interesting in establishing the torch for Zanzibar in which can be used as a light to see what Jiangsu province did and learn from them if possible, in certain level and take certain not all that can be affordable to be implemented according to limited resources it has, so as to make the country in to better stage for the future sustainable economic performance and finally poverty reduction.

In addition to that, this study was guided by the questions among others are:

What are the motives for socio-economic development?

What responsibility of economic development must bear?

Should government pursue economic growth primarily or focus on poverty reduction?

Is growth good for poor?

What Zanzibar should do?

Objective of the Study

In recent years economic growth has come to occupy an exalted position in the hierarchy of goals of government policy, both in the United States and abroad, both in advanced and in less developed countries, both in centrally controlled and decentralized economies (Tobin, 1964).

Based on <http://www.un.org/Docs/SG/objectiv.htm>, sustainable economic growth is essential for expanding the resource base for development, and hence for economic, technical and social transformation, generate the required financial, physical, human and technical resources and finally to the eradication of poverty.

It is seemed that in Jiangsu province there is a strong planning and implementation process from top to bottom for different projects that involve local communities which is basically for the managing the economy. And this is very important thing for rural development as well building their capacities. It has also well developed infrastructure in communication and transportations that is supportive for economy of a province. It is also notably that, in every year, Jiangsu province satting up the GDP and per capita GDP growth target (together with required resources) to be achieved and in order to remain on leading position among the China's provinces. For instance, the realistic goals for 2009 are set to achieve a 10% increase of gross domestic product, a 17% increase of a fixed asset investment and a 16% increase of retailing sales (China Daily Jiangsu Bureau, 2009-02-06).

Therefore, the objective of this study is to illustrate and assess the socio-economic development of Jiangsu province in China.

Specific objectives

In line to the above general objective, this study also had the following specific objectives, among others are:-

Provide a support for develop innovation to the Zanzibar in improving production capacity.

Assessment of socio-economic development on poverty reduction

Provide a better understanding of what China's do through Jiangsu province in improving the livelihood of its citizens.

Analyze the infrastructure development as an engine to economic development and further poverty reduction

Propose the potential actions in helping Zanzibaries to get the economic development of the country as a whole.

Contributions of the study

The conducive environment as for the case of political stability in a nation always encourages investors locally as well foreigners to invest that leading to the production capacity and creating employment opportunities. At the same time human recourses and the use of science and technology have substantial impacts on the easing access to availability of scarce resources upon which production is depending. Apart from that marketing development for such agricultural products can affects export growth and expand small as

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well as medium size industries as far as per capita income is concerned. In fact, it necessary to any nation in setting up the profitable programs for the reduction of poverty. Such programs like loans should be directed to the individual farms rather than to the project which is normally seems to be unproductive to the specifically rural population. In this case roads can connect all major industrial and farming centers which automatically help in boost the economy. Hence government efficient expenditure is a key issue to support economic growth because society at all times demands the services, but it has to make sure that this does not encourage a tax burden to other sectors.

Nevertheless, economic globalization is occurring partly due to the improvements in technology and decreased transportation costs, and partly due to a deliberate choice on behalf of many national governments, to increase their integration with the global economy (Aisbett, E. (2003)). At the same time, however, Woolcock (2001) argued that we need sound political institutions and civil society more than ever, without addressing the question of whether globalization will foster or frustrate their development.

In brief the rapid economic growth and its performance bring more investments and contribute to even balance of payment as well as capital stock. So in recent time it has been recognized that, in Zanzibar, there is a decreasing rate of growth that might be caused by global financial crises which obviously still remain a challenge and burden for the general concept of poverty reduction.

From the above reasons, the results of this study are expected to contribute towards explanation on how does economic development construct a road to achieve the final aim of poverty reduction. This will in turn to assist the policy makers, planners and other shareholders in shaping the direction of a country. As a final point, the study will promote and persuade academicians plus other different interested parties in different organizations, since because it will offer and can be used as a skeleton or reference materials for further studies on this or similar areas.

Limitations of the study

Organizations' of the study

CHAPTER TWO

LITERATURE REVIEW

2. 1. Definitions of key terms

2. 1. 1. Socio-Economic development

With acknowledge of [http://en. wikipedia.](http://en.wikipedia.org/wiki/Socioeconomic_development)

[org/wiki/Socioeconomic_development](http://en.wikipedia.org/wiki/Socioeconomic_development), socio-economic development is refers to the process of social and economic development in a society which is measured with indicators, such as GDP, life expectancy, literacy and levels of employment.

Such less-tangible factors like personal dignity, freedom of association, personal safety and freedom from fear of physical harm, and the extent of participation in civil society, are also considered. Additionally it mentioned that, causes of socio-economic impact including such factors like new

technology, changes in laws, changes in the physical environment and ecological changes.

2. 1. 2. Poverty

Poverty can be defined as a condition of not having the means to afford basic needs such as clean water, nutrition, health care, clothing and shelter (i. e. absolute poverty) (<http://en.wikipedia.org/wiki/Poverty>). Here again, in relative term, poverty is the condition of having fewer resources or less income than others within a society or country, or compared to worldwide averages. Poverty at a national level means a country may have insufficient economic resources to invest in education, health, infrastructure, political and legal systems and public institutions, which can lead to instability and civil unrest (<http://www.globaleducation.edna.edu.au/globaled/go/cache/offonce/pid/181>).

Similarly, Al-Roubaie (2004) defines poverty as ' the inability to earn adequate income to meet one's basic need' and argues that poverty is man made due to wrong doings such as greed, injustice, exploitation, ignorance, unequal opportunity, corruption, social divides, gender imbalance, maldistribution of income, laziness, disease, war, usury, oppression, political, social, environmental and economic factors.

On the other hand, Primanik (1998), states that poverty is the failure to reach a certain level of income enough to meet the needs of a well-defined basket of goods and services at the prevailing market prices. As a result, persons who can get a smaller amount than the desired level of income be described to income poverty.

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Different nations in the world especially developing ones, are still facing these kind of problems as of the scarce for certain resources such as shortage of foods (and even long drought season, land degradation etc) brought by lack of new methods of farming like irrigation methods, using of fertilizers and pesticides. In spite of that, living expenses make poor people in spending almost all of their budgets on food. In this context they are easily in suffering once the price of food rises. On the other hand, poor government management as far as corruption, weak in rule of laws and bureaucracy are concerned, can put a nation into poverty. Such that these factors are the engine for economic development, that is to say, many enterprises and foreign investors are encouraging in.

Living in poverty is something which is unacceptable, and this is because, if there is no poverty life must be different to everyone. This is due to the fact that people might have enough money to pay for school fees and go hospital. Hunger, lower life expectancy, and other kind of diseases, are the problems encountered by those who are living in poverty. According to the World Health Organization (WHO), hunger and malnutrition are the single gravest threats to the world's public health and malnutrition is by far the biggest contribution to child mortality, present in half of all cases. Thus, as far as improvement of environment is concerned, effort must be taken to bring in sustainable economic growth first at list in agricultural sector which is the backbone for development and later on provides better life.

2. 1. 3. Poverty reduction

Poverty reduction, or poverty alleviation, has been for the most part as a situation resulted in to general economic growth. All developing countries
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that have experienced sustainable high growth over the last decades have reduced their absolute poverty levels (Rodrik, August 2000). He discussed the issue of the pattern of growth and its impact on income. From that sense, Poverty reduction is possible to be engaged in improving the life for those who are living in poor conditions. But on one side if a nation be inefficient in agricultural productions, as for the case of lack of modern technology such as using fertilizers and irrigations methods for the purpose of getting higher products, the food shortages is likely to occur. That is to say, for those countries the so called developed economies recently, they succeeded in getting higher economy first and then in reducing or even eliminating a group of people in poverty.

Thus support for poor economy countries is so essential to them particularly towards education, health, infrastructure and technical parts that is further collectively boost the productive ability. A health population is an engine for economic growth (WHO, 2000). And this is because to some extents, in order to make sure the reduction of poverty also takes place, the target policy for the government should direct towards the social services. Meanwhile, development aid that aimed at generating economic growth therefore would automatically also be beneficial to the poor (Schulpen, 1997: 14).

2. 2. The Role of Socio-Economic development in improving quality of life

As it is referred to Krugman, et al. (2003), Poverty is the basic problem of developing countries and escaping from poverty is their overriding economic and political challenge. This challenge should be well addressed through well planned project like subsidies in agriculture, encouraging privatization and <https://assignbuster.com/socio-economic-development-on-poverty-reduction-of-zanzibar-economics-essay/>

investment processes that have giving up a higher output and employment. Also Krugman, 2003, argued that, improving environment particularly political environment, supposed to be taken into account first to speed up the economic process in order to reach an objective of economic growth headed by the policy action. In doing so, domestic industries must take the leading position for production of enough goods to satisfy domestic market and also increase export to get balance of payment surplus. On the other way round, government might apply high tariff on imported goods, taxation reform and even market intervention on price rises for the purpose of investment growth.

Taking an example from Palit, (2006), argued that, the World Bank advised the government of Bangladesh for the privatization program. This policy was aimed to: (1) increase irrigation coverage per machine (11) reduce the cost of irrigation (111) improved maintenance by the owners of the machines, and (1V) reduce the cost of management on the part of the Bangladesh Agriculture Development Corporation (BADC).

Arising from these changes, the very idea of what development does or should mean has also rapidly evolved. Development is no longer equated solely with the endless pursuit of material and economic goals; it is increasingly perceived as a never-ending process of change towards a continuous improvement of the human condition (Rana, 2000). The objective of human development has been reiterated to include expanding the capabilities of people to live the sorts of lives they desire (Sen, 1999). It has become necessary for economic development - together with environmental, social and cultural development -to be regarded as part of a bigger whole

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sustainable human development (UNDP, 1994). In doing so the nation has been far more steps in the process of widen the people's preferences that lead in enjoyment of overall living standards. Together with that, the government in the assistant with the private sectors has to play a major responsibility.

Hence, socio-economic development, apart from reducing poverty, it may donates not only the livelihood but also attract chances for employment.

2. 2. World Perception on Poverty Reduction

2. 2. 1. Africa Perspectives on Poverty Reduction

ETHIOPIA AND POVERTY

However, in African perspectives, this study attempted to take Ethiopia as its case study to see what has been done on poverty reduction. Ethiopia is one among the African landlocked (non-coastal) country which has an area of 1.13 million square kilometers (437, 794 sq miles), the second for having high number of populations around 85.8 million, life expectancy is about 54 years (men), 56 years (women), (UN, 2009). Coffee, oilseeds, hides, beeswax and sugarcane are the main exports goods for the country, and its gross national income according to the World Bank 2008, was around US \$280. On the side of natural resources, this country comprised of a number of them including potash, salt, gold, copper, platinum and natural gas.

For certain extent its economy depends on agriculture accounting half of the GDP (60% of exports and 80% of employment) which mostly relies on rainfall, but is one among the leading coffee producers in Africa. In 2002, coffee alone contributed amount of US \$ 156 million, in which the year after
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the overall agricultural products two percents declined due to the drought and poor methods of farming. Example, it shows in the graph below, that the share of agriculture in 2002/2003 dropped 40% from 43% in year 2001/2002. Manufacturing sector and transport storage & communications 7%, other services accounted for 17%, government services 15%, trade, restaurants, hotels all together amounted to 9% while 5% for other industries.

GDP by sector in 2002/2003

Source: Authors' estimates based on IMF and domestic authorities' data.

According to the <http://en.wikipedia.org/wiki/Ethiopia#Economy>, Ethiopia has shown a fast-growing annual GDP and it was the fastest-growing non-oil-dependent African nation in 2007 and 2008. Also it then added that since 1991, there has been attempts to improve the economy, however has been some political opposition to the policies as well as a 2008 drought which slowed progress even if it has many rivers but few of them used in irrigation purposes. The effectiveness of these policies is reflected in the 10% yearly growth from 2003-2008. Among other things, GDP Ethiopia showed gradually increase since 1980s.

Various additional Ethiopia economic activities are based on agriculture accounted for about 41% of GDP, 80% of exports and 80% of the labor force. In 2007, experience a higher annual GDP whereby agricultural goods took a higher portion on exports in which coffee was the largest foreign exchange earners of a country. Small scale farmers and enterprises are the main sole producers of the export products based on cash crops goods. In Africa, is the second producer of the maize and reported to account 15% in 1987 of GDP. <https://assignbuster.com/socio-economic-development-on-poverty-reduction-of-zanzibar-economics-essay/>

The gross national income (GNI) for 2005 was \$11.1 billion, with a per capita GNI increased from US \$ 90 (UNICEF, 2003), US \$ 160.00 (World Development Indicators database, April 2006) up to US\$ 170 in 2006. In 2009, the GNP per capita reached US \$1541 resulted in improved the life expectancy to 54 years for men and for women 56 years, from 44.6 years for men and 46.7 years for women in 2001, (UN). Here again, the share for agriculture in GDP in the year 2006 was 47.3%, while industry, manufacturing and services were 13.5%, 5.3% and 39.2% respectively.

In a fiscal year of 2007-2008, agriculture commodities headed by coffee contributed 45% of GDP in a country, while industries including textiles, processed foods, construction, cement and hydroelectric power all together contributed 13% of GDP and services amounted to 42% of GDP. In addition to that the annual growth rate accounted for about 8.5%, and per capita GDP reached to about \$800 in the year 2008. As far as trade was concerned, in 2005 export was US \$612 million and import was US\$2.722 billion. The economy showed improving a bit differently from 2006, such that merchandise exports and imports accounted for US\$ 1,014.0 and US \$4,494 million respectively.

Despite these economic improvements, urban and rural poverty remains an issue in the country. This was due to the fact that, on one angle people especially male moved from rural to urban area to the sense that they can find good living conditions. At the same time they left their wives out of pocket with a heavy work burden of taking care of children. Thus was in turn not only to child labor where most of them are not educated and not well paid, malnutrition and illiteracy as well.

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In spite of that, other factors making people migrate from one place to another generally, like economic, demographic, political and other related factors, such as population pressure, environmental disasters, poverty and conflicts. For example Africa in particular, the development of transportation systems, the monetization of the economy and the deliberate development of mining enclaves and plantation agriculture together with a series of recruitment policies (compulsory recruitment, contract and forced labor legislation and agreements) stimulated regional labor migration from Mali, Togo and Upper Volta to Gold Coast and Côte d'Ivoire (Adepoju, 2005; Adebuseye, 2006). These migrations between African countries brought by the fact that; socio-economic as well as historical factors differ among each other. But back to 1998 when Ethiopia has a war with Eritrea, this resulted into slow of agricultural productions that has a huge impacts on exports for foreign exchange income to the country. Here again, low government revenue, due to the fallen of collection of tax contributed to the small number of tourist that arrived in the country for the period of 1999.

In Ethiopia particular, overall people living below poverty line were 50% in 2005. It was reported that, in 2008 about 16% of the populations were still living with less than one dollar a day. Whereby only 65% of the rural families can eat the WHO's minimum average of food per day, and about 42% of five years children of age were underweight. According to the Dercon Stefan, (1999), the poor typically have less to economic infrastructure, such as transport, all weather roads or communication services. He then added that, although distances to social infrastructure are not necessarily much different between the poor and rich, the poor rely much more on self-treatment,

including traditional means, and cheaper forms of health care such as pharmacies and rural drugs vendors. These will in turn to most poor depending mainly to the agriculture with poor farming skills that resulting to have low harvests. On the other hand, low capitals for purchasing fertilizers as well as pesticides in order to have good harvests which still remain the challenge. In connection to this “ the poor do not have the necessary technology and resources, in terms of money and so on, to be able to change and adopt” (Prime minister -Meles Zenawi (2009)). Similarly, according to the World Bank reported 2009, in 2001/2002, firms reported a range of serious obstacles, including poor infrastructure, regulatory barriers, administrative obstacles, and access to land and finance. The report added that by the 2006/2007 most of them had become insignificant problems. From the farmers perspective, in “ Ethiopian peasants lived for very many years in a terrible state of ignorance and gruesome conditions of deprivation and poverty” (Gebru, 1991: 3). From 1994 up to 2004, it was found that 21% remained poor through the whole period (Dercon et al, 2006). However with such condition, a bit improvement recognized in 1982, the percentage of people living below poverty line of \$1 a day fell from 46% to 31.3% in 1995. But according to the World Bank 2006 report, 22.5% were lived under the food poverty line of 1650 kcals per person per day. For many years, Ethiopia experienced a number of drought seasons that threatened the livelihood of citizens and caused a food shortage. For example from 1978-1998 alone, the country was in drought which has an effect on losing per capita income and consumption as well, resulted in to looking for food support from international agencies. In fact, there is no clear cut that shows the declining or increasing of poverty in Ethiopia. For example, in supporting by the World Bank

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Bank 2005, “ at an aggregate level, there appears to have been little or no decline in overall poverty incident in Ethiopia since 1992”, in which rural experienced decline of one or two percentages and urban has increased in recent years.

In order positively respond to this world problem, Ethiopian government has set its target vision to be achieved which is “ to see Ethiopia become a country where democratic rule, good governance and social justice reign upon the involvement and free will of its people; and once extricating itself from poverty to become a middle-income economy” (www. csa. gov. et). So that to reach this vision, the government also laid down a strategy to reduce poverty together with the achievement of millennium development goals (MDGs) called “ Program for Accelerated and Sustainable Development to End Poverty (PASDEP)”. The main aim of this plan was to push the country in to the economic growth position manly through agricultural productions by using new methods of farming together with subsidizing fertilizers, improved seeds and pesticides, as well as strengthening extension services. Not only that but also encouraging the participation of private sectors approach and without forget the public sectors in delivering services. Based on agricultural activities and its development meaning that, this is the first step to approach the growth and further poverty reduction that will end up to the industrial improvement which will automatically provide employment for majority poor citizens. As far as rural development was concerned, education, food security and health program including safety net and HIV/AIDS issues are addressed. Many countries in the world put the economic growth as the most important goal to be achieved and poverty reduction followed after.

To some extent, the government decided to provide assistance fund for majority of poor to give them support for the development of small business and encourage local markets. For example in 1997 and 2002 the amount reached around US\$265 million a year, and then increased in the year after whereby drought hit the country (i. e 2003), (Ashley, Brown, et al. 2006). In 2005-2006, 55% off cash are given, 45% was food assistant and in 2007 safety net program reached about 8. 3 million rural Ethiopian in different regions.

Among other things, Ethiopian government tried level best in reducing poverty level by strengthening i