Poverty ethiopia growth

Ethiopia has poor infrastructure, persistent food insecurity, and tough government bureaucracy, one of Africa's worst AIDS epidemics, no stock market, a weak entrepreneurial tradition, poor internet connections and uneasy labor relations. And it lives in a tough neighborhood alongside countries such as war-torn Sudan, Somalia and Kenya. In the global race for investment dollars, conventional wisdom might place poverty-stricken Ethiopia among the world's bleakest prospects. Its comparative advantage is poverty and cheap labor.

Ethiopia is a developing country. The level of growth is very poor and a slow, and isn't improving nowadays. This poor country continues to face complex economic problems as one of the poorest and least developed countries in Africa. Its Economy is based chiefly on agriculture and weather plays a major factor in success rates. The growth is not so much attractive and doesn't look very hopeful. Modern industry bears from under investment, shortages of raw material and poor management. Standard of Living: The GNP of Ethiopia is 113 per capita, being extremely low, and intolerable for any form of adequate survival. (Roberts, 2000) The level of living in turn is substantially low. Major cities tend to be slightly better than other areas, but not by much.

The primary Industry of Ethiopia is Agriculture, employing roughly 85% of the country's workers. The rest of the working population is broken down to 10% in service industries, and the final 5% in manufacturing. There are approximately 9 main natural resources and 1 raw material found in abundance in Ethiopia. Two fourth of the power is supplied through hydroelectricity, making Ethiopia one of a modern and least dependent on outside sources of energy in Africa. Country has a also narrow-gauge railways, seaports, and National highways that connect a major population hub in the central plateau and Eritrea. This is only a small portion of Ethiopia's transportation systems. Many parts of this poor country are made up of unpaved or uncrossable tracks, making transportation slow and useless. The ratio of people to automobiles is 810: 1. The labor involved is monotonous and backbreaking. Workers are being paid low for their work, and are typically situated in inadequate working facilities. Purchasing markets are few and not good enough to buy cloth etc. Ethiopia's capital is very low, and they do receive foreign aid and tariffs.

Poverty and Domestic Issues

Ethiopia's chronic poverty is largely due to high population growth and poor economic performance, exacerbated by mismanagement, conflict and drought. During 1981-91, population grew at nearly 3 per cent per year as compared to economic growth of 1. 7 per cent and increase in agricultural production of 0. 9 per cent. Between 1978/9 and 1988/9, per-capita food grain production dropped from 200kg to about 150kg, while food imports increased from 178, 200 tons to 1, 460, 400 tons, with relief aid amounting to 70 per cent of the total (ESRDF, 1995: 3). The causes included policy distortions; state grain monopolies and constraints on internal trade; land degradation; low use of agricultural technology; and recurrent drought.

Domestic conflict and insecurity played a key role, both directly and indirectly. The state's huge military expenditure and lack of development assistance constrained development of water resources for irrigation and power essential components of increased food security and poverty reduction in the Ethiopian situation.

The Effects Of Complex Economic Emergency And Interventions

A major cost of conflict and economic mismanagement under the Derg regime, was the exacerbation of chronic poverty and problems of drought and famine. By 1984, Tigray region was roughly divided into two parts: towns and surrounding areas remained under government control, while rural areas were largely under the TPLF (Hendrie, 1994: 127). In rural areas people lived strong-minded with new hopes. Residents of government-held towns depended on food brought in by truck convoys from the south. People in TPLF areas lost access to towns with grain markets a disaster for poor households dependent on these markets for access to food.

The central government’s counter-insurgency strategy directly targeting the civilian population was, with drought, a major ca-use of the chronic humanitarian crisis of the mid-1980s (Hendrie, 1999: 65). One aspect of this was the launching of ground offensives against those parts of western Tigray still producing a grain surplus (ibid.). The offensives targeted civilian economies and coping mechanisms and aimed to destroy the support base of opposition movements. The consequences were famine and asset depletion, making rehabilitation difficult and leading to chronic and recurrent emergency.

Economy And Development

Following 17 years of the Derg dictatorship and devastating wars, Ethiopia’s society and economy was in ruins. More than 400, 000 demobilized soldiers and their families were largely destitute, as were up to one million people displaced in ethnic conflicts that flared up after the fall of the Derg. There were thousands of Ethiopians, including long-term residents, evicted from Eritrea; hundreds of thousands returning from exile in neighboring countries; and thousands forced by new conflicts to flee areas where they had been resettled.

In May 1991, the Transitional Government of Ethiopia (TGE) inherited a ruined economy and massive debts from 17 years of Derg misrule. An early action of the new regime was to issue a charter for the transitional period, indicating the new political direction, with the ‘ national question’ at the centre of the impending political transformation. In November 1991, it followed up with a policy paper outlining the economic policy of the transitional period and major principles of moving towards a market economy, creating an environment conducive to investment, and rehabilitating the war-torn economy.

With donor assistance, the TGE set up an Emergency Recovery and Reconstruction Program (ERRP) for economic revival together with a macroeconomic reform program. This helped to stabilize the economy by dismantling the military regime’s centrally planned economic system, restoring Ethiopia’s competitive position through exchange-rate devaluation, and opening up opportunities for private investment, leading to renewed growth in the industrial and service sectors.

This was the prelude to a substantial structural adjustment program (SAP) and a comprehensive policy framework (1992) outlining major reforms agreed between the TGE, the World Bank and International Monetary Fund (IMF). This led to a reform package with three overlapping phases: stabilization, structural reform and further structural reform, with the first phase focused on tighter fiscal and monetary policies and adjusting exchange rates.

The social impact of the SAP was reflected in its effect on incomes, prices, the availability of essential services and high urban unemployment. Reduced extraction of resources from the rural sector meant less to support the centre, particularly the major urban sector of government employment, which was drastically reduced by the SAP. The Ethiopian Social Rehabilitation Fund (ESRF), later called the Ethiopian Social Rehabilitation and Development Fund (ESRDF), was established in June 1992 to help address these problems. It has since played a significant role in rehabilitating basic services, supporting income generation and reducing poverty for the poorest sectors of society.

The government's development strategy aims to reduce poverty through a combination of sustained economic growth, improved basic social services and targeted measures to improve incomes, self-reliance and quality of life for the poorest groups and communities. Increased participation of primary stakeholders is seen as essential to all these areas (ESRDF, 1995: 4). It also emphasizes women's participation in development planning and implementation. By 1994 the extent of poverty was reduced to 49 per cent with a 21 per cent consumption gap (Dercon and Krishnan, 1998). A later study by the Addis Ababa and Goteborg universities indicates a marginal decrease of urban poverty between 1994-7 from 41 to 39 per cent (Tafesse, 2000). A government poverty report based on 1995/6 household surveys, put the level of poverty at 45 per cent (47 rural households; 33 urban households). There have been decisive moves towards trade liberalization, reducing import duties and privatizing state enterprises. Government policy calls for an increased role for the private sector, although progress has been slow. The principal obstacles continue to include elements of the government bureaucracy, together with the land policy and lack of infrastructure.

From the above discussion it can be concluded that the future of Ethiopia is dark. Due to lack of economic opportunities or no proper planning the economic life is below poverty level. The failure to produce sufficient food for its existed population still builds mass hunger. The rulers of this country do not appear to be thinking any planning of future, making chances of development almost expected.

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