CHAPTER 2
CHAPTER 2

The Physical Environment, Demography, Policy Environment And Economic Structure of Ethiopia

2.1 Introduction

This chapter presents important aspects of the Ethiopian Economy. The main themes included in this chapter are the physical environment of Ethiopia, Demography, Policy environment and the Economic Structure. The three main Sectors: Agriculture, Industry and service sectors are presented in that order. A little more emphasis is made to present a picture of the industrial sector of the Ethiopia’s economy, in terms of the number of establishments by ownership, output and geographic distribution. The other important areas covered are the external sector, saving and Investment, and related areas.

2.2 The Physical Environment and Demography

2.2.1 Geography

Located in the East Africa, between 3.8° - 14.8° North Latitude and 32° - 48° East Longitude, Ethiopia is bounded by the Sudan in the West, Kenya in the South, Djibouti and Somalia in the East and Eritrea in the North. It covers a total land area of some 1.14 million square kilometers. Since 1992 Ethiopia is made up of nine regions and two chartered cities. The chartered cities are Addis Ababa, which is the seat of Federal Government, and Dire Dawa in the eastern part of the country. It is estimated that about 10.3% of the total land is intensively cultivated and another 12.5% is moderately cultivated. The highest altitude is 4600 meters above sea level and the lowest is 116 meters below sea level. The topography of the land coupled with the proximity to the Indian Ocean favoured Ethiopia with both tropical and temperate conditions. There are two rainy seasons: the main one begins in June and ends in September, the minor season which mainly covers the central plateau area extends from February to April. In a normal year, most parts of
the central highlands experience average rainfall of some 1000 mm, while the lowlands typically get about 500 mm per year. However, during the last two decades the large part of the country including central highlands is seen to be vulnerable to drought.\(^2\)

2.2.2 Demography

Ethiopia is the second most populous country in sub-Saharan Africa, after Nigeria. According to the 1998 estimate of the Central Statistical Authority (CSA), Ethiopia’s population is about 60 million. The annual growth rate was 2.9% between 1985 and 1995, and is estimated to be 2.92% during 1995-2000. Projections made by CSA indicate that by year 2005 Ethiopia’s population will be over 70 million and over 100 million by year 2020.\(^3\) Such a rapidly growing population offers opportunities as well as challenges in the process of development.

Demographic statistics show that the population is nearly equally split by sex (Table 2.1). In 1998 43.9% of the total population was under 14 years of age, about 20.4% of the population was between 15 years and 24 years, 30.9% was between 25 years and 59 years and 4.8% of the population was over 60 years.\(^4\) This shows that Ethiopia’s population is overwhelmingly dominated by the younger age group. The national life expectancy in 1994 was estimated to be 54.3 years in urban areas and 49.9 years in rural areas. The estimated national life expectancy during 1995-2000 is 52 years. Ethiopia’s population is predominantly rural with less than 15% residing in urban centers.\(^5\) However, there is a sharp rural-urban migration caused by lack of economic opportunities in rural areas besides other reasons.
Table 2.1 Population by Residence and Sex

<table>
<thead>
<tr>
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<tbody>
<tr>
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<td>Size (in</td>
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<td>Size (in</td>
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<td>Size (in</td>
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<tr>
<td></td>
<td>Million)</td>
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<td>million)</td>
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<td>million)</td>
<td></td>
</tr>
<tr>
<td>Population, of</td>
<td>40.1</td>
<td>100.0</td>
<td>53.5</td>
<td>100.0</td>
<td>59.9</td>
<td>100.0</td>
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<td>Which</td>
<td>Male</td>
<td>20.2</td>
<td>50.4</td>
<td>26.9</td>
<td>50.3</td>
<td>30.1</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>19.9</td>
<td>49.6</td>
<td>26.6</td>
<td>49.7</td>
<td>29.8</td>
</tr>
<tr>
<td>Urban Population</td>
<td>4.5</td>
<td>11.2</td>
<td>7.3</td>
<td>13.6</td>
<td>8.7</td>
<td>14.5</td>
</tr>
<tr>
<td>of which</td>
<td>Male</td>
<td>2.2</td>
<td>48.9</td>
<td>3.5</td>
<td>48.0</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>2.3</td>
<td>51.1</td>
<td>3.8</td>
<td>52.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Rural Population</td>
<td>35.6</td>
<td>88.8</td>
<td>46.2</td>
<td>86.4</td>
<td>51.7</td>
<td>86.3</td>
</tr>
<tr>
<td>of which</td>
<td>Male</td>
<td>18.1</td>
<td>50.8</td>
<td>23.4</td>
<td>50.7</td>
<td>25.8</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>17.5</td>
<td>49.2</td>
<td>22.8</td>
<td>49.3</td>
<td>25.4</td>
</tr>
</tbody>
</table>

Source: CSA 1984 and 1994 Census, MEDaC

2.3 The Policy Environment

2.3.1 Pre 1974

The pre 1974 period was characterized by the interest rate regime fixed by the monetary authorities (details given in the review of the financial sector), fixed exchange rate regime and conservative and overtly cautious fiscal policy. The government controlled its budget deficit as a result of which its borrowing requirement as a percentage of GDP was low. For instance on the eve of the revolution of 1974 the overall deficit was 2.8% of GDP. The trade policy was such that private sector played important role in import and export of goods and services. There was no deliberate policy, which discriminated private sector and foreign investors with respect to investment.

2.3.2 The Socialist Regime, 1975-1991

During the post 1974 period, monetary policy was used as an instrument of socialization process. Expansionary monetary policy due to the financing requirement of the budget and public enterprises, system of directed credit to priority sectors were the main features of the monetary policy of this period. The fiscal policy was characterized by large fiscal deficit. The budget deficit increased
tremendously from 2.8% of GDP in 1973/74 to 41.1% in 1989/90. Despite the increase in total government revenue, budget deficit increased because of rapid increase in current expenditure of the government, mainly because of military expenditure and also the increase in capital expenditure.

The Fiscal Policy was a major destabilizing factor as it contributed to inflationary pressure and balance of payments problem. Discriminatory and difficult to administer tax structure was another feature of the fiscal policy. There was heavy control of prices of goods and services. The Foreign exchange rate was fixed and overvalued. The trade policy was such that import and export activities were mainly concentrated in the hands of the government. Private sector, was discouraged by means of heavy import duties, import surcharges and foreign exchange policies. The investment policy was not attractive to private sector (domestic and foreign). In sum the socialist regime was characterized by distortion of important variables which reflected on the poor performance of the economy.

2.3.3 Post 1991

During the post 1991 the government made its prime objective the implementation of corrective measures to revitalize the economy, as well as to create policy environment conducive to the proper utilization of the country's resources.

The fiscal policy aims at elimination of inflationary deficit financing by pursuing a tight fiscal regime. Revenue policies aim at further broadening of the tax base and gradually bolstering government savings. The tax structure has been revised and reduced. For instance the corporation tax was reduced from 55% to 30%. The fiscal policy, while pursuing a tight fiscal regime, aim at meeting the basic requirements of the public services and infrastructure.

The monetary policy aims at the development of the financial sector and the development of positive real interest rate. The Ethiopian Birr which was highly overvalued was devalued in 1992. Since then market forces determine
foreign exchange rates. Authorized dealers other than the government owned banks engage in buying and selling of foreign exchanges.

Prices have been liberalized systematically except the prices of some strategic items such as petroleum. All price controls have been dismantled. As an attempt to develop competitive domestic market, the prices of monopoly goods including public utility goods have been sharply adjusted upwards to ensure cost recovery on the production side, as well as to facilitate efficiency in consumption.

The new trade policy has liberalized trade sector. In order to promote and diversity exports automatic granting of licenses was introduced in 1992. Concurrently, automatic non-discriminatory and transparent licensing of imports has become effective. Import licenses are granted for all goods except for some items, which are in negative list. Import duties have been reduced and import surcharges have been eliminated with the devaluation of currency.

In such liberalized policy environment private sector, domestic or foreign, are allowed to play active role in the economy by making investment in almost all areas in any Form. Exception is to financial sector and a few other areas, which are not open to foreign investors.

2.4 Economic Structure

2.4.1 Agricultural Sector

Agriculture is the mainstay of the Ethiopian Economy. It contributes not less than 50% of GDP (Table 2.2), accounts for some 80% of aggregate merchandise exports, and employs an estimated over 80% of labour force. The principal crops produced include cereals, oilseeds, pulses and sugar cane, coffee and the like. Coffee is the major cash crop and the principal foreign exchange earner; it generates over 60% of export-revenue. There are also cotton and tea plantations. Livestock is another major source of agricultural GDP. Ethiopia has the largest cattle population in Africa and the tenth largest in the world.
2.4.1.1 Performance

The performance of the agricultural sector has been erratic. The agricultural per capital production decreased in most of the cases during 1971-1996. Between 1973 and 1974 agriculture and allied activities increased at an average annual growth rate of 0.025%. After two decades, between 1992 and 1996 agriculture and allied activities increased at an average annual growth rate of 3.56% (Table 2.3). The average annual growth rate of the agricultural sector is the lowest in the world (Table 2.4). Since the agricultural output was not able to keep pace with the growth of the population grains were imported, even in years of good harvest. Some measures taken by the post 1992 government, such as the elimination of the restrictive internal marketing system have contributed towards increasing agricultural output.

2.4.1.2 Constraints

Some of the major factors behind the poor performance of the Ethiopian agriculture are: diminishing farm size and subsistence farming, soil degradation, inadequate and fluctuating rain fall, tenure insecurity, weak agricultural research base and extension system, lack of financial services, imperfect agricultural markets and poor infrastructure. Some of these problems are not within the hands of the policy makers. Nevertheless, most of these constraints are directly or indirectly related to the policies pursued by different governments of Ethiopia over the past three decades.

2.4.1.3 The Post 1991 Strategies

The main objective during the post 1992 period is to lesson dependence on rain-fed production by bringing more arable land under irrigation. Presently not more than 200,000 hectares of farmland are considered well irrigated. Out of the total potentially irrigable land of 3.5 million hectares. The use of improved hybridized seeds, and improved technologies to enhance output, increased participation of the private sector in both the production and marketing of agricultural goods are the main tenet of agricultural strategy.
Table 2.2 Average Annual Percentage Share of the Components of GDP*

<table>
<thead>
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</tr>
</thead>
<tbody>
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<td>1 Agriculture &amp; Allied Activities</td>
<td>54.6</td>
<td>51.8</td>
<td>54.04</td>
<td>51.30</td>
<td>52.40</td>
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<tr>
<td>2 Industry</td>
<td>15.20</td>
<td>14.45</td>
<td>12.26</td>
<td>12.20</td>
<td>10.44</td>
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<tr>
<td>Large and Medium Scale Manufacture</td>
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<td>5.88</td>
<td>4.70</td>
<td>4.83</td>
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<td>3.80</td>
<td>2.22</td>
<td>2.08</td>
<td>1.98</td>
</tr>
<tr>
<td>3 Distributive Services</td>
<td>15.40</td>
<td>15.13</td>
<td>14.44</td>
<td>14.65</td>
<td>13.34</td>
</tr>
<tr>
<td>4 Other Services</td>
<td>14.76</td>
<td>18.85</td>
<td>19.26</td>
<td>21.88</td>
<td>23.88</td>
</tr>
<tr>
<td>5 3+4</td>
<td>30.10</td>
<td>33.60</td>
<td>33.90</td>
<td>36.53</td>
<td>37.22</td>
</tr>
</tbody>
</table>

*GDP at constant 1980/81 Factor cost

**Total may not add up to 100% because of rounding

Source: Annual and Quarterly Bulletins of NBE.

Table 2.3 Average Annual Growth Rates of GDP* and its Components

<table>
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<tbody>
<tr>
<td>Agriculture and Allied Activities</td>
<td>0.025</td>
<td>1.42</td>
<td>2.44</td>
<td>7.25</td>
<td>3.56</td>
</tr>
<tr>
<td>Industry</td>
<td>1.220</td>
<td>2.79</td>
<td>1.57</td>
<td>-3.27</td>
<td>8.42</td>
</tr>
<tr>
<td>Large &amp; Medium Scale Manufacture</td>
<td>2.890</td>
<td>5.91</td>
<td>-2.26</td>
<td>-3.13</td>
<td>14.00</td>
</tr>
<tr>
<td>Handicraft and small scale ind.</td>
<td>1.220</td>
<td>0.87</td>
<td>0.14</td>
<td>0.57</td>
<td>6.62</td>
</tr>
<tr>
<td>Distributive services</td>
<td>5.190</td>
<td>1.38</td>
<td>3.60</td>
<td>-0.47</td>
<td>8.26</td>
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<td>Other services</td>
<td>7.140</td>
<td>5.50</td>
<td>5.12</td>
<td>4.13</td>
<td>6.48</td>
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<tr>
<td>GDP</td>
<td>1.940</td>
<td>2.14</td>
<td>2.56</td>
<td>4.03</td>
<td>5.20</td>
</tr>
</tbody>
</table>

*GDP at constant 1980/81 factor cost.

Source: Computed from Annual and Quarterly Bulletins of NBE.
Table 2.4 The Average Annual Growth Rates of GDP and its Components

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<tbody>
<tr>
<td></td>
<td>GDP</td>
<td>Agri</td>
<td>Ind.</td>
<td>Serv</td>
<td>GDP</td>
<td>Agri</td>
<td>Ind.</td>
<td>Serv</td>
</tr>
<tr>
<td>World</td>
<td>3.5</td>
<td>1.9</td>
<td>3.2</td>
<td>4.1</td>
<td>3.1</td>
<td>2.8</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>LIC</td>
<td>4.8</td>
<td>2.1</td>
<td>6.4</td>
<td>6.5</td>
<td>4.3</td>
<td>2.6</td>
<td>5.3</td>
<td>5.0</td>
</tr>
<tr>
<td>SSA</td>
<td>4.0</td>
<td>1.5</td>
<td>5.3</td>
<td>5.5</td>
<td>1.7</td>
<td>1.7</td>
<td>1.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Ethi.</td>
<td>1.9</td>
<td>0.7</td>
<td>1.6</td>
<td>3.9</td>
<td>2.3</td>
<td>1.4</td>
<td>1.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>6.4</td>
<td>4.8</td>
<td>8.6</td>
<td>6.8</td>
<td>4.2</td>
<td>0.8</td>
<td>3.9</td>
<td>4.9</td>
</tr>
<tr>
<td>India</td>
<td>3.4</td>
<td>1.8</td>
<td>4.5</td>
<td>4.6</td>
<td>5.8</td>
<td>3.1</td>
<td>7.1</td>
<td>6.7</td>
</tr>
</tbody>
</table>


LIC = Low Income Countries, SSA = Sub-Sahara Africa

Source: World Development Report, 1992, and 1998-99, Table 2 and Table 11 respectively.

2.4.2 Industrial Sector

2.4.2.1 Historical Background

Modern industries were first established in Ethiopia at the end of the 19th century. Several factors contributed towards the development of the industrial sector in Ethiopia. The installation of the Ethio-Djibouti railways, the increasing demand for imported commodities among the Ethiopia’s elite, the increasing settlement of foreign citizens from Armenia, Greece, Italy and India which brought the entrepreneurial capacity, the increasing problem associated with transporting imported commodities like wood, clay and printing products, the high cost of these imports, expansion of cities and the like gave incentive for the establishment of local manufacturing enterprises. Till 1941 there were about 37 factories. During 1941-1950 manufacturing sector expanded more rapidly because of Ethiopia’s close relationship with USA and UK. However during this period the rapid increase in the number of manufacturing enterprises was not the result of a conscious and deliberate industrial development policy and strategy.
It was after 1950 that industrialization gathered pace because of the proclamations issued by the government for the encouragement of capital investment in Ethiopia. The legal notices 10/1950, Decree 51/1963, the revised investment proclamation 242/1966 were the important proclamations for the expansion of modern industries in Ethiopia. These decrees together with the three successive five-year plans before 1974 enabled the industrial sector to expand. Foreigners established majority of the medium and large scale manufacturing enterprises. At the eve of the revolution of 1974, out of 273 establishments, 178 or 65% were set up with the assistance of foreigners and 104 or 40% were totally owned by foreign nationals. The industrial sector in Ethiopia Prior to 1974 was small. The role of government in the evolution of Ethiopian manufacturing enterprises during this period as a direct producer was very limited. The government set up 13 firms, had more than 50% share in 5 firms and had less than 50% share in another four firms.¹⁶

During the pre 1974 period incentives in a form of tax holidays for new investments, low duties for imported raw materials and export-value-added, tax exemptions on dividends and expatriation of profits and proceeds, obtained from sale of assets, high level of protection to large scale enterprises were given. These incentives attracted investment in the industrial sector, from both within and outside the country. Majority of the enterprises were engaged in import substitution-related activities. Most of the industrial establishments were capital intensive and had few backward linkages into other sectors of the economy, as a result of which the industrial sector depended heavily on imported inputs.¹⁷

2.4.2.3 The Socialist Regime (1975-1991)

During the post 1974 period the socialist government made a profound change in the structure of ownership and management. From the outset the government nationalized all the large-scale industrial enterprises owned by foreigners and Ethiopians alike. Private ownership was discouraged and was restricted to a narrow range of small-scale industrial activities. Consequently
foreign direct investment reduced to almost nil. Only the then eastern block countries made an attempt to construct some establishments. Some attempts were made by the socialist government to establish basic industries in non-metallic branch such as cement, and engineering plants, which produce spare parts. During this period, like the pre 1974, there wasn’t significant shift from the policy of import substitution.\(^{18}\)

In line with the policy of centralized economic system, enterprises owned by the government were organized into three hierarchically structured levels of management. At the top was the ministry of industry, followed by corporation’s set-up to look after the management of the group of enterprises under them. The general managers of each enterprise look after day to day operation of the enterprises, and they operated in accordance with the various guidelines prepared by the ministry or corporations with very little flexibility.

2.4.2.4 The Post 1991

After 1991 the new government abolished the hierarchical structure of management, as a result of which public enterprises are under the process of privatization. So far small-scale enterprises and some mining industries are successfully privatized. The majority of large scale manufacturing enterprises are yet to be privatized. In this new policy environment both domestic and foreign private investors are encouraged to make investment in the industrial sector.

2.4.2.5 The State of the Manufacturing Sector: 1975-1996

1. Growth of Number of Establishments

In 1995/96 there were 1,192,379 establishments of which those manufacturing establishments which employ 10 and above persons and use power-driven machines [i.e. 10+] were only 642. Manufacturing establishments which use power-driven machine regardless of the number of employees were only 3,373, which account only for 0.3% of the total. The large number of establishments (76.1%) were cottage and handicrafts, which indicate that like the
agricultural sector which is dominated by small farmers, Ethiopian manufacturing sector is dominated by cottage and handicraft manufacturing.

The trend of the number of manufacturing establishments for 10 + group (i.e. group which employs ten and above person) is that in 1975/76 there were 430 establishments which decreased to 273 in 1992/93 and then increased to 642 in 1995/96.19 Whereas the private and small scale manufacturing establishments were 7,706 in 1985/86, 7600 in 1986/87, which magnificently increased to 892,719 cottage and handicrafts, and 2731 small-scale industries as shown by 1997 CSA survey.20

Fig 2.1 Trend of the Number of Manufacturing Establishments (10 + group)

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II Sectoral Structure of Establishments

The sectoral distribution of establishments excluding the informal sector (for which no reliable data is available) is given in Table 2.5. The number of establishments was 896,092 in 1995/96 of which over 40% are in food and beverages, and about 33.3% are in textile industry. About 88% of the total establishments are engaged in the production of food, beverages, textiles and non-metallic mineral products. The reason for the dominance of these sector in the manufacturing activities is mainly because of the high local input content and availability of large local market for these products.
The sectoral pattern is not the same in each group. While in each group food and beverage dominates, the concentration of the number of establishments is high in small scale industries and cottage and handicrafts as evidenced by percentage share of four dominant sectors which account for 88.2% of the number of establishments in small scale industries and 91.9% in cottage and handicraft.

Table 2.5 Number of Establishments by Sector, 1995/96

<table>
<thead>
<tr>
<th>Sector</th>
<th>10+</th>
<th>Small Scale</th>
<th>Cottage/Handicrafts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Beverages</td>
<td>174</td>
<td>1090</td>
<td>356363</td>
<td>357627</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1</td>
<td>--</td>
<td>54</td>
<td>55</td>
</tr>
<tr>
<td>Textiles</td>
<td>32</td>
<td>22</td>
<td>279759</td>
<td>279813</td>
</tr>
<tr>
<td>Weaving and apparel</td>
<td>23</td>
<td>367</td>
<td>18230</td>
<td>18620</td>
</tr>
<tr>
<td>Leather</td>
<td>63</td>
<td>72</td>
<td>11753</td>
<td>11888</td>
</tr>
<tr>
<td>Wood</td>
<td>26</td>
<td>49</td>
<td>11927</td>
<td>12002</td>
</tr>
<tr>
<td>Paper and Printing</td>
<td>43</td>
<td>74</td>
<td>--</td>
<td>117</td>
</tr>
<tr>
<td>Chemicals</td>
<td>50</td>
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<td>91</td>
<td>150</td>
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<tr>
<td>Non-metallic mineral</td>
<td>85</td>
<td>94</td>
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<td>151446</td>
</tr>
<tr>
<td>Metal</td>
<td>42</td>
<td>502</td>
<td>29749</td>
<td>30293</td>
</tr>
<tr>
<td>Others</td>
<td>103</td>
<td>452</td>
<td>33529</td>
<td>34084</td>
</tr>
<tr>
<td>Total</td>
<td>642</td>
<td>2731</td>
<td>892719</td>
<td>896092</td>
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</table>


III Ownership Structure

The number of establishments owned by the government increased substantially during the post 1974. This is because of the nationalization of establishments previously owned by the private sector and also the establishment of new manufacturing enterprises. Whereas the number of privately owned establishments decreased, till 1992. During 1975/76-1991/92 total number of establishments in group 10+ decreased at 2.8% p.a., Public owned establishments increased at 0.21% p.a., while privately owned establishments decreased at 3.34% p.a. Whereas during 1991/92-1995/96 total number of establishments in
group 10+ increased at 23.8% p.a., public owned establishments and private owned establishments in group 10+ increased at 2.69% and 39.2% p.a. respectively.

When compared to the total number of manufacturing establishments the number of publicly owned firms is insignificant. In 1995/96 out of 1,172, 379 manufacturing establishments only 169 were owned by the government, of which all of them were in a 10+ group. All others were owned by the private sector.²¹

Fig 2.2 Ownershipwise Distribution of Number of Enterprises in 10+ Group

Source: Survey of CSA.

IV Geographical Distribution

Manufacturing enterprises are concentrated in Addis Ababa region and a few other cities. This can be seen from the distribution of total-value added by region. In 1995/96 Addis Ababa alone accounted for 44.4% of total value-added at factor cost, followed by Oromiya Regional state, which accounted for 37.7%, which means that the two regions accounted for 82.1% of the manufacturing value-added of the country. This indicates the skewness of the distribution of manufacturing enterprises. The skewness is high for the large and medium scale manufacturing enterprises, than small ones, as evidenced by the percentage share in value-added by Addis Ababa and Oromiya in 1995/96: 90% for the 10+ group, 70% for the small-scale, and 43% for cottage and handicrafts.²²
V Manufacturing Output by Ownership

The large proportion of manufacturing output comes from the public sector. For instance the 1995/96 survey of the CSA reveal that out of about Birr 2.703 billion manufacturing value added, 51.8% was due to the public sector, while the remaining 48.2% of the value added was from the private sector. The large share of public sector in value added, despite less than 1% share in total number of establishments, is because of the large size and production of public firms. The break down of the share of the private sector in manufacturing value-added (about Birr 1.302 billion) is such that 14.8% came from the 10 + group, 4.6% small-scale, 49.1% cottage/handicrafts and 31.5% from informal sector.

Considering the 10+ group (both Public and private) the percentage share in value-added by the private sector decreased from 9.15% in 1975/76 to 3.54 in 1989/90, and then increased to 12.12% in 1995/96.

2.4.2.6 The Performance of the Industrial Sector: Contribution to GDP

The contribution of the industrial sector to national GDP is low. The annual contribution to GDP at constant factor cost has been below 15% during 1970-1996. For instance the average annual percentage share of the industrial sector in GDP at constant factor cost was 15.0%, 13.02% and 10.44% respectively during 1972-1974, 1975-1991 and 1992-1996 (Table 2.2). Not only its contribution was low but also its trend declined or stagnated as a result of the decline or stagnation of the activities of the medium and large scale manufacturing sector as well as handicraft and small-scale industries. For instance the average annual percentage share of large and medium scale manufacturing enterprises in GDP at constant factor cost declined from 5.63% between 1972 and 1974 to 3.96% between 1992 and 1996. While the contribution of handicraft and small-scale industries nose-dived from 4.16% to 1.98% during the same period (Table 2.2).

However, the interesting fact about the post 1992 period is that the trend during pre 1992 period is reversed, as the industrial sector showed sign of recovery. For instance the average annual growth rate of the industrial GDP at
constant factor cost increased from -3.27% during 1986-1991 to 8.42% during 1992-1996. Whereas the large and medium scale manufacturing, and handicraft and small-scale industries average annual growth rates increased from -3.13% and 0.57% respectively during 1986-1991 to 14% and 6.6% during 1992-1996 respectively (Table 2.3). The comparison of the growth of the value added of the industrial sector in Ethiopia with that of the average for sub-Saharan African countries confirm this fact (Table 2.4). However, the contribution of the manufacturing industries to national GDP in Ethiopia is the lowest in the word. This combined with the largest share of agricultural sector in GDP is a clear indication of the lowest stage of development of manufacturing enterprises.

2.4.2.7 Major Constraints of the Industrial Sector

The major constraints which affected the performance of the industrial sector in Ethiopia are related to stability, policy, technology, inputs, market, finance and others. The main concern of this study is the financial aspect which is dealt with in the later chapters.

The performance of Ethiopia's industrial sector was affected by instability, both political and climatic. For instance the socialist regime was not smooth from the beginning. Vast majority of expatriate managers and skilled staff left the country after nationalization. Consequently the manufacturing sector faced severe shortage of the expertise needed to run the enterprises. War disrupted transport and communication in areas of military activity. These factors contributed to unimpressive performance of the industrial sector. For some years for instance 1979 and early 1980s when the problems like security were attenuated, the capacity utilization of the manufacturing enterprises was the highest (70% to 100%) in sub-Saharan Africa. Consequently the manufacturing sector registered high growth rates. For instance the annual increase of the contribution of large and medium scale manufacturing to GDP at constant factor cost in 1978/79 and 1979/1980 were 27.3% and 10.5% respectively.

However, these phenomena did not continue long as in 1980/81 the Industrial sector witnessed stagnation of production. With enterprises already running at
full capacity, further gain in output required either productivity increase or new investments. But nothing could be done to both requirements as the finance required was in short mainly because of the poor performance of the agricultural sector during this period. Whereas during late 1980s and early 1990s the manufacturing sector suffered from infrastructural difficulties and shortage of inputs consequent to the intensification of war. As a result the contribution of large and medium scale manufacturing sector to GDP at constant factor cost declined by massive 41.5% between 1989/90 and 1990/91. Whereas the growth and the contribution of handicraft and small scale industries was limited by the policy of the government which limited their access to essential inputs such as skilled labor, raw materials and the like.

During the post 1992 the operational environment has improved, but yet remains more to be done. Shortages of raw materials, spare parts, endemic power cuts, lack of skilled personnel are still conspicuous in the industrial sector.

2.4.3 The Service Sector

The service sector exhibited a steady growth with the share in GDP rising from 30.1% between 1972 and 1974 to 37.2% between 1992 and 1996 (Table 2.2). Compared to the manufacturing sector, the service sector is large and provided over one-third of GDP on the first half of 1990s. During the 1975-1991 period the service sector was dominated by state owned distribution services. The road haulage industry, dominated by the private sector contractors, was also important.

Whereas social services are concerned, some improvements have been made. But compared to the average for low-income countries, social services in terms of health services, safe water, sanitation is low, and the need for improvement is so imperative.

2.4.4 Other Important Activities

Some of the important activities, which fall under the three sectors, are Fishing, Mining, Energy, Transport and Communication, and Tourism.
2.4.4.1 Fishing

In Ethiopia there is a good potential for Fishing. There are several lakes which together with the country’s rivers are estimated to have a potential of producing about 45,000 tones of Fish per year, of which the lake system is approximated to produce over 80%. This potential is not yet exploited as only 9,000 tones per year are harvested from fresh water resources, which indicates that the fishing sector is yet to be developed.29

2.4.4.2 Mining

Ethiopia is known to be rich in mineral resources. Nevertheless, the mining sector contributes not more than 5% of the industrial output. The World Bank study classified Ethiopia as a ‘Group A country’ thus including her in the category of countries which possess exploitable mineral potential over large geological areas and which warrant the investment of $10-20 million annually.30 Known reserves of metallic and industrial minerals include Gold, Phosphate, Nickel, Copper, Zinc, Platinum and Soda ash. Since 1995 the government have taken certain steps to attract foreign investment into mining sector. The mining sector’s contribution to overall output is expected to rise when the investment by the foreign companies, which won the tender offered for prospecting and mining, materializes.

2.4.4.3 Energy

Ethiopia is a very low consumer of energy.31 Wood and charcoals are still the principal sources of energy. Hydroelectric plants generate much of Ethiopia’s electricity, which is vulnerable to the effect of weather. Not more than 4% of the population is supplied with electricity. Fuel is imported from abroad, and takes large part of foreign exchange reserve. The fuel import bill has risen sharply over a period. Consequently the development of energy sources to meet the growing demand and more crucially, to minimize the dependence on import sources has now assumed greater significance. So far some 60 million cubic meters of natural gas which has been found is expected to produce soon; this will reduce the import
of petroleum by substantial amount. Other deposits of energy sources such as coal and shale oil are believed to reduce dependence on wood as a source of energy, which is the cause for deforestation.

2.4.4.4 Transport and Communication

Ethiopia’s transport and communication infrastructure is not developed much. The road transport is inadequate. Only a small fraction of the entire road network is paved. Interconnecting links between adjacent roads is limited. The feeder roads are inadequate. All these together leave large part of the country isolated. Presently construction, rehabilitation and maintenance of the existing road are one of the priority areas.

Air transport and railway give important service. The railway connects Djibouti with Ethiopia’s capital Addis Ababa, and carries items of export and import. Airlines connect some cities in the country with Addis Ababa. Both air and railway transports are yet to develop. Though efforts have been made to provide telephone facilities to the public it remains as an area, which is yet to be developed. The telephone density in Ethiopia per head of population is among the lowest in the world with less than 1% of the population having access to telephone.32

2.4.4.5 Tourism

There are attractive historical sites, wide diversity of landscape and wildlife, which have made Ethiopia a tourist destination. Ethiopia’s massive tourism potential because of her unique combinations of natural, historical, cultural, archaeological and anthropological attractions is not adequately utilized. During the 1980s and early 1990s tourism was severely affected by disruption caused by war. Recently because of its potential of foreign exchange revenue from the business of tourism the government’s economic policy have placed considerable emphasis on tourism.
2.5 The External Sector

2.5.1 Export

The largest proportion of Ethiopia’s exports come from the agricultural sector. This is a direct reflection of the level of development and structure of the Economy. Ethiopia’s export is not only dependent on agriculture, but also is highly concentrated on a few agricultural commodities, of which coffee is the major one. Leather goods and hides are the second important commodities. However, compared to its abundance in absolute size, Ethiopia’s livestock contributes only marginally to the countries export. The importance of oilseeds and pulses declined after 1975 partly because of the stagnation of the market prices. However, during the post 1992 their share in total export earning has kept on recovering. Industrial products such as sugar and molasses, canned and frozen meat and petroleum products are also exported.33

2.5.2 Diversification of Export Items

During the post 1974 period the government made export diversification one of its priorities under the ten year perspective plan (1985-1994), so as to improve the performance of the external sector. Beginning 1984 some progress was made by expanding export of livestock, fruit and vegetables, hides and skins. However, such attempt to expand export from the agricultural sector helped little in reducing dependence on export of primary commodities, which generate lower levels of value addition and have more instable market prices than processed and manufactured goods.

The attempt made to expand exports during the 1980s has been achieved at considerable economic and social costs. Not only had the consumer to sacrifice consumption but producers also had to sacrifice incomes. The overvalued Birr, the tariff and non-tariff barriers made domestic prices higher than the world market. Moreover, protection allowed producers to operate with high production costs relative to world market prices.34
Consequently many industrial and agricultural products could only be exported at a loss. The losses were covered by subsidies from the Central government budget, which involved the redistribution of resources from profitable to unprofitable enterprises and adversely affected the efficiency of resource distribution.\textsuperscript{15}

2.5.3 The Recovery

During the 1980s export growth nearly stagnated with sharp decline in early 1990s. For instance average annual export as a percentage of GDP was 12.4\% during 1971-1974, which fall to 7.98\% during 1986-1991. However during the post 1992 export earning showed substantial rise which was mainly because of the devaluation of Ethiopian Birr and the redirection of exportable items to the official export channel from illegal export to neighbouring countries. This can be seen from the increase in average annual export as a percentage of GDP (10.32\%) during 1992-1996 (Table 2.6).

The other important development during the post 1992 is the increased share of private exporters following liberalization policy which is in contrast to the dergue regime during which export was mainly dominated by the public enterprises. Table 2.7 shows the improvement of Ethiopia’s export during 1990-97 when compared with other countries.

2.5.4 Export Compared with Import

Whereas Ethiopia’s import is dominated by capital goods, consumers’ goods, fuel and semi-finished goods consisting mainly of chemicals, fertilizers and raw materials.

The gap between export and import continued to grow from 1970 onwards (Table 2.6). The increase in trade gap can be explained partly by the consistently increasing imports of capital goods and machinery needed for the development programme in the late 1970s and early 1980s. The Socialist Governments’ emphasis on technological progress as an integral part of industrial development,
the preference of donors, who financed much of the development programme, for modern technology inevitably inflated the import bill.

The disparity between growth rates of import and export volume was reinforced by change in terms of trade. While the prices of imports rose, the prices of primary commodities, which Ethiopia exports, lagged behind or tumbled. The other reason is the regime of fixed exchange rate, which encouraged imports and discouraged export. Consequently the balance of trade deteriorated markedly during the 1980s. Nevertheless, the current account has been cushioned by export of services and net transfers. Many thanks to the Ethiopian Air Lines (EAL) and Ethiopian Shipping Lines (ESL), the export of non-factor services increased by 10% per year during the 1980s. Private unrequited transfers that were almost from charitable organizations in response to the drought also contributed a lot. After the launching of the reform program, the gap between import and export continued to increase mainly because of the pressing need for rehabilitation and reconstruction programs both in social and economic areas, which resulted in a surge of the volume and value of imports.
2.5.5 External Debt

Ethiopia’s external debt increased considerably during the 1980s, with the concomitant increase in the burden of debt service. Debt service increased from 6.3% of exports in 1979/80 to 70% of exports in 1990/91. Average annual debt service increased from 14.7% of export to 52.7% of exports during 1971-74 and 1992-96 respectively (Table 2.6). By the end of dergue (the Socialist Government) regime in 1991 Ethiopia was already saddled by aggregate foreign debt of over US $ 8.0 billion or $ 172 per capita compared to below $ 100 GDP per capita. The external debt in arrears was almost US $ 100 million.
Fig 2.4 External Debt as a Percentage of GDP

![Graph showing external debt as a percentage of GDP over years 1981/82 to 1995/96.]

Source: NBE.

Table 2.6 Export, Import, Balance of Trade, External Debt as a percentage of GDP, and Debt Service as a percentage of Export

<table>
<thead>
<tr>
<th>Average Annual Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
</tr>
<tr>
<td>Import</td>
</tr>
<tr>
<td>Balance of Trade</td>
</tr>
<tr>
<td>External Debt</td>
</tr>
<tr>
<td>Debt Service</td>
</tr>
</tbody>
</table>

Source: Computed from Annual and Quarterly Bulletins of NBE.

2.7 Average Annual Growth rate of Export of Goods and Services

<table>
<thead>
<tr>
<th></th>
<th>1980-90</th>
<th>1990-97</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>5.2</td>
<td>7.0</td>
</tr>
<tr>
<td>Loan Income Countries</td>
<td>3.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Sub-Sahara Africa</td>
<td>2.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>2.0</td>
<td>8.6</td>
</tr>
<tr>
<td>Kenya</td>
<td>4.3</td>
<td>2.3</td>
</tr>
<tr>
<td>India</td>
<td>5.9</td>
<td>13.7</td>
</tr>
</tbody>
</table>

2.5.6 Foreign Aid

The World Bank classifies Ethiopia as the poorest country in the world using GNP per capita and other indicators. Nevertheless Ethiopia received modest amount of development aid. For instance between 1974 and 1984, Ethiopia received an average of US $ 9.9 per capita in development assistance compared with an average of US $ 22.5, for other low income countries of Africa. In 1985 aid flow more than doubled, but Ethiopia continued to trail behind other low-income African countries. In 1990s also Ethiopia remained behind other African countries with respect to aid received (Table 2.8). 38

<table>
<thead>
<tr>
<th>Country</th>
<th>1991</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>21.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Egypt</td>
<td>38.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>41.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Senegal</td>
<td>85.0</td>
<td>68.0</td>
</tr>
<tr>
<td>Tanzania</td>
<td>94.0</td>
<td>37.0</td>
</tr>
</tbody>
</table>

Source: Africa Development Indicators, 1997, p. 315.

2.6 Saving and Investment

One of the major constraints in Ethiopia is the low level of saving and hence investment. During the imperial regime domestic saving was adequate to finance investment. For instance between 1971 and 1974 the average annual domestic saving and investment were 11.75% and 11.35% respectively (Table 2.9). There was no restriction on private investment. However, the imperial regime was blamed for low investment and saving, as a result of which the growth of the economy was slow.

After 1974, the ambitious socialist government came to power with an intention to increase the level of saving and investment, and hence economic growth. Savings were to be generated by reducing government consumption, from the profit of the nationalized industries and increased savings from the agricultural sector since the peasants were made the direct beneficiaries of the land.
2.6.1 Gross Domestic Savings during post 1974

During the post 1974 period gross domestic saving declined from 13.3% in 1973 to 3.4% of GDP in 1991, which is the lowest saving. Such a massive decline in saving was the outcome of the rapid increase in government consumption. Government consumption increased from 10% of GDP in 1974 to 20% of GDP in 1990. This happened because of drastic increases in military spending and vastly expanded government bureaucracy. In contrast to the government expenditure private consumption was stable or sometimes decreased (Table 2.9). In sum, the slow growth of GDP combined with rapid increase in government consumption expenditure triggered a steady decline in government saving which was not compensated by a rise in private saving, with the net result that the country’s aggregate saving rate remained at abysmally low level.

2.6.2 Investment

Whereas investment during the post 1974 period, the socialist regime inhibited private investment by debilitating and unconducive policy. The economic policy enacted by the socialist government in 1970 put all resources crucial for development, and activities, which provide indispensable service to the community under the control of the government. Areas open to private investment were small scale and cottage industries, wholesale and retail trade, external trade and entertainment services such as hotels and bars under strict supervision of the government. Maximum ceiling on the amount of capital (defined as cash value of receivables, stock invested in trade and fixed assets excluding land and buildings) was also set. For instance private sector was allowed to invest upto 200,000 Birr, 300,000 Birr and 500,000 Birr in retail trade, wholesale trade and industry respectively.

Besides, an individual could get license only for one business if she/he did not have a permanent job. No partnership of more than five individuals was allowed. All private business with capital in excess of the ceiling, extra land and houses in rural and urban areas were nationalized. Discriminatory tax and the fear
of expropriation were other factors, which discouraged private investment. Banks credit was also tuned in favour of the public sector.

Nevertheless, the private sector evaded some of the policies of the socialist government by diverting most of its activities and making hidden investment, by financing its investment from own sources and by undervaluing the capital of the business, and getting additional licenses in the name of other family members.

Having experienced such difficulties, private investment did not sufficiently respond to the measures taken by the dergue government beginning 1989; for one thing the stability of the government itself was so doubtful. The FDI also received a severe set back since the policy pursued by the government suppressed it.

2.6.3 The Trend of Domestic Saving and Investment

Compared to domestic saving, the trend of investment has been generally upward one, which was the result of investment made by the government. Investment increased from 8.88% of GDP between 1975 and 1980 to 14.95% of GDP during 1986-1991 (Table 2.9). During the last years of the dergue government investment tumbled from as high as 20.4% of GDP in 1988 to 10.5% in 1991. The Investment performance during 1970-1991 was far less than that of other developing countries and fall short of the minimum required for sustained economic growth.40

Table 2.9 Consumption, Investment and Saving and Resource Gap as a percentage of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Consumption</td>
<td>88.82</td>
<td>95.20</td>
<td>94.00</td>
<td>91.80</td>
<td>94.60</td>
</tr>
<tr>
<td>Govt.</td>
<td>10.42</td>
<td>18.30</td>
<td>15.80</td>
<td>17.50</td>
<td>14.02</td>
</tr>
<tr>
<td>Private</td>
<td>77.80</td>
<td>79.90</td>
<td>78.22</td>
<td>74.40</td>
<td>83.90</td>
</tr>
<tr>
<td>Fixed Investment</td>
<td>11.35</td>
<td>8.88</td>
<td>13.40</td>
<td>14.95</td>
<td>14.82</td>
</tr>
<tr>
<td>Domestic Saving</td>
<td>11.75</td>
<td>4.84</td>
<td>5.99</td>
<td>8.16</td>
<td>5.40</td>
</tr>
<tr>
<td>Resource Gap</td>
<td>0.40</td>
<td>-4.04</td>
<td>-7.41</td>
<td>-6.80</td>
<td>-9.42</td>
</tr>
</tbody>
</table>

Source: Computed from Annual and Quarterly Bulletins of NBE.
2.6.4 The Gap between Saving and Investment

The mismatch between saving and investment created a widening gap. Just before 1974 domestic saving was more than enough to finance investment. But during 1975-1991 period saving fell short of investment. The resource gap increased from 4.04% of GDP during 1975-80 to about 7.41% of GDP during 1986-91 (Table 2.9) which means increased recourse to external sources to finance the country’s investment effort, which resulted in deterioration of debt position.

During the post 1991 period saving still remained at lowest level. The average annual saving between 1992 and 1996 was 5.4% of GDP (Table 2.9). Gross domestic saving have shown steady and increasing trend during his period, which may be because of some measures taken by the government to encourage saving such as raising the deposit rate. However, investment continued to be over and above the level of domestic saving. It increased from 10.4% in 1991 to 19.1% in 1996. The average annual Investment during 1992-96 was 14.82% of GDP while the average annual resource gap was 9.42% of GDP (Table 2.9).

**Fig 2.5 Gross Domestic Saving and Gross Domestic Investment**

![Gross Domestic Saving and Gross Domestic Investment](image)

Source: *NBE Annual and Quarterly Bulletins.*

2.6.5 Slow, Small FDI and Private Investment: Post 1991

Despite the measures taken by the government, foreign investment in Ethiopia is low, and is dominated by one investment group (MIDROC group). The World Bank data shows that FDI in Ethiopia is the lowest both in quantity and as a
proportion of GNP. FDI is also small when compared with other countries such as Kenya and Uganda (Table 2.10). The small size of the market, the cost of doing business due to lack of infrastructure development, inefficiency of the bureaucracy are some of the reasons cited for low FDI in Ethiopia.

There is also weakness on the side of domestic private investment. Lack of adequate financial resources of right amount and at right time, lack of exposure and experience in identifying profitable productive opportunities along with the other reasons mentioned above are considered to be the cause. Therefore, even though the over all trend of Investment is on the rise, it is not at the desirable level.

Table 2.10 FDI in Ethiopia, Kenya and Uganda

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI (in millions of US $)</th>
<th>FDI* as % of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1991-95</td>
<td>1996</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Kenya</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Uganda</td>
<td>54</td>
<td>121</td>
</tr>
</tbody>
</table>

* For the year 1996


2.7 Summing up

Ethiopia’s economic evolution has been closely tied to its political developments. Before 1974, when the country was under the imperial regime there was political stability and prudent macroeconomic policies as a result of which Ethiopia’s overall economic development was relatively impressive.

In the early period, the Marxist dergue was able to experience successful successive annual development campaigns. The dergue took much courage out of the modest success witnessed during the early period under the stimulus of slogans and campaigns. However, these artificial stimulus were not able to keep on going the ambitious Ethiopians and more than that the fragile human psychology, which takes times to restore once damaged. Soon the second half of the 1980s were followed by a systematic deterioration in most macroeconomic indicators.
The debilitating economic policy of the Marxist dergue was accompanied by the vagaries of nature and continued-armed conflict. Picket, J (1991) stated that for Ethiopia’s Economy Weather is the main exogenous variable. His statement remains true so long as farming continue to be a gamble over weather. Besides, the armed conflict, which lasted for decades, consumed not only productive human resource of the country, but also gave priority to machine guns and bullets than to bread. Ethiopia imported huge modern and sophisticated armaments at the expense of the much-needed agricultural and industrial machines, which could have for sure made Ethiopia "basket of bread" as it was said.

By the time (1991) the dergue regime was ousted, the economy was literally dormant, falling apart and fast dying which could only be awakened by a "big bang". The transitional government which took the responsibility of not only reversing the direction of motion of the fast deteriorating economy, but also of giving the initial kick start to set the economy in motion faced with big challenge. It was at such critical time that the transitional government came up with the new Economic Policy (NEP) in 1992, to transform the economy into a vibrant-market-based economy. Then the IMF sponsored structural adjustment programme (SAP) was implemented. Since then a number of reforms measures have been implemented to which the economy responded positively.

2.8 Notes and References

4. Ibid.
5. Ibid.
6. Chole, E and M.Manyazewal (1992), The Macroeconomic Performance of the Ethiopian Economy 1974-1990: They observed this situation as fiscal Conservatism at the time the world was Keynesian.
7. Ibid.


11. Agricultural GDP measured at 1980/81 constant factor cost.


13. Ibid.

14. Ibid.

15. Ibid.

16. Ibid.


18. Ibid.

19. The number of enterprises in the 10+ group continuously decreased during 1975/76 – 1992/93. The reasons are first the decrease in number of employees due to low capacity utilization caused by the unfavourable government policies. As a result of which some of the establishments might have fallen below then "ten and above" employee category. Secondly, some establishments might have ceased operation due to war and unfavourable policy. Third the independence of Eritrea in 1991-92. The impressive increase in the number of establishments is due to change in policy environment as a result of which mainly the old establishments joined the 10+ group or new ones established.

20. The increase in the number of handicrafts and small-scale industries during the post 1992 is due to the favourable policy and also because of the change of definition and inclusion of cottage and handicraft industries, which were not included in previous surveys.

21. Sectors like tobacco, manufacture of industrial chemical products, manufacture of glass and glass products manufacture of basic iron and steel products are under the monopoly of the public while public dominance is observed in beverages and tanneries. On the other hand dominance of private sector is observed in footwear, furniture and fixture, fabricated metal and printing.


24. The *World Development Report*, 1997 indicates that in 1995 the averages for the world and low-income countries were 21% and 27% respectively. Whereas the percentage share of manufacturing sector in GDP for Egypt, Ethiopia and Kenya was 15%, 3% and 11% respectively in 1995.


27. *Ibid*.


30. UNIDO (1996), *op.cit*.

31. *Ibid*.

32. EIA, *op.cit*.

33. Survey of the Ethiopian Economy, *op.cit*.

34. UNIDO (1991), *op.cit*.

35. *Ibid*.

36. The sharp increase in external debt was also due to the heavy import of military equipment during 1980s.

37. UNIDO (1996), *op.cit*.


