

Chapter Three: Development Issues Policies and Strategies during the Durge Regime

1. Introduction

In 1974 the Ethiopian Revolution erupted while the country was preparing the fourth five-year development plan. The military government **nationalized** most of the Medium and Large Scale Enterprises/MLSM enterprises, which were later reorganized under state corporations. The government also declared ‘a socialist economic policy’ (PMAC 1975) and introduced various restrictions on the private sector and the market. Private investment was restricted to not exceed half a million Birr (approximately a quarter of a million US\$) and entrepreneurs may participate in only one venture. Price controls were instituted covering a wide range of products and the labour market highly regulated. The imports were also subjected to quantitative restrictions and higher tariffs in this period. The Ethiopian national currency, the Birr, was set fixed at about 2.07 per US\$1 and continued at this rate throughout the period of the military regime (1974/75-1990/91).

The manufacturing sector exhibited a sharp decline particularly in the first few years following the revolution.¹ In 1977/78 the government initiated a successive production campaign locally known as ‘*zemecha*’ to improve productivity mainly through increasing capacity utilization and have partly reversed the declining trend. Nevertheless, **the government had no industrial policy per se until the mid-1980s**. A central planning body was established in 1984 and a Ten-Year Perspective Plan (TYPP) was formulated. This comprises a macro-economic framework, a public investment programme, an indicative portfolio of projects and production targets for the period 1984/85-1993/94. The main focus of the industrial development plan in this period was to promote the import-substituting and labour-intensive industries. The public sector investment was considered as the main mechanism in the progress toward industrialization (World Bank 1985) cited in Mulu Gebreeyesus (n.d, 7).

The nationalization and continued systematic restriction of the private sector from engaging in major economic activities had virtually reduced the emerging vibrant sector into micro-and small-scale manufacturing activities. In contrast the state became the sole responsible organ owning and operating the MLSM activities. In 1985/86, one decade after the revolution, the

¹ This downturn was mainly caused by the nationalization which resulted in an immediate exodus of foreigners who owned and operated the enterprises and the intensification of the conflict in Eritrea, particularly Asmara which at that time hosted for about a third of the national industrial capacity (World Bank 1985).

state-owned enterprises (**SOEs**) managed to command 95 percent of the value added and 93 per cent of the employment of all MLSM enterprises. They continued to dominate the sector until the last year of the regime (1990/91). Despite their largest share in the sector, the SOEs financial position became increasingly weak and had to rely on government **subsidies** and **overdraft** facilities for their working capital requirements (UNIDO 1991: 13). Manufacturing establishments were seriously constrained by **shortages of foreign exchange, raw material supply, working capital** and the like. Most were forced to operate far below their installed capacity and because of the poor quality of produced product, they were unable to meet the local demand let alone compete in the international market.

The last years of the Dergue regime sought another **sharp decline in the Ethiopian economy**, a continuous decline in GDP and all other major sectors particularly in the period 1987-91. The manufacturing sector was the most affected by this turmoil and exhibited an about 40 per cent decline in value added in 1991 alone. The number of establishments in the MLSM sector also shrunk from about 380 in 1987/88 to 275 in 1990/91 with a corresponding decline in employment. The hostile policies toward the private sector, large inefficiency in the public sector and intensification of the then undergoing conflict in the country were some of the major **causes** of this decline. In March 1990, the regime adopted a **mixed economic policy** to shift the country from one of a centrally managed economy to a modest liberal economy. This initiative was, however, too late and short-lived without bearing fruit, as there was a regime change in May 1991 Mulu Gebreeyesus (n.d, 7).

3.1 The Land Reform Program : The 1975 Rural Lands Proclamation

Among the most important outcomes of "socialist-oriented" revolutions are the introduction of agrarian reform and the "socialization" of production in the agricultural sector. The first and most important reform measure undertaken by the Provisional Military Administrative Council (PMAC) after it took power was the **1975 Proclamation to Provide for the Public Ownership of Rural Lands**. The Proclamation came as a direct response to the loud cry of "land to the tiller", or so at least its rhetoric sounded. Its preamble proclaimed:

The Proclamation provided for the creation of **peasant associations** consisting of all peasant households within an area of 800 hectares. The land was then to be distributed by each peasant association to its members. Initially, the participants of the Development-Through-

Cooperation Campaign (Zemecha) played the key role in defining the areas to be covered by particular peasant associations, and in land distribution. In some cases, the participant students discouraged land distribution and tried to promote its **collective cultivation**. This, however, did not last long (Fasil G.Kiros, 1993, 106).

3.1.1 The Process of Land Distribution

According to Fasil G.Kiros (1993), there has been no nation-wide study undertaken to assess the implementation of the **1975 Proclamation**. It should be obvious that the introduction of a more-or-less uniform agrarian policy under the highly varied conditions which characterize rural Ethiopia could lead to potential problems of implementation. Examples of what appear to be relatively common practices of land distribution are discussed below.

As would be expected, the general practice of **peasant associations** was to distribute all the available stock of cultivable land to their members. But how? *One* common solution to the problems was to allocate a share of land of each level of quality to each household, a process which generally resulted in at least three plots—"fertile", "**moderately fertile**", and "**relatively infertile**" (more-or-less corresponding to the traditional pattern of the quality distribution of land as *lem*, *lemtef*, and *teff*). The *second* common solution to the problem was to distribute land in accordance with **family size** which meant the expansion of existing holdings of house-holds or the addition of new plots as households claimed their entitlements because of increasing numbers of dependents. The practice of distributing land according to family size tended in some cases to contribute to the increase of the number of plots cultivated by each household (Ibid).

Given these and other practices of land **distribution**, the pattern of **landholdings** which emerged turned out to be relatively uneven throughout the country. The size distribution of land varied widely within particular peasant associations, between peasant associations within a particular *wereda*, as well as between administrative regions. The size variation of household landholdings within particular peasant associations reflected the practice of land distribution based on the number of members of every household. Studies have shown that the sizes of land holding within a particular peasant association could range between less than one-quarter of a hectare and six hectares or more (Ibid, 109). The differences in

population density also accounted for the differences in the size of distributed land between various regions. This could readily be inferred from the differences in the average number of members of peasant associations in the various regions. For example, in 1987/88, the average size of Peasant association members of *Wello* was found to be over 3 times that of *Wellega*.

The foregoing descriptions only show the overall pattern of land distribution among the peasant population since 1975. It is of course a matter taken for granted that agricultural land is no longer concentrated in the hands of the privileged few. Indeed, even the legal ceiling of 10 hectares stipulated in the Proclamation is rarely reached. While therefore, the goal of **equity** in land distribution was met to a reasonable degree, it remained to be shown whether the new pattern of landholding would permit its more efficient utilization.

Table 3.1 Average Number of Peasant Associations and Members under Ministry of Agriculture by Region—1987/88

Region	Number of Peasant Associations	Total Number of Members	Estimated Average Number of Members per Peasant Association
Arsi	1,027	241,986	236
Bale	589	114,624	195
Eritrea	471	111,640	237
Gamo Gofa	803	209,982	261
Gojjam	1,770	563,307	318
Gondar	1,063	391,115	368
Harerghe	950	279,047	294
Illubabor	564	104,111	185
Kefa	973	228,994	235
Shewa	5,352	1,382,500	258
Sidamo	1,057	373,524	353
Tigray	51	27,564	540
Wellega	1,510	247,270	163
Wello	1,225	648,992	530

Source: Ministry of Agriculture, Annual Report of Cooperative Organization Division (in Amharic), (Addis Ababa, June 1988)

3.2 Agricultural Development Issues and Strategies

In the period prior to 1974, most students of Ethiopian affairs agreed that the main shackle on the development of the national economy was the **archaic land holding system** which prevailed.

There was little doubt that the winds of political change were gathering momentum at least since the mid-1960s when **university students** first carried the slogan "*land to the tiller*" in the streets of Addis Ababa. Other **progressive elements** in the society also contributed force. Whatever the proximate causes, the revolutionary outburst clearly reflected the culmination of social and political contradictions of much larger scale and dimensions (Fasil G.Kiros, 1993, 108).

The period immediately following the revolutionary outburst was a period of **intense political struggle** and of national mobilizations against **external aggressors** and **secessionist elements**. The country was, therefore, soon faced by a **deep economic crisis**. The rate of growth of GDP fell to the level of 0.9 % by 1977/78 implying a drastic fall in per capita GDP. Hence, no sooner had the political and military confrontations abated than the government turned its attention to the task of rehabilitating the economy and of raising production especially in the agricultural sector. A mammoth organization, the **National Revolutionary Development Campaign and Central Planning Supreme Council (NRDC/CPSC)** was setup with responsibility to prepare and implement annual economic plans and to create the conditions for initiating long-term development planning. Six annual plans were prepared and implemented between 1978/79 and 1983/84. The annual plans were quite broad in scope and involved the participation of nearly all of the governmental organizations in their preparation (Ibid).

The campaign period was succeeded by the launching of the **Ten-Year Perspective Plan** covering the period 1984/85 through 1993/94. That Plan was quite comprehensive and aimed at attaining highly ambitious goals in economic, social and political spheres. In the following pages, an attempt is made to highlight the main goals and results of the annual plans as well as that of the Ten-Year Perspective Plan with particular reference to the agricultural sector (Ibid, 109).

3.2.1 Agriculture in the Six-Years Campaign

The **peasant** and **state farm** sectors were the main focus of agricultural production policy during the campaign period. The production strategy pursued in the peasant sector during this period in large part consisted of the promotion of activities which had been initiated in the pre-revolution period. Of the comprehensive projects, the successor of **CADU—Arsi Rural Development Unit (ARDU)**—continued to operate in the post –revolution period. The new designation, ARDU, reflected the fact that the project had extended its activities to two other sub-regions of Arsi,

namely **Ticho** and **Arbagugu**. The objectives and activities of ARDU were similar to those of its predecessor. However, while a few activities were no longer within its scope of responsibility, others appeared to be pursued with a greater degree of emphasis. Among the new responsibilities of ARDU was the promotion of **peasant mass organizations**. One of its main activities of distributing production inputs was soon taken over by the newly created service cooperatives. In this respect, the operations of ARDU were very similar to those of the minimum-package program.

As indicated in the previous chapter, the implementation of the second phase of the **minimum package program (MPPII)** had been delayed until the early 1980s. However, extension activities were being continued following the completion of the first phase of the program. Indeed, the diffusion of fertilizer and "improved" seeds greatly increased immediately following 1975. While the objectives of MPPII were in general similar to those of the first phase, there were differences of emphasis, organization, and channels of distribution of production inputs. As in the case of ARDU, the main emphasis during this period was placed on the promotion of peasant mass organizations, and especially the agricultural producers' cooperatives. The Ministry of Agriculture itself was reorganized at the central level reflecting this new orientation. Emphasis was also placed on strengthening agricultural administration on the *Wereda* level, since the aim was to reach most of these districts through teams of extension agents.

3.2.2 Agriculture in the Ten-Year Perspective Plan

As indicated above, following the last year of the campaign, and building on the results and experiences of the annual plans, the Ten-Year Perspective Plan was launched. In the economic sphere, the basic target of the plan was to achieve an **average annual growth of 6.5% in real GDP**. The sectoral rates of growth projected were 10.8% for industry, 6.9% for services, and 4.3% for agriculture.

The **development of agriculture was given high priority** by the plan. Among the fundamental goals in this sector was the promotion of agricultural *producers' cooperatives*. It was projected that by 1993/94, these cooperatives would encompass 52.7% of all peasant households and would account for 48.5% of total cultivated area. By comparison, it was projected that state farms would account for about 6.2% of cultivated area by 1993/94.

Among the main agricultural production **strategies** to be pursued were the expansion of total area under cultivation *inter alia* through population resettlement programs, the development of

irrigation schemes, increased supply of improved agricultural inputs to farmers, etc. As we shall see, in spite of the priority assigned to the development of the agricultural sector, the performance of this sector was far below expectations during the first half of the plan period (1984/85-1988/89).

In the latter part of the 1980s, the government placed greater emphasis on the objective of raising food production by concentrating agricultural inputs and services by stages in about 180 selected "surplus-producing" *weredas*. This strategy which was to be implemented within the framework of the so-called **Peasant Agricultural Development Project (PADEP)** was not put in to full operation.

In accordance with the development plan, the strategy of population resettlement also received much impetus following the 1984/85 famine. It was reported furthermore that the **villagization** program was being implemented in high gear during the plan period. Both of these programs were subsequently suspended following the criticisms to which they had been subjected mainly by different groups abroad. Few detailed studies can be found on the population resettlement and villagization activities which had been implemented by *ad hoc* governmental bodies (Fasil G.Kiros, 1993, 118).

3.3 State farms and agricultural development (117)

In accordance with the new government policy, high priority was given to the establishment and promotion of the activities of **State farms**. During the campaign period, roughly 40% of the total amount of fertilizer and around 70% of the improved seeds were supplied to these farms which accounted then for only 3.5% of total agricultural production. The peasant sector which contributed around 95% of the total production received the rest of the inputs.

State farms performance had been very disappointing due to the following main reasons.

Management inefficiency: Lack of appropriate management in the state farms resulted in misutilization of resources. Highly centralized management system curtailed the exercise of managerial autonomy at farm levels.

Problems of Planning and Implementation: Farmers were not given the right of preparing their own plans. Plans were prepared at enterprise or corporation level, and each farm was ordered to implement the plan, which may not reflect the objective conditions in the farm. The establishment of state farms was *not conducted on the basis of proper study and analysis*.

Inadequate Controlling Systems: State farms, as in other public firms, had little managerial freedom to plan and to control. Even the cost-benefit analysis was worked at higher levels and each farm is evaluated based on the grand balance sheet of the enterprise or corporation.

Disguised Unemployment: Every farm was over populated. There exist unnecessary labour imposing additional costs to the farms. Unnecessary structures were formulated deliberately to absorb more employees.

3.4 Collectivization program and Cooperatives : The Creation of Rural Mass Organizations

The impact of the Ethiopian agrarian reform, and indeed of the revolutionary changes as a whole, can only be appreciated by the consideration of the new institutional arrangements. The institutions which were created since 1975 in the political and economic domains were many and all-encompassing. This can be appreciated by the consideration of the new institutional arrangements in the agricultural sector alone. The new institutions fell into **two broad categories**, namely the government agencies and the mass organizations. Superimposed on these or perhaps embedded in them were the political and control bodies.

Where there was a single ministry in the agricultural sector in the pre-1975 period, three such ministries were created. The *first* of these was the Ministry of Agriculture proper, which had the responsibility of policy formulation, planning and development of the peasant sector. The *second* was the Ministry of State Farm Development which was created in 1980. This Ministry had the responsibility of organizing and promoting the development of large-scale commercial farms. The *third* Ministry, which was also established in 1980, was the Ministry of Coffee and Tea Development. The main responsibility of this Ministry was the promotion of coffee production, and to a limited extent that of tea production as well. These ministries were organized horizontally and vertically resulting in the creation of numerous responsibility centers operating throughout the country.

In addition to the three ministries, **semi-autonomous agencies** were also created which operated within the rural sector. Among these were the **Relief and Rehabilitation Commission (RRC)** and the **Agricultural Marketing Corporation (AMC)**. Although RRC was created with the primary responsibility of relief work, it actually became an agency which was involved in development activities as part of its rehabilitation program. This agency has been no less

prominent than any of the other agencies operating in the rural sector. The AMC was the agency responsible for the purchase and distribution of agricultural produce throughout the country. As will be discussed later, few institutions have been the subject of as much criticism as the AMC.

The **mass organizations** of primary interest here are the peasant associations and the service and producers' cooperatives. (This, however is not to underestimate the role of women and youths associations or other groups which operated under the auspices of the peasant associations).

3.4.1 The Peasant Associations and Service Cooperatives — the Transitional Rural Institutions (Fasil G.Kiros, 1993, 112)

Few institutions had affected the economic, political and social life of Ethiopians, since 1975, more than the **Peasant Associations** and their counterparts in the urban areas, the **Urban Dwellers' Associations**. The peasant associations in particular were assigned wide-ranging responsibilities and operated with a relative degree of local autonomy particularly in matters of land distribution and adjudication of conflicts among their members. However, no nation-wide study has been undertaken to assess the extent to and the manner in which the peasant associations have been able to fulfill their assigned responsibilities. As might be expected, the effectiveness of these institutions in carrying out their tasks tended to vary.

The peasant associations were most instrumental in implementing specific government directives, which were economic or political in nature. It is important to note in this relation that the **associations were organized hierarchically up to the national level**, with their highest organ, the **All-Ethiopian Peasant Association (AEPA)** being located in Addis Ababa.

If the peasant associations were assigned political as well as economic responsibilities, their service cooperatives were primarily economic organizations. The range of economic responsibilities of service cooperatives was very wide. A service cooperative could be created by a minimum of three and a maximum of ten peasant associations within a rural area. This, therefore, rendered its area of operation much wider than the peasant associations. With regard to the number of service cooperatives and their membership, Over 90% of all peasant associations had already become members of service cooperatives by the late 1980s.

The most important activities undertaken by the **service cooperatives** included the supply of some basic consumption manufactures which were needed by the peasantry, the supply of agricultural inputs such as fertilizers, the marketing of agricultural produce as an intermediary between the peasants and the Agricultural Marketing Corporation, and the provision of flourmill and grain storage services. Some schools and clinics were also reported to have been built by the service cooperatives.

3.4.2 The Plan for the Development of Agricultural Producers' Cooperatives

Starting from 1976, the government encouraged farmers to form cooperatives. Between 1978 and 1981, the Derg issued a series of proclamations and directives outlining procedures for the formation of **service cooperatives** and **producers' cooperatives**. Service cooperatives provided basic services, such as the sale of farm inputs and consumer items that were often rationed, the provision of loans, the education of peasant association members in **socialist philosophy**, and the promotion of cottage industries and small enterprises. The producers' cooperatives alleviated shortages of inputs (because farmers could pool resources) and problems associated with the fragmentation of landholdings. The government ordered the creation of these cooperatives because of its belief that small farmers were inefficient and were unable to take advantage of economies of scale.

The central aim of agricultural producers' cooperatives was proclaimed to be to attain control of the means of production in agriculture there by *inter alia*:

"to increase agricultural production by making use of modern technology and by consolidating the small and fragmented holdings...to promote and establish socialist conditions in rural areas and to safeguard the political and social interests of the peasantry; [and] to create the conditions appropriate for facilitating planned development..."

The Directive for the establishment of cooperatives was based on the following principles:

The principle of voluntarism. This principle indicates that cooperatives shall be established on the free will of those to be cooperativized.

The principle of gradualism. According to this, the development of cooperatives shall proceed from the simpler type to the more advanced types of cooperatives.

The principle of all round state assistance. The government is expected to provide all embracing assistance to the establishment and consolidation of cooperatives

Three stages were distinguished in the development of agricultural producers' cooperatives, namely the *malba*, *welba*, and *weland*. These three terms, it may be noted, were coined anew by the policy makers. They may be taken as being analogous to the Orwellian "newspeak" as manifested in the Ethiopian experiment.

A *malba* was defined as a first-stage APC. It would come into being: When *farm-land except for up to one-fifth of a hectare left for individual cultivation, would become collective property*;

- A. When the members of the cooperative would allow the use of implements/apparatus and draught animals for cooperative production; and
- B. When **distribution of income** would be based on the following bases
 - I. According to work contributed to the cooperative; and
 - II. According to implements and draught animals made available on rent to the cooperative.

A *malba* was, therefore, similar to the **Stage I** cooperative of the former **German Democratic Republic** or to the **higher stage agricultural producers' cooperatives** (APC) of the People's Republic of **China**.

A *welba* would come into being when the following conditions would be fulfilled:

- A. All land made collective property (but up to one-tenth left for individual use) ;
- B. All implements and draught animals made cooperative property; and
- C. Distribution would be based according to the socialist principle: "**from each according to his ability to each according to his work.**"

A *weland* was envisaged to be an enlarged *advanced producers' cooperative* to be established under the following conditions:

1. All land of several welbas and their other means of production to be brought under its control (the average land size to be 4,000 hectares and the membership of 500 farmers); and
2. The members of each *welba* to be converted into members of a habre (roughly brigade) of the *weland*.

Distribution would be based according "**from each according to his ability to each according to his desire.**" The *weland* may somewhat resemble the **commune** of the People's Republic of **China**. Its emergence would mark the attainment of advanced technological development based on large-scale production in agriculture.

The Policy provided for four alternative models leading from the stage of peasant association to the stage of *welba*. It also explained how the service cooperative would gradually be transformed in to a *weland*. A peasant association could be transformed directly in to a *welba* if the members so desired and otherwise fulfilled the policy prerequisites. Alternatively, a *welba* could be created by some peasants within a peasant association area and gradually increase its membership until it encompassed the entire association. A peasant association could also be entirely converted in to a *malba* by a single step and then in to a *welba*. Finally, a peasant association could gradually be transformed in to a *malba* and then in time converted into a *welba*. The latter approach would be the one more consistent with the gradual process of development of producers' cooperatives envisaged by the policy.

The creation of the *weland* would involve something of a metamorphosis in which the service cooperative would become an "association of producers' cooperative" if most of its members (the peasant associations) became *welbas* and decided to form a *weland*. Once the *weland* came in to being, it would be organized in to brigades and work teams.

It was desired that the development of agricultural producers' cooperatives would follow the so-called Lenin's plan which *inter alia* required the voluntary decisions of the peasants themselves to form such cooperatives. However, various incentives were to be provided to the rural producers to form producers' cooperatives. Thus, priority was given to the cooperatives in the provision of credit, and technological and other services. The service cooperatives were required to reserve 25% of their surplus for credits to the producers' cooperatives. Where only some of the members of a peasant association form a producers' cooperative, election to the main offices of the former were reserved for members of the latter. Agricultural producers' cooperatives also benefited from lower taxes as well as greater subsidies than individual producers.

Quite obviously, therefore, the Government placed much emphasis on the promotion of agricultural producers' cooperatives at least until 1990. In fact, few other policies in the agriculture sector received as much emphasis as the promotion of these cooperatives. (Ibid, 116).

3.5 Resettlement and Villagization Program

The policy of encouraging voluntary resettlement went back to 1958, when the government established the first known planned resettlement in Sidama. Shortly after the 1974 revolution, it became Derg policy to accelerate resettlement. By 1986 the government had resettled more than 600,000 people to three settlement areas. After a brief halt to the program in response to international pressure, the program resumed in 1987.

In 1985 the government initiated a new relocation program known as "villagization". The objectives of the program, which grouped scattered farming communities throughout the country into small village clusters, were to promote rational land use; conserve resources; provide access to clean water and to health and education services; and strengthen security. Government guidelines stipulated that villages were to house 200 to 300 households. By March 1986, about 4.6 million people in Shewa, Arsi, and Harerge had been relocated into more than 4,500 villages. Although the government had villagized about 13 million people by 1989, international criticism, deteriorating security conditions, and lack of resources doomed the plan to failure.

Opponents of villagization argued that the scheme was disruptive to agricultural production because the government moved many farmers during the planting and harvesting seasons. There also was concern that villagization could have a negative impact on fragile local resources, particularly on water and grazing land; accelerate the spread of communicable diseases; and increase problems with plant pests and diseases. In early 1990, the government essentially abandoned villagization.

3.7. Industrial policy and development (1974-1991)

The military government nationalized most of the MLSM (medium and large scale manufacturing) enterprises, which were later reorganized under state corporations. The government also declared 'a socialist economic policy' and introduced various restrictions on the private sector and the market. Private investment was restricted to not exceed half a million Birr and entrepreneurs may participate in only one venture. Price controls were instituted covering a wide range of products and the labour market highly regulated. The imports were also subjected to quantitative restrictions and higher tariffs in this period. The Ethiopian national currency, the Birr, was set fixed at about 2.07 per US\$1 and continued at this rate throughout the period of the military regime (1974/75-1990/91).

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