

Developmental Aid and Agricultural Development Policies in Ethiopia 1957 - 1987

Dejene Aredo*

Résumé: *L'aide étrangère a joué un rôle très important dans le développement de l'agriculture éthiopiennes particulièrement son impact sur les politiques agricoles nationales. Bien que l'Ethiopie a été le pays qui a reçu le moins d'aide en Afrique, dans les années 1980, l'agriculture éthiopiennne traverse une période de crise avec une forte bisse de la production et une chute alarmante de la production alimentaire par capita suite à la famine catastrophique de 1984. Par conséquent, la dépendance du pays sur l'aide alimentaire et les importations alimentaires atteint un niveau sans précédent. Malgré des différences fondamentales entre les politiques du gouvernement à orientation socialiste et les gouvernements des pays occidentaux, ils continuèrent tout de même à aider le gouvernement éthiopien dans le but d'arrêter son glissement vers la gauche. Dans ce contexte, l'aide au secteur agricole peut être classée sous quatre rubriques; l'aide humanitaire, soutien passif à la politique du gouvernement comme le programme de redéploiement, l'aide neutre politiquement comme les programmes de conservation des sols et de foresteries et les programmes qui imposent les conditionnalités rigoureuses. C'est par l'intermédiaire de l'idenification des projets, l'établissement des plans, le financement des projets et les discussions politiques que les organismes de financement interviennent dans les politiques agricoles.*

Introduction

Foreign aid has played an important role in the development of African agriculture, especially through its influence on national agricultural policies. In Ethiopia, an examination of aid destined to the agricultural sector suggests that there has been a close inter-action between donor influences and the recipients' national economic policies. This study focuses on foreign aid earmarked for agriculture in Ethiopia over the last 30 years, with the following objectives:

1. To examine the impact of donors policies on national agricultural policies.
2. To investigate the nature and magnitude of differences between donors' policies and the recipient policies for the pre- and post-revolutionary period.
3. To assess the nature and impact of aid on Ethiopian agriculture.

The approach adopted here is first to consider how rural development policies emerged and evolved over a long period, under the impact of foreign aid and then, to shed some light on present realities by examining the national agricultural policy of the Mengistu regime in juxtaposition with donor policies in the 1980s. The major sources of data are government documents and other published materials. Utmost caution should, however, be exercised in interpreting the results of the data used here, since available data are not only inadequate but are usually unreliable.

Following Todaro (Todaro 1981, p.408), foreign aid will be defined as capital flows which "encompass all official grants and concessional loans, in currency or in kind, which are broadly aimed at transferring resources from developed to less developed nations (and, more recently from OPEC to other Third World countries) on developmental and (or) income distribution grounds".

An Overview of the Agricultural Sector

Ethiopia has a total land area of 1.22 million square kilometers (124.8 million hectares) and a population of 44.7 million in 1986. With a *per capita* GNP of US\$ 120 in 1983, the country is among the least developed countries of the world. The structure and problems of the Ethiopian economy appear to be similar to the economies in the rest of sub-Saharan Africa. Important exceptions are, perhaps, the historic institutional changes that have been taking place since 1974 and the consequences of the Great Famine of 1984.

Three phases can be distinguished concerning the growth of the GDP since 1974. The period 1974/75-1977/78 had been characterized by stagnation (and in some cases a decline) of production of goods and services due to the then prevailing economic, social and security problems. It was with the establishment of the National Revolutionary Development Campaign and Central Planning Supreme Council in 1978, and the launching of the annual campaigns (*Zemecha*), that the economy regained momentum and experienced a relatively substantial rate of growth in the GDP until 1980/81. Good weather conditions in agriculture and the utilization of excess capacity in the manufacturing industries were among the major contributing factors. However, the economy has been experiencing a set-back since 1980/81.

Agricultural output in particular, declined substantially in 1983/84. The rate of growth of the GDP drastically dropped from 5.5 in 1978/79 to -2.4 per cent in 1983/84 mainly as a result of a drastic fall in agricultural output, which grew at a rate of -8.8 percent in 1983/84 National Revolutionary Development Campaign (NRDC) and Central Planning Supreme Council (CPSC) 1984/85, p.3). Moreover the catastrophic Famine of 1984, among other things, brought a dramatic fall in *per capita* food production.

The average *per capita* grain available for food per day for the Wello region, for instance drastically dropped from 810 grams in 1981 to a mere 110 grams in 1985, in contrast to the daily bare minimum requirement of 400 grams [Relief and Rehabilitation Commission (RRC) 1985]. As a result of the current drought and famine, the country's dependence on food aid and commercial (food) imports reached spectacular magnitudes. The latter alone jumped from 92.4 million Birr in 1980 to 171.6 million Birr in 1984 National Bank of Ethiopia (NBE). The number of persons receiving aid stood at 7.6 million or 17% of the total population by June 1985. The amount of food assistance distributed to drought and famine victims in one year ending September 1985 reached about 7 million quintals [Provisional Military Administrative Council (PMAC), Ten-Year Perspective Plan (TYPP) 1984/85 - 1993/94]. The rate of growth of *per capita* food production during the 1973-84 period has been estimated to be -0.6 percent annually, compared to the sub-Saharan Africa rate of 1.7% [World Bank 1986a, p. 87].

Domestic economic problems were unfortunately accompanied by a deterioration in the commodity terms of trade in international markets and by a substantial decline in the foreign exchange reserves of the country. The favourable terms of trade of 1977 (resulting from the unusually high unit price of coffee) have never been attained since then. The country's foreign exchange reserve dropped from 377 million Birr¹ in 1978/79 to 136.4 million Birr in 1983/84 [NRDC & CPSC 1984/85, p.66].

The country's capacity to generate the necessary economic surplus has been severely constrained in recent years. The gross domestic savings dropped from 12% of the GDP in 1965 to a mere 2% in 1983. The corresponding ratio for Africa South of the Sahara was 13 and 7%, respectively [World Bank 1985b]. The budget deficit stood at 8% of the GDP in 1983/84, in contrast to 4% in 1978/79 [NBE 1984b, p.54, NRDC & CPSC p.62]. The debt service ratio rose from 8% in 1980 to 15% in 1983 [NBE 1981, NBE 1983].

In 1986, however, the economy saw significant improvements mainly due to better weather conditions and a rise in the price of coffee, Ethiopia's major single export item.

Through the resettlement scheme about 542,203 persons, mainly from the desertified areas, were settled in other regions in 1985 [PMAC, TYPP 1984/85 - 1993/94]. Some 4.6 million farm households were regrouped into new villages.

1 1 US dollars = approximately 2.07 Birr.

Presently, peasant associations and service cooperatives comprised 66 and 64% of the total rural population, respectively. Producers' cooperatives were being established at a slow pace (only 1.4% of the rural population).² The Ten-Year Perspective Plan (1984/85) called for a higher degree of socialization of the agricultural sector as can be seen from Table 1. The plan envisaged that producer cooperatives would account for almost a half of the total agricultural output by the end of the plan period. The perspective plan called for food self-sufficiency and for a food reserve lasting for three months at the end of the plan period.

Table 1. Share of Farming Sectors in the Total Area Cultivated and Total Agricultural Output in 1984/85 and 1993/94 (per cent)

	1984/85		1993/94	
	Area Cultivated	Output Cultivated	Area	Output
State Farms	2.9	3.0	6.8	9.8
Producers' Cooperatives	1.3	1.4	48.8	49.8
Private Peasant Settlements	95.5	95.4	42.8	39.2
	0.3	0.2	1.6	1.2

Source: PMAC, *Ten-Year Perspective Plan 1984/85 - 1993/94*.

The share of agriculture in the total investment during the fiscal year 1985/86 was 19.6%, comparing favourably with 10.7 and 10.8% for industry and transport and communication, respectively [Office of National Committee for Central Planning (ONCCP) 1985/86]. In 1984/85 the sector received 27% of external loans and grants. However, that resource flows into the sector were not commensurate with its contributions (48% of the GDP, 90% of total exports, and 80% of total employment).

The use of modern farm inputs was limited, with for example, chemical fertilizer being used by less than 14% of the total farm population (about 7 kgm/ha) [PMAC, TYPP 1984/85 - 1993/94]. In 1982/83 there were only 24 Ph.D holders, 338 Masters, 687 Bachelors, 399 Diploma holders working in the agricultural sector [PMAC, TYPP 1984/85 - 1993/94]. A mere 22,000 extension agents are thinly distributed through the rural areas. Moreover, existing resources were biased towards state farms which are highly mechanized and are heavy-users of modern farm inputs.

Foodgrains were increasingly subjected to compulsory deliveries by a parastatal, named the Agricultural Marketing Corporation (AMC), which

2 Revolutionary Day Speech (September 12, 1986) by Comrade Mengistu Haile-Mariam.

purchased grains at nationally uniform prices on a quota basis. Controlling about 33 per cent of the total agricultural marketed surplus, the AMC competed with private traders through various administrative means. Manufactured goods are brought to rural people by another parastatal, the Ethiopian Domestic Distribution Corporation (EDDC), and by service cooperatives.

Peasant Associations (PAs) administered land use, acted as the government's arm at the grass roots level, and carried out defense and judicial functions. The PAs were responsible for implementing the provisions of the historic proclamation of March, 1975 which made rural land collective property of the Ethiopian people.

Foreign Aid to Ethiopia: An Overview

External official resources have played an important role in the country's developmental effort since the first loan was secured in 1944. External public capital accounted for about a quarter of the required total investment during the three five-year plans (1957 - 1973) [Imperial Government of Ethiopia (IGE), 1st, 2nd & 3rd Five-Year Plans]. During the period of annual campaigns (1979/80 - 1983/84) foreign loans and grants accounted for 37 per cent of the total investment expenditure of the country [PMAC, TYPP 1984/85 - 1993/94]. The Ten-Year perspective plan anticipated no less than 44.5% of the total investment requirements from external sources. External resource flows during the period 1967-83 amounted to US\$ 1,320.4 million [Codippily 1985, p.23]. However, with a *per capita* net disbursement of official development assistance of US\$ 8.6 in 1984 [World Bank 1986b, p.221], Ethiopia has remained among the lowest recipients of aid in Africa. By 1984 Ethiopia had received 58 per cent of her loans from bilateral sources and the rest (42%) from multilateral sources, of which the World Bank provided 67% [NBE 1984, p.39].

The share of the centrally planned economies in the total external public debt outstanding rose from about 4 per cent during the period 1967-72 to 26 per cent in 1984 [NBE 1984, Codippily 1985]. A noticeable shift towards the socialist countries has been accompanied by a substantial decline in external resource flows from some traditional donors. Thus, the share of the U.S.A. in the total bilateral external resource flows dropped from 35 during the period 1967-72 to a mere 6 per cent in 1984 [Codippily 1985]. On the other hand, with a share of 36.4 per cent of the total grants during the period 1970/71 - 1980/81, the EEC has emerged as a major source of external capital flows to the country.

The bulk of Ethiopia's outstanding debt originates from official sources (92% in 1983) [World Bank 1986b, p.155]. Direct foreign investment, which averaged about US\$ 4.5 million per year during the period 1967-1972 and reached a peak of about US\$ 31 million in 1973, has virtually ground to nil

in recent years [Codippily 1985, pp.14-24, National Bank of Ethiopia (NBE) 1984].

The share of agriculture in the total foreign loan drawings averaged about 10% during the period 1981-84. Infrastructure still attracts the bulk of foreign loans [NBE 1984, p.41].

An increase in the net inflow of public and publicly guaranteed inflows of external capital from US\$ 12 million in 1970 to US\$ 193 million in 1984 has been accompanied by a slight fall in both the average maturity and grace period from 34.8 and 7.5 years during the period 1973/74 to 31 and 6 years respectively in 1984 [Codippily 1985 pp.10-19, World Bank 1986b, pp.210-216]. The debt service as a per cent of export of goods and non-factor services soared from 10.7% in 1981 to 19.3% in 1984 [NBE 1984, p.42]. External resources averaged 46 per cent of the total capital expenditure over the 1972-73 - 1985-86 period (see Table 2).

The net disbursement of Official Development Assistance (ODA) gained momentum in 1984 after a downward slide in 1982 (see Table 3). Although the share of grants in the total net ODA compared favourably with sub-Saharan Africa, the share of technical assistance remained miserably low in a country where absorptive capacity constitutes one of the major constraints to sustained growth.

Table 2 : Financing Capital Expenditure* : External and Domestic Finance (million birr)

Year	Actual External Assistance (1)	Actual External Loan (2)	Total External Finance (3)	Domestic** Finance (4)	Total Capital Expenditure (5)	3 as % of 5
1972/73	23.2	57.7	80.9	72.2	153.1	52.8
1973/74	21.1	62.9	95.0	85.5	180.5	52.6
1974/75	32.1	67.3	99.4	138.2	237.6	41.8
1975/76	35.5	92.9	128.4	154.4	282.6	45.4
1976/77	61.3	94.7	156.0	158.7	324.7	48.0
1977/78	60.4	79.7	140.1	189.3	329.4	42.5
1978/79	41.5	123.3	164.8	204.0	368.8	37.2
1979/80	55.6	123.0	178.6	264.7	443.3	40.3
1980/81	69.3	141.6	210.9	294.2	505.1	41.8
1981/82	97.0	172.6	269.6	412.2	681.8	39.5
1982/83	128.8	335.9	484.7	351.5	836.2	60.0
1983/84	123.0	283.3	406.3	458.1	864.4	47.0
1984/85	185.0	324.0	509.0	510.8	1019.8	49.9
1985/86	187.1	340.0	527.1	615.5	1142.6	46.1

* Capital expenditure by enterprises is not included

** including deficit financing

Source: Office of National Committee for Central Planning (ONCCP)

**Table 3 : Net Disbursement of Official Development Assistance
(millions of US dollars)**

	1978	1979	1980	1981	1982
Ethiopia	139.7	190.6	216.0	249.5	199.7
Sub-Saharan Africa	4728.7	613.7	7144.6	7192.0	7211.4
Grants as % of net ODA 1983-84 AY					
	1983	1984	Total Gr.	Tot. A.	
Ethiopia	343.8	363.1	71.2	20.5	
Sub-Saharan Africa	7122.3	1324.7	68.3	27.4	

Source: World Bank - Financing Adjustment with Growth in Sub-Saharan Africa, 1986-90, p.85.

Foreign Aid and the Evolution of Rural Development Policies in Ethiopia

The Pre-Revolution Period (1957-1974) and Foreign Aid

Ethiopia was one of the first countries in Africa to formulate a national economic plan. It launched three five-year development plans during the period 1957-1973. The first five-year plan (1957-61) designed by Yugoslavian experts, was kept secret from the public and was never published. The agricultural sector was almost totally neglected during the first and the second plan (1963-1967) in line with the then prevailing development theories and donors' policies, which stressed the instrumental value of the agricultural sector as a means for accelerating the industrialization process.

During the first plan, agriculture was to receive only 7.5 per cent of the total monetary investments in contrast to transport and communication which received 45 per cent [IGE 1st Five-Year Plan]. External public financial resources accounted for about a quarter of the total required monetary investments during the five-year plan period (1957-1973). However, the share of the agricultural sector in the external resources had remained very small. For example, the World Bank, by far the largest single source of development assistance to Ethiopia in recent times, allocated 85 per cent of its total loans to modern roads during the period 1950-1959 and nothing to the agricultural sector [World Bank 1985a]. Those roads facilitated mainly the strengthening of the political and administrative power of the central government and the mobilization of agricultural exports. In a country where modern highways operated much below capacity, feeder roads were largely neglected by donors in the 1950s and early 1960s.

Similarly Sweden, an important donor (providing US\$ 346 million in 34 years, according to the Swedish Embassy in Addis Ababa) released no aid to the agricultural sector up to the second half of the 1960s. Prior to this

period, Swedish aid totally went to largely urban-based education and health facilities [Seleshi Sisay 1982, pp. 147-167].

During the 1950s and the first half of the 1960s no attempt was made to modernize peasant agriculture. The first plan (1957-1961) envisaged that "to solve this question (low productivity of labour in agriculture) there is no need to bring about fundamental changes in present methods of production, nor is it desirable to give up the kind of tools now in use" [IGE 1st Five-Year Plan]. Thus, in 1954, there were only two extension workers operating in the whole of rural Ethiopia [Huffnangel 1961, p. 455]. Even during the 1958-1968 period, Ethiopia had only 100 to 120 agricultural extension agents scattered across the country [Tesfai Teclé 1975, p.2].

By the late 1960s the adverse effects of previous agricultural policies were increasingly felt, as performance was far from satisfactory. Cereal production lagged behind growing urban demand resulting in food imports of 45,000 tonnes in 1960. (Six years earlier Ethiopia had been a net exporter of grain). Moreover, food production could not keep pace with accelerating population growth, as a result of, *inter alia*, the introduction of medical technology:

What does seem clear is that successful malaria and smallpox eradication programmes in the 1950s and 1960s led to a sharp decline in mortality. Natural increase accelerated and reached the present relatively rapid annual rate. This would appear to be an important causal factor in the economic events of the last several decades [Robinson and Yamazaki 1986, pp.327-338].

The "plentiful agricultural raw materials" [IGE 1st & 2nd Five-Year Plan], anticipated in the first plan were not realized, and limitations in rural markets increasingly constrained further expansion of the manufacturing industries. The deficit in the foreign trade balance rose from 23 per cent of the total exports in 1958 to 46 per cent in 1966 [C.S.O. 1982, p.120].

On the theoretical front, the "industry first" argument of 1950s was being challenged as post-independent Africa's aspiration for a rapid industrialization process became increasingly frustrated [Mellor, Johuston and Mellor 1961, Eicher and Witt 1964, Myrdal 1966]. At the same time donors made a significant shift in their policies. For example, the World Bank turned its attention, from infrastructure, to rural development and education around the turn of the last decade. The Ethiopian government was then subjected to pressure from major donors to give priority to rural development. It was noted that:

other assistance agencies other than the Swedish International Development Agency (SIDA) particularly the World Bank (IBRD) and the USA, also advised Ethiopia to give a high priority to the agricultural sector and recommended the package approach,

concentrating on the more promising regions. This idea was also supported by the FAO [Nekby 1971, p.9].

It was under such circumstances that the government reluctantly recognized the importance of addressing the agricultural sector.

Thus, the Third Five-Year Development Plan (1968-1973) markedly departed from previous ones by charting out a relatively well-articulated agricultural development strategy. The example of the Swedish-financed rural development project, Chilalo Agricultural Development Unit (CADU), had contributed to the relative precision and methodological refinement of the third plan [Nekby 1971, p.14]. The third Five-Year Plan "was to a great extent the work of international experts" [Stahl 1973, p.9].

Two main approaches for the development of the agricultural sector were adopted in the third plan. The first one referred to large-scale commercial farms, and the second to small-scale peasant agriculture. Inspired by donors [Stahl 1973, pp.5-9], the third plan envisaged the realization of the relatively quick increases in agricultural exports and the supply of food stuffs for the rapidly expanding urban areas through the promotion of large-scale, mechanized farms. Fiscal policies (including duty free imports of tractors and fuels) were employed in order to attract, in particular, foreign private capital and managerial know-how into the agricultural sector. Large-scale commercial farms made a head-way in the Awash valley, Setit Humera, Arsi and in some other parts of southern Shoa. However, such farms were far from bringing about the expected structural transformation of the agricultural sector [Dessalegn 1985]. By 1975 there were not more than 320,000 hectares of land (about 2.3% of the total cultivated areas) under large-scale commercial farms, which accounted for 7 per cent of the gross value of agricultural production at the end of the 1960s [Dessalegn 1985, pp.12-13]. The mechanization process, however, had negatively affected the equity-oriented goal of the package programmes as discussed below.

The other thread of agricultural development policies in the third plan was the establishment of aid-financed package projects. Projects had already been the dominant form of resource inflows noted by the Commercial Bank of Ethiopia:

Aid has often been given for projects the function of which in the general development strategy of the country was difficult to assess; a training college here, an agricultural cooperative there, a public health center next, etc. Assistance has been fragmentary and projects were considered as things that can be judged in isolation [Commercial Bank of Ethiopia (CBE) 1972].

Even in recent years the government had to deal with at least 51 major agricultural projects which are financed by the four major donors alone - The World Bank, the EEC, Sweden, and Italy [ONCCP]. Donors were

heavily involved in the designing and implementation of rural projects. For example, SIDA's project aid in 1967 was "tightly regulated and aid agreements were extensive, including plans of operation with detailed descriptions of the procedure to be followed at the various project stages" [Seleshi Sisay 1982, p.161].

The Third Five-Year Plan (1968-1973) envisaged that "modernization of peasant subsistence agriculture in all areas of the country simultaneously is hardly feasible" [IGE 3rd Five-Year Plan]. However, it was anticipated that "no time should be lost in making a start in strategically selected areas in which good results can soon be seen" [IGE 3rd Five-Year Plan]. Accordingly, scarce resources would be initially concentrated on selected potentially productive geographical areas. For example, the Chilalo Agricultural Development Unit, which was already initiated well before the launching of the Third Plan, was identified on the basis of favourable natural conditions, relative predominance of owner-operators, farmers' favourable attitude towards changes, and the prospects for disseminating the results of the green revolution technologies to adjoining areas. The package projects were considered as a "long, slow experimental and gradual diffusion process of the transformation of peasant agriculture" [IGE 3rd Five-Year Plan]. The first three integrated (comprehensive) package projects included the Chilalo Agricultural Development Unit (CADU), the Wolamo Agricultural Development Unit (WADU) and the Ada District Development Project (ADDP), which were launched in 1967, 1970 and 1972, respectively.

The objectives of the first three comprehensive package programmes were to:

- raise the real incomes of small farmers,
- elicit participation of small farmers and local government officials,
- control adverse employment effects and, wherever possible, generate new additional employment opportunities,
- narrow prevailing income disparities,
- continuously search for suitable methods for furthering rural development nation wide, and provide data for formulating better projects in the future [Tesfai Teclé 1975, p.4].

The intensive (comprehensive) package programmes consisted of such rural developmental activities as agronomic research, dissemination of research results, provision of modern farm inputs, provision of marketing and credit facilities, and promotion of cooperative societies.

The economic consequences of the major comprehensive package project, CADU, was substantial. CADU was able to raise wheat yields in Chilalo area from an average of 13.3 in 1967 to 20.0 quintals per hectare of high-yielding variety, through agronomic research efforts by 1970. A recent

study [Tenassie Nichola 1985] showed that the Internal Rate of Return (IRR) on research and extension expenditure on wheat in Chilalo area is quite high (40%) and compares favourably with those reported for other developing countries. Wheat has become the dominant crop in Arsi administrative region (where Chilalo is located) since the turn of the last decade. Today Arsi has become one of the few major grain surplus regions and it has the highest *per capita* income in the country. The net foreign exchange savings attributable to CADU (resulting from wheat import substitution) for the year 1971 was estimated to be Birr 5.4 million [Holmberg 1977].

By the turn of the decade, it was found that the intensive Package Programmes were too costly to be duplicated in other parts of the country. At the same time SIDA made a shift from project aid to the country-frame approach [Seleshi 1982, p.161]. Thus in 1971 Minimum Package Projects (MPP), involving only those minimum services considered critical for rural development (mainly fertilizers and credit), were established along all-weather roads in a country where 75% of the farmers live more than half-a-days walk from an all-weather road.

This scheme was thought to be less costly per farmer served than the intensive projects. The MPP used existing organizations for its implementation rather than creating new ones which were considered to be costly. It was planned that ten minimum package projects were to be launched yearly beginning in 1971. In this way the programme was expected to cover all the corners of the country by the end of the decade. This idea of emphasizing the use of chemical fertilizers throughout the country irrespective of locational variations in felt-needs of contrasting areas coincided with the World Bank's approach.

The Impact of Aid during the Pre-Revolution Period

In what follows we now discuss the policy framework and the social consequences of the package projects. Our investigation of the limitations and social effects of the package projects necessarily calls for an examination of donors' policies *vis-à-vis* Ethiopia's agricultural policy, with particular reference to Swedish aid policy.³

The traditional Ethiopian government had always been suspicious of foreigners. Clapham noted that:

3 The Swedish experts first got the idea of an integrated rural development project from Israel, India and Bangladesh, in particular. The success of such a project in Comilla (Bangladesh) relied "primarily upon group organization and action at the local level through the mechanism of cooperatives, which have been integrated into a central system" [Wharton 1969, p.390].

they (foreign experts) have been involved, as technicians or persuaders, in almost all of the modernizing measures which the government has taken, but they have never been able to take the decisions involved, and much of their work and many of their recommendations have no effect whatsoever [Clapham 1969, p.106].

Foreign experts were largely engaged in designing plans or projects which were seldom implemented. They have often been the "unwilling victims of the assumption that a committee or an expert's report is an effective substitute for an action in the field concerned" [Clapham 1969, p.106]. Thus the old regime employed different tactics including delays and simulations to resist the Swedish government's insistence on promulgation of a land reform bill, which was then thought to be the most limiting factor on the agricultural sector's absorptive capacity of foreign aid.

Negotiations between the Ethiopian and the Swedish government started in November 1965. An agreement was reached in March 1966 to conduct an investigation of possible target areas by a team of Swedish experts [Nekby 1971, p.9]. It took a ministerial committee of the Ethiopian government less than sixteen months (from October 1966 to February 1967) to accept the principles involved in the investigation team's recommendations [Nekby 1969, pp.40-43]. A Government agreement was signed on 8th September, 1967 for the period September 1967 to July 1970. By this agreement the Chilalo Agricultural Development Unit (CADU) was created as an independent Unit within the Ministry of Agriculture [Nekby 1969, p.44].

CADU was financed jointly by SIDA and by the Ethiopian government. Operating costs were shared under cash contribution, with SIDA defraying 67% and the Ethiopian government 33% of total costs. Of the total cost amounting to Birr 44,371,400 during the period 8 September 1967 to 7 July 1975, SIDA contributed Birr 28,995,600 and the Ethiopian government Birr 15,375,800. High level manpower was provided by both partners. For example, the heads of the Marketing division and of the Extension and Training Department were expatriates [Holmberg 1972, pp.89-90].

The main goals of CADU during the first agreement period included the following points [Stahl 1973, p.1]:

1. To bring about economic and social development in the project area.
2. To give the local population an increased awareness of and responsibility for the development work.
3. To verify methods of agricultural development.
4. To train staff.

Thus, the officially laid down goals were partly economic (increase in production) and partly social and political (participation in the decision-making process and improvement in the living standards of small farmers), in line with the Swedish government aid policy of making

contribution to "a development of society in the direction towards political democracy and social equality" [Stahl 1973, p.1]. In fact, the official goal of Swedish development assistance was not to strengthen a reactionary social system. The Swedish Parliament laid down in 1962 and 1968 that "it is not in accordance with either the goal or motives of Swedish development assistance, that it should contribute to the conservation of an anti-progressive social structure" [Stahl 1973].

Nevertheless, the social structure of pre-Revolution Ethiopia was far from being progressive. For instance, during the late 1960s, 45-55% of Chilalo project farmers were tenants, and "More than 90% of them were share croppers, of whom 84% paid one-third or more of their production to landowners, 40% of whom were absentees holding an estimated 30% of Chilalo's measured arable land" [Cohen 1975]. The Swedish designers of package projects were already aware of the existing social constraints [Nekby 1971], but they had under-estimated possible adverse effects as Cohen observed:

Their anthropological background studies were limited and late, and they under-estimated the scope of the problem or perhaps did not consider these limitations seriously. In any case they did not initially adjust the strategy to the variable, to think through its implications, rather they relied on external solutions which ultimately were not forthcoming [Cohen 1975].

The initial aid agreement was, of course, signed with the Swedish government on condition that the Ethiopian government would enact a tenancy legislation within two years of the project's (CADU) commencement. In fact, when SIDA was attacked in the Swedish parliamentary debate for not being able to reach the poorest farmers through CADU's activities, "SIDA as a rule fenced off such criticism by referring to the future legislation on land reform" [Stahl 1973, p.49]. But when the first agreement expired in July 1970 no legislation had been enacted. At this time, a six-month extension was signed and later, when the government of Ethiopia resubmitted the agricultural tenancy proclamation (which did not touch the fundamental question of land ownership) to Parliament in late 1970, it was taken as an act of good faith and a second agreement was signed extending the project (CADU) from January 1971 to July 1975. In fact, in spite of the Swedish government's threat to discontinue aid to agriculture, the bill was never enacted. Every possible means of delaying tactics were employed [Stahl 1973, pp.165-166] to postpone a nominal type of land reform, until the most radical form of land reform took place in March 1975.

Similarly delays were also found regarding other supporting measures which were stipulated in the initial agreement. The attempt at determining

the size of government land and distributing it to landless peasants did not materialize. The construction of a road in the project area was also delayed. Finally, CADU officials "realized that they could not combat the existing patronage policy" [Cohen 1975].

Therefore, the envisaged social effects of the package programmes were far from being realized. Although CADU aimed at benefiting small farmers, it unintentionally benefitted large ones, too. The results of CADU's research and extension activities were soon captured by big landowners outside the target population, thus contributing to expansion of large-scale mechanized farms in the Chilalo region and, consequently, to the eviction of some 5000 tenants. Ground-rent exhibited sharp increases as agricultural land became profitable thanks to the green revolution inputs generated in the target area. The high rents discouraged some tenants from effectively utilizing modern farm inputs since they needed to cover the costs, bear the risk of failure, and surrender to the landlord a substantial portion of the incremental income. In addition, land prices increased thus preventing better-off tenants from moving to the status of landownership. Moreover, mechanization reduced available grazing land thus resulting in a relative shortage of oxen in Chilalo area in the early 1970s. Further, the additional incomes of small farmers were partially wiped out through illicit mechanisms employed by corrupt local government officials [Cohen 1975].

Although some attempts were made to draw lessons from the intensive package programmes (that is, restricting credit to small farmers), the situation in the Minimum Package Project areas was not much different from the former. The small farmer's access to credit facilities was constrained by rigid collateral requirements, such as the need to sign a lease agreement with the landowner in the case of tenants, and by problems of repayment [Stahl 1973, Tesfai Teclé 1975]. Constrained by the existing social system, the small farmer could not make use of the new technologies of which he was aware:

The suspicion, with which the minimum package projects are regarded by the big landlords, corresponds to an awakening interest among the tenants. The demonstration fields and the model farmers' fields are making them conscious of the contradiction between the technical possibilities of practicing a high-yielding agriculture and the social situation which at present prevents most of them from utilizing these innovations [Stahl 1973, p.39].

The minimum package projects were, therefore, far from achieving their goal of reaching larger numbers of farmers although some successes were achieved. On the eve of the 1974 Revolution, minimum package projects were limited to 48 fully-fledged project areas and 346 extension areas scattered throughout the country, and covering all administrative regions. In

1973 not more than 25,400 farmers were effectively reached through the extension programme. The amount of fertilizers distributed in 1974 stood at an insignificant level of 78,475 quintals. However, there were indicators showing that noticeable increases in yields have been achieved in the target areas [Tesfai Teclé 1975, pp.49-50].

Therefore, the third plan (1968-1973) had limited impact on the growth of the agricultural GDP. Although some attention was paid to the agricultural sector in this plan, only 13% of the directly productive investment in agriculture was allocated for the small-scale farming [Tesfai Teclé 1975, p.3].

It was envisaged that more attention would be given to the agricultural sector in the proposed fourth five-year plan (1974/75 - 1978/79) under increasing pressure from donor nations and international agencies. The early 1970s was the MacNamara period when the World Bank (and other donors) made a significant shift towards rural development under the banner of an assault on poverty [Pearson 1969, MacNamara 1973, Chenery et al 1974, Martin 1970]. The first and the second consultative meetings in Ethiopia were held in 1971 and 1972, respectively, under the aegis of the World Bank. The basis of the agricultural development strategy in the draft fourth plan was provided by the World Bank. After identifying the major constraints of the sector, the Bank recommended that scarce resources be concentrated on areas of high potential in line with the on-going package programmes. Cereals and pulses were identified as priority crops. Measures to be taken included large-scale use of modern farm inputs, development of rural infrastructure and institutional changes, including the establishment of rural administration and land reform which was mentioned in passing.

A bank staff noted that during this period:

The World Bank's policy dialogue with Ethiopia in the economic field was greater than that of any other international or bilateral agency. Substantial progress had been achieved in establishing a fruitful policy dialogue with a country that had been traditionally reticent towards outsiders [Codippily 1985 p.3, Cohen and Weintraub 1975 pp.1-10].

However, the fate of the fourth plan was sealed by the onset of the 1974 Revolution.

In conclusion, it can be pointed out that, during the pre-Revolution period, donors had influenced national agricultural policy formulation through the design and implementation of specific agricultural projects which had mixed results. For example, SIDA, through CADU, had prompted the government to pay attention to the subsistence sector, made possible the generation of data and information for rural development planning and for gaining insight into the peasant mode of production, and contributed to a noticeable increase in productivity (wheat) in the Arsi region, though certain

social contradictions (such as the eviction of tenants) were inevitable under the given circumstances. Thus, "Swedish aid has influenced and shaped agricultural development policies through the CADU project and later through the Minimum Package Project" [Selechi 1982, p.163].

The Post Revolutionary Period 1974-1985

The package projects continued well through the post-Revolution period, although the implementation and the expansion were constrained, by the dissatisfaction of donors with the socialist policies of the government. In 1975 an agricultural pricing policy that heavily favoured private farmers, was proposed by an appraisal mission of the World Bank, in a grain marketing and storage project, in order to provide incentives to farmers through subsidized sales of fertilizers. It was suggested that the price paid to producers for grain should not be allowed to fall below a level where the average benefit/cost ratio (average revenue/average cost) in the use of fertilizers becomes less than 1.5:1. The fiscal implications of the proposal amounted to a subsidy of 7.5 million Birr per annum. However, the proposal failed to gain government acceptance on the grounds that:

other means than fertilizers should be tried, that fertilizer was costly to the economy, and fertilizer as an imported commodity should be replaced by materials locally available [Holmber 1977].

In addition, Ethiopia's aid climate suffered a major setback following the large-scale nationalization of foreign investments in Ethiopia and subsequent delays in resolving claims for compensation.

Several claimants complained about their problems in obtaining compensation to their governments as well as to the Bank (World Bank). The entire issue caused a great deal of concern among the donor community and strained Bank-government relations to the extent that lending operations were deferred for two years from April 1978 pending progress on compensation [Codippily 1985, p.15].

The World Bank was thus concerned not only with the way its loans and credits are managed by the recipient but also with the complaints of some thirty U.S. firms affected by the nationalization decree. Further fury arose among donors when the department that was responsible for the implementation of the package programmes (Extension Project Implementation Department of the Ministry of Agriculture, EPID) was dissolved in the wake of the Revolution. Dissatisfied by this measure, donors became reluctant to make further commitments for package programmes. In this way, the country lost millions of dollars worth of resource inflows in the form of foregone aid.

By the beginning of the early 1980s, however, the Ethiopian government had increasingly returned to western sources as aid from socialist countries

was insufficient to finance agricultural development [Hough 1980, pp.164-6, Wintenz 1981, Cohen and Nils-Ivar Isaksson 1987, p.35].

As progress on the compensation issue improved, the World Bank renewed its commitment to the minimum package programme [Codippily 1985]. Thus a second phase of the minimum package programme (MPP II) covered the period 1981 to 1984 and was financed by IDA, International Fund for Agricultural Development (IFAD) and by Sweden, although its implementation was delayed due to the lack of bridging finance. External loans and grants accounted for 60% of the total financial expenditure of MPP II [Ministry of Agriculture]. The objectives of the MPP II included dissemination of modern farm inputs, construction of rural infrastructure (such as feeder roads), and institution building (including coordination of the activities of various government organs engaged in rural administration and cooperativization). The project covered 13 administrative regions, 80 *awrajas* (districts) and 440 *woredas* (sub-district), the unit of extension work being 40,000 households. In MPP II, the model farmer was replaced by a group of farmers in line with the government's policy, emphasizing the socialist approach to rural development.

The single major modern input distributed through the minimum package projects was fertilizers. However, the uses of fertilizers, among other things, was constrained by sharp increases in prices in 1981 as can be seen from the following Table 4.

Table 4 : Fertilizer Prices and Use

	1973/74	1978/79	1979/80	1980/81	1981/82
Price of fertilizer (DAP) Birr/Quintal	42	55	65	85	116
Use of fertilizer by Peasants* (*000 tons)	10	32	48	43	30

* Private Peasant Sector and Producers' Cooperatives.

Source: Ministry of Agriculture.

From June 1984, MPP II was expected to be replaced by a somewhat different type of agricultural development strategy known as Peasant Agricultural Development Extension Programme (PADEP). PADEP was expected to be mid-way between the intensive and minimum package programmes in terms of financial cost. The objectives of agricultural transformation as stated in the Ten-Year Perspective Plan (1984/85 - 1993/94), included expansion of the production of food, raw materials and exports, creation of employment opportunities in the rural areas, selection and dissemination of location-specific agricultural technologies and, promotion of cooperatives and expansion of socialist relations of production in rural areas [Ministry of Agriculture]. Extension workers of the Ministry of Agriculture would provide modern farm advice at the level of service

cooperatives. New technologies would be developed for different ecological zones.

PADEP differed from earlier rural development programmes in the following ways [Ministry of Agriculture]:

- development of new technology packages for different ecological zones,
- strengthening of coordination between research and extension activities,
- preparation and implementation of annual plans and the corresponding budgets by zonal offices,
- establishing extension work at the grassroots level by taking individual service cooperatives (to be established for every, 1,250 households), as units of extension activities,
- clearly defining the role and responsibilities of service cooperatives in extension activities,
- establishing livestock development projects in selected *awrajas*, and
- strengthening peasant training programmes.

For the first time in the history of the Ethiopian agriculture, the need for considering the peasantry's accumulated experience and local needs in rural development efforts was explicitly mentioned. The zoning of the PADEP, however, simply followed existing administrative boundaries created for political and military considerations, which consisted of highly contrasting climatic, physical, cultural, and agronomic sub-regions. The Peasant Agricultural Development Extension Programmes were studied for their feasibility by donor agencies and high level experts from the Ministry of Agriculture since 1981/82.

Moreover PADEP, the center-piece of the government's present agricultural policy, was expected to be financed largely by donors indicating that the pacing and sequencing of the country's rural development effort is still influenced by the availability and the tempo of flows of external funds. Table 5 illustrates the limited contribution expected of the government (15.6%) and the insignificance of grants (5.3%) in the total financial requirements of selected PADEP zones. In fact, considering the fourteen major aid-financed rural projects, grants account for only 20% of the total [MOA 1987].

It is unlikely that the PADEP programme would be launched on time, given the fact that the provision of project preparation facilities and bridging finance depend upon the progress of policy dialogue between the World Bank (the major and the most influential donor) and the government. The negotiation between the two parties has been tied to the Bank's proposal concerning such policies as pricing and distribution of agricultural products.

In one of the policy documents for example, the Bank sought to assess: "some ways in which Ethiopia's policy framework might be modified within a socialist system so as to improve the efficiency of resource allocation ..."
[World Bank; *Ethiopia Recent Economic Development and Prospects*]

**Table 5 : Financing of Selected PADEP Zones
(millon Birr)**

PADEP	Project life	Sources of funds	Project Cost			Total
			Government	Ext. loans	Ext. grants	
North-west & Western zone	1986-1991	IDA	28.4	229.7	-	258.1
South-eastern zone	1986-1989	SIDA	18.0	-	18.0	36.0
Southern zone	1987-1992	ADB	6.8	39.4	-	46.2
Total	-	-	53.2	269.1	18.0	340.3
Per cent	-	-	15.6	79.1	5.3	100.0

Source: Ministry of Agriculture (1987). *Major Projects Under the Ministry of Agriculture and their Present Status*, Addis Ababa (Amharic).

Although the Bank recognized that the government operated "within a very difficult set of internal and external physical and economic parameters", it pointed out that "Ethiopia's current trade and exchange rate policies have tended to hold growth in agriculture, industry and exports below their potential, and have led to incorrect signals to guide investment into the most productive channels" [World Bank, *Ibid.*].

The Bank, after recommending that "a more flexible approach to macro-economic management" and a policy of "more reliance on market" forces be adopted, underlined the following specific recommendations as far as the agricultural sector is concerned:

- "Restoration of open market for grain within and between all regions by removing inter-regional barriers to and the taxes on the movement of grain (by) private traders"
- "Concurrently, restricting the operations of the Government's Agricultural Marketing Corporation, country-wide and within each region, to its demonstrated capacity in terms of its transport, storage, staff and management resources"
- "Increasing agricultural procurement prices to a level which would provide incentives for the adoption of technical packages, based on the import parity prices of each crop" [World Bank, *Ethiopia Recent Economic Developments and Prospects*].

In addition, the Bank also expressed reservations with the villagization and the resettlement programmes, altogether leading to prolonged negotiations. It was expected that: "If agreement cannot be reached by July 1988, the funds earmarked to support PADEP will revert to the general fund and the project abandoned by the Bank" [Cohen and Nils-Ivar Isaksson 1987, p.39].

The Post-Revolution CADU Programme

In what follows, we briefly review the status of CADU during the post-Revolution period. By 1974/75, Swedish aid had become increasingly tied to the purchase of Swedish goods and services (Table 6), vis-a-vis personnel and finance.

Table 6 : Percentage Distribution of Swedish Aid to Ethiopia by Resource type

Resources	1970/71	1972/73	1973/74	1974/75	1975/76*	1976/77
Personnel	33	30	26	21	22	20
Commodities	-	-	-	24	7	11
Financial resources (of which credit)	67 (27)	70 (13)	74 (15)	55 (7)	71 -	69 -

* There are inconsistencies in percentages for 1975/76.

Source: Seleshi Sisay 1982, p.163).

Furthermore, due to growing popular pressure and within the bureaucracy, CADU's activities was extended to cover the whole of the Arsi administrative region, and it was renamed the Arsi Rural Development Unit (ARDU). An important element of ARDU (as contrasted with CADU) was the incorporation of the socialization process into rural development efforts, such as: attempts to create:

a conscious and self-reliant cooperative community instead of being limited to only increasing individual economic productivity. Therefore, every attempt will be made to induce collective action for self-reliance in each and every rural community of the project area [ARDU 1976a].

Additionally ARDU, which intended to maximize area coverage and the number of beneficiaries, experimented with integrated rural development and encouraged full utilization of the resource base [ARDU 1976b]. Although ARDU aspired to get quick results at the least cost, its performance in general, were not as expected. Regarding extension services for example, it was observed that:

The emphasis of ARDU's extension programme has increasingly been on cooperative development, and this reduced the amount of time the

extension agent allocated to deal with technical problems. As a result a large number of farmers (interviewed) indicate that they have serious technical problems [Alemen Dejene 1985, p.169].

However, ARDU has had a relatively well-developed research unit with the capacity to adapt improved seed varieties and develop improved breeds of cows. ARDU also plays an active role in distributing chemical fertilizers and credit facilities.

An important drawback of ARDU is that it is still unable to diversify crop production given the need for land-saving cropping patterns under conditions of a growing population. Wheat, a crop requiring extensive farms, is still the predominant type of crop in Arsi region. Under the PADEP scheme, ARDU is to extend further to the neighbouring Bale administrative region to be renamed Bale-Arsi Rural Development Unit (BARDU), that is the South-Eastern Zone.

A Review of Recent Developments in Policy Dialogue

Shifts in Donors' Policies

Since the Second World War the variety of development strategies recommended by donors and foreign experts can be viewed as:

Characterized by a periodically changing set of recommendations that has been proposed, emphasized for a few years, and then amended or discarded to be replaced by newly formulated approaches [Cohen, Grindle and Walker 1985, p.1211].

SIDA, for example, switched from the provision of urban-based health and nutrition facilities in the 1950s and early 1960s to rural projects in late 1960s, and then to the country-frame approach in early 1970s (e.g. the MPP).

Presently, Western donors, in general, are increasingly moving towards programme aid and policy dialogue. For example, the World Bank, Ethiopia's single major donor agency, after making a diagnosis of Africa's economic malaise in *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981), made a significant shift from the policy of satisfying basic needs, which dominated during the MacNamara days, to a re-emphasis on growth of production, an outward looking policy (liberal trade regime), and to policy reforms to correct economic mismanagement. Although it recognizes that it has to share the blame regarding past mistakes in economic management in Africa [World Bank 1984, p.26], the World Bank asserts that: "slow growth has been caused by some basic constraints and also by inappropriate policies" [World Bank 1984, p.24]. "Over the years, the Bank has recognized that it is virtually impossible to have a good project in a bad policy environment" [Michalopoulos 1987, p.7].

Not only the World Bank, but other major creditors of Ethiopia have recently made more or less similar policy shifts. For example, the EEC, which accounted for 36% of the total grants made to Ethiopia over the 1970/71 - 1980/81 period, to a limited extent insists on policy dialogue in spite of pledges made in Lome III (see Articles 2 and 3). The EEC shifted towards programme aid and agriculture in Lome III. The Nordic countries in a policy statement made at a SADCC conference held in Lusaka in February 1984 stressed the importance of incentives in the following manner:

Saying that farmers will produce if given incentives to do so seems to be stating the obvious. Yet this is the area where governments appear to have most conspicuously failed. Farmers are all too often not being given sufficient incentives to increase production for the market. We feel that negligence of the incentive framework is the single most important reason why marketed agricultural production has declined (emphasis original) [Policies in Agriculture and Rural Development: A Nordic View, 1984].

Further, the Nordic countries made it clear that the small farm is the most efficient form of farm organization *vis-à-vis* state farms and collective farms. They noted that: "the experience available to us from Africa makes us skeptical about the efficiency of State farms and collective agriculture in the region" [Policies in Agriculture and Rural Development: A Nordic View, 1984].

The case of SIDA can illustrate the position of the Nordic countries. Although SIDA refrains from imposing conditionalities regarding the general macro-economic policy, it requires at least certain marginal policy adjustments when it comes to the question of considering the performance of a specific project or sector financed by Swedish aid [SIDA 1985].

SIDA did continue to support ARDU until it felt that the government's agricultural policies were hampering further progress in rural development in the Arsi area. SIDA singled out the villagization programme in Arsi and Bale as an unnecessary disruption of small holder productivity in a major grain producing area. Moreover, SIDA expressed concerns regarding the government's grain marketing and pricing policies and the subsidies being provided to collective farms. Therefore, it appears that SIDA will discontinue to support the Arsi-Bale Rural Development Project unless its major concerns are removed. In fact there are indications that SIDA is gradually moving away from the already better-off Arsi region to the drought-stricken and partially desertified Wollo region. Moreover, SIDA, in recent years, is increasingly moving towards policy-neutral programmes such as soil conservation, community forestry and land-use planning [Cohen and Isaksson 1987, SIDA 1985b].

Ethiopia's Agricultural Policy in the 1980s

Since the revolution, the Ethiopian government's socialist-oriented policy framework gradually diverged from the donors' interests. For instance, throughout the eighties the previous government's agricultural policy was based on the acceleration of socialist relations of production in rural areas through large farms gradually replacing small ones:

It will be necessary to change the agriculture of the country into modern and large scale farms, stage by stage, by changing its production organization and technological basis [Programme of the Workers' Party of Ethiopia].

Hence, the strategy required to realize a higher rate of growth of agriculture was believed to be the establishment and development of state farms and producers' cooperatives:

The strategy designed to accelerate the development of agriculture will be based on the expansion of state farms and the strengthening of the task of organizing the scattered peasant farms into producers cooperatives [Programme of the Workers' Party of Ethiopia].

Producers' cooperatives, in particular, will ensure the prevention of capitalism in the rural areas and a rise in the standards of living of the rural people [Programme of the Workers' Party of Ethiopia]. Cooperativization was anticipated to be preceded by a villagization scheme:

In order to progressively transform the lives of members of producers' cooperatives, they will be grouped in villages and be provided with economic, social and technical support so that they may obtain potable water, electricity, health education and other social and economic services [Programme of the Workers' Party of Ethiopia].

Another on-going scheme was the resettlement programme which involved large-scale population transfer from drought-stricken and densely-populated regions:

Measures will be taken to accelerate our social development by correcting the imbalances between population distribution and the exploitation of natural resources. In this connection, attention will be given specially to those of our people who inhabit regions with more conspicuous problems and those that have been repeatedly hit by drought [Programme of the Workers' Party of Ethiopia].

Similarly, the government was to "develop the share of state and public trade enterprises" in the field of marketing and distribution [Programme of the Workers' Party of Ethiopia].

Donors' Responses to Ethiopia's Agricultural Policies and the Later's Reactions

In response to policy shifts after the revolution, some western donor countries and agencies attempted to impose policy reform conditionality on Ethiopia. In an interview the then Head of State warned that:

A matter that deserves special attention is the need for refraining from interference in the internal affairs of the sovereign member states while conducting negotiations and concluding protocol agreements [The Courier No.99].

The evidence this is the resistance of the Ethiopian government to conditionalities imposed by Western donors as shown by the Bank's negotiations concerning the financing of PADEP, the refusal to establish any form of formal aid coordination mechanism (round tables consultative groups), an instrument often employed by the World Bank to influence other donors [see in World Bank 1986a, p.64].

Although the villagization programme has been one of the government schemes most severely criticized by Western donors, Ethiopia's position was unequivocal as can be seen from a statement of the then Head of State:

There are, of course, some deliberate and willful distortions of the motivation behind villagization. Some have gone to the extent of calling it a violation of human rights in which people have been moved into villages against their will. Others have equated villagization with socialism and collectivization, whereas what we are infact doing is simply trying to face up to our desperate daily problems and to come to grips with our underdevelopment and backwardness [The Courier No. 99].

The resettlement scheme has also been disapproved by many Western donors. A French-based non-governmental aid organization, the *Medicins Sans Frontière*, was expelled when it openly alleged (without producing evidence) that thousands of settlers died due to an involuntary and improper administration of the schemes. The USAID has persistently urged the government to stop both the resettlement and the villagization schemes. Some Western countries and aid agencies however, have been giving assistance to the resettlement schemes. The Italian government, signed (9th November 1985) to provide a US\$ 150 million grant to finance a major settlement scheme package in Pawe (Matekel awraja of Gojam administrative region). The Canadian government financed an agricultural research center and provided food and equipment for settlement projects [The Economist: *Quarterly Economic Review No. 1*, 1986]. The West German agency - *Manschen fur Menschen* has been financing a unique type

of settlement scheme in Illubabor and Hararghe administrative regions where more than 100,000 settlers are involved [The Courier No.99, p.37-38].

Similarly the government's position on price incentives, as stated by one of the top government official of the previous regime, Cde. Fassika Sidelil was reinforced unambiguously:

We have never been against free market, or against incentive pricing. Perhaps we have not communicated our views very well to other countries. But you must set the free market in its context. Our markets are imperfect and require government intervention. You would assume that with high prices for products, production will rise to meet demand. But our agricultural sector is inflexible-there are physical factors, natural phenomena, input supply which make it unresponsive [The Courier No.99].

The relationship between the policy positions of the donors and the Ethiopian government in agriculture have thus always been contradictory. For example, when the recipient stresses the importance of large farms, donors stress small farmers. When the recipient takes the socialization of the rural areas as a strategy for achieving sustained agricultural growth, donors recommend a large-scale use of the market mechanism.

There are however noticeable differences among various Western donors' policy as far as aid to Ethiopian agriculture has been concerned. Following Cohen and Issakson [1987], Western donors can be classified into four broad categories: (1) those who give only humanitarian aid (e.g. the U.S.A.), (2) those who give passive support such as supporting the resettlement programme (e.g. Italy), (3) those who tend to adopt the policy-neutral approach such as the provision of aid to soil conservation and to community forestry development which serve the long-run interest of the country (e.g. Sweden), and (4) those who follow "militant conditions" on the basis of policy dialogue (e.g. the World Bank).

In this context it is interesting to note that Western countries, in spite of noticeable policy differences with the Ethiopian government, continued to provide aid in an attempt to thwart Ethiopia's further drift leftwards. For example, OXFAM, in a paper to the British government noted:

If we abandon our responsibility and turn a cold shoulder then such a policy will certainly isolate Ethiopia from the Western World and push her more and more firmly into the Soviet Camp [Gill 1986].

Interestingly, although it is well-known that the socialist countries whole-heartedly support the Government's economic policy in general, it has been reported that a group of Soviet experts recommended, *inter alia*, the private sector approach to expanding agricultural productivity, including the

establishment of commercial farms and the liberalization of the marketing system [Cohen and Isaksson 1987, pp.42-46].

Conclusions

This study reviewed aid flows to Ethiopian agriculture by focusing on the question of the impact of donors' policies on the recipient's agricultural policies. The study has shown, *inter alia*, that donors have definitely influenced agricultural policies of the recipient, although there has been strong resistance to avoid fundamental changes in policy. During the pre-revolutionary period, the mechanism of influence included not only project identification but the design of national economic plans as well. During the post-revolution period, however, the national economic plans were designed independently, while donors attempted to influence the national policies through project identification, project-financing mechanisms and through policy dialogue, in particular. There have been fundamental differences in the policies of the socialist-oriented government and those of Western donors, although the nature of responses to the recipients' policies has been mixed. Although Mengistu's government had more or less persistently resisted interferences in national policy formulation, the implementation of the Ten-Year Perspective Plan would have been impossible without substantial aid flows from Western donors.

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Developmental Aid and Agricultural Development Policies in Ethiopia 1957 - 1987

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* Department of Economics, Addis Ababa University, Addis Ababa