ETHIOPIA AND THE EUROPEAN COMMUNITY

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INTRODUCTION

Since 1975, Ethiopia has been a signatory to the Lome I, II, III and, more recently, the Lome IV Conventions. It has been the largest ACP recipient of development aid under the first three Conventions. Due to a series of droughts in 1975, 1984/85, 1987/88 and again in 1990, Ethiopia has also received more food aid and emergency aid than any other ACP state.

Besides development aid, an increase in trade between Ethiopia and the European Community offers further evidence of the close links that have been forged over the years. Over 40% of Ethiopia's external trade is carried out with the Community. In addition to being the largest trading partner, the European Community and its member states taken together are Ethiopia's leading source of official development assistance.

From the beginning cooperation between the European Community and Ethiopia has complemented national development priorities. Under the first two Lome Conventions, assistance was focussed primarily on energy and infrastructure, while under Lome III and the present Convention priority has been given to increasing agricultural production and raising food security. Founded on 15 years of cooperation, the relationship remains sufficiently flexible to be able to respond to the current economic difficulties and new priorities facing the nation.

This brochure outlines the major areas of cooperation between Ethiopia and Europe over the last fifteen years, paying particular attention to Lome III, the most recently completed Convention.

GENERAL INFORMATION

Type of Government :	People's Democratic Republic
Head of State :	Mengistu Haile Mariam
Area :	1,200,000 km2
Population (1990) :	49 million
Rural Population (1990) :	90%
Capital City :	Addis Ababa (1.6 million inhabitants)
Religion :	Orthodox Christian, Muslim, Animist
Languages :	Amharic, English and numerous other languages

THE ECONOMY :

GDP (millions)	\$6,175 in 1988/89 (\$5000 in 1984/85)
GDP per Capita	\$120 (1988/89)
Trade Balance	\$-585 million (1988/89)
Exports	\$ 698 million
Imports	\$1283 million

Major Exports :		**Major Imports :**	
Coffee	60%	Capital goods	42%
Hides and skins	16%	Consumer goods	32% *
Live animals	4%	Fuel	13%
Petroleum products	3%	Semi-finished goods	11%
Pulses and oil seed	3%	Raw materials	2%
Other	14%		

** (one third of which was allocated for food)*

Debt outstanding (1988/89)	\$2.7 billion (46% of GDP)
Ratio of debt service to exports (1989)	44% (compared to 7% in1980)
Official Exchange Rate	1 Birr = \$0.5 = 0.4 ECU

Transport :
A national airline, 3 international airports, 69 airstrips.
Major ports : Assab and Massawa
Railway line between Addis Ababa and Djibouti
43,000 km of roads of which 4,000 km are tarmaced.

ETHIOPIA'S ECONOMY

With a GDP per capita of $120 in 1989, Ethiopia ranks amongst the poorest countries in the world. It is situated on the horn of East Africa, with its northern coast bordering the Red Sea. Its boundaries encompass a land that can be broadly divided into two main geographical zones - the highland plateau of central and northern Ethiopia and the surrounding low lands. With 49 million people, Ethiopia is the second most populated country in sub-Saharan Africa after Nigeria. It is a country rich in both culture and history. The first records of its civilisation date as far back as the legendary Queen of Sheba.

Like many African countries this century, Ethiopia was sheltered from the currents of modernisation and industrialisation occurring in the North. Some modernisation took place under Emperors Menelik and Haile Selassie but this was largely confined to urban centres. For the most part, the countryside reflected a feudalistic society based on landlords and peasant farmers. In 1974 the ancien regime was toppled by a popular revolution and replaced by the Provisional Military Administrative Council (PMAC), which became the People's Democratic Republic of Ethiopia after a referendum in 1987. The new regime implemented radical social and political reforms, including the abolition of the feudal land tenure system and the organisation of Peasant Associations throughout the country.

Since the 1974 revolution, Ethiopia has made considerable social progress, as reflected by significant increases in literacy and school enrolment and a modest rise in life expectancy. The literacy rate rose from 7% in 1973 to more than 60% in 1987. These achievements, however, have not been accompanied by commensurate economic progress. The 1980s have been marked by low economic growth (average of 2% per annum), especially following the catastrophic drought of 1984. Since then growth has fluctuated. Stimulated by robust agricultural production, growth surged ahead the next year by 9% only to falter again after another drought in 1987.

Agriculture is the mainstay of the Ethiopian economy, accounting for 43% of GDP, 90% of exports and 85% of employment. The main staple crops are grains (teff, maize, sorghum and wheat) while cash crops include pulses, oilseeds, cotton, sugarcane and coffee. Raising livestock is the other major agricultural activity. The country's livestock herd of 75 million is the largest in Africa. Most of the cultivated land is farmed by subsistence peasant farmers, who use traditional farming techniques. This type of farming occurs mostly in the overpopulated central and northern highlands where, dispersed across the rugged plateaus of the highlands, peasant abodes lie more than half a day's walk from the nearest road. It is also this region which has been most severely affected by droughts and soil degradation. The remaining farming is taken up by pastoralists and state farms.

Traditional village in the northern highlands

Although small farms tend to be scattered over wide areas, Ethiopia has a well developed institutional infrastructure in the countryside which provides support and social services. The basic unit is the Peasant Association (PA), which includes 2-400 farm families and covers a minimum of 800 ha of arable and grazing land. Three to ten PAs can voluntarily form a Service Cooperative (SC), whose main role is to provide inputs, consumer goods, credit, marketing and other services such as storage and machinery rental. Due to their broad coverage and provision of a wide number of services SCs are likely to play a critical role in Ethiopia's future rural development. For this reason, technical assistance and infrastructural support is being made available under various EC programmes in order to help SCs become a more effective vehicle for providing services to the agricultural sector.

As the engine for growth, exerting a dominant influence over the other sectors, agriculture has a major impact on the economy as a whole. Its poor performance over the last five years has therefore retarded economic growth. Despite the great potential of this sector, total agricultural production has consistently fallen short of food needs with the result that there exists a structural food deficit in a «normal» year of rainfall. There have been a number of factors contributing to the slowdown of this sector. The most notable of these were the droughts in 1984/85 and 1987/88. Other factors include the deteriorating terms of trade in the major export crop, coffee; limited extension services and poor access to farm inputs; and an agricultural policy framework which, until 1988, had failed to provide adequate farmer incentives.

Other economic activities focus on manufacturing, mining, construction and tourism. Ethiopia's known natural resources include gold, platinum, copper and potash. Some petroleum exploration has taken place, but no petroleum reserves have yet been found. With 40 river basins, Ethiopia is richly endowed with hydroelectric potential. Nevertheless, wood and charcoal presently provide most of the energy consumed. Prolonged use of wood as a source of energy and as building material, combined with lack of effective forest conservation, has lead to chronic deforestation and, in turn, soil erosion. At the turn of the century 40% of Ethiopia was covered with trees, today there is only a 3% coverage. To reduce the use of wood and charcoal, and thus to minimise deforestation, the Government is attempting to develop other energy sources such as hydroelectric and geothermal power.

Sorting coffee beans at a cleaning plant in Addis Ababa. (Photo : FAO)

In terms of balance of payments, Ethiopia has been facing a steadily increasing deficit. Low growth in agricultural production has led to stagnant export volumes, while fluctuating terms of trade for the major export, coffee, has reduced the capacity to earn foreign exchange. Compounding the situation further, Ethiopia has increasingly had to rely on external finance to pay for imports, thus fuelling international debt. Public expenditure has also risen over the last decade, reflecting the large security-related outlays and spending on public sector services. The combination of a stagnant economy and fast increasing public expenditure should normally have given rise to mounting inflation and debt repayment problems. However, responsible fiscal management has so far avoided this situation.

Ethiopia's endeavours to develop have been severely constrained by a number of external factors. Its'susceptibility to drought - three in the 1980s - has curtailed agricultural output in a country where, even in a good year of rains, there exists a structural food deficit. A long and protracted civil war in the northern provinces of Eritrea and Tigray has been a major drain on the country's limited resources, while deteriorating terms of trade for its major export, coffee, have hampered Ethiopia's ability to earn valuable foreign exchange. Other structural obstacles to development in Ethiopia are poor infrastructure, low agricultural productivity, a fast growing population and environmental degradation.

Apart from these impediments, policy and institutional factors have created an unfavourable environment in which to carry out development. In his address to the Central Committee of the Worker's Party of Ethiopia in November 1988 and again in March 1990, President Mengistu offered some possible reasons for the poor performance of agriculture and the economy : despite official efforts, the public sector had been an inadequate supplier of basic consumer goods; state enterprises had become characterised by poor management, inefficiency and high costs; while central planning had failed to effectively allocate scarce resources throughout the economy; with regard to agriculture, the strategy of promoting large scale state farms had produced disappointing results while neglecting the traditional peasant sector; furthermore, lack of incentives for this sector had hindered the expansion of exports which are predominantly agriculture-based.

On the strength of this diagnosis the government has been elaborating an agenda of economic reform with a strong emphasis on promoting the revival of peasant agriculture and the private sector. In its tenth and eleventh Plenum Resolution the government endorsed some important principles for the future structure of the economy. Firstly, it affirmed that Ethiopia had a mixed economy in which the public, cooperative and, in particular, the private sectors all have roles to play in the development of the economy. Secondly, it recognised a greater need for market forces in the allocation of resources and determining the structure of output. Finally, institutions, especially state enterprises, needed to be restructured and guided by considerations of efficiency and competition.

At this point, details of the policy agenda have not been fully formulated nor have they all been translated into concrete legislative form. It is, therefore, not possible to draw a comprehensive picture of the policy reform agenda. Nevertheless, certain measures already taken and statements of intention reveal a rough outline of the shape the policy agenda might take. The agricultural sector has been liberalised through the abolition of controls and marketing corporation grain quotas and by allowing the private grain trade to operate freely. Even under the old system, private traders accounted for two thirds of the trade, though their efficiency was severely curtailed by government controls, lack of access to credit, transport, storage and other essential facilities.

Other measures include the encouragement of large scale commercial farm enterprises through land concessions, and the establishment of individual land tenure for most farmers, permitting inheritance and the hire of wage labour. This move is likely to prove an extremely important incentive to increase production of both food and cash crops. Small farmers in Ethiopia, pre- or post revolution, have never had effective tenure rights and this has long been identified as a major constraint on output. It also has important consequences for land conservation, as farmers will henceforth have a direct interest in maintaining soil fertility through erosion control and forestry protection.

To promote the private sector, restrictions on investment, ownership, diversification and joint ventures will be removed. Trading activities and construction will be liberalised, thus allowing private entities to compete with state-run enterprises. For instance, the Coffee Marketing Board (CMB) has established an auction system to sell wholesale coffee, which enables private traders to compete with state marketing boards. To further bolster the development of the private sector, there is also a call to promote small-scale enterprises.

In order to reverse the past trend of low economic growth and stagnant food production, which, aggravated by drought, have led to poverty, famine and a growing structural food gap, Ethiopia will need to achieve positive economic growth. The liberalisation reforms, with their emphasis on promoting the peasant farmer and private sector, are seen as steps in the right direction. Under the next Lome Convention the Community will continue to support the government's efforts to liberalise the economy and increase agricultural production, particularly in cereals.

THE EUROPEAN COMMUNITY AND DEVELOPMENT COOPERATION

The Community in Europe

The European Community is made up of twelve countries : Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. All these countries have signed three treaties which form the framework for the construction of a united Europe : the European Coal and Steel Community (ECSC) treaty of 1951; the European Atomic Energy Community (EURATOM) treaty of 1957; the European Economic Community (EEC) treaty of 1957.

The aim of the treaties is the formation of an economic union - facilitating progress towards monetary and political union - in which goods, people, capital and services can circulate freely and where foreign trade, agriculture, transport and other sectors of the economy are governed by common policies.

The Community in the World

In its relations with other countries the Community seeks to encourage world trade and the economic development of the poorer countries.

It has supported successive rounds of tariff reductions : at under 4% the average level of its own external tariff is one of the lowest in the world. Since 1971, it has operated a scheme of generalised preferences and a network of preferential arrangements to encourage developing countries' exports. It is also a party to all international commodity agreements, and has set up a sizeable fund to help stabililise the export earnings of many producer countries.

In addition to its trade activities, the Community contributes to the economic development of the majority of countries in the Third World. It devotes a share of its annual budget to aid programmes in the southern and eastern Mediterranean, in Asia and in Latin America; and it provides assistance to 69 African, Caribbean and Pacific countries from the European Development Fund.

Community aid funds represent about 12% of the total aid effort of its member states, which between them provide over one third of all official development assistance.

European Community Institutions

1.The Council of Ministers : the decision-making body, where member States are represented at ministerial level.

2.The Commission : proposes and administers common policies and makes sure that the treaties are observed. It has 17 members, called «Commissioners», appointed every four years.

3.The European Parliament : adopts the Community budget every year after discussions with the Council of Ministers, and gives its opinion on Commission proposals. It has 518 members, directly elected every five years.

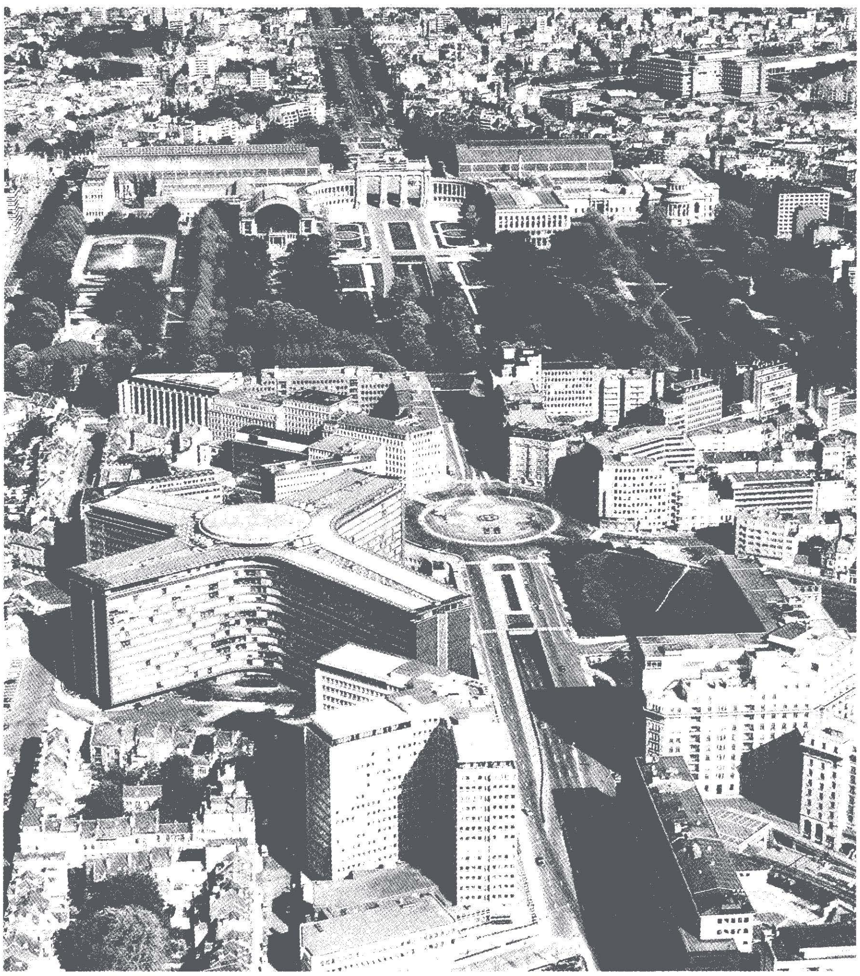
4.The Court of Justice : settles disputes arising from the application of Community law. It has 13 judges.

5.The Court of Auditors : checks that Community funds are properly spent.

Other bodies :

The Economic and Social Committee : an advisory body which represents employers, trade unions and other interest groups. It gives opinions on Commission proposals.

The European Investment Bank (EIB) : endowed with capital subscribed by the Member States, the bank raises money on capital markets to finance loans to Community countries and Mediterranean and ACP developing countries.



The headquarters of the Council and the Commission of the European Communities, Brussels, Belgium. (Photo : EC Commission)

The European Development Fund

The European Development Fund (EDF), to which all EEC Member States contribute, finances projects and programmes in African, Caribbean and Pacific countries which have signed the Lome Convention. It is administered by the Commission (with the exception of risk capital, which is administered by the European Investment Bank).

The Fund is renewed each time a new Convention is signed. Since 1958, when the first EDF was set up, there have been six successive Funds, each one backing up a five-year Convention. Thus the fourth EDF corresponded to the first Lome Convention (1975-80), the fifth EDF to Lome II (1980-85) and the sixth EDF to Lome III (1985-90). As Lome IV will run for ten years (1990-2000), the seventh EDF will cover the first five years of the Convention.

The total size of the Fund has been steadily growing :

	Million ECU [1]
EDF IV (Lome I)	3,072
EDF V (Lome II)	4,724
EDF VI (Lome III)	7,400
EDF VII (Lome IV, first half)	10,800

The proportion of grants to loans has also risen, from 75% of the 6th EDF to 92% of the 7th EDF.

Each Fund is supplemented by loans from the EIB. From its own resources the Bank is making available up to 1,100 MECU [2] for Lome III and will lend up to 1,200 MECU over the period 1990-1995.

The bulk of the EDF is divided among the ACP countries and regions for their national or regional development programmes. Each country and region is allocated a fixed amount at the start of each Convention (265 million ECU for Ethiopia from the 7th EDF). The remainder is used for assistance which is allocated according to circumstances, e.g. Stabex transfers, Sysmin loans, emergency aid or refugee aid.

[1] ECU = European Currency Unit (=1.3 US$ in December 1990)
[2] MECU = million ECU

The fourth Lomé Convention is signed on 15 December 1989 by the Presidents of the ACP Group and the Council of the European Communities. (Photo : EC Council)

The Lomé Convention and the ACP Group

The Lome Convention has four essential features :

• It is a long term contract freely negotiated between equal partners. The security it offers enables the associated countries to plan their economies with greater confidence.

• It is non-aligned in that it respects each partner's freedom to choose its economic system, political regime and development model. It embraces countries represented by governments or varying political tendencies.

• It is a comprehensive agreement that combines a whole range of cooperation instruments providing a balanced response to needs that vary depending upon economic structures and levels of development. Ethiopia, like all other countries that have signed Lome, decides itself which development instruments to use, according to its own priorities.

• Its institutions (ACP-EEC Council of Ministers and Committee of Ambassadors, ACP-EEC Joint Assembly) make for a permanent dialogue between governments and with the European Parliament.

These institutions operate at different levels :

• The ACP-EEC Council of Ministers manages the Lome Convention at government level, and is the ultimate decision-maker on questions of cooperation.

• The ACP-EEC Committee of Ambassadors (based in Brussels) meets more often than the Council of Ministers. This Committee monitors ACP-EEC cooperation and has certain powers delegated to it by the Council of Ministers.

• The ACP-EEC Joint Assembly consists of a representative from each ACP State and an equal number of Members of the European Parliament. It meets twice a year. The Joint Assembly serves as a forum for discussions and as a stimulus to ACP-EEC cooperation.

Consultations with the two sides of industry can be arranged on the initiative of the Assembly. Ad hoc meetings can also be held under the aegis of the ACP-EEC Council of Ministers on «clearly defined matters of common interest».

The ACP Group

The ACP Group was founded in 1975, with the signing of the Georgetown Agreement.

INSTITUTIONS

1. The Council of Ministers : the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies, and examines ACP-EEC cooperation as well as intra-ACP matters.

2. The Committee of Ambassadors : composed of ACP Ambassadors to the EC or their representatives, assists the Council of Ministers and supervises the implementation of the Lome Convention.

3. The ACP General Secretariat : coordinates the activities of the ACP institutions and is located in Brussels. Mr. Berhane Gebray, an Ethiopian national, is presently Secretary General of the ACP group.

ACP COUNTRIES

AFRICA

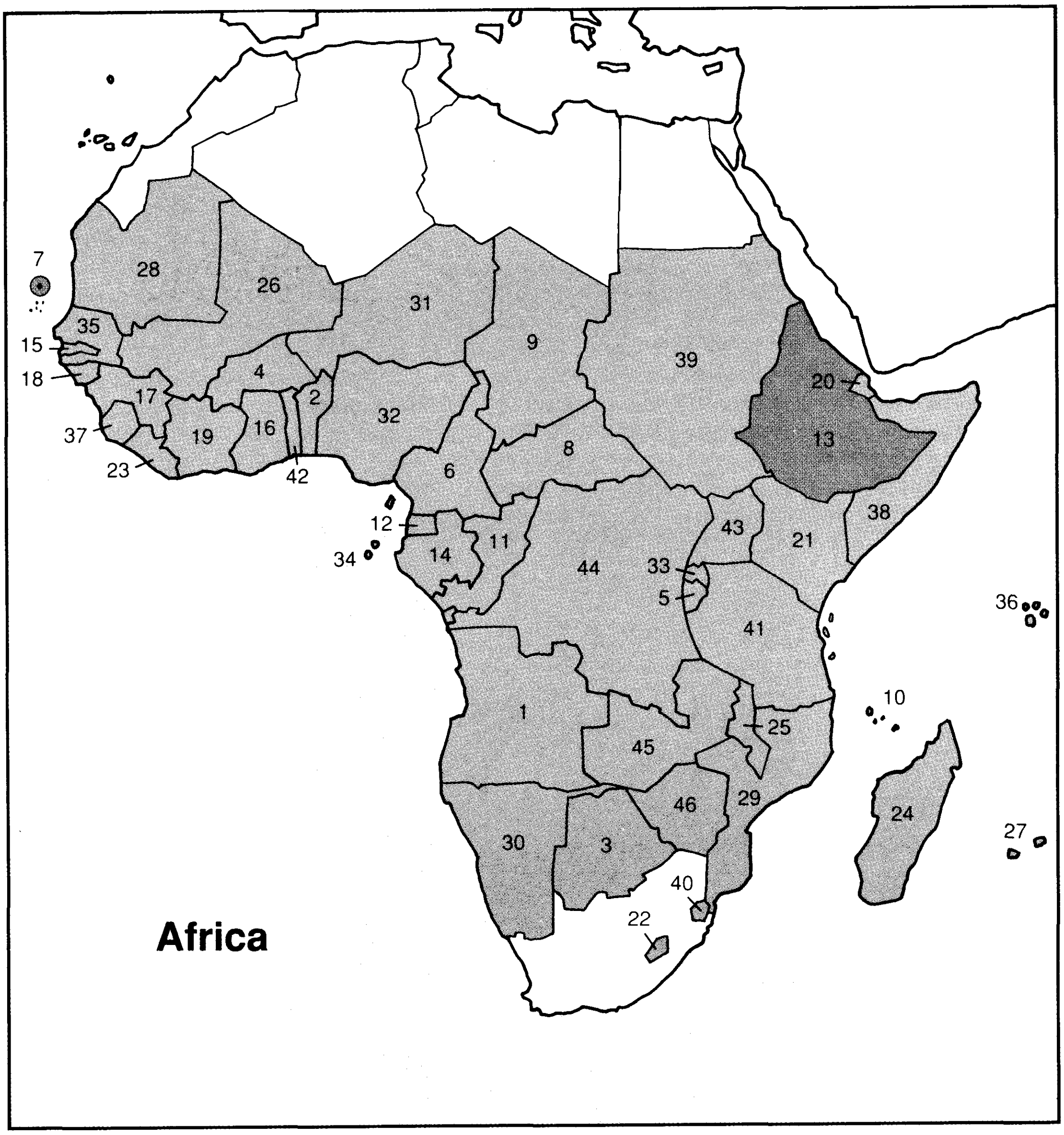
1 Angola
2 Benin
3 Botswana
4 Burkina Faso
5 Burundi
6 Cameroon
7 Cape Verde
8 Central African Republic
9 Chad
10 Comoros
11 Congo
12 Equatorial Guinea
13 Ethiopia
14 Gabon
15 Gambia
16 Ghana
17 Guinea
18 Guinea Bissau
19 Ivory Coast
20 Jibuti
21 Kenya
22 Lesotho
23 Liberia
24 Madagascar
25 Malawi
26 Mali
27 Mauritius
28 Mauritania
29 Mozambique
30 Namibia
31 Niger
32 Nigeria
33 Rwanda
34 Sao Tome Principe
35 Senegal
36 Seychelles
37 Sierra Leone
38 Somalia
39 Sudan
40 Swaziland
41 Tanzania
42 Togo
43 Uganda
44 Zaïre
45 Zambia
46 Zimbabwe

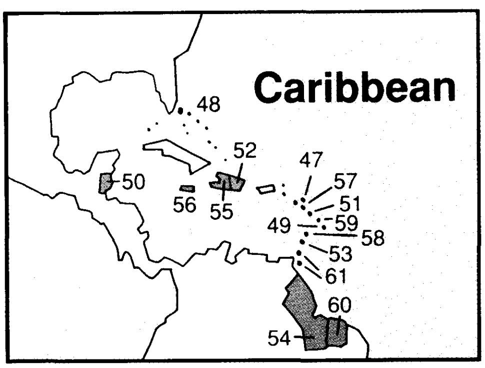
CARIBBEAN

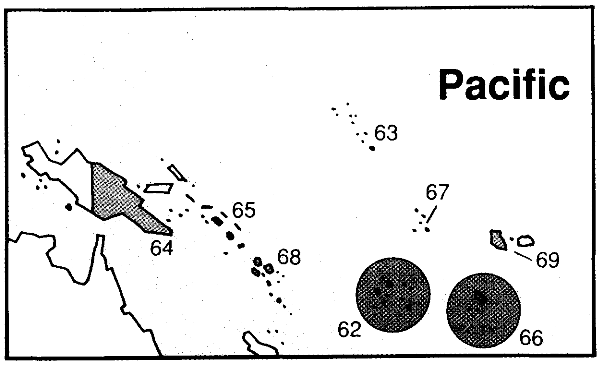
47 Antigua and Barbuda
48 Bahamas
49 Barbados
50 Belize
51 Dominica
52 Dominican Republic
53 Grenada
54 Guyana
55 Haïti
56 Jamaica
57 Saint Christopher & Nevis
58 Saint Vincent
59 Saint Lucia
60 Suriname
61 Trinidad & Tobago

PACIFIC

62 Fiji
63 Kiribati
64 Papua New Guinea
65 Solomon Islands
66 Tonga
67 Tuvalu
68 Vanuatu
69 Western Samoa







ETHIOPIA AND THE EUROPEAN COMMUNITY

The European Community and its member states enjoy close ties with Ethiopia, both as trading partners and as donors. On the trade side, 40-50% of Ethiopia's overseas trade is conducted with EEC countries, while, in terms of aid, these countries between them provide more official development aid than any other donor.

Trade relations

The vast majority of ACP countries' exports are given preferential treatment based on non-reciprocal free access to the Community market. They are not subject to customs duties or quantitative restrictions on entry into the EEC, except for a few products covered by the EEC's common agricultural policy. However, this exception does not currently concern any of Ethiopia's exports. Furthermore, under the Lome Convention ACP countries are not obliged to treat EEC products in the same way. Ethiopia can therefore charge customs duties on European imports coming into the country. The Stabex fund, by helping to stabilise export earnings, is another way in which the Community supports trade with its ACP partners.

These arrangements are of importance to Ethiopia because the EEC is its largest trading partner. Approximately two fifths of the country's exports are bought by Community countries. In descending order, the Federal Republic of Germany is Ethiopia's leading customer, followed by Italy, France and the Netherlands. Ethiopia's main exports are coffee (which accounts for 60% of total export earnings), hides and skins (16%), petroleum products (3%) and pulses and oil seeds (3%). The Community is also Ethiopia's major supplier of goods. Approximately 50% of imports come from EEC countries, principally from Italy and to a lesser extent from Germany and the United Kingdom. Over the last five years the EEC has had a surplus on its trade with Ethiopia, rising from $171 million in 1984 to $352 million in 1988. The table shows a breakdown of Ethiopia's trade with EEC countries.

It is a major policy objective of the Ethiopian government to expand and diversify exports. One way in which the EEC is encouraging these efforts is via trade promotion. In recent years Ethiopia has participated in a number of trade fairs and exhibitions funded with EDF resources and, as part of Lome III assistance, a foreign trade development programme has been launched to stimulate the diversification of Ethiopia's exports.

ETHIOPIA-EEC TRADE (1985-1988)
(millions of dollars)

Country of Origin and Destination	Ethiopian imports		Ethiopian exports		Balance of trade	
	1985	1988	1985	1988	1985	1988
Italy	82	178	65	102	-17	-76
West Germany	101	105	27	30	-74	-75
United Kingdom	89	91	13	12	-76	-79
Netherlands	20	107	46	25	26	32
France	33	17	11	8	-22	-9
Belgium-Luxembourg	14	12	6	12	-8	0
Other	12	33	3	2	-9	-31
EEC	363	543	171	193	-170	-350

Coffee accounts for 60 % of Ethiopia's export earnings. (Photo : FAO)

Development Assistance

Bilateral Cooperation with Member States

Taken together, the European Community and its member states, several of which have long standing ties with Ethiopia, are today the country's leading source of official development assistance. Over the period 1985-87, for example, the combined aid from the EEC and member states represented 43% of total aid to Ethiopia, a sum of $853 million of which $568 million was bilateral aid. Nevertheless, Ethiopia receives the lowest level of Official Development Assistance (excluding relief assistance) in Africa, $6-9 per capita in a year.

Although official development assistance has been provided in limited quantities over the last ten years, there are some member states which make significant contributions towards Ethiopia's development endeavours. Italy has traditionally been Ethiopia's largest bilateral aid donor. Over the period 1985-87 it provided 64% of all official development assistance. This aid, amounting to $361 million, was spent in a variety of areas such as an integrated rural development programme in the eastern provinces of Arsi and Bale, a rehabilitation programme in Eritrea and Wello and consolidation of a large integrated development project in the Beles Valley. Further commitments of Lire 747 billion (approx. US$ 600 million) were made from 1988-1990 for development projects, while a special fund (Lire 90 million) was allocated for emergency aid.

West Germany was Ethiopia's second largest bilateral aid donor, providing $77 million between 1985-1987. This aid was targeted to a number of technical assistance projects including an afforestation and erosion control programme carried out in cooperation with the Ministry of Agriculture. Other aid was directed towards humanitarian assistance.

British aid amounted to $ 63 million over the same period and was spent primarily in the areas of emergency and humanitarian assistance.

France's aid contribution came to $24 million and financed a number of technical assistance programmes in education, handicrafts and veterinary science. The Netherlands donated $23 million between 1985-1987 to food and non-food emergency aid as well as relief assistance to Somali and Sudanese refugees in Ethiopia. In addition these funds provided 34 fellowships for Ethiopians to attend postgraduate courses in the Netherlands. More recently, Spain has started co-financing development programmes, while a number of member states also contribute to the humanitarian activities of Non-Governmental Organisations (NGOs).

Community Development Aid

Cooperation between Ethiopia and the EEC began as early as 1973 when the EEC financed a food aid programme to help deal with the serious drought affecting the country at that time. The Imperial Government of Ethiopia entered into negotiations with the EEC for the first Lome Convention but the final document was signed by a representative of the new revolutionary government - an occurrence which highlights the ideological neutrality of the Lome concept.

Since then Ethiopia has been a signatory to the Lome I, II, III and, more recently, the Lome IV Conventions. From the beginning Ethiopia has received the largest amount of development aid, with allocations of programmable aid of 120 MECU, 141 MECU and 210 MECU under successive Lome Conventions. Under Lome IV Ethiopia will receive 265 MECU. Due to the worst drought in decades which hit the country in 1984-1985, Ethiopia has also been the largest recipient among ACP states of food aid(426 MECU in total) and emergency aid (149 MECU in total). Ethiopia has also received resources under the Stabex system, from the European Investment Bank, from the regional section of the European Development Fund and from a variety of other instruments. Since the beginning of cooperation with the Community, Ethiopia has received in total 1,271 MECU, including other assistance and European Investment Bank resources. For a more detailed breakdown see the table below.

Ethiopia has therefore benefitted substantially from most instruments of the Lome convention.

TOTAL ASSISTANCE (1973-1990)

Lome Assistance	Lome I	Lome II	Lome III*	Total
National Indicative Programme	120.0	141.0	210.0	471.0
Stabex	14.4	10.8	98.2	123.4
Exceptional and Emergency aid	7.0	48.1	49.0	104.1
Relief and Rehabilitation programme	-	-	36.2	36.2
Refugees (Article 204)	-	-	8.9	8.9
Regional Programme **	16.0	15.0	5.6	36.6
Total	157.4	214.9	407.9	780.2
Other Assistance :	1973-80	1980-85	1985-90	
Food Aid	34.3	141.3	250.7	426.3
Cofinancing with NGOs	0.2	1.7	6.0	7.9
Special Campaign against Hunger	-	3.5	-	3.5
Paris North-South Conference	7.5	-	-	7.5
Storage support (Article 9281)	-	-	2.8	2.8
Total	42.0	146.5	259.5	448.0
European Investment Bank	-	12.5	31.0	43.5
GRAND TOTAL	199.4	373.9	698.4	1,271.7

**The Lome III total is provisional, non-programmable aid being included up to mid-1990.*

*** These figures are estimates. It is difficult to assess the precise amount of regional assistance received by Ethiopia.*

Cooperation under Lomé I and II

In Ethiopia Community aid over the last 15 years has been channelled into a number of sectors : agriculture, infrastructure, health and education. Under Lome I and II, development assistance was focused primarily on economic and social infrastructure. 60% of the available funds were spent in this sector. Agriculture and rural development received the next largest allocation of funds (30%). The following are among the major projects now successfully completed : Addis Ababa Water Supply (53.45 MECU), Amibara Irrigation Project (21.1 MECU), Amarti Hydropower Scheme (37 MECU), Ghimbi-Gambela Road (26.4 MECU), Dessie Power Project (24.5 MECU), Geothermal Power Project (13.2 MECU), hospital in Kefa region and a school for laboratory technicians in Addis Ababa (10.2 MECU). These projects, for the most part implemented by European contractors, contribute substantially to the improvement of the country's economic and social infrastructure and, in so doing, they play an important role in the future economic development of Ethiopia.

Under Lome I and II, all the funds have been committed to specific projects and programmes. Most projects and programmes have already been completed, while those that have not are in the final stages of implementation. Due to the advanced stage of the projects, most funds have already been disbursed. In comparison to many other ACP countries, Ethiopia has performed well in terms of commitment and disbursement of EDF funds. This achievement can be attributed to the efficiency of the Ethiopian administration in identifying, preparing and implementing development projects as well as to the cooperative working relationship between the government and the EEC delegation in Addis Ababa.

Amarti Hydropower Scheme : water diversion tunnel under construction.

Cooperation under Lomé III

Under Lome III, Ethiopia was allocated 210 MECU of programmable aid, the largest country allocation for any ACP State. In March 1986 the EEC Commission and the Ethiopian government agreed on a National Indicative Programme to be focused on the agricultural sector over the five-year period. Agriculture production was not only targeted as a priority sector for Lome III in general, but in the aftermath of the 1984 famine in the Sahel region, this sector took on additional importance. It was agreed, therefore, that the overriding aim of Lome III in Ethiopia would be to help reduce the structural food deficit and achieve self-sufficiency in grain production over the medium term. More specifically, the objectives were to improve the productivity of peasants, increase the output per hectare and per family, increase the income and living standards of peasants and improve grain supply to non-agrarian consumers. To this end 85% of indicative programme funds were set aside for financing projects in the peasant agricultural sector.

Prior to the conclusion of this agreement, the Commission, in keeping with the spirit of the Lome Convention, entered into a policy dialogue with the Ethiopian government to establish the best way to reach the stated objectives in the agricultural sector. Against the backdrop of two successfully implemented Lome conventions the constructive nature of this dialogue is a testimony to the excellent working relationship between the EEC and the Ethiopian government.

Based on a study by the Ministry of Agriculture and consultations with the EEC and World Bank, the Government concluded that a major reason for poor agricultural performance in recent years, apart from the detrimental effects of drought, had been a lack of incentives for the peasant sector. The parties agreed that the policy environment needed to be made more conducive to the development of this sector. As a result, the Lome III National Indicative Programme (NIP) specified a number of incentives that needed to be adopted in order to stimulate output in the peasant agricultural sector, particularly in the fields of pricing and marketing. In terms of EDF-funded projects, a supportive policy framework would raise the likelihood of achieving viable and sustainable projects that would contribute to the overall goal of food self-sufficiency. This emphasis on sectoral policy represents a general shift in the approach to development assistance from one that was project-oriented to one that pays closer attention to the policy environment in which projects are implemented.

Following this policy dialogue, the Government announced a first set of agricultural reforms in January, 1988 which demonstrated their commitment to liberalise marketing and price structures. For example, prices paid to farmers for all major crops sold under quota to the Agricultural Marketing Corporation (AMC) were raised for the first time in eight years, thereby increasing the income earned by farmers. Once they had fulfilled their quota to the AMC, farmers were then permitted to sell any remaining produce on the free market where prices are higher than those paid by the AMC. A more liberal marketing system within and between the different regions would increase grain trade from surplus to deficit areas.

Further commitments to liberalise the economy were made in March 1990 when the government announced a set of reform packages promoting the peasant farmer and the private entrepreneur as agents for economic change. Some other measures outlined to achieve the stated goals of closing the structural food gap were to :

• increase the supply of improved farm inputs (eg. fertilizer)
• improve agriculture research and extension services
• improve rural infrastructure (rural roads, storage facilities, etc.)
• improve the agriculture credit system for peasants.

In addition to improving small farmer productivity in high potential areas, a second thrust of Lome III was concerned with environmental protection in drought-affected areas. By focusing on such activities as soil and water conservation as well as reforestation EEC assistance is contributing to the rehabilitation of agricultural capacity and the slowdown of soil degradation.

The Community has always tried to adapt its financial and technical assistance to national development objectives. This was the case under the Lome III NIP which directly complements the aims of the Ethiopian government as reflected in the Ten Year Plan (1985-1995) and the Three Year Plan (1987-1989) prepared in the aftermath of the 1984-85 famine. These recognised that to increase food production it would be necessary to provide peasant farmers with not only more modern agricultural inputs but also a more attractive incentive system. In view of the fact that a large segment of the population still lived in drought-prone highlands, the Three Year Plan also stressed the need to rehabilitate and protect local ecosystems.

Working on a forest nursery establishment in South Shewa. (Photo : Tefera Zewdie)

Threshing teff - the nation's preferred staple grain - in a surplus area of Central Shewa. (Photo : Tefera Zewdie)

To date eight programmes have been allocated funds under the Lome III indicative programme, representing a total commitment of 190.8 MECU. Seven of these programmes are targeted in the agriculture sector which, for the reasons outlined above, has been given top priority over the last five years. The largest of these schemes comprises three complementary programmes which focus on assisting individual small farmers in the administrative region of Shewa.

The reasons for focusing an agricultural programme in Shewa are twofold. Shewa is the country's most significant food-producing region, where, due to favourable soils and climate, considerable potential exists for increasing output of staple cereals like sorghum and teff. By stimulating output in this high potential region progress will be made towards closing the food deficit. It is also an area (especially the mountainous zone of the north), which has been significantly affected by drought and soil degradation. By setting out to increase food production and protect the ecosystem these two aims are therefore consistent with the main objectives of the National Indicative Programme.

North Shewa Rural Reclamation and Development Programme

This programme is being implemented in the northern part of the Shewa region. It is a mountainous zone which despite steep slopes and degraded land, supports a population of approximately 1 million people. The food balance in this zone is precarious and is particularly vulnerable to erratic rains.

As a result it was hard hit in the 84/85 drought. The programme therefore sets out to stabilise the local ecosystem by improving land use practices in order to conserve natural resources. It also concentrates on the rehabilitation of the peasant farmers affected by the drought by improving their productive capacity. With an allocation of 24 MECU phased over a period of five years, the programme aims to improve the well-being of over 100,000 families through several schemes : soil and water conservation; development of rural infrastructure (roads, water supply, small scale irrigation); boosting agricultural support (extension, inputs delivery, etc.); and improvement of livestock productivity.

Central Shewa Peasant Agriculture Development (PADEP)

In accordance with the NIP agreement, this project along with the South Shewa Conservation-based Rural Development Programme, was approved after the government liberalised the agricultural policy framework.

The region of Central Shewa is not prone to erosion since it is mainly composed of a relatively flat highland plateau. Climatic and soil conditions make it a major surplus food-producing area. However, average grain yields seldom exceed 1 ton per hectare. Considerable potential nevertheless exists for increasing output of staple cereals in this region. The project therefore concentrates primarily on raising the income and food production of small farmers by strengthening agricultural services and developing farm technology. More specifically, it entails : boosting management capacity and field penetration of the Ministry of Agriculture, particularly in extension, planning, monitoring and evaluation; improving the availability and timeliness of agricultural input and seed supply; and raising the quality of social and support services to peasant farmers.

Central Shewa PADEP also includes some components designed to contribute to the national PADEP effort which, apart from the EEC, is being supported by IDA (Gojam/Gonder), Italy (Arsi/Bale) and ADB (Gamo Gofa/Sidamo).

Ethiopia's first basic seed farm, developed under PADEP. (Photo : Tefera Zewdie)

Notable here is the support to the Ethiopian Seed Corporation, which through technical assistance and the construction in Arsi of the nation's first basic seed farm, will improve the quality and supply of improved seed varieties to small farmers. Support is also being given to raising the national capacity of the input supply Corporation.

Another innovative feature is the social and rural service programme. This includes numerous productive activities such as rural grain mills, small sugar production units and beekeeping that are designed to improve rural agro-processing capacity and thus the supply of the basic consumer goods for farmers to buy with their PADEP-driven boost in purchasing power. Allied to this is a programme in health, primary school construction and other social services that will raise the standards of welfare in PADEP concentration areas. These are expected to have important incentive effects for farmers in the programme.

The total cost of the programme is estimated at ECU 57 million of which ECU 53.4 million will be financed by the EDF. The remainder is financed by the government of Ethiopia. It is expected that the programme will result in an increase in cereal production of over 70,000 tons a year and benefit over 500,000 families directly or indirectly. Furthermore, the effects of the agricultural reform measures, mentioned earlier, are likely to be particularly pronounced in Shewa where agricultural trade is highly monetised and vibrant and farmers are known to respond to price incentives in a relatively sophisticated manner.

PADEP - rural road construction in Central Shewa. (Photo : Tefera Zewdie)

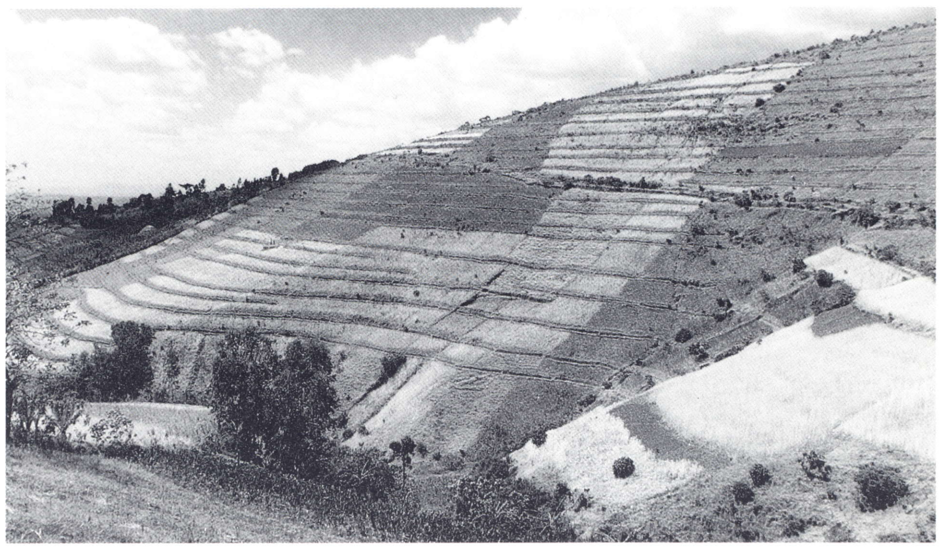
South Shewa Conservation Based Rural Development

Southern Shewa enjoys favourable climatic and soil conditions and is traditionally a food surplus region. However, in many areas, land degradation in the form of soil erosion and nutrient depletion has become a serious problem arising from the pressure that increasingly high human and livestock population densities exert on the land. Furthermore, fuelwood shortages have led farmers to use cattle dung as a source of fuel, a practice which further deprives the soil of vital nutrients.

It is against this background that the Programme was conceived. It therefore adopts a growth strategy based on conservation which sets out, on the one hand, to improve farming practices and hence production capacity and, on the other, to protect the environment and rehabilitate the land. To achieve these aims the programme involves an integrated package of measures in a wide range of fields. It consists of : soil and water conservation; agricultural and livestock development (provision of inputs, credit, training and extension); rural industry development (promotion of cottage industries); rural infrastructure improvement (construction of roads and water supplies); and small-scale irrigation.

The contribution of ECU 26.2 million by the Community to this project is expected to benefit 200,000 farm families and raise cereal production by up to 80,000 tons per annum. The conservation measures are expected to have a more delayed impact.

Severe erosion in South Shewa. (Photo : Tefera Zewdie)



Conservation works carried out under the South Shewa programme. (Photo : Tefera Zewdie)

A cut-off drain in South Shewa - one of a number of techniques that help to check the formidable erosive power of run-off water. (Photo : Tefera Zewdie)

Project for the Improvement of Coffee Production in the Peasant Sector (CIP)

Coffee plays a key role in the Ethiopian economy. It is the largest export commodity accounting for 60% of foreign exchange earnings and contributes 12% of agricultural sector output. The main coffee type is Arabica, which is now grown worldwide but was first discovered in Ethiopia. It is grown indigenously in the South Western regions and provides cash income and employment for approximately 7 million people. In the last three years, however, coffee production has declined to a point where Ethiopia has been unable to meet the quota allocated to it under the International Coffee Agreement. This decline in production has resulted from a number of factors : drought, primitive cultivation practices, inadequate price incentives and marketing arrangements and, last but by no means least, the spread of Coffee Berry Disease (CBD).

In this context the major objective of this project, which is a continuation of previous actions financed under Lome I and II, is to increase smallholder coffee production. With an allocation of ECU 38 million, the Community is assisting the Ethiopian government to achieve this aim through a number of schemes involving : the propagation of modern methods of coffee production and the planting of CBD-resistant varieties; the timely supply of equipment and inputs like fertiliser and tools; CBD control measures; and the strengthening of management capacity and improvement of services to farmers. By maintaining 20,000 ha of previously planted coffee areas and planting a further 6,000 ha of individual holdings the project is expected to increase annual production by 14,800 tons, worth about US$ 15 million at prevailing world prices.

A poor incentive structure (low prices/excessive taxation) combined with an insecure food supply in the coffee-growing regions has induced traditional coffee growers to shift production away from coffee to other grain crops. The government has taken steps to arrest this trend. With the liberalisation of agricultural marketing it is now possible for traders to resume their role of transporting cereals from surplus-producing areas to coffee areas, which are generally food deficit areas, for sale on the open market. This will allow peasants to grow coffee as a cash crop and buy food products on the local market. In terms of price incentives, the Ministry of Coffee and Tea Development has in October 1989 raised producer prices and reduced coffee taxes.

More significantly, the Coffee Marketing Corporation is to be stripped of its monopoly role and must from now on compete with the revitalised private trade, a measure that will immediately improve farmer returns, and should lead to more efficient marketing. Finally, 30,000 ha of previously «communalised» holdings were, in early 1990, redistributed to private farmers, and significant yield increases are expected to result, as farmers will be motivated to invest more of their time and resources in cultivation.

Apart from this, Ethiopian coffee enjoys a fundamental advantage that should enable it to prosper in the ever more competitive world market - its intrinsic quality is widely recognised, and fetches high premiums from buyers around the globe.

Tending coffee trees in Kefa region - Ethiopia should produce an extra 15,000 tons of coffee a year as a result of EEC support. (Photo : FAO)

Lake Fisheries Development Project

Ethiopia possesses ten major lakes in the Rift Valley and surrounding central highlands. These lakes contain sizeable fish stocks that can be exploited without fear of depleting the resource. Nevertheless, the fisheries sector is much neglected. There are approximately 3,000 fishermen who operate using dugout canoes and nets. Equipment is of poor quality and not readily available. Limited marketing outlets mean that fishermen consume a third of their catch and the general population is deprived of a valuable source of protein.

The Lake Fisheries Development Project sets out to increase the number of fish caught and improve marketing outlets so as to make more high protein food available to the public. To achieve these results the project includes measures in the field of applied fishery research, establishment of improved fishermen's cooperatives and supply of inputs (fishing gear, boats and credit lines). Provision of technical training is aimed at improving the vertical line of production from landing the fish, processing, storing to marketing the product. It will also establish fish breeding farms to replenish stocks. In this way the project aims to increase fish production by over 100%. Over the longer term, it will prepare a plan for the sensible exploitation of fish resources which does not unbalance the ecosystem.

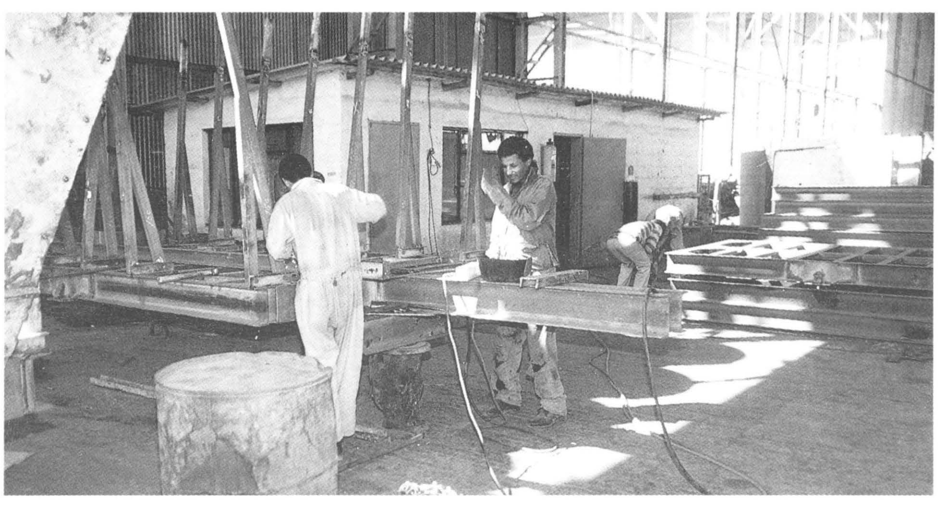
Filleting tilapia fish at the Fish Production and Marketing Corporation Cold Store, Zway, South Shewa. (Photo : Tefera Zwedie)

Light truck donated by the EEC, Zway. (Photo : Tefera Zewdie)

Sectoral Import Programmes for the Agricultural Sector

Ethiopia has been struggling to cope with the after-effects of drought which have seriously disrupted economic growth. After the drought of 1986/87 the economy contracted by 2%, reflecting the poor performance of the agricultural sector. The situation has been compounded further by poor performance in exports, a dramatic fall of coffee prices and rapidly rising foreign debt obligations which have led to critically low levels of foreign exchange reserves. This, combined with the low level of ODA, has meant that the country's ability to finance imports of essential productive inputs has been severely curtailed. Although 1988/89 was a good harvest the time lag before the benefits are fully appreciated means that Ethiopia faces a serious short-term foreign currency constraint. This is happening at a time when the domestic budget is under serious strain as the Government embarks on a series of liberalisations.

Under these circumstances the two Sectoral Import Programmes (SIP I and II) aim to alleviate the foreign exchange and budgetary constraint through the provision of imported inputs to peasant farmers in the agricultural sector. Rapidly disbursed funds are used to buy imported inputs which are then sold to participating agencies in the agricultural and agro-processing sectors. The agencies then channel the inputs to the target groups (eg. peasant farmers and small-scale industries), and the local currency proceeds from the sales are placed in a counterpart fund. These funds are ploughed back into the agricultural sector to support for instance the local costs of other EDF projects or the policy reforms presently being undertaken by the government in PADEP and Coffee.



Materials supplied under the Sectoral Import Programme are used to build improved carts for the transport of sugarcane at Wenji plantation. (Photo : Tefera Zewdie).

Inputs financed under SIP I and II include fertiliser, chemicals, and seeds; spare parts and equipment for crop marketing; and spare parts and raw materials for industries supplying basic consumer goods to rural areas, such as simple garments, soap and sugar. This latter activity complements the Shewa agricultural, rural and social programmes and the coffee development project by providing tangible goods on which peasant farmers can spend their increased income. By relieving short-term foreign exchange constraints and providing necessary inputs and consumer goods to the peasant sector, the Sectoral Inport Programmes make an important contribution towards the national effort of increasing food production and raising the wellbeing of the peasant farmer.

Fertilizer supplied under the SIP at Aisco store, Eastern Shewa. (Photo : Tefera Zewdie)

Integrated Training Programme

Although Ethiopia has made considerable progress in the field of education, through mass education and literacy campaigns, the educational system has become overloaded. Teacher training has failed to keep pace with demand leading to a situation where a third of teachers have never been trained. A lower standard of teaching combined with inadequate facilities has in turn led to a critical shortage of skilled labour, particularly in accounting, economics, engineering, and administration.

Thus the Integrated Training Programme aims to develop human resource capacity by running local training schemes and training abroad. These schemes, on the one hand, will improve teacher training capacity in the educational sector and, on the other, will increase the number of qualified personnel in agriculture and also in other sectors. Specific training schemes are also directly linked to the various ongoing rural development programmes, for instance in Shewa.

In addition to local training schemes, the programme will finance specialised training abroad, especially in agriculture, engineering, management and education, for up to 160 Ethiopians.

Food Aid and Emergency Aid

As mentioned earlier, a major obstacle to Ethiopia's development efforts has been its vulnerability to drought, especially in the northern highlands, the result primarily of population pressure and misuse of the land over the centuries. Prolonged use of wood as a source of energy and building material combined with traditional agriculture methods of farming the land without leaving it to rest, hàs led to deforestation, soil erosion and increasingly less fertile soil.

In recent years this situation has been compounded by security problems. A structural food deficit of 400-500,000 tons in a normal year of rain, means that any shortfall in rainfall exposes large sections of the rural population to the possibility of drought and therefore famine. Indeed Ethiopia has had a long history of droughts and famines. In the last five years the country suffered three major droughts in 1984/85, in 1987/88 and 1990. Most of the EEC food and emergency aid has been channelled towards the relief and rehabilitation of famine victims.

1984/85 Drought

In 1984 and 1985 Ethiopia was hit by a severe drought which developed into the worst famine in decades. Eight million people were affected by unprecedented starvation and suffering. Grain shortfalls were estimated at 1.5 million tons in 1985 and 1.1 million tons in 1986.

The international response to the government's appeal for relief assistance was quick and generous. The EEC took part in the international relief effort which, organised and coordinated under the Dublin Plan, resulted in the donation of large quantities of food aid and emergency aid. Between the onset of the famine in October 1984 and 1986, the EEC pledged a total of 148 MECU of food aid and 84 MECU of emergency aid. These sums were used in part to supply 343,000 tons of grain as well as other supplementary food aid such as butteroil and skimmed milk. The majority of this food aid was given to the Relief and Rehabilitation Commission (RRC), the government body directly responsible for carrying out relief efforts, for free distribution in drought-affected areas. The remainder was channelled to areas of need via non-governmental organisations (NGOs).

On the other hand, emergency aid was mostly used to overcome the logistical difficulties of getting the food across the highland plateaus and to the drought-affected areas. Consequently, the 84 MECU spent on emergency aid was partly used to fund the costs of the airlift and airdrop operation as well as to support the costs of inland transport. The aid was also used to supply medicines, assist NGO operations and procure food and seed. The major implementing agents were the RRC, NGOs and a variety of UN agencies (UNDP, WFP, UNEPPG, UNICEF).

After the worst effects of the 1984 famine, the EEC felt there was a great need to bridge the gap between short term emergency aid and long term development assistance with a medium term **rehabilitation** plan which, by rehabilitating farmland and supporting rural infrastructure, would revive the agricultural sector to pre-drought levels of output as quickly as possible. A rehabilitation plan for Ethiopia of 36.2 MECU was adopted in early 1986, under which the following disbursements were made:

• 19 MECU was spent on the supply of farm inputs to peasants in drought-affected areas (fertiliser, pesticides, seeds, handtools, material and equipment for irrigation);

• 9 MECU was allocated for improving the economic and social services in rural areas (spare parts for RRC's fleet of trucks, storage facilities and rural water supply);

• 3 MECU were spent on spare parts for the Ethiopian-Djibouti Railway.

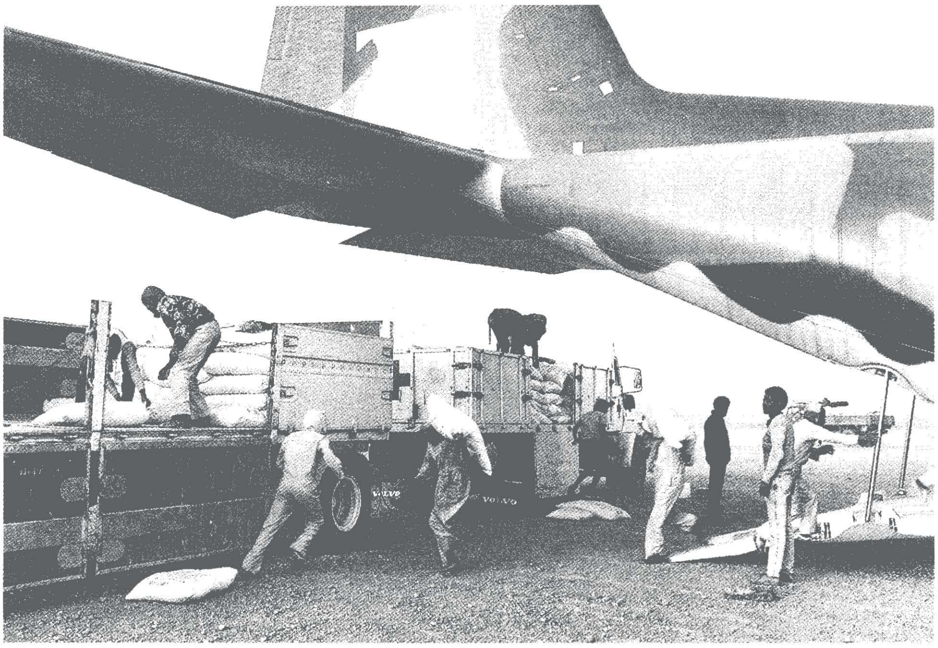
Due to the substantial amounts of emergency relief made available from many sources, coordination of food and emergency aid between the various donors, implementing agents and RRC became of paramount importance for the effective implementation of the relief operation. International coordination in Ethiopia has been supervised by the United Nations Emergency Prevention and Preparedness Group. Regular meetings with the donor community, the RRC and NGOs, have resulted in an effective information gathering and early warning system.

This system has ensured : a swift and comprehensive exchange of information to monitor and assess requirements and food needs; effective coordination of deliveries, especially at the two ports, Massawa and Assab, where food shipments in the past often encountered bottlenecks; and the rapid mobilisation of resources to drought-affected regions. The NGOs have also organised themselves into two umbrella groups, the Joint Relief Partnership (JRP) and the Catholic Relief and Development Association (CRDA). The former group operates in the northern provinces of Eritrea and Tigray while the latter group operates in the rest of Ethiopia.

1987/1988 Drought

This system of coordination proved invaluable when in October 1987 the RRC early warning system indicated the likelihood of drought. Due to the failure of the previous harvest caused by inadequate rains, the RRC estimated that there would be a food gap in the order of a million tons in 1987/88. Concentrated primarily in Eritrea and Tigray, the total population estimated to be at risk and in need of food was 5.2 million. In addition to food aid, the RRC identified a need for massive non-food emergency aid (procurement of spare parts for lorries, medical and nutritional assistance, provision of logistical facilities at ports, inland transport contributions, etc.).

This type of assistance was required to organise a massive food pipeline between



Unloading airlifted EEC food aid for drought victims.

the ports and the mountainous interior. By channelling the food directly to the villages, this grassroots operation aimed to avoid the establishment of shelters and feeding camps that were such a painful feature of the previous relief effort. The impending crisis was compounded not only by the logistical difficulties of transporting food into the relatively inaccessible areas of the highlands but also by the progressive deterioration of security in Eritrea and Tigray. Growing tensions between the government and rebel forces meant that relief convoys were continuously exposed to attacks. For this reason the donor community and the RRC decided to combine relief transport by road with an airbridge operation, so as to ensure a continuous food pipeline from the sea ports to the land-locked regions.

Following a formal aid appeal, the response from the international community was once again prompt. The EEC responded with a massive food aid input linked with an emergency aid package. The EEC were the major food donors in 1987/88, with 312,000 tons of grain earmarked for free distribution in drought-affected zones. The relief programme (30.5 MECU) was used to finance the following activities :

• the air-bridge operation carried out by the Joint Relief Partnership - procurement of spare parts for the RRC and NGO truck fleets - medical assistance through NGOs

• agricultural rehabilitation packages

• revolving fund to cover inland transport costs.

Despite the logistical, administrative and security-related difficulties which the colossal emergency operation had to face, the donor community and the government successfully managed to avert a repeat of the mass starvation seen after the 1984-85 drought. The success of this relief effort can be attributed to a number of factors and lessons learnt from the previous famine response. Immediate mobilisation of financial and material resources combined with a well-managed and coordinated relief programme ensured that there were few logistic bottlenecks or delays in responding to the crisis.

Availability of transport and distribution of food at grassroots level avoided the need for feeding centres and hence the displacement of people. This was particularly true of the relief and food distribution programmes run by the Joint Relief Partnership operating in the highly insecure areas of Eritrea and Tigray. Furthermore, the parallel implementation of rehabilitation programmes, including food for work projects and erosion control, has led to the relatively quick recovery of the people and the land in the drought-affected regions.

1990 Drought

In 1990 Ethiopia faced the possibility of yet another famine. There are 4-5 million people estimated to be vulnerable and once again they are predominantly situated in Eritrea and Tigray. Similar logistic and administrative difficulties needed to be surmounted in order to reach villages in these war-torn regions. With the port of Massawa paralysed by the fighting, the remaining port of Assab had to handle all food shipments.

In order to reach the drought-affected people in the war-torn regions a «corridor of peace», whereby donor agencies could transport food and relief materials, was agreed upon between the government and the TPLF (Tigrean People's Liberation Front). In addition, the UN carried out an airlift operation to alleviate food shortages among the civilian population of Asmara in Eritrea. Together with other donors, the EEC has mobilized resources to respond to the crisis : to date the Community has disbursed 71.5 MECU in food aid and 11 MECU in emergency aid.

Refugees

For a long time Ethiopia has harboured large numbers of refugees from Sudan and Somalia. There are estimated to be 375,000 Sudanese refugees and 325,000 Somali refugees currently in Ethiopia. The situation is particularly chronic at present. Increasing numbers of refugees fleeing war and political turmoil in Sudan and Somalia are arriving destitute and suffering from malnutrition. The refugee camps are located in areas where the provision of basic necessities, such as food and water, presents enormous problems. To complicate matters the isolated location of the refugee sites makes it difficult to transport and therefore to maintain a continuous supply of essential requirements.

In this context the Commission, under Article 204 of Lome III, has supported the activities of UNHCR with an allocation of 8.1 MECU. These funds are helping to finance the transport and supply of food and water, the development of a continuous water supply and the provision of health care. In addition, the Commission has supplied 40,000 tons of food aid worth 14.3 MECU.


Sudanese children in the Fugnido refugee camp, Gambela region. (Photo : UNHCR)

Stabex

Lome I introduced a system of stabilisation of export earnings to compensate for falls in prices or production of ACP agricultural commodities. Transfers can be made from the Stabex fund to compensate for losses of export earnings in «lean» years. Ethiopia is a beneficiary of the Stabex scheme for five basic commodities : coffee, hides and skins, sesame seeds, beans and cotton. Under Lome I and II, Stabex transfers totalled 25.2 million ECU, and under Lome III, an amount of 98.2 MECU has so far been transferred. A particularly sharp decline in coffee prices in 1987 was the main reason for such a large sum.

The Government used the Stabex funds primarily to expand and diversify agricultural exports. For example, nearly half of the funds were earmarked for coffee development. A further 20% was ploughed back into the agricultural sector for the development of such crops as tea, fruit and vegetables and beans and oilseeds. Other funds were channelled into the development of industries such as textiles, spices, salt, pulp and paper and into institutional support for the Ministry of Trade and other trade organisations.

Regional Cooperation

Ethiopia is part of the East African region which for EEC programming purposes consists of 9 ACP countries : Ethiopia, Sudan, Djibouti, Somalia, Kenya, Uganda, Rwanda, Burundi and Tanzania. Between them they cover an area of 6.5 million km2, with a combined population of 140 million. Although these countries differ widely in their economic weight, natural resources, population and geographical situation, they nevertheless have to face collective problems stemming from common climatic and geographical factors. This is particularly true for Ethiopia and its neighbouring countries in the Horn of Africa.

Over the course of the last three Lome Conventions Ethiopia has benefitted from a host of regional projects over and above the country allocations provided for under its Indicative Programmes. Under the Lome III Convention 185 MECU were earmarked for the East African subregion. The largest regional project of relevance to Ethiopia has been the upgrading of the Ethiopia - Djibouti Railway (25 MECU under Lome I and II), a project in which France was also a major participant. EDF resources were used to fund the supply of equipment (locomotives, coaches, trucks, inspection trolleys, etc.), the installation of a communications system and the rehabilitation of 60 km of railway tracks.

Other regional projects include desert locust control, a campaign against rinderpest (a fatal disease afflicting cattle) and a subregional AIDS control programme. In the area of trade, the EEC has been cooperating with the PTA (Preferential Trade Area for Eastern and Southern Africa). This programme is geared to promoting trade between member countries through the establishment of Chambers of Commerce, regional trade fairs and other such activities.

More recently, the Community funded three preparatory studies on regional food security and desertification control carried out by a newly formed organisation, the Intergovernmental Agency for the fight against Drought and for Development (IGADD), which is concentrating on the Horn of Africa. Another EEC-funded project is promoting cooperation between ILCA (International Livestock Centre for Africa) and national research institutes in order to improve livestock production (milk, meat and traction); research activities will be backed up by intensive training schemes. Most of the above-mentioned regional projects are likely to be continued with regional funding from Lome IV.

European Investment Bank and Centre for the Development of Industry

The European Investment Bank's activities in Ethiopia have involved providing risk capital and commercial loans for projects in industry, mining and energy. Loans have financed feasibility studies, a rehabilitation programme at the Bahr Dar Textile Mill, the building of container terminals in the port of Assab and the development of an open cast gold mine in Sidamo. In total the EIB has loaned ECU 43.5 million over the last fifteen years. The Centre for the Development of Industry has also mobilised funds in order to promote industrial development through industrial and marketing studies and training in the leather, tyre and chemical industries.

Prospects for the Future

Since EEC-Ethiopia cooperation began in 1975, the Community has transferred a total of 1,271 million ECU to Ethiopia, which has been used both for short term emergency relief and long term development. This substantial volume of resources has been efficiently and effectively absorbed by the Ethiopian economy and has provided a foundation of experience and structures on which to base future cooperation.

The EEC and the Ethiopian Government are currently preparing the Lome IV national indicative programme, to which an amount of 265 MECU has been allocated. The major aim will continue to be to increase agricultural production and thereby reverse the past trend of low economic growth and stagnant food production, which, aggravated by drought, has led to poverty, famine and a growing structural food gap. Projects will contribute to this overriding objective while consolidating on past gains. In addition, the Community will continue to support the government in its efforts to liberalise the economy and promote the private sector.

The EEC- supported regional rinderpest campaign is protecting one of Ethiopia's major assets - its livestock.

In this respect, the last five years has seen the gradual liberalisation of the Ethiopian economy, through a variety of reforms geared towards providing market and price incentives to stimulate output in the economy, especially in agriculture. These changes also reflect a shift from an economic system that was heavily guided by the state towards a mixed economy in which peasant farmers and the private sector act as important agents for economic development. While there remains room for further economic reform the measures taken so far demonstrate the government's commitment and willingness to adjust the economy to one that is more productive and efficient.

At the same time Ethiopia will have to face several challenges. Once again the country is confronted with the prospect of a famine in the Northern Regions of Eritrea and Tigray. This situation is compounded by the ongoing civil war in these provinces. The combination of war and famine constitutes a serious drain on valuable and scarce resources that could otherwise be funnelled into long term development efforts. This situation is exacerbated by the fact that Ethiopia receives a low level of Official Development Assistance (excluding emergency relief). A peaceful solution to the civil war and greater support from the donor community would increase Ethiopia's chances of succeeding in its economic liberalisation reforms and, therefore, of achieving sufficient economic growth to feed its people and develop its economy.

COMMUNITY AID TO ETHIOPIA 1975-1990

AGRICULTURE AND RURAL DEVELOPMENT	in million ECU
Coffee improvement	78.2
Amibara Cotton Irrigation	20.1
Fisheries Development	9.3
North Shewa Rural Reclamation and Development	24.0
Central Shewa Peasant Agricultural Development	53.4
South Shewa Conservation-Based Rural Development	26.2
Sectoral Import Programme (I)	10.5
Sectoral Import Programme (II)	24.0
INFRASTRUCTURE	
Ghimbi-Shebele Road	26.4
Cotobie-Combolcha-Dessie Power Project	24.5
Geothermal Energy	13.2
Amarti River Diversion	37.0
EDUCATION, HEALTH AND SOCIAL INFRASTRUCTURE	
Practical Education Project	2.1
Multiannual Training Programme	8.9
Integrated Training Programme	7.1
Health Care Hospital	10.2
Low Cost Housing	1.5
Rural Water Supply	16.1
Addis Ababa Water Supply	53.5
Stabex	123.4
Regional Cooperation	36.6
Emergency Aid	104.1
Relief and Rehabilitation Programme	36.2
Refugees	8.9
Food Aid	426.3
NGO co-financing	7.9
Special Campaign Against Hunger	3.5
North-South Conference	7.5
Storage Support	2.8
European Investment Bank loans	43.5
GRAND TOTAL :	1,271 MILLION ECU

EDF IV

1. Rural Water Supply
2. Amibara Irrigation Project (also EDF V)
3. Fisheries Development
4. Geothermal Research
5. Ghimbi-Shebel Road
6. Dessie Region Power Project (Also EDF V)
7. Construction and Equipment of Teferi Hospital (also EDF V)

EDF V

8. Addis Ababa Water Supply
9. Shebel-Gambela Road
10. Amarti Diversion Power Project (also EDF IV)

A. EIB loan : Textile Factory, Bahr Dar

EDF VI

11. Coffee Improvement Project (also EDF IV and V)
12. Rural Reclamation and Development in the Northern Shewa region
13. South Shewa Conservation-Based Rural Development
14. Central Shewa PADEP
15. Fisheries Development
16. Sectoral Inport programmes

B. EIB loan : Lemga Dembi gold mine
C. EIB loan : Port of Assab

17. Djibouti-Addis Ababa Railway. (EDF IV and V)
18. Assistance to refugees

PRINCIPAL COMMUNITY-FINANCED PROJECTS IN ETHIOPIA

Principal abbreviations

ACP : African, Caribbean and Pacific countries which have signed the Lomé Convention
EEC : European Economic Community
EC : European Communities (Coal and Steel, Atomic Energy and Economic), often called the European Community.
CEC : Commission of the European Communities
EDF : European Development Fund
EIB : European Investment Bank
ECU : European Currency Unit (the EEC's accounting unit, worth approximately 1.3 US dollars in December 1990).
MECU : Million ECU
FAO : United Nations Food and Agriculture Organisation
GDP : Gross domestic product
NGO : Non-governmental organisation (Save the Children Fund, Danchurchaid, etc.)
NIP : National Indicative Programme
PTA : Preferential Trade Area for Eastern and Southern African States
PADEP : Peasant Agriculture Development Programme
RRC : Relief and Rehabilitation Commission
STABEX : Stabilisation of export earnings
UNHCR : United Nations High Commission for Refugees

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