Volume 1

ETHIOPIA
Trade and Transformation

Summary and Recommendations

DIAGNOSTIC TRADE INTEGRATION STUDY

July 2004 Final Version.

PREFACE

The Ethiopia: Trade and Transformation Challenges: Diagnostic Trade and Integration Study is the product of joint work undertaken by an international and Ethiopian team of trade and sector specialists.

The Study team was led by Sarath Rajapatirana (Consultant- American Enterprise Institute). The international, members of the team were, Prema-chandra Athukorala (Consultant-Australian National University), Elwyn Grainger-Jones (World Bank) Cees de Haan (World Bank), James Hodge (Consultant-University of Cape Town), Zainab Mchumo (World Trade Organization) Margaret McMillan (Consultant- Tufts University), Alessandro Nicita (Consultant) Marcelo Olarreaga (World Bank) Vijay Raman (Chakra Consultants), Pham Van Thuyet (Consultant-Institute of Economics and Institutional Development) and assisted by Joan Hamory (researcher-consultant- Tufts University). The Ethiopian members of the team consisted of Worku Gebeyehu (Consultant- Ethiopian Economics Policy Research Institute), Yohannes Agonafir Keklie (Consultant) Kibre Moges (Consultant- Ethiopian Economic Policy Research Institute), Berhanu Nega (Consultant- Ethiopian Economic Policy Research Institute), Bezzaworq Shimellash (Consultant), Firku Tesfaye (Consultant), Abebe Teferi (Consultant), Milkias Teklegiorgis (Consultant), Assefa Tigneh (Consultant) Elias Teseheberu (Consultant), Amdissa Teshome (Consultant).

The team is grateful to the National Steering Committee of the Integrated Framework that is chaired by His Excellency Girma Birru, the Minister of Trade and Industry which oversees the DTIS process. The Technical Committee which reports to the National Steering Committee provided valuable support and inputs for the study. The Committee is chaired by Ato Gashaw Debebe, the Head of the Foreign Trade Coordination Department of the Ministry of Trade and Industry. He and his staff provided excellent support for the work of the team from the very outset. The guidance from the Technical Committee particularly in narrowing down the recommendations and identifying the implementing agencies for policy actions was invaluable. The World Bank's Country Director Mr. Ishac Diwan, the United Nations Development Program's Resident Representative, Mr. Samuel Nyambi as well as several staff member of these institutions provided strong support for this work. In this regard, Mr Menbere Tesfa (World Bank), Ms. Daniela Zampini (UNDP) must be mentioned for their special help with the DTIS process. Mr. Tom Vens of the Delegation of the European Commission provided strong support and encouragement to the team.

The team is also grateful to private sector representatives, Ethiopian institutions and Government officials who gave their time and shared their views with the study team during many meetings. The Ethiopian Trade Mission in Geneva advised the study team at the early stages of preparation for the study. The donor partner community led by the Delegation of the European Commission to Ethiopia (the Lead Facilitator for the

Integrated Framework in Ethiopia) provided advice to the team on the design and process of the study.

The study received guidance from the workshop that was held in late November 2002 to discuss the concept paper for the study. The study carries forward the analytical work done with respect to trade and related issues in recent economic studies done on the country and the information gathered during the study mission in November 2002.

The completed study was discussed at a workshop in November 2003 with some 150 participants from different public agencies, ministries, the private sector and academics. Their comments and suggestions have been incorporated into this final study. It incorporates the suggestions made by the Technical Committee created for the Integrated Framework. In particular, its inputs are included in the recommendations for actions, the responsible agencies for those actions and phasing of the implementation of these actions. The recommendations for technical assistance follow one for one the recommendations made by the Technical Committee.

A special mention must be made of the contribution by Milkias Teklegiorgis (consultant) whose work proved invaluable for the revision of the DTIS to incorporate the suggestions for policy reform and technical assistance made by the Technical Committee.

Jill Mitchell (American Enterprise Institute) and Rosalinda Digal provided excellent assistance to process the study. Mayank Agarwal (Indiana University and an intern at AEI) provided excellent support to finalize the study.

The DTIS is in two parts. The present Volume 1 provides a summary and recommendations of the whole study. Volume 2, the Synthesis gives greater details of the analysis.

This Volume like Volume 2 has been updated to reflect recent developments.

ACRONYMS

ACRONYM	Definition
ADLI	Agricultural Development Led Industrialization
AGOA	Africa Growth Opportunity Act
AISCO	Agricultural Inputs Supply Corporation
ASYCUDA	Automated System for Customs Data
C&F	Clearing and forwarding
CAA	Civil Airport Authority
CBD	Coffee Berry Disease
CDE	Chemin de fer Djibouti Ethiopien
CET	Common External Tariff
CIP	Coffee Improvement Project
CLU	Coffee Liquoring Unit
COMESA	Common Market for Eastern and Southern Africa
CRF	Clean Report of Findings
CSA	Central Statistical Authority
CTA	Coffee and Tea Authority
DFID	Department For International Development
DPCD	Development and Project Coordination Department
DTI	Direct Trader Input
DTIS	Diagnostic Trade Integration Study
EARO	Ethiopian Agricultural Research Organization
EBA	Everything but Arms
EC	European Community
ECA	Ethiopian Customs Authority
EDIFACT	Electronic Data Interchange for Administration, Commerce and Transport
EEA	Ethiopian Economic Association
EEPA	Ethiopian Export Promotion Agency
EIC	Ethiopian Insurance Corporation
EPA	Economic Partnership Arrangements
EQSA	Ethiopian Quality and Standards Authority
ESC	Ethiopian Seed Corporation
ESISC	Ethiopian Sugar Industry Support Center
ESL	Ethiopian Shipping Lines

EU	European Union
EAO	Food and Agricultural Organization
FOB	Free on Board
GBE	Green Bean Equivalent
GDP	Gross Domestic Product
GPS	Global Positioning System
HA	Hectare
HDC	Horticulture Development Corporation
HICES	Households Income, Consumption and Expenditure Survey
HVA	Handlers-Vereenging Amsterdam
ICA	International Coffee Agreement
ICO	International Coffee Organization
ICU	Input Coordination Units
IMF	International Monetary Fund
ITC	International Trade Center
KG	Kilogram
MOA	Ministry of Agriculture
MRL	Minimum Residual Level
MT	Metric Ton
MTSE	Maritime and Transit Services Enterprise
NAO / MOFED	National Authorizing Officer / Ministry of Finance and Economic Development
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organization
PA	Peasant Association
PADETES	Participatory Demonstration and Training Extension System
POL	Petroleum Oils and Lubricants
PPP	Purchasing Power Parity
PSI	Pre-shipment inspection
QT	Quintal
RSDP	Road Sector Development Program
SC	Service Cooperative
SDF	Sugar Development Fund
SG 2000	Sasakawa Global 2000
SGS	Societe Generale de Surveillance SA
SNNPR	Southern Nations, Nationalities and Peoples' Region
TBL	Through Bills of Lading
TCD	Tons of Cane per Day
TEU	Twenty foot equivalent unit

UAAIDE	Upper Awash Agro Industrial Development Enterprise
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VAT	Value-added Tax
VOCA	Volunteers in Overseas Cooperative Assistance
WCO	World Customs Organization
WFP	World Food program
WMS	Wealth Monitoring Survey
WTO	World Trade Organization

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ETHIOPIA: DIAGNOSTIC TRADE INTEGRATION STUDY (DTIS)
VOLUME I: SUMMARY AND RECOMMENDATIONS

CHAPTER 1
TRADE POLICIES AND PERSPECTIVES

1.1 INTRODUCTION

Aims of the Study

The present study is a revised version of the earlier study (August 2003) that identified key issues relating to the country's integration into the multilateral trade system and the global economy. For Ethiopia, the over-arching aim of trade integration to the global economy is to exploit its opportunities to transform the economy from a largely peasant agricultural economy to a modern economy. For Ethiopia, a country with a large and diverse resource base and potential, greater participation in world trade would provide additional opportunities to address the challenging issues of economic growth and poverty reduction.

The DTIS identifies the key constraints to the country's integration into the multilateral trade system and into the global economy by looking at both the supply and demand factors that influence the present level of trade with the rest of the world. It suggests a program of technical assistance to strengthen Ethiopia's ability to increase its participation in world trade by enhancing its competitiveness and consequently deriving larger benefits from trade than at present. The technical assistance is to support the recommendations for actions identified by the earlier version of the DTIS that was extensively discussed at the DTIS validation workshop in November 2003 that was further reviewed and refined by the Technical Group constituted to guide the DTIS.

In the final analysis, the study is also intended to help Ethiopia's accession to the World Trade Organization by getting a detailed and well documented picture of the trade regime, the legal and institutional features of the regime and to enlist support from the donor community to help with the process.

DTIS Process and Sources

The study received guidance from the workshop that was held in late November 2002 to discuss the concept paper for the study. The participants at the workshop represented not only technical expertise but also members of the civil society. The workshop ensured that the trade issues identified, analyzed and presented at the workshop were consistent with the Poverty Reduction Strategy Paper (PRSP) that was finalized in early 2003. The DTIS draws on existing and on-going work done by others, including the trade facilitation work of the DEC and Africa Region of the World Bank and on-going studies in some sub-sectors such coffee and grains. In addition, the DTIS has drawn on the work on investment completed by the UNCTAD (2002) and FIAS (1997 and 1998). The study carries forward the analytical work done with respect to trade in recent economic and sector reports on the country and the information gathered during the study mission in November 2002. The study benefited substantively from the contributions of Ethiopian and trade and sector specialists who were members of the study team. A list of references is attached.

As mentioned above, a workshop to discuss the earlier draft of the study was held in Addis Ababa in November 2003. A comprehensive review of the study by different groups constituted to discuss different chapters of the study was undertaken at the workshop. This final version of the study is based on the comments at this workshop and comments received from the deliberations of the DTIS Technical Committee. In particular this version has incorporated the decisions made by the TC with respect to recommendations for action by the different parts of the Government. It earnestly hoped that the donor agencies will support the work identified by the TC in terms of providing strong trade related technical assistance.

A Few Caveats

First, while the DTIS is analyzes trade issues, it takes into account other economy-wide and sub-sector related issues. This is because trade issues cannot be studied in isolation. These include both domestic supply and demand issues. The supply side issues include Foreign Direct Investment (FDI), legal and regulatory environment, institutions and institutional issues as well as a few key and dominant sub-sectors namely, agriculture, livestock and meat, manufactures and tourism. However, sub-sector studies are not exhaustive; they are analyzed with respect to their connection to trade. Demand side issues are discussed in relation to market access and sub-sectors related to domestic demand.

A second caveat that applies in the case of Ethiopia is the absence of data on many important areas. One such area is national input-output coefficients. In order to overcome this problem coefficients from other African countries of similar circumstances are used in the calculation of Effective Rates of Protection.. The DTIS has also attempted to fill some of these gaps with data from a local survey done specially for the study such as the survey of tourists that visited Addis Ababa in November 2002.

Finally, the DTIS recommendations on trade related technical assistance (TRTA) follow the policy actions identified by the Technical Committee from a menu of actions suggested by the earlier version of the DTIS. These actions improve the policy and institutional environment to transform the economy to make it more competitive and increase participation in world trade.

Trade Integration in Perspective

Ethiopia is unique in several respects. It began its development efforts in earnest slightly more than a decade ago, following the end of the Derg regime in 1991. It began this quest from a very low per capita income base and with nearly all the indicators of human welfare from health, education to nutrition at low levels. It is also predominantly a peasant agriculture. It is inconceivable that the country can proceed to transform its economy without raising agricultural productivity and modernizing the economy from a peasant subsistence agriculture to a commercial agriculture, to lay the basis for industrialization. This is indeed one of the goals of the Federal Democratic Republic of Ethiopia (FDRE). It is to be achieved through Agriculture Lead Industrialization Strategy (ADLI). It is axiomatic that increasing agriculture productivity lies at the heart of poverty reduction given the importance of agriculture in the economy in national output, employment and exports.

While improvements in trade policies, legal and regulatory environment, trade facilitation and the institutions that are in the trade sector will serve the goal of greater integration with the world economy, they are necessary but not sufficient. To address issues of poverty, Ethiopia needs higher levels of investment and savings to reach a higher growth path than the 5 percent GDP rate achieved in the recent years. An annual GDP growth rate of around 8.0 percent will be needed to address poverty issues on a sustained basis. Moreover, many of the constraints to growth and poverty reduction are related to inadequate infrastructure. Infrastructure investment will be an important part of the trade and integration strategy. It would also be an essential step to increase the pass-through of export revenues and savings from imports for those living outside the main urban areas that are served with poor or non-existent infrastructure. For all these reasons, TRTA has to be complemented by higher level of capital assistance to the country. In fact, TRTA should help to increase the rates of returns to investment and foreign assistance.

As Ethiopia undertakes improvements in its trade regime, trade facilitation and institutional reform, it can increase the gains to these efforts more if the world market opens greater opportunities to Ethiopia. This is important not only to export to but also to import at better prices than before. Market access issues are linked to poverty alleviation in a number of ways; greater market access allows a higher level of export growth and therefore income growth. And, certain commodities that generate income for the poor will provide an additional impetus to poverty reduction, in addition to the impetus from a rise in income all around.

Implementation of DTIS Recommendations /Action Plans

The Technical Committee (TC) identified 43 top priorities out of 108 recommendations made in the earlier version of the DTIS. This does not mean in any way that the remaining recommendations are considered less important. These, too, have been validated by the November 2003 Workshop and the deliberation of the TC since then.

The institutions, agencies or parties responsible for implementation of action plans have been identified in the matrices for action plans and technical assistance support.

There is a need to coordinate closely the specification of action plans, project formulation and costing by stakeholders. The TC should be responsible for the coordination and monitoring of these activities. This should be done in a sustainable manner, with the necessary human resources and office facilities to respond to the volume of activity emerging as result of the DTIS implementation. Donor support to facilitate the activities of the TC is essential and for that reason technical assistance support is to go into areas identified in the matrices following each chapter.

Building the Institutional Capacity of the Ministry of Trade and Industry (MoTI)

The prime responsibility for coordinating the implementation of the DTIS recommendations lies with MoTI. However, there are capacity limitations at MoTI in the area of qualified human resources. There is an immediate need to build the capacity of MoTI in the areas of trade policy formulation, analysis, and monitoring and evaluation, particularly, now that it has to oversee the trade reform measures to be undertaken in accordance with the DTIS recommendations. This entails:

a. recruitment of additional staff and training of junior as well as senior officers of MoTI to discharge the responsibilities of trade policy formulation, analysis, and monitoring and evaluation more effectively;
b. developing trade support infrastructure at MoTI, involving the development of trade data base/information, computer facilities, wide band connectivity, etc; and
c. external advisory services, where in-house capacity is lacking, especially, in the fields of trade policy formulation and implementation, and negotiations with trading partners as well as institutions such as the WTO for accession.

Coordination of Donors' Assistance

It is to be noted that the DTIS recommendations are in one way or another be related to a) the various economic reform measures being undertaken by the Government, b) those proposed by other studies or strategy documents such as Sustainable Development and Poverty Reduction Program (SDPRP), and c) Private Sector

Development (PSD) initiatives. The articulation of trade-related constraints, issues, recommendations and technical assistance in the DTIS in the context of the Integrated Framework (IF) not only complements the above efforts but also expedites the process of addressing trade reform measures in that, due to the diagnostic nature of DTIS, development partners can readily identify those areas of trade-related technical assistance they can take on board in connection with their ongoing or future technical support programs.

There is a need to coordinate donor support to the IF/DTIS process, in view of the large number of areas of interventions and technical assistance recommended in the DTIS. MoTI should be responsible for soliciting as well as coordinating donor support to the IF process. In this regard, the TC has proposed that MoTI present TA priorities recommended by the DTIS/IF TC and supported by the IF/DTIS National Steering Committee to development partners so that those priorities in line with their respective programs of support can be taken up as part of their package of technical assistance, thus rationalizing and streamlining trade-related support to the country. Of course, these priorities will be further developed into projects amenable to costing and implementation.

A framework for collaboration between stakeholders and development partners has to be devised for specification of detailed action plans, projects formulation and costing, particularly where the stakeholder lacks institutional capacity in these areas. Such a framework would facilitate speedy implementation of the recommendations of DTIS and, therefore, trade reform in Ethiopia. The involvement of development partners in this regard may entail assistance of experts from their local offices and/or recruitment of external experts in the relevant discipline or field.

The TC has also proposed that support to the IF process in Ethiopia be channeled through the pooled fund of the DAG-CG, set up to assist the SDPRP implementation, taking into account a) the linkages between trade, private sector development, and poverty reduction, and b) better coordination of donor assistance. Through the DAG-CG, UNDP will provide necessary facilitation and support services for the administration of these resources on behalf of the Government, the private sector and the donors.

Utilization of the IF Trust Fund: Window II

Window II of the IF Trust Fund is a modest sum earmarked to facilitate the implementation of the IF process. As such, it can be considered a bridging fund before further mobilization of funds for full-fledged implementation of TRTA projects recommended by the DTIS. It is proposed that funds available under Window II of the IF Trust Fund be utilized to a) implement DTIS projects that are mature, well defined and have immediate impact, and b) to facilitate the activities of the TC to coordinate and monitor the IF process and at the same time speed up the pace of the implementation of DTIS recommendations. In the light of the above considerations, the TC has proposed that the following projects for funding under Window II:

- Master plan for human resources development and capacity building of MoTI and other trade support institutions
- Development of road map for WTO negotiations, including a study on impact assessment of WTO accession
- Development of information and communication technology for gathering and disseminating trade-related information required for policy formulation and analysis, particularly within MoTI and chambers of commerce
- Development of conformity assessment system for quality of goods and performance, including capacity building of Standards & Quality Authority of Ethiopia for certification and accreditation

Implementation Schedule

The implementation schedule for the top priorities recommended by the TC covering a period of five years is presented in a matrix form at the end of each chapter of the study.

CHAPTER 2
MACROECONOMIC ENVIRONMENT AND TRADE INTEGRATION

2.1 INTRODUCTION

This chapter evaluates the relationship between trade and macroeconomics. Trade policies are dependent on macroeconomic stability. Without stability trade polices may not achieve the objective of increasing the tradability of the economy which is an essential element for increasing competitiveness and realizing both static and dynamic gains from trade. Ethiopia’s macroeconomic policies have been sound since the reforms of the early 1990s. This is indicated by low inflation, more stable exchange rates and sustainable current account deficits in the medium term. There was a spike in inflation in 2002/2003 due to the drought that raised cereal prices but it was a temporary supply side shock that did not have its origin in public policy.

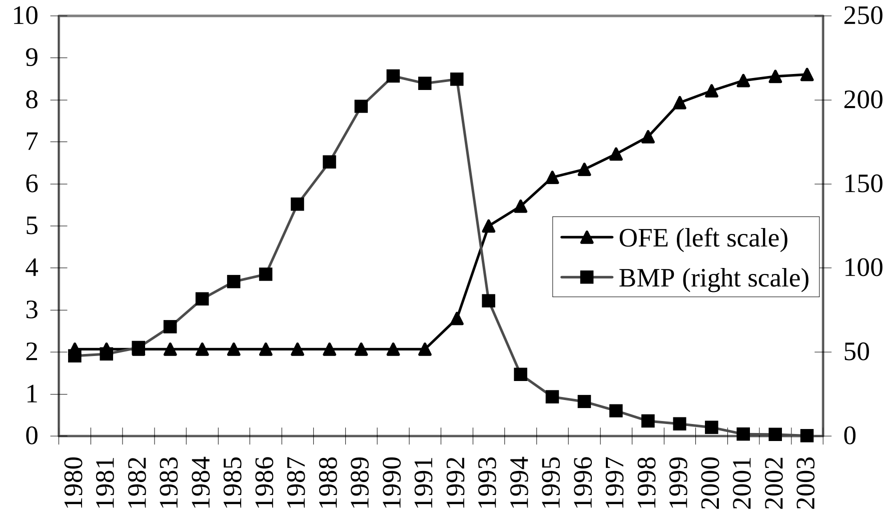
Unfortunately, the last two years have been adverse for the country due to a severe drought, the worst since 1984. As a result, there was a large drop in agriculture output and the GDP contracted in 2002/2003. Despite this adverse development, the country was able to hold on sound macroeconomic policies continuing the stance that was established in the early 1990s.

Some antecedents

The Ethiopian liberalization reform package of 1992/1993 was formulated with due emphasis on the complementarity between trade liberalization and macroeconomic management in shaping the reform outcome. Trade liberalization was accompanied by a significant exchange rate reform backed by a firm commitment to fiscal and monetary discipline.

One indicator of the success of the stabilization relates to the exchange rate. Following these reforms, the gap between official and parallel exchange rates (the black market exchange rate premium) has declined sharply (Figure 2.1). By 2002/2003, the black market premium was below 0.2 percent compared to over 238 percent in 1991 (during the highest surge in the black market rate). The floating exchange rate has been appropriately backed by a firm commitment to maintaining medium term macroeconomic stability. The fiscal deficit had been kept well within the limits (below 4 percent of GDP) agreed under structural adjustment programs, except during 1999-2001, when it increased to 11.2 percent of GDP because of war expenditures.

FIGURE 2.1 OFFICIAL EXCHANGE RATE (BIRR / US$) (OFE) AND THE BLACK MARKET EXCHANGE RATE PREMIUM (BMP), 1980-2003



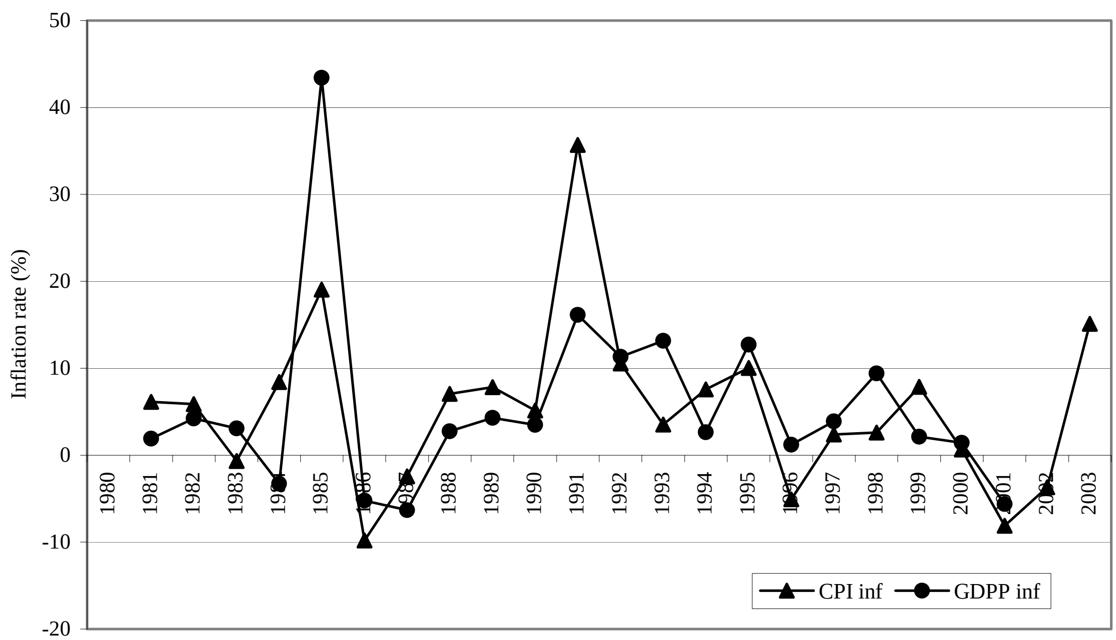
Source: IMF, International Financial Statistics Database (official (rf) series), and International Currency Yearbook (black-market rate)

2.2 MACROECONOMIC ENVIRONMENT

The Central Bank has kept growth of broad money (M2) in line with growth of nominal GDP. During the post-reform period until 1995, ceilings were maintained on commercial bank lending. Following the initial period, market interest rates allocated credit.

Despite massive currency depreciation, domestic inflation measured by the Addis Ababa CPI has continued to remain low. In fact, during the immediate aftermath of the introduction of the new exchange rate system, the exceptionally good harvest resulted in decline in food prices (See Figure 2.2). But in 2002/03, inflation rose to 15.1 reflecting the decline in agriculture output due to the severe drought. It has to be noted that the core inflation rate (excluding cereals and pulses) was only 3.0%. The rise in the inflation rate in 2002/03 is due to a supply shock. Price levels have become more stable over a declining trend, as also indicated by the low core inflation rates. Over the medium term, price variations were more determined by supply side factors than demand factors. This meant that the fiscal and monetary stances had supported the efforts to open the economy.

FIGURE 2.2: INFLATION IN ETHIOPIA
MEASURED IN TERMS OF CPI AND GDP DEFLATOR, 1980-2003



2.3 RECENT DEVELOPMENTS

In 2002/03 drought led to a decline in agriculture output by 12.2 per cent, leading to a decline in GDP by 3.8%. In the three years 1999-2002, the economy grew slowly mainly associated with the decline in coffee prices that led to declines in export earning. However despite these adverse shocks, the macroeconomic situation remained fairly stable. When revenue declined with the decline in output the government made every effort to sustain poverty targeted spending. The decline in revenues was matched by a reduction in defense spending. The overall budget deficit hence (including grants and emergency programs) declined from 9.3 per cent of GDP to 8.4 per cent, well within the overall PRGS program. The external current account deficit (including official transfers) declined from 5.7 per cent to 4.7 per cent. Since then coffee prices have been recovering slowly from the three year slump.

The FDRE has garnered much success in maintaining macroeconomic stability. This has allowed the country to make steady, if slow progress with trade reforms such as the adoption of the 6 band tariffs in 2003. However, despite these advances there are a few items in the financial sector that need to be addressed. For example, following a decade of economic liberalization, commercial banks are still not allowed to engage in credit card operations. Foreigners visiting Ethiopia are allowed to obtain cash advances on their credit cards (subject to a maximum of Birr 500) only from approved hotels. This is one factor that inhibits the growth of tourism. Similarly, there is a dearth of short-term capital that could be made available from the banking system to the private sector. Short-term capital constraints are found in many sectors, despite the high level of liquidity in the banking system.

2.4 CONCLUSION

Ethiopia has maintained macroeconomic stability in the medium term despite a number of supply shocks, including a particularly harsh one last year. To date, trade integration is helped by sound fiscal and monetary management that have led to stable prices and exchange rates. This augurs well for greater integration with the world economy. However, it is noted that as the economy gets more closely integrated with the world economy, it will challenge the monetary and fiscal authorities to maintain stability in a more open economy. The fiscal and monetary authorities have to ensure that their policies would not become a source for instability. This is a basic condition to realize gains from greater integration.

CHAPTER 3
TRADE AND INCENTIVE REGIME

3.1 INTRODUCTION

The trade regime is a part of the overall incentive structure. Trade reforms, are important for the modernization of the economy and is an aspect of the transformation from an inward oriented to an outward oriented economy.

For a country like Ethiopia, which has little in terms of market power in trade, open trade policies are an instrument available to it for the transformation to a modern economy. However, for a variety of reasons that are discussed in different parts of this study, Ethiopia has not fully realized the full benefits from its trade reforms that began in earnest in the early 1990s. It is equally true that the country is certainly better off under the liberalized trade regime compared to the highly restricted trade regime of the Derg period.

3.2 TRADE POLICY REFORMS

In August 1993, the new government embarked on a comprehensive trade reform program aimed at dismantling quantitative restrictions and gradually reducing the level and dispersion of tariff rates. The negative list used to determine eligibility for imports through the foreign exchange access was reduced significantly. Currently quantitative import restrictions are applied only to used clothing, harmful drugs and firearms. Both tariff levels and their dispersion have been reduced significantly.

As result of the reforms tariff rates narrowed down from pre-reform 0-240 percent to 0-80 percent in 1995 and then to 0-35 in 2002 (Table 3.1). The average (un-weighted) tariff rate declined from 28.9 percent in 1995 to 17.5 percent in 2002. The implicit import duty rate (import duties collected as a percentage of total CIF imports) declined from over 23 percent in mid-1990s to 12 percent by 2001/02.

TABLE 3.1: SUMMARY OF THE IMPORT TARIFF STRUCTURE 1995 AND 2001

Tariff rate	Tariff lines		Tariff lines	
	Number	%	Number	%
0	122	2.4	521	10.1
2.5	1	0.0		
4			1	0.0
5	1052	20.9	1240	24.1
7.5	16	0.3	35	0.7
8			2	0.0
10	401	8.0	721	14.0
11			6	0.1
12.5	34	0.7	54	1.1
15	433	8.6	166	3.2
17.5	11	0.2	27	0.5
18			1	0.0
19			3	0.1
20	614	12.2	762	14.8
22	4	0.1	1	0.0
22.5	18	0.4	15	0.3
25	44	0.9	14	0.3
27	4	0.1	3	0.1
27.5	1	0.0	3	0.1
28	1	0.0		
30	536	10.7	633	12.3
32.5	1	0.0		
35	27	0.5	12	0.2
37.5	6	0.1	2	0.0
40	606	12.1	913	17.8
41	2	0.0		
42.5	14	0.3		
45	2	0.0		
47.5	2	0.0		
48	2	0.0		
50	163	3.2		
52.5	6	0.1		
53	1	0.0		
57.5	8	0.2		
60	8	0.2		
62	2	0.0		
65	486	9.7		
72.5	5	0.1		
80	390	7.8		
Total	5023	100.0	5135	100
Total tariff bands	34		22	
Range	0-80		0-40	
Mean	28.9		18.8	
CV*	82.4		69.7	

Note: CV: Coefficient of variation – standard deviation as a percentage of the mean.
Source: Compiled from the tariff schedules for 1995 and 2001 (World Bank dataset on Trade and Production).

Recent Developments

In 2003 the Government adopted a six band tariff structure based on the Harmonized System. Both import and export tariffs are *ad valorem.* There are no other preferential tariffs except for imports from COMESA member countries. The six tariff rates range from 5% to 35% (i.e five bands and zero per cent (see Table 7.a) below. The rates are 5, 10, 20, 30 and 35 per cent respectively. The nominal dispersion is 30%. However, using the earlier tariff schedule with GTAB based input-output coefficients give a much wider variance of many times the nominal variance (see below). There are five prohibited items and hence a very insignificant number of tariff lines. They are opium, ethyl alcohol and other similar spirits and worn clothing and textile articles or rags. These prohibitions are put in place for health reasons and for preventing illegal traders from importing contraband classified as used clothing and rags.

TABLE 3.2: DISTRIBUTION OF TARIFF BANDS

Tariff bands (Percent ad valorem)	Number of Tariff lines	Share of Tariff	Average Annual Imports in '000s (2001-02)	Share of Imports
0	167	3.08%	40102	4.9%
5	1385	25.53%	157943	19.3%
10	826	15.22%	95207	11.6%
15	320	5.90%	45186	5.5%
20	996	18.36%	93543	11.4%
30	635	11.70%	91351	11.2%
35	1092	20.13%	294457	36.0%
Total	5426*	100.00%	817789	100%

Source: Ministry of Finance & Economic Development and Ethiopian Customs Authority

* Including 5 tariff lines that could not be allocated among the bands

The revision replaced the 22 tariff bands (down from 34 in 1995); with 82 percent of tariff lines at the six bands, 10 percent of tariff lines having zero duties and the balance representing various fractional rates. This reform eliminated the fractional rates (that are rates in between the above six rates). These fractional rates had unnecessarily complicated tariff administration and provided ample room for administrative discretion, without any economic justification. On the export side, duties on all exports other than coffee (the main export product) were removed. The coffee export duties were unified at 6.5%. But, this duty rate was exempted when export prices were below US $ 0.55 for unwashed coffee and US 105 cents for washed coffee.

Effective Rates of Protection

The tariff structure impacts on profitability of domestic production through both tariffs on final good imports and exports, and tariffs on intermediate goods used in domestic production. The analytical tool used to measure the combined effect of both end product and input tariff is the effective protection (ERP). The ERP aims to capture the proportionate increase in per unit value added of a sector in the presence of these two types of tariffs. Since Ethiopia currently does not have an input-output table, the input coefficients used in these estimates have been derived from the regional input-output tables for Sub-Saharan Africa used in the Global Trade Analysis Project (GTAP) database. While there would certainly be differences in such derived coefficients from those actual coefficients developed specifically for Ethiopia, empirical evidence from studies done for other countries suggest that the rankings do not differ significantly since production structures tend to be similar in large number of cases. For this and other reasons, the ERP estimates are only suggestive of the underlying incentive structure arising from tariffs on both inputs and outputs. There are some limitations to the estimates due to some administrative discretion in determining tariffs at the customs, the presence of illegal imports particularly textiles and garments and some "natural" protection from the landlocked nature of the country. The last mentioned will raise the tariff equivalent of protection above those indicated by nominal tariffs. Despite some limitations, a comparison of NRP and ERP estimates reported in the Table 3.2 suggests that the use of the latter (as is commonly done in the current Ethiopian policy debate) gives a misleading picture of the net resource allocation effects of the existing tariff regime.

TABLE 3.3 NOMINAL AND EFFECTIVE RATES OF PROTECTION: 1995 AND 2001[1]

Input-Output Industry Number[3]	Input-Output I-O Sector	Nominal tariff rate (%)		Effective rate of protection (ERP)[2]	
		1995	2001	1995	2001
	(A) Agriculture, forestry and fishing3	29.0	9.3	36.6	8.5
1	Paddy rice	30.0	5.0	35.4	3.4
2	Wheat	30.0	5.0	38.2	1.7
3	Cereal grains nec	25.8	5.0	31.4	3.7
4	Vegetables, fruit, nuts	35.4	19.7	42.6	23.2
5	Oil seeds	30.0	5.0	38.4	3.9
6	Sugar cane, sugar beet	0.0	0.0	-4.4	-2.5
7	Plant-based fibres	6.3	6.3	2.9	5.5
8	Crops nec	35.2	25.9	46.5	34.9
9	Bovine cattle, sheep and goats, horses	17.5	7.5	15.4	6.7
10	Animal products nec	24.6	17.2	26.2	22.2
11	Raw milk	0.0	0.0	-17.7	-7.4
12	Wool, silk-worm cocoons	5.0	5.0	-11.1	0.8
13	Forestry	24.1	13.8	26.9	15.0
14	Fishing	38.1	29.4	51.8	40.8
	(B) Mining3	5.1	6.7	0.8	-2.6
15	Coal	5.0	5.0	-13.2	-5.6
16	Oil	5.0	5.0	0.9	2.8
17	Gas	5.0	5.0	4.0	4.7
18	Minerals, other	10.3	6.7	-4.8	-2.6
	(C) Manufacturing3	22.7	14.9	39.1	26.6
19	Bovine cattle, sheep and goat, horse meat prods	57.5	20.0	124.4	34.9
20	Meat products, other	62.5	29.5	160.0	63.6
21	Vegetable oils and fats	31.7	27.7	87.7	117.8
22	Dairy products	37.6	26.8	90.2	71.4
23	Processed rice	30.0	5.0	39.5	-8.4
24	Sugar	50.0	5.0	218.2	-1.3
25	Food products, other	52.3	28.9	118.3	66.3
26	Beverages and tobacco products	44.6	32.7	85.4	72.8
27	Textiles	47.5	30.1	98.5	63.0
28	Wearing apparel	77.7	39.9	180.2	83.4
29	Leather products	50.8	35.5	95.9	71.9
30	Wood products	32.5	20.4	47.7	29.6
31	Annex products, publishing	26.4	12.1	38.5	11.1
32	Petroleum, coal products	7.7	5.7	21.4	9.6
33	Chemical, rubber, plastic products	17.9	11.9	23.6	16.0
34	Mineral products, other	30.0	21.6	55.5	41.4
35	Ferrous metals	6.7	6.4	-10.0	-2.3
36	Metals, other	11.5	10.0	-2.4	6.6
37	Metal products	22.6	19.8	46.8	44.7
38	Motor vehicles and parts	30.8	19.2	61.4	35.3
39	Transport equipment nec	9.4	8.9	5.3	7.6
40	Electronic equipment	23.0	21.1	33.6	35.1
41	Machinery and equipment nec	17.0	14.0	22.9	20.5
42	Manufactures nec	48.3	32.1	93.4	61.6
	Memorandum Items[4]				
	Weighted average	22.2	14.7	36.2	26.0
	Simple average	27.5	15.5	48.7	26.3
	CV	67.1	71.2	110.0	114.9

Notes

1 Industry classification is based on the Global Trade Analysis Project (GTAP) data base.

2 Estimated using the formula,

$ERP_j = [t_j - \sum (a_{ij} * t_i)) / (1 - \sum a_{ij})]$,

Where, t_j and t_i are the nominal (scheduled) tariff rates on given industry and input-supply industry respectively, and a_{ij} is the input coefficient indicating the share of industry *i*'s production used as inputs in industry j's output,

3 Global Trade Analysis Project (GTAP) classification.

4. Import-weighted average of the product sectors listed below.

5 Relate to the 42 I-O sectors.

Source: World Bank estimates. (Nominal tariff rates are from official Ethiopian sources. Input-output coefficients are from the Sub-Saharan Africa regional input-output table (based on data for the early 1990) in Global Trade Analysis Project (GTAP) database.

The following conclusions emerge from the levels and structure of nominal and effective rates of protection.

First, ERP exceeds nominal rates of protection such that the evaluation of the protective structure based only on nominal rate understates the extent of protection accorded many activities.

Second, there is a wide variance in ERP that interfere with greater efficiency in resource allocation and the variance in ERP (as indicated by the coefficient of variation) has increased between 1995 and 2001, as the average level has declined.

Third, the estimates also point to a clear incentive bias in the protection structure in favor of manufacturing against agriculture. This anti-agricultural bias in effective protection has largely been the outcome of high protection enjoyed by input-supplying manufacturing industries.

Fourth these estimates suggest that the bias against exports has not been adequately offset by an effective, duty rebate scheme (or bonded warehouse arrangements) for compensating export producers, arising from protection of imports.

Finally, the presence of the high protection of some imports and the bias against exports suggest that they could potentially contribute to appreciated real exchange rates.

Export Promotion

As part of the market-oriented reforms, initiatives have been taken to facilitate private sector participation in export trade. Perhaps the two major reform measures implemented to achieve this objective were the dismantling of the government monopoly in coffee trade and abolishing the mandatory approval requirement for export contracts by the National Bank of Ethiopia (NBE). Another measure to support exports has been the introduction of a foreign exchange retention scheme allowing exporters to retain part of their foreign exchange proceeds. At present, exporters are allowed to retain 10 percent of the export proceeds without a time limit. Other measures to assist exporters include a bonded manufacturing warehouse scheme and an import duty rebate scheme aimed at providing exporters of manufactured goods imported inputs at world market prices.

These measures however remain virtually inactive because of administrative bottlenecks and opaque operational rules. Exporters of manufactured goods currently rely solely on the import voucher scheme to obtain duty exemptions on imported inputs. According to a recent survey conducted by the Ethiopian Economic Association exporters have so far not benefited much from the various government-sponsored export support services.

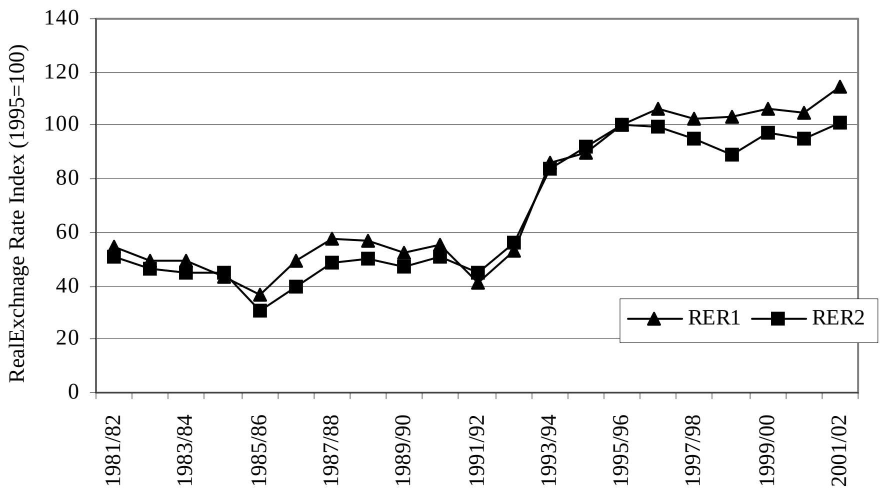
This study recommends that Ethiopia develop a set of input-output coefficients for future estimates of ERPs as well as develop coefficients for determining export rebates and similar incentives. In addition, the study recommends that the capacity of MOTI be increased to analyze, monitor and formulate trade policies and raise the capacity of relevant agencies to administer of the duty rebate and bonded warehouse schemes efficiently. Thus the overall capacity of MOTI and other trade related agency is a priority and donor assistance is needed for this purpose.

3.3 COMPETETIVENESS OF THE ETHIOPIAN ECONOMY

The indicators commonly used to measure a country's competitiveness in international trade are collectively known as measures of the 'real exchange rate' (*RER*). In connection with the present study five types of real exchange rates were estimated for Ethiopia. These are RER1 that uses the CPI to derive the real exchange rate whereas RER2 used the implicit GDP deflator. RER3 is an index of competitiveness of manufacturing in both domestic and international markets. RER4 is an index of competitiveness of manufacturing that measures profitability in relation to non-tradables. RER5 is an index of competitiveness of agriculture relative to domestic manufactures. All five RER series generally point to an improvement in the particular aspect of competitiveness over the post reform years, in particular from about 1994/95.

Improvement in internal competitiveness (that is relative competitiveness of tradable production vis-à-vis non-tradable production) revealed by RER2 is of a relatively smaller magnitude compared to the degree of improvement measures in terms of RER1 (See Figure 3A). This indicates that the common method of using CPI (which presumably incorporates some regulated prices) as the price index in measuring real exchange rate tends to slightly overstate improvement in competitiveness revealed by these estimates.

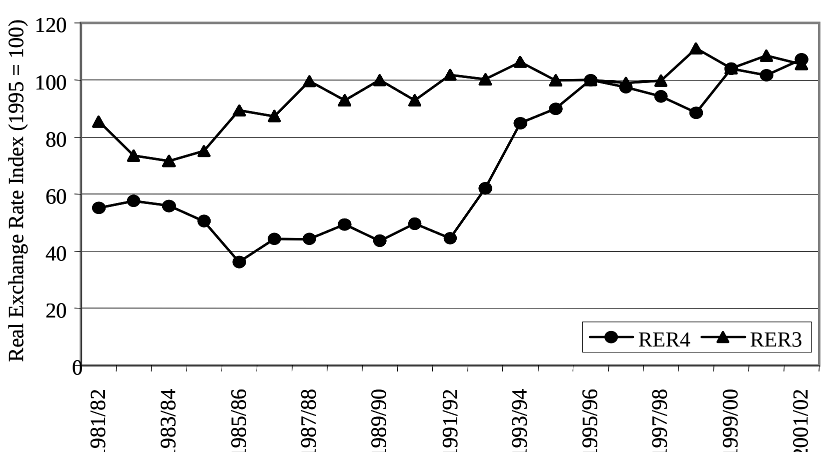
FIGURE 3A: REAL EXCHANGE RATE INDICES, RER1 AND RER2



Both international and internal competitiveness of domestic manufacturing have improved following the reforms. The price raising impact of exchange rate depreciation has been strong enough to compensate for the price-lowering effects of trade policy reforms in maintaining competitiveness of domestic manufacturing production.

RER4 (agricultural terms of trade) has recovered from the low levels prevailed during 1984/85-9991/92. However the degree of improvement in profitability indicated by this index is the lowest compared with the improvements recorded by the other four indices.

FIGURE 3B: REAL EXCHANGE RATE INDICES, RER AND RER 4



3.4 CONCLUSION

The following conclusions emerge from the analysis of competitiveness of Ethiopian products. First, there has been an improvement in the overall competitiveness in Ethiopia following the reforms of the early 1990s. This can be attributed to the managed floating exchange rate regime of the country and the maintenance of fiscal and monetary stability despite significant external shocks. Second, competitiveness measured by the RER1 using the CPI as the relevant price index overstates the competitiveness of the economy. Third, agriculture competitiveness was less than that of manufactures, probably also due to the terms of trade shocks that were associated with the decline in coffee prices. Finally, it is observed that public enterprises that are associated with the more capital intensive sectors tend to be protected more, contrary to the allocation of resources that could take place under a more liberalized and private sector driven economy, particularly those relating to manufacturing. Thus, reducing the size of the public sector could serve greater competitiveness through the better allocation of resources.

3.5 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Build capacity of MOTI and other relevant agencies to operate the duty rebate scheme and bonded warehouse system more efficiently and effectively.	**MoTI, MoR & CA**					
Continue to build capacity of MOTI and other relevant agencies.	**ETC**					
Update input-output coefficients necessary to calculate duties to be drawn back.	**ETC**					

CHAPTER 4
MARKET ACCESS: BEYOND THE BORDER ISSUES

4.1 INTRODUCTION

Efforts by Ethiopia to address poverty and raise general living standards through trade policy reforms, creation of infrastructure and institutions for this purpose will not be fully achieved to the extent it faces market access constraints. Moreover, such beyond the border barriers prevent the country from diversifying its trade structure, particularly exports, leading to continued instability in export receipts. Diversification would also be hampered by low export growth.

In spite of some progress in the second half of the 1990s, Ethiopia's export bundle remains relatively small and concentrated, both in terms of products and markets. Moreover products exported by Ethiopia have been experiencing negative growth in world markets, even though Ethiopia's exports have sometimes been able to grow in these declining markets by capturing a larger market share. Part of the explanation lies in the fact that products exported by Ethiopia face higher tariffs and quantitative restrictions in both developed and developing countries.

Not a single product exported by Ethiopia has experienced a growing demand in world market in the late 1990s. Part of the reason is the concentration of exports in a few countries. Four countries (EU, Japan, Djibouti and Saudi Arabia) represented more than 80 percent of Ethiopia's exports.

The simulations done in the chapter are for illustrative purposes. Some of the estimates are high while others would be deemed too low. For the purposes of the study these simulations are intended to highlight the underlying issues of market access that Ethiopia faces.

4.2 TARIFF AND NON-TARIFF BARRIERS

Ethiopia's export bundle is generally subject to higher tariffs in both developing and developed countries. On average, across the whole spectrum of countries, the tariff imposed on products exported by Ethiopia is 25 percent higher (17 versus 13 percent).

Non-tariff barriers represent a serious problem for Ethiopian exporters, over and above tariff barriers especially in the QUAD countries. Their incidence fall on a large part of Ethiopia exports namely agriculture and livestock related products. Sanitary and phyto-sanitary requirements in QUAD markets for these products are high, costly to meet when technically possible.

4.3 IMPROVING MARKET ACCESS

Tariffs and non-tariff barriers abroad act as important barriers to the export diversification effort of Ethiopia. The present study has made estimates of potential export gains for Ethiopia associated with the elimination of these barriers through multilateral, regional or bilateral trade negotiations. The following simulations have been made with both optimistic and more realistic scenarios.

4.3.1 WTO

A reduction of 50 percent of agriculture subsidies across all WTO members could bring an increase in Ethiopian exports of $4 million.[1] However, it would not have an appreciable impact in the short term. The simulations suggest that even if tariffs and agriculture subsidies were eliminated across all WTO members in the Doha Agenda –a very optimistic scenario-- the increase in Ethiopia's exports would only reach $30 million (or 6 percent of current exports).[2]

4.3.2 COMESA

Duty free access to COMESA members can significantly increase Ethiopian exports.[3] Total exports may increase by more than $ 100 million (or more than 20 percent of current exports). Almost 60 percent of the total increase in exports would occur in meat products. Manufacturing exports would increase by $5 million or slightly more than 1 percent of current exports. Duty free access to COMESA members cannot only provide a significant increase in exports, but may also help diversify Ethiopia's export bundle.

[1] All the simulations in this section assume an elasticity of supply equal to zero. Thus the increase in exports comes only through price increases and re-directing domestic sales to export markets. The elasticity of substitution is set between domestic and export products at 2. Finally, in the case of increases in world prices –i.e., in the WTO sections—only allow for an increase in exports if the product was originally exported. The idea is that increases in world prices would only increase domestic production, but not exports if the product was not originally exported. This may under-estimate the increase in exports if the changes in world prices are sufficiently large to bring about a trade pattern reversal.

[2] The numbers given above need simply to be doubled as the models used are linear on changes in subsidies, tariffs and world prices. For more on modeling see Hoekman et al. (2002), quoted above.

[3] The only difference is that because one is dealing with preferential access rather than increases in world prices, we take as the change in export price the difference in tariffs between Ethiopia and COMESA. This time given that there is preferential access all products can become exported to the partner providing preferential access (i.e., one is observing trade diversion that will benefit Ethiopia's producers).

TABLE 4.1 INCREASE IN EXPORTS FOLLOWING PREFERENTIAL ACCESS TO DIFFERENT MARKETS ('00 US$)

Product	COMESA	EBA	AGOA	Saudi Arabia	Japan
Hides-Skins	0	0	0	0	0
Meat	58204	211014	0	0	0
Sugarcane	0	0	12509	6720	0
Milk	0	51254	0	0	0
Barley	15499	28380	0	2790	7750
Maize	15535	73405	0	3797	36397
Millet	0	4349	0	775	0
Sorghum	0	45072	308	5384	0
Wheat	8484	93554	0	9898	14259
Oilseeds	0	0	10555	2319	0
Coffee	0	0	0	0	0
Pulses	0	0	0	0	0
Food products	0	0	0	0	0
Beverages	0	0	0	0	0
Tobacco	0	3145	865	0	0
Textiles	0	0	0	0	0
Wearing apparel except footwear	0	0	0	0	0
Leather products	0	0	0	0	0
Footwear except rubber or plastic	0	0	0	0	0
Wood products except furniture	0	0	0	0	0
Furniture except metal	0	0	0	0	0
Paper and products	236	0	0	39	0
Printing and publishing	1490	0	0	0	0
Industrial chemicals	126	0	0	72	0
Other chemicals	1089	0	0	0	0
Petroleum refineries	0	0	0	0	0
Miscellaneous petroleum	0	0	0	0	0
Rubber products	0	0	0	0	0
Plastic products	0	0	0	0	0
Pottery china earthenware	0	0	0	0	0
Glass and products	0	0	0	0	0
Other non-metallic mineral products	0	0	0	0	0
Iron and steel	1388	0	0	839	0
Non-ferrous metals	0	0	0	0	0
Fabricated metal products	0	0	0	0	0
Machinery except electrical	40	0	0	9	0
Machinery electric					
Transport equipment	464	0	0	0	0
Professional and scientific equipment	0	0	0	0	0
Other manufactured products	0	0	0	0	0
TOTAL	102555	510172	24237	32642	58406

Source: Central Statistic Authority, Statistical Abstract, 2001, Ababa; UNIDO database, FAO database, UNCTAD's database; OECD Tariff Compendium; Hoekman, Ng Olarreaga (2002), Working Paper #2918m The Bank and World staff calculations.

Addis

Trains (2000)

and

Series World Bank's

4.3.3 Everything But Arms (EBA)

The simulations suggest that if EBA of the European Union were to fully work, Ethiopian exports could more than double. All of the increase would occur in agricultural products. Even if only 10 percent of the simulated increase occurs –which is a more realistic scenario suggested by figures for the year 2001—this would still imply an increase in exports of 10 percent or more than $40 million increase in exports.

4.3.4 African Growth Opportunities Act (AGOA)

AGOA provides duty free access of certain products into the US market. However, as in the case of EBA, these simulated increases in exports would probably be much smaller due to rules of origin and other non-tariff-barriers (e.g., SPS). Of the $21 million exported to the United States in the first three quarters of 2002, only $1.9 million actually benefited from AGOA preferences (less than 10 percent).[4] Thus, if one were to apply this 10 percent ratio to our simulations that assumed no friction, the increase in Ethiopia's exports associated with AGOA would be only 0.5 percent.

4.3.5 Other Markets (Japan and Saudi Arabia)

Japan accounts for 12 percent of exports and Saudi Arabia accounts for 8 percent of Ethiopian products. If the 10 percent rule were to apply (as observed in the EU under the EBA initiative and in the US under AGOA), then the total increase in exports would represent slightly more than 1 percent of current exports.[5] Without any significant barriers in these countries, exports would increase by as much as $32 million.

4.4 WTO ACCESSION

Ethiopia has recently applied for accession after having been an observer for the last five years. And that status has been renewed and will prevail until accession takes place.[6] Ethiopia has come to this decision after considerable deliberation. Among many benefits of membership, it can be protected by a well established set of international rules and also Ethiopia can avail itself of the processes for impartial dispute settlement as a member of the WTO. Membership in the WTO and meeting of various obligations including the binding of its tariffs will serve as a guard against domestic interests groups that may lobby for protection for furthering their own interest at the expense of

[4] See USITC web site at http://reportweb.usitc.gov/africa/by_country.jsp.

[5] Note that in the year 2000, 96 percent of Ethiopia's exports to Japan was coffee (HS 090111).

6 See WTO document WT/ACC/ETH/1. Its request for accession was welcomed by the WTO members at the General Council Meeting of 11 and 12 February 2003. The General Council has agreed to establish a Working Party on Ethiopia's accession.

national interest. Also, membership in the WTO will send a strong signal that the country is committed to international obligations and rules.

The accession process itself will help Ethiopia to address some of the remaining barriers to trade such as high tariffs in some sectors; and as a WTO member it can influence the outcome of multilateral trade negotiations by working with other countries that have similar interests, to further its own interest. Finally, membership entails analysis of the country's trade regime under the Trade Policy Reviews on a regular basis.

However, there may not be an immediate benefit except to signal the international community that Ethiopia's trade regime is bound to international rules of the game. It can take recourse to a longer period for implementation, even though earlier reforms that are beneficial to the country could bring earlier benefits through greater competition and increased transparency.

4.5 CONCLUSION

Ethiopia's decision to join the WTO augurs well for the country's development effort as it will come under multilateral rules and disciplines. There will be some short-term costs to prepare for accession and to adopt rules and regulations consistent with WTO rules and disciplines. Donor support to mitigate and meet these costs would be most valuable. As mentioned above, market access in both international and bilateral levels require technical assistance ranging from the legal area and to the prevention of contraband trade to expanding the export bundle.

4.6 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ *TEAM*	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
WTO ACCESSION						
Strengthen MoTI, including the WTO Division within MoTI, with adequate management and technical expertise in trade issues, including negotiations skills to overcome tariff and non-tariff barriers, etc.	**MoTI and MoFed**					
Undertake a trade-related legislative reform program to conform to WTO requirements and improve the drafting and legal skills of officials responsible for the legislative reform.	**MoTI**					
Build capacity to prevent/control illegal trade and dumping of leather and textile goods.	**MoTI & CAE**					
Apply necessary prevention /control measures, including legislation, against illegal trade and dumping.	**CAE**					
Upgrade the control mechanism against illegal trade and dumping.	**CAE**					
MARKET ACCESS						
Take such measures as implementation of EBA and COMESA agreements to access the EU market and the COMESA FTA as well as other markets.	**MoTI & MoFED**					
Encourage measures for the diversification of the export bundle, particularly into those products that have growing markets.	**MoTI ExPA**					
Make preparations and establish and operate an internationally recognized Conformity Assessment System.	**MoARD & QSAE**					

CHAPTER 5
FOREIGN DIRECT INVESTMENT AND TRADE

5.1 INTRODUCTION

Market-oriented policy reforms in Ethiopia over the past decade have placed a major emphasis on attracting foreign direct investment (FDI) as a means of achieving rapid economic growth.

FDI can help the transformation of the present economy to a modern economy in a number of ways. It can supplement domestic savings by facilitating resource transfers to the Ethiopia to raise the level of investment. Equally important, it will be an efficient conduit for the transfer of technical and management know-how, so essential for a modern economy. It can also serve as an instrument to foster market access in industrial country markets. However, Ethiopia receives much less FDI than other Sub-Saharan African countries. Sub-Saharan Africa accounted for only about 0.57 percent of world FDI flows. Of this meager resource coming to Africa, Ethiopia had a share of about 0.74 percent of Sub-Saharan Africa (and 0.004 of the world). Yet, many sectors can benefit from FDI including textiles and garments, horticulture, tourism, leather products and light industry. Such investments can allow the country to obtain greater benefits from EBA and AGOA than at present.

5.2 FDI POLICY IN ETHIOPIA

The present regulatory regime governing FDI in Ethiopia has undergone significant changes as a part of the reform process started in 1992/93.[7] More sectors are now open to foreign investors than before. However those currently reserved for domestic private investors and the State are still numerous.

The Ethiopian FDI policy does not require foreign firms to meet specific performance goals. For instance, no performance requirements are imposed in terms of exports, foreign exchange restrictions for imports, minimum local content levels in manufactured goods, or employment limits on expatriate staff. The following principal inducements are offered to FDI:

- Foreign investors are fully exempted from customs duties and import tariffs on all capital equipment and up to 15 percent on spare parts; from export taxes. Meanwhile, income tax holidays are given varying from one to five years (depending on the sector and region within Ethiopia), taxes are deductible from R & D expenditures and remittances of capital are tax exempt.

[7] The key proclamations of these changes are 7/1996, 37/1996, 35/1998, 36/1998, 116/1998, and 168/1999 and 280/2002.

- Foreign investors can carry forward initial operating losses and can use any depreciation method in their financial statements.
- Investment guarantees for FDI include full repatriation of capital and profits.

5.3 FDI PERFORMANCE

Only 65 (16.5 %) new and expansion FDI projects worth Birr 3.9 billion have become operational during the 1992/93-2002/2003 period compared to an approved value of Birr 18.9 billion. (See Table 5.1) FDI projects tend to be larger in size than domestic investment, given capital constraints in the country. Equally, they use more capital per unit of output than labor. Consequently, employment creation through this means is low. Operational projects have already created temporary employment opportunities for about 308,600 people (60 percent of the total approved), whereas permanent employment was proportionally lower than what was intended at the approval stage.

TABLE 5.1 FDI NUMBER AND AMOUNT OF INVESTMENT CAPITAL (1992/93 - 2001/02)

(Million Birr)

Fiscal year	Approved FDI		Operational FDI	
	Projects	**Million Birr**	**Projects**	**Million Birr**
1992/93	3	233	2	88
1993/94	4	438	0	0
1994/95	7	505	1	5
1995/96	10	434	1	18
1996/97	42	2268	4	1194
1997/98	81	4106	12	1699
1998/99	30	1380	12	357
1999/00	54	1627	18	317
2000/01	45	2923	9	84
2001/02	35	1474	6	105
2002/03	83	3514	N.A	N.A
Cumulative	394	18902	65	3867

Source: Ethiopian Investment Authority

N.A: Not Available

The number of permanent jobs secured has been only 15 percent of the planned FDI, and capital intensity was higher than what was anticipated. In addition, FDI is concentrated (approximately 98 percent) in the three regions of Addis Ababa, Oromia and Amhara. In terms of sector-wise distribution, industry accounted for about 46 percent of the total licensed FDI projects. Agriculture, real estate and construction sectors accounted for the major part of the rest, with 19.5 percent, 18.1 percent and 10.1 percent respectively.

The main impediments to a larger FDI have been ascribed to poor infrastructure facilities such as irrigation schemes, roads, communication and power supply, inhospitable climate in some lowland areas and problems related to acquisition of land. Most FDI projects are oriented towards the local market. This follows from the nature of the investment regime.

To sum, the main characteristics of FDI in Ethiopia are as follows:

- Larger in size compared to domestic investment.
- Large industrial component compared to other sectors.
- More capital intensive than domestic investment.
- Concentrated in three regions.
- Produces mostly for the domestic market.

5.4 FDI AND EXPORT EXPANSION

FDI inflows to Ethiopia are low by Sub Saharan Africa standards, and more importantly export-oriented FDI projects have been few and far between. Of the fifty-nine foreign or joint venture investments that became operational between 1992 and 2001 in the agriculture, industry and service sectors, few were directed primarily to export markets. These industries are highly import-intensive and about 87 percent of the raw material demand were met from imports. However, this fact in itself is not a problem if the FDI is in value adding activities for which the country has a comparative advantage, produces for the world market and is able to compete well. Improvement in the incentive environment arising from trade and regulatory reforms should help to attract FDI to appropriate sectors. Ethiopia’s interest to enter WTO would also signal a better policy environment to foreign investors in the future.

Investment in the export sector have exemption from income taxes if at least 50% of the output is exported or at least 75% of the output is sold as inputs to an exporter for a period of 5 years. Under special circumstances, the period could be as long as 7 years. Similarly, investments in some areas are eligible for duty free imports for capital goods. In addition, losses can be carried over. In early 2003, the government introduced new regulations relaxing some of the limitations that had been placed on certain sub-sectors. In other words the FDI regime is being liberalized but perhaps too slowly to convince foreign investors of the changing investment environment.

5.5 CONSTRAINTS AND POLICY IMPLICATIONS

Ethiopia's record in attracting FDI has been poor. More than four- fifths of the projects that have received licenses have not been implemented.

This lackluster record reflects several constraints including the same constraints that operate on the domestic private sector and that arise from a negative perception of FDI in the country, including in some parts of the Government. Equally, foreign investors have perceptions conditioned by the past poor record of the Derg regime policies, famines and poor infrastructure compared to other sub-Saharan countries.

This study provides a host of recommendations for policy action and technical assistance. Among them the Ethiopian Investment Corporation needs support to develop institutional capacity to implement the current investment regime and its various facets. In addition similar strengthening is required for regional offices of the EIC.

A strong effort is needed to continue to improve the regulatory environment to provide a level playing field for FDI and to increase awareness among potential investors of the evolving FDI regime. This needs to be combined with efforts abroad to improve the image of the country that despite the food shortages experienced in recent years sound investment opportunities exist in the country and improvements in infrastructure and land preparation for investment purposes are going ahead. Donor support for these activities would help to raise the current low levels of FDI.

5.6 CONCLUSION

Ethiopia should consider major changes in the regulatory environment in order to create a better perception among foreign investors (see chapter 6 on The Legal and Regulatory Environment) and address such issues such as the regulatory environment , critical infrastructure needs, the high cost of land leases and the lengthy bureaucratic approval processes. Institutional changes such as improving the capacity of EIC and regional offices to support FDI are also required and merit support from the donor community.

5.7 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Develop institutional capacity of EIC to implement the current investment regime	MoTI, EIC & RBoI					
Review the impact of the present regulatory regime and take corrective measures as necessary, taking into consideration: FDI-specific standards and: a. Fiscal regime b. Labour law c. Work and residence permits d. Competition policy	MoTI, EIC & RBoI					
Inject human and material resources in regional offices of investment in order to facilitate the implementation of investment projects (both domestic and foreign) at regional level.	MoTI, EIC & RBoI					
Strengthen the Regional Investment Bureaux to serve both national and international investors in the regions	MoTI, EIC & RBoI					

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Continue review of the impact of the regulatory regime and take corrective measures as necessary.	**MoTI & EIC**					
Create awareness among investors about the legal and regulatory framework through **a. Familiarization workshops.** **b. Web-based information.** **c. Brochures information on investment opportunities.**	**MoTI, EIC & MoFA**					
Pursue accession process of WTO.	**MoTI, EIC & MoFA**					
Continue awareness creation.	**MoTI,, EIC MoFA, MoYC & ETC**					
Continue promoting to improve the image of the country through such measures as: **a. Creating and/ or/reinforcing linkages with the Diaspora** **b. Special events to promote Ethiopian culture abroad** **c. Development of strategies in cooperation with Embassies (including Commercial Attaches) and other organisations representing Ethiopia abroad**	**MoTI,, EIC MoFA, MoYC & ETC**					
Continue promoting to improve the image of the country.	**MoTI, EIC MoFA, MoYC & ETC**					
Review the present land lease system to make it conducive to FDI.	**MoTI, EIC & MoFedA**					
Implement the new simplified procedures for business registration and license as well as investment permit.	**MoTI, EIC & MoFedA**					
Develop inventory/data base of suitable urban as well as rural land for investment at regional and federal level and disseminate information to investors.	**MoTI, EIC & MoFedA**					
Develop technical capacity of key institutions to prepare land for more efficient allocation for investment purposes.	**MoTI, EIC & MoFedA**					

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Develop inventory/data base of suitable urban as well as rural land for investment at regional and federal level and disseminate information to investors.	MoTI, EIC & MoFedA					
Develop technical capacity of key institutions to prepare land for more efficient allocation for investment purposes.	MoTI, EIC & MoFedA					
Develop database on infrastructure available and suitable for investment.	MoTI, MoI, MoWR, MoFA & CC					
Create public-private partnerships to develop infrastructure required for investment (FDI as well as domestic) on a monetized basis.	MoTI, MoI, MoWR, MoFA & CC					
Develop infrastructure particularly telecom services through public-private partnerships on a monetized basis.	MoTI, MoI, MoWR, MoFA & CC					

CHAPTER 6
THE LEGAL AND REGULATORY ENVIRONMENT FOR TRADE AND INVESTMENT

6.1 INTRODUCTION

Several issues relating to the legal and regulatory environment act as constraints to private sector development in general, trade and investment in particular. The removal of these constraints is crucial, as a weak legal and regulatory environment results in high transaction costs. It reduces both investment returns and the gains from trade. High transaction costs reduce competitiveness of Ethiopian goods in the international market.

6.2 PRIVATE SECTOR DEVELOPMENT AND INVESTMENT REGULATION ISSUES

Privatization

The FDRE has been keenly aware of the importance of privatization and has in place a substantial privatization program since 1995. The results so far have been mixed and the program has experienced some setbacks. Among the many reasons for this outcome is that local investors are financially weak to purchase big enterprises. Valuation and pricing of the assets to be sold has been difficult due to the absence of a viable capital market.

6.3 OPERATIONAL ISSUES FOR INVESTMENT

Access To Land

With respect to land, four main issues act as impediments to investment. These are the *availability* of the land for leasehold, the *variance of regulations* with respect to leases according to different regions, the *affordability issues* arising out of pricing of the land-use rights, and the *inability to pledge* land use rights to secure financing.

Legal Framework Issues

Unlike many other countries that had to build a new legal framework from scratch, Ethiopia has simply retained major basic laws promulgated since the 1960's. As a result, for most areas related to commercial transactions, Ethiopia's legal system already has the basic laws in place. The difficulties lie in deficiencies in some substantive laws and in weak enforcement.

The remaining agenda for reforming the legal environment can be best seen in three ways: first to perfect the existing legal system to support and complete the transition to the market; second, to reinforce law enforcement and third, to begin examining laws and regulations in detail to make them compatible with international norms including WTO accession requirements.

Intellectual Property

The existing intellectual property system is not adequate to attract foreign intellectual property owners. There are elements of intellectual property for which there is not protection. The include trade and service marks, plant varieties, trade secrets and appellations of origin. Furthermore some of the existing intellectual property laws suffer from gaps and limitations to adequately protect foreign intellectual property rights. The existing laws that protect copyrights and govern unfair competition are inadequate. There is thus a need to revise the laws to fill gaps as well as amend some of the provisions that are inconsistent with the requirements of international property agreements such at the WTO Agreement on Trade Related Aspects of Intellectual property (TRIPS). However, as far as the WTO accession is concerned, Ethiopia can select the pace at which it needs to adopt intellectual property norms related to WTO membership according to a overall most beneficial strategy for the country. In terms of reinforcing the enforcement of laws, Ethiopia has a reasonably working court system that can be built upon. But the arbitration system needs to be changed as a means to resolving contractual disputes, particularly disputes in such areas as FDI. Of course, the mere existence of intellectual property laws would not by itself attract FDI without the other factors discussed in chapter 5.

Issues of the Incentives System

As seen above, Ethiopia's investment incentives themselves are not excessive; the problem is the existence of too many lists that makes the system unduly complicated. The use of priority or encouraged industries lists, especially when they are tied to tax privileges is not a good idea. In many countries, the use of "lists," is a by-product of the inward-looking development strategy of the 1960s. Many South Asian countries that followed this practice had poor results and discouraged investments. The ideal is to have neutral incentives and let the private sector be guided by the profitability of the activity. Improvements in the incentive environment through trade and regulatory reforms will lead to a better allocation of investments. This is not to say that some special areas could not be encouraged. But the onus must remain with those who advance the idea of special incentives to show why they are necessary.

6.4 REGULATORY ISSUES OF INTERNATIONAL TRADE

Importers interviewed for this study reported problems ranging from state monopolies, contraband goods creating untenable situations for legitimate goods and competition from "endowment organization" or party-affiliated organizations, to high transport cost. Some also referred to custom clearance problems. While the Government is addressing issues related to contraband goods, it has also indicated that endowment organizations have no special privileges and that they are competing on an equal basis with other players in their respective markets. Chapter 7 addresses transport cost issues.

6.5 REFORMING IMPORT AND EXPORT LICENSING PROCESSES

The current procedure of licensing can be streamlined by collapsing the two-step process (obtaining registration certificate then applying for business license) into a single step. Control for income tax purposes can be exercised simply by providing a tax identification number for each registered business, including import/export businesses.

6.6 OTHER CONSTRAINTS TO TRADE

Access to Bank Credit

Exporters have identified access to bank credit as a constraint. This was particularly true for first-time exporters. Paradoxically, the banking sector has excess liquidity while exporters and importers are credit constrained. On the one hand banks are constrained due to the nature of financial market with limited collateral, poor track records of many borrowers and limited number of well prepared projects. On the other hand in such an environment banks are too conservative to venture into the expansion of new and more credible borrowers. There is also a issue of long term capital given that deposit liabilities are short term and assets have to meet the same term requirement for viable banking. This is a problem that is not unique to Ethiopia but found in many developing countries.

Working capital is most important for export development, but bank lending has been constrained by legal problems involving among others, the use of land-use rights for collateral. Banks claim that they cannot recover even realizing funds through the sale of buildings used as collateral. This is said to be more acute outside cities and major markets.

There is still no financing facility for the indirect exporters in Ethiopia (i.e. those who provide inputs for exporters). Yet, from the experience of successful exporting countries in East Asia, this form of financing has long been an integral part of their export financing strategy. With respect to term finance, the private sector has little or no sources of term borrowing. All the six private banks have no policy for term lending. The only significant source is the government-owned Ethiopia Bank of Development (EBD). The Bank has a rather conservative lending policy in that it requires high collateral value to protect loan performance.

6.7 ISSUES ON ETHIOPIA'S EXPORT SUPPORT SYSTEM

Export Credit Guarantee Scheme

This scheme has not worked well, and the problems have already been well documented in a recent World Bank report.[8] The main issue is the two risks covered in the same scheme– exporter's manufacturing non-performance risk, and foreign buyers' non-payment risks- are not separate for coverage purposes. Another problem reported by exporters interviewed for this study is the rate of risk coverage of foreign buyer's non-payment of 80 percent is too low particularly regarding new customers as perceived by exporters, and there are delays in NBE effecting payments when guarantees are called upon.

The Ethiopian Export Promotion Agency

Given Ethiopia's current simple export structure, and the needs of exporters at this early stage of market identification and product development for export, support services should be more focused and more realistic. Support services can be simple but more relevant to new exporters' needs, such as helping set goals and strategy at the industry and product level, assisting new firms to understand the whole process of exporting to targeted markets such the United States and the European Union under the AGOA and EBA initiatives respectively.

Demand-Driven Support Service/TA Possibilities

The guiding principle for operation and organization of support services is that they have to be demand-driven and should be managed by the private sector, or mainly by the private sector in a spirit of synergetic partnership with Government agencies.

The service *should not be provided free of charge*, but should be fully priced, and charged on the basis of *cost-sharing*, e.g., charged at a discount say 50 percent, the rest would be matched by a grant from the government at the initial stages of export development.

6.8 CONCLUSION

- Privatization needs to be vigorously pursued, as it is the means to a successful transition to a market based economy.
- The latest Investment Proclamation still maintains an extensive list of industries and activities reserved for domestic investors only. This needs to be revised to broaden the eligibility list and made less specific.

[8] See World Bank, *Developing Exports to Promote Growth*, April 25, 2002. Opt.cit.

- The remaining agenda for reforming the legal environment can be addressed in three ways: first, to perfect the existing legal system to support and complete the transition to the market; second, to reinforce law enforcement; and third, to begin examining laws and regulations in detail to make them compatible with WTO requirement.
- Devise ways to reduce the delays in rulings. Some commercial cases take years to be resolved; *in conveyance* transfer of titles also takes a long time; in *notarial activities* where the state still has monopoly. These services can be privatized or the private sector can play an important role.
- Export development issues have to be addressed as a package by addressing other constraints such as limited bank lending for the purpose, legal problems involving the use of land-use rights for collateral among others. With respect to long term capital the private sector has almost no source of term borrowing. There is need for financial sector reforms that improve the financial market and policy making in that area to allow long term lending to take place.
- Export promotion requires a more hands on support service where the Government can play the role of a facilitator, not favoring any activity, party or persons.
- The government's reluctance to opening the door to foreign banks seems to be based on sound reasoning (needs to put a rigorous regulatory and supervisory framework in place in the domestic financial system). However, complete closing of the door is not consistent with the objective of promoting private-sector-led growth. A compromise solution would be to permit foreign banks to operate in the country though liaison offices (rather than through full-fledged branches).
- Avoid sending mixed signals about the government's position on the role of the private sector in the economy and take initiatives to redress the prevailing perception in the business community. A firm commitment to the implementation of a privatization program can play a pivotal role in building up private sector confidence and making the overall reform process including trade reforms credible.
- Export support services can be improved by separating management performance risk and the non-payment of proceed by foreign importers.

6.9 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
PRIVATE SECTOR DEVELOPMENT AND COMPETITION						
Strengthen the institutional capacity of the Ethiopian Privatisation Agency through training and advisory services to accelerate privatisation.	MoTI, EPvtA & PESA					
Outsource services related to privatisation: such as asset valuation, promotion and sales of enterprises.	MoTI & EPvtA					
Develop a legal framework to create a stock exchange, or capital market, to pool finance for investment and for buying and selling shares.	MoFED, NBE, MoTI & CC					
Establish a stock exchange for buying and selling shares and broadening access to capital.	MoFED, NBE, MoTI & CC					
Conduct a study on domestic competition among entities in the public as well as the private sector.	MoTI					
Refine and implement the present legislation on competition.						
Establish modalities and regulatory frameworks for Public- Private Partnerships in infrastructure development, waste management and animal health services.	MoTI & MoI					
EXPORT SUPPORT SERVICES						
Improve the Export Credit Guarantee Scheme by separating the two risks as well as by making prompt payment.	NBE					
Strengthen MoTI and MoR in terms of human resources to operate the duty drawback and bonded warehouse facilities effectively.	MoTI & MoR					

CHAPTER 7
TRADE FACILITATION

7.1 INTRODUCTION

Facilitation of external trade refers to the associated services that support import and export activities. It is a determinant of countries' competitiveness in trade. The present chapter deals with three major features of Ethiopia's trade facilitation– Customs, Clearing and Forwarding (C&F) and Insurance services, and Transport and Communications.

Given its level of development and land locked nature Ethiopia has substantial infrastructure needs compared to a majority of countries in Sub-Saharan Africa. The country needs to give considerable attention to improving physical facilities such as the road network and its condition. While important efforts have been made in the latter area, focusing on facilitation issues would constitute a deepening and strengthening of the reform process initiated in 1992.

Ethiopia has been successful in reducing high transport costs (as indicated by the nominal transport rate) but it has a long way to go to be competitive in this area with neighbors as well as competitors all over the world.

TABLE 7.1 NOMINAL TRANSPORT[9] RATES OF SELECTED COUNTRIES

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Sub-Saharan Africa											
Ethiopia	34.4	40.7	61.5	40.2	44.3	33.4	31.0	31.6	28.4	25.9	29.1
Ghana	9.5	9.1	9.5	10.3	11.1	10.6	9.8	9.5	10.1	9.0	8.9
Kenya	20.3	22.7	22.3	22.4	22.2	19.6	17.4	16.6	14.5	13.8	15.3
Mauritius	13.7	14.3	15.1	15.7	14.5	13.5	14.2	12.5	13.2	13.1	13.7
South Africa	8.3	9.8	9.1	7.2	7.0	7.3	8.0	7.4	7.6	7.6	8.0
Tanzania	12.9	13.3	14.1	11.5	18.1	11.1	11.8	16.5	15.3	15.0	-
East Asia & Pacific											
China	5.4	6.7	4.7	5.3	5.1	7.2	8.0	4.9	4.4	3.5	3.5
Philippines	6.5	6.4	6.6	6.4	6.1	5.2	5.7	5.3	5.1	4.0	4.2
Thailand	9.9	10.0	9.7	9.8	9.9	9.2	9.5	9.7	9.2	8.9	9.1
South Asia											
India	12.0	11.6	11.9	13.0	12.6	12.5	12.0	11.9	11.8	12.3	11.7
Bangladesh	9.9	9.5	9.5	9.7	9.6	9.0	9.3	9.0	9.0	8.6	8.6

[9] Nominal transport rate=(freight credit+freight debit+passenger credit+passenger debit+other transportation services credit+other transportation services debit+insurance credit+ insurance debit) / (merchandise exports+merchandise imports). Source: World Bank Report 23294-ET, *Developing Exports to Promote Growth*, based on International Monetary Fund data.

7.2 THE MAIN FACILITATION ISSUES

- Ethiopia is unique in following a Customs import procedure that requires consignment documents to be presented twice to the final Customs clearance post. This is an unnecessary cost. More recently, a task force has been working to streamline the procedures. It is hoped that the recommendations of the committee is implemented to reduce costs.
- Customs procedures and institutional issues require attention since they are a major factor in causing unnecessary transit delays and raising costs. The migration to ASYCUDA ++ is progressing at the moment, but would need more support.
- Though 60-70 per cent of dry cargo imports are containerized for the sea journey, land transport of goods on the Djibouti corridor is mainly break bulk.
- The dominance of state enterprises in arranging shipping, C&F services and insurance is not conducive to a competitive environment. Formal and de facto monopolies are only being dismantled slowly.
- There is substantial competition in road transport. The Government of Ethiopia should exit from providing freight transport services through entities owned by it.
- The Chemin de fer Djibouto Ethiopien (CDE) is not performing satisfactorily and plays a negligible economic role in transit services.
- There are capacity shortages for air freighting of exports. The industry is at a nascent developmental stage and production is far from stable.
- There is a shortage of telecommunication services in Ethiopia on account of the monopoly of the Ethiopian Telecommunication Corporation (ETC).

7.3 CONCLUSION

- Since the first inspection of documents takes place while goods are held in transit in Djibouti, this has serious cost implications. This procedure should be abandoned and Customs' revenue leakage concerns should be addressed by more efficient technologies and systems.
- As an interim measure, the threshold at which pre shipment inspection should be made mandatory should be raised to US $12,000 or Birr 100,000 from the present level of US 2,000. This needs to be considered for its merits taking into account the most viable arrangement.
- This should include the medium to long-term objective of moving containerised goods on the land bridge in boxes, not break bulk.

- The C&F monopoly (or dominance) in Djibouti will reduce with these arrangements. The problem with shipping and road transport can be addressed through an enhanced privatisation program and inter modal competition.
- Selective rather than 100 per cent inspection based on risk analysis, and enhanced training and skill levels are necessary in the customs administration.
- Concessioning the CDE should receive high priority.
- In the period when air freighted exports are growing towards a critical mass that will attract services, methods of tapping air freight providers at Nairobi should be explored.

7.4 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Introduce competition in the telecom sector	**MoI, ETA & ETC**					
Make arrangements with port states to conclude agreement on through bill of lading system to facilitate containerised transport.	**MoTI & ESL**					
Sensitise sector participants about the through bill of lading system, including those relevant entities in Djibouti	**MoTI & ESL**					
Make arrangements to create an inland dry port/ports.	**MoTI, ESL & CC**					
Develop road-rail container terminal at Addis Ababa with private-sector participation.	**MoTI, ESL & CC**					
Issue through bills of lading to Addis Ababa/regional dry port/s.	**ESL**					
Enforce the competition law to ensure that state enterprises engaged in trade facilitation provide competitive services, thus instituting fair competition in the market.	**MoTI, MoI, & NBE**					
INFRASTRUCTURE DEVELOPMENT						
Make Public- Private Partnerships in infrastructure development operational.	**MoI & CC**					
Provide efficient and quality telecommunication services at internationally competitive tariff rates.	**MoI & ETA**					
Develop road-rail container terminal at Addis Ababa with private-sector participation.	**MoTI, CDE& CC**					

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Move containerized goods on the land bridge in boxes, not break bulk.	MoTI & ESL					
Make arrangements with port states to conclude agreement on through bill of lading system to facilitate containerized transport.	MoTI					
Sensitize sector participants about the through bill of lading system, including those relevant entities in Djibouti	MoTI & ESL					
Establish an inland dry port/ports.	MoTI, ESL & CC					
Issue through bills of lading to Addis Ababa/regional dry port/s.	ESL					

CHAPTER 8
INSTITUTIONS AND INSTITUTIONAL SUPPORT FOR TRADE

8.1 POLICY MAKING INSTITUTIONS

Ethiopia, like other least developed countries, faces the challenge of putting in place institutions and institutional support to participate more in world trade. The institutional framework for the purpose should comprise:

- An effective policy making organization for investment and trade;
- Provision of support for export development and promotion;
- Ensuring that policy reform is properly implemented and anticipating the impact of reforms on producers and consumers alike.

The present principal public sector institutions dealing with trade are the Ministry of Trade and Industry; the Ministry of Foreign Affairs and the Ethiopian Export Promotion Agency. They need to work together to achieve common goals. However, there are many issues that need to be resolved to put an effective institutional framework in place. As seen in chapter 3 of the present study, there is a vital need to improve trade related institutions with the MOTI as the apex of the trade regime.

Trade Analysis. Ethiopia's ability to analyze trade related information is hampered by the limited access to such information and limited trained staff. The present staff of the MOTI carry heavy workloads while the demand for trade analysis is increasing rapidly.

Policy and Strategy Formulation. Ethiopia's capacity to formulate a sound trade policy framework would be improved if an effective mechanism for intra-governmental policy coordination is put in place. There is no such mechanism in place. For example MOTI sets domestic trade policy agenda while the MFA represents the country abroad on trade issues.

Negotiations. Ethiopia is involved in a number of trade agreements/negotiations the main ones being COMESA, ACP/EU and the WTO. Having been an observer since October 1997, Ethiopia applied for membership to the WTO on 11 February 2003. Ethiopia needs to further enhance its understanding of WTO agreements and the multilateral trading system. Thus the country will need greater negotiating capacity as well as knowledgeable staff to carry on with the WTO accession negotiations.

Export Promotion: Institutional Aspects. Some institutional factors are hindering the expansion of export trade in Ethiopia. The private sector has identified a number of issues limiting the contribution of the public trade support institutions. These issues include the bureaucratic processes used by the institutions as well as the inadequate mechanisms for monitoring and evaluating their effectiveness.

8.2 CONCLUSION

- Ethiopia needs to face the challenge of putting in place institutions, institutional support, and sound trade policy framework to participate more in world trade
- Greater coordination is needed between principal public sector institutions dealing with trade.
- Access to trade related information needs to be improved and number of trained MOTI staff needs to be increased.
- Greater negotiating capacity and knowledgeable staff are needed to carry on with the WTO accession negotiations.
- Steps need to be taken to overcome bureaucratic processes used by public trade support institutions.

8.3 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Recruit and train staff in MoTI, MoFA and Chambers of Commerce in the areas of design of trade information and analysis, including the multilateral trade system.	MoTI, MoFA & CC					
Organise within MoTI and Chambers of Commerce trade related information from sources such as COMESA, ACP/EU, WTO, and trade promotion organisations through improved Internet access (websites and databases) and establish a network linking MoTI, CC, CSA and CAE.	MoTI & CC					
Make twinning/training arrangements.	MoTI & CC					
Prepare and implement a National Trade Policy Framework for the formulation, coordination and monitoring of trade related policies and strengthen the involvement of the private sector in trade policy matters.	MoTI					
Involve MoTI in the recruitment and supervision of dilplomatic personnel engaged in trade matters.	MoTI and MoFA					
Perform a gap analysis and establish trade support services within Chambers of Commerce such as training, market research, information, etc.	CC					
Strengthen Chambers of Commerce to enable them to render efficient and effective trade support services on the basis of the gap analysis.						

CHAPTER 9
AGRICULTURE AND TRADE

9.1 INTRODUCTION

Agriculture is the most important sector of the Ethiopian economy, comprising more than 90 percent of exports, 85 percent of employment, and 55 percent of GDP. In spite of its importance, its potential remains largely untapped. Although 65 percent of the land is arable, only roughly 10 percent of this arable land is under food crop cultivation.[10] Further, 96 percent of cropped land and 90 percent of agricultural output is managed by small-scale farmers, most of whom practice non input-intensive, rain-fed farming that does not result in high yields.[11]

Ethiopian farmers still produce for subsistence and do not commercialize their harvest to any appreciable degree. Thus, a part of the challenge lies in raising productivity. But this alone is not enough – to escape poverty, these farmers must also be able to sell their surplus at a profit and begin to raise rural incomes. The government's strategy of Agricultural Development Lead Industrialization (ADLI) recognizes the importance of raising rural incomes. The centerpiece of this strategy has been a massive extension program aimed at diffusing agricultural technology dubbed PADETES for Participatory Demonstration and Training Extension System.

9.2 CEREALS

Productivity

Cereals are the staple of the Ethiopian diet. But in spite of increased output in the cereals sector, Ethiopia remains dependent on food aid. These increases have been largely driven by increases in the cultivated area - while this area has increased, average farm size has decreased and yields have remained flat. But if one looks beyond the aggregate statistics, there is some evidence that the extension packages have been able to increase productivity - yields on cereals demonstration plots far exceed the average.

Though productivity increases achieved through extension packages have the potential to increase the profitability of cereals farming, these can be offset by reductions in output prices. In addition, "behind the border" constraints such as high transport costs, (see Chapter 7) lack of storage facilities and insecure property rights also depress profitability.

---

[10] EEA, Annual Report on the Ethiopian Economy 1999/00, pp 146-147. It is important to note that while there is potential for expansion, it depends on possibilities for irrigation and may be partially offset by the need to withdraw severely degraded land.

[11] Kuma 2002.

Problematic technological factors mainly concern the extension packages themselves. Packages have not been adequately adapted to location-specific agro-ecological conditions. For example, the impact of fertilizer on land productivity has been widely variable – demonstration plots have shown a substantial increase, while traditional plots in some areas may have actually seen a productivity decline with fertilizer usage.

Appropriate input packages are not enough to raise productivity - farmers must have an incentive to invest in the land; but the current institutional setting hinders this incentive to some extent. Prices in recent years have been extremely low and variable across seasons and across the country. Another factor inhibiting productivity increase is that farmers feel very little security in the future of their land holdings under the current land tenure system, which also detracts from their incentive to invest in the future productivity of the land.

Cereals productivity can be increased with research on crop production – research that identifies which crops would be most bountiful in certain agro-ecologies, and what farming practices could improve productivity in these agro-ecologies.

Markets

Both output and input markets are not working well. In terms of output markets poor infrastructure acts as a barrier to greater production for the markets. As noted in the chapter on poverty, the pass-through of output prices to the rural economy is low. In relation to inputs they are inefficient and largely dominated by the state. A recent World Bank evaluation of a fertilizer loan to Ethiopia rated this loan unsatisfactorily, citing a lack of private sector involvement in the purchase and distribution of the fertilizer as a partial reason for this rating.

A way of stabilizing prices and raising profitability is through the local procurement of food aid. Recent studies have shown that Ethiopians may actually produce enough food to feed their population, but that the grain market is not developed enough yet to facilitate trade from surplus to deficit areas.

Risks

Farming is an inherently risky business, and the lack of insurance is likely to lead to a misallocation of resources both within agriculture and between agriculture and other sectors. The Warehouse Receipts System - currently in its pilot phase - is one way of mitigating price risk to farmers and traders, but there are others. This has been successful in Kenya.

9.3 COFFEE

Coffee is Ethiopia's most important export and has traditionally accounted for between 60-70 percent of total exports. However, a decline in world prices in 2001 by 28.5%

reduced coffee's share to only about 39.7% of exports in 2001[12]. The world coffee prices fell by another 4% in 2002, further reducing coffee's share to only about 35.5% of exports in 2002. The world prices have recovered somewhat after 2002, increasing by 4.3% in 2003 and by 17.8% so far in 2004.[13] The overall collapse in prices has been disproportionately passed on to farmers, leading to an overall decline in the profitability of coffee farming. This decline has created anxiety among smallholders, and many have been forced to sell assets and reduce household food consumption.

Like cereals, problems in the coffee sector can be partly due to issues related to technology. Lack of research in recent years has led to a loss of variety in coffee plants. It is noteworthy that no new varieties have been developed since the early 1970s that are resistant to the Coffee Berry Disease.

Institutional Setting

The institutional setting in the coffee sector discourages investors. Until 1998, all legally marketed coffee had to be sold through auction. The auction still inhibits exporters from making long-term contracts with importers since buyers cannot be certain of their ability to purchase the quality of coffee specified in the contract. Further the anonymity of the auction system prohibits traders from building reputations for the quality of their coffee and thus an important aspect of information transfer is absent in the process.

Ethiopia has not fully exploited its position as the place of origin of Arabica coffee and producer of some of the highest quality coffee in the world. There is tremendous potential to increase exports in niche markets like organic, fair trade, and ecological coffee.

Risk associated with the volatility of world coffee prices is clearly a deterrent to investing in the coffee sector. Plans are underway to revamp the marketing system, including a review of the function of the coffee auction and the possibility of replacing the auction with an exchange management.

9.4 HORTICULTURE

The contribution of horticulture to Ethiopia's export earnings is negligible – the share of horticultural products in total exports between 1994 and 2001 was 6 percent in quantity and less than 2 percent in value. However, there is potential for future exports particularly in vegetables to the Middle East and cut flowers to Europe.

[12] The World Bank Group: http://www.worldbank.org/data/, World Development Prospects: Commodity Price Data Pinksheet

[13] January-April 2004: Annual Average

More recently, the country was recognized to have many attributes favorable to horticultural crop production, including fertile areas in close proximity to Addis Ababa airport, a variety of altitudes and micro-climates, year-round production possibilities, extremely low labor costs, and accessible irrigation sources.

Unlike cereals and coffee, horticultural products are extremely perishable and require special attention in handling, packing and transport techniques. Transport costs would remain the biggest obstacle to exports. The availability and cost of airfreight is also problematic. Improvements in trade facilitation as discussed in Chapter 7 on Trade facilitation would help to overcome some of the transport constraints.

Technical assistance could help in many areas of the sub-sector in order to enhance production. For instance, the Ethiopian Agricultural Research Organization (EARO) recently drew up detailed plans for research strategies in horticultural products.

9.5 SUGAR

Sugarcane yields in Ethiopia are among the highest in the world and have increased steadily over the past ten years, as did total sugar production. Only 15 percent of sugarcane is grown by smallholders - the rest is grown on estates that are managed by the factories. Export performance deteriorated in the 1990s due to internal conflict, drought, the removal of restrictions on domestic sales and breakdowns in processing plant equipment. However, since 2000 exports have increased due in large part to the EBA initiative.

Part of the problem has to do with the fact that the industry has been under state ownership for nearly three decades. Management of enterprises complains about heavy centralization of resources and decision making by central government.

Technological constraints to increased productivity fall into two categories: outdated equipment and plant size. Economies of scale play a critical role in reducing production costs in the industry. Production costs must be reduced and technical assistance could play a role in assessing the feasibility for reducing costs of production.

9.6 CONCLUSION

- Given the importance of agriculture in the economy, raising agriculture productivity is a *sine qua non* for growth and poverty reduction. The Government has focused attention properly on this need through ADLI with some successes, but some problems still remain in implementation.
- In terms of technology there is need to develop ecologically suitable and crop specific packages of extension services, fertilizer and related inputs.

- Similarly, markets need to be improved by better infrastructure, as well as by the Government allowing input markets to work on their own.
- Other constraints to raising agriculture productivity lie in issues of land security and lack of market integration. Both institutional and physical factors account for this as well as forward looking research into crop development

9.7 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CEREALS						
Promote the development of high yielding variety of cereals.	**MoA RD& RBoA**					
Promote the formation of farmers' cooperatives.	**CCD, MoARD & RBoA**					
Identify off-farm activities as alternative sources of employment and train development agents/extension workers to promote these activities.	**MoARD & RBoA**					
Deploy development agents/extension workers to promote off-farm activities.	**MoARD & RBoA**					
Plan and implement a system of increased access to credit.	**MoARD & RBoA**					
Provide increased access to credit through micro-finance intermediaries.	**MFI**					
COFFEE						
Introduce a strict regime of quality assurance regarding grading and branding of coffee.	**MOARD, CTA, CEA & Cooperatives**					
Increase the export of washed coffee through investment in coffee washing facilities.	**CTA, CEA & Cooperatives**					
Promote different value-added qualities such as organic, gourmet, and specialty coffee and exploit the vast potential for developing niche market and thus diversify products and markets.	**MOARD, CTA, CEA & Cooperatives**					
Create a certification program for organic as well as different coffee varieties that could uphold the authenticity of coffee.	**MOARD, & CTA**					
Implement certification program that could uphold the authenticity of coffee.	**MOARD, & CTA**					

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Undertake the following reform in the Coffee Auction System: a) **Exhibit washed coffee both raw and roasted.** b) **Improve information system about the crop relevant to the buyer; both buyers and sellers being able to interact and establish relationships.** c) **Free coffee market and set up a coffee exchange, making the auction system optional, allowing exporters to buy from wholesalers.**	**MOARD & CTA**					
Train liqueurers in coffee tasting skills and differentiating liquoring characteristics of different coffee varieties.	**MoARD & CTA**					
Conduct further research to improve current coffee varieties in both liquoring characteristics and disease resistance and put in place a system /s to ensure application of research outputs.	**MoARD, CTA, EARO & RARO**					
HORTICULTURE						
Strengthen horticultural training in higher institutions such as Jimma University to raise awareness about the benefits of the industry.	**MoTI, MoARD & MoE**					
Improve transport and storage facilities for horticulture products to maintain freshness and minimize spoilage.	**MoTI, EAL, CAA, & AHE**					
SUGAR						
Conduct research into new sugar cane variety **and soil improvement**	**Sugar Companies**					

CHAPTER 10
LIVESTOCK AND MEAT

10.1 INTRODUCTION

The Ethiopian's livestock sector is a key part of the livelihoods of rural poor. It is significantly dependent on international trade standards, particularly for meat products.

10.2 LIVESTOCK

Livestock is the preferred vehicle for savings and insurance, as banks are remote and unreliable, livestock also fulfill social functions in ceremonies and exchanges. Livestock provide the majority of the cash income of rural households, and, as the most important marketable commodity, is therefore a potentially important entry point for poverty reduction. The contribution of the livestock sector to total GDP and agricultural GDP is estimated at about 15 and 35 percent respectively not including the value of draft power and social functions.

Productivity of the livestock sector is below that of other Sub-Saharan African countries, and raising productivity is a major challenge to achieving higher incomes and better living conditions for those in the sub-sector.

Feed

Ethiopia's highly variable resource base to produce sufficient feed for its national herd is probably the most important constraint to growth. This is another reason to raise productivity.

Disease

Livestock diseases are an important direct constraint to international market access, as well as a key constraint to overall growth of the sector. These diseases include:

- *Rinderpest* a virus disease of cattle, many wild life species and sheep and goats.
- *Foot and Mouth Disease* also caused by a virus and affects cattle, pigs, shoats and wild life.
- *Rift Valley Fever (RVF)* an insect-borne virus disease of man, cattle and sheep, in particular occurring when climatic conditions are favorable (high rainfall) for the emergence of the mosquito, transmitting the virus.
- Other diseases such as *Peste de Petits Ruminants, Contagious Bovine Pleuropneumonia, Sheep and Goat pox and Blue Tongue,* all occur in Ethiopia, but also in all or parts of the Middle East, so for the near future, at least, are therefore not a barrier to trade with

those countries. The Government needs explore the feasibility of establishing disease free zones and establish quarantine facilities to bring diseases under control. These zones can be established through public- private partnerships. In addition, regulatory procedures can be simplified to reduce the cost of transactions and make it a more profitable activity than at present. Besides these improvements could reduce the extent of smuggling of cattle, goats and camels.

Markets

With its deficient infrastructure network of roads and markets, livestock marketing and processing are major constraints to the development of the sector.

Most animals are trekked, causing a significant loss of weight during the trek. For example, a week trek between Bale Mountains and Arsi (about 150 km) signified a nine percent loss in body weight (GRM, 1994).

A high percentage of cattle (70 percent or 2 million out of 2.8 million) and probably an even higher share of shoats are directly slaughtered by the consumer or by small scale butchers. This is a cause of concern, as it constitutes a human health hazard, and diminished overall tax income for the city councils.

The high level of income and sales tax is another factor in all Addis Ababa livestock markets. A revision of this system would benefit all trade in livestock.

10.3 MEAT EXPORT

Meat export (mostly chilled, some frozen and canned) has grown from almost nothing in the early nineties to an average of about 2000 tons now, thanks to the emergence of a number of private slaughterhouses, meeting the sanitary standards of the Saudi and Gulf countries. In principle, Ethiopia has a strong market in those countries, as it can:

- Provide, those markets with chilled meat in customer- tailored quantities because of short delivery times;
- Provide those markets with preferred products, in particular with the favored fat-tail sheep, such as the Somali Blackhead Sheep;
- Serve niche markets, such as the markets for the fifth quarter (organs, other offal, etc) in West Africa; and
- In principle, be able to deliver at a lower price than the competitors, such as Brazil and Australia.

10.4 MAIN CONSTRAINTS TO MEAT AND LIVE ANIMAL EXPORTS

The main reasons for under-performance in meat and live animals exports are:

- *Regulatory constraints, in particular cumbersome documentation requirements and high levels of service charges.* Documentation requirements for meat covers not less than ten different institutions and even for live animals eight different institutions are involved, with significant transaction costs.
- *Banking sector constraints.* The procedures to obtain Letters of Credit (LC), requiring Central bank approval, are cumbersome, and the transfer of funds, through US banks is reportedly slow.
- *Sanitary constraints* such as those shown at the occasion of the recent outbreak of Rift Valley Fever.

Constraints affecting mostly meat exports are:

- Supply constraints, in particular caused by the lack of quarantine facilities.
- Un-reliable transport schedules and high cost of transport.
- Need to meet stricter standards in EU markets. Also for the Middle Eastern markets, it needs to improve the animal health infrastructure, in *particular in disease surveillance and quarantine.*
- For an *adequate disease surveillance* system, a much closer veterinary network at field level will be required. The public sector will not be able to provide all increased staffing and operating costs to develop an efficient network, and a public-private partnership will be required.
- *For an adequate quarantine system, the establishment of disease free zones needs to be explored.* This will require the establishment of zoning according to the OIE and WTO guidelines, the stringent supervision of the disease situation in those zones and the control of the boundaries.

Administrative Arrangements

The current cumbersome documentation procedures, requiring the involvement of nine (live animals) or eleven (meat) institutions needs to be simplified, and reduced to a “one window” arrangement, probably best managed by LMA as the focal point.

Infrastructure

On the live animal input side, there is a need to re-assess the infrastructure needs on the trekking routes. Trekking will remain the main transport mode for the immediate and medium term future, and improvements in watering and holding facilities along the trek routes would reduce weight and mortality losses during the trek.

10.5 CONCLUSION

With its comparative advantage for livestock production, proximity, and preferred products (breed type, chilled status of meat, etc.), Ethiopia can expand its current niche market in those countries. However, further growth would depend on the following actions:

- Development of a more efficient sanitary system, consisting in the establishment of an enabling environment for private animal health providers, the promotion of effective public-private partnership is disease control, and the development of adequate quarantine and disease-free zones for export;
- Simplification of the current documentation, which now involves a multitude of institutions, and high costs;
- Investments in infrastructure, in particular in trek routes, to reduce weight losses of marketed livestock;
- Empowering of the main export and trade organizations, involved in livestock, meat and semi-processed hides and skins, so that they would become more effective participants in the improvement of the quality of the products (in particular in hides and skins) and in international and bilateral discussions on market access.

10.6 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

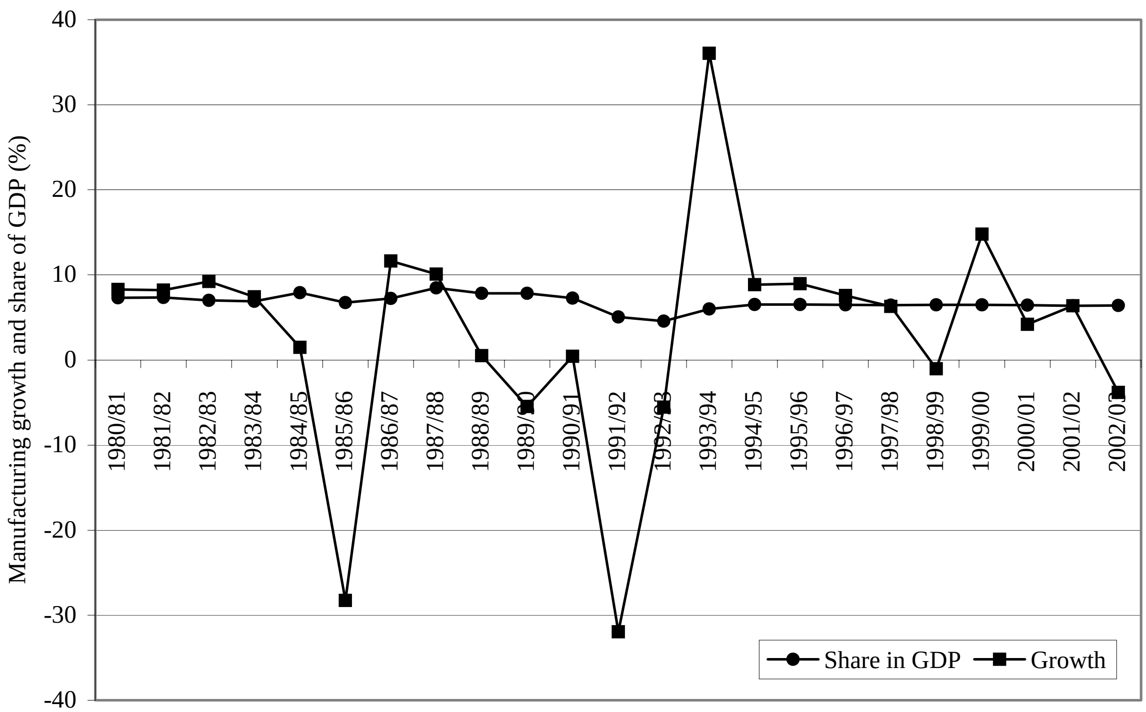
RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Assess the feasibility of establishing disease free zones and identify and select appropriate sites for quarantine stations.	MoARD& LMA					
Establish quarantine sites and an export zone/s with quarantine facilities.	MoARD& LMA					
Develop disease-free zones for export.	MoARD & LMA					
Allow private animal health providers to operate through effective public-private partnership in disease control and strengthen veterinary services.	MoARD& LMA					
Assess and delineate stock route and market areas.	MoARD & LMA					
Devise strategies for provision of services such as feed, water, veterinary service in trek routes at reasonable intervals.	MoARD & LMA					
Develop stock routes and export market areas.	MoARD & LMA					
Simplify regulatory procedures and reduce to a "one window" arrangement, managed by LMA as the focal point at Federal level and Agricultural Bureaus in the regions.	MoARD, LMA & RBoA					
Operate one-window service for regulatory procedures.	MoARD, LMA & RBoA					
Develop technical capacity to meet stricter standards in export markets and improve disease surveillance.	MoARD & LMA					
Strengthen the main export and trade organizations to make them effective participants in quality improvement and international trade discussions on SPS.	LMA & CC					

CHAPTER 11
THE MANUFACTURING SECTOR

11.1 ECONOMIC STRUCTURE: THE MANUFACTURING SECTOR IN CONTEXT

Manufacturing is still in an early stage in Ethiopia. Its share in GDP is less than 7 percent. Nor is it a significant employer. Yet, manufacturing offers future opportunities to the country to achieve a number of development goals. Efficient manufacturing growth raises incomes and creates demand for agricultural products and provides growing employment opportunities. It is also at the heart of modernization of the economy.

FIGURE 11.1 GROWTH RATE AND SHARE IN GDP OF MANUFACTURING PRODUCTION



Source: Based on data compiled from, World Bank, *World Development Indicators database*

During 1980-88,[14] growth of manufacturing averaged to 2.3 percent, with significant erratic annual changes (See figure 11.1). The modest 2.8 percent average GDP growth per year during the period came largely from the services sector. Following the reforms initiated in 1992 there has been a notable improvement in performance across all sub-sectors within manufacturing, yielding an average annual GDP growth rate of 8.9 percent for the nine years from 1993 to 2001.

11.2 PRODUCTION STRUCTURE

Like in most least developed countries (LDCs), Ethiopian manufacturing has historically been dominated by food production. By the early 1990s, this sector accounted for 37 percent of total manufacturing value added.

Following liberalization reforms in 1992/93, the food and beverages sector recorded the sharpest increase in output share, from 49 percent in 1991/92 to 50 percent in 2000/01.

Total employment in organized manufacturing grew from some 82600 workers in 1991/92 to around 93500 in 2000/01. Employment growth has however lagged behind output growth throughout this period. Annual average employment growth during 1992/93-2000/01 was 1.6 percent compared to 7.1 percent growth in real output.

The post-reform period has been characterized by modest wage growth.

Given massive unemployment in the urban economy, these wage increases seem to suggest significant 'administered' wage increases (discretionary wage adjustment) in the manufacturing sector. However, given the low initial wages, these wage increases have not resulted in erosion of manufacturing profitability.

Manufactures in Ethiopia are dominated by food processing, followed by textiles. However, heavy industry accounts for about a fifth of manufacturing, given the earlier state promotion of this sector. As expected, the public sector dominates the more capital intensive part of the sector, while the more labor intensive part of the sector belongs to the private sector. It is noteworthy that employment has lagged behind output growth in the sector that increases in output were more associated with increases in capital per worker than increases in productivity. Moreover, labor productivity measurements overstate the productivity growth compared to Total Factor Productivity growth (TFPG). One important finding is that, following the liberalization, the labor intensive

[14] For the purpose of growth rate comparison, the turbulent years from 1989 to 1992 (inclusive) are excluded for obvious reasons. (The war between the EPRDF and the military government reached climax during 1989-1991, resulting in severe disruption of domestic economic activity. The economic scene regained normalcy under the new regime only from the late 1992 the new government came into power in 1991.

private sector contracted and there has not been an increase in export orientation. This may be due to the fact that private sector participation has been limited since the liberalization and the privatization program has slowed.

11.3 PRODUCTIVITY PERFORMANCE

During 1993/94-2000/01 labor productivity in domestic medium and large scale manufacturing grew at an average annual rate of 5.5 percent compared to the 7.1 percent rate of output (value added) growth. At the two digit ISIC (International Standard Industry Classification) level, food and beverages, non-metallic mineral products, basic iron and steel products, and fabricated metal products indicated above-average labor productivity growth. Wearing apparel, textile, leather products and footwear recorded low labor productivity growth. Most of the sectors with negative or low labor productivity growth are sectors whose production processes are more labor intensive. As discussed below, the apparent positive relationship between capital-intensive of production and labor productivity growth simply reflect the fact that labor productivity growth in Ethiopian manufacturing during the post-reform period has largely emanated from capital deepening (increase in capital per worker) rather than genuine productivity growth.

Average annual total factor productivity growth in total manufacturing during this period is estimated at –2.9 percent and annual figures show wide fluctuations with only 3 of the 7 years recording positive growth. The average annual growth rate of 7.1 percent has come from growth in factor inputs (labor and capital) which more than compensated for negative TFPG. More importantly, it was capital accumulation that accounted for 9.42 percent of the 7.2 percent growth rate in output.

The degree of private sector participation in the four industries with positive TFPG (rubber and plastic, non-metallic mineral, fabricated metal products, and machinery and equipment) is generally higher than that of total manufacturing. It is also evident that SOE dominated sectors have generally experienced negative TFPG of greater magnitudes. There are however two notable exceptions to this overall picture. These are garment and leather product industries. The garment industry faced stiff import competition during the post reform era. At the same time there was no significant export orientation of the industry to compensate for output contraction caused by import competition. The leather product sector is heavily reliant on primary processing of hides and skins, world demand for which has been deteriorating persistently in recent years.

11.4 EXPORT ORIENTATION

The Ethiopian manufacturing sector is predominantly domestic market oriented. According to the Survey of Medium and Large Scale Manufacturing conducted by the

Central Statistical Authority, in 2000/01 total exports (Birr 77 million ($9.3 million)) accounted for only 9 percent of total sales turnover.

According to official statistics, during 1996/97-2000/2001 textile and garment exports grew at an average annual rate of 19 percent in value terms and at 6.1 percent volume terms. However, their share in total exports remained around 0.5 percent during this period. Exports of textile were limited by and large to semi-processed gray fabrics and garment exports, comprising predominantly low-end outer garments.

11.5 IMPORT INTENSITY AND LINKAGES

As in many other developing countries, in Ethiopia the debate on national industrial policy has repeatedly emphasized high import dependence and the resultant low domestic linkages as a major weakness of domestic manufacturing.

However, attempts to create linkages through direct policy intervention in the context of a labor abundant economy whose initial comparative advantage essentially lies in standard light manufactured good and simple assembly activities, can stifle the evolution of domestic manufacturing in line with changing patterns of internationalization of production. The reasons are the following:

- Intermediate goods industries are generally more capital intensive than final goods industries. The importation of intermediate inputs for domestic production, therefore, involves an implicit substitution of labor for relatively capital-intensive intermediate products in the overall domestic production process.
- Emphasis on achieving greater domestic content can run counter to the objective of increasing income levels through rapid market penetration in world trade.
- The share of intermediate inputs in total manufacturing has varied in the range of 51 to 54 percent during this period. The ratio is not too high when it is seen in the light of specializing in the value added activity rather than in the final product, which is the new division of labor in the world.

11.6 CONCLUSION

1. While manufacturing is less than 7 percent of GDP, it has potential for future expansion given the early stage of development of the sector and new opportunities that can arise with market access through AGOA and EBA.
2. Manufacturing production is dominated by textiles and food processing. Heavy industry has a share of around 20 percent of manufacturing given that this activity has been promoted by the Government under both the Derg and the new regimes.
3. The biggest challenge is to increase the share of manufacturing in total output through raising TSP growth. In the past, TSP growth in manufacturing was a

negative 2.9 percent. Output growth was more the result of using more capital and labor inputs than through increases in productivity. It is noteworthy that the more labor intensive and private sector owned activities have had positive TSP growth in contrast to the more capital intensive public sector owned activities. This is despite the competition from illegal imports in the case of textiles.

4. Following the liberalization of trade in 1992/93, the labor intensive private sector has contracted when the expected outcome was the opposite.

5. Ethiopian manufacturing is more domestic market oriented than export oriented. Textiles and garments were a mere 0.5 percent of exports. One reason for this market orientation is that there is a continuing bias against exports through import tariffs, poor export support services and limited access to capital to the private sector.

6. Emphasis on raising domestic value added per se without regard to efficiency would be counter productive. It will also limit employment opportunities in the manufacturing sector since intermediate goods industries tend to be more capital rather than labor intensive.

7. Improving the overall incentive structure will benefit the manufacturing sector more than targeting specific industries on the basis of their domestic value added or non-economic criteria of one kind or another.

11.7 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
General						
Create a close working relationship between industry and institutions of higher learning.	**MoTI, MoE, MoCB & MA**					
Develop curriculua for relevant training for manufacturing, and also improve Curricula of Technical and Vocational Education Training (TVET) to meet needs of industry.	**MoTI, MoE, MoCB & MA**					
Provide enhanced and quality training at all levels, including On-the –Job Training.	**MoTI, MoE, MoCB & MA**					
Strengthen technical training institutions at all levels.	**MoE & MoCB**					
Speed up establishment of Industrial Zones with the requisite infrastructure.	**MoTI, EIC & RboI**					
Leather Industry						
Introduce extension programs for the improvement of quality of raw hides and skins through the use of modern abattoirs, slaughterhouses and slabs and implement modern slaughtering techniques.	**MoARD, RboA, & LMA**					
Train vets countrywide and strengthen veterinary training schools and colleges.	**MoARD & RboA**					
Launch control program of Ekek disease.	**MoARD, & RboA**					
Enforce legal measures to build effluent treatment plants	**EPA**					
Leather and Textiles						
Improve the quality / capacity of management of the textile and leather industries and upgrade the level of technology.	**MoTI, PESA, and TA**					

CHAPTER 12
THE TOURISM SECTOR

12.1 INTRODUCTION

Ethiopia has enormous potential as a tourism destination. Not only does it offer the usual African game and cultural experiences to visitors, but it also has a rich array of historic and natural sites that set it apart from most of its neighbors. But while much potential exists, this is currently not being fulfilled with visitors on vacation numbering only 41000 in 2001, out of a total of 148,000 foreign visitors to the country. In contrast, its neighbor Kenya gets around one million visitors.

12.2 TOURISM INFRASTRUCTURE

Accommodation

Ethiopia has a limited supply of star and tourist quality hotel rooms, especially outside of Addis Ababa and the neighboring Oromiya region. The existing stock of accommodation seems adequate for all but the peak periods. However, it does not meet the needs of visitors in terms of quality, appropriate style and value-for money, particularly among the state-owned hotels. These deficiencies are due to lack of incentives to invest in maintenance by government hotels, a lack of competition outside of Addis Ababa, a hotel rating system that prevents the licensing authority from downgrading hotels and inadequate hotel experience and market information by local investors.

Transport

The primary means of getting to Ethiopia is by air into Bole International airport. But there still exists a price premium for flights into Addis compared to that of Nairobi that ranges from 14 percent from Johannesburg and London to 81 percent from the Far East cities of Hong Kong and Singapore.

While air transport is the primary means of getting to the historic sites, easy and fast access by road will always be cheaper. A cheaper and quicker means of reaching certain sites by road will stimulate tourist demand by drawing in those tourists (including domestic tourists) that cannot afford the higher cost of air travel.

Facilities at Tourist Attractions

Many of the tourist destinations outside of the main towns in Ethiopia lack facilities that can increase the tourist's enjoyment of the site and induce him or her to spend more money at these sites. Even the urban tourist attractions often fail to spend significant amounts of money (e.g. the national museum has no shop).

Aside from improving facilities at sites, their preservation is also important. The basis for tourism in Ethiopia is cultural, historical and natural sites. To make the development of the industry sustainable and to preserve these places for Ethiopians themselves, these need to be preserved and ensure that visitor numbers do not exceed the carrying capacity of the sites.

Human Resources

The hotel industry is characterized by low education levels and poor training. In this sector only 22.5 percent of employees have grade 12 or better (i.e. college), and some 69.7 percent have never received any sector-specific training (not even on-the-job training).

The largest training institute of tourism and catering staff is the Catering and Tourism Training Institute (CTTI) based in Addis Ababa. CTTI does not seem to have a good reputation in the industry. Many hotels will not use them and others refuse to pay a wage premium for graduates of the school because they feel that additional training is still needed.

12.3 SECTOR REGULATION AND DEVELOPMENT

Tourism Development Institutions

The Ethiopian Tourism Commission (ETC) is the federal agency tasked with developing the tourism sector, while tourism bureaus also exist at the regional level. These institutions have had their funding reduced in the last five years.

Tourism Market Intelligence

A primary input to any tourism planning and promotion, as well as tourist facility development is some good market intelligence on tourists to the country. The only information collected currently is from the entry and exit cards filled in by arrivals at Bole International Airport. This information is not adequate to provide good market intelligence and profiles of tourists. A short survey conducted in relation to the present study revealed many important facets of marketing that can be addressed in the future.

Tourism Promotion

Tourism to Ethiopia is promoted to the international traveler by ETC primarily through attendance at trade fairs and arranging free visits by travel agents and journalists. However, the DTIS team's survey results suggest this may not be an effective strategy as only 11 percent of the respondents had heard about Ethiopia as a travel destination from actual travel agents and 3 percent through promotional advertising.

12.4 ADDITIONAL CONSTRAINTS TO TOURISM

Access to Money and Credit Card Facilities

The ability to pay for goods and services using a credit card is limited in Ethiopia. Currently there are only 16 establishments in the entire country that are able to accept credit cards as payment.

Customs, Import Duties and Taxes

Those in the tourism sector complain that they face high import tariffs and suffer difficulties getting items through customs.

Entry Visas

Entry visas are generally considered a marginal barrier to tourism in Ethiopia. They are considered expensive and cumbersome to get.

Entrance Fees and Guides

Entrance fees at a number of historic sites were seen as excessive in relation to what was being offered. The DTIS team survey found that 29.3 percent of respondents felt entrance fees were overpriced, and what caused the most unhappiness was the 100 Birr camera fee.

12.5 CONCLUSION

The tourism sector in Ethiopia has huge potential but is currently plagued by numerous problems. The biggest problems are essentially one of development and a historically small tourism sector - a lack of physical and tourism infrastructure. This lack of infrastructure limits the carrying capacity of the tourism sector as a whole, keeping numbers to low levels.

While overcoming these infrastructure problems is often a chicken and egg situation (needing the visitors first to finance the infrastructure), the source of some of the industry woes are due to poor policy as noted in the discussion. It is also possible to focus infrastructure spending to maximize the return in the short run, generating more funds for infrastructure provision rapidly.

This suggests that the immediate priority for supporting tourism development in Ethiopia is the development of a coherent strategic plan.

- Focus on broader socio-economic development - for a poor country such as Ethiopia, the allocation of scarce resources and capacity to developing sectors such as tourism, must ultimately be justified on how much they contribute to the socio-economic development of the country. Any tourism strategy must make this its focus. A coherent program for increasing the capacity of the ETC and regional offices has to be combined with the improved incentive systems for both tourists and service providers.
- Catering and Tourism Training Institute can be upgraded to include hotel management and more paying students can be admitted to finance more intensive curriculum and training.
- Be sustainable - failure to preserve the cultural, historical and natural attractions adequately will undermine the long-term development of the tourism sector. In this connection there is potential to develop eco-tourism as many other countries have done in the last two decades.
- Use an integrated approach - tourism is multi-sectoral in nature which implies that the return on investments in one part of the package depends on what other services exist. In addition special attention needs to paid to related activities such as handicrafts that will increase the overall returns from tourism to the country.
- Recognize resource constraints - there are large resource constraints relative to the list of infrastructure required.
- Have clear target markets - the current promotion and development strategy has no clear target market, which means that promotional budgets are not used efficient.

12.6 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Develop a coherent, detailed action-oriented strategic plan including a tourism development code related to tourist destinations as well as a restructuring and capacity building programme for ETC and regional tourism support institutions.	ETC& RBoTIT					
Implement the tourism strategic plan and restructure ETC.	ETC					
Develop guidelines for eco tourism.	ETC					
Encourage the participation of the handicraft sector, particularly women, in tourism industry, through production of souvenirs and artifacts.	ETC					
Facilitate community involvement and integrate their needs in tourism planning.	ETC					
Improve market intelligence system and tourism information available at hotels, airports and tourist attractions.	ETC					
Devise promotional strategy based on target markets & improve tourism promotion.	ETC					
Devise a strategy for developing and improving human resources of the tourism industry, ETC and regional tourism support institutions.	ETC & RBoTIT					
Implement human resources strategy and upgrade Catering and Tourism Training Institute (CTTI) as a hotel management school and permit greater number of paying students.	ETC & CTTI					

CHAPTER 13
TRADE AND POVERTY

13.1 INTRODUCTION

Ethiopia is one of the poorest countries in the world. Its GDP per capita is estimated to be about US100. Other well-being indicators are also extremely low: life expectancy is 42 years and literacy rates are around 40 percent.[15] Recent estimates on poverty indicate that the number of poor, measured as the individuals not able to fulfill minimum livelihood standards, is in the order of 25 million, or about 44 percent of the total population. Moreover, 80 percent of the population lives with an income of less then US$2 a day. Even, more telling, if Ethiopia's GDP were to be uniformly distributed among all individuals, all Ethiopians would be below the international poverty line of $1 per day. Ethiopia is a very diverse country. This translates into large variations of poverty levels across regions. The percentage of people living below the poverty line varies from about 60 percent in the Tigris regions to about 25 percent in the Harare region.

Poverty levels are highly correlated with the performance of agriculture.[16] The drought of 2002/03 led to a decline in agriculture output by 12.% and a related decline in GDP by 3.8%. Because agricultural products account for 80 percent of the export bundle, changes in terms-of-trade or export performance of agricultural products have significant positive effects on the living standards of the poor. It is for this reason that the FDRE has emphasized development through ADLI strategy.

In the case of Ethiopia, as in many LDCs, the benefits to the poor from increased international integration can be enhanced by taking measures to move from a domestic subsistence economy to a market economy aided by the development of rural markets, improvement of infrastructure (especially transport), and the quality of institutions that deal with trade and the poor.

In spite of the challenges of adopting a package of measures in the domestic economy, trade liberalization policies aimed at increasing exports and reducing import protection while obtaining market access in developed countries are a viable path to reducing poverty.

---

[15] These compare respectively with 47 years and 63 percent literacy in Sub-Saharan Africa.

[16] Limited agricultural means, almost non-existent irrigation and a very low use of fertilizer lead to a low and often unpredictable land productivity. Furthermore, limited infrastructure and poorly integrated markets make it difficult to distribute goods from surplus areas to deficit areas, creating shifts in prices across regions and seasons, which ultimately reduce agricultural income.

13.2 TARIFFS AND POVERTY

In Ethiopia, there is a strong positive relationship between the average tariff on net household income and the level of household income.[17] This suggests an anti-poor bias in the existing tariff schedule. Similarly, urban households experience a higher level of net protection than rural ones. Thus the current tariff structure could be modified to be more beneficiary to the poor by reducing the variance in protection, as well as by adjusting its level to move to a more uniform tariff such as 10 percent uniform tariff.

Similarly, a move to a 10 percent uniform tariff will increase the income of the poor by 3.4 percent. A move to a 10 percent tariff is a viable option for revenue reasons rather than a complete elimination of tariffs. The adoption of the COMESA external tariff has an effect of a 2.10 percent increase in income of the poor.

13.3 EXPORTS AND POVERTY

If Ethiopia were able to market all of its export potential to the European Union, the effect on poverty will be substantial. (13.08 percent) [18] Significant is also the effect on the COMESA accession (2.43 percent). However, many barriers to Ethiopian exports in these markets inhibit greater success in poverty reduction efforts of the country. Thus there is a link between poverty and market access.

TABLE 13.1 WELFARE IMPACT ON THE POOR OF IMPROVEMENTS IN MARKET ACCESS

Market access improvement	**Average welfare change for the poor**	**Percentage of poor affected**		
		Lose	**Not affected**	**Win**
FULL PREFERENTIAL COMESA ACCESS	2.43%	0%	67%	32%
50% reduction tariff WTO members	0.03%	0%	100%	0%
50% reduction subsidies WTO members	0.01%	0%	100%	0%
Impact on preferential access in EU	13.08%	0%	44%	56%
Impact on preferential access in USA	0.78%	0%	96%	4%
Impact on preferential access in Japan	1.82%	0%	85%	15%
Impact on preferential access in Saudi Arabia	1.30%	0%	83%	17%

Source: Authors' calculation based on 1999/2000 household surveys.

[17] The richest households are two times more protected than the poorest households (10 and 5 percent respectively)..

[18] Even considering the case that the existing market imperfections are hindering the transmissions of the benefits to the poor households, on average poor households will have an increase in welfare of about 4 percent.

As coffee represents an important source of income for a multitude of small farmers in Ethiopia, a final "market access" improvement considered in this section is the adoption of the Fair Trade Coffee initiative.[19] The certification of 50 percent of Coffee production under the Fair Trade Coffee initiative, should it succeed, will affect 3.1 million poor producers of coffee in Ethiopia.[20] For this reason, every effort needs to be made to improve coffee marketing particularly in the QUAD countries.

According to the estimates at the regional level, a 10 percent increase in the export price of coffee at the border translates into a 1.9 percent increase in the price of coffee in some regions. Poor road and transport infrastructure is partly responsible. The weak institutional support to local and regional markets is also in part responsible for this low pass through of income.

One important reason that the benefits of trade do not directly pass on to the poor is the limited access to markets in terms of infrastructure and weak institutions. Because of the large size of the country and poor systems of communications, information on market opportunities and prices is not easily transmitted so that rural farmers are disadvantaged both on the sale of their output and access to inputs and in particular the access to technology and modern inputs. ADLI attempts to remedy this with some limited success but the issues of isolation, institutional weakness and physical access are such a greater and a more targeted approach is needed. Better household surveys and well designed programs to intervene in the poorest areas should be helpful to address the poverty and trade nexus.

13.4 CONCLUSION

Given the existing level of development of local markets, tariff reduction will have a positive effect on poor welfare. Improvements on market access to the European Union will have a highly significant impact on the welfare of the poor. The initiatives that should be encouraged from the perspective of the poor are the enhancement of the Everything But Arms initiative with the EU and access to COMESA members' markets. Public policies to improve the pass through of better market access will require a host of actions including policy reforms recommended in the different sections of this study, addressing of infrastructure, reforming public institutions.

[19] Fair-trade coffees, are selling at around US$1.26 per pound for regular and around US$1.40 per pound for certified organic beans. This is about double of the price of regular coffee.

[20] The income of poor coffee producers would increase on average by 25 percent.

13.5 RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE

RECOMMENDATIONS FOR ACTION AND TECHNICAL ASSISTANCE	IMP. AGENCIES/ TEAM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Take measures to connect poor households to local, regional and national markets.	MoARD, MoTI, MoI, &					
Provide market information; conduct studies on access issues; and develop targeted programs to areas with highest incidence of poverty.	MoARD, MoTI, MoI, &					
Undertake better household surveys to trace impact of policy reforms.	MoARD & MoTI & CSA					
Conduct study to identify other areas of intervention and to improve efficiency of delivery of social services.	MoARD, MoTI & MoFED					

APPENDICES

APPENDIX 1: EXISTING TECHNICAL ASSISTANCE AND CAPACITY BUILDING

One of the main difficulties in identifying technical assistance is the dearth of a single reliable source on Trade Related Technical Assistance in the country or for that matter among the donor partner community. One limited but reliable data source is the WTO/OECD data base on which the list below is based. It does not go far back enough for the present purpose, to evaluate its contribution to the recipient country. When it is available for some countries there is no single and agreed method of evaluation. In the case of Ethiopia technical assistance information is limited and not in one place. It is hoped that the FDRE will make an inventory starting from 2004 to establish a data base that will allow analysts both with the FDRE, the partner donor countries and others to make evaluations of the appropriateness, effectiveness and costs and benefits of TRTA.

For present purpose the DTIS has included the present list which is in two parts, namely, Trade Policy and Regulations and Trade Development.

Trade Policy and Regulations: The main item that appears are various training programs for Ethiopian officials conducted by the WTO ranging from, Sanitary and Phyto-sanitary standards and Technical Barriers to Trade, accession, dispute settlement, Intellectual property rights and dispute settlement agriculture. Few bilateral donor partners have provided programs on investment and technology promotion, human capacity building higher education and training systems.

Trade Development: Under this category many bilateral donors have provided technical assistance ranging from private sector development, business management, trade promotion, design and implementation to market analysis and development. Some very specific programs have been conducted ranging from horticulture marketing, to the development of organic coffee, leather products, credit and ways to improve agriculture marketing systems.

While these programs have substantial value, the Technical assistance recommended in the present study have a number of characteristics that are noteworthy. First, the recommendations are based on a careful analysis of economy-wide and sector specific issues. Second, they are deliberately kept broad enough for the donor partners and FDRE to explore together more narrow and specific technical assistance, within the broad area. Finally, while the recommended technical assistance is prioritized in terms of time-short, medium and long term, the priorities among the different issues and sectors have to emerge in the process of discussing the study before it is finalized.

APPENDIX 2: LIST OF EXISTING TRADE RELATED TECHNICAL ASSISTANCE AND CAPACITY BUILDING PROGRAMS 2001- JULY 2004[21]

Trade Policy and Regulations

Trade Category	Reporter Country / Agency	Project / Activity	Amount ('000 USD)	Start Date / End Date
Trade Mainstreaming in PRSPs / dev. plans	European Commission	Trade Capacity Building	5,368	01/10/2003 -
Trade Mainstreaming in PRSPs / dev. plans	United States	Development of Competitive Markets	200	30/09/2002 -
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	National Conference/Briefing		04/02/2002 - 11/02/2002
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	National Conference/Briefing		06/02/2002 - 06/02/2002
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Technical mission		18/02/2002 - 19/02/2002
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Conference/Briefing	4	03/03/2002 - 08/03/2002
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Conference		24/10/2002 - 26/10/2002
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Symposium	14	26/06/2001 - 28/06/2001
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Conference	8	29/10/2001 - 30/10/2001
Trade Mainstreaming in PRSPs / dev.	World Trade Organization (WTO)	Integrated Framework	6	18/11/2002 - 30/11/2002

[21] Source: **WTO/OECD Trade Related Technical Assistance and Capacity Building Database**. The activities listed above are those in which Ethiopia participated either as a beneficiary country and/or as a host country.

plans				
Trade Mainstreaming in PRSPs / dev. plans	World Trade Organization (WTO)	Integrated Framework	10	31 / 10 / 2002 - 01 / 11 / 2002
Trade Mainstreaming in PRSPs / dev. plans	International Development Agency (IDA)	Integrated Framework Diagnostic Trade Integration Study	300	01 / 01 / 2003 - 31 / 12 / 2004
SPS and TBT	United States	Policy Approaches to SPS Internat'l Standards & Trade Policy Implications	18	30 / 09 / 2002 -
SPS and TBT	World Trade Organization (WTO)	National seminar	3	06 / 03 / 2001 - 07 / 03 / 2001
SPS and TBT	World Trade Organization (WTO)	Regional seminar	1	18 / 03 / 2002 - 19 / 03 / 2002
SPS and TBT	World Trade Organization (WTO)	Regional workshop	10	03 / 07 / 2002 - 05 / 07 / 2002
SPS and TBT	United Nations Industrial Development Organization (UNIDO)	Integrated Programme for Ethiopia: Component 3 - Quality and conformity assessment	78	08 / 05 / 2001 - 31 / 12 / 2002
Trade Facilitation	Japan	CUSTOMS TECHNICAL COOPERATION	8	01 / 01 / 2001 -
Trade Facilitation	World Trade Organization (WTO)	Regional seminar	3	11 / 06 / 2003 - 13 / 06 / 2003
Trade Facilitation	World Trade Organization (WTO)	Regional workshop	7	12 / 11 / 2002 - 22 / 11 / 2002
Trade Facilitation	France	Formation ports		01 / 01 / 2002 - 31 / 12 / 2002
Trade Facilitation	World Trade Organization (WTO)	Regional workshop	6	06 / 05 / 2003 - 08 / 05 / 2003
Trade Facilitation	World Trade Organization (WTO)	Regional seminar	5	06 / 11 / 2002 - 06 / 11 / 2002
Customs Valuation	World Trade Organization (WTO)	Regional workshop	15	17 / 03 / 2003 - 21 / 03 / 2003
Accession	World Trade Organization (WTO)	Workshop	3	15 / 07 / 2002 - 16 / 07 / 2002
Dispute Settlement	World Trade Organization (WTO)	Regional seminar	5	24 / 06 / 2002 - 27 / 06 / 2002
Dispute Settlement	World Trade Organization (WTO)	Regional workshop	6	28 / 04 / 2003 - 01 / 05 / 2003
Dispute Settlement	World Trade Organization (WTO)	2nd Dispute Settlement Course		08 / 04 / 2002 - 12 / 04 / 2002
Dispute Settlement	World Trade Organization (WTO)	4th Dispute Settlement Course		07 / 11 / 2002 - 11 / 10 / 2002
Trade-Related Intellectual Property Rights	World Trade Organization (WTO)	National seminar		11 / 11 / 2002 - 12 / 11 / 2002

Trade-Related Intellectual Property Rights	World Trade Organization (WTO)	Regional seminar	9	22/04/2002 - 25/04/2002
Agriculture	World Trade Organization (WTO)	Colloquium / Meeting	5	07/04/2003 - 09/04/2003
Agriculture	World Trade Organization (WTO)	Regional seminar	3	15/01/2001 - 19/01/2001
Agriculture	World Trade Organization (WTO)	Regional seminar	5	03/02/2003 - 07/02/2003
Tariff Negotiations - Non-Agricultural Market Access	World Trade Organization (WTO)	Regional workshop	6	28/07/2003 - 30/07/2003
Rules	World Trade Organization (WTO)	Seminar	4	29/10/2002 - 30/10/2002
Negotiation Training	World Trade Organization (WTO)	Regional training course	9	19/08/2003 - 21/08/2003
Trade and Environment	World Trade Organization (WTO)	Regional seminar	5	08/07/2002 - 10/07/2002
Trade and Environment	World Trade Organization (WTO)	Regional workshop	4	19/05/2003 - 21/05/2003
Trade and Competition	World Trade Organization (WTO)	Regional workshop		22/02/2001 - 24/02/2001
Trade and Competition	World Trade Organization (WTO)	Regional workshop	10	12/11/2002 - 14/11/2002
Trade and Investment	World Trade Organization (WTO)	Regional workshop	4	01/12/2002 - 02/12/2002
Trade and Investment	World Trade Organization (WTO)	Regional seminar	3	04/02/2003 - 05/02/2003
Trade and Investment	World Trade Organization (WTO)	Regional training course	0	17/03/2002 - 25/03/2002
Trade and Investment	United Nations Industrial Development Organization (UNIDO)	Investment and Technology Promotion in Ethiopia	21	10/06/2002 - 31/12/2003
Transparency and Government Procurement	World Trade Organization (WTO)	Regional workshop	11	14/01/2003 - 17/01/2003
Trade-Related Training Education	United States	Human Capacity Development / Higher Education & Training Systems	26	30/09/2002 -
Trade-Related Training Education	Japan	TRADE PROMOT'N SEM.(1)(ASIAN & PACIFIC COUNTRIES)		30/06/2001 -
Trade-Related Training Education	World Trade Organization (WTO)	Colloquium / Meeting	4	03/03/2003 - 04/03/2003

Trade-Related Training Education	World Trade Organization (WTO)	Technical mission	5	15/04/2002 - 17/04/2002
Trade-Related Training Education	World Trade Organization (WTO)	Regional training course	9	09/07/2001 - 27/07/2001
Trade-Related Training Education	World Trade Organization (WTO)	Regional training course	6	17/06/2002 - 28/06/2002
Trade-Related Training Education	World Trade Organization (WTO)	Regional training course	7	13/10/2003 - 24/10/2003
Trade-Related Training Education	World Trade Organization (WTO)	Regional training course	8	16/06/2003 - 27/06/2003
Trade-Related Training Education	World Trade Organization (WTO)	Introduction Course		05/05/2003 - 23/05/2003
Trade-Related Training Education	World Trade Organization (WTO)	Regional workshop		17/06/2003 - 18/06/2003
Trade-Related Training Education	World Trade Organization (WTO)	16th Trade Policy Course		15/01/2001 - 06/04/2001
Trade-Related Training Education	World Trade Organization (WTO)	22nd Trade Policy Course		16/09/2002 - 06/12/2002
Trade-Related Training Education	World Trade Organization (WTO)	1st Introduction to WTO		11/03/2002 - 28/03/2002
Trade-Related Training Education	Japan	Technical Cooperation in Trade	0	30/06/2002 -

Trade Development

Trade Category	Reporter Country / Agency	Project / Activity	Amount ('000 USD)	Start Date / End Date
Business Support Services and Institutions	European Commission	Micro and Small Enterprise Development Programme (MSEDP)	6,269	01/01/2001 - 31/12/2004
Business Support Services and Institutions	Norway	Private Sector Development	3	30/06/2001 -
Business Support Services and Institutions	United Nations Conference for Trade and Development (UNCTAD)	Promoting and Facilitating Foreign Direct Investment in Least Developed Count	71	30/05/2003 -
Business Support Services and	International Development Agency	Economic Rehabilitation Support Project	25,500	05/06/2001 - 30/06/2002

Institutions	(IDA)			
Business Support Services and Institutions	International Development Agency (IDA)	Structural Adjustment Credit Project	24,348	18 / 06 / 2002 - 30 / 06 / 2004
Business Support Services and Institutions	International Development Agency (IDA)	Firm Analysis and Competitiveness	20	01 / 01 / 2003 - 31 / 12 / 2003
Business Support Services and Institutions	International Development Agency (IDA)	Investment Climate Survey	300	30 / 04 / 2003 - 30 / 06 / 2003
Business Support Services and Institutions	Japan	Japan Overseas Cooperation Volunteers in Business Management	74	30 / 06 / 2001 -
Business Support Services and Institutions	Japan	Japan Overseas Cooperation Volunteers in Business Management	2	30 / 06 / 2001 -
Public-Private Sector Nnetworking	Netherlands	agri-export promo fund	22	15 / 09 / 2001 - 22 / 09 / 2001
Public-Private Sector Nnetworking	United Nations Development Programme (UNDP)	Public-Private Partnership	120	01 / 03 / 2002 - 01 / 12 / 2003
Trade Promotion Strategy Design and Implementation	United States	Equity and Growth through Economic Research (EAGER) -- Agribusiness	18	30 / 09 / 2002 -
Trade Promotion Strategy Design and Implementation	United States	Policy Analysis, Research, & Tech Supp (PARTS) for Democracy & Governance	24	30 / 09 / 2002 -
Trade Promotion Strategy Design and Implementation	United States	Commercialization Program	40	30 / 09 / 2002 -
Trade Promotion Strategy Design and Implementation	United States	Agricultural Statistics Improvement Activity (ASIA) PASA	250	30 / 09 / 2002 -
Trade Promotion Strategy Design and Implementation	European Commission	COFFE IMPROVEMENT PROGRAMME (CIP IV)	13,434	13 / 12 / 2001 - 30 / 06 / 2008
Trade Promotion Strategy Design and Implementation	Norway	INST COOP AWASSA / MEKE	167	30 / 06 / 2001 -
Trade Promotion Strategy Design and Implementation	International Trade Centre (ITC)	Ethiopia. Organic Coffee in Ethiopia, Phase I		01 / 01 / 2001 - 30 / 04 / 2001
Trade Promotion Strategy Design and Implementation	International Trade Centre (ITC)	Organic Coffee in Ethiopia, Phase II	67	01 / 01 / 2001 - 31 / 12 / 2002
Trade Promotion Strategy Design and Implementation	United Nations Industrial Development Organization (UNIDO)	Assistance to the Development of the Ethiopian Leather Products Industry	702	10 / 12 / 2001 - 31 / 12 / 2003
Market Analysis and Development	United States	Policy Analysis, Research, and Technical Support (PARTS) for Agribusiness	9	30 / 09 / 2002 -

Market Analysis and Development	France	Assistance technique	11	01/01/2002 - 31/12/2002
Market Analysis and Development	France	Etude	9	01/01/2002 - 31/12/2002
Market Analysis and Development	International Trade Centre (ITC)	Ethiopian Coffee Quality Project	208	31/12/2002 - 29/12/2006
Market Analysis and Development	Food and Agriculture Organization (FAO)	Strengthening Seed Supply System at the Local Level	1,500	01/03/2002 - 01/01/2005
Trade Finance	Belgium	DEVELOPPEMENT DE LA MICRO-ENTREPRISE A ADDIS ABEBA - SOSF/SOSH	44	01/01/2001 -
Trade Finance	Belgium	DEVELOPPEMENT DE LA MICRO-ENTREPRISE A ADDIS ABEBA - SOSF/SOSH	47	01/01/2002 -
Trade Finance	European Commission	EIB Line of Credit SMEs	17,912	01/01/2001 -

REFERENCES AND INTERVIEWS

Abebe, Kelemu, 2002. Considerations for Formulating Appropriate Export Support Services: An Ethiopian Perspective. Annex presented at the Eleventh Annual Conference on the Ethiopian Economy, Addis Ababa.

Abegaz, Berhanu, 2001. 'Ethiopia', in Shantayanan Devarajan, David Dollar and Torgny Holmgren (eds), Aid and reform in Africa: Lessons from Ten case Studies, Washington DC: World Bank, pp. 168-226.

Abesha, Dejene, Aragay Waktola, and Jens B. Aune. 2000. Agricultural Extension in the Drylands of Ethiopia. The Drylands Coordination Group, Report No. 9.

Abraham, Kinfe 2001. Ethiopia: The Dynamics of Economic Reforms, Addis Ababa: Ethiopian International Institute for Peace and Development.

Addis Ababa City Government, Trade, Industry & Tourism Bureau, 2002. *Conference Tourism in Addis Ababa: Problems and Prospects Analytical Summary*, September.

Agonafir,Yohannes. 1992. The Role of Horticulture in the National Economy Current Status and Future Prospects. Addis Ababa.

Alem Asfaw (2002), "Challenges and Prospects of the Leather Industry in Relation to Export Promotion", UNIDO sponsored, Addis Ababa.

Alesina A. & D. Rodrik 1994. Distribution Politics and Economic Growth. Quarterly Journal of Economics, 109: 465-490.

Aredo, Dejene 2000. Private Investment in Ethiopia: The African Context, Regulatory Framework and Achievement. Ethiopian Development Forum, 1 (2): 33-43.

Athukorala, Prema-chandra and Bambang H. Santosa, 1996. Gains from Indonesian Export Growth: Do Linkages Matter?. Bulletin of Indonesian Economic Studies, 33(2), 73-96.

Athukorala, Prema-chandra and Sarath Rajapatirana, 2000). Liberalization and Industrial Transformation, Oxford and Delhi: Oxford University Press.

Athukorala, Prema-chandra and Sarath Rajapatirana, 2003. Capital Flows and the Real Exchange Rate: A Comparative Study of Asia and Latin America. World Economy (forthcoming).

Athukorala, Prema-chandra. 1998. Trade Policy Issues in Asian Development. London: Rutledge.

Atlabachew, T. 2002. Ecotourism as an Alternative for the Development of Tourism in Ethiopia, *Addis Tribune*, Friday November 22.

Aynekulu, Awualom, 1996. 'The Emerging Monopolies of the TPLF. Ethiopian Register 3: 20-32 and 4: 14-22.

Balcha, G & Demissie, A. 2002. *Biodiversity and Sustainable Development in the Context of Ecotourism*, Institute for Biodiversity Conservation and Research (ICBR), Addis Ababa.

Bardhan, P., S. Bowles and H. Gintis, 1999. Wealth Inequality, Wealth Constraints and Economic Performances, in A. Atkinson and F. Bourguignon (eds), Handbook of Income Distribution, Elsevier.

Berhanu Nega and Kibre Moges (2001), "Productivity and Competitiveness of the Leather Sector: Findings from Four Country Case Studies", Addis Ababa.

Berhanu Nega and Kibre Moges (2002), "Sources and Uses of Export Support Services in Ethiopia", OECD sponsored, Addis Ababa.

Berhanu Nega, 2003. 'The Status of the Ethiopian Leather Industry'. Annex commissioned under the World Bank Diagnostic Trade Integration Study (processed).

Berhanu, Nega, Kbre Monges and Worku Gebeyehu, 2002, 'Sources and Uses of Export Support Services in Ethiopia. Addis Ababa: Ethiopian Economic Policy Research Institute (processed).

Bonger, Tenkir, Eleni Gabre-Madhin and Suresh Babu, eds. 2002. Agriculture, Technology and Price Policy. Ethiopian Development Research Institute and International Food Policy Research Institute.

Bourguignon F, 2000. Can redistribution accelerate growth and development? ABCDE meetings, Europe, The World Bank.

Bradt, 2002. *Ethiopia: The Bradt Travel Guide,* third edition, Bradt Travel Guides Ltd, UK.

Central Statistical Authority, "Report on Large and Medium Scale Manufacturing and Electricity" Statistical Bulletins, Various issues (1997 – 2002), Addis Ababa.

Central Statistical Authority, "Report on Monthly and Annual Producers' Prices of Agricultural Products in Rural Areas by Killil and Zone, Various Issues (1998-2001), Addis Ababa.

Central Statistical Authority, "Statistical Abstracts", 1999 and 2001, Addis Ababa.

Central Statistical Authority, 2001. *Transport and Communications Statistics*, Statistical Bulletin 246, March.

Central Statistical Authority, 2002. *Statistical Abstract 2001*, March.

Chekun, Tessema, Abreham Begashaw and Yehasab Aschalew. 2002. The Impact of Coffee Price Crisis on the Ethiopian Coffee Industry. A Paper Presented at the International Coffee Conference, Addis Ababa.

Chen Derek, 2003. Trade, Aid and Poverty in Low Income Countries, mimeo.

Coffee and Tea Authority. 1996-2002. Planning and Programming Department: Annual Reports.

Coffee Improvement Project III. 1997. Marketing Study and Annexes EDE Consulting for Coffee.

Coulter, Jonathan and Gebremeskel Dessalegn. 2002. Using Warehouse Receipts to Develop Ethiopia's Agricultural Marketing System.

DAC Guidelines, Strengthening Trade Capacity for Development, 2001.

Dearde, Peter, Peter Greenhalgh, and Ed Havis. 2002. Horticulture Exports From Ethiopia and EU Super Market Sourcing.

Deaton, A. 1997. The Analysis of Household Surveys: A Microeconometric Approach to Development Policy. Baltimore: Johns Hopkins University Press.

Debelle, Tolessa, Tesfa Bogale, Wakene Negassa, Tenaw Woraychu, Minale Liben, Tewodros Mesfin, Burtukan Mekonen and Waga Mazengia. 2001. A Review of Fertilizer Management Research on Maize in Ethiopia. Second National Maize Workshop of Ethiopia.

Degefe Befekadu and Berhanu Nega (Editors), 2001. *Annual Report on the Ethiopian Economy*1999/2000 (Volume 1) Addis Ababa: Ethiopian Economic Association**.**

Degefe Befekadu and Berhanu Nega and Getahun Tafessee (Eds) (2002), Annual Report on the Ethiopian Economy (Volume 11), Addis Ababa: Ethiopian Economic Association.

Degu, Getahun, Wilfred Mwangi, Hugo Verkuijl, Abdishekur Wondimu. 2000. An Assessment of the Adoption of Seed and Fertilizer Packages and the Role of Credit in Smallholder Maize Production in Sidama and North Omo Zones, Ethiopia. EARO and CIMMYT.

Delegation of the European Commission- Local Food Security Unit in Collaboration with The World Food Program. 2002. Availability of Maize, Sorghum and Wheat For Food Aid Local Purchase of 2002: 21 February to 20 March 2002 Cereal Availability Study.

Demeke, Mulat. 1999 Agricultural Technology, Economic Viability and Poverty Alleviation in Ethiopia. Agricultural Transformation Policy Workshop. Nairobi.

Demeke, Mulat. 2002. The Profitability of Crop Production Technologies in Selected Sites: Implications for Poverty Alleviation in Ethiopia. Addis Ababa University.

Department For International Development. April 2002. Workshop on Opportunities and Constraints in the Horticulture Sub-Sector. Addis Ababa.

Dieke, P, 1991. "Policies for tourism development in Kenya", *Annals of Tourism Research*, 18 (2) 269-294.

Dieter M. Hormann and Shawel. 1985. The Domestic Market for Fresh and Processed Fruit and Vegetables and Its Supply in Important Urban Centres of Ethiopia. Hanover and Addis Ababa.

Easterly, William, 2002. Growth in Ethiopia: Retrospect and Prospect', Washington DC: Centre for Global Development, Washington DC: Institute of International Economics (processed).

Edwards, Sebastian, 1989. Real Exchange Rates, Devaluation, and Adjustment: Exchange rate Policy in Developing Countries. Cambridge, Mass.: MIT Press.

Elbadawi, Ibrahim, 2000. Can Africa Export Manufactures? The Role of Endowment, Exchange Rates and Transaction Costs, World Bank Working Annex (processed).

EPA (Ethiopian Privatization Agency), 2002. Information on Privatization Situation in Ethiopia. Addis Ababa (processed).

Ethiopia Seed Enterprise. 2002. Electronic data.

Ethiopia, Trade-Related Technical Assistance Needs Assessment, 1998.

Ethiopian Agricultural Research Organization. June 2000. Cereals Crops Research Strategy.

Ethiopian Economic Association, 2000. *Annual Report on the Ethiopian Economy: Volume 1 1999/2000*, Degefe, B & Nega, B (eds), United Printers, Addis Ababa.

Ethiopian Economic Association. 1999/00 and 2000/01. Annual Report on the Ethiopian Economy, Volumes 1 and 2.

Ethiopian Economic Association/EEPRI. October 2002. Land Tenure and Agricultural Development in Ethiopia.

Ethiopian Economic Association/Ethiopian Economic Policy Research Institute (2000/01), "Second Annual Report on the Ethiopian Economy", Volume II, 2000/2001, Addis Ababa.

Ethiopian Economic Policy Research Institute, Sources and Uses of Export Support Services in Ethiopia, 2002.

Ethiopian Export Promotion Agency (2001), "Study on Leather and Leather Products", Amharic version, Addis Ababa.

Ethiopian Investment Authority, 2001. *Statistics on Investments in Ethiopia No. 3, Cumulative and Trend July 1992-July 2000*, February.

Ethiopian Investment Authority, 2002. Statistics on Investment in Ethiopia: No.4. Addis Ababa.

Ethiopian Investment Authority, Investing in Ethiopia, 1998.

Ethiopian Sugar Industry Support Center. 2002. The Ethiopian Sugar Industry. Memo. Addis Ababa.

Ethiopian Tannery (2003), "Unit Prices of Hides and Skins at Different stages of processes", unpublished, (data obtained on request).

Ethiopian Tourism Commission. *A Strategy for the Development of Tourism in Ethiopia*, November. (Annual Reports 1993-2002)

Fikry, Tesfaye, 2003. 'Textile and Garment Subsector', study commissioned under Ethiopia Diagnostic Trade Integration Study, World Bank (processed).

Food and Agricultural Organization. 2002. FAOSTAT database.

Foreign Investment Advisory Service. May 2001. Ethiopia: Foreign Investment Promotion Strategy framework. Addis Ababa.

Gabre-Madhin, Eleni. 2001. Market Institutions, Transaction Costs, and Social Capital in the Ethiopian Grain Market. Research Report 124. International Food Policy Research Institute. Washington D.C.

Galor O. and J. Zeira, 1993. Income Distribution and Macroeconomics. Review of Economics Studies, 60: 35-52.

Gashaw Dagnew, 2002, Exchange Rate Policy in Ethiopia; An Agenda for Action. Ethiopia Journal of Economics. I(1): 6-7.

Gebremeskel, Dessalegn, T.S. Jayne and J.D. Shaffer. January 1998. Market Structure, Conduct and Performance: Constraints on Performance of Ethiopian Grain Markets. Grain Market Research Project Working Paper #8.

Gemeda, Abdisa, Girma Aboma, H. Verkuijl, and W. Mwangi. 2001. Farmers' Maize Seed Systems in Western Oromia, Ethiopia. International Maize and Wheat Improvement Center (CIMMYT) and Ethiopian Agricultural Research Organization (EARO). Mexico.

Griffin, Keith (ed), 2000. The Ethiopian Economy. New York: St Matrin's Press.

Guzman, Krystell Maya. 2002. Final Report on Business Development for Ethiopian Coffee Cooperative Unions. Short-term Advisor for ACDI/VOCA-Ethiopia.

Habte S. 2000. Ethiopian Cut Flower Industry and International Market Report prepared by Ethiopian Export Promotion Agency. Addis Ababa.

Harrison, Paul. August 2002. Ethiopia: Grain Marketing - Review of Recent Trends. World Bank.

Hess, Robert L., 1970. Ethiopia: The Modernization of Autocracy. Ithaca: Cornell University Press.

Hickey, T, 2001b. *What needs to be done - policy imperatives in Ethiopian tourism*, Tourism Symposium, Gondar, February.

Hickey, T, 2002. *Ecotourism in Ethiopia - The perspectives and experience of Village Ethiopia*, World Tourism Day Symposium, Addis Sheraton, September 24.

Hoben. 1996. Land Tenure Policy in Ethiopia: Issues for Small Holder Sustainable Agricultural Growth Report, prepared for the World Bank. Addis Ababa.

Hoekman, Bernard, Aditya Mattoo, and Philip English (Eds), 2002. Development, Trade and the WTO: A Handbook, Washington DC: World Bank.

ICO/CFC. February 2000. Study of Marketing and Trading Polices and Systems in Selected Coffee Producing Countries: Ethiopia Country Profile. LMC International.

International Monetary Fund. 1999. Ethiopia: Recent Economic Development, Washington, DC: IMF (processed).

International Monetary Fund. February 2004. International Financial Statistics, Washington, DC: IMF

International Monetary Fund/ International Development Agency (World Bank). February 2004. Poverty Reduction Strategy Paper First Annual Progress Report, Washington DC.

International Trade Center. 2002. Coffee: An exporter's guide. UNCTAD/WTO Product and Market Development. Geneva.

Keyzer, Michiel, Max Mervis and Geert Overbosch. 2000. WTO, Agriculture, and Developing Countries: The Case of Ethiopia." Food and Agriculture Organizition of the United Nations (FAO) and the Centre for World Food Studies (SOW-VU).

Kibre Berhanu and Gebeyehu Worku, 2002. Sources and Uses of Export Services in Ethiopia, Addis Ababa: EEA/Ethiopian Economic Policy Research Institute (processed).

Kirkpatrick, C. May 2001. Report on Private Sector Investment in Ethiopia: Constraints and Opportunities. Addis Ababa.

Kirkpatrick, Colin and John Weiss, 1995. Trade Policy Reforms and Performance in Africa in the 1980s. Journal of Modern African Studies, 33(2), 285-298.

Kuma, Tadesse. March 2002. Trends in Agricultural Production, Technology Dissemination, and Price Movements of Outputs and Inputs. Policy Forum on Agriculture Technology Diffusion and Price Policy. Ethiopian Development Research Institute (EDRI), International Food Policy Research Institute (IFPRI), and 2020 Vision Network for East Africa. Addis Ababa.

Little, I.M.D, Richard Cooper, W. Max Corden and Sarath Rajapatirana, 1993. Boom, Crisis, and Adjustment: The Macroeconomic Experience of Developing Countries, New York: Oxford University Press.

Little, I.M.D., 1981. The Experience and Causes of rapid Labour-Intensive Development in Korea, Taiwan Province, Hong Kong, and Singapore, and Possibilities for Emulation. Edy Lee (ed), Export-led Industrialization and Development, Geneva: ILO (Reproduced I.M.D. Little, 1999. Collection and Recollections: Economic Annexes and their Provenance, Oxford: Clarendon Press, 213-40).

Metahara Sugar Factory. (undated). Responses to questions from EEA/EEPRI. Addis Ababa.

Ministry of Trade and Industry. June 2000. Some Policy and Reform Measures taken since 1992. Addis Ababa.

National Agricultural Input Authority. 2002. Fertilizer data.

National Bank of Ethiopia, 1998. *Echange Control Directives for the Use and Acceptance of Credit Cards No. FXD/06/98*, June.

National Bank of Ethiopia. 2002. "Quarterly Bulletin", Vol. 17, No. 4, 2001/02, Addis Ababa.

Nicita A., M. Olarreaga and G. Porto, 2003. Poverty reducing tariff reforms: the case of Ethiopia. Mimeo.

Nicita A., M. Olarreaga and I. Soloaga, 2002. A simple methodology to assess the poverty impact of economic policies using household data. An application to Cambodia. World Bank Working Papers, forthcoming.

Oromiya Regional Bureau, Agricultural Extension Department. 2002. Electronic data.

Ravallion, Martin and Shaohua Chen. 1997. What Can New Survey Data Tell Us About Recent Changes in Distribution and Poverty? World Bank Economic Review. 11: 357-82.

Riedel, James, 1974. Factor Proportions, Linkages and the Open Developing Economy. Review of Economics and Statistics. 75(4), 487-94.

Riedel, James, 1976. A Balanced-growth Version of the Linkage Hypothesis: A Comment. Quarterly Journal of Economics 90(3), 319-22.

Rodrik, Dani, 1998. Trade Policy and Economic Performance in Sub-Saharan Africa. Working Annex 6562, National Bureau of Economic Research, Cambridge, MA: NBER.

SNNPR Regional Bureau, Agricultural Extension Department. 2002. Electronic data.

Teferri, A. 2002. *Impacts of the Ethio-Eritrian Border Conflict on the Performance of the Ethiopian Economy*, EEA/EEPRI Working Paper No. 3, November.

The Federal Democratic Republic of Ethiopia Central Statistical Authority. 1991-2002. Agricultural Sample Survey. Volumes I, III, IV.

The Federal Democratic Republic of Ethiopia Central Statistical Authority. (various issues.) Large and Medium Scale Manufacturing and Electricity Industries Survey. Addis Ababa.

The Federal Democratic Republic of Ethiopia Central Statistical Authority. February 2001. Report on the 1999/2000 Household Income, Consumption and Expenditure Survey. Addis Ababa.

The Government of The Federal Democratic Republic of Ethiopia. Investment Proclamations Nos. 7/1996, 37/19996, 35/1998, 36/1998,116/1998 and 168/1999. Addis Ababa.

The Government of The Federal Democratic Republic of Ethiopia. November 2001. *Rural Development Policies, Strategies and Instruments.*

Tigray Regional Bureau, Agricultural Extension Deparment. 2002. Electronic data.

ULG Consultants Limited. October 1993. Feasibility Study for Coffee Improvement Project Phase IV - Project Assessment.

UNCTAD (2002) Ethiopia, Investment and Innovation Policy Review.

UNCTAD (United Nations Conference on Trade and Development). 2002. Investment and Innovation Policy Review: Ethiopia. New York and Geneva: United Nations.

United Nations Conference on Trade and Development. 2002. Handbook of Statistics.

United Nations Office for the Coordination of Humanitarian Affairs. July 2002. Ethiopia: Warning Over Renewed Food Dependency. IRIN News.org. Addis Ababa.

United States Department of Agriculture. 2002. Various attaché reports.

United States Embassy. 2001. Country Commercial Guide – Ethiopia. Prepared by Addis Ababa, http//www.telecom.net.et/~usemb-et/wwwhec11.htm.

Vestal, Theodore M., 1999. Ethiopia: A Post-Cold War African State. Westport, CT: Praeger.

Westlake, Mike. 1998. Strategy for Development of Coffee Sector. Project Report: PA-6.

Wirtz, Ronald A. March 2002. A Fair Price for Whom? Fedgazette. Federal Reserve Bank of Minneapolis.

Wolday, Amha. June 2002. The Structure and Functioning of the Post-PADETS Grain Marketing System in Ethiopia. in Bonger, T., E. Gabre-Madhin, and S. Babu (eds). 2002. Agriculture technology diffusion and price policy: Proceedings of a policy forum in Addis Ababa, March 25, 2002. 2020 Vision Network for East Africa Report 1. Washington, D.C.: Ethiopian Development Research Institute and International Food Policy Research Institute.

Wolde Bekele. 1989. Horticulture Marketing Systems in Ethiopia. Alemaya, Ethiopia.

Wonji/Shoa Sugar Factory. undated. Factory Profile, Major Projects & Problems. Memo.

Worku, Mosisa, Hadji Tuna, Mandefro Nigussie and Abera Deressa. November 2001. Maize Production Trends and Research in Ethiopia. From the proceedings of the Second National Maize Workshop of Ethiopia,

World Bank, (2002), The Federal Democratic Republic of Ethiopia: Developing Exports to Promote Growth, Report No. 23294-ET.

World Bank, 1997. Ethiopia Export Development Strategy (Report No. 17098-ET), Africa Region, Washington DC: World Bank.

World Bank, 1998. Private Sector Development Review. Country Department for Ethiopia. Washington DC: World Bank.

World Bank, 2002. The Federal Democratic Republic of Ethiopia: Developing Exports to Promote Growth. Washington DC: World Bank.

World Bank. December 2002. Implementation Completion Report on Two Credits in the Amount of US$164.1 Million to the Federal Democratic Republic of Ethiopia for the National Fertilizer Sector Project. Report No. 25265.

World Bank. April 2002. The Federal Democratic Republic of Ethiopia: Developing Exports to Promote Growth. Report No. 23294-ET.

World Bank. Ethiopia: Poverty Reduction Strategy Papers 2003.

World Bank. 2004. World Development Prospects: Commodity Price Data Pinksheet

Yeats, Alexander, 1981. Shipping and Development Policy: An Integrated Assessment. New York: Prager.

Websites

Ethiopian Investment Authority:

http://www.ethioinvestment.org/climate/overview.htm

Ethiopian news site: www.ethiopiadaily.com/

Ethiopian Privatisation Agency: www.telcome.net.et/~epa/

National Bank of Ethiopia: http://www.nbe.gov.et/

Walta Information Center: http://www.waltainfo.com/default.asp

World Bank: http://www.worldbank.org/

World Development Indicators: http://publications.worldbank.org/WDI/