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# Poverty and Governance in Post-1991 Ethiopia: A Political-economy Study

Fattigdom og styring i Etiopia etter 1991  
– en politisk-økonomisk studie

Yeshtila Wondemeneh Bekele



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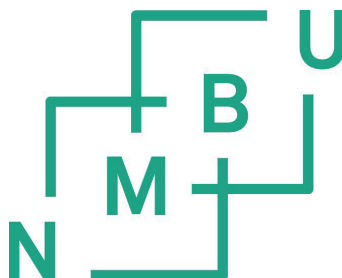
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## LIST OF PAPERS

Paper I: Bekele, Y. W., Kjosavik, D. J., & Shanmugaratnam, N. (2016). State–society relations in Ethiopia: A political-economy perspective of the post-1991 order. *Social Sciences*, 5(3), 48.

Paper II: The political economy of rural markets in Ethiopia: Exploring market governance.

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Paper III: Bekele, Y. W., & Kjosavik, D. J. (2016). Decentralised local governance and poverty reduction in post-1991 Ethiopia: A political-economy study. *Politics and Governance*, 4(4), 1-15.

Paper IV: Yeshtila W. Bekele (2017): The political economy of poverty in Ethiopia: drivers and challenges, *Africa Review*, 10(1), 17-39. DOI: 10.1080/09744053.2017.139956





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## **ABBREVIATIONS AND ACRONYMS**

ADLI – Agriculture-led Industrialisation

ANRS – Amhara National Regional State

(DSR)-Decentralisation and Local Self-rule Rights

EFDR – Ethiopian Federal Democratic Republic

EFFRT – Endowment Fund for Rehabilitation of Tigray

ELGS -Effective Local Governance Systems

EPLF – Eritrean People’s Liberation Front

EPRDF – Ethiopian People’s Revolutionary Democratic Front

EPRP – Ethiopian People’s Revolutionary Party

EOTC – Ethiopian Orthodox Church

FGD – Focus Group Discussion

FM-Free Market

FTC – Farmer Training Centres

GM – Governed Market

GTP – Growth and Transformation Plan

LED – Local Economic Development

(LCP)-Local Capacity for Planning

MESON – All-Ethiopia Socialist Movement

NORAD -Norwegian Agency for Development Cooperation

PASDEP – Plan for Accelerated and Sustained Development to End Poverty

PDAET – Participatory Demonstration and Training Extension System

PDO – Peoples’ Democratic Organization

PRS-Poverty Reduction Papers

PSNP – Productive Safety Net Program

ONRS – Oromia National Regional State

SDPRP – Sustainable Development for Poverty Reduction Program

SFM – Simulated Free Market

SNNPRS – Southern Nationals, Nationalities and People’s Regional State

TPLF – Tigran Liberation Front

WPE – Workers’ Party of Ethiopia

## ABSTRACT

In the post-1991 period, Ethiopia has committed itself to breaking the vicious cycle of poverty through various poverty reduction strategies. Although there have been remarkable achievements, poverty remains an obstacle to realising sustainable growth and redistributive justice. The existing literature and research findings on the status of poverty in the country indicate by-and-large that poor economic performance has been a root cause of persistent poverty. However, the cause and anatomy of poverty goes beyond purely economic factors.

This study argues that the political-economy order is a structural cause of poverty. It further illustrates that poverty is an outcome of power relations rooted in property rights, particularly land ownership; the ability to be represented and to be able to make decisions; and participation in local institutions. The study employed mixed methodology and analysis by using both qualitative and quantitative approaches; data collection methods included interviews, focus group discussions, a household survey and field observations. The systematic random household survey covered 518 households in three regions (SNNPRS, ANRS, and ONRS). Specific data collection activities were carried out in eight purposefully selected rural *Kebeles* (*Peasant Associations*).

The study results show that poverty continues to be pervasive in Ethiopia. The causes are rooted in power relations, property rights, wealth distribution and the quality of governance. The structures of power relations and resource distribution in the post-1991 period have been built around emerging rural elites who control the state machinery under the leadership of the Ethiopian People's Revolutionary Democratic Front (EPRDF). In contrast, the peasants in the rural areas of the country continue to play a marginal role in the political process and wealth sharing. The fragile market structure is dominated by the state and firms affiliated to the ruling party, which has resulted in a weak private sector. Thus the role of the market in wealth generation and allocation, and in shaping and improving societal outcomes is limited.

The post-1991 restructuring exercise introduced an ethnically organised federal structure: state power is divided between regional bodies and the federal state, and governance is decentralised to the regions and, to some extent, to zonal and *Woreda*-level administrations. However, the *Kebeles* – the lower-level local administration structures – have not been given any significant power. Although decentralised governance increased the penetration capacity of the state to the lower level of administration, it did not bring any significant drop in various dimensions of poverty. Poverty (in terms of household income) has declined since 2002, but is still pervasive in terms of other (non-income) indicators. The control of land by the state, and absence of land tenure reform has resulted in extreme poverty for tenants whose livelihoods have stagnated on subsistence farming. Powerlessness and problems related to access to, and security over land, accompanied by fragile institutions, have resulted in a weak society. There is a lack of viable and effective local actors to expedite local economic development. The political-economic drivers of poverty can therefore be attributed to power structures, institutions, and actors (or the lack thereof). The situation is exacerbated by policy conundrums and inadequate intervention strategies. Despite recent economic growth, the majority of rural farm households have remained poor and vulnerable to cyclic food insecurity.

**Keywords:** poverty, governance, market, state, power, Political economy

## SAMMENDRAG

I perioden etter 1991 har Etiopia forsøkt å bryte den onde fattigdomssirkelen ved hjelp av forskjellige fattigdomsbekjempende strategier. Selv om det har skjedd store fremskritt, er fattigdommen fortsatt til hinder for bærekraftig vekst og omfordelt rettferdighet. Eksisterende litteratur og forskning på fattigdom generelt indikerer at dårlig økonomisk prestasjonsevne er årsaken til den vedvarende fattigdommen. Men fattigdommens årsaker og anatomi strekker seg utover økonomiske faktorer.

Denne studien argumenterer for at den politiske økonomiske orden er en strukturell årsak til fattigdom. Videre viser den at fattigdom er et resultat av maktforhold med utspring i eiendomsrettigheter, spesielt til land; mulighet til å være representert og kunne delta i avgjørelser; og deltakelse i lokale institusjoner. Studien benyttet seg av en blandet metodologi og analyse ved å bruke både kvalitative og kvantitative tilnærminger. De spesifikke metodene brukt for å samle data var intervjuer, fokusgruppediskusjoner, husholdningsundersøkelser og feltobservasjoner. Den systematiske and omiserte husholdning undersøkelsen dekket 518 husholdninger i tre regioner (SNNPRS, ANRS og ONRS). Spesifikk datainnsamling ble utført i åtte utvalgte landsbydistrikter, såkalte *Kebeles*.

Denne studiens resultater viser at fattigdommen er gjennomgående i Etiopia. Den har utspring i maktforhold, eiendomsrettigheter, velstandsfordeling og styringskvalitet. Strukturene i maktforhold og ressursfordelinger er i perioden etter 1991 bygd rundt nye landsbygdeliter som kontrollerer statsapparatet under ledelse av EPRDF. Jordbruksarbeidere på landsbygda spiller derimot fortsatt kun en marginal rolle i den politiske prosessen og velstandsfordelingen. Markedets rolle i velstandsbygging og fordeling er begrenset som følge av den dominerende rollen staten og firmaer med nære bånd til det styrende partiet spiller. Den skjøre markedsstrukturen som har vært dominert av staten har resultert i en svak privat sektor. Rollen markedet spiller i utforming og forbedring av samfunnsmessige resultater er derfor begrenset.

Styringspraksisen etter 1991 har introdusert en etnisk organisert føderal struktur, som fordeler statsmakt mellom regionale enheter og den føderale staten. Restruktureringen introduserte praksisen med desentralisert styre til regioner og til en viss grad til administrasjoner på sone- og woreda-nivå. Men *Kebele*ne, de lavere lokale administrative strukturene, er ikke gitt noen makt av betydning. Den desentraliserte styringspraksisen har økt statens gjennomtrengningsevne til administrasjonens lavere nivåer, men har ikke medført noe betydelig fall i forskjellige dimensjoner av fattigdom. Fattigdom i form av husholdningsinntekt er redusert siden 2002, men den er fortsatt gjennomgående når det gjelder andre (ikke-inntekts) indikatorer. Statens kontroll over landområder og fraværet av landbruksreformer har resultert i ekstrem fattigdom blant forpaktere av land hvis livsopphold har stagnert med et landbruk på eksistensminimum. Maktløshet og problemer relatert til tilgang til og sikring av land sammen med skjøre institusjoner har resultert i et svakt samfunn. Det er mangel på bærekraftige lokale aktører som kan fremskynde lokal økonomisk utvikling. De politisk-økonomiske drivkreftene bak fattigdom er derfor tillagt maktstrukturer, institusjoner og aktører. I tillegg preges de også av politiske problemer og utilstrekkelige intervensjonsstrategier. Til tross for den nylige økonomiske veksten har flertallet av gårdshusholdninger på landsbygda forblitt fattige og sårbare for tilbakevendende matusikkerhet.

# **PART I: INTRODUCTION**

# 1. INTRODUCTION

## 1.1 The research problem and objectives of the thesis

Poverty in Ethiopia is treated primarily as a rural problem prevalent in almost every village (Bevan and Joireman, 1997; Dercon, Hoddinott&Woldehanna, 2012). Rural poverty has reached significant proportions since the majority of rural households depend on subsistence agriculture and low-income activities that made them to dwell in a vicious cycle of poverty. Yet to recent official figures, income levels have risen substantially (World Bank, 2015). Although the percentage of people living in poverty regarding income measurement is falling, the extent of absolute poverty in terms of other indicators, including the Human Development Index (HDI), remains unchanged. According to UNDP (2014), Ethiopia was ranked 173 out of 187 countries on the HDI and is the poorest country in Africa. Nearly 30 million people live in absolute poverty; more than 10 million people are chronically food insecure; and almost 78% of the total population lives below the poverty line of two dollars per day (McKay &Thorbecke, 2015; World Bank, 2015). The lives of most rural communities, in the study areas of this research, are characterized by destitution.

The perpetuation of rural poverty in Ethiopia has triggered several academic explorations that investigate the underlying causes and explore the possible measures that could be taken. The following explanations have been offered: food entitlement failures (Devereux, 1988; Webb et al., 1992); inadequacy of the income portfolio of rural households (Dercon& Krishnan, 2000); economic growth not trickling down to the poor (Bigsten et al., 2003; Dercon, 2004); intricacy of socio-economic correlates (Bogale et al., 2005); imbalance of household income and consumption expenditure (MoFED, 2012); failure of poverty measurement based on socio-economic analysis (Bevan &Joireman, 1997); limited value of poverty analysis based solely on the land tenure system (Rahmato&Assefa, 2006; Rahmato, 2009); and environmental degradation due to population pressure and the poverty nexus (Asefa&Zegeye, 2003; Hoben, 1995; Shiferaw& Holden, 1997). However, research that analyses rural poverty in Ethiopia from a political economy point of view is limited, as is research focusing on power structures, power relations, institutions and governance practices.

This study intends to contribute to filling the knowledge gap in understanding poverty from a political-economic perspective, taking into account power structures, power relations, and

governance practices during the period of EPRDF leadership. It, therefore, focuses on state-society relations; production and distribution of resources; emphasize the role of the market and the state; and local-central government relations taking into considerations local governance practice. The study defines poverty from the political economy perspective as a process of deprivation that results in individuals and households' inability to achieve essential socio-economic and livelihood security due to unequal power relations, and lack of participatory spaces. Hence, I focus on power relations that subsequently results in unequal wealth sharing, the powerlessness of local households in decision-making, and negligence in policy considerations by the state.

Ethiopia is an exceptional country in Africa that escaped the agony of colonialism. The political economy of poverty in Ethiopia unlike other African states is not linked to the colonial legacy and its subsequent repercussion on African underdevelopment. The political economy of poverty in Ethiopia grounded on challenge of wealth creation that emanates from internal power dynamics which resulted in state formation that is characterized by reconstruction and deconstruction, recurrent conflict and irreconcilable interest among competing interest groups. Core aspect of the political economy of poverty in Ethiopia can be explained using the following three major arguments: politics perpetuate poverty; embedded extractive institutions failed to properly allocate resources; and the fragile local governance institutions exacerbates the poverty situation at local level. These three core arguments (problems) are incorporated and presented in the four articles that constitute this dissertation.

The argument that politics perpetuates poverty is grounded in state-society and power relations. It is important to analyse how power relations are organized and exercised as well as how these relations affect resource allocations and poverty reduction in Ethiopia. The anatomy of poverty in Ethiopia is embedded in and emanated from power structures and power relations. The persistence of poverty is attributed to the nature of the evolution of political and economic structures related to state formation that has entrenched deprivation and excluded peasants from power structures (Milas& Latif, 2000; Markakis, 2011; Woldemariam, 1991). Understanding the political economy of rural poverty, therefore, is related to examining the economic and political context, including the institutions of the state, the market, and the status of peasants.

The pre-1974 political system in Ethiopia was monarchical and derived wealth from the extraction of surplus from agricultural production and expropriation of resources through the control of land (Woldemariam, 1991; Markakis, 1974; Markakis & Ayele, 1986). Land ownership was, therefore, the critical element of political control and wealth (Paerham, 1947; Rahmato, 2009; Teshale, 1995; Tareke, 1996). The ruling class (state) allocates land to local elites (patrons) from the core if it was sufficiently valuable so that it could be used as a resource to perpetuate their rule (Markakis, 1974; Hess, 1970; Tareke, 1996; Ambyae, 2013). This process resulted in a legacy of not only central but also ethno-elite dominance over key resources, which in particular respects still prevails today (Van Veen, 2016). There were unequal power relations and inequality between the mostly aristocratic elite—consisting of landowners, lords, nobles, the royal family, government officials, and elements of the clergy—and the impoverished peasantry (Markakis & Ayele, 1986; Ambyae, 2013). The unbalanced political-economy structure created a large number of poor peasant households (Rahmato, 2009; Pausewang et al., 1990). In the post-1974 period, the hierarchical political relations were abolished by the Derg and the new political order, Ethiopian socialism, was put in place (Andargachew, 1993; Markakis & Ayele, 1986; Clapham, 1990). However, the new system under the slogan of ‘Ethiopia Tikdem’ (Ethiopia First), even if it seemed successful in responding to the lingering land tenure reform question, failed to improve the life of poor peasants (Clapham, 1990; Assefa, 2002; Rahmato, 2009). The peasants were unable to adequately generate and accumulate household assets, enhance their livelihood security, or gain opportunities for social advancement (Assefa, 2002). As a result, they continued to remain poor and powerless.

The post-1991 political order ushered in another fundamental restructuring of the state and established a new pattern of power relations (Markakis, 2011; Abbink, 2011; Turton, 2005; Vaughan, 2003). The government prioritized ‘poverty reduction and ensuring food security’ as its top agenda of national interest (Diao & Pratt, 2007:206; FANS, 2002). In line with this objective, it introduced new patterns of power relations, wealth sharing and governance practices at national and local levels (Aalen, 2006; Hagmann & Abbink, 2016; Vaughan, 2003). The new political system advocates an ethnic-based federalism that is grounded on the principle of shared rights, self-governance, and a multiparty political system (Aalen, 2011; Turton, 2006) and has unfolded new political dynamism and transformation in Ethiopia. A unique form of triangular power (state-society) relations has emerged encompassing three layers of ethnic elites in the



political structure: national (political elites), regional (developmental investors and brokers) and local (model farmers). Resources and rents are distributed to these emerging elites according to their role and status in the national politics. The state seems successful in reducing poverty in terms of income indicators but not effective in addressing mass poverty in terms of other indicators. The critical issues here are how the new political restructuring affects the livelihood of the poor rural masses? Did the political reorganization improve the life of the rural people? Is rural poverty falling due to economic reform and political restructuring? These are some of the critical questions in understanding the political economy of poverty.

The argument about extractive institutions are reflected on resource distribution and wealth sharing mechanisms implemented by the government .Under the new economic reform, the party (EPRDF) controlled and dominated both political power (the state) and economy (the market). Thus, the state remained as the central locus in operating the economy. Hence, the post-1991 economic order prompts fusion of political power and economic interests (Clapham, 2017; Lefort, 2012). It is similar to the approach applied in China, South Korea, and Singapore that combines statist planning and quasi-liberal principles that are welded together in the long-term with the assumption that state-led development eventually yields economic growth and reduces poverty (White & Wade, 1988; Woo-Cumings, 1999). The salient feature of this model is that resources and rents are centralized in the hands of powerful business elites who have direct connections with senior party officials (Khan & Jomo, 2000; Moon & Prasad, 1994; Evans, 2012). The fusion of political power and economic control gives political elites privileged access to resources that can also be used to further their and affiliated groups interests (Kohli, 1994; Leftwich, 1995; Evans, 2012). This trend causes income disparity and inequality that aggravates recurring tension and political struggle between competing political and social groups within the governance system. The domination of the ruling party in politics and economy weakened the nascent market and limited its role in resource allocations and economic growth. So, the role of market and state about economic activities are a subject of great interest and debate in Ethiopia. According to the new governance perspective, the state alone is considered as ineffective in poverty alleviation so that spaces should be created to non-state forces like market and community based organizations to effectively mitigate the poverty challenges.

In Ethiopia, the reconstruction of the market started in 1992 and gained constitutional status in 1995 (HPR, 1995). The legal basis of the market construction was formulated in article 40 (property rights) and 89 (economic goals) of the 1995 constitution. Also, various trade and investment regulatory frameworks laid a foundation for the market economy. However, the market is not fully liberalized, and the state continues to play a pivotal role in the economy by controlling key financial, energy, and communications sectors based on the principle of ‘developmental state.’ The fledgling market seems to play a limited role in resource allocation and economic growth, particularly in rural areas. This seems to have an influence over the persistence of poverty. The lack of functional market institutions acts as a disincentive for rural households for producing surplus and having proper access to trade. Equally, important, rural households are unable to use scarce resources like land and labor efficiently. This, in turn, constrains their ability to make decisions and to benefit from sharing resources (Lefort, 2012; Bernard & Spielman, 2009; Pausewang et al., 1990). Moreover, farmers encounter several problems at the level of production. It is important to address issues such as lack of supportive institutions, access to production technology and inputs, the viability of holding size, other risks and uncertainties, for example, market volatility, underdeveloped infrastructure, climatic factors and so on.

The last argument related to fragile local governance institution dealt with state-local relations and the state penetration deep into rural and remote areas using different social and political control agencies (Lefort, 2012; De Waal, 2015, Bekele et al., 2016). Does the penetration mark the creation of a police state or an enhanced capacity of the state to deliver basic services to the local people? It is a controversial and debatable issue in local governance practice of post-1991 Ethiopia. In fact, the decentralization of power to local governments at district level has enormously improved their capacity to deliver services to the local people since 2000. However, it was criticized for being limited to the Woreda level (district) and that it did not go down to the people at Kebele (lower local governance hierarchy) level. Hence, the Kebele continues to be powerless and weak. The powerlessness of the Kebele put them in critical conditions with a shortage of resource and authority to deal with local development and poverty challenges. This study includes an investigation of the relationship between the local state agencies (Kebeles) and rural communities and the role of local institutions in poverty reduction efforts. These discourses provoke the question of whether or not the ongoing economic growth

narrative is all-inclusive regarding also addressing structural barriers, and whether it has reduced deep-rooted poverty at rural levels, as explored in this study

Consequently, this study examined the structural dimensions of poverty, focusing on the analysis of power relations and resource sharing, and the contribution and achievement of public programmes and policies in the reduction of poverty. I used the political-economy framework, which is primarily developed around the structures of power, power relations, governance practices, and modalities of wealth sharing in the society. Such an analysis is essential to understand the structural base of poverty. Therefore, the key indicators in the framework of analysis were participation in decision-making processes, property rights, governance techniques, and the right to benefit from opportunities, e.g., the right to benefit from improved livelihood opportunities in the agricultural sector. I attempted to capture these dimensions through the analyses presented in the four papers that constitute the core of this study.

### **1.1.1 Objectives of the thesis**

The overall objective of this study is to analyse the structural dimension of poverty and its nexus with governance in post-1991 Ethiopia, focusing particularly on the analysis of power relations and property rights. The specific objectives are as follows:

**Objective I:** To explore state-society relations in Ethiopia, with a particular emphasis on the post-1991 political order.

**Objective II:** To examine the construction of national markets and the structure of rural market governance in Ethiopia after 1991.

**Objective III:** To study decentralised local governance practice and the poverty reduction nexus at Kebele-level administration in post-1991 Ethiopia.

**Objective IV:** To analyse the root causes of poverty from the perspectives of power structures, property rights and policy failures in post-1991 Ethiopia.

These objectives are addressed respectively in the four papers that form Part II of this dissertation.

## **1.2 Background /Relevance of the topic**

Ethiopia is one of the poorest and least developed countries in the world: approximately one third of the people in the population of 102.4 million live in absolute poverty (Rahmato, Pankhrust, & Uffelen, 2013; World Bank,2016). The country is also known for periodic droughts and related food aid dependence. The drought cycle, among other factors, has caused pervasive poverty that is deeply embedded in the socio-economic and cultural structures of the society (WoldeMariam, 1991; Dercon & Kerishnan, 2000; Carter, Little, Moguees & Negatu, 2007). Poverty occupies a central place in the mainstream discourse of Ethiopian politics. Most political parties that came to power attempted to engender legitimacy by marking the eradication of poverty and illiteracy as priority items on their agenda (Devereux, 2007). However, most of them have failed to alleviate poverty due to embedded power structures, institutional makeup, and unbalanced state–society relations.

In particular, in the post-1991 political order, the priority agenda of the government led by the Ethiopian People’s Revolutionary Democratic Front (EPRDF) was, from the outset, ‘poverty reduction and ensuring food security’ (Diao & Pratt, 2007:206). In line with this objective, the state introduced new patterns of power relations, wealth sharing and governance practices, based on the principle of ethnic federalism (Aalen, 2006; Hagmann & Abbink, 2011). The state’s power is divided between the federal centre and the regional states, while the federal government continues to play a dominant role in resource allocation. State–society relations have been reoriented according to the new ethnic federal system (Fiseha, 2006; Turton, 2006; Hagmann & Abbink, 2011). Policies have been implemented to revitalise markets and to coordinate the economy under the guidance and dominance of the state (Lefort, 2012). This new political-economic order has yielded a steady economic growth since 2004, with an annual average of 8% growth in GDP (Geda, 2015; Rahmato *et al.*, 2014; World Bank, 2015).

According to the government and international financial institutions, poverty has been declining significantly in rural Ethiopia due to the political and economic reforms (Dercon, 2006; UNDP, 2015; World Bank, 2015). However, the dividends of economic growth are shared unevenly, and at times favour ethnic and state-power affiliations. Poverty remains pervasive and deeply rooted. Regardless of the claims of economic growth, public dissent is simmering (Aalen & Tronvoll, 2009).

In response to the challenges, the EPRDF-led government introduced poverty reduction strategies from the early 2000s, which were financed by international financial institutions and donors (Teshome, 2006). However, it would seem that the establishment of relevant local institutions, or increased power and resources at local levels has not complemented these poverty reduction initiatives. Several authors confirm the need to mobilise internal resources and build capable and participatory local institutions (Spielman *et al.*, 2008; Yilmaz & Venugopal, 2008; Adem, 2004). It is clear that weak institutions seem to be unable to transform the poverty scenario and its context in sustainable ways. Although economic growth ‘bubbles’ are evident, the lack of changes in the context of poverty and recurrent drought shocks continues to result in famine and hunger. This is exacerbated by the fact that a large proportion (about 85%) of the rural population derives their livelihoods from the land (Rahmato, 2008).

The existing literature, and research conducted on the subject, shows that the poverty context is linked to subsistence smallholder farming, which is characterised by low productivity and a lack of appropriate policy support that could transform the agricultural sector (Bogale, Hagedorn & Korf, 2005; Bigsten & Shimeles, 2008; Bevan & Joireman, 1997). However this research project argues that the root causes of poverty are embedded in historical power structures and power relations in the Ethiopian political economy. Historical power frameworks show that smallholder farmers have always been marginalised, since their basic asset (land) has been controlled by other actors. During the imperial regime, farmers were tenants of the landlords, and now they are tenants of the state (i.e. the military and the incumbent government) (Kebede, 1998). Today, any policy or strategy to change farmers’ poverty scenarios based on land and labour, depends on the will of the state, and this acts as a disincentive to farmers in trying to increase productivity.

The purpose of this study is thus to analyse the political economy of poverty in Ethiopia. It examines the interface of poverty, power relations, and wealth distribution and governance practices, focusing on the post-1991 political economy order. It also explores emerging trends in state–society relations regarding power and participation. It assesses the potential role of the market in terms of wealth creation, wealth distribution and poverty reduction. These grids of analyses are critically linked to the governance modalities that are at work in the post-1991

context. The evidence collected has been interpreted in relation to the structural problems of poverty from a political-economic perspective.

The thesis is organised in two parts. Part I is an extended introduction that provides the background information, theoretical insights and methodology of the study. A summary and synthesis of the major findings is also presented. Part II presents the empirical findings of the study in the form of four articles (papers).

### **1.2.1 Political Background**

Ethiopia is Africa's ancient independent nation. It is the second most populous country on the continent, and has a long tradition of statehood without a colonial history (Tibebu, 1995; Zewde, 2001). In spite of its long statehood tradition and rich natural resources, it has remained one of the world's poorest nations. Post-colonial literature (Fanon, 2007; Rodney, 1973) points to colonialism as the underlying cause of underdevelopment and pervasive poverty in Africa. However, this conclusion is challenged in the case of Ethiopia as an independent African state. The Ethiopian case reveals a unique and controversial experience, prompting scholars to seek internal, underlying causes of poverty (Tibebu, 1996).

Modern nation-building history in Ethiopia began at the turn of 19th century. Habtu (2004) notes that three major political strategies aimed at engineering a modern government have been attempted in Ethiopia. The initial attempt occurred during the imperial era, first by Emperor Menelik II (1889–1913), and then significantly expanded by Emperor Haile Selassie (1930–36, 1941–74). It attempted to create a strong monarchical unitary state based on cultural assimilation and a common national identity grounded in Amhara cultural values and orthodox Christian traditions. However, this was dissolved following the 1974 revolution that was triggered by what has become known as 'the question of nationality' and 'land to the tiller' (Gudina, 2003; Habtu, 2004; Tibebu, 1995; Ottaway, 1990).

The military government ushered in a second political engineering programme (1974–91) to retain a unitary state, abolish the long-standing monarchical rule, and address the nationality question and the notion of 'land to the tiller' within the framework of Marxism-Leninism. In its attempt to consolidate power, the military regime established a strong vanguard socialist party – the Workers Party of Ethiopia (WPE) – and promoted a political framework of agrarian

socialism (Tiruneh, 1993; Ottaway, 1990; Clapham, 1990). The third attempt at political engineering was launched in 1991 and has been underway ever since. This is built around ethnolinguistic federalism as overarching governance framework, with ‘revolutionary democracy’ as its political ideology. It provides self-rule within a shared-rule rights framework for ethnolinguistic localities (local governments). The principle of ethnicity thus became the framework of access to power, wealth, institutions and ‘building correct nationalism’ to solve historical mistakes (Fiseha, 2006; Habtu, 2004; Abbink, 2009; Mengisteab, 1997).

### **1.2.2 Socio-economic Background**

Ethiopia is a culturally and ethnically diverse country (Levine, 1974). It has more than 86 ethnic groups, each with its own language, about 200 dialects, and multitudinous cultures and traditions (Fiseha, 2006; Abbay, 2004; Abbink, 2011). The Ethiopian economy and the people’s livelihoods depend on the agricultural sector which is not only the backbone of the economy, but also provides employment for more than 85% of the population. Agriculture contributes about 40% to the total GDP and brings in over 75% of export earnings (Dorosh & Rashid, 2013; World Bank, 2015). Smallholding (subsistence) farming is non-commercial and constitutes the mainstay of the agricultural sector (about 95% of overall production). Smallholdings are entirely dependent on rainfall, and the yields (productivity) per hectare are very low (Rahmato *et al.*, 2014; Dorosh & Rashid, 2013).

The current land tenure system is regulated by the National Rural Land Proclamations No. 89/1997 and No. 456/2005 which assure usufruct rights to rural landowners (Crewett and Korf, 2008). Land has been designated as the common property of the state and the nationalities of Ethiopia and cannot be sold or mortgaged (Rahmato, 2011). Transfers can be made to immediate kin who choose to make a living from farming. The tenure system endows rights to smallholder farmers to use the land for crop cultivation and livestock grazing. Pastoralists possess communal ownership rights to grazing lands (Crewett & Korf, 2008; Abegaz, 2004). There have been periodic attempts to redistribute land depending on various factors. The law permits the redistribution of land, but the terms of such decisions are based on the extent of a landless population in a given region (Holden & Yohannes, 2002).

In Ethiopia, land holdings are small: more than 46% of the available agricultural land comprises farms of less than one hectare in size; almost 85% is in holdings of less than two

hectares (Rahmato, 2011). For example, in the highlands, most farmers have than 0.5 hectares. The farm plots are fragmented into parcels and farmers may have to travel long distances to reach all parts of their land. The size of parcels and distances – for example, long-distance walking per day – determine farm productivity (in terms of mechanisation and on capital productivity) and labour efficiency (Rahmato, 2011; Kebede, 2002). In principle, the agricultural commodity trade is liberalised; hence, there are no legal restrictions or controls on markets in rural localities. However, a local authority in some areas imposes regulations on certain commodity that restrict transaction of goods in the local markets.

Ethiopia has variable agro-climatic conditions resulting from different ecological zones with versatile biodiversity (Worede & Feyissa, 2000). Despite this climatic potential (of the rich diversity of flora and fauna), the country remains one of the poorest in sub-Saharan Africa, with real GDP per capita of only 12,300 Birr (Ethiopian currency) (USD 619) (MoFED, 2015). Around 30% of the rural population lives below the absolute poverty threshold with 1068 USD purchasing power parity (World Bank, 2016). Average life expectancy is 62 (male) and 65 (female) years. Poor agricultural performance is regarded as the cause of regular food shortages and massive rural and urban poverty (see for example Rahmato *et al.*, 2014; World Bank, 2015).

### **1.3 The Status of Knowledge**

To date, there is a dearth of evidence resulting from innovative analytical work on poverty research. A review of existing published and ‘grey’ literature may be summarised as descriptive in approach, and focusing on quantitative measures. Although a Google search on ‘poverty in Ethiopia’ yields 242,000 results, there is a significant gap with regard to knowledge production on poverty and poverty reduction. This gap is manifested by a lack of adequate and reliable information, and the absence of a multidisciplinary approach to the problem. The history and current situation regarding poverty in Ethiopia are barely recorded. There are very few historical accounts and access to official information is limited. The major source of data currently is the Central Statistical Authority (CSA), a government agency under the Ministry of Finance and Economic Development. The CSA provides household income consumption and expenditure (HICE) figures and data from the welfare monitoring survey (WMS) that were collected in 1996, 2000/1, 2004/5 and 2010/11 respectively. The CSA compiled demographic



data from two rounds of national censuses in 1994 and 2007 (Belaye, 2013; MOFED, 2013; Moges, 2013). Most of the available research had been carried out using these datasets.

Another critical problem is the lack of a trans-disciplinary approach to studying poverty. Most research on poverty has been carried out by economists, who were primarily interested in quantifying, capturing and analysing economic factors (see Bigsten *et al.*, 2003; Bogale, Hagedorn & Korf, 2005; Dercon, 1997, 2006; Dercon & Christiaensen, 2011; Dercon *et al.*, 2009; Dercon *et al.*, 2008; Dercon *et al.*, 2012; Dercon & Krishnan, 2000; Devereux & Sharp, 2006; Devereux & Sussex, 2000; Diao *and Pratt*, 2007 ; Geda, Shimeles & Weeks, 2009). The gaps indicate scientific limitations in understanding poverty, which bear significant implications for policy direction and strategies.

This doctoral study sheds light on the causes of poverty, focusing on power and power relations, wealth generation and equitable access, and governance practices. It is an effort to study poverty from a political-economic perspective, based on empirical data collected from selected localities in Ethiopia. As suggested by the findings, the issue of power, power relations, and rural institutions needs to be thoroughly studied. It is clear that poverty cannot be reduced exclusively to income or consumption indicators. The current mono-dimensionality of understanding of poverty based on economic analyses, fails to provide a holistic picture about the poverty situation in Ethiopia, or its causes. This research contributes a more holistic understanding of the political economy of poverty, focusing on power relations, wealth distribution and governance practice.

## 2. THEORETICAL FRAMEWORK OF ANALYSIS:

### 2.2 Political Economy Analysis (PEA)

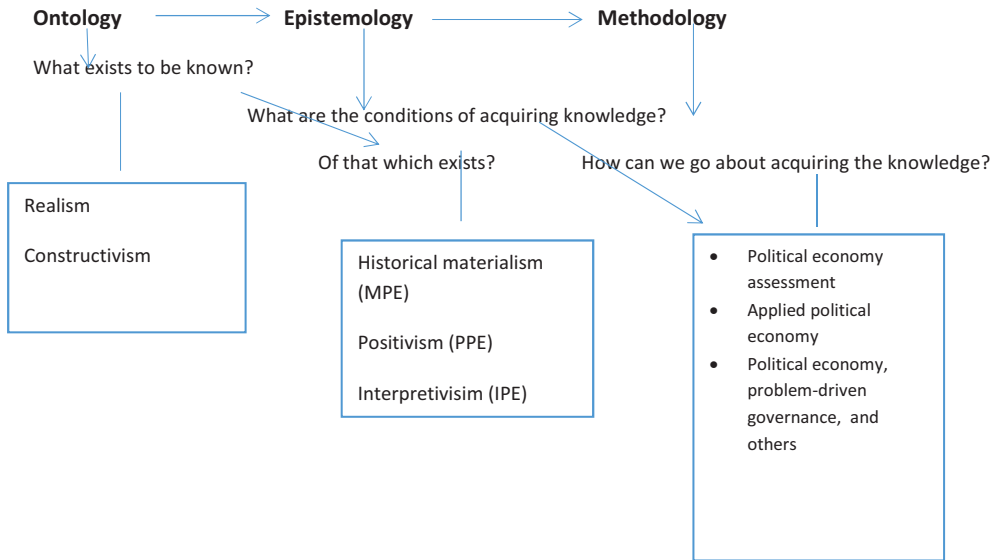
This research project uses a political-economy framework of analysis. It explores the poverty dynamics in Ethiopia and provides an in-depth understanding of how power relations between national and local levels affect development practices, and consequently induce and/or perpetuate poverty. The major assumption in the framework is that any development endeavour or poverty reduction effort is bound to affect, and be affected by, existing power structures and relations, focusing on relevant institutions and actors.

The term ‘political economy’ conjures up multiple and, in most cases, contradictory meanings. For Adam Smith, it was the science of managing a nation’s wealth. For Karl Marx, it was about how ownership of the means of production is influenced by the historical process. For some contemporary thinkers, it is a specific area of study. For others, it is used as a methodological tool to analyse political behaviour and institutions by applying economic approaches (Weingast & Wittman, 2008). Overall, the term ‘political-economy’ refers to an interdisciplinary framework of analysis that draws from various fields of social science, focusing particularly on the intersection between political institutions and economic structures. There are a myriad of approaches and schools of thought in the study of political economy; the major schools of thought include *rational choice (positive)* political economy, *institutional* political economy, and *Marxist* political economy.

The *rational choice* school of thought is concerned with the study of rational decisions in the context of political and economic institutions. It deals with how divergence among institutions might affect political and economic outcomes in different settings, and how institutions themselves are shaped by individual and collective interests (Alt & Shepsle, 1990). Notable scholars and their work in this school of thought include Bates (1989); Basu (2000); Klein (1999); and Stigler (1988). The school of thought referred to as *institutional* political economy pays special attention to existing structures or sets of legal rules and social norms that affect the human interactions and economic transactions under analysis. The origin of institutional political economy is rooted in old and new institutional economics, evident in work contributed by Veblen (1899), Commons (1934), Hodgson (1988), North (1991), Olson (1993), Williamson (1985), Milgrom and Roberts (1992), and Bates (1989). Institutional political

economy underlines the importance of stable property rights in establishing a functional economic system. The *Marxist* political economy (MPE) school of thought, on the other hand, emphasises the value of labour, class struggles, exploitation, the accumulation of capital, and the crisis of imperialism. Leading figures and their work in the field of MPE include Amin (1976); Baran (1957); Sweezy (1942); Mandel (1971, 19995); and Frank (1967, 1996).

As shown in Figure 1, the ontological assumption (relating to the basic understanding of how political economy works in a country) is antecedent to the epistemological and methodological approaches. The ontological foundations of political economy build on the institutions-history-social structure nexus, and reflect the division of power and resource distribution (Thornton, 2016). The epistemological foundation is based on positivism, or interpretivism, or historical materialism. Marsh and Stoker (2010) argue that the notion of political economy can be either too closely associated with the left (Marxian political economy, or radical political economy), or too closely related with the right (positive political economy and institutional political economy). Political economy is instrumental in understanding the prevailing political and economic system of a country, by focusing on incentives, relationships, distributions and contestations of powers and resources (Caporaso & Levine, 1992; Gamble, 1995; Groenewegen, 1991). As Marchak (1985:673) notes, the notion of political economy in general underpins ‘the study of power derived from or contingent upon a system of property rights: the historical development of power relationships; and the cultural and social embodiments of them’. On the other hand, methodology relates to the choice of an overarching analytical framework and the research design employed in undertaking a specific research endeavour. As shown in Figure 1, there are varieties of methodological tools that can be used in a political-economy study.



Source: sketched by the author (Adopted and modified from Hay, 2011).

Figure 1: Ontological and epistemological foundations of political economy

Most poverty analysis frameworks focus on economic factors and rely heavily on a quantitative approach (UNDP, 1997). However, the multidimensional features of poverty call for a broader framework that encompasses multiple aspects. The political-economy framework of analysis, unlike others, helps to examine different aspects of poverty since it takes the following factors into account: key variables that affect power relations; the pattern of wealth sharing; and procedures for decision making, mitigation and negotiation in accommodating competing interests (in governance and policy processes) (Clark, 1998). As noted by DFID (2009:4), political-economy analysis refers to 'the interaction of political and economic processes: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time'.

This study uses *institutional political economy* (IPE) as an overarching analytical framework of analysis. Broadly speaking, IPE incorporates politics and institutions into its analytical core and analyses the role of rules and social norms (institutions) in shaping social interaction and individual behaviours (Hodgson, 2002; Chang, 2001). I chose IPE for the following reasons. First, a large part of the political and economic landscape and governance activities are carried

out through such institutions. Hence, an understanding of institutions can help to shed light on the nexus of poverty and governance. Second, institutions have an influence on development and poverty reduction efforts (Rodrik, 2007) since they shape societal behaviour and are major determinants of the incentive structure and the direction of economic growth (North, 1990, 1991). Third, institutions are pivotal in the political process because they are seen to shape and constrain political behaviour and decision-making, and even the perceptions of actors, in a wide range of ways. Therefore, IPE is useful for capturing the macro and micro dynamics of power relations, the character and role of the state and other institutions at national, sub-national and local levels, as well as their respective roles in the reduction and/or exacerbation of poverty.

Using some basic elements of IPE, I modified and contextualised the framework for the context of my study. In my framework of analysis, the source of poverty is conceptualised on three major levels: ‘macro-structural drivers’, ‘institutional dynamics’ and ‘actors’ (See Figure 2). The first level – ‘macro-structural drivers’ – refers to factors embedded and historical that creates a framework within which elites incentives are determined and state-society relations are defined. It determines the pattern of power relations at the national level and includes historical legacies, the process of state formation, and the incidence of conflict / war. It also defines access to, and access over resources – who gets what, when and how? – and how power relations are constructed. Defining access to power and resources automatically implies the existence of marginalisation and exclusion at the other end of the spectrum. Therefore, this level helps us to understand how institutions and actors interact and operate within the system. It also provides foundational elements on which the further analysis in this study is based.

Still referring to the macro level in Figure 2, the experience of state formation in Africa reveals that the state structure was crafted as a means of resource appropriation by colonial powers (Herbst, 2000; Bayart *et al.*, 1999). In the post-independence period, most African states inherited a predatory state structure that expropriated resources, putting them in the hands of the few (the ruling class and their affiliates) who were in control of state power (Jackson & Rosberg, 1982; Thies, 2007; Bayart *et al.*, 1999). However, the Ethiopian case, unlike most African state experiences, unveils a unique situation, since state formation was not an outcome of colonial practice. Rather it emerged from, and was shaped by, internal political dynamics (Tibebu, 1995; Markakis, 2011). State formation resulted from political struggles by rival competing groups who have persistently fought to control state power and resources at the centre (Markakis, 2011;

Tareke, 2009). In Ethiopia, the state emerged as a powerful actor in terms of resource allocation and the exercise of power, compared to other actors; this resulted in the emergence of a stronger state and weaker society. Hence, in this case, the pattern of state-society relations portrays domination by the state at the centre. The state is the most powerful entity in dictating the well-being (or ill-being) of the society, even at local levels.

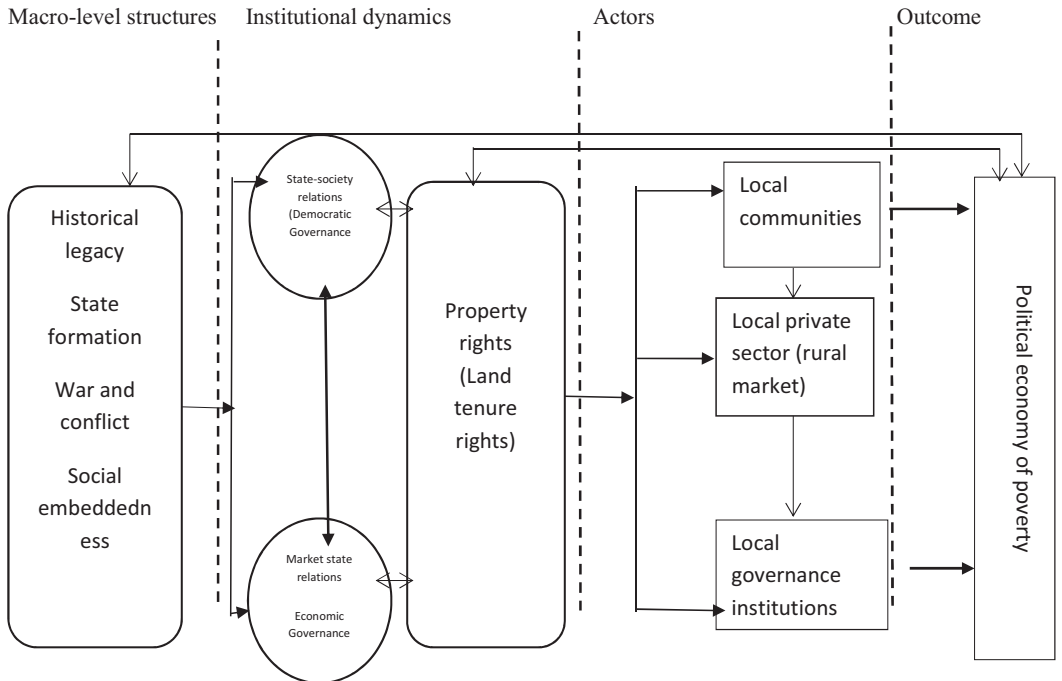


Figure 2: Political-economy framework of analysis

Source: Sketched by the author

The second level of the framework is presented as ‘institutional dynamics’ (see Figure 2), and is impacted by the macro-structural drivers. Institutional dynamics are underlined in various studies in the literature as being critical in terms of economic growth and poverty reduction (Acemoglu & Robinson, 2012; North, 1990; Ostrom, 1990; Rodrik & Subramanian, 2003). The institutions, which were extractive in nature, exacerbate poverty (Acemoglu & Robinson, 2012). Meanwhile, institutions, which is characterized by strong protection of property rights and efficient enforcement of contracts support economic growth that help to reduce poverty (Ibid). If

there is a skewed distribution of wealth and political power it may encourage the development of political and economic institutions that are exploitative and extractive in nature. If these institutions persist over time they may continue to inhibit the development of functional market institutions.

The institutions, which persist over time, may influence the incentive structure of the societies. Therefore, the shaping of the incentive structure has a long-term impact on economic development, which is reflected by the standard of living. As a result, institutional quality has a positive/negative impact on the current level of development. For instance, a society that can embed all-inclusive and entrepreneurial incentives is more likely to accumulate wealth and allocate resources efficiently. Conversely, those who do not do so, are vulnerable to poverty and underdevelopment (Acemoglu & Robinson, 2012; Fritz *et al.*, 2009).

The impact of the structural drivers on the growth of institutions and their respective functions can be viewed from two perspectives: state–society relations and market relations. Power relations between the state and society are determined largely by macro-structural drivers, and are depicted by a stronger state and weaker society. As shown in Figure 2, property rights undoubtedly occupy a central place in the life of a society – it is difficult to think about any social or economic activities without assuming the existence of functional property rights. Property rights are a key aspect of any economic system, a major concern in maintaining legal order, and a central element in governance processes. In turn, the evolution and status of property rights depend on state-society relations. Likewise, market relations are a key to understanding political and economic systems, particularly property rights.

Institutions help to govern behaviour in a society and serve as an essential factor in the economic functioning of a society. Institutional changes/dynamics in the area of property rights emerge in response to a change in relative prices/value of property caused by state policy, market development and other endogenous factors, progressing to a more detailed specification of property rights. Various related concerns have become a point of discourse in the area of political economy of development, such as: does the market decide (or else who should decide)? Who gets what and when? How does the modality of market governance affect property rights? Property rights form a central pillar that affects, and is affected by, interactions between the state and the market (Weimer, 1997).

Property rights play a fundamental role, not only in increasing economic productivity, but also in improving the participation of local people in local affairs. Strengthening the property rights of poor people can therefore make an important contribution to poverty reduction. Besides this economic importance, property rights – particularly land rights – help to achieve a number of social functions in rural communities. Land ownership is related not only to the well-being of a household, but also to the social status of households in the community. Landowners enjoy wider respect and often a strong sense of belonging in their communities. This position, in turn, helps them to access government services, exercise power in local politics, participate in social networks, and strengthen intra-household relations. Hence, land is a critical asset, especially for rural households, since their livelihoods depend on it. The absence of reliable land ownership rights causes a lack of incentive to make further investments. Moreover, land can be used as collateral in applying for credit, or be sold to generate extra capital to start up other income-generating activities. Hence poverty is strongly correlated to landlessness and property insecurity. The evolution and growth of functional property rights institutions is therefore crucial in promoting the empowerment of local people and their participation in local governance.

Referring again to Figure 2, the third level – ‘actors’ – depicts the influence of structural and institutional dynamics on local communities and local institutions. Effective local governance is pivotal in mobilising resources and augmenting local economic development. Structural factors determine the power relations between the centre (the state) and the periphery (local governance institutions); as well as the privilege (in terms of political, fiscal, and administrative power) of local institutions to plan and execute local development initiatives. Such initiatives not only create opportunities for local communities, but also help to mobilise resources that can improve their livelihoods immensely. Moreover, the institutional dynamics create a platform for participation of the local community in socio-political and economic activities. The participation of the local community is a key element to improve the quality and capacity of local governance and to reduce poverty. The political economy of poverty, therefore, is the cumulative outcome from complex processes involving structural drivers, institutional dynamics and local practice.



## **2.2 Methodological framework of the study**

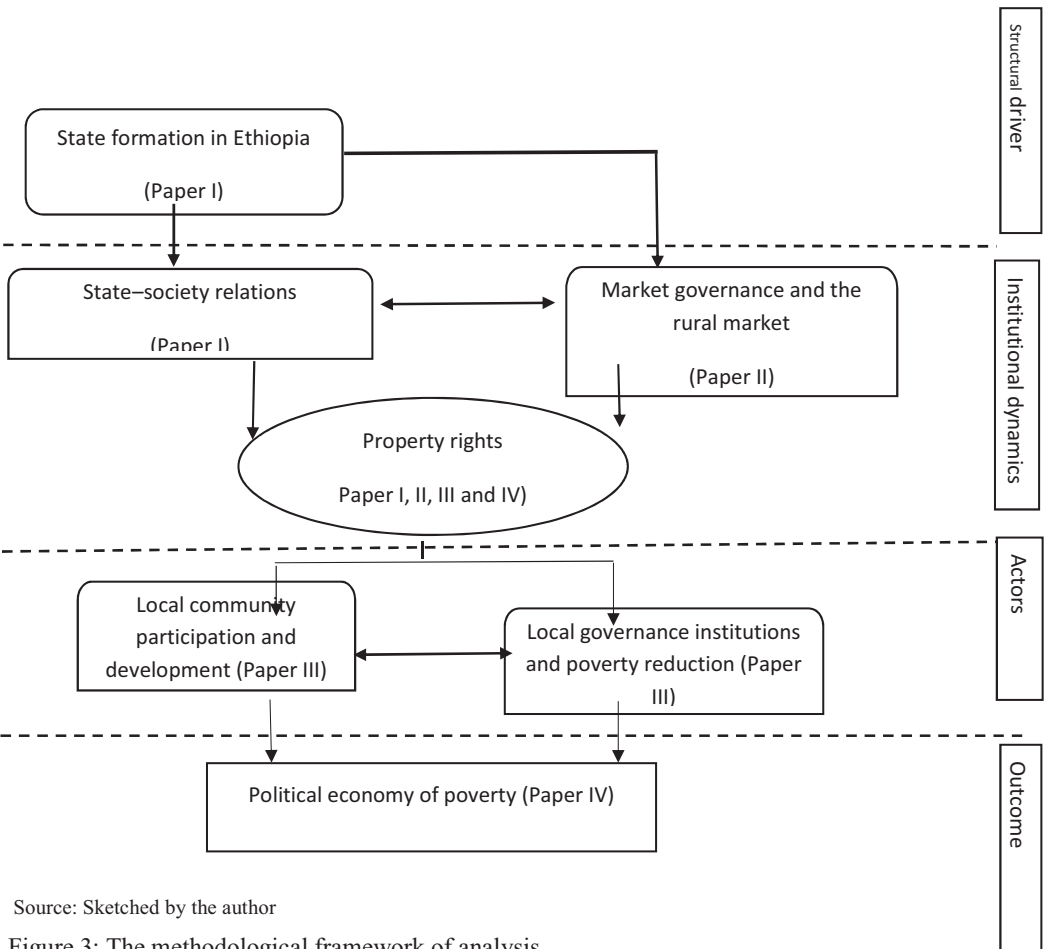
Using the political-economy analysis framework, this section describes the major perspective of the study, and how the root causes of poverty are influenced by power relations and the legacy of property rights in rural Ethiopia. The findings are based on the empirical evidence derived from the Gamo Highlands, and the Jimma and Debre Berhan areas (See Figure 3). Understanding the interface between the two closely interrelated concepts of poverty and governance is problematic, since it is not easy to analyse cause and effect. Is poverty the result of poor governance, or is governance failure caused by the apparently insurmountable challenge of pervasive poverty? These questions provoke an academic discourse with which I engage in this study.

The structural foundations of poverty in Ethiopia to the evolution and process of state formation that has resulted in the state being in a dominant position vis-à-vis the society (Bekele, 2016). The manifestation of pervasive poverty emanates from state-society relations that in turn are rooted in the power structures. The state (controlled by segments of various ethnic groups or social classes) controls the power at the centre, and has established agencies and institutions to control resources and shape property rights, particularly land tenure rights. The society, on the other hand, is subjugated by the overwhelming power of the state, and remains powerless (Paper I).

The post-1991 market structure was a state-led coalition of private-public partnership, with the state remaining a dominant actor. Thus, the role of the market in resource generation and allocation is limited. Moreover, the weak and fragile rural market, that is besieged by weak governance structures, feeble exchange modalities, information asymmetry (among other problems), is significantly affected by the property rights (Paper II). Tenable property rights, particularly land rights, that could address competing interests of various social groups, are not yet fully developed in rural Ethiopia (Papers I, II and III). The link between property rights and poverty is therefore pervasive (Papers III and IV).

Effective local governance systems (ELGSs) are a key element in reducing local poverty. However, in Ethiopia, these institutions are significantly affected by a number of factors, including institutional dynamics and a lack of fiscal, administrative and political power. They are not entitled to decentralisation and local self-rule rights (DSR), and do not have local capacity

for planning (LCP) (Paper III). The lack of meaningful participation by local people in their affairs has resulted in weak local governance systems (Paper III). This in turn, has contributed to the complexity of poverty dynamics in rural Ethiopia (Paper IV).



### 2.3 Review of literature: Poverty and Governance

Poverty and governance are two core concepts in this PhD study. In the sections that follow, I attempt to illuminate the meanings, theories, measurement and analysis of poverty in

general, as well as in the local context of Ethiopia. Furthermore, we present discourses on the poverty-governance nexus and its relevance in the study context.

### **2.3.1 Poverty**

Poverty is a politicised and controversial concept (Brady, 2003; Moore *et al.*, 1999). It is politicised because it is related to resource allocation – it is about who gets what, when and where. In other words, it is linked to competition and compromise in sharing available resources – and the result is often that one person’s gain is someone else’s loss (Moore *et al.*, 1999). Clearly, politics divides leftists and rightists on their understanding and subsequent prescription of poverty reduction policies (Korpi & Palme, 1998). The discourse often results in conflicting narratives on the causes of poverty and the prescription of policy measurements or other interventions.

#### **2.3.1.1 Framing of poverty**

The concept of poverty and defining ‘the poor’ is one of the most problematic tasks in academia. Poverty is characterised by multidimensional aspects (Dixon & Macarov, 2002). The various definitions and perceptions of poverty tend to be diverse and subtle. Poverty is often defined according to the extent and nature of destitution, using qualifiers such as: absolute poverty (the minimum necessary to guarantee the physical presence of a person); relative poverty (the average standard of living in a given society); structural poverty (deep-rooted and lengthy); transitional poverty (a temporary situation affecting people’s livelihoods); and subsistence poverty (related to the capacity to survive) (Bonfiglioli, 2003). Poverty can also be defined in either a simple or a complex sense, depending on the ontological and epistemological positions taken by scholars in the field. Dixon and Macarov (2002) define poverty concisely as the ‘lack of the basic means of survival’. Vaughan (2009:4) similarly defines it as the ‘condition in which individuals lead their life with a low level of economic achievement’.

Sharma (1990) argues that poverty can be viewed from two radically different perspectives: cultural and economic. The *culture of poverty* implies a permanent way of life that develops among poor people. The *economics of poverty* signifies the lack of sufficient subsistence to lead a decent life. Sen (1999:1), on the other hand, uses the capabilities approach to describe poverty as the ‘lack of ability to achieve a decent level of human wellbeing’. Critical here is the freedom of people to enjoy ‘choosing between different ways of living that they can

have reason to value' (Sen, 1999:1). Furthermore, social exclusion theorists define poverty as a consequence of social processes or institutions which result in a lack of participation in decision-making, a violation of human dignity, the perpetuation of powerlessness, and vulnerability to violence (Gordon, 2006).

Various studies in the literature unveil different meanings and concepts of poverty; particularly because poverty as a concept has evolved over time. The overall concept of poverty can be viewed from three major perspectives: income, basic needs, and capability approaches. The *income* approach relies mainly on income as a major determinant of poverty (World Bank, 1990; Ringen, 1988; UNDP, 1997). The *basic needs* approach focuses on the lack of material and goods to lead a decent life, or the failure to satisfy people's basic needs (George, 1988; Townsend, 1993). The ambiguity in both approaches has led to the birth of another perspective – the *capability* approach. This approach defines poverty as a deprivation of capabilities, and a lack of the multiple freedoms that people value and have reason to value. The core aspects are functioning and capability. *Functioning* refers to the achievements of a person – what he or she manages to do or to be; *capability* refers to a person's ability to achieve a given level of functioning (Robeyns, 2005, 2006; Sen, 1994).

### **2.3.1.2 Theories on the Causes of Poverty**

Among various theories about the causes of poverty, the three major ones are individual factors, a poverty culture and structural problems. *Individual factor* theory argues that poverty is mainly the outcome of an individual's personal behaviour and pattern of life (Gans, 1995). *Poverty culture* claims that poverty is the product of specific values, beliefs and norms that are inherited or learned from families and the neighbourhood in the community (Lewis, 1998; Wilson, 1987). This theory relates poverty to the types of livelihoods in a specific residential neighbourhood. For example, extensive research work has been done on the ghetto life of African Americans and immigrant communities in America and its relation to poverty (Danziger & Lin, 2000). The third theory denotes poverty as a *structural problem*, claiming that poverty is created by structures of power relations (Royce, 2008). According to this theory, structures such as institutions and agencies might provide opportunities, benefits and preferential treatment for some (based on class, ethnicity, race, religion and other factors) while excluding, marginalising and alienating others (Rank *et al.*, 2003; Royce, 2008).

Structural theorists argue that poverty emanates from the power relations between powerful and powerless sections of society. The powerful segment of society (often based on class, ethnicity, race, or religion) controls the power and establishes agencies and institutions that enable them to control resources. This gives them exclusive rights to resources by imposing burdens on others. The appropriation of resources and systematic exploitation through agencies have evolved and become embedded in social structures (Dean, 1991; Rank, 2005; Royce, 2008). Once the structure is established, the ruling elites and their associates get richer while the poor get poorer. The poor are consequently forced to develop a specific livelihood pattern that might be related to destitution and crime. In this study, we employed the structural theory of poverty to explore the political economy of poverty in Ethiopia (Paper IV).

#### ***2.3.1.3 Measuring and Analysing Poverty***

The analysis and measurement of poverty, like its meaning, are also controversial and problematic (Wisor, 2012; Ravallion 2016; UN, 2009). The quantitative approach, which focuses on analysing the income and expenditure (consumption) of individuals/households, is widely acknowledged as an optimal standard of poverty measurement (UNDP, 1997; Ravallion 2016). Accordingly, poverty measures are based on the poverty line, which divides poor and non-poor along the lines of an income that is less than a certain amount of money (UNDP, 1997; UN, 2009; Ravallion, 2016; Wisor, 2012). The household consumption of goods, mainly food in calories below a certain level, is stipulated as a standard. However, the multifaceted nature of poverty necessitates an alternative approach that combines both quantitative and qualitative measurements (Carvalho & White, 1997).

Since 1990, the United Nations Development Programme (UNDP) has published the Human Development Report, which established certain indicators of development that comprise the Human Development Index (HDI). The HDI assesses countries' development levels based on three deprivation indicators: life expectancy, adult literacy, and the logarithm of purchasing power adjusted to per capita GDP (Anand & Sen, 1994; McGillivray & White, 1993; Noorbakhsh, 1998). Since 1997, the UNDP Human Development Report has likewise introduced the Human Poverty Index (HPI) (UNDP, 1997) as an indicator of living standards across countries. The HPI focuses on three essential elements of human life: longevity, knowledge and a decent standard of living (Anand & Sen, 1994), and is intended to reinforce the HDI.

Scholars were not satisfied with either of these measures, and thus introduced another poverty measurement, known as the Multidimensional Poverty Index (MPI). This concept surfaced in 2010 and soon became prominent. It views poverty as multiple deprivations in addition to the three designated deprivations in the HDI. The approach establishes the argument that poverty is multidimensional and that, as individuals or groups, the poor are vulnerable, since they are exposed to multiple deprivations (Comim *et al.*, 2008).

Besides these standard poverty measurement tools, scholars have developed various approaches and frameworks of poverty analysis (De Haan & Zoomers, 2005; Ellis & Biggs, 2001; Scoones, 2009). Most of these established frameworks view poverty at the household or micro level; they focus mainly on an economic approach and aim to improve the life of a household. One of the prominent frameworks that has evolved since the 1990s is *sustainable livelihood analysis*, which is used to understand and analyse poverty in different situations (Chambers & Conway, 1992; Scoones, 2009). It is deemed to be people-centred, inclusive, participatory and dynamic; and to link micro- and macro-level actors (Ashley *et al.*, 1999; Carney, 2003; Chambers & Conway, 1992; Scoones, 1998).

Although sustainable livelihood analysis has been lauded as an excellent framework that has served effectively in the policy prescription of poverty reduction strategies, it has nevertheless yielded insignificant results in reducing poverty. Its failure has been attributed to various factors, including an overemphasis of the micro-level and insufficient attention to politics and power (Scoones, 2009). The framework has failed to examine the link between the market and livelihoods (Dorward *et al.*, 2003). While developing a critique of the sustainable livelihood framework, Shanmugaratnam (2001) modified it in an attempt to bring the focus back to politics.

Most approaches to analysing poverty focus on the household level. We rarely find meso- and/or macro-level approaches that examine the structural sources of poverty in its broader perspective (Ellis, 2000; Scoones, 2009). I argue that the *political-economy* framework of analysis can contribute to filling this gap and help us to analyse poverty at the meso- and macro-levels. This framework is essentially concerned with the interaction of political and economic processes in a society. Political economy ‘focuses on the distribution of power and wealth between different groups and individuals, and on the processes that create, sustain and transform

these relationships over time' (OECD-DAC, 2010:2). When applied to poverty, the political-economy framework seeks to understand both the political and the economic aspects of poverty and how the combinations of these factors affect patterns of power and the consequent vulnerability of citizens to poverty. It focuses on how power and resources are distributed and contested in different contexts, and the implications for development outcomes. It bypasses formal structures to reveal the underlying interests, incentives and institutions that perpetuate poverty (DFID, 2009; Clark, 1998).

In this study we define poverty from the political-economy perspective as follows. Poverty is a process of deprivation caused by inequalities in power relations and negligence in policy considerations. It results in a denial of property rights (particularly lack of access to and control over productive resources i.e. land), and the repudiation of freedom that restricts political rights and economic facilities of individuals, thus preventing them from achieving their capability. The definition of poverty that we developed resembles both the structural perspective and the capability notion of poverty.

### **2.3.2 Governance**

The new global order (or *globalisation*) has prompted the rise of a 'networked' society across the globe (Castells, 2011), which poses new challenges for governments. Governance has therefore emerged as a new ruling method in the networked society. Governance is often vaguely defined and the scope of its applicability sparks controversies (Kjær, 2004; Pierre & Peters 2005, Chhotray & Stoker, 2009). According to Pierre and Peters (2000), *governance* is a notoriously 'slippery' concept. Consequently, it is subject to various interpretations. In general, governance may be defined in a broader or in a narrower sense. In the broad sense, it refers to different mechanisms employed to bring order through adaptation, negotiation, and obedience. In a narrow sense, it refers to a specific pattern and mechanism of coordination for solving common problems through a decentralised, networked and participatory system of rules (Chhotray & Stoker, 2009).

Governance in our context is viewed from three broad perspectives: the norms or values used to shape the pattern of behaviour of individuals (*governing self*); organising principles of social order (*governing social*); and mechanisms for collective decision-making (*governing society*). These patterns correspond to individuals, institutions and systems

(state/society) respectively. Governance as an agency for shaping patterns of behaviour implies the practice of self-directing and self-governing processes in social relations.

Governance as an organising principle of social order refers to creating the conditions for ordered rule and collective action (Stoker, 1998). It lays the foundation for social order and cordial relations between state and society. According to Rhodes (1997:53), 'governance refers to self-organising, inter-organisational networks'. He goes on to argue that these networks are driven by 'the need to exchange resources and negotiate shared purposes'; and that they are subject to a complex dynamic. As such, they are not directly accountable to the state, but the state may be able to 'indirectly and imperfectly steer networks' (Ibid.).

Governance as a mechanism for collective decision-making denotes a mode of political and economy steering involving public and private actors. It is a non-hierarchical mode of coordination and decision-making in the context of a plurality of views and interests (Pierre & Peters, 2000). According to Chhotray and Stoker (2009:3), 'governance is about the rules of collective decision-making in settings where there are a plurality of actors or organisations, and where no formal control system can dictate the terms of the relationship between these actors and organisations.'

According to the World Bank, governance refers to 'the manner in which power is exercised in the management of a country's political, economic and social resources for development' (World Bank, 1992:1). Kaufmann *et al.* (2000:10) define governance as 'the traditions and institutions by which authority in a country is exercised'. According to Bevir (2008), governance refers to a complex and fragmented pattern of rule composed of multiple factors. For Fukuyama (2013:348), governance means 'the government's ability to make and enforce rules and to deliver service'. Hyden *et al.* (2004) further illuminate governance as 'the formation and stewardship of the rules that regulate the public realm; it is the space where state as well as economic and societal actors interact to make decisions' (Hyden *et al.*, 2004:16). The construction of sound governance regimes matters in terms of the wellbeing of societies and the sustainable development of countries. Conversely, the underdevelopment of some countries can be linked to the failure of governance regimes (Baland *et al.*, 2010). The general concept of governance dissected and analysed in various typologies and sub-components. In this study we



use three typologies of governance: democratic, economic and local governance to analyse the nexus of poverty and governance in our study context.

### ***2.3.2.1 Democratic Governance***

Despite sizable theoretical and empirical discussions, no firm conclusions have been reached regarding the impact of democracy on economic growth (Sirowy & Inkeles, 1990; Doucouliagos & Ulubaşoğlu, 2008). Scholars (for example: Przeworski et al., 1995; Leftwich, 2002; Heo & Tan, 2001; Narayan et al. 2011; Knutsen, 2013) argue that democracy and economic growth have robust and positive correlations. While other scholars (like Lipset, 1959; Alesina & Rodrik, 1994; Alesina & Perotti, 1994; Barro, 1996; Przeworski, 2000,) contend this argument insisting that democracy need not necessarily be correlated with economic growth. The debates and narratives on the democracy-economic growth nexus are rife. However, most scholars agree that democratic governance is essential since it ensures citizens' rights, promotes the rule of law, consolidates fair representation and active participation of citizens in the political process, and upholds accountability of the government to the people (Bevir, 2010; Tulchin & Brown, 2002). As Norris (2012) noted, democratic governance is vital for economic prosperity and poverty reductions in developing countries. She argues that governance and democracy are directly linked. Democracy allows citizens particularly poor households to express their views/interest, to hold public officials to account, and to get rid of incompetent, corrupt, or ineffective leaders from offices through elections. However, several poor developing countries are characterized by weak practice of democratic governance. Democratic governance incorporates numerous political issues such as power relations, power-sharing, power exercise, representation, and participation. The question of power relations that are depicted as state-society relations is one of the core aspects of democratic governance, as we discuss below.

State-society relations are conceived as a key element in understanding democratic governance (Mkandawire, 2007). It deals with aspects of a specific balance of political power in the state and society, a balance that underpins the entire structure of interactions and interrelations (Lakshman, 2003). State-society relations, as Migdal (2001) noted, denotes a constitutive process of negotiations and contestations over the exercise of power and decision-making, which encompasses multiple actors within the state and society. The pattern of state-society relations in most cases decides the type of the political system which is considered as

legitimate or not by the society. As Lakshman (2003) posits, a democratic political system, which is in most cases legitimate is characterized by (i) existence of democratic competition that results in to greater accountability; (ii) consideration of the poor and their inclusion in political space leading to the representation of their interests in government; and (iii) creation and maintenance of state capacity that is insulated from elite capture and yet “tied in” to structural networks of resource allocation, in this case channels for transferring resources to the poor (e.g., institutions that facilitate a program of land reform).

The political legitimacy of the state, therefore, relies on citizens’ perceptions about the power of the state, which is manifested through its embedded symbols (Hyden, 2006). Using these symbols, the state competes with other social organizations for social control and domination of political space. The struggle for control entails a pattern of interactions and interdependence between the state and society to determine how power is structured; how resources are allocated; and how rules and controls are established. These relations are implicated in defining mutual rights and obligations, negotiating power allocation, establishing different modes of representation, and establishing accountability to each other (Migdal, 1988).

In these relations, the balance of power depends on the structural and institutional setup that affects the way in which power is exercised and controlled. The exercise and control of power, therefore, are embedded in relations that are dispersed within various structures and institutions (Hayden, 2006). The distribution of power among interacting but competing actors (e.g., social classes, ethnic groups, political forces) via established agencies (e.g., the constitution, institutions, formal and informal state structures) yields a network of power structures (Layder, 1985). Using these networks, competing actors (including the state) exercise their own discretion over each other. Therefore, the power structures set the foundation for the exercise of power by the power holders.

Power can be classified in different typologies including dimensions of power (such as decision making, agenda setting and thought control) (Lukes, 1974). Furthermore, as Mann (1984) noted, power can be viewed as despotic power (DP) or infrastructural power (IP). Despotic power refers to the exclusive exercise of power by elites without involving competing groups or sections of society. Infrastructural power implies ‘the capacity of the state actually to penetrate into the society to implement logistically political decision throughout the realm of its

territory' (Mann, 1984:113). The capacity of the state to exercise its authority, therefore, depends on the consolidation of its infrastructural power.

Infrastructural power in the context of this study is conceptualized as the capability of the state to enforce its authority and implement its policies; to control the means of violence or coercive forces; to maintain state symbols that reflect its jurisdiction, and to command social and political controlling techniques. I applied Mann's (1984) concept of infrastructural power in the analysis of the first paper in this study. As I discussed elsewhere, democratic governance is linked to economic growth. In the next section, I explain how economic governance affects the well-being of citizens.

#### **2.3.2.2 *Economic Governance***

As Dixit (2009) noted, economic governance refers to the structure and functioning of the legal, economic and social institutions that support economic activity and economic transactions by protecting property rights, enforcing contracts, and taking collective action to provide physical and organizational infrastructure. The underlined concerns in economic governance is how does a given country adopt and run macro, fiscal and monetary policies? How can it achieve and sustain economic growth? What should be the competing role of state and market in economic growth, resource allocations, poverty reductions and protecting the welfare of the citizens? These are some of the key aspects of economic governance (Tabb, 2012; Noman, 2012).

State–market relations are controversial and problematic in economic governance since they have to do with economic freedom and principles of economic organization (Jessop, 1998). The principle of economic order is one of the major concerns in economic governance (Boscheck, 2003), and is a determining factor of the prosperity or poverty of a nation (Acemoglu & Robinson, 2012). Economic order deals with the systematic relations between the state and market and illuminates the way the economy operates and is organized. It also describes the power relations between the state and the market in controlling the economy (Jessop, 1998). The economy can be organized in various ways: hierarchal (regulated by the state), market (run by the interplay of demand and supply), and hybrid (a combination of the two), depending on the reigning ideology of the powers controlling the state (Meuleman, 2008). The organizing

principles of economic order also determine the mode of production, allocation of resources, and the pattern of economic relations between the market and society (Williamson, 1996).

The organizing principles underpinning the notion of a developmental state and a neo-liberal market orientation have recently been intensely debated (Radice, 2008; Hayashi, 2010). Drawing on the recent successful experiences of East Asian countries, proponents of the developmental state argue that the state rather than the market should lead and coordinate economic development in developing countries (Mkandawire, 2001; Woo-Cumings, 1999; Leftwich, 1995). In this regard, Wade (1990) conducted a detailed study and identified three models of economic order, based on selected East Asian countries' experiences, namely governed market (GM), the free market (FM), and simulated free market (SFM) models. The rationale behind the classification of these models is how the market operates and distributes resources. The governed market model is similar to the notion of the developmental state. In this model, the state plays an active role as the leading agent in organizing and directing the market through established rule and regulations. This model has the following characteristic features: (1) very high levels of productive investment by the state; (2) more investment and resource allocation by the state in specific key industries; and (3) intensive promotion and support to link domestic industry products to international competition using incentives, controls, support and mechanisms to spread risk (Wade, 1990:22-26).

On the other hand, a free market economy is portrayed as an efficient mechanism to allocate resources and an optimal means to accumulate wealth. It is defined as an economic system of complex interactions of private firms in the production and distribution of goods and services (Williamson, 1981; Tomasi, 2012). A market consists of two fundamental elements: factor and product markets. The factor market facilitates the exchange of factors of production such as land, labor and capital. The product market is the marketplace where sellers and buyers converge to sell and buy goods and services. The effectiveness of the product market depends on the efficacy of the factor market (Kamien & Schwartz, 1982; Boscheck, 2002; Patibandla, 2006). Market failure is a major challenge in a free market economy. It may be caused by imperfect competition, uncertainty, and opportunistic behavior. Market failure reduces product mobility, causes price volatility, and ultimately results in the appropriation of products from the suppliers through unfair pricing. Hence, the possibility of market failure needs to be addressed by

assembled market governance mechanisms that include operational control, internal monitoring, regulatory control, agency supervision and political control (Boscheck, 2003).

A market is governed either by formal and informal constraints or by the institutional environment and institutions of governance that regulate it. The institutional environment deals with issues such as the 'rules of the game,' property rights and embedded conditions of customs, traditions, and norms. The institution of governance has to do with market governance (Patibandla, 2006), which refers to dynamic ensembles of institutions and sets of rules or norms that are designed to govern the operation of the market and its relations with the state and other actors (Coen & Thatcher, 2005; Ebner & Beck, 2008). Market governance implies the existence of a broad framework that defines the space and structures under which business firms negotiate and execute transactions of goods and services (Coen & Thatcher, 2005). It further entails a written code of conduct that governs the social relations of relevant actors in the market (Ebner & Beck, 2008; Polanyi, 2001). The key objective of market governance is to reduce transaction costs to make markets more efficient. Other goals include promoting stable property rights, maintaining the law of exchange, enforcing contracts, and minimizing risks, rent-seeking trends, and corruption (Patibandla, 2006).

The role of the market in economic growth and poverty reduction is well recognized. As Sen (1999) argues, the market has a direct correlation with freedom, since the denial of opportunities to transact goods or services through arbitrary control or restrictions limits the freedom of individuals and their potential to be economically well off. However, the nature of the market is crucial as regards its potential to contribute to poverty reduction.

The concept of 'the market' is contested and fluid. Hodgson (1988:174) defines the market as 'a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated and structured by those institutions.' Filigstein and Calder (2015) further describe the market as:

*Socially constructed arenas where repeated exchanges occur between buyers and sellers under a set of formal rules and informal understandings governing relations among competitors, suppliers, and customers. These rules and understandings guide*

*interactions, facilitate trade, define what products are produced, sometimes constitute the products themselves, and provide stability for buyers, sellers, and producers. (p. 1)*

Samuels (2004) is of the opinion that the market can ‘understand’ price mechanisms to allocate and share resources through the notion of competition. He argues that the market is a social construction: ‘markets are socially constructed, neither given and transcendental, nor natural, but organized to promote some interests rather than others; which interests and how they are chosen and structured, are issues to be determined’ (Samuels, 2004:358).

Markets, as indicated above, are socially constructed, changed, manipulated, and restructured through formal rules (regulations and directives) by the state, activities of firms, and the prevailing social norms in the community (Filigstein & Calder, 2015; Samuels, 2004:358). The role of the state is recognizable in the construction of a national market in general, and rural markets in particular. The state is actively involved in the creation of the market through the adoption of formal rules and regulations (institutions). The efficiency of the market, and its role in economic growth and poverty reduction, therefore depends on the arrangement of such institutions. For instance, institutions play a significant role in reducing transaction costs, market uncertainty, and information costs; and they help to control and enforce contractual agreements (North, 1990; Williamson, 1985). The major institutions of the market include property rights that determine the ease (or difficulty) and length of time to start a business, facilitates exchange, and promotes and regulates competition (Wiggins & Davis, 2006).

The role of the market in reducing poverty is acknowledged in the literature (Crow, 2001; Garside, 2007). Access by smallholder farmers to efficient and competitive markets is considered to be a fundamental aspect of any pro-poor growth strategy (Taylor, 2009; Garside, 2007). Access to valuable markets is compelling for poor rural households and is of fundamental importance in improving their livelihoods. Without proper access to markets, poor households cannot market their produce, obtain inputs, sell labor, access credit, learn about or adopt new technologies, obtain consumption goods at low prices, etc. Historically, it has been shown that the success of poverty reduction initiatives is related to the evolution of efficient markets and the private economy. Poor households frequently refer to markets in positive or negative ways – efficient markets positively affect their livelihoods through improving their income, but their lack of access to markets deprives them of related benefits (Taylor, 2009).

Markets promote and contribute to economic efficiency by facilitating the exchange and coordination of different kinds of resources, goods, and services. Furthermore, market competition brings higher efficiency and lower prices for consumers, including the poor (Crow, 2001; Garside, 2007). Putting markets to work for the rural poor requires having not only access to markets, but also the supportive services such as access to information, exchange modalities, low transaction costs, access to transportation, and well-embedded trust and contractual systems (Taylor, 2009). All these services contribute to an effective market governance system that fosters the market as a significant alternative to other initiatives in reducing poverty.

Therefore, we can conclude that the institutional environment determines micro-level market governance practices and the reactions of private agents, which in turn influence economic efficiency at the local level. In particular, like property rights and the enforcement of contracts become weak, and the information available is imperfect, transaction costs become high, and product mobility becomes low, resulting in inefficient market performance. The market – as an organization – can be designed, but its effectiveness depends on the institutional environment and embeddedness of institutions. Embedded societal norms of trust reduce transaction costs and help to reduce poverty through fair sharing of resources and social responsibilities (Patibandla, 2006). The concepts of market governance and embeddedness are applied in Paper II of this study. State-market relations and market governance are central concepts in understanding the structural causes of poverty since they relate to resource extraction and allocation, which are frequently identified as causes of poverty.

### ***2.3.2.3 Local Governance***

Local governance refers to the process through which public participation is realized, public choices are made, and decisions are executed at the local level (Shah, 2006; Saito, 2008). It further denotes a set of institutions, actors, mechanisms and processes created by the constitution, through which local people articulate their interests, negotiate their differences, exercise their rights, and make decisions (Shah, 2006). Multiple actors are involved in local governance processes, such as local government, traditional institutions, local people, and the local market. In this regard, local government represents the sub-national level of government that is entitled to specific mandates (granted by the constitution or other legal prerogatives) to carry out a range of state functions within a defined geographical area (Bovaird & Löffler, 2002; Reinikka & Svensson, 2004). In short, local government refers to the institutions or structures that are used to exercise government authority at the local level (Denters & Rose, 2005; Andrew & Goldsmith, 1998).

The performance of local government and the practice of local governance depend on the decentralization of power. Decentralised governance implies a system of decision-making or a framework for participatory resource and political management at a subnational level of administration (Ali Khan, 2013). Decentralisation refers to the transfer of power from national to sub-national structures of government, by assigning resources to local authorities through de-concentration, delegation, or devolution. The decentralization process consists of four major interrelated components, namely political, administrative, fiscal and economic components (Boko, 2002; Schneider, 2003; Crawford & Hartmann, 2008). A decentralized governance system is argued to be the most successful pathway for sustainable development and poverty reduction (Crawford & Hartmann, 2008; Olowu, 2003).

We define decentralized local governance as the institutions or structures required in exercising the right to self-rule, to participate in planning processes, and to deliver social services at the local level to meet or satisfy the needs of local people. The role of decentralized local governance in poverty reduction is addressed in paper III of this study. Poverty and governance, as we discuss in the following section, seem to be sustaining each other using a symbiotic linkage. The pervasive nature of poverty and governance failure reciprocally exacerbates the poverty situation.

### **2.3.3 Poverty-Governance Nexus: good governance and poverty reduction**

Framing the poverty–governance nexus is problematic because it is difficult to establish a cause-effect relationship between them. In fact, some scholars (Kaufmann et al., 2000; Hyden, 2006, 2007; Karim et al., 2013) argue that governance problem leads to poverty. They consider governance as the major obstacle to the alleviation of poverty. However, others (for instance (Kwon & Kim, 2014; Early & Scott, 2010; Woods, 2000) contradict the argument stating that governance problem is not sufficient for poverty reduction nor it is necessary. If the policies and growth trajectories are not pro-poor, poverty will increase in the presence of good governance. On the other hand, countries like China with poor governance records have been able to reduce poverty (Montalvo & Ravallion, 2010; Huang et al., 2008). As Collier (2008) argues that is why the poverty–governance nexus is controversial. The quality of governance, according to him, may not ensure a guarantee of prosperity if opportunities (resources) are not available. On the other hand, some scholars argue that poverty reduction is as much a political as an economic issue (Kaufmann et al., 2000; Hyden, 2006, 2007). Such arguments indicate that poverty reduction efforts rely on and are determined by the quality of governance. Accordingly, governments with accountable and transparent governance regimes, free and fair election



systems, a functional rule of law, a pro-poor policy, and vibrant civil society are most likely successful in implementing poverty alleviation strategies (Kaufmann et al., 2000; Moore et al., 1999).

Moreover, a government with good qualities of governance is capable of developing and implementing sound and inclusive policies, extracting, utilizing and allocating resources, and delivering quality services to its citizens. Kaufmann et al. (1999) note the following about good (quality) governance:

*Quality refers to the traditions and institutions by which authority in a country is exercised. It includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.* (Kaufmann et al., 2000:10)

The quality of governance, from this vantage point, therefore determines the capacity of the government to reduce poverty. It is also critical to poverty reduction because good governance facilitates participatory governance, formulations of pro-poor policies as well as sound macroeconomic management. Hence, poverty is closely associated with the quality of governance, particularly good governance (Craig & Porter, 2006)

Good governance is increasingly considered as an effective mechanism to reduce poverty in developing countries (Grindle, 2004). In fact, there is an unsettled debate, as stated above, on good governance if it ensures poverty reduction. However, some of the attributes of good governance such as participation, responsiveness, accountability, inclusiveness, and empowerment are supposed to enhance poverty reduction if supported by pro-poor policies (Hyden, 2007; Sebudubudu, 2010; Lakshman, 2003). As Mkandawire (2007) noted, state-society relation is the core aspects of good and democratic governance because it is related to power and resource sharing that determines the well-being and ill-being of individuals. Scholars (like Doornbos, 2001; Bell & Hindmoor, 2009; Leftwich, 1993) argue that a state-society relation is the structural factor in deciding the practice of governance as good or bad. As (Moore, 2001) further noted for instance the problem of governance in developing countries emanates from the structural relation, i.e., the way the state has been created; and political authority shared

through economic and political interactions among competing social and civic groups. So, governance is an essential concept in elucidating trends of poverty and in understanding the structural causes of poverty.

#### **2.3.4 Poverty and Governance in Africa**

Poverty is persistent in Africa and an enduring challenge of the continent (Barrett. and et al., 2013; Baulch, 2011). Over the last 30 years, absolute global poverty has reduced abruptly (from about 40% to under 20%) (World Bank, 2016). There has been remarkable progress on reducing poverty over the past decades at the global level. Despite the progress made in reducing poverty, the number of people living in extreme poverty globally remains considerably high. According to the recent data from World Bank in 2013, 10.7 % of the world's population lived on less than US\$1.90 a day, compared to 12.4 % in 2012. That is down from 35 % in 1990. Nearly 1.1 billion people have escaped from extreme poverty since 1990. In 2013, 767 million people lived on less than \$1.90 a day, down from 1.85 billion in 1990 (World Bank, 2016). However, half of the absolute poor still live in Sub-Saharan Africa. The number of poor in the region fell only by 4 million with 389 million people living on less than US\$1.90 a day in 2013.

According to the recent World Bank findings, even though the level of poverty in Africa has declined the number of poor has significantly increased. The number of poor people in sub-Saharan Africa increased from 242 million in 1990 to 637 million in 2013 (World Bank, 2005; Dulani et al., 2013; Young, 2012; Pinkovskiy and Sala-i-Martin, 2014). The poverty situation in Africa has been caused by multidimensional factors, including poor governance. Governance problems induce recurrent conflicts, corruption, political instability, and high external debt that trap many African countries in a vicious cycle of poverty (Oloruntoba & Falola, 2017). The poor governance exacerbates the systematic misallocations of resources away from the needs of the poor is a causal factor for extreme poverty in many African countries. Many African countries are rich in terms of natural resources and have a high potential to grow (Collier, 2007). However, the poor governance that is marred by rent-seeking trends and widespread corruption perpetuate poverty. Poverty falls drastically when economic growth occurs, the political situation is stable, corruption is uncommon, and an inclusive growth strategy is implemented (Hope, 2008).

The literature on poverty - governance nexus in Africa are limited. There are few published books on poverty. To mention some of them Christiansen et al. (2013) and Arndt et al.

(2016) wrote books on growth and poverty in Africa. Christiansen et al. (2013) noted that the poverty problem in Africa derives from economic reform challenges that are connected to market liberalization, access to land, and the issue of infrastructural development. Arndt et al. (2016) claim that the economic growth in Africa since 1990's substantially has reduced poverty in Africa. However, both agree that bad governance is the major source of poverty. Even though the governance problem is thought to be the primary source of poverty in Africa, limited literature is available on the subject.

Booth and Cammack (2008) stated that the African governance system is essentially neo-patrimonial, which relies on rent-seeking that perpetuates poverty. Mawere and Mwanana (2015) critically analyzed the matrix of African multifaceted governance problems as the cause of poor economic performance, which is manifested in weak democratic practice and slow economic growth. Noman et al. (2012) consider macroeconomic policy problems and limited capacity of the state to run the economy as a source of the recurrent crisis in economic governance that bears disappointing economic performance meshed with structural poverty. On the other hand, Hyden (2007) provides a perspective that reflects poor governance as the source of pervasive poverty in several African countries. Collier (2007) also noted bad governance that causes slow economic growth as the causal factor of poverty in most African countries.

Besides books, there are some articles written on African poverty. Kates and Dasgupta (2007) produced a seminal article on causation of poverty in Africa by summarizing the work of Collier (2007) that analyses the physical and human geography dichotomy in Africa economic growth its implication over poverty; Hyden (2007) that diagnoses governance impasses in Sub-Saharan Africa and its repercussion over poverty; and Okwi et al (2007) identifies the limits of geography its implication over poverty in Kenya. Fosu is one of the leading African Scholar also contributed a number of articles (Fosu 2008, 2009, 2010, 2013, 2015, 2017) in African poverty mainly focusing his analysis on nexus of poverty -economic growth and poverty- inequality. Barrett et al (2006) also wrote an inspiring article entitled 'Understanding and reducing persistent poverty in Africa' that latter developed into book incorporating the work of other contributors in 2013. Nevertheless, still there are limitations on scholarly work on political economy of poverty in Africa.

### **2.3.5 Poverty and Governance in Ethiopia**

The pervasive poverty in Ethiopia is partially attributed to governance failures that originate from a lack of a stable political system and order. As noted elsewhere, in the span of five decades Ethiopia has witnessed three forms of political systems with divergent ideologies and state structure. The change in political systems has impacted the pattern of state-society relations, political settlement, resource allocation, development / policy priorities and mode of national and local governance. Though governance is considered as a serious challenge of poverty reduction, little research works have been conducted in the area. In the following section, a review of related literature attempts to present the anatomy of poverty in Ethiopia by elucidating the local notion of poverty, poverty profile and the nexus of poverty and governance in the Ethiopian context.

### **2.3.6 Poverty Notion and Profile in Ethiopia**

The majority of the Ethiopian population lives in rural areas, and struggles constantly with the challenges of daily life. Most peasant localities are made up of poor households that are vulnerable to periodic periods of drought and famine. As in other African countries, the government in power pays due attention to the urban areas where resistance against the state might arise. The rural areas receive less attention, and most rural people are forced to live in dire poverty. Besides their subsistence existence, the peasants play a marginal role in local and national affairs (WoldeMariam, 1991).

In Ethiopia, the meaning and conception of poverty is understood in various ways, depending on the livelihood and agro-ecological context of rural societies. In the Wello area in north-eastern Ethiopia, poverty is understood in ways similar to Devereux and Sharp (2006), who note that poverty is equivalent to destitution. Table 1 presents additional meanings and conceptions of poverty, as understood by the local society in Wello. Tache (2008) conducted a study on poverty dynamics in the Borana area, detailing a pastoralist conception of poverty, which indicates that the local people associate poverty with a shortage of livestock. Eneyew and Bekele (2012) conducted research on food insecurity around Wolyeta, where the local people, according to their findings, correlate poverty with a shortage of land and cattle. Other studies conducted in various parts of Ethiopia yielded related conceptual meanings of poverty, but with different contextualisations depending on the livelihood strategies of the local peasants.

Table 1: Local conceptions of poverty in Ethiopia

<b>Local (Amharic) term</b>	<b>Approximate translation</b>
<i>chegeregnoch, chegertegna</i>	those with problems
<i>Chigaregnoch</i>	those who are starving
<i>Chersodeha</i>	absolutely/completely poor
<i>(ye) mechereshadeha</i>	the completely poor
<i>(ye) menatedeha</i>	extremely poor
<i>minim yelalew</i>	those who have nothing
<i>Trityaledaha</i>	the poor who have lost everything
<i>Mulichyaledaha</i>	the poor who have nothing
<i>Tsom-adari</i>	people who pass the night fasting/go to bed hungry
<i>Wuhaanfari</i>	those who 'cook' water

Source: Adapted from Sharp and Devereux (2004:234)

As can be seen from Table 1, the local conception of poverty refers to an 'impoverished life' as expressed in the Amharic language. It implies an undignified and degraded household life that amounts to the failure to have at least one meal per day. The poor may not have land to cultivate or any other tangible property, and thus lead their life mostly by selling their labour. They are thus subjected to domination, marginalisation, and exclusion in their social and political lives.

Poverty in Ethiopia is pervasive and persistent, affecting households in both urban and rural areas (Bevan, 2000; Dercon, 1997; Devereux & Sussex, 2000). According to a recent statistical report of the World Bank (World Bank, 2015), chronic urban poverty is estimated to be 25.4% and rural poverty 30.4%. Although the trajectory of poverty indicates a declining trend in terms of income measurement, it remains a major challenge in terms of other dimensions. Some scholars (like Geda and Yimer, 2014) even question the reliability of the claim about poverty reduction in terms of income. According to the income approach, poverty reduction is indeed related to food security and increasing the income of the household. Nevertheless, even poor households that are able to fulfil all their basic needs do not tend to link this to being able to live a decent life.

The recently developed poverty measurement tools, the Human Poverty Index (HPI) and the Multidimensional Poverty Index (MPI), present contradictory results for income measurements. According to these measurements, poverty in rural areas remains a severe challenge, even though there are indications that it is reducing. The rural sector faces the

challenge of supporting a large population in the context of an acute shortage of land, massive environmental degradation, systematic surplus transfer out of the rural sector, and a lack of meaningful public investment in rural areas. Tables 3, 4 and 5 present poverty trends in terms of income, the Human Development Index (HDI), and the Multidimensional Poverty Index (MPI) in Ethiopia respectively.

Table 2: Poverty trends in Ethiopia (income based) (1981-2014) in percentage

	1981	1996	2000	2005	2014
National poverty line	66.2	45.5	44.2	38.7	29.6
Urban	na	33.3	36.9	35.1	25.7
Rural	na	47.6	45.5	39.3	30.4
US\$ 1.25 PPP poverty line	na	60.0	55.6	39.0	30.7

Source: compiled by author from MoFED (2012:7); Hill and Tsehaye (2014:31); Devereux & Sharp (2006:594)

\*na: not available

\*PPP: per person per day

Table 3 indicates a significant reduction in poverty, based on household income measurement over the last three decades. In 1981, the overall ratio of absolute poverty was 66.2%, but this declined to 29.6% in 2014. As to World Bank (2015), the drop in poverty levels is considerable, particularly after 2000. Some of the reasons include ‘agricultural growth drove reductions in poverty, bolstered by pro-poor spending on basic services and effective rural safety nets’ (World Bank, 2015:1). However, poverty has remained pervasive and structural as shown in the following tables (Table 4 and 5).

Table 3: Human Development Index (HDI) in Ethiopia

HDI Rank	Country	Human Development Index (HDI)								HDI Rank		Average annual HDI growth		
		1990	2000	2010	2011	2012	2013	2014	2013	2009–2014	1990–2000	2000–2010	2010–2014	
174	Ethiopia	na	0.284	0.412	0.423	0.429	0.436	0.442	175	2	na	3.78	1.78	

Source: Available at <http://hdr.undp.org/en/composite/trends>

\*na: not available

\*Low human development for HDI is between 0.0 and 0.5

\* Medium human development for HDI is between 0.5 and 0.8

\*High human development for HDI is between 0.8 and 1.0.

Ethiopia has claimed to achieve significant economic and social changes, with the highest economic growth rates since, 2000 (World Bank 2015). However, Ethiopia’s HDI and its relative ranking have not changed significantly. As we can note from the table the score of HDI is below 0.5 that signifies low-level of human development. Furthermore, as noted in Table 4, Ethiopia ranks 174 out of 186 countries in the latest UNDP Human Development Report (2014).

Table 4: Multidimensional Poverty Index (MPI) in Ethiopia

Survey	Year	Multidimensional poverty index (MPI= HxA)	Percentage of poor people K=33.3 %	Average intensity across poor	Vulnerable to poverty K=20%- 33.3%	In severe poverty K=50%	Destitute	Inequality among the poor
DHS	2011	0.564	87.3%	64.6%	6.8%	71.1%	58.1%	0.290

Source: Available at <http://www.ophi.org.uk>

\*The MPI reflects both the incidence and headcount ratio (H) of poverty – the proportion of the population that is multidimensionally poor – and the average intensity (A) of their poverty – the average proportion of indicators in which poor people are deprived. The MPI is calculated by multiplying the incidence of poverty by the average intensity across the poor (HxA). A person is identified as poor if he or she is deprived in at least one third of the weighted indicators

Despite achieving a reduction in the percentage of destitute people, as indicated in Table 4, Ethiopia has remained a poor country, being the fifth largest number of poor people per country in the world. As shown in the Table 4, 87.3% of the total population is measured by the MPI as ‘poor’, while 58.1% of the population is in the category of ‘destitute’. The multidimensional poverty index of Ethiopia is 0.564 that represent lower score that indicates the persistence of structural poverty in the country.

### 2.3.7 Poverty- Governance nexus in Ethiopia

The pervasive poverty in Ethiopia has been attributed to governance failure and political settlement problems. Governance failure is ascribed mostly to problems related to institutional fragility which prompted a cycle of recurrent conflicts that consumed enormous resources and human power. Conflicts, particularly wars, have played a major role in shaping the political culture, governance practice and political institutions in Ethiopia (Reid, 2011; Tareke, 2009; Tronvoll, 2009). The recurrent conflicts have also significantly shaped the structure of the state itself (Markakis & Ayele, 1986; Tareke, 1996, 2009; Tegenu, 2007). As Tareke (2009) argues,

all regimes in Ethiopia have been built on a strong militaristic state in order to cope with persistent external and internal conflicts. This trend severely affected the democratic practice and democratic governance in Ethiopia. Even though Ethiopia has embarked on establishing democratic order since 1991, the democratic institutions remain fragile, actors are weak and the political space has tapering. So, the political space for participation and engagement is limited.

The priority of building military institutions has undermined the evolution and growth of economic (production and distributive) and local institutions, as we discuss below. It has also curtailed the accumulation of wealth and caused pervasive poverty to become structural, in that it is embedded in the culture and social structures in Ethiopia (WoldeMariam, 1991). Ethiopia has remained predominately an agrarian country. Although economic institutions have experienced steady dynamism and persistent change in terms of organisation, the structure of the economy has remained unchanged. There have been changes in the organisation of economic institutions from the free market (pre-1974), to command economy (1974–1991), and then to a state-led market economy (post-1991). However, the state has remained the central agency of resource allocation and retained control over land and other strategic resources (Rahmato et al., 2014). The market has assumed a subsidiary role, dominated by the state. Furthermore, both wealth sharing and political governance run along ethnic lines (Abbink, 1997; Keller, 2002). The House of Federation (the lower house of the legislative body) has been given the mandate to distribute wealth based on a certain formula, involving mainly income, population size and the development index (HPR, 1995; Keller, 2002).

Unlike macro level political and economic institutions, local governance institutions did not experience any profound changes, in spite of demographic, environmental and geographic shifts in rural areas (Spielman, 2009; Adem, 2004). The grassroots-level local institutions (Kebele), both in rural and urban areas, were created in 1975 under Proclamations No. 31/1975 and No. 71/1975 (Engdawork, 1995; Mammo, 1999), and still serve as the lower level governance structure in rural Ethiopia (Berhanu & Poulton, 2014). In the post-1991 period, the power and role of local governance institutions were stipulated in articles 39(3) and 50(4) of the 1995 constitution. However, the Kebeles have remained powerless and resource poor and are confined to providing basic services to local people (HPR, 1995). They have no mandate to engage in development activities and poverty reduction initiatives. The accountability of Kebele



administration is upward and not to the local people (Ayele, 2011). They have no budget and are not allowed to generate any local revenue or exercise any fiscal power. The district authorities are entrusted with collecting taxes and other dues.

The absence of effective and efficient governance institutions in local areas has made poverty reduction efforts a cumbersome task (Planel, 2014; Spielman et al., 2009). The lack of an innovative, functional and participatory local governance structure has perpetuated massive poverty and remains a major obstacle to agrarian transformation in rural areas (Ayele, 2011; Adem, 2004). It can therefore be argued that poverty in Ethiopia is related to weak local governance and institutional development failures.

During the post-1991 period, the government has claimed notable successes in reducing poverty. Evidence provided to substantiate these claims includes, for example, the government-led social protection programme – a ‘safety net’ – to address poverty in rural areas. This is one of the largest social protection programmes in sub-Saharan Africa and is supported by major international donors (Gilligan et al., 2009; Lavers, 2013). So far, three rounds of the programme have been implemented since 2005, with an investment of nearly 300 million USD per annum. However, the results are contentious due to the lack of efficient governance structures to coordinate the programme at local levels. The number of ‘graduates’<sup>1</sup> from the programme is unsatisfactory (Cochrane and Tamiru, 2016). Some argue it has brought significant poverty reduction; yet others rebut the claims of success by expressing various reservations. The major problem of the programme is that it operates through institutional structures at the Woreda (district administration) that is only loosely connected to local people. Moreover, the graduation rates are driven by political and economic motivation, rather than actual gradation of food security (Cochrane and Tamiru, 2016; Nigussa & Mberengwa, 2009; Lavers, 2013).

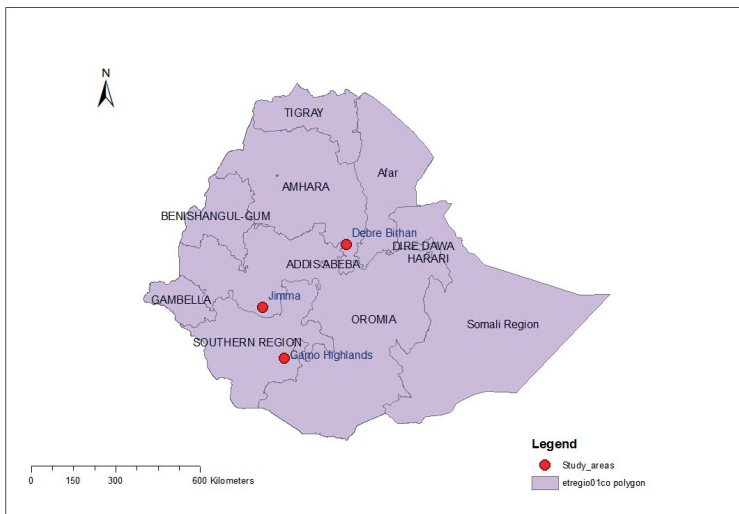
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<sup>1</sup> The term ‘graduate’ denotes those beneficiaries who have transformed themselves into food self-sufficient households through the safety net programme.

### 3. APPROACH AND METHODOLOGY

#### 3.1 Study Sites

The study was conducted in three purposively selected locations in Ethiopia (Map 1). The study areas are located in the Oromiya National Regional State (ONRS), the Amhara National Regional State (ANRS) and the South Nation, Nationality and People’s Regional State (SNNPRS). The areas represent different agro-ecologic, demographic and livelihood patterns. The first study area, the Gamo Highlands in the Southern region, is one of the most densely populated areas; it represents the highland or *Dega* agro-ecology livelihood zone and is known for production of the enset (‘false banana’). The second study area is Debreberhan in the Amhara region; it represents the midland *Weyna-Dega* and dryland/lowland *Kola* agro-ecology zones, and is known for grain production. The third study area is Jimma in the Oromiya region; representing the *Weyna Dega* agro-ecology zone and is known for coffee and khat production.



Source: Tafese Matewos, CPDR(Hawassa University),2014

Map 1: Map of Ethiopia and the study areas in three regions

## **Gamo Highlands**

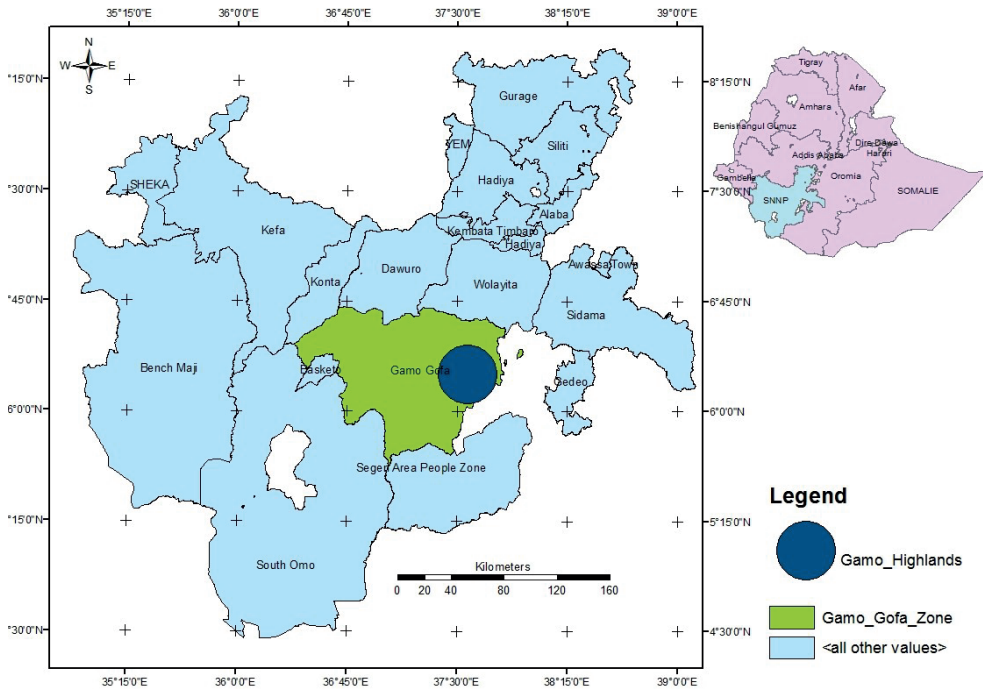
The Gamo highlands are situated in the western escarpment of the great Ethiopian Rift Valley, with elevations above 4000 m, in a chain roughly 100 km long (06° 02–27'N, 37°10–37'E). The Gamo Highlands are located in southwestern Ethiopia in Gamo Gofa Zone, SNNPRS. The area is characterised by high elevation, rugged mountains and dense populations (it is home to nearly one million people). Most households own fragmented subsistence farms of less than 0.25 hectare. The landscape rises up to 4,000 metres above sea level. There is a lack of adequate infrastructure in the area (Samberg *et al.*, 2010). Over 40 communities live in this region and are designated as *Dere* in the local language – meaning a clan that inhabits the Gamo Highlands. All the *Dere* located in the south Bonke *Woreda* are distinguished as *Gamo*; all those further north are known as *Detche*.

The social structure of the society is organised in three hierarchical caste strata: the highest social group is the Mala (farmers and weavers), the middle group is the Mana/Chinasha (potters), and the lowest social group is the Dagala (ironsmiths and stone masons) (Arthur, 2014; Freeman, 2002). According to Arthur (2014), most of the farmers own the land resource that is used for agricultural production, while artisans – the two lowest caste groups – are those who have technological knowledge of the means of production. The caste structure has negative repercussions on societal change since the social groups who are the source of technological change are deprived from having access to land. The caste structure and social divisions have further implications for prestige, purity/pollution, and power relations that restrict social interaction and mobility (Arthur, 2014; Freeman, 2002).

The livelihood of the majority of people depends on subsistence farming. The local farmers produce wheat, barley, potatoes, enset (false/wild banana), root and tuber crops, beans and peas, among others. The root crops, enset and vegetables are produced in homestead rings and the cereals are cultivated beyond the homesteads in fragmented and scattered crop fields. The average land holding size is estimated to be between 0.25 and 0.5 hectares per household. The production system relies on plough agriculture. It is subsistence-based, traditional and labour-dependent. The lower castes have less access to food, since they are deprived of holding land. Their livelihood depends on cash that they earn from making and selling various utensils and farm instruments (Arthur, 2014; Bayu, 2012).

The Gamo Highlands are unique in their resilience against vulnerability in the face of drought and famines that have devastated much of the country. This is due to the unique traditional food system of the community that interweaves a diverse number of tree, root, cereal and vegetable crops with forestry and livestock production. The traditional land tenure system, *Wagas*<sup>2</sup>, has also contributed considerably to preserving the ecology and biodiversity of the region.

The study activities in the Gamo Highlands (as indicated on Map 2) took place in three selected peasant associations (*Kebele*), Chano Mille, EzoGule and Amara Ena Bodo. Both EzoGule and Amara Ena Bodo are located in the highlands of the Dorze and Ezo areas. The Chano Mille is located in the escarpment of the highlands.



<sup>2</sup> *Wagas* is a communal land ownership system in the Gamo Highlands that promotes conservation of land and forests for worship and rituals. The practice has helped significantly in conserving the environment and land in villages in the region. Today most of the common green areas are preserved through this traditional system.

Map 2: The Southern Nation, National and People's Regional State (SNNPRS), Gamo Highlands

### **Jimma Area**

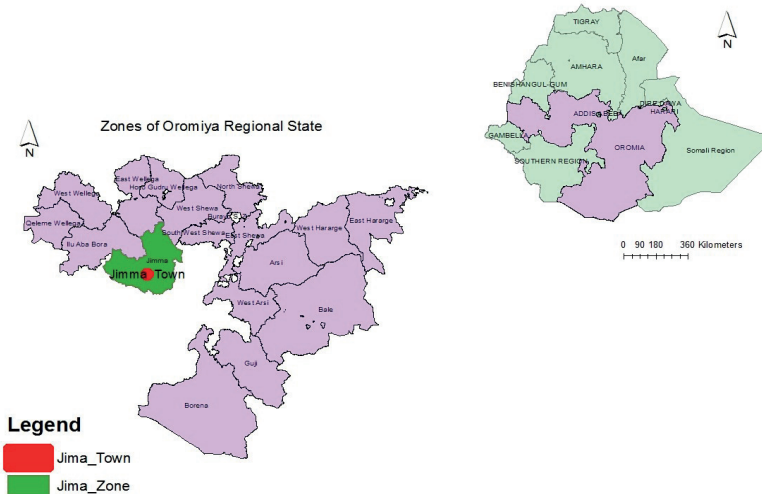
The Jimma coffee, cereal and khat (JCC) livelihood zone is situated in western Ethiopia, in the Oromiya regional state. It spans a total area of 15,568.58 square kilometres and has a total population of 2,486,155. It includes the districts of Gomma, Manna and Kersa. It is a major coffee-producing province, accounting for 11% of the total coffee production of the country. The majority of the population (85%) is Muslim. The dominant agro-ecology is midland or *Woinadega*. The topography is predominantly plains with some gentle undulating slopes. The vegetation is characterised by dense forests of mainly eucalyptus trees. The annual rainfall is one of the highest in the country, receiving 1 200–1 700 mm per year. Temperatures are moderate with highs of 25–30 °C and lows of 7–12 °C.

As in many places in the country, rain-fed agriculture is the main means of livelihood in the area. Nonetheless, there is no history of food shortages – instead the area is known for the highest surplus cash and food crop production. Major food crops are maize, sorghum, teff and enset, and the most common cash crops are coffee and khat. The production system and technology are similar to that of the other regions, including the widespread use of oxen ploughs for tilling.

Some of the key determinants of wealth in the local society around Jimma are financial capital, the size of cultivated land plots, the extent of livestock holdings, and the production of perennial crops. Crop sales are the major source of cash, with coffee constituting the highest proportion, followed by khat. Most households cover their food deficits by buying cereals from the market or selling cash crops. Poorer households supplement their annual cash income by working in the local agricultural sector (participating in weeding and harvesting activities) on the fields of middle-income and better-off households.

When there is a deficit in their food or level of income, the poor engage in additional employment opportunities to expand their cash income; middle-income and better-off households consume food stocks and switch expenditure to buy cheaper items. Both poorer and wealthier households use livestock sales as a coping strategy during times of environmental

shocks. Map 3 shows the location of the study areas in Jimma, including the rural *Kebele* of Dawa, Merewa and Gerema.



Source: Tafese Matewos, CPDR(Hawassa University),2014  
 Map 3: Oromiya National Regional State (ONRS), Jimma area

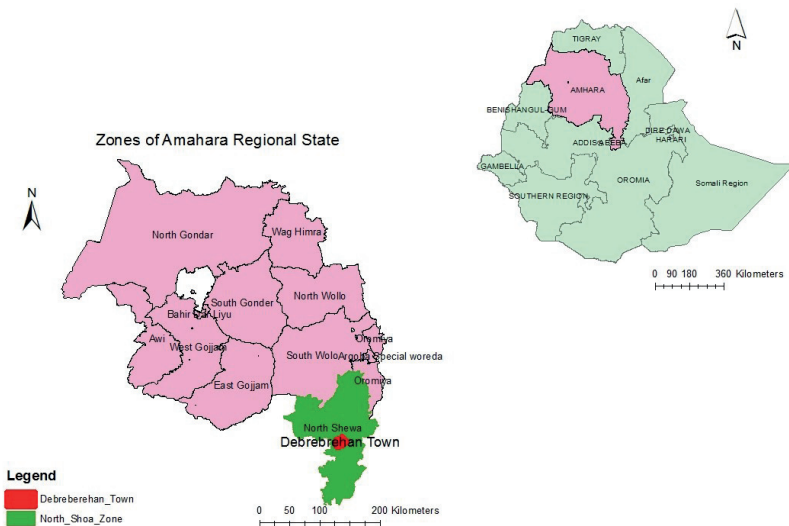
**Debre Berhan Area**

DebreBerhan is located in the central highlands of Ethiopia on the Shewa plateau, in the Amhara National Regional State (ANRS). WoldeMariam (1991:22–23) identifies four major topographical features in and around DebreBerhan, namely the plateau, the valley, the escarpment, and the lowland. The first category encompasses the Qimbibit, Angolela-Tera, Abbichu-Gnea and Sayadebir-Wayu districts (*Woredas*). The second category consists of Basoworana, Moret-Jiru and Moja-Wodera. Districts on the eastern edge of the area, such as Kesem, Agere-Mariam, Asagirt and Ankober, are classified as escarpment *Woredas*. The topography of these areas is generally characterised by rugged topography (Melese *et al.*, 1996).

The climate in the area is cold and designated as *Dega* (highlands), and the people are referred to as ‘highlanders’. Deeper into the countryside there is rugged terrain, with mountain peaks and deep valleys, intersected by a few gentle slopes, with perennial rivers and plenty of small streams (Ibid.). Although the temperature is cold and varies from village to village,

communities within this zone are referred to as ‘lowlanders’ or *Kolla*. Highlanders live in large and compact villages, usually located amidst wide tracts of agricultural land and grazing areas. The lowlanders, on the other hand, live in numerous isolated villages dotted on gentle slopes, or at the foot of high rising mountain tops. The population in the Kolla areas is sparse compared to the density of communities living in the highlands.

In the DebreBerhan area, the common livelihood of the people is mixed farming, i.e. crop production and animal husbandry. The main crops grown include barley, various types of wheat, horse beans, peas, lentils, gerima, temenj, and linseed, among others. The main livestock varieties are cattle, sheep and goats, and draught animals such as donkeys, horses and mules. The people around DebreBerhan belong mainly to the Amhara or Oromo ethnic groups. The Oromo is a minority group that has been assimilated into the Amhara culture through intermarriage. The study areas in DebreBerhan include the Goshe Bado and Aliyu Amba *Kebele*.

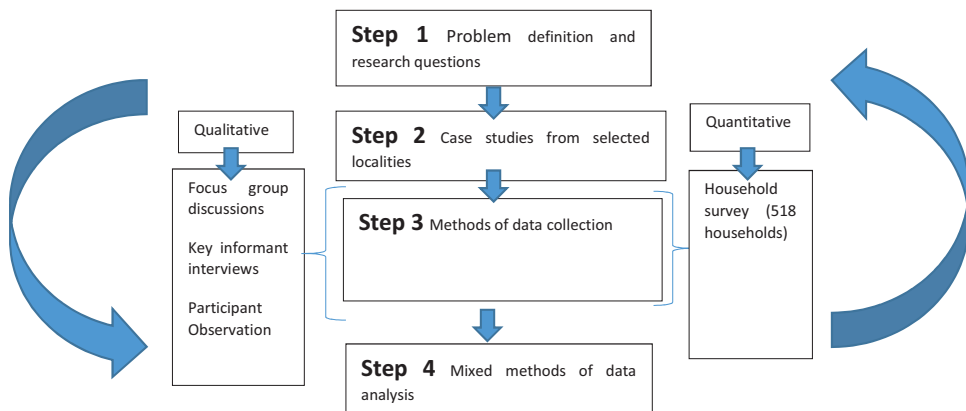


Source: Tafese Matewos, CPDR(Hawassa University),2014

Map 4: Amhara National Regional State (ANRS), DebreBerhan

### 3.2 Approach of the Study

This research project is a political-economy study that employed a mixed methods approach. Since poverty and governance are complex and interdependent social and economic phenomena, an approach that takes into account their complexities, focusing on interdisciplinary and comprehensive strategies, is essential (Brock & McGee, 2002; Haveman, 1987; Sachs, 1984). Thus, a mixed methods approach that combines both qualitative and quantitative analysis was selected as an analytical tool (Jick, 1979). Quantitative methodology involves measuring and quantifying various issues numerically. Qualitative methodology focuses primarily on attributes that people value (what people tell you and what they do), which enables us to understand the nature of the phenomenon being studied. The latter approach provides a tool for a thorough analysis of important social, economic and political phenomena (Gillham, 2003). Figure 4 shows the overall methodological framework of the research process adopted in this study.



Source: Drawn by author

Figure 4: Methodological Framework

As shown in Figure 4, the first step was to define the problem and research questions. Then in the second step, we selected representative localities for the case studies. In the third step, we developed the data gathering tools to collect the qualitative and quantitative data. The methods of data collection were focus group discussions, key informant interviews, participant observation and household surveys. In the fourth step, I applied mixed methods of data analysis to quantitatively and qualitatively analyse the collected data.



### **3.3 Research Design**

This study makes use of case study research design. Accordingly, all relevant empirical data for the study was collected to illustrate case studies in the three selected localities. Case study research uses empirical inquiry to investigate a contemporary problem in a real-life context (Scholz & Tietje, 2002). It can be used in many situations, for example, when the researcher has no control over behavioural events, or when the focus of the study is on contemporary issues (Gerring 2007). Moreover, it allows the researcher to conduct holistic and in-depth investigations of the causes and consequences of specific social matters. It supports a systematic collection of adequate evidence about specific social settings, political matters, institutional issues, social concerns, and other related problems (Gerring & McDermott, 2007; Scholz & Tietje, 2002).

We selected case study design because it pays special attention to historical accounts, and gathers and analyses historical data in order to learn from the past. It also helps to gather different types of empirical data in a specific and bounded period (Woodside, 2010). Case study is useful for two further reasons. First, it helps to investigate the problem of interest in detail and can unravel things that might not be discovered by other methods, such as a survey study. Second, it allows the use of a range of empirical sources, a variety of types of data, and mixed research methods as part of the investigation (Gillham, 2000). Using the case study method, we can thus apply all relevant methods, including participant or non-participant observations, structured interviews, focus group discussions, questioner surveys, archival records and documents, and scientific data from field and laboratory experiments (Yin, 2014). The unit of analysis in our case study is the lowest level of local administration i.e. the *Kebele*.

### **3.4 Getting access to the case study areas**

After selecting the study locations (*Kebele*) for the case studies, we obtained a letter of support from Hawassa University addressed to the administrative offices in Gamo Gofa, Jimma and the North Shewa Zone. We submitted the support letters to the respective offices and later convened meetings with authorities concerned to brief them about the nature of the research. After examining the letter, our credentials, and considering the short briefing about the purpose of the research, officials granted a written permit letter for us to go to the study areas. The scrutiny was more serious at the *Woreda* level where we were asked to provide a detailed explanation about the nature and purpose of the research. In the Jimma area, the officials asked us to show them the data collection instruments so that they could review the questions, since the

research topic was politically sensitive. They told us that they had had ‘bad’ experiences of people who went to villages pretending to be researchers, but were found to be involved in political activities. They informed us that the lengthy security clearance procedure was intended to protect the people from anti-democratic and anti-development forces. All the *Woreda* officials in the three regions advised us to consult the *Kebele* officials and development agents. We got an official letter that should be presented to the *Kebele* authorities from *Woreda* offices.

When we arrived at the *Kebele*, we presented the letter written by the *Woreda* officials. The *Kebele* chairman and managers reviewed the letter and put us through the same procedure of questioning. The chairman in the study areas eventually granted the required permit. After finalising all these administrative procedures, we started the selection of research assistants. These were required in order to collect data and assist us in translating conversations to local languages during interviews with key informants and in focus group discussions, since we do not speak Afan Oromo, the Oromo language widely spoken in the Jimma area. Moreover, we are not fluent speakers of the Gamo language (the researcher speaks a language known as ‘Gofa’, in the same family group as Gamo). There were two research assistants in each *Kebele*: that is, a total of 16 assistants in eight *Kebele*. They were what are known as ‘development assistants’ (DAs) and primary school teachers. Furthermore, three research coordinators controlled and guided the activities of the research assistants in all three-study areas. I selected them based on their experience and familiarity to the study sites.

Most of the interview sessions and focus group discussions were held at *Kebele* compounds, since the officials would not allow the discussions to be held outside *Kebele* premises. With the help of the research assistants, the researcher selected purposefully the key informants. In some study areas, the *Kebele* officials insisted on selecting the informants (even though we tried to convince them otherwise) and closely monitoring the focus group discussions and all interview sessions. The scrutiny by *Kebele* officials was a significant challenge for collecting reliable data from the study areas for two reasons: (1) such intensive scrutiny means that local informants were not be able to speak their minds freely. This was reflected in the surveys, interviews and focus group discussions; (2) Due to the strong state influence on the daily lives of local people, their responses disclose uniformity and convergence, regardless of differences in geographic location, demographics and livelihood. In most cases, their responses

deviate from reality. This is in one hand a clear manifestation of the lack of freedom of speech for local people and signposts the state's hegemonic domination in every realm of rural life and on the other hand reflects the limitation of the study.

### **3.5 Data Collection Methods**

Empirical data were gathered through interviews, household surveys, focus group discussions, and participant observation. The data were collected during three field visits to the Gamo Highlands, Debre Berhan and Jimma areas, taking 12 months in total.

The first round of fieldwork was carried out from October 2011 to January 2012. During this period, pilot studies were conducted in the selected areas; key informants were identified; the data collection instruments were verified; and the household survey was conducted. The second round of data collection – involving key informant interviews and focus group discussions – was undertaken from November 2012 to February 2013.

The third and final round of data collection – key informant interviews and non-participant observation – was carried out from November 2013 to February 2014. Although the field data was collected from 2011 to 2013, the study covers the period from 1991. While developing the instruments, an effort was made to include questions that enabled the respondents to reflect on all issues encompassing the period from 1991 up to 2013.

#### **3.5.1 Key Informant Interview**

Key informant interviews give us access to close observation and understanding of problems in the field (Weiss, 1995). They help to engage researchers inductively in a realistic investigation about real-world settings, and to generate rich narrative descriptions (Patton, 2005). They also enable us to understand what interviewees say and how they perceive particular phenomena (Kvale, 1996). Key informant interviews are useful for obtaining coherent, in-depth and dense information about the informants' experiences (Weiss, 1995). The objective of key informant interviews is therefore to obtain detailed information in the form of narratives or stories of people's experiences, local histories and shared knowledge, by creating verbal pictures (Kvale, 1996; Seidman, 2006).

We employed various techniques such as semi-structured and non-structured interviewing. We predominately used the non-structured method to stimulate an intensive

conversation with a small number of knowledgeable respondents, to explore their perspectives on a particular idea, events and social phenomena. This technique is a useful tool for exploratory investigations of new topics and ideas, or when the topic under study is not well known or understood (Kvale, 1996). It further allows informants to express their ideas freely and to provide as much information as possible for researchers. We conducted in-depth interviews with key informants who represent different segments of the society, such as government officials, opposition political party leaders, renowned academics, and smallholder farmers. A total of 35 key informants were interviewed; the composition of the group is shown in Table 4.

Table 5: List of interviewees

	Interviewee classification	Number	Selection procedure	Educational background	Location of the interview	Gender	
						Male	Female
1	Farmers	16	Purposive, 2 from each study <i>Kebele</i>	Primary Education or lower	Study <i>Kebeles</i>	12	4
2	<i>Kebele</i> Managers	8	Purposive, 1 from each study <i>Kebele</i>	Diploma	Study <i>Kebeles</i>	7	1
3	Key Politicians	3	Purposive	PhD	Addis Ababa	3	0
4	Academicians	4	Purposive	PhD	Addis Ababa	4	0
5	Prominent Public figures	4	Purposive	Different academic background	Addis Ababa	4	0
	Total	35				30	5

### 3.5.2 Household survey

For the survey research, the researchers have employed a multi-stage random sampling technique. On the first stage, three regions out of the nine regional states in Ethiopia purposively were selected. On the second stage, from each selected regions, one Zonal administration was purposively selected. On the third stage, two Woreda administrations were purposively selected from the selected Zones. On the fourth stage, three Kebeles randomly selected from the selected Woredas. On the final stage, the households from each selected Kebeles were selected using systematic random sampling. The details of the sampling procedures are indicated in figure 3.

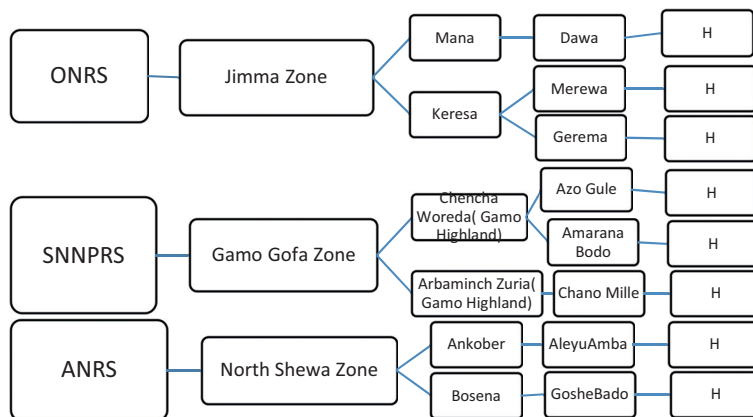


Figure 5: Sampling frame of the survey study

The selection of the study sites take into consideration livelihood, religion, culture, ethnicity and agro-ecological diversity. The Gamo Highlands represents livelihoods based on enset (false banana); the highlands Dega agro-climatic zone; and a minority ethnic group from southern Ethiopia that was historically incorporated during Menelik II’s march at the end of the 19<sup>th</sup> century as the gebar area of South and South West Ethiopia. Jimma area represents livelihoods based on cash crops; the midland Woyena Dega agro-climatic zone; and Muslim and majority Oromo ethnic groups that were historically incorporated during Menelik II’s reign in the late 19<sup>th</sup> century. The Debre Berhan area represents livelihoods based on grain crops; low, high and midland Kola and Woyena Dega agro-climatic zones; and the majority Amhara ethnic group, and Orthodox Christians, with a historical locus originating from the ruling classes who created modern Ethiopia.

The sample size of the survey was determined using a formula developed by Krejcie and Morgan (1970)

$$n = \frac{\chi^2 * N * p * (1-p)}{[e^2 * (N-1)] + [\chi^2 * p * (1-p)]}$$

Where; n = Sample size

$\chi^2$  = The Chisquare value at specified level of confidence interval at one degree of freedom ( $df=1$ )

N = Population size

p = population proportion.

e =desired margin of error

$$\text{Accordingly } n = \frac{3.84 * 6393 * 0.5 * (1 - 0.5)}{[0.5^2 * (6393 - )] + [3.84 * 0.5 * (1 - 0.5)]} = 362$$

As we can see, the actual sample size based on Krejcie and Morgan (1970) formula was n=362. However, the researcher used a bigger sample size i.e n = 518 to get significant result and to make the study more reliable. The household survey was framed using a Likert-type scale. Table 5 summarises the study sites (8 selected *Kebele*), the total number of households (population size), and the number of households selected (sample size) per study site.

Table 6: Study sites and distribution of sample households by zone and region

Study sites ( <i>Kebele</i> )	Zone ( <i>Woreda</i> )	Region	No. of Households N=	Sample size
AleyuAmba	North Shewa- DebereBerhan (Ankober)	Amhara	1144	72
GosheBado	North Shewa DebereBerhan (Bosena)	Amhara	1049	87
Merewa	Jimma (Keresu)	Oromia	665	68
Dawa	Jimma (Manna)	Oromia	849	71
Gerema	Jimma (Keresu)	Oromia	761	69
EzoGule	GamoGofa (Gamo)	SNNPRS	532	70
Amarana Bodo	GamoGofa (Gamo)	SNNPRS	269	20
Chano Mille	GamoGofa (ArbaminchZuria)	SNNPRS	1124	61
<b>Total</b>			<b>6393</b>	<b>518</b>

Source: Field data (2011/2012)

### 3.5.3 Focus group discussions

Focus group discussions (FGD) is a qualitative data collection method in which a small group of selected participants discuss a specific topic or issue, in order to gather detailed opinions and information about it (Bloor *et al.*, 2001; Puchta & Potter, 2004). FGD has an advantage over other qualitative methods for two reasons. First, the process of FGD provides a structured, organised method to collect valuable input from participants. It is a quick and

effective means to stimulate new ideas. Second, it usually is able to reveal more information than other methods (Bader & Rossi, 1998).

In this research study, we conducted eight focus group discussions. The FGDs were held sequentially after the interview sessions with selected key informants. Regarding the process of FGD, they were carried out in all study sites and were convened in most cases at the *Kebele* compounds. We did not get the freedom to select the venue of FGD. Some of the participants were selected by the Kebele Chairperson and some were selected by the researcher with the help of assistants. We selected 10 participants from each *Kebele* who were not involved as key informants. However, the number of participants ranged between 6 and 10 people in each Kebele for different reasons. The local officials in all study areas expressed their interest to participate and control FGD sessions and to follow-up the FGD discussion. We had prolonged arguments in some Kebles with officials and managed to convince them not to attend the FGD sessions. Regardless of the consensus reached not to intervene in FGD, they were monitoring the FGD sessions from close distance. The scrutiny by Kebele officials had a negative impact on FGD result. In fact, we tried to provoke and did all our best with the FGD participants to actively involve in the discussion. Nevertheless, the participants in most cases did not seem to speak their minds. Regarding the procedures of FGD, the sessions were chaired by the researcher and discussion points were outlined with the help of the research assistants. Open ended questions and discussion topics were introduced to the participants and opportunities were given to all participants to engage in the discussion. The sessions in most cases were recorded with voice recorders and in a few cases field notes were taken by the researcher. The data derived from the focus group discussions were transcribed, labelled and analysed following appropriate procedures. Table 6 presents a list of the number of participants in the focus group discussions per study site, and their gender composition.

Table 7: Gender composition and distribution of participants in the focus group discussions

No	Kebele	Number of participants	Gender composition	
			Male	Female
1	AleyuAmba	8	6	2
2	GosheBado	9	8	1
3	Merewa	10	7	3
4	Dawa	7	7	0
5	Gerema	9	7	2
6	EzoGule	7	6	1
7	Amarana Bodo	6	6	0

8	Chano Mille	10	7	3
	<b>Total</b>	<b>66</b>	<b>54</b>	<b>12</b>

Source: Field data (2011/2012)

### 3.5.4 Participant and non-participant observation

Non-participant observation is a qualitative research methodology in which the researcher observes the social situation from a close distance. It enables the researcher to understand key actors and events in the study area. In this study, the researcher spent significant time in selected rural *Kebele* of the Gamo Highlands, Jimma and Debre Berhan areas to study local experiences. The researcher conducted household visits to observe and understand personal remarks made about the standard of living and power relations of peasant households in the study areas. These observations enabled him to deeply understand the local context and to uncover some hidden stories from the peasants. For instance, the researcher participated in the *Kebele* council meetings, harvesting, and watershed management activities. He was able to share their views about compulsory labour contribution in the watershed management of environmental conservation, something which most local people strongly resist. In all these events, he came to understand how local people make decisions and participate in local politics.

### 3.5.5 Document review

The secondary data were gathered from archives and documents in academic and research institutions (Forum for Social Studies (FSS), Ethiopian Economic Associations (EEA), and others) and relevant government offices. Furthermore, the study was substantially supported by secondary data collected from literature surveys of scientific publications such as journals, books, articles, and published data sources such as population census reports and poverty surveys.

## 3.6 Data Analysis

Data analysis is a rigorous process that consists of data reduction, data display, and data verification. The analysis process for this research project began with data cleaning, an important procedure which corrected erroneous data, where necessary or possible. The amount of data collected during the fieldwork was substantial. Thus, we filtered the reliable data in line with the research questions and objectives of the study. Then we employed both qualitative and quantitative methods of data analysis to display the data by textual and visual means in tables and figures. The qualitative data were analysed and described using narrative techniques and the



quantitative data were presented using SPSS software. We used descriptive statistics techniques to describe quantitative data using tables, graphs and other methods. Then the credibility of the quantitative data was proved through reliability and validity tests; and the qualitative data verified through triangulation.

The study used a multi-level analysis since it cut across different levels of aggregation: national, local and household. At the national level, key informant interviews were conducted with politicians, academicians, and prominent personalities; and at the local level, case studies were used by employing multiple data collection methods (key informant interviews, a household survey, focus group discussions, and non-participant observation) in the eight selected *Kebeles*.

Synthesising and creating synergy between national and local levels of analysis tends to be problematic. For instance, the qualitative interview findings at the national level diverge from the findings in the household survey of the local people regarding property rights, the ability to make decisions, their level of representation etc. The former findings indicate that the local people are devoid of property rights, unable to make vital decisions about their local affairs and are not properly represented in the state apparatus. The household survey results are the other way round. The researcher made his best attempts to present conflicting results scientifically through triangulation and non-participant observation. As stated earlier, due to the influence and control of state, the local people are not free to speak their minds. Thus, the researcher attempted to validate the evidences using participant observation and informal discussion with farmers.

### **3.7 Ethical Considerations**

The researcher followed the general ethical principles of informed consent, no harm to participant, anonymity, voluntary participation, confidentiality, and privacy of the interviewees and resource persons. Our approach included other ethical and emotional considerations, such as respect for the different cultural and personal attributes of those persons, groups and entities that we came across during the discussions and deliberations (Bryman, 2015; Kimmel, 1988).

### **3.8 Scope and Limitations of the Study**

The fieldwork of the study was undertaken in three rounds and completed in a 12-month period. In order to make the coverage of the study as wide and representative as possible, the data were collected from eight selected peasant associations or *Kebele* in three regional states as

presented in Table 5, 6 and 7, via a household survey, key informant interviews, focus group discussions and non-participant observation.

The study has the following limitations. First, since the issue under discussion is very sensitive (due to the state control which prevented participants from giving their true opinions), it was difficult to get reliable answers from the respondents. To address this problem, the researcher made efforts to establish good rapport with respondents and to understand the rural context through participant observation. Second, the survey results show that among the household members, almost 44.9% (n=240) are illiterate, and 45.8% (n=240) have no more than primary education. Some of the respondents therefore could have had difficulties in understanding the questions that were raised during the survey, interviews and other methods of data collection. Although the researcher made an effort to make the questions easy and understandable for the respondents, the problem of reliability could not be overcome completely.

The third limitation of the study is the time frame of the study. The scope of study covers the time span since 1991. However, there are a lot of changes in terms of space and time in the study areas during the period, 1991 to 2012. To overcome this problem, the researcher attempted to get the reflections of the local people on changing political and economic realities at the local level through narratives from interviewees and review of relevant local government documents. There is the risk that these narratives have been coloured as much by the lived experiences and as by the political leanings of the narrators. However, as I have interviewed and listened to people from different walks of life, a level of triangulation has been achieved, which would have contributed to the validity of the data.

The fourth limitation is that there was a significant difference in informant opinions in the surveys and in the interviews. During survey most of the key informants reacted positively to survey questions on some contested issues like property rights. They also did the same thing during FGD discussions. However, during interview sessions most local people argued differently. The reason behind the deviation in argument was related to freedom of expression. The local people were apparently not free to express their ideas and they do not generally trust anyone who is coming to their localities with questions, they think could bring them trouble. Their response in formal discussion was always positive. However, after close rapport they started to speak more freely. This limitation has substantially affected the study. But the

researcher did triangulation to maintain the validity of the study by incorporating the view of scholars, politicians and other people.

The last limitation is that since the study was undertaken in three selected regions of Ethiopia, it may not represent the situation in the entire country. However, some of the general trends disclosed by the study could be relevant in similar rural contexts in the country

#### **4. SUMMARY AND FINDINGS**

Part II of this thesis consists of four research papers, which constitute the core of the study.

Paper I published in *Social Sciences* Bekele, Y. W., Kjosavik, D. J., & Shanmugaratnam, N. (2016). State–society relations in Ethiopia: A political-economy perspective of the post-1991 order. *Social Sciences*, 5(3), 48.

Paper II, The political economy of rural markets in Ethiopia: Exploring market governance. Authored by Bekele, Y. W., Kjosavik, D. J, and Tesfaye Semela under review in *International Journal of Rural Management*

Paper III published in *Politics and Governance*: Bekele, Y. W., & Kjosavik, D. J. (2016). Decentralised local governance and poverty reduction in post-1991 Ethiopia: A political-economy study. *Politics and Governance*, 4(4), 1-15.

Paper IV published in *Africa Review*, Bekele, Yeshtila. W. (2017). The political economy of poverty in Ethiopia: Drivers and challenges. *Africa Review* 10(1), 17-39.

In the next sections, I will give summary about each paper in brief.

##### **4.1 Summary of the Papers**

###### ***Paper I: State–society Relations in Ethiopia: A Political-economic Perspective of the Post-1991 Order***

Paper I attempts to investigate state–society relations focusing on the post-1991 political order in Ethiopia. The analysis focuses on the fundamental factors that determine the power structure and state–society relations. The paper identifies property rights, political representation and the divide between the urban and rural elite as deciding factors in the power structure and power relations. In particular, property rights, mainly land tenure rights, occupy a central place in state–society relations. Since land is the primary source of wealth in rural Ethiopia, access to

land and ownership of land determine power in terms of social and political control. The struggle therefore centres on obtaining full access to, and rights over land. The question of tenure rights, defined as ‘land to the tiller’ and the ‘quest for agrarian reform’ resulted in political and regime changes in 1974 and 1991 respectively. In the post-1991 period, land tenure rights are again the centre of political contestation among competing political actors, and thus a major issue in state–society relations.

Since the mid-1960s, political representation has been articulated as the ‘nationality question’ and has been at the heart of national politics. Political representation signifies political equality and the ability of citizens to make decisions at the national, sub-national and local levels. An inclusive and participatory political framework is essential to ensure political stability and sustainable development. In Ethiopia, a political settlement has remained an intricate issue, since successive regimes have failed to deliver a system of inclusive political representation. In the post-1991 period, the EPRDF-led government introduced ethnic-based federalism as a new formula of power brokering among competing ethnic groups at the national, sub-national and regional levels. This new political settlement has changed power relations and the power configuration, particularly, due to the rise of the new ethno-elites who are able to control power and resources at all levels. This trend has resulted in irreconcilable differences and an enduring divide between the urban and emerging rural elites.

The urban-rural divide has also emerged as a major factor, characterised by competing and often irreconcilable interests of the urban-rural elite. The urban elite represents intellectuals who tend to be urban-based and have a pan-Ethiopian sentiment as a result of cultural assimilation of Ethiopianism. On the other hand, the rural elite embodies political elites from rural areas, who are less educated compared to their urban counterparts. The rural elites use ethnic identity as a bargaining tool to negotiate and control the power of the state. They widely espouse the sentiment of identity-based politics in any political settlement or power brokering activities, and ardently support the idea of cultural pluralism. The rural elite run the state machinery under the incumbent government at national and local levels. Their contention and intermittent struggle for power has shaped and dictated state–society relations. The urban elites are mostly in the opposition camp. However, the antagonism has not been endorsed as a driving

force of state–society relations among academics. The divide unveils a struggle for control over the state, which has complicated state–society relations along urban and rural fault lines.

The political relations between local people and the state reflect state domination. The state’s power is deeply entrenched in the form of symbols, perceptions and practices. The symbol of state power is well embedded in all the study areas and the locals have developed a perception about the state as being all-powerful and the ‘bearer of life’. For instance, the local people consider the government as Kawo, Motuma and Mengist in the areas of Gamo, Jimma and Debrebrehan respectively. The term Mengist denotes a unified concept of sovereignty and the machinery of power. In the traditional Ethiopian context, there is an inevitable dualism of the state and government.

Regarding social control, the state has undermined all competing forces (including the church) in effectively controlling the power infrastructure through complicated structures that extend to the household level. The new technique of political control puts every local household under a complex chain consisting of three levels of organisation: Mengistawi kinf (governmental wing), Hezibawi kinf (public wing) and Derjitawi kinf (party wing). The structure is fully controlled by the state, enabling it to exercise discretionary power and pursue its effective practices at the local level.

Besides social control, factors such as the capacity to make decisions, and control over the means of violence are employed by the state to restrict the powers of the local people. The findings from the household survey reveal that the local people claim to have the ability and full rights to make decisions. However, the evidence collected from the interviews, focus group discussions and non-participant observations indicates that the local people are powerless and that all the major decisions regarding local issues are undertaken by the Woreda officials. In particular, apart from the local militia and the para-troopers affiliated to the state, local people are strictly forbidden to possess any weapon (light or otherwise). Therefore, they do not have access to, or control over the means of violence. This has resulted in feeble local people with extremely limited ability to stand against the state’s power. Hence, the state continues to enforce empirical statehood effectively in almost all localities.

Another intriguing finding in this paper is that most of the local farmers seem to hold similar attitudes to each other, as witnessed from the responses in the survey, interviews and focus group discussions, regardless of geographic, linguistic, cultural and religious variations. The attitude of the local people mirrors the domination of the state and its deep penetration into mundane aspects of public life. The lack of any divergent views signposts the state's capacity to manoeuvre and control the society at meso- and micro-levels. Compared to other regions, the respondents from the Debre Berhan area (Amhara region) gave a low rating for most of the survey indicators regarding their capacity to make decisions, set agendas and exercise control over the means of violence.

***Paper II: The Political Economy of the rural market in Ethiopia: Exploring Market Governance***

This paper examines the construction of the post-1991 economic order and the role of the market. It presents the challenges and opportunities of the reformed free market economy. The findings suggest that the post-1991 market reform, which was successively implemented under first- and second-generation initiatives, was partly the result of external pressure (by international financial institutions) and in that respect, differs from similar reforms in other African countries. The liberalisation of the economy was undertaken gradually because the state did not fully open the markets to the private sector, but retained command over strategic economic resources. Consequently, the market was constructed into a state-led coalescing of the private and public sectors.

The constructed space for market operation precludes the private sector from being involved in, and owning the major economic sectors. The private sector is allowed to operate in specified sectors allotted by the state, which restricted the role of the market in the economy. Moreover, the performance of the market has been constrained by governance and embeddedness challenges. The major problems include property rights, modalities for rules of exchange, and the lack of a regulative framework to guide and control both the product and factor markets. Hence, both the product and factor markets have remained weak and fledgling.

The dominant role of the state in the economy has also caused, among other things, command by public firms in key economic sectors, a distorted financial market, inconsistent tax administration, and unfair grounds for competition. In effect, the transaction of goods, legal

enforcement mechanisms, implementation of contractual agreements, and market information systems have remained weak and costly in most cases.

Empirical findings from the study sites show that the local market is dictated by overarching traditional practices and personal networks. The weak integration of the local (primary) with the Woreda (secondary) and the national (tertiary) markets has resulted in a lack of alternative supply chains for local farmers. The fragile market information system has resulted in inadequate access to information about the prices of goods and other related matters. Consequently, the role of the rural market in generating wealth and reducing poverty has remained limited. The respondents in the study areas endorsed the view that the performance of the market is unsatisfactory. This result was not affected when controlling for regions, gender, education and income level. Of the three regions, however, the respondents in the DebreBerhan area gave the lowest ratings for all survey variables. Any analysis of the reasons for such results will require further empirical attention and research.

***Paper III: Decentralised Local Governance and Poverty Reduction in Post-1991 Ethiopia: A Political–economy Perspective***

Paper III presents the local governing practice and poverty reduction efforts in three study areas. This part of the study explores the practice of decentralised governance in post-1991 Ethiopia and its relevance to the lower level (local) administration. It also investigates governance practices and their systematic link to poverty at the local level. An ethnic federal governance system was established post-1991. The new federal system is made up of nine administrative regional states and state power is divided between the two tiers of federal and regional administration according to the 1995 constitution. Each region has been given a quasi-sovereign status and has the right to self-rule, including the autonomy to formulate separate regional constitutions. Furthermore, in 2002 the state introduced decentralisation of power to local governance structures. Accordingly, the Woreda (district) level of administration has some political, fiscal and administrative power, including the authority to plan and coordinate development activities within its constituencies i.e Kebele (sub-district structures, above households). However, the Kebele – the lower echelon of local administration – have remained without any significant changes in terms of structure, power and administrative responsibilities.

The Kebele administrations can be characterised as organisationally weak and institutionally under-capacitated. Besides their role as agents of the district authorities, they are not entitled to any political, fiscal or administrative power. They are neither entitled to budget allocation, nor allowed to generate their own financial resources. As a result, their role in local development activities and poverty reduction is institutionally limited. In this paper, three indicators were used to evaluate the role of the Kebele in development activities and the delivery of services to local people: decentralisation and self-rule (DSR); local capacity for planning (LCP); and an effective local governance system (ELGS). The findings along these evaluation criteria indicate that the performance of the Kebele can be deemed unsatisfactory.

DSR has not been implemented at the Kebele level and the findings show that the Kebele lack the capacity and resources to deliver development outcomes. According to the respondents, the accountability of the local officials tends to be upwards to the Woreda than downwards to the local people. The LCP is weak at the Kebele level because of fragile organisational capacity and institutional constraints related to inadequate DSR. Thus ELGS at the Kebele level is poor, resulting from the lack of fiscal rights, and negative factors associated with DSR and LCP.

The government has put in place three major policy strategies to address rural poverty: (1) enhancing agricultural productivity through improved technology (PADETS); (2) developing resilience to vulnerability and food insecurity through a productive safety net programme (PSNP); and (3) resettling farmers from drought-prone areas into fertile but less habitable locations in selected lowland areas of the country. Although most of these efforts are coordinated and managed by the Woreda administration, there are two major poverty alleviation mechanisms that operate at the Kebele level: PSNP and farmer training centres (FTC). The first aims to support food-insecure and vulnerable households, and the second aims to increase the productivity of local households through training and practical demonstrations of improved inputs in agriculture production. However, as noted in the paper, both programmes appear to be unsuccessful due to the lack of resources and power. Thus, the absence of effective decentralised governance practice at the local level has gravely constrained development and poverty reduction initiatives of the local government.



***Paper IV: The Political Economy of Poverty in Ethiopia: Drivers and Challenges***

Paper IV analyses the structural causes of poverty from a political-economy perspective. Various institutional problems – involving formal and informal constraints – regulate political and economic relations between state and society. Property rights, particularly land rights, are a typical example of institutional problems that are closely related to persistent poverty in Ethiopia. Land rights are the deciding factor in agrarian transformation and poverty alleviation. Since land is the major source of wealth, the state, peasants and other actors compete for access to, and control over land. However, the institution of land tenure in terms of security and access has not yet developed in a way that would facilitate the mitigation of poverty and other related problems. This paper sheds light on the fact that the lack of land tenure reform has increased the number of poor tenants whose livelihoods have stagnated in the form of their dependence on subsistence farming.

Another serious problem in poverty reduction efforts is the absence of viable actors in local settings. Besides the weak institutional capacity, the lack of responsible agents to coordinate and lead local development efforts is a serious problem. The major actors in Gamo, Jimma and Debre Berhan are the Kebele and the fledgling rural market. These actors are characterised by weak institutional capacity and indecisive political power; the role of the Kebele has been reduced to the provision of selected services. Moreover, the emerging rural market is delicate and local petty merchants use it as an instrument to expropriate the meagre resources of the peasants. Therefore, it can be argued that the absence of viable actors at the local level has been detrimental to local development.

Policy failure is another major setback regarding rural poverty in Ethiopia. Successive governments have never had coherent policy programmes to address poverty, in spite of the fact that most of the rural population lives in relative poverty. The EPRDF-led government is better than its predecessors, at least in stating poverty eradication as one of its priorities. In the post-1991 period, the government has implemented successive five-year development plans as part of their agriculture-led development policies. However, it has spent significant public resources on the services sector which has consequently demonstrated rapid growth. Unfortunately this has been at the expense of the rural population and the agricultural sector. Consequently, development trends exhibit urban-centred growth, driven by the services sector, while the

agricultural sector remains weak. Agrarian transformation has therefore stalled, and poverty remains pervasive and structural.

#### **4.2 The Political Economy of Poverty in Ethiopia: A Synthesis**

Poverty is pervasive and deep-rooted in Ethiopia. According to official statistics, around 30% of the rural population lives in absolute poverty. Chronic poverty seems to be inevitable, and the likelihood of being trapped by transitory poverty is high. This doctoral study has examined poverty from a political-economic perspective. In the four associated papers, the study has investigated the interface of state-society power relations, wealth distribution and governance practices. Paper I identified land rights, political representation and the urban–rural elite divide as the fundamental factors in determining power relations between the state and society at the national level. Major factors in deciding state–society relations at sub-national levels include the capacity to make decisions, set agendas and exercise control over the means of violence. Accordingly, the power structure and power balance – both at national and sub-national levels – define the structure of poverty. We conclude that poverty is structurally embedded in national and sub-national institutions, and manifested through unequal power and wealth relations.

Evidence about the lack of property rights elucidates the fact that one of the root causes of poverty is related to the land tenure system. Since the time of the imperial regimes, the tenure system has produced large numbers of poor tenants whose livelihoods rely totally on subsistence farming. The lack of progressive tenure reform and a shortage of meaningful public investments in farm and non-farm activities have prompted the stagnation of rural development. The situation has turned significant numbers of rural people into smallholder farmers or landless paupers who are trapped by structural poverty. Since land is the source of power and wealth, any political party that has control over land assumes unequivocal access to power and wealth. The land tenure has therefore caused imbalanced power relations between the state and the local people, creating a strong state and a weak society (Papers IV and I).

During the imperial period, power relations were dominated by the state, the church and landed gentry. These major actors exerted profound influence and accumulated enormous wealth compared to local tenants. In the post-1974 period, land was reallocated to tenants (two hectares per household) and the remaining land was under full control of the state. Furthermore, compulsory quota allocations regarding grain and other crop production expropriated enormous

wealth from rural areas to the central government, without any reciprocal investment in the rural sector. This policy direction of the state thus severely affected the underprivileged tenants who were struggling to survive the trauma of the former imperial rule. From 1991 onwards, the liberalisation of the agricultural market stimulated farmers to increase productivity. However, the unchanged land tenure system, and ineffective market mechanisms and institutions, trapped peasants in the subsistence livelihood system in the absence of opportunities to move out of the agricultural sector.

Power relations have been reconfigured on the urban–rural divide and ethnicity now plays a crucial role in determining who has access to land. The new power structure resulted in a new pattern of land sharing and power relations at national, regional and local levels (Papers I, II and III). The new power structure comprises the ruling elite (at the national level), ethno-elites (at regional levels), and model farmers (at local levels). Access to land is open for ruling elites and ethno-elites. The model farmers are entitled to access to land, groomed to benefit from other resources such as land, selected seed, fertilizer and etc.. , and allowed to influence local matters. These top-down trilateral power relations have yielded a dominant state and a weaker society that is perpetually vulnerable to poverty (Papers I and III). The local people have remained powerless and chained by a complex mesh of political control that reaches as far as households themselves.

The powerlessness of the local people is exacerbated by the absence of an effective institutional setup to mitigate local problems. The Kebele administration, which was established in 1975 during the Derg period, has continued as the lowest echelon of state apparatus, with limited role and capacity. Although the state has been restructured along ethnic federalism, the Kebele structure has remained unchanged; that is, political power has not been decentralised and the Kebele authorities have little control or financial power. Their role is primarily confined to coordinating the provision of some basic services and maintaining social order. In most cases, their accountability is upward and they rarely mobilise local people to participate in vital local affairs. The absence of an effective institutional setup at the local level has constrained efforts at reducing poverty, despite various poverty reduction initiatives (Papers III and IV).

In rural Ethiopia, the market institution as a governance structure is weak and does not function fully as a wealth generation and allocation mechanism. It is not yet fully matured or

able to coordinate economic relations, due to information asymmetry, high transaction costs and modalities of exchange. Economic relations in local areas are organised along traditional principles of reciprocity. Moreover, the rural market serves as an instrument of expropriation of inadequate resources by an emerging private sector, through unfair trade terms and exchange. The lack of reliable market institutions has further exacerbated the woes of the poor in their struggle to escape from the vicious cycle of poverty (Papers II and IV).

Apart from institutional problems, policy conundrums also pose significant challenges to poverty alleviation efforts. As noted in Paper IV, Ethiopia's subsequent governments (with the exception of the incumbent), have done little to address poverty. The policy implemented in the post-1991 period seeks to address poverty through three broad strategies: a participatory demonstration and training extension system (PADTES); a programme to diversify income and create a productive safety net (PSNP); and resettlement of farmers. In policy documents, agriculture and rural development are specified as major priorities. However, the practice on the ground shows that the government has invested less than expected in the agricultural sector and non-farm rural activities. As a result, the agricultural sector has remained subsistent and in most cases unproductive. Recent economic growth is therefore related to either growth in the services sector, or the government's massive investment in infrastructure such as roads, education, urban houses, energy and communication facilities. Policy challenges and the government's lack of attention to the needs of local people seem to have aggravated poverty, which is worsened by increasing pressure on access to land, environmental degradation and other challenges.

## **4.3 Findings and Conclusion**

### **4.3.1 Summary of Findings**

The synthesis and analysis of empirical data from this study have resulted in the following six major findings. First, the state power has controlled by rural elites (ethno elites) however, the poor and marginalized rural people continue to be deprived or disadvantaged in social, economic and political terms. Second, the application of the new social and political control system at rural localities has enhanced the state capacity to closely to steer the daily life of the farmers at the household level. Third, land tenure reform is required to consider local realities and allow alternative land rights systems, besides the current state ownership of land. Fourth, the turning of countless farmers into landless paupers who are reliant on subsistence

livelihoods is attributable to the shortage of land and loose market integration. Hence, we propose that there should be institutional reforms to strengthen the weak market so that it becomes a robust functional entity.

Fifth, the absence of decentralised governance practices at the local level has significantly constrained poverty reduction efforts. The necessary institutional infrastructure to deal with poverty in rural localities should be in place. The Kebele administrations should be given the mandate to address poverty in their respective localities. To this end, the required resources and roles should be devolved to the Kebele authorities. The administrative structure of the Kebele should be reformed in accordance with geographic, demographic, economic and political dynamics in rural Ethiopia. Finally, the lack of freedom and powerlessness at the local level perpetuates poverty, since local people are not empowered to participate in decision-making processes. Thus poverty reduction efforts should be supported by strategies to empower local people and enable them to participate in decision-making, the governance process, rural public investment, and other related tasks. We emphasise the fact that empowerment of the rural poor is pivotal to holding the government accountable in the pursuit of pro-poor strategies. The next section briefly presents the five major findings of the study in detail.

#### ***Ethno-elites controlled the power structure***

The power structure in the post-1991 political order has been rebuilt around emerging ethno-elites in the regions and model farmers at local levels. The ruling elites (predominately the rural elite) at the federal level hold key positions and the regional ethno-elites share the remaining posts. The regional ethno-elites, originally from the rural parts of the country, continue to control the state machinery from the top down (Paper I). Power politics have been skewed into a struggle between the urban and rural elites. The rural elites favour ethnic politics (ethnic nationalism), whereas the urban elites advocate pan-Ethiopianism (unionist nationalism). The irreconcilable interests of these actors have shaped and/or driven the post-1991 political situation in Ethiopia (Paper I).

The urban–rural divide has therefore become a major factor, manifesting itself via the competing and often irreconcilable interests of the urban–rural elite. The urban elite represent intellectuals who tend to be urban-based and have a sentiment of pan-Ethiopianism in the form of the cultural assimilation of Ethiopianism. The rural elite, however, embody political elites

from rural areas who are less well educated compared to their urban counterparts (Paper I). Among the rural elites, ethnicity is used as a bargaining tool to negotiate and advance their interest (papers I, II and III). Therefore, they widely adopt and promote identity-based politics in seeking a political settlement. The rural elites run the state machinery under the incumbent government, while the urban elites are mostly in the opposition camp. In post-1991 Ethiopia, state–society relations and governance practices are shaped by the contentions and intermittent power struggle between the urban and rural elites.

***The new political control system strengthening the state***

Using the advantage of rural elites in convincing and mobilising rural people, the state expands its power infrastructure deep into rural communities, and is supported by the new social and political control technologies that put all households under its close control (Papers I and III). These networked, hierarchical and complex nests of organisations incorporate various segments of the society. The multiple hierarchical layers comprise the Hizbawi (popular), Derjeitawi (party) and Mengestawi (government) wings. In the SNNPRS, the structure consists of Hewase (cell or network – one to five groupings of households), Yelmatebuden (developmental team that consists of five Hewase), Gote (sub-village grouping consisting of four to ten Yelmatebuden), and Kebele (peasant associations consisting of five to ten Gotes). In the ORS, the social organisations consist of ‘networks’ (five households), Gere (six networks), ‘zones’ (ten Gere) and Kebele (six zones). The state has created a new social segment for the leaders of these popular organisations, who are referred to as ‘model arsoaderoch’ (model farmers); they are groomed to be primary beneficiaries of resources in local areas (papers I and III).

Although the state claims that it uses these complex nests of organisational structures for developmental and community mobilisation purposes, the discussions in Papers I and III indicate that these frameworks are effectively used to control and suppress dissent in rural areas. Through these structures, the state has consolidated its dominant position and increased its unrestricted involvement of empirical statehood in matters pertaining to local areas. Furthermore, the new power infrastructure has given the state leverage in deciding who gets what and when, as well as how to punish those who contest its power. Structural reform is urgently needed in the form of devolution of power to the Kebele level of administration, to enable the participation of local

people in decision-making processes. The recommendation is that the unbalanced power structure should be rectified in order to contribute to reducing persistent poverty in rural Ethiopia.

***Land tenure system exacerbates the rural poverty***

As noted in papers I, II, III and IV, land has remained the focus of national politics and the mainstream discourse around poverty. The question of ‘land to the tiller’ had sparked the downfall of imperial rule in 1974 and also played a key role in the collapse of the Derg regime in 1991 (Paper III). Yet the controversy over ownership of land has continued since 1991. As stated in papers I, II and IV, since land is the major source of wealth and power in Ethiopia, all successive regimes (including the incumbent government) have failed to allow their control over land to be negotiable.

Land tenure problems have resulted in large numbers of smallholder households which are confined to narrow parcels of land (approximately 0.5 hectares); although in the Gamo Highlands area, the land holding size has slipped to less than 0.5 hectares. These households are characterised by low productivity, vulnerability to drought and other shocks, land degradation, poor agricultural practices, and low levels of application of agricultural technology. Other rural households have increasingly become equally poor, due to long-term agricultural stagnation.

The extant land policy has therefore not yielded the expected results. Nearly 43% of the rural population remains landless and exposed to land poverty. Approximately 60% of rural farmers do not have adequate land to produce surplus food, in order to ensure food self-sufficiency and generate an investable surplus. The evidence and arguments illuminated by this study warrant the need for land reform strategies in order to address poverty. The government should adopt a flexible and versatile land reform programme that incorporates a range of options such as private, communal, open access and state lands, depending on the livelihood of local communities and their vulnerability to shocks. The land reform programme should underline the twin objectives: land tenure security and access to land. Such reforms, alongside agricultural transformation, will help to hasten a democratic transition by balancing power relations between the state and society. Therefore, land reform is a key aspect in addressing deep-rooted poverty in Ethiopia.

***Market plays limited role in the economy***

As illustrated in Paper II, the post-1991 period heralded the adoption of a free market economic order under state dominance. However, the liberalisation of the economy was undertaken selectively: the state has retained control over strategic economic resources and continues to play a central role in resource allocation. Although the economy has registered steady growth after the reform, the role of the market (private sector) has remained inadequate. Most of the growth is an outcome of massive state-driven investment in infrastructure and the service sector while neglecting investment in the agricultural sector (papers II and IV).

The market as an institution, as noted in Paper II, re-emerged in the post-1991 period. However, there have been serious challenges in the evolution of the new market institution: it has emerged as an important instrument of appropriation for the budding new middle class (developmental investors) who are largely affiliated to the state, rather than genuine players in terms of national wealth generation and allocation mechanisms (papers II and III). Further serious challenges include the dominance of the public sector, a distorted financial market, inconsistent tax administration, state holding of land, and unfair grounds for competition. Consequently, governing the market via appropriate institutions of property rights, regulative structures and the rule of exchange has remained daunting. The market is therefore characterised by persistent inflation of the price of goods, accompanied by a shortage of basic supplies that has complicated transactions, and resulted in high transaction costs and information asymmetry (Paper II).

The absence of effective market institutions in rural parts of Ethiopia has left farmers with few or no options in trying to commercialise their products. It also hinders the integration of farmers into the market and their ability to generate and accumulate wealth from the transaction of goods. All these problems make rural farmers vulnerable to usurpation through systematic appropriation, and in the worst-case scenario, to persistent poverty (papers II and IV).

The persistent transfer of products have caused at least three major effects on peasants, namely: (1) being kept permanently at or below subsistence level; (2) being unable to save and reinvest the proceeds from sales of their products; and (3) failing to transform their production system into commercial agriculture (papers III and IV). The lack of investible surpluses produced by the peasantry is a major cause of their impoverishment and degradation of their



resource base. The problem is exacerbated by little or no public investment in agriculture and non-farming opportunities for peasants (Paper IV).

An efficient market institution, which can operate side by side with the public sector, is essential in order to address persistent poverty in rural Ethiopia. The market and its major governing elements, such as market information, exchange of goods, transaction costs, and contractual agreements need to be embedded in local economic relations. The embeddedness of these elements can hasten the evolution of an efficient market to sustainably address poverty (Paper II).

***Decentralised governance needed to reduce poverty***

As stated in papers I, III and IV, the local institutional structure in rural Ethiopia is weak and fragile. The current local institution, the Kebele, evolved during military rule in the aftermath of the 1974 revolution. Initially, Kebele emerged as coordinating grassroots units to redistribute the nationalised land to tenants throughout the country. Gradually, they developed into controlling entities and an instrument to exercise state power in local areas. In the post-1991 period, the Kebele administration has resumed without any significant change in terms of role, structure and shape. Although rural Ethiopia has experienced various political, social, economic and demographic dynamics in the span of four decades, the Kebele structure has stagnated without any significant changes.

The roles and responsibilities of the Kebele authorities are confined to delivery and coordination of limited social services under the guidance of the district (Woreda) authorities. The Kebeles neither have a budget, nor are they allowed to collect any financial resources to undertake local economic development activities (papers III and IV). They do not have a mandate to plan and execute locally based development, nor the capacity and institutional structure to undertake development activities; hence, their role in development activities is very limited. In particular, they have no mandate or power to manage poverty in their respective localities. There is hence no adequate institutional structure to deal with poverty challenges at the local level. Details of demographics, livelihood, land-holding sizes, productivity, types of crop, climate, education, income and other information about local households are barely recorded. The local authorities are unable to provide adequate information about the magnitude and depth of poverty in their localities.

As discussed in Paper IV, poverty in Ethiopia portrays multi-dimensional features and is deeply embedded in the social structure of the society. There is a need for holistic and all-inclusive poverty reduction strategies and structures that should be extended to the local people with all the necessary resources and power. In this regard, the Kebele as an institution (local governance structure) should be redesigned and granted appropriate responsibilities and roles. The empowerment of the Kebele with all power, institutional structures and resources, will help to effectively address poverty challenges in respective localities. This study has shown that it is very difficult to mitigate persistent poverty in rural Ethiopia without the appropriate institutional and governance setup at the local level.

***Empowerment of peasants to address poverty***

As noted in papers I, III and IV, power relations between the state and local society is characterised by state domination. The state has overwhelming control over the local society through different controlling and governing techniques, along with control over land (papers I and III). As noted earlier, the local people possess usufruct rights to benefit from their land holdings; however, they are not endowed with full ownership rights over land. Consequently, the local people can barely contest the power of the state, since if they do, they may lose their usufruct rights over the land on which they have established their livelihood. The state therefore effectively uses the lack of land rights as a social controlling mechanism to disempower local people who might possibly challenge its authority.

Moreover, by using absolute control over the means of violence, the state has prevented local people from making any decisions against its will (Paper I). Local people are not allowed to organise themselves in associations (other than state associations); thus they do not have full rights to express their opinion, to exercise freedom, or to participate in political and other organisations. The state strictly controls the daily routine of local people through a complex network of organisations that extends to the household level. The empirical data from the Gamo, Debre Berhan and Jimma areas support this claim. The local farmers in these areas displayed a uniform orientation and character regardless of their diverse geography, agronomy and ethnicity. This pattern validates our argument regarding the strong state and weak society (Paper I).

The unbalanced power relations between peasants and the state commit peasants to persistent poverty since their scant resources are expropriated in the form of taxes, rent, debt,

bribery, corruption and various forms of extortion (papers II, III and IV). The lack of freedom means that peasants are unable to make decisions or choices. Powerlessness and the lack of freedom are therefore major causes of vulnerability, besides natural shocks. The peasants need to be empowered and entitled to make decisions on their fate, and to participate in the mainstream politics of the country. Any policy direction and strategy designed by the state should take into consideration the desires and voice of the peasants. Empowerment is an incentive to motivate peasants to increase their productivity by adopting technological innovations. Failing this, the top-down imposition of any poverty reduction strategy and the dominance of the state may result in resistance by, and marginalisation of nearly 83% of the rural population. Empowerment is therefore a key element that should be underlined to address the deep-rooted problems in rural Ethiopia.

#### **4.3.2 Conclusion**

This study has employed a case study approach to examine the political economy of poverty in selected rural Kebeles of Ethiopia. It presents the empirical findings based on analysis of power, property rights and economic relations between the local people and the state. The core arguments in the four papers is that governance and power relations problems that manifested through land tenure right, decentralization of power and unbalanced economic relations have aggravating poverty in rural areas.

The analysis regarding the state-society relations shows that it is driven by three major factors: struggle over property rights, quest for political presentation, and urban-rural cleavages. The issue of property rights, mainly land tenure, occupies the central place in state-society relations. The state retains monopoly over land as an effective instrument of political control. The empirical findings reveal that local villagers have developed a perception that considers the state as all-powerful. The state has weakened competing forces by effectively controlling power through complicated organizations that extend to the household level which gives preminent political control over the society. Therefore, the state wields unrestricted power to decide on all matters in rural Ethiopia without representation of local forces.

The findings about the role of the market in poverty reduction and stimulus of local economic growth are almost negative due to the embeddedness of weak institutions and governance arrangements. Institutional and regulative frameworks of the market are almost

absent in rural localities. The fundamental elements of market governance such as property rights, governance structure, and rules of exchange are not evident in the rural contexts and practice. It can therefore be concluded that, the market has not been fully embedded in the social structure. Likewise, it has not been consolidated as a means of resource allocation and wealth creation. The findings further indicate that local market integration with the national market is weak and the market information system is not sufficiently developed. Rural communities thus do not get adequate information about market. It has an adverse impact on poverty reduction and wealth creation of rural areas.

Moreover, the experience of local government has revealed that local governance institutions play a very limited role in poverty reduction. Although political, fiscal, and administrative powers have been transferred to Woreda level administration since 2000, Kebeles are not entitled any of such right. They are weak in terms of organizational and institutional capacities, serving as agents of district authorities. They are also neither budgeted nor allowed to generate any local finances. Their role in local development activities and poverty reduction, therefore, is very limited institutionally. We examined the performance of Kebeles in terms of three indicators such as decentralized self-rule (DSR), local capacity for plan (LCP) and effective local governance system (ELGS). The result of local governance performance is unsatisfactory. Therefore, the absence of effective decentralised governance practice at local level in fact gravely constrains the performance of poverty reduction efforts and curtails local development initiatives at Kebele level.

One of the serious problems of poverty reduction is an absence of viable actors in local settings. Lack of viable agents (private, state and others) to coordinate and lead development activities at the local level seriously has constrained development initiative and aggravated poverty in rural areas. Policy failure is another major setback of rural poverty reduction. Successive governments never had any articulated or sophisticated meaningful programmes to address poverty. In fact, the EPRDF-led government is better than its predecessors in articulating poverty as the major concern of its policy plans, yet not without plausible setbacks.

The political economy of poverty in Ethiopia is complex. Its understanding requires comprehensive empirical studies on structural, institutional and agencies issues as noted in this

study. Therefore, further research is needed, particularly in depth qualitative research, to investigate properly the magnitude and depth of poverty problem in rural areas.

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## **Paper I**

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Article

# State-Society Relations in Ethiopia: A Political-Economy Perspective of the Post-1991 Order

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**Abstract:** This article analyses state-society relations in Ethiopia with particular emphasis on the post-1991 period. The objective of the study is to identify and analyse the fundamental factors of state-society relations at the national level: property rights, political representation, and the urban-rural elite cleavage. The article views state-society relations at the local level with reference to perception and practice, taking into account symbols, social control, ability to make decisions and control over the means of violence. The study was conducted in eight purposively selected localities in three administrative regions in Ethiopia. The empirical data was collected at national and local levels using key informant interviews, focus group discussions, and a household survey. The analysis shows that state-society relations in Ethiopia are driven by three major factors: property rights, political representations and the urban-rural divide.

**Keywords:** state; society; power; Ethiopia

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## 1. Introduction

The top-down nature of modern state formation and nation building in Ethiopia has been much discussed. For instance, [1] argues that state formation in Ethiopia has been driven by force and conquest. It has enabled the state to amass power vis-à-vis society. As a consequence, argues [2] the society would not get the opportunity to choose the type of political system and would not be able to limit the jurisdictional power of the state. Two institutions, namely the state and the church (the Ethiopian Orthodox Church (EOC)), have been identified as the major actors dominating both the structure of power and the control of its infrastructure [3,4]. Other social institutions were either too weak, or did not exist, particularly in rural areas. The state and EOC, therefore, were the contending forces for social control via diocese and local governance structures [4]. The EOC was able to establish itself as a paramount power in legitimizing and de-legitimizing state power in pre-1974 politics [4,5]. However, the state subdued the church and emerged as the sole dominant structure with overwhelming power in the post-1974 period. After 1991, the state has succeeded in further subduing the EOC by controlling most of the infrastructure of power under its domain. Therefore, the state became the most powerful and dominant actor at national, sub-national and local levels in relation to the other actors.

State-society relations have been characterized by contention, contradiction and domination. Ethiopian society has struggled to limit the power and domination of state. Historically, the Ethiopian society contested the power and authority of the state through peasant rebellion in different provinces (Bale, Gojjam and Tigray), the Ethiopian student movement, the urban uprising that triggered the Ethiopian revolution in 1974, and the long civil war waged between the state and armed groups of EPLF, TPLF, OLF and others [6,7]. However, the state has remained dominant and resilient, coping with the resistance mainly by military and authoritarian means. With the overthrow of the Derg,

the current regime has introduced ethnicity-based federalism as a way to deal with secessionist challenges. In the Ethiopian traditional context, state and government are not understood as separate concepts or entities. The term “Mengist” denotes a unified concept of sovereignty and the machinery of power [8]. This paper attempts to explore state-society relations in Ethiopia with particular emphasis on the post-1991 period.

The article attempts to answer the questions: what are the driving forces that shape Ethiopian state–society relations? What are the post-1991 political dynamics which have impacted on these relations? How does the state ensure social control in a local arena? How are decisions being made in the local context? How does the state maintain its dominance via monopoly over the means of violence?

We used a structured questionnaire for the household survey and, in addition, open-ended and semi-structured questions for the interviews and focus group discussions. We conducted interviews with selected key informants such as state officials, academicians, politicians, public figures and ordinary citizens. Overall, 38 people were interviewed in Addis Ababa from November 2011 to February 2012, and from December 2012 to March 2013. The recruitment of the key informants was carried out by employing purposive sampling technique; and the interviews were held at the key informants’ residences and offices. The interviews with local people were held in their respective localities. Most of the interview sessions and focus group discussions were held at Kebele compounds, for the Kebele officials would not allow the discussions to be held outside the Kebele premises. The selection of informants for the interview and focus group discussion was done with the help of the research assistants.

Likert-scale questions were used for the survey, and the respondents were farmer households who were randomly chosen from the selected Kebeles. The respondents were composed of Kebele administrators, development agents, peasants, and scholars as informed informants of the setting. Accordingly, the quantitative data was collected from a total of 518 households in eight rural Kebeles, which are representing the lowest administrative hierarchy responsible for local administration in Ethiopia.

The study was undertaken in three purposively selected regions: the Southern Nations and Nationalities Regional State (SNNPRS), Amhara National Regional State (ARS) and Oromia National Regional State (ORS) taking into account historical factors, linguistic, ethnic, cultural, geographic, agro-ecology and livelihood diversity. They are three big regional states in terms of demography, territory, economic activities and political dynamics.

Gamo Highlands represents the “Ensete” (false banana)-based livelihood, in the highland agro-climatic zone, where the Gamo minority ethnic group, who are Protestant and Orthodox Christian, are located in SNNPRS. Gamo area represents one of the minority ethnic groups in a multi-ethnic setting of Ethiopian society. The local study areas are: Amarena-Bodo, Ezo-Gulf, and Chano-Mile Kebeles. The livelihoods of local people chiefly depend on roots, tuber crops, and false banana (Ensete) production.

Jimma represents the cash crop-based livelihood, grown on amid land agro-climatic zone, where the predominantly Muslim Oromo ethnic group makes up the majority in ORS. They represent one of the largest ethnic groups in Ethiopia. The local study areas are Gerima, Dawa, and Merewa Kebeles. The livelihood of the local people in Jimma area relies on coffee and “Chat” production.

Deberberhan area represents a grain crop-based livelihood, made possible by low and highland agro-climatic zones, where the Amhara ethnic group is the majority and predominantly Orthodox Christian (members of Ethiopian Coptic Church) in ARS. They are another large ethnic group after Oromo in Ethiopia. The local study areas were Goshen Bado and the Aliyu-Amba Kebeles. The livelihood of the local people depends mostly on cereal crop production.

Primary data from the household survey was analysed using descriptive and univariate statistical techniques including one-sample *t*-test and one-way ANOVAs. Qualitative data collected through interviews was translated, coded and analysed. We also relied on secondary sources for a review and analysis of historical and some current developments. The article comprises four main sections.

The following section gives a conceptual overview of state-society relations. The third section provides an analytical account of the post-1991 political dynamics, which sets the context to discuss state-society relations in Ethiopia. The final section includes two sub-sections discussing state-society relations in selected rural localities in the three major regions of Ethiopia.

## 2. State-Society Relations: A Conceptual Overview

State and society are two pivotal yet contested concepts in the analysis of political economy [9–11]. State-society relations are generally conceived as a pattern of interactions between the state and society to determine how power is structured, resources are allocated, and rules and controls are established [9,12]. State-society relations are implicated in defining mutual rights and obligations, negotiation of power allocation and establishment of different modes of representation, and accountability to each other [13]. The negotiation between the state and society to define their respective roles depends on their access to power. The distribution of power relies on structuration of power relations (agency, actors, network), the exercise of power (power to or power over), and output of the power exercise (domination and subjectification). The power structure represents the hierarchy of decision making and distribution of power among competing actors [14]. The structuration of power is based on power relations which includes access to resources (land and other), right to political representation and control over the means of violence [15]. The power structure thus helps to draw the political landscape of national and local, and the public and private spheres [9,16].

The distribution of power among interacting but competing actors, (social classes, ethnic groups, political forces) via established agencies (constitution, institutions, formal and informal state structures) creates the network of power structure [17]. The network of the power structure enables competing actors to exercise their discretion over one another. Therefore, the power structure sets the ground for power exercise (despotic or infrastructural). The exercise of power according to Mann [18] can be distinguished as despotic power (DP) and infrastructure of power (IP). Despotic power refers to the exclusive exercise of power by elites without involving competing groups/sections of society, whereas infrastructure of power (IP) implies “the capacity of the state actually to penetrate into the society to implement logistically political decision throughout the realm of its territory” ([18], p. 113). The dimension of the infrastructural power is not one-sided but encompasses multiple actors.

The capacity of the state, therefore, depends on the growth of its infrastructural power. The infrastructural power in the context of our study is conceptualized as the capability of the state to enforce its authorities and implement its policy; capacity to have control over the means of violence or coercive forces; ability to maintain state symbols that reflect its authority; and command over social and political controlling mechanisms.

State-society relations involve the overall power relations and interactions between the central state and local society regarding access to resources, exercise to political power and control over the means of violence. This article, as stated elsewhere, seeks to explore an emerging trend of state-society relations in post-1991 Ethiopia. This period is remarkable in Ethiopian politics for the following reasons: firstly, the second republic was established by replacing the centralist military state with an ethnicity-based federal political structure. Secondly, the introduction of ethno-regional federalism resulted in the rise of rural elites vis-à-vis urban elites and the control of the state by the former. Thirdly, the Ethiopian state enormously expanded its infrastructural power to the rural localities through the incorporation of emerging elites into the local state apparatus. This infrastructural power included various formal and informal institutions, such as the government wing, party wing and popular wing, as we shall discuss in this article. These power infrastructures give absolute power to the state over society and signify the gradual rise of an authoritarian state with a character of strong state and weak society. The Ethiopian state today is characterized by contradictions. It displays the character of a democratic state through participation and incorporation of competing groups and procedural elements of democracy. It also exhibits an authoritarian character with a strong state capable of controlling the economy (extracting resources, revenue generation, controlling the market,

expanding infrastructure), security (capacity to deploy repressive power), and politics (total control over state apparatus from lower level to higher level of administration). The current Ethiopian state exhibits a typical character that, as noted by [18], is the characteristic feature of an authoritarian state by exercising high levels of despotic power (DP) and infrastructural power (IP).

### 3. The Post-1991 Dynamics: Political Transformation and Continuity

Scholars like [19–21], present the post-1991 political dynamics in different chronological order.<sup>1</sup> However, we identify the political order of the post-1991 period in four phases: regime transition, consolidation, domination and contestation. The first phase spans the years between 1991 and 1997, encompassing an attempt at political transition to a democratic system through reconstruction of the state and adopting the new constitutional order. Accordingly, three radical types of reforms were undertaken: decentralization of the state, democratization of politics and liberalization of the economy [22]. The new federal constitution that was established upon a structural foundation for post-1991 state-society relations was ratified in 1995 [23]. It sets out a new federal arrangement based on ethnic identity, bestows popular sovereignty on ethnic groups, and endows self-determination rights including “the right to secessions” to nationalities [24–28]. In the following figure (Figure 1), we represent the post-1991 political dynamism in Ethiopia in chronological order.

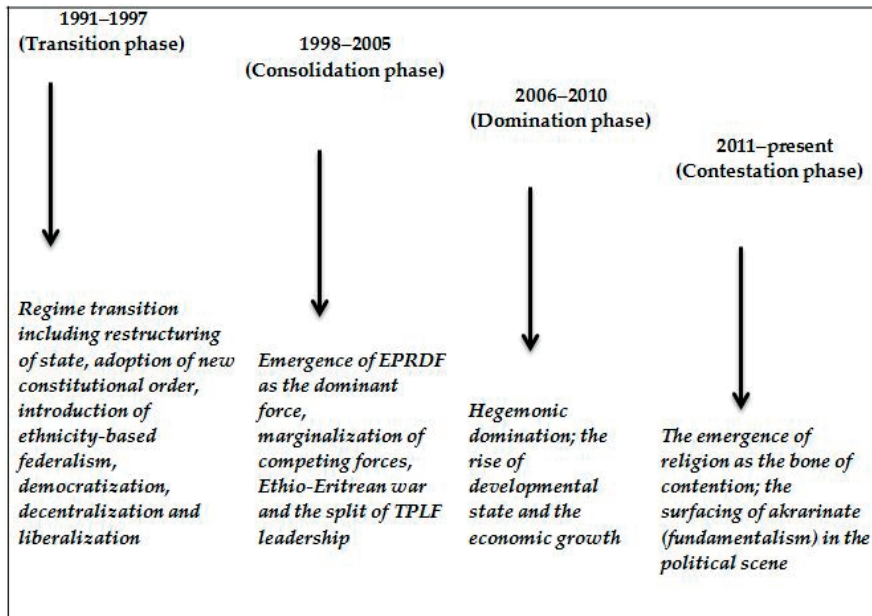


Figure 1. Post-1991 political dynamism in chronological order; source: developed by authors.

The second phase covers the years between 1998 and 2005, which signal the rise of EPRDF as a single political party. EPRDF established itself as the strongest political force [29–31]. The fledgling political forces were either eliminated or appeased, partially as a result of their weakness and partly because of unfriendly political ground. EPRDF emerged as the strongest political force by attracting

<sup>1</sup> The post-1991 political order is unique in the sense of restructuring the Ethiopian state along ethnic federalism and promoting cultural pluralism of competing ethnic groups. Both factions have negated the idea of pan-Ethiopianism (a unified and single Ethiopia) and uphold ethnic nationalism.

regional elites and expanding its sphere of influence. However, the 1998 Ethio-Eritrean war disrupted the consolidation efforts. In fact, EPRDF was able to become triumphant in the war effort from a military standpoint. However, it faced a major diplomatic setback that severely downgraded its legitimacy [32]. During the course of the war, the society entrusted EPRDF with full legitimacy to defend the sovereignty of the state. Consequently, EPRDF had amassed widespread popular support for the first time since it had come to power. However, the EPRDF was unable to take full advantage of this support to enhance its legitimacy, due to the split within TPLF among senior ranking officials<sup>2</sup> [33]. The split within TPLF significantly damaged the strength of the ruling party and set the Ethiopian state on a new political course [32].

The third phase, hegemonic domination, covers the period from 2006 to 2011. It was characterized by EPRDF's hegemonic domination of the political realm. In the 2005 election, EPRDF lost a considerable number of parliamentary seats but was determined to retain power and supreme command by sending opposition political leaders, accused of masterminding the post-election crisis, to jail. Furthermore, the government adopted various laws and decrees to give more power to the state to control the activities of civic and political organizations [19,34,35]. All in all, the state tightened its grip over power by adopting a new ideology of developmentalism<sup>3</sup> over the existing ideology of revolutionary democracy.

The rise of EPRDF to hegemonic status and the virtual weakening of opposition political forces prompted the beginning of the fourth phase (2011–present) in which religious institutions, particularly Islamic, emerged as contending forces against the state authority. The dwindling of political force has prompted religious groups to fill the space left by political parties and to emerge as an alternative social force. The shrinking political space paved the way for the emergence of religious institutions as alternative means of articulating societal interests.<sup>4</sup> This has resulted in rivalries within and between religious groups, and between the latter and the state. The so-called Amharic term “*akerarenate*” for religious fundamentalism emerged as a catchphrase of state-society relations in the post-2011 period. The state has mobilized considerable resources and used its authority to deal with the emerging challenges. However, religion has gradually emerged as a potent force in state-society relations.

#### 4. State-Society Relations in Ethiopia: Property, Representation and Identity Rights

State-society relations in Ethiopia can be viewed from two broad perspectives, namely struggle over property rights and political representation. These have been driving national politics, framed as questions of “land to the tiller” and “national equality,” since the 1960s.<sup>5</sup> The first question represents the economic power and the second question signifies the political power of society. Both questions concern power and property rights of the society. The resistance against the state in relation to these major questions first permeated from various peasant movements. They were further articulated in student movements and later culminated in various ethnicity-based liberation struggles [6,36,38].

As [33] notes, the 1960s and 1970s generations problematized the contradiction between state and society in the pre-1974 period, as emanating from economic exploitation based on the land tenure regime. The common solution proposed by the student movement for the problem was radical land

<sup>2</sup> In the wake of the Ethio-Eritrea war (1998–2000), the TPLF senior officials split into two groups, dividing as Yemesse buден (Prime Minister Meles Zenawi's team) and Yeanjawu buден (the contester team). The cause of the split was differences over how to deal with the war and dissatisfaction with Zenawi's leadership in the war. The squabble and power struggle continued for a month. Later, Prime Minister Zenawi's team emerged as a winner [32].

<sup>3</sup> After 2005, EPRDF introduced the new ideology of the developmental democratic state. Meles Zenawi (the late prime minister) was considered as the mentor of the new ideology. The new ideology undermines Western neo-liberalism and espouses the Chinese model of development, which puts state at the centre of any development activities.

<sup>4</sup> The movement of the Muslim community (*demestachen yesema*—our voice to be heard) which started in Addis Ababa with small-scale opposition following the arrest of the Muslim leaders, snowballing into a nationwide movement, is an example of this case. In the same way other religious groups too gained popular support.

<sup>5</sup> The questions of “land to the tiller” (*Meretlarashu*) and “equality of nationality” (*Yebeher equlenet*) had surfaced in Ethiopian politics in the mid-1960s. It caused the 1974 revolution that overthrew the Haile Selassie regime [36,37].

reforms and peasant ownership of land. The military regime in post-1974 took radical measures of nationalization of land in line with this proposition.<sup>6</sup> However, the contradiction persisted without a solution. It prompted the collapse of the regime in 1991. The TPLF/EPRDF regime brought another problematization of the inherent contradiction as “the question of nationality.” This question emerged as a super-structural factor, which demands a new social pact to ensure social equality and the restructuring of state–society relations. The regime adopted an ethnicity-based federalism that endows regional autonomy and shared governance by devolving power from the centre to the regions as an accommodative means of national representation [41].

National representation and power sharing are key structural issues in state-society relations. The debate is centred on what kind of representation modalities and power-sharing formula the country should adopt. Some scholars and politicians advocate individual-based representation that echoes the liberal principle of citizenship. Others argue for ethnicity-based federation as a viable means of accommodating competing interests of diverse ethnic and linguistic groups [24,28,42].

The attempt to install political representation based on citizenship failed because of the contrasting approaches of the state and society. The society has not evolved into a cohesive national unit in spite of successive social engineering efforts, nor has the state been willing to relinquish its monopoly of power through devolution and power-sharing arrangements. Since the advent of the modern state, the state-society relations have become positioned as crown/subject and state/subject. Although basic and fundamental rights of individuals have been bestowed in all modern legal provisions, particularly in written constitutions since 1931, the state has also had a right to revoke these rights [27,42]. The failure to establish effective and functional citizenship institutions has aggravated the prescription of ethnicity as an indispensable means of representation and political settlement.

As [35] notes, ethnicity has been embedded in the political economy of the country. The origin of ethnicity can be traced to diverse discourses on the history of ethnic and cultural inequality [24,26,27,42]. In the past—mainly during imperial times—ethnic groups had rank and favour in relation to access to state resources in line with their affiliation to Amhara and Orthodox Christian culture [35]. The blatant political and cultural inequality sparked debates on the nationality question, as well as activism among students in the 1960s, eventually galvanizing into the ethnic politics of different ethnicity-based liberation movements [31]. Ethnicity, thereafter, has occupied the centre stage of national politics. Most of the political forces which were established in the aftermath of the 1974 revolution were ethnicity-orientated.

In the post-1991 period, the TPLF-led EPRDF regime took control of state power and established an ethnicity-based federalism [28]. Under the new statehood, the power structure was reinvigorated along with the rise of new regional ethno-elites, but TPLF has been able to maintain its political, economic and military hegemony at the centre [2,29]. The reconstruction of the ethno-political state marked the remaking of political representation and power-sharing based on ethnicity.

Another contested domain in state-society relations is property rights and resource allocation. The Ethiopian state historically has had a heavy hand over property rights. All successive states have advocated for state ownership of key resources. They have also placed private property under control of the state. Control over property is used as an effective means of social control. The issue of land tenure<sup>7</sup> is a case in point. Since the formation of the modern state in Ethiopia, land has been

<sup>6</sup> *Negarite Gazeta* (1975) is a proclamation to provide for the nationalization of rural lands (No. 31) and a proclamation to provide for the nationalization of urban land and urban housing (No. 41), Addis Ababa, Ethiopia ([39], pp. 200–14; [40], pp. 93–101).

<sup>7</sup> The land tenure system in Ethiopia is one of the most controversial issues. Before 1974, the tenure system included *Rist*, *Rist-gult*, and *Gult*. The *rist* system was a kind of corporate ownership system based on descent that granted usufruct rights—the right to appropriate the return from the land. In the *rist* system, all male and female descendants of an individual founder or occupier were entitled to a share of land [43]. *Gult* right refers to a fief right that required the occupant of specific *rist* tenure (or those who held other types of traditional land rights) to pay tribute and taxes in cash, kind, or labour to landlords. *Gult* rights were not inheritable or not necessarily hereditary [44,45]. *Rist-gult* right is an exclusive right vested on royal families and provincial lords who have the right to independently levy taxes in cash, kind, and labour [46].

under state control [1,47–49]. Successive regimes have not been willing to relinquish control over land. Regimes have also been adamant about establishing a strong institution of private property. The underlying rationale is the inherent lust for monopoly over power and resources. In Ethiopia, land is the predominant source of economic power to create wealth, attract clients and to sustain institutions. From the perspective of state-society relations, both land tenure and property ownership are crucial aspects in empowering society and maintaining balance of power. It is evident that land and control over property ownership give absolute power to one or the other (state or society) to dominate and maintain its influence [31,33].

Besides the two dominant perspectives of national representation and property rights, we have identified a new and third perspective: the urban-rural cleavage. The political struggle, according to this perspective, spins around recurrent antagonism between the rural and urban elite. The urban-rural cleavage, which is centered on socio-economic differences, has been a fault-line of political alignment as *Getere/balager* (countrymen/women) and *Keteme* (urban men/women). This political dichotomy can be traced back to the evolution of urban centres in early twentieth-century Ethiopia.

Major urban towns were established in the beginning of the twentieth century as military garrisons, which later evolved into modern urban and administrative centres. The majority of dwellers are Amhara, Oromo, Tigre, and Gurage who settled in these areas as soldiers, priests, merchants, and civil servants. The rural elite consider urban areas as strong bases of these ethnic groups, particularly the Amhara elite. The elites from urban areas dominated the political scene since the formation of the modern state because of access to education and modernization. They predominantly advocate pan-Ethiopianism and constitute the prominent intellectuals, authors and artists. They either have urban origins or have become accustomed to the urban life and widely represent the urban sentiment. Conversely, the expansion of modern education and the penetration of state into the rural areas gradually changed the power configuration with the rise of rural elites who represent the rural masses and mostly constitute the political elites. The contention between these two segments of the society, intellectuals and political elites, seems to drive and shape state-society relations. Consequently, their struggle for political power resulted in unprecedented political dynamics in the post-1991 period. As one politician noted:

The centrifugal force of Ethiopian politics and Ethiopian society since 1960 is an irreversible dispute between the urban and rural elite. Both are fiercely fighting to justify their cause in noble ways using ethno-nationalism and civic nationalism. It seems that the rural elite are gaining dominance and restructuring the very nature of Ethiopian society along ethnic lines. However, the remarkable thing is most people could not recognize the hassle behind ethnic politics [50].

The main cause of the irreconcilable differences is the way both parties have been portraying each other. The urban elite portray themselves as modern, educated and progressive, while caricaturing the rural elite as uneducated, uncivilized and conservative. The rural educated elite *Geteres* (countrymen/women) or *Yearsoadere Lijoch* (the sons/daughters of farmers) retaliate to the urban narration by depicting the urban elite as remnants of Amhara chauvinists. Some of the norms that were set by urban elites to be considered as modern include the ability to be articulate (first and foremost), resonation of pan-Ethiopian sentiment, flexibility to adopt modern ideas, level of education and urban-orientated lifestyle. The majority of the urban elite is drawn from the main urban cities in Ethiopia and represents the highly educated social section.

This dichotomy prompts the rise of contrasting culture and the creation of divergent identities and mentalities framed in terms of ethnicity. Ethnicity emerged as a driving force of organization and mobilization of the rural elite. It would seem that they have been dominating politics since 1991 by redefining and deploying ethnicity as a weapon to assert their power. This is evident in the fact that the rural elite have been able to control the state machinery in the last two decades under the EPRDF-led government.



The EPRDF-led government preferred to build up the state machinery using the rural elite for two reasons. First, the urban elite have contested the EPRDF idea of cultural pluralism and ethnicity-based political settlement, whereas EPRDF under the leadership of TPLF sought to deconstruct the notion of statehood based on pan-Ethiopianism by so-called Shewan nobles.<sup>8</sup> Second, the rural elite using the political spaces provided by EPRDF were able to organize various political parties and mobilized the rural masses under different ethnicity-orientated organizations (PDOs).<sup>9</sup> The new government used these satellite organizations to construct its legitimacy. It initiated the policy of agriculture-led industrialization (ADLI) which places the rural peasant at the centre. Consequently, the influence of the urban elite is gradually diminishing, following their mass exodus to Europe and the United States as the Diaspora community. The urban elite have, therefore remained as a backbone of the Diaspora community known for contesting the state in power.

## 5. State-Society Relations in Rural Ethiopia

### 5.1. Perception and Symbols of the State: *Kawo*, *Motuma*, and *Mengist*

The post-1991 local governance structure in Ethiopia comprises five tiers of administration: the federal state (federal), national regional state (Kililoch), provincial administration (Zonal), district (Woreda) and neighborhood or peasant associations (Kebele). The Kebele is the lowest level of local administration. The rural households under Kebele administration are typical nuclear families closely interconnected and interacting [34]. The Kebele represents the state in the local community and serves as a platform of interaction. It is run by elected local peasants. Most of the local officials can barely read and write and they serve on a voluntary basis. However, they wield substantial power in relation to land administration and preserving social order in their respective localities [53].

Our study concurs with previous findings regarding the image, symbol and authority of the Ethiopian state. It is well-embedded and respected in the rural localities; local society firmly respects symbols of the state authority.<sup>10</sup> Likewise their perception of the state is very strong. In the study areas in Gamo highland (SNNPRS), the local people recognize the state as *Kawo* (local word for king). They believe that the power of the state is inviolable and uncontested. They consider the state as “the bearer of life,” [54] and have faith in maintaining an eternal obligation to be obedient and loyal to the state. They praise the state as the provider of life, peace, and order and rarely question the power of local authorities. They seem to be loyal to and fearful of state power. It is possible that they may have developed this belief from the feudal legacy and subsequent suppression by successive regimes.

In the study area Jimma (ORS), the local people describe the state using the local language of Oromifa as *Motuma* (government/state). They believe that government is an outcome of the society and people are the ones who constitute it. However, they recognize that society cannot exist without state and state has a responsibility to organize and lead the orderly life of the society. As one farmer noted:

We elect the government and we make the state. However, the state decides our fate and organizes our life. We give our power to the state for the common good of our life. Otherwise our lives might be in jeopardy [55].

<sup>8</sup> Pan-Ethiopianism represents a unique socio-political and cultural character as being an Ethiopian. It is believed to be constructed by Shewa nobles following the incorporation of the southwestern and southeastern part of present Ethiopia. It is contentious for having two dimensions. Externally, it is widely revered by many populations of black-African origin primarily from the Caribbean and North America, as a symbol of redemption and independence [51] Internally, it is considered devious and branded among contending ethnic groups, mainly by Oromo and other minority ethnic groups, as the symbol of domination. [52].

<sup>9</sup> PDO refers to Peoples' Democratic Organizations. During the Transition Period (1991–95) different ethnic groups created this kind of political organization in an attempt to get representation in the new government.

<sup>10</sup> In Ethiopian traditional context, state and government are not separate concepts. The term *Mengist* denotes a unified concept of sovereignty and the machinery of power [54].

It is evident from this farmer's remark that the local community has respect for the powers of the state. Although they consider themselves as having constituted it, they still believe that the state is responsible for organizing workable functional institutions to coordinate, provide and lead their lives.

In the study areas in Deberberhan (ARS), the local people refer to the state as *Mengist* (Amharic word that refers to state). From the focus group discussion and interviews, which were held with farmers, we found that the symbol of the state is deeply embedded in the social structure. One farmer commented:

State is the essence of our life. Without state we cannot work, we cannot trade and send our kids to school. The moment we lose the state, we start killing and robbing each other. We can have only peaceful and prosperous life so long as the state exists [56].

The farmer's remark resonates with the Hobbesian essence of the state.<sup>11</sup> In the focus group discussions and interviews with farmers, we found that they all shared a similar view. The farmers are not educated but they understood the basics of the state. For example, there are some properties in these localities, which belong to the state but are not properly guarded. Surprisingly, no one trespasses into these properties simply because they belong to the state. The symbolic presence and the subsequent perceptions about the state are very strong. Furthermore, it would seem that farmers in these localities believe in a hierarchical structure of relations that always places the state at the top of society and makes the society obedient to the state's will. Otherwise they argue that the so-called effective state will never exist. Their view concurs with previous studies [34,48,58,59] indicating that state is regarded as the most powerful entity in rural Ethiopia.

### 5.2. The Practice of State: Social Control, Decision-Making and Control over Means of Violence

The Kebele structure and organization have undergone swift reforms after the 2005 election crisis. The EPRDF-led government has introduced a well-manuevered decentralization scheme and instituted the appointment of salaried managers to the Kebele administration [60]. The managers are modestly educated and assigned to the Kebele office by Woreda officials. They are supposed to carry out administrative routines of the Kebeles. Besides the appointment of Kebele managers, the state has increased its penetrative capacity overwhelmingly through different sets of complex social control mechanisms. One of the political controlling mechanisms is a multiple layer of political and social organizations named as party, government and popular wings [52].

Almost all peasants are grouped under the new hierarchical social organization since 2008. In fact, the structure and naming of these social organizations differ from region to region. In SNNPRS, the new social organizations consist of *Hewase* (cell or network), *Yelmatebuden* (developmental team), *Gote* (sub-village) and Kebele (peasant association). *Hewase* implies a grouping of five peasant households under one leader. It is also known as "one to five." *Yelamtebuden* consists of five *Hewase*, and *Gote* comprises four to ten *Yelmatebuden*. A Kebele consists of five to seven *Gote*.

In ORS, the social organization consists of networks (five households), *Gere* (six networks), zones (ten *Gere*), and Kebele (six zones). As we can see from figure 2, these social organizations comprise a complex nest in rural Ethiopia that spans all Kebeles. The leaders of these popular organizations are *model arsoadero* (model farmers). The following figure (Figure 2) indicates the new Kebele organization after the introduction of the complex social organization.

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<sup>11</sup> The Hobbesian view implies the social disorder and the brute situation of a state of nature; "the war of all against all" could be avoided only by a strong, undivided state [57].

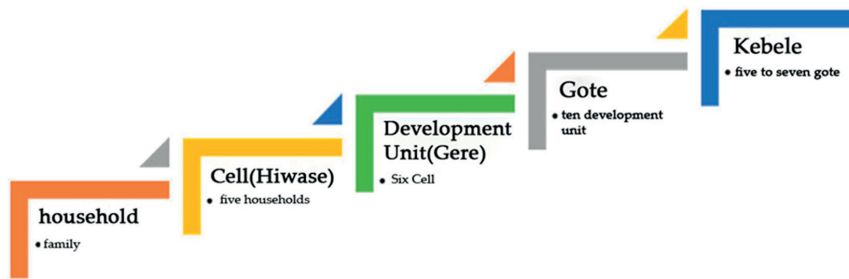


Figure 2. Local governance sub-administration structure; source: developed by authors.

In focus group discussions and interview sessions, several peasants confirmed the significance of inclusion in this organization from two standpoints. First, unless they are included in this organization, they are not entitled to benefits and assistance from the government such as selected seeds, fertilizers and technical assistance. Second, these organizations are very helpful in terms of enhancing cooperation, collaboration, learning from each other and solving problems in a common understanding. From the discussions, it would seem that most peasants are in favour of the organization. As one peasant argues:

The popular organizations are quite helpful to support each other, learn from each other, work together, mobilize the community in conservation; water shed management and maintain security of the locality. We are being organized in popular wing (*heizebawikenfe*), governmental wing (*Mengistawikenfe*) and party wing (*derjetawikenfi*). All these three broad organizational chains have created interconnectedness and interdependence among the local communities [61].

However, the scholars and opposition politicians interviewed for this study expressed their fear that the state is establishing a kind of complex controlling mechanism that goes down to the household level. Accordingly, these organizations are designed by the government as new control technology to prevent the opposition from getting a foothold in rural areas where EPRDF claims its power base is located. Whatever the case, the state has a strong presence and has expanded its penetrative and extractive capacities in rural Ethiopia enormously after 2005. Besides having the upper hand in social control, the state has also predominance in decision-making, agenda-setting and control over the means of violence, as we shall discuss in the next paragraphs.

Ability to make decisions, capacity to set agendas, modes of accountability and control over the means of violence are widely believed to be manifestations of the exercise of power and power relations. We used these variables to assess the balance of power and power relations between state and society in the rural realms. We shall discuss the survey results in the next paragraphs.

The respondents for questionnaire survey were farmer households who were randomly selected from the selected eight Kebeles. The socio-economic background of the respondents of the household survey is given in Table 1 below.

Table 1 shows that the majority of respondents are male (93.2%, N = 483), and their occupation pattern (livelihood) is based on agriculture (92.5%, N = 479). In terms of education, most of the respondents are primary school dropouts (45.8%, N = 237) and others are illiterate (42.9%, N = 222). About a third (29.6%, N = 154) of the households earn a monthly income below 300 Ethiopian Birr (USD 15.8). Nearly 80% of the respondents described their income as less than USD 30.

**Table 1.** Socio-economic background of respondents (N = 518).

Background	Category	N	%
Occupation	Farmer	479	92.5
	Other	39	7.5
Education	Illiterate	222	42.9
	Primary	237	45.8
	Secondary and above	59	11.3
Gender	Male	483	93.2
	Female	35	6.8
Household income (in ETB)	<100 ETB	118	22.8
	101–300	154	29.7
	301–500	124	23.9
	>500 ETB	122	22.6
	Total	N = 518	100%

Source: Survey data by the authors (2011/2012).

Most local people who took part in the focus group discussions emphatically expressed their unreserved right to make decisions regarding their domestic matters. Some people in the Gamo area mentioned the bestowed constitutional right of using local language: “*hegemengitse emeda meabete.*” The overall survey results presented in Table 2 show that 62.7% (N = 227) of the respondents believed that they had a right to make decisions in local matters, 16.4% (N = 85) strongly agreed and 46.3% (N = 240) agreed, while 39.6% (N = 206) neither agreed nor disagreed.

**Table 2.** Respondents’ views of power relations at local level (N = 518).

Questions	Mean	St.Dv.	Respondents’ Ratings					Total (%)
			SD	DA	UD	AG	SA	
1. Local authorities are accountable to the local people	3.83	0.86	3 (0.6)	16 (3.1)	132 (25.5)	183 (35.4)	184 (35.5) <sup>a</sup>	518 (100)
2. Local people have full right to make decisions on local matters	3.38	0.96	2 (0.4)	30 (5.8)	161 (31.1)	240 (46.3)	85 (16.4)	518 (100)
3. Local people have a right to set agenda on local matters	3.22	0.98	3 (0.6)	22 (4.2)	158 (30.5)	213 (41.1)	122 (23.6)	518 (100)
4. The local authorities properly keep peace and security so that the crime rate is low	3.73	0.82	9 (1.7)	80 (15.4)	204 (39.4)	154 (29.7)	71 (13.7)	518 (100)

Source: Survey data by the authors (2011/2012); <sup>a</sup> Figures in parentheses are percentages; notes: SD = Strongly Disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; St.Dv = standard deviation.

In the informal discussions, however, some of the respondents in the Gamo areas spoke of the level and extent of their powerlessness in local matters as follows:

We do not have any rights in this land. *Kawos* decides everything. My family’s fate and existence depend on the will of *Kawo* because we got land, selected seed, credit and assistance from our *Kawo*. Our *Kawo* is even more powerful than God in our land [62].

One of the peasants stated that, although they were not happy with the situation, they refrained from expressing grievances in fear of repression and subjugation. It would seem that the pattern of master and tenant relations, which has been inherited from the old feudal tradition still persists. The state power seems to be largely uncontested in the study area.

The participants described *yemetoshengo* (local council) and the local administrative structure as modalities of participation and decision-making in their local affairs. The local authorities also explained that the local democratic process was direct and inclusive, providing a wide arena of

participation in decision-making using local councils as a platform of participation and inclusion of the local people. A similar concern which arose from focus group discussions, interview sessions and questionnaire survey was whether the local people had a mandate to set agendas on their domestic problems and to make decisions accordingly.

As can be seen from Table 2 above, 65.7% (N = 325) of the respondents agreed that the local people have the capacity to set the agenda. A further 4.8% (N = 25) disagreed and 30.5% (N = 158) were undecided. The findings of the survey contradict the local people's responses in focus group discussion regarding agenda-setting. More than two-thirds of the focus group participants believed that they did not have a mandate to set agenda in developmental, security, welfare and other affairs of their locality. All agendas, except some social issues of local interest, were sent down from the district authorities or higher authorities, and even discussed through *yehezbawi aderejajet* (popular organizations). Taking into consideration the two factors of decision-making and agenda-setting, it appears that the state wields overwhelming power over the local people.

The survey results given in Table 2 indicate also the accountability of the local officials, both upward (administrative) and downward (political). Regarding downward accountability, 70.9% (N = 267) agreed that local authorities are accountable to them with 35.4% (N = 183) agreeing and 35.5% (N = 184) strongly agreeing, while 25.5% (N = 132) are undecided on the matter. Only 3.7% (N = 19) disagreed that local officials were accountable to the people. However, the interview and focus group discussion results again indicated that the local officials were not accountable to the local people. Rather, they were accountable to the district officials. A further statistical analysis using a one-sample *t*-test (see Table 3) confirms this finding as discussed below.

**Table 3.** One-sample *t*-test on respondents' views on power relations (test value = 4<sup>a</sup>) (N = 518).

Items	Mean	SD	t
1. Local authorities are accountable to the local people	3.83	0.86	-4.56 *
2. Local people have full right to make decisions on local matters	3.38	0.96	-14.62
3. Local people have a right to set agenda on local matters	3.22	0.98	-18.12
4. The local authorities properly keep peace and security so that the crime rate is low	3.73	0.82	-7.637

\*  $p < 0.05$ ; source: survey data by the authors (2011/2012).

The results of the one-sample *t*-test in Table 3 indicate that (where the test value = 4 or agreement with the statements were taken as criteria for comparison with the means), they were statistically significant with the minimum *t*-value obtained in the case of the first item: "accountability of local authorities" to their constituencies (mean = 3.83, SD = 0.86;  $t(157) = -4.56$ ,  $p < 0.05$ ), while the maximum *t*-value was found in the case of the third item: "local people have the right to set agenda on local matters" (mean = 3.22, SD = 0.98;  $t(157) = -18.12$ ,  $p < 0.05$ ). These findings suggest that in relation to the four indicators of power relations, regardless of differences in terms of region, gender, educational status, and income levels, the respondents rated the performance of local authorities as below the level expected. In particular, a closer look at the mean scores (all means less than 4.00, meaning agreement with the affirmatively worded statements) and the corresponding statistically significant negative *t*-values (ranging between -4.56 and -18.12), show generally unfavorable ratings in all the four aspects of power relations. Table 3 presents mean score of variables in three regions as follows:

As we have seen from Table 4, respondents from the Amhara regional state gave lower rating for all variables as compared to the other two regions. However, possible statistically significant differences in the average value will be examined later in this section.

As part of the study, the extent to which the background characteristics of the households—household head's gender, educational status, region, and income level—have significant effects was examined. The table (Table 4) summarizes the univariate ANOVA results of these four

indicators of power relations at local level as a function of educational status of household head and region (other background variables were not considered since they did not produce significant effects).

**Table 4.** Mean scores and standard deviations (SDs) of indicators of power-relations (N = 518).

Indicators	Region	Mean	SD	N
1. Local authorities are accountable to the local people	Oromia	4.24	0.59	208
	Amhara	3.42	0.70	159
	SNNPRS	4.15	0.88	151
	<i>Total</i>	<i>3.73</i>	<i>0.82</i>	<i>518</i>
2. Local people have the right to set agenda on local matters	Oromia	3.25	0.92	208
	Amhara	2.80	0.78	159
	SNNPRS	3.62	1.08	151
	<i>Total</i>	<i>3.22</i>	<i>0.98</i>	<i>518</i>
3. Local people have full right to make decisions on local matters	Oromia	3.44	0.93	208
	Amhara	3.08	0.81	159
	SNNPRS	3.62	1.07	151
	<i>Total</i>	<i>3.38</i>	<i>0.96</i>	<i>518</i>
4. The local authorities properly keep peace and security so that the crime rate is low	Oromia	3.65	0.73	208
	Amhara	3.42	0.70	159
	SNNPRS	4.15	0.88	151
	<i>Total</i>	<i>3.73</i>	<i>0.82</i>	<i>518</i>

Source: Survey data by the authors (2011/2012).

As depicted in Table 5, households differed to a significant degree with respect to their educational status and region in assessing power relations at the local level. For instance, regional variations were found to affect households' perceptions of the level of accountability that local politicians have to their constituencies ( $F[2517] = 23.92, p < 0.01, \eta^2 = 0.086$ ) and local peoples' rights to set agendas on issues of local interest ( $F[2517] = 7.59, p < 0.01, \eta^2 = 0.029$ ). In other words, the three regions of Amhara, Oromia, and SNNPR were not uniform. As shown earlier in Table 4, the mean scores for the indicated first and third items show that the lowest mean ratings were consistently observed in Amhara, followed by Oromia while SNNPR had the highest scores, except in the case of the first item "accountability of local officials" where Oromia (mean = 4.24, SD = 0.59) slightly exceeded SNNPR (mean = 4.15, SD = 0.88). Both parts of Figure 3 illustrate the trend that the Amhara region generally gave the lowest ratings.

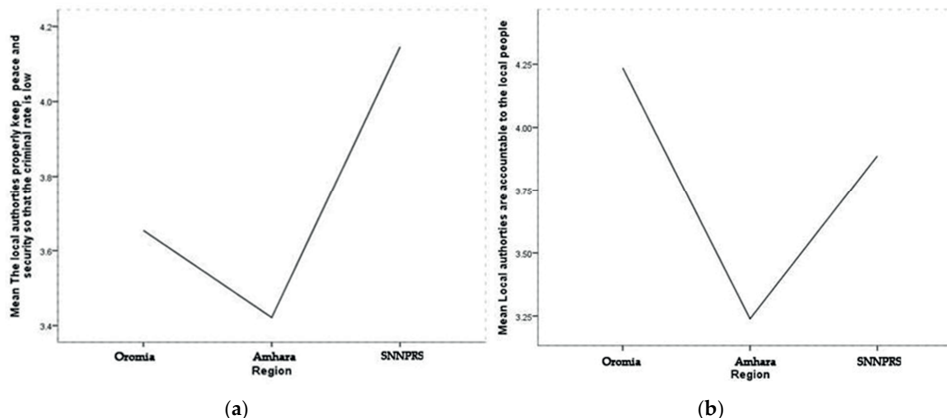


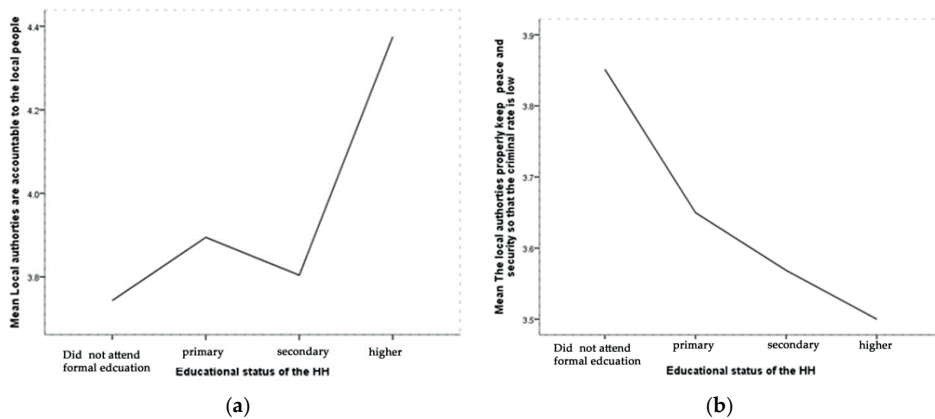
Figure 3. Regional difference in households’ views of power relations; source: survey data by the authors (2011/12).

Table 5. Effects of education and regional variation on assessing aspects of power relations at local level (N = 518).

	F	Sig.	Partial eta Squared
<i>Local authorities are accountable to the local people</i>			
Region	23.92	0.000	0.086
Educational Status	2.69	0.046	0.016
Educational Status x Region	5.19	0.000	0.058
<i>a. R squared = 0.300 (adjusted r squared = 0.285)</i>			
<i>Local people have full right to make decisions on local matters</i>			
Region	1.102	0.333	0.004
Educational Status	3.401	0.018	0.020
Educational Status x Region	2.166	0.045	0.025
<i>a. R squared = 0.098 (adjusted r squared = 0.078)</i>			
<i>Local people have the right to set agenda on local matters</i>			
Region	7.59	0.001	0.029
Educational status	3.56	0.014	0.021
Region x Educational Status	1.49	0.188	0.017
<i>a. R squared = 0.140 (adjusted r squared = 0.121)</i>			
<i>Local authorities properly keep peace and security so that the crime rate is low</i>			
Region	0.657	0.519	0.003
Educational status	4.06	0.007	0.024
Region x Educational Status	1.829	0.092	0.021
<i>a. R squared = 0.164 (adjusted r squared = 0.146)</i>			

Source: Survey data by the authors 2011/2012.

The disaggregated data with respect to educational status depicted in Figure 4 shows a clear pattern that with an increased level of education, households perceived a decline in the accountability of local officials.



**Figure 4.** Households' views of power relations based on their educational status; source: survey data by the authors (2011/12).

Regarding access to and control over the means of violence, the state has effective control of both aspects in all the three regions. The local people are not allowed to possess any kind of firearms. The state, via paratroopers and local militia, effectively maintains social order and security in all localities. In fact, there is some recorded evidence of homicides a few years earlier in and around Deberberhan, perpetuated by the possession of light weapons. However, the trend of crime has significantly reduced after the introduction of popular organizations and community policing services. According to one farmer interviewee in Goshebedo:

Few years back there was a serious security problem. But nowadays the security situation is significantly improved. The popular organizations and the introduction of community policing are the reasons for improved security in our locality. We do not have any security problem. The security of our neighborhood is effectively maintained by local security forces and the people themselves [63].

In fact, there were speculations about circulation and possession of illegal weapons obtained from demobilized armies of the previous regimes. Nevertheless, the state effectively reinforces empirical statehood and controls all territories in the study areas. As a result, armed resistance or peasant rebellions have not occurred in any of the rural localities in the study areas before and during the study period.

As depicted in Table 1, nearly half of the respondents agreed on the state's capacity to promote security and have effective control over the means of violence. Accordingly, 13.7% (N = 71), strongly agreed, 29.7% (N = 154) agreed while 1.7% (N = 9) strongly disagreed and 15.4% (N = 80) disagreed. The proportion of those who were undecided (39.4%, N = 204) was nearly equal to those who either agreed or strongly agreed. On the other hand, the statistical analysis (see Table 2) revealed that, regardless of regional differences, the majority of the households did not endorse the idea that "The local authorities properly keep peace and security so that the crime rate is low" (mean = 3.73, SD = 0.82;  $t(517) = -7.64, p < 0.05$ ). As illustrated in Figure 3b, small regional differences are evident where the highest rating was found in the case of SNNPR while the lowest was observed in the case of Amhara, even though the ANOVA test did not show statistical significance ( $F[2515] = 0.657, ns$ ). On the other hand, though the effect of educational status on perception of control over means of violence is statistically significant ( $F[2515] = 4.06, p < 0.05, \eta^2 = 0.027$ ), there is no clear pattern in the respondents' views with an increase or decrease in educational status as shown in Figure 4b. In other words, respondents having secondary education showed lower scores than those with primary education, while those having higher education scored the highest of all groups.



## 6. Conclusions

The post-1991 political transformation can be classified under four broad phases: *transition* (1991–1997), *consolidation* (1998–2005), *domination* (2006–2010) and *contestation* (2011–present). State-Society relations unveil a new dynamic of the restructuring of state under ethnic federalism and entitling self and shared rights to various ethnic groups under the new ethnic-based federal state structure.

Our analysis shows that the state-society relations in Ethiopia are driven by three major factors. The first of these is property rights, mainly regarding the question of land tenure, which occupies the central place in state-society relations. The state retains monopoly over land and property rights as an effective means of political control. The struggle to secure full rights over property and land resulted in political and regime change in 1974 and 1991. However, to date, the controversy surrounding property rights has not yet been resolved.

Second, political representation that has been articulated as the “nationality question” since the mid-1960s is also at the heart of national politics. Since 1991, the Ethiopian Peoples Revolutionary Democratic Front EPRDF-led government has introduced ethnicity-based federalism as a new formula of power brokering among the competing actors based on ethnic representation at national and regional levels. However, the contestations on political settlement remain unresolved.

Third, the urban-rural divide is another major factor, which manifested itself via competing, often irreconcilable interests of the urban and rural elite. The urban elite represents a group of intellectuals who tend to be urban-based and have pan-Ethiopian sentiments under cultural assimilations of Ethiopianism. The rural elite, on the other hand, embodies the political elite who are from a rural background and have a sentiment of ethnicity under cultural pluralism. The urban elite is mostly in the opposition camp and the rural elites run the state machinery under the incumbent government at national and local levels. Their contention and intermittent struggle for power shapes and dictates state-society relations. However, this antagonism has not hitherto been recognized as a driving force of state-society relations among academia. The divide unveils a struggle for control over the state, which complicates the state-society relations along urban and rural fault lines.

The political relations of local people with the state signify mutual relations. We have examined the local people’s relations with the state, taking into account two major variables of perception and practice of state, together with other variables such as symbols, social control, decision-making and control over the means of violence.

The findings reveal that the local people claim to have the ability and full right to make decisions on their local matters but do not have the ability to exert control over the means of violence. The symbol of the state is well-embedded in the rural realm. Local villagers have developed a perception that considers the state as all-powerful. Regarding social control, the state has weakened all competing forces, including the church, in effectively controlling the power infrastructure through complicated organizations that extend to the household level which give preeminent political control over the society. Therefore, the state wields discretionary power to decide on all matters in Ethiopia.

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## **Paper II**

### **The Political Economy of Rural Market in Ethiopia: Exploring Market Governance**

**By Yeshtila Wondemeneh Bekele, Darley Jose Kjosavik  
and Tesfaye Semela**

# The Political Economy of Rural Market in Ethiopia: Exploring Market Governance

Yeshtila Wondemeneh Bekele<sup>1</sup>, Darley Jose Kjosavik<sup>2</sup> and Tesfaye Semela<sup>3</sup>

## Abstract

The Ethiopian economy has experienced significant growth after the economic reforms in the 1990's. However, the growth of the economy has been overshadowed by the challenges of market governance. This paper explores the construction of post-1991 economy and the experiences of the emerging market in the rural areas. The empirical data were collected from eight localities using household survey, key informant interviews and focus group discussions. The results show that market governance is fragile and almost non-existent as the governance structures are weak and institutions of exchange have not yet fully developed in rural localities. The role of the market in shaping and improving societal outcomes, therefore, is limited. Moreover, supply chains are delicate, market integration is weak, and information asymmetry is pervasive which have significantly affected the operation of the market.

Key words: embeddedness, governance, market, value chain

## 1. Introduction

In recent years the literature on market governance has widely discussed market institutions, their embeddedness in the social structure and their impact on economic growth (Ebner & Beck, 2008; Fligstein, 1996, 2001; Polanyi, 2001). The centerpiece of the discussion is whether a deregulated or regulated market will most stimulate economic growth? How significant is embeddedness for growth? The existing empirical literature in this regard suggests mixed results. Some support deregulated (Baumol, 2002; Chang, 2003; Gilpin & Gilpin, 2000; Wade, 1990) while others favor a regulated market (Evans, 1995; Kohli, 2004; Woo-Cumings, 1999). Nonetheless, the outcome in embeddedness is similar (Evans, 1995; Platteau, 1994). According to Polanyi ([1944] 2001: 60), the pioneering scholar behind the concept of embeddedness, in a market society 'instead of economy being embedded in social relations, social relations are

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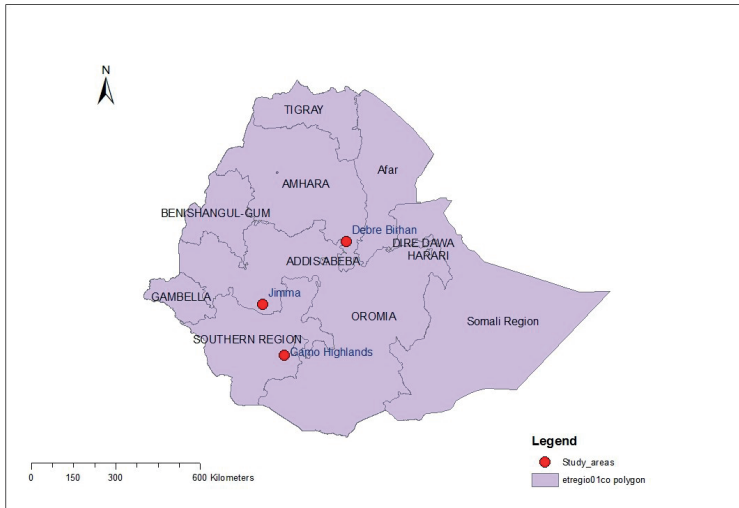
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embedded in the economic system'. Accordingly, the social structure and pattern of social relations are the ones that primarily impact the market transactions and economic activities of any society (Granovetter, 1985, 2005; Platteau, 1994, Beckert, 2007).

In Africa, the market economy is problematic because of various factors including the social structure and institutions (Stein, 1994). Most of the commodity exchange and trade transactions take place through traditional mechanisms of reciprocity. In fact, little empirical evidence is available to sufficiently explain the nature of the African local market (Akiyama, Baffes, Larson, & Varangis, 2003; Fatchamps, 2004; Hill, 1963). After the 1990's reform, several African countries including Ethiopia opened up their economy and adopted a more deregulated market system (Akiyama, Baffes, Larson, & Varangis, 2003).

In Ethiopia the EPRDF-led regime revitalized market economy after reorganizing the structure of the economy under the structural adjustment program in the early 1990's. Economic reforms such as privatization, devaluation and deregulation were implemented (Dercon, 1995). The reform has resulted in a steady economic growth that lasted for decades (Alemayehu Geda & Berhanu, 2007). However, the embeddedness of market institutions is a major concern because of the unstable market conditions. The purpose of this article is to contribute to an understanding of economic reforms and the subsequent economic growth, the state-market relations in general and market governance in particular based on empirical evidence from eight localities in three different regions. It attempts to answer the questions: How has the market system been socially and politically constructed following the 1991 reforms? How do local peoples perceive the local market? How is the local market organized and operated in the rural areas?

The study employed a mixed methods approach which combined questionnaire-based quantitative field survey, and qualitative data generated using key informant interviews and focus group discussions (FDG). In addition, secondary data were obtained from official documents, research reports and archival sources. The fieldwork was conducted in 2011/12 and 2012/13 in three key federal regions that support the majority of the Ethiopian population: Oromiya National Regional State (ONRS), Amhara National Regional State (ANRS) and South Nations, Nationalities and Peoples' Regional State (SNNPRS) (See Figure 1). Apart from representing the majority of the population, the three regions constitute diverse agro-ecological zones as well as demographic, ethnic-cultural, and linguistic and livelihood patterns.



Source: Tafese Matewos, CPDR (Hawassa University), 2014

Map 1 Study areas in the regional map of Ethiopia

The article comprises of six sections: section two offers a brief overview of the concept of market governance and social embeddedness. Section three presents a concise discussion on market governance and the performance of the Ethiopian economy in post-1991 period. Section four provides a brief overview of the challenges of market governance in Post-1991 Ethiopia. Section five discusses the functioning of the market in rural Ethiopia based on the empirical study. In section six we provide a brief conclusion.

## 2. Social Embeddedness and Market Governance: Conceptual underpinnings

The “market” concept is defined in a range of interpretations, narrowly and broadly. From a narrow perspective, it refers to ‘networks constituted by acts of buying and selling, usually through the medium of money’ (Hann & Hart, 2009: 1). In a broader sense, it denotes an economic system of complex interaction of private firms in production and distribution of goods and services (Williamson, 1981). Markets are often not self-creating, self-regulating, self-stabilizing, and self-legitimizing institution (Somers & Block, 2005). Hence, they need to be embedded in the social structure of the society in a wide range of institutions such as: regulatory,



redistributive, fiscal and dispute resolution (Ebner & Beck, 2008). Market embeddedness, therefore, essentially implies the constitutive institutions of resource allocation and networks of interaction that shape the market activity. So, market from this perspective can be conceptualized as the social relations of the economy (Ebner & Beck, 2008; Granovetter, 1985; Hann & Hart, 2009). According to Granovetter (1985) and Platteau (1994) the success and failure of market as an institution depends on the social structure. As Polanyi argued long time ago, all economies are embedded in the larger social systems (Barber, 1995, cited in Beckert, 2007). For Polanyi, markets are 'rather fully social institutions, reflecting a complex alchemy of politics, culture, and ideology (Krippner, 2001: 782, quoted in Beckert, 2007: 9). Based on the embeddedness, Polanyi (2001) classified the society as market oriented, industrial based and pre-industrial; and the type of economy as reciprocal, exploitative, redistributive and market institution respectively.

Market governance has been given considerable attention in academia (Donahue & Nye, 2002). The notion of market governance implies an emerging polycentric approach of the state and market relation incorporating other actors (Ostrom, 2010). It refers to a dynamic ensemble of institutions and sets of rules or norms that are designed to govern the operation of market and its relation with state and other actors (Coen & Thatcher, 2005; Ebner & Beck, 2008). It also implies a broad framework that defines the space and structures under which business firms are negotiating and executing transactions of goods (Coen & Thatcher, 2005). It further entails the code for social relations of relevant actors in the market (Ebner & Beck, 2008; Polanyi, 2001).

Wade (1990) identifies three typologies of market governance drawing from East Asian countries experience as free market; the simulated free market; the governed market models. The basic argument behind classification of these typologies is how the market operates and distributes resources. The free market model advocates less or no role of the state. The role of the state is confined to providing conducive ground for the private sector. The simulated free market supports an increased role and intervention of the state in the market to offset distortions that caused either by policy derivatives or failure of institutions to correct them. The governed market model notes that state should play an active role as a leading agent in organizing and directing market. According to Wade (1990: 26-27)

*The governed market (GM) theory says that the superiority of East Asian economic performance is due in large measure to a combination of: (1) very high levels of productive investment, making for fast transfer of newer techniques into actual production; (2) more investment in certain key industries than would have occurred in the absence of government intervention; and (3) exposure of many industries to international competition, in foreign markets if not at home. ... Using incentives, controls, and mechanisms to spread risk, these policies enabled the government to guide governed-market processes of resource allocation so as to produce different production and investment outcomes than would have occurred with either free market or simulated free market policies (Wade, 1990: 26-27).*

Fligstein (1996) identifies four fundamental elements that can be used to govern market irrespective of typologies: (1) property rights, (2) governance structure, (3) conceptions of control and (4) rules of exchange. The performance of any type of market depends on the embeddedness of these elements in the social structure of the society. Accordingly, property rights imply the social relations that define claims to profit. Governance structure refers to institutions that define competition, cooperation and internal organization of firm. Conceptions of control denote understanding of structure of perceptions on how the market works and allow actors in their own way to externally interpret it but in control of situations. Rules of exchange refer to the conditions under which transactions should be carried out (Ebner & Beck, 2008; Fligstein, 1996).

### **3. Market governance: post-1991 dynamics**

#### **3.1. The social and political construction of Post-1991 market**

The EPRDF-led government issued three basic documents that stipulate the pathway to the post-1991 economic order. One was the New Economic Policy (NEP), which was promulgated in 1991 aimed at strengthening the private sector. The second document was “Ethiopia’s Economic Policy during the Transitional Period” which focused on how to reconstruct post-conflict economic order in partnership with the World Bank and IMF. This policy document paved the way towards to Ethiopia’s qualification for structural adjustment program (SAP) benefits. The third document was introduced in 1992 which was entitled as ‘Emergency Recovery and Reconstruction Program (ERRP).’ It intended to obtain foreign aid from both

multilateral and bilateral donors. The three documents were the milestone in the reconstruction of post-1991 economic order (Milkias, 2011)

The reconstruction process of market as noted earlier started in 1992 and gained constitutional status in 1995 (HPR, 1995). The legal basis of the market construction was formulated in article 40 (property rights) and 89 (economic goals) of the 1995 constitution. In addition, various trade and investment proclamations of 15/1992, 30/1997, 329/2003 and 769/2012 provided the necessary legality to the development of the market economy. It must be, nevertheless, noted that the 1995 constitution does not explicitly designate free market as an economic system.

These legal instruments have resonated the opening up of the economy and the beginning of liberalization. They also differentiate the realm of interactions and role of actors by delineating an exclusive domain for the state regarding distribution of electricity, postal service and airways (with more than 50 passengers). It reserves telecom and defense industry as joint venture business between state and foreign companies or domestic companies. It also allots a space for domestic actors exclusively on retail and whole sale trade, import and export trade of row commodities, bakery, hotel, travel agency, commercial transportation, printing industry etc. Some economic activities are allowed for joint ventures with foreign investors (Merso et al., 2009; Milkias,2011).

The liberalization process of early 1990's was undertaken with the aim of retaining major economic infrastructure under state or state affiliated bodies. The initiative of the reform was initially undertaken under the tenets of revolutionary democracy and later consolidated under the spirit of the developmental state (Milkias, 2011). Most of the state owned public enterprises were transferred to the domestic private sector. The involvement of foreign investors in the economy was limited by legal barriers. The liberalization of the economy began in two phases, namely, (1) structural adjustment program facilities (1993-1996) and (2) enhanced structural adjustment facilities (1996-1999) under the supervision of World Bank and IMF. A wide range of reforms were implemented including privatization, devaluation, and deregulation (Abegaz, 1999; Dercon, 1995; Geda, 2001).

Although EPRDF consented to fully open the economy; it did not open all sectors to the market. Therefore, the liberalization process was applied to selected sectors and the regime adopted a

gradual and careful approach during the process (Geda 2015). Moreover, it has retained command and control over strategic resources. The trend marks continuity of the legacy of economic governance and the peculiarity of the Ethiopian first and second generation reform.

The government has also introduced a different set of reforms in rural areas to strengthening the liberalization of rural economy. Some of the key reform measures includes: decollectivization, liberalization of the agriculture market, land registration and commercialization. One of the leading agricultural reforms in post-1991 is the decollectivization of collective agriculture that was introduced in late 1970's. The collective agriculture practice seems to provide fewer incentives and had stagnated the agricultural productivity. Hence the new government under EPRDF leadership made a decision to lift the collective agriculture practice. In fact, the reform helped to increase the volume of the agriculture products. Likewise, another reform was proclaimed i.e the liberalization of the agriculture market. It lifted a quota delivery and fixed price system of the agriculture products. The third major reform is the land certification scheme that was initiated in the late 1990's. In Ethiopia farmers have a usufruct right and land is under state control as noted elsewhere (Crewett & Korf, 2008). The land tenure system, as described by different scholars, acted as a disincentive and made the farmers insecure (Bezabih et al, 2011; Bezu, & Holden 2014). So the government introduced the land certification schemes. According to Scholars Deininger et al (2008), Bezu, & Holden (2014) the land certification scheme yielded a positive impact on agriculture production. Commercialization is another initiative taken by the government to create upward and backward linkage of market to the rural farmers. It generated different opportunities and helped to integrate farmers with different levels and supply line of the market (Gebremedhin et al,2006). All these reforms consolidated the bases of rural market in post-1991 Ethiopia.

### **3.2. The performance of the economy and the role of market**

Ethiopia has registered remarkable economic performance with an annual average growth rate of 10.9% in the past decade. The GDP increased to \$ 47 Billion by the end of 2012/13 where agriculture accounted for 43% in contrast to 51% share in 2007 (Rahmato et al., 2014). The agricultural sector generates over 70% of export values and employs 85% of the total labor force. The share of the service sector has been increasing in the past decade and reached 45% in 2013 from 39.8% in 2007 (EEA, 2014). However, the share of industries remained low

accounting for just around 18.5 % (UNDP, 2015). The following table (Table 1) indicates the trend of economic growth in Ethiopia in the last decade.

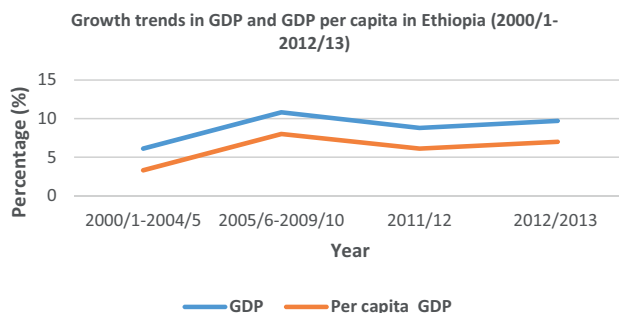
Table 1: Growth rate in Ethiopian Economy

Sectors of the economy					
Period	Agriculture	Industry	Services	GDP	Per capita GDP
2000/1-2004/5	5.6	7.9	6.4	6.1	3.3
2005/6-2009/10	8.3	10.3	14.2	10.8	8.0
2011/12	4.9	17.1	10.6	8.8	6.1
2012/2013	7.1	18.5	9.9	9.7	7.0

Source: EEA Report on Ethiopian economy (2014)

The remarkable economic growth has been attributed to reforms and opening up of the economy which was undertaken in the early 1990's (Bigsten et al., 2003; Geda & Berhanu, 2007). The steady economic growth (See: Figure 2) made Ethiopia one of the fastest growing non-oil economies in sub-Sahara Africa.

Figure 2: Ethiopia's Economic growth trends (2000/1-2012/13)



Source: EEA Report on Ethiopian Economy (2014)

It prompted remarkable growth and transformation in the agricultural sector with 8 % annual growth, and the poverty level (head count ratio) reduced to 29.6% from 44% in 2000 (Dorosh & Rashid, 2013, WorldBank,2015). Table 2 shows some basic data on economic

transformation and change in Ethiopia in the last decade. A graphical representation of the trends is provided in Figure 3.

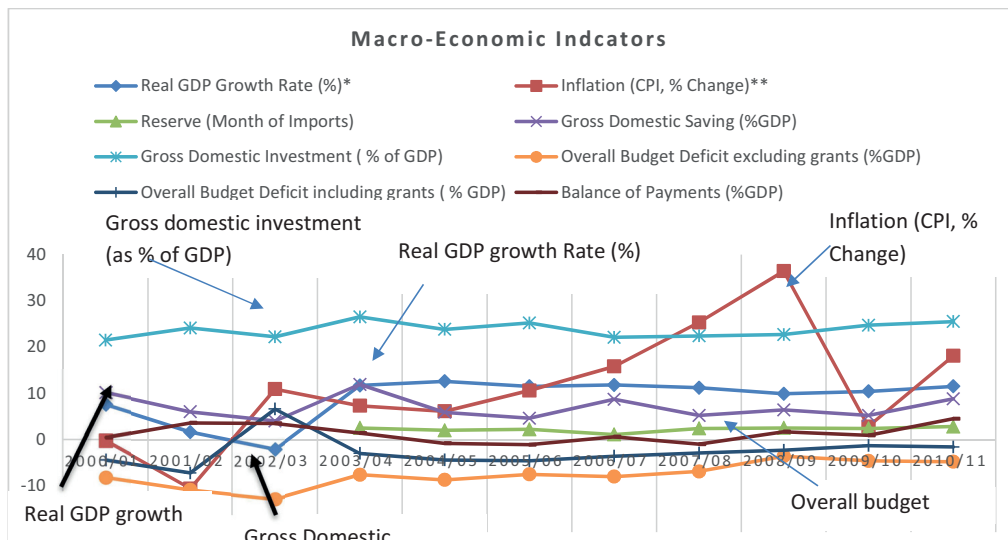
Table 2: Ethiopia’s macro-economic outlook (2000/1-2010/11)

Sector/Indicator	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009/	2010/
	/1	/2	/3	/4	/5	/6	/7	/8	/9	10	11
Real GDP Growth Rate (%)	7.4	1.6	-2.1	11.7	12.6	11.5	11.8	11.2	9.9	10.4	11.5
Inflation (CPI, % Change)	-0.3	-	10.9	7.3	6.1	10.6	15.8	25.3	36.4	2.8	18.1
Reserve (Month of Imports)	N/A	N/A	N/A	2.5	2	2.2	1.1	2.4	2.5	2.4	2.8
Gross Domestic Saving (%GDP)	10	6	4	11.9	5.9	4.6	8.7	5.2	6.4	5.2	8.8
Gross Domestic Investment ( % of GDP)	21.5	24.1	22.2	26.5	23.8	25.2	22.1	22.4	22.7	24.7	25.5
Overall Budget Deficit excluding grants (%GDP)	-8.2	-	-	-7.6	-8.7	-7.5	-8	-6.9	-3.6	-4.6	-4.8
Overall Budget Deficit including grants (% GDP)	-4.4	-7.2	6.6	-3	-4.4	-4.6	-3.6	-2.9	-2.3	-1.3	-1.6
Balance of Payments (%GDP)	0.4	3.6	3.5	1.4	-0.8	-1.1	0.6	-1	1.7	0.9	4.5

Note: N/A = Not available,

Source: MoFED (2014)

Figure 3: Trends of macro-economic indicators (2000/1-2010/11)



Source EEA Report on Ethiopian Economy (2014)

Likewise Ethiopia's export sector has recorded a fivefold growth rate in the past decades. The export size has tremendously increased from 483 Million USD to 2.7 Billion USD in the year between 2000/01-2010/11 (EEA, 2013). The growth rate is equivalent to 25% which is more than double of the average growth rate of the past four decades (1960/61-2000/01). The primary agriculture commodities consist of the major share which is nearly 70% of the export. The share of the agriculture export has significantly increased including export of commodities such coffee continues to be the leading export item accounting for 24 % of total export values, followed by gold (19 %), oil seeds (14 %), Khat (9 %), pulses (8 %), flowers (6 %) and live animals (5 %).

As indicated by the above figures, the export sector has been showing a tremendous growth in the past decade. The private sector played a crucial role in the increasing size of the export sector. However, there are controversies on the contribution of the private sector to steady economic growth. Some argue that the state should take the credit for improved economic performance for investing heavily in infrastructure and has been actively involved in development through intervention and control. Whereas others argue that, the private sector should be acknowledged for the recent economic success, as it played a major role in expanding the export share through active participation and diversification of products (Deneke, 2011; Kolli, 2011).

#### **4. Challenges of Post-1991 economic reform and market governance: an overview**

The post-1991 market has experienced governance challenges. These challenges emanated partially from the construction of the market itself (structural), and partly from its performance (operational). The structural problems pertain to institutional foundation and policy conundrums related to market. This is because the market itself was constructed as a state-led coalition of private- public ownership with strict regulation (Abegaz, 1999). The state is active in controlling and regulating the market by constitutional and other legal instruments.

Merso et al. (2009) identifies five major challenges that occur from the heavy involvement of the state in the economy: (1) monopoly and dominance of the public sector, (2) price control by state except on agricultural commodities (3) distorted financial market (4) inconsistent tax administration and (5) unfair competition. In fact, these challenges are not

considered as problems since the state adopted a developmental model in governing the market. Accordingly, the activity of the private sectors was regulated by established guidance. However, there are critics regarding established guidance as not completed and lack institutional grounds. Furthermore, there are debates about market's role in the economy in particular and market governance in general. Some argue that the current Ethiopian economy is a semblance of state/national capitalism and others counter-argue that it is market based economy but operates under strict regulation of the state (Abegaz, 2013).

In spite of all the debates and discussions, little research has been done to explore the nature and dynamics of the post-1991 Ethiopian market. In fact, some studies have been carried out on agriculture market in general and grain market in particular (See for example, Dadi et al., 1992; Dercon, 1995; Franzel et al., 1989; Gabre-Madhin, 2001; Gabre-Madhin, 2001; Jayne et al., 1998; Osborne, 2004, 2005; Pickett, 1991). However, in-depth studies on the nature of market in general and market governance in particular have remained inadequate.

As discussed earlier, market governance refers to a dynamic ensemble of institutions and set of rules or norms that are designed to govern the operation of market and its relation with state and other actors (Coen & Thatcher 2005; Ebner & Beck 2008). It comprises property rights, governance structure and rules of exchange (Fligstein, 1996). In the following paragraphs we attempt to explore the practice of market governance from these perspectives.

#### **4.1. The practice of post-1991 market governance**

##### **4.1.1. Property rights**

Property rights, particularly land rights, continue to be a contentious issue in post-1991 politics (Crewett & Korf, 2008; Crummey, 2000; Deininger & Jin, 2006; Pender & Fafchamps, 2006; Teklu, 2004). The source of contention is the constitutional right vs. the limit of the state power on property. The 1995 constitution under Article 40 enshrines property rights as a natural right of citizens. At the same time, the same Article gives a prerogative power to the state to revoke property rights of citizens for the common interest of the public. The dispute arises on where should be the limit of the state power. And how is it to be limited? (Abegaz, 2004; Ali, Dercon, & Ghautam, 2007; Deininger & Jin, 2006). The contention on property rights is highly reflected in matters of tenure security.



In post-1991, land has emerged as a key resource in mobilizing and controlling society. The EPRDF-led government uses land as an effective instrument to empower its supporters and marginalize its opponents (Lefort, 2010). The land market is distorted and the price of land has been soaring multiple folds from time to time (Deininger et al., 2003; Kebede, 2008; Pender & Fafchamps, 2006; Teklu, 2004). According to Teklu (2004) scarcity is created by a shortage of land supply in the land market. Some scholars like Rahmato and Assefa (2006) and politicians like Gudina (2008) criticize the state for using land as a weapon to get consent, have control over, appease dissent, and pay off supporters.

The appropriation and total control over land by state as Deininger and Jin (2006) noted causes serious constraints on performance of market economy and property rights of citizens. Without commoditization, land market cannot be fully liberalized and transformed as a functional institution. Besides land, the state significantly controls energy, telecom, communication, water supply, cement, tobacco, textile, banks and insurance companies. The total proportion of state control is estimated to be 50% of the total value production of medium and large industries and 70% of the value of modern economic activities (Merso et al., 2009). Moreover, the state covers 87% of the total investments as compared to 13% by the private sector (Ibid) .

The scenario described above seems to support the argument by Fligstein (1996: 658) on issues of property rights, that ‘property rights are social relations that define who has claims on the profit of firms’. The reason appears to be the lack of shareholding firms in the structure of the market. In Ethiopia, the firms which are owned and run by the private sector in the form of shareholding business are few in number and smaller in size as compared with the public sector (World Bank, 2013). The government owns major parastatal (public) enterprises that are considered as the backbone of the economy. The ruling party affiliated business enterprises (endowment funds) control the remaining firms (Eifert et al., 2008; Gudina, 2003; Negash, 2008; Tashu, 2003; Vaughan & Gebremichael, 2011).

Property rights, particularly land tenure security, are a critical issue in rural Ethiopia. As noted elsewhere, farmers are entitled to usufruct right. They do not have full control over land. Land is under direct control of the state (Crewett & Korf, 2008). Scholars like Bezabih et al (2011); Bezu, & Holden (2014) and Deininger et al (2008) consider the land certification scheme has a robust impact on economic growth. Ege (2017), however, contested their argument and noted

that the certification schemes did not make any impact on economic growth. Yet, the land certification schemes granted some level of tenure security for farmers and incentivized them to increase the volume of agriculture production that could be a driving force for rapid economic growth.

#### **4.1.2 Governance structure**

The governance structure bears on the legal framework that guides the competitions, cooperation and organization of firms (Fligstein, 1996). It provides legal ground for competition and cooperation as well as anti-trust and anti-cartel legal frames for illegal activities. The embeddedness of these institutions in the social structure is essential for the functioning of the market. In Ethiopia the competition of firms in the market is governed by proclamation 320/2003 entitled practice of trade. It is considered as the antitrust law of the country.

As Tashu (2003) and Vaughan and Gebremichael (2011) noted the post-1991 market governance structure reveals lack of fair competition. The reason for this is attributed to the monopolistic control of trade and commerce activities by state -run public enterprises and affiliated businesses. Accordingly, the party owned (EPRDF related) business firms enjoy exclusive protection (Abegaz, 2013; Vaughan & Gebremichael, 2011). Furthermore, most of the successful business firms in the market are either related to the state or the ruling party. As one interviewee<sup>4</sup> claims, 'these firms known as front line business belong to former EPRDF members or party affiliated individuals known as EPRDF supporting groups or developmental investors 'Exclusive protection and evident privilege in tax collection and other benefits make these business firms successful in the market. Lack of fair relations of competitions pushes many business men into the underground economy that tremendously affects the economy and transformation of market institutions in post-1991 Ethiopia (Abegaz, 2013).

As Fligstein (1996) noted, conceptions of control or 'local knowledge' implies understanding and controlling over actors' behaviors and perceptions in the market. The perception and behaviors of actors in the market is another challenge of post 1991 market economy. If the market is to operate as an efficient engine of economic growth, the people in general and the

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4 Interview with prominent scholar and politician , February 2012 Addis Ababa

actors in particular should have embedded social capital. In this regard, two parallel developments have been emerged in the urban and rural realms. The urban areas saw a surge of new kind of commercialization practices. The motive of actors in urban market seems to be amassing lucrative profit by any means. Consequently, there are wide spread practices of deliberate hoarding of goods and key commodities to create shortage of supply in the market. In response, customers developed the practice of buying commodities as early as possible if they sense that there will be imminent shortage in the market. Though the state took several measures, including introduction of parallel hierarchical line of supply besides the market for basic commodities, it has failed to curtail this practice. Conversely, in the rural realm, people still exercise the old mode of commodity exchange in the form of gift and redistribution (Fatchamps, 2004 ).

#### **4.1.3 Rules of exchange**

Rules of exchange is another component of market governance suggested by Fligstein (1996). It implies clearly defined modality of exchange and transaction of goods in the market. There are different regulatory institutions to govern market infrastructure, market information system, modalities of exchange, labor supply, exchange of money and enforcement of contracts (Ebner & Beck, 2008). These complex sets of institutions govern separately interdependent market activities and are supposed to avoid conflict and illegality. They also shape patterns of trade and determine the extent of effective resource allocation mechanisms (Fatchamps, 2004 ).

The post-1991 market exhibits a myriad of problem in exchange of goods and services. The core problem has been attributed to the failure to develop viable institutions that govern multifaceted elements in the product, financial and labor markets. The product market is characterized by structural and functional complexities in relation to transaction process, transaction cost and transactional enforcement. The long chain of supply and high rate of transaction cost are a major structural problem in product market (Dercon, 1995; Gabre-Madhin, 2001; Gelan, 2002). In fact, there has been improvement in the commodity market, particularly in agricultural commodities of coffee and sesame, after the introduction of the Ethiopian Commodity Exchange (ECX) (Gabre-Madhin, 2012). However, the transaction cost of goods remains high; the chains of supply are long; the information asymmetry is pervasive; and inflation is persistent( Osborne, 2005; G. Tadesse & Guttormsen, 2011). Additionally, the market is exposed to illicit activities

due to different barriers in the entry and exit route (license); irregular customs and tax system, lack of contractual frame in the transaction of goods, and absence of functional dispute settlement mechanisms in the transaction of goods (Gelan, 2002).

The financial market(banking, insurance, credit, stock market)has not fully evolved with all necessary finance and capacity to provide capital to customers (Addison & Geda, 2001; Peterson, 2001). The state controls a large share of the financial sector; 52% of banking, 78% of insurance, and 97% of credit supply respectively. Though the financial sector has been privatized to some extent for the domestic investor, it is still closed to foreign based international financial institutions (Addison & Geda, 2001). Labor is abundant but the labor market is not systematized and institutionalized. Deficiencies in the standardization of skills, payment for skills and regulatory institutions are leading problems in the labor market (Barrett & Clay, 2003; Bigsten et al., 2005; Dercon, 2006).

## 5. Market Performance in Rural Ethiopia: Empirical Evidence

This section presents the findings of the survey and interviews in an attempt to investigate the form and activities of the local market in rural Ethiopia. The key subjects addressed in this section are property rights, chains of market integration, transaction & transaction costs, information asymmetry, legal enforcement institutions, mode of contractual agreement and access to the market. A questionnaire survey, key informant interviews and focus group discussions were used to gather peasants' opinion on the performance of the rural market. Table 3 gives an overview of the respondents' socio –economic background.

Table 3: Socio-economic background of Respondents (N= 524)

Background	Category	n	%
Occupation	Farmer	484	92,4
	Others	40	7,6
Education	Illiterate	225	42,9
	Primary	240	45,8
Age	31-50	318	60,7
	51-70	140	26,7
Gender	Male	487	92,9

	Married	483	92,2
Household income (in ETB)	< 100 ETB	119	22.7
	101-300	156	29.8
	301-500	126	24.0
	> 500 ETB	123	23.5
	Total	524	100

Source: survey data (2011/2012)

Majority of the respondent households were headed by men (i.e. 91.4 %, n=487), married (90.6 %; n=483), between the age range of 31-50 years (41.9%, n =225), illiterate (44.9 %; n =240), farmers (90.8%, n = 484).About a third (29.8%, n = 156) of the households earn a monthly income below 300 Ethiopian Birr (i.e. 15.8 USD). Respondents' view on local market performance is given in Table 4.

Table 4: Respondents' views on local market performance (N= 518)

Indicators	Mean	SD	Households' Ratings						Total (%)
			DK	SD	DA	UD	AG	SA	
1.Property right of local people is fully respected	4.3	0.82	9(0.8)	3(0.6)	10(1.9)	34(6.6)	235(45.4)	232(44.8)	518(100)
2.High transaction cost is constraints for market integration and good supply	3.4	1.04	11(2.1)	1(0.2)	73(13.7)	155(29.9)	201(38.8)	77(14.9)	518(100)
3. The chain of market integration and supply of goods is limited	3.1	1.10	9(1.7)	4(0.8)	149(28.8)	141(27.5)	151(29.2)	64(12.4)	518(100)
4. The transaction of goods is facilitated by contractual agreement	2.0	1.16	51(9.8)	93(18.0)	237(45.8)	65(12.5)	62(12.0)	10(1.9)	518(100)
5.Local people get all necessary information about market	2.9	1.06	4(0.8)	29(5.6)	165(31.9)	155(29.9)	130(25.1)	35(6.8)	518(100)

Source: Survey data (2011/2012)

Notes: DK= don't know, SD = strongly disagree, DA = disagree, UD = undecided, AG = Agree, and SA = Strongly Agree; figures in parenthesis are percentages

### **5.1 Property rights in rural realm**

As seen from the table, the respondents seem to have a positive view on existing property rights. Most of the rural respondents agree that their property rights are properly respected. The results from the three different regions show that peasants have secure property rights. Accordingly, 45.4% (N=235) of the respondents agreed and 44.8% (N=232) strongly agreed about protection and enforcement of secure access to property. This was also confirmed in focus group discussions. However, they noted that shortage of land is a critical problem for agricultural transformation.

It is interesting to note that the survey results in this regard actually deviate from the information received through key informant interviews at the national level. The scholars and public figures who were interviewed argue that insecurity of property rights is the major setback in the evolution of functional market structure in rural Ethiopia, particularly in relation to land ownership rights. Several other studies regarding this issue argue that the right to land ownership is the main obstacle to protection and enforcement of property rights in rural Ethiopia (see for e.g., Dessalegn, 1985 and 2009).

This difference in perception between the rural peasants and the scholars and public figures is interesting. It could be that the peasants mostly use land as a means of production rather than as a means of exchange. Even when they do not have titles to land, they may enjoy a certain level of security of tenure for production purposes. The scholars and public figures might well be influenced by the idea of the primacy of land titles so that land could be exchanged in the market in order to create a land market, or used as collateral for borrowing money for further investments on land.

### **5.2 Rule of exchange in rural market settings**

As noted elsewhere, the rule of exchange refers to the modality of exchange and transaction of goods in the market. In the context of the rural market, the rule of exchange primarily encompasses transaction cost, information asymmetry, contractual agreement and to some extent market integration. In this section, we are presenting the empirical evidence about transaction cost, information asymmetry, contractual agreement and market integration from the study areas.

### 5.2.1 Market integration

Besides property rights another major challenge in rural market is its integration with the national supply lines. Among the respondents, 29.2% (N=151) agreed and 12.4% (N=6564) strongly agreed with this. Whereas 28.8% (N=149) disagree and 26.5% (N=141) neither agreed nor disagreed about local market integration with national supply lines. However, from the focus group discussions and interviews conducted with peasants what we understood is that a weak integration of local market with national supply lines is indeed a problem. So the peasants have no option but to deliver their products either to petty merchants in nearby towns or to local middlemen. The problem is rampant in areas where cash commodities such as coffee, pulses and sesame are being produced.

The evidence from the experience of Jimma area shows that the majority of households produces garden coffee and earns their livelihoods through coffee sale. The coffee supply chain as explained by the farmers is as follows. The farmers sell their products to locally licensed ‘Sesabies’ (primary coffee collectors). These collectors deliver the coffee products to ‘Askrabies’ (suppliers) in regional towns. Then the suppliers provide the coffee for auction to ECX (Ethiopian Commodity Exchange). Finally, exporters, who involve in the auction, export the coffee to the international market. The supply chain is thus centralized. As one interviewee at Gerema noted:

*We sell a kilo of coffee beans for just 10 Birr but our coffee is being sold at 100 Birr in Addis Ababa. The distance between here and Addis Ababa is not more than 350 kilometer. But you can see the price difference, 90 Birr. Can you imagine the market injustice? We are not benefiting from our products though we spent seven to ten years of caring for the plant. If we could sell for 50 Birr it would change the life of our entire family. Not we! Rather brokers and traders get rich of our products without adding any value to it.<sup>5</sup>*

The comment made by the farmer clearly manifests the anomalies of the market. One more case from Chano Mille, a locality known for production of different tropical fruits, indicates the same evidence. The production is seasonal and farmers do not get access to market during the harvest time. The market is manipulated by brokers who buy fruits on the farm and sell to wholesalers

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5 Interview with a farmer, Januray 2012 Gerema Kebele , Jimma area

who in turn deliver to the national market. The brokers play a key role in marketing process because they are intermediaries between farmers and merchants. Farmers rarely get the opportunity to supply their products to wholesalers. As one of the local elders described:

*As you see our area produces a lot of fruits. Fruit production is seasonal and perishable. The fruit that we throw away after harvest is much more than we sell due to lack of market. We are located adjacent to the road but that has not helped us in getting market access. If we get help to preserve and add value to our product, we could benefit from our production. However, birds and animals are beneficiaries of our product. We produce to feed them.<sup>6</sup>*

### **5.2.2 Transaction costs**

Another major challenge in the rural market performance is the ever increasing transaction cost. Accordingly, at the entry point commodities are underpriced when supplied by peasants and overpriced at the exit point when sold to consumers. There is little or no value addition in the transaction process, but the price keeps increasing with each transaction. As the survey result shows, 53.7 % of the peasants believed that high transaction cost is a major constraint in the local market performance where as 45.9% of the respondents assume that the transaction cost is not a challenge. Most of these farmers seem to produce for subsistence rather than market exchange, and hence transaction costs are not so relevant for them.

### **5.2.3 Information asymmetry**

The local market performance is further upset by the absence of well- organized and operational national and regional market information system. As noted in Table 4, 31.9 % (N=165) of the respondent did not agree, 29.9 % (N=155) neither agreed nor disagreed, 25.1 % (N=130) agreed and 6.8 % (N=35) strongly agreed about information asymmetry as a major structural problem in rural markets. However, the survey finding contradicts with key informant interviews. The key informants pointed out that the rural communities rarely get adequate information about transaction and exchange of goods. The infrastructure for providing market information is weak and fragile.

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<sup>6</sup> Interview with a farmer, December 2012, Chano Mile Kebele SNNPRS



The problem by and large seems to be related to communication barrier. Though significant improvements have occurred with the expansion of telecommunication services, particularly cell (mobile) phone service, information asymmetry has remained a major challenge in rural communities for two reasons. First, the distribution of communication apparatus is very limited. The recent CSA (2013) data reveals that the distribution ratios are 2:10 for radio, 6:1000 for TV sets, 3:1000 for land line telephone, and 4:1000 for mobile phones. Second, there is a lack of agency and structure that provides information about the market to the rural community. Furthermore, the limitations are not only in terms of appropriateness to the level of understanding by local communities, but also its weakness with respect to lack of embeddedness adjusted to the educational level of the rural population. The information asymmetry has denied farmers access to alternative markets.

#### **5.2.4 Contractual agreement**

Contractual agreement and its legal enforcement is another major setback. Except land transaction all other deals are made by trust and reputation. But these deals make peasants vulnerable to systematic usurpation. As can see from the survey results depicted in table 4, the majority of the respondents confirmed that the transactions of goods are dealt without contractual agreement. The practice and culture of dealing transaction with contractual agreement, therefore, is poor. The result shows that 45.8% (N=237) respondents disagree and 18% (N=93) and strongly disagree respectively to the question. While only 12% (N=62) agree and 1.9% (N=1.9) strongly agree with the question raised. All these findings indicate lack of viable market governance structure at the local level.

#### **5.3 Group differences in local market performance**

In order to find out the extent to which households assess the market performance indicators one-sample t-tests were run comparing respondent's mean scores on each indicator against a criteria (i.e. Test Value = 4, i.e. "agree" to positively stated items and Test Value = 2 i.e. "disagree" to negatively worded items). The results are summarized in Table 5 below.

Table 5: One-sample t- test on respondents views on local market performance (Test value = 4a) (N = 518)

Indicators of market performance	Mean	SD	t
1. Property rights of local people is fully respected	4,30	0.83	8.15*
2. High transaction cost is a constraint for good supply a,b	2,45	0.95	11.40**
3 The chain of market integration and supply of goods is limited a,b	2.75	1.03	16.51
4. The transaction of goods is facilitated by contractual agreement	2.05	1.16	-38.24
5. Local people get all necessary information about market	2.93	1.06	-22.85

Source: Survey data (2011/2012)

\*p < .05, \*\*p< .01

Notes: a. Items are reverse coded, b. Observed means are compared against a “Test Value” = 2 (meaning, “Disagree”) for negatively worded questions; C. Observed means are compared against a “Test Value” = 4 (meaning, “Agree”) for positively worded questions

According to the results of One-Sample t-test (where the Test value = 4 or “Agreement” to the statements taken as criteria for comparison with the observed Means), were statistically significant with the maximum t-value obtained in case of the first item: protection of “property right of local people” in their respective localities (Mean = 4.30, SD = .83; t (517) = 8.15, p >.05). Whereas we found the minimum t-value in the fourth item “the transaction of goods is facilitated by contractual agreement” (Mean = 2.05, SD = 1.16; t (517) = -38.24, p < .05). These findings suggest that in relation to the five indicators of market performance, regardless of differences in terms of region, gender, educational status, and income levels, the respondents’ rated the performance of the market in the rural realm as unsatisfactory. In particular, a closer look of the mean scores show that negatively worded items (i.e. Items 2 & 3) have mean score values larger than 2 (meaning “Disagreement” to the idea) and the positively stated items have means less than 4.00 (showing, ‘agreement’ to the idea) except the first item regarding “Local people’s property right”. This indicates that significantly low mean scores on items 4 and 5 with negative t-values generally suggest unfavorable ratings.

#### 5.4 Regional and Income effects

Likewise, regional and income effects on households' response to market performance indicators have been explored. The results are summarized in Tables 6 and 7.

Table 6: Mean scores and Standard deviations (SDs) of indicators of market performance at the local level (N = 518)

Region		Property right of local people is fully respected*	High transaction cost is a constraint for good supply	The chain of market integration and supply of good is limited	The transaction of goods is facilitated by contractual agreement	Local people get all necessary information about market
Oromia	Mean	4.25	4.08	3.25	1.82	2.95
	SD	0.82	0.79	1.21	1.11	1.05
Amhara	Mean	4.08	3.03	2.81	1.85	2.36
	SD	0.8	0.75	0.76	1.0	0.81
SNNPRS	Mean	4.58	3.11	3.48	2.56	3.51
	SD	0.79	0.11	1.17	1.23	1.1
Total	Mean	4.3	3.48	3.18	2.05	2.93
	SD	0.83	1.05	1.11	1.16	1.06

Source: Survey data(2011/2012)

Note: \*Data with "Don't Know" response excluded from the analysis

As shown in Table (6), the mean values for Amhara National Regional State are lower for all indicators as compared to the other regions. Table 7 summarizes the univariate ANOVA results by taking into consideration "Household income" and "Region". Other background variables were not considered since they did not produce significant effects.

Table 7: Effects of regional variation and household income differences in assessing market performance at local level (N = 518)

Source	F	Sig.	Partial $\eta^2$
The chain of market integration and supply of good is limited			
Region	12.89	.000	.065
Income	6.76	.000	.013
Income x Region	7.44	.000	.093
a. R Squared = .283 (Adjusted R Squared = .267)			

Property right of local people is fully respected			
Region	5.15	.006	.020
Income	1.32	.269	.008
Income x Region	.943	.464	.011
a. R Squared = .082 (adjusted R Squared = .062)			
High transaction cost is a constraint for supply of goods			
Region	48.89	.000	.216
Income	3.08	.028	.028
Income x Region	7.65	.000	.083
a. R Squared = .333 (adjusted R Squared = .319)			
Local people get all necessary information about market			
Region	20.17	.000	.074
Income	3.03	.029	.018
Income x Region	7.42	.000	.081
a. R Squared = .254 (adjusted R Squared = .237)			
The transaction of goods is facilitated by contractual agreement			
Region	8.11	.000	.031
Income	.282	.838	.002
Income x Region	13.87	.000	.141
a. R Squared = .243 (Adjusted R Squared = .226)			

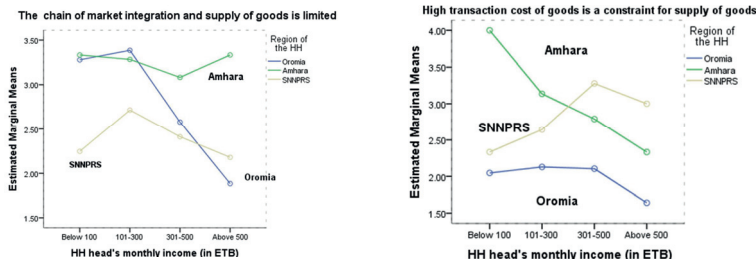
Source: survey data 2011/2012

The study found statistically significant effects for “region” and “household income” in the majority of market performance indicators identified. In other words, local people generally vary in their perceptions of the market depending on which region they live and their monthly income. However, as compared to “household income”, the effect of “region” consistently shaped local peoples’ views of market performance.

Specifically, statistically significant regional differences (see: Table 7) were found in all the five market performance indicators which assessed their perceptions related to rights to property (“Property rights of local people is fully respected”) ( $F = 5.15$ ,  $p < .01$ ), and access to market information (“Local people get all necessary information about market” ( $F = 20.17$ ,  $p < .01$ ); their views on market situation with respect to value chain (“The chain of market integration and supply of goods is limited”) ( $F = 3.44$ ,  $p < .05$ ), and transaction costs of goods (“High transaction cost is a constraint for supply of goods”) ( $F = 69.63$ ,  $p < .01$ ,  $\eta^2 = .216$ ), and orderly conduct of market activity (“The transaction of goods is facilitated by contractual agreement” ( $F = 8.11$ ,  $p < .01$ ;  $\eta^2 = .031$ ). Likewise, the effect of household income was found to be significant only in

cases associated with access to market information ( $F = 3.03, p < .05, \eta^2 = .018$ ), supply constraints due to high transaction costs ( $F = 4.88, p < .01; \eta^2 = .031$ ) and poor market integration of the value chain ( $F = 11.65, p < .01; \eta^2 = .013$ ).

As noted earlier, the Omnibus F tests on the five proxy indicators of market performance revealed that the three regions i.e. Amhara, Oromia, and SNNPR were not the same. To identify which region or regions are responsible for the overall significant main effect, a post hoc pairwise mean comparisons were conducted. Discernable regional variation were found regarding the constraining effect of ‘high transaction cost of supply of goods’ in which case, Amhara scored significantly higher means ( $p < .05$ ) followed by Oromia and SNNPR in that order. Similar pattern of regional differences were evident with regards to the “chain of market integration” which local people perceive as limited. Nevertheless, in both cases, there exists statistically significant interaction effect that results from variations in household income in which case, households with the lowest (Below ETB 100) and highest (ETB 500 and above) income brackets in Amhara and Oromia exhibited more or less similar views. Accordingly, as illustrated in Figure 4, households in Amhara and Oromia with the lowest monthly income tend to endorse the idea that transaction costs are high and the market integration is poor in sharp contrast with the highest income (above 500 ETB) category who tend to disagree with the same idea. It is interesting to note, however, the household’s response in SNNPRS is quite different from their counterparts in Amhara and Oromia in which case the former behaved contrary to the latter two regional states.



Source: Survey Data (2011/2012)

Figure 4: Income by region interaction for ‘market integration’ (left) and transaction cost (right)

As illustrated in Figures 4 and 5 , the mean perception scores in Amhara were the lowest (showing disagreement) followed by Oromia and SNNPR in relation to the local peoples’ access to market information and the facilitation of transaction of goods via contractual agreement, once again there are discernable patterns of interaction that results from differences in household income.

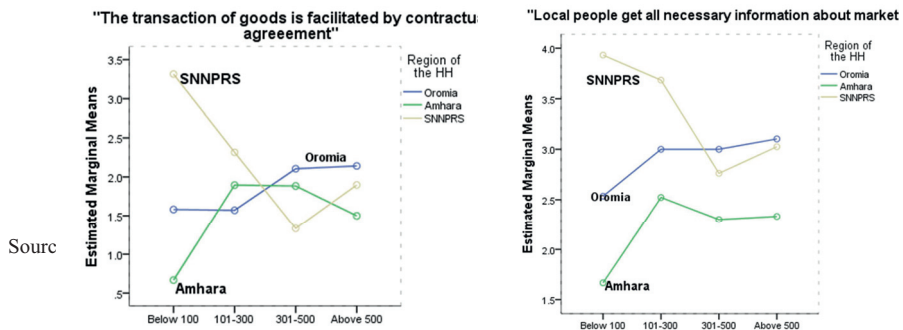


Figure 5: result about the interaction of income by region with contractual agreement for transaction of goods” (left) and access to market information (right)

Accordingly, in contrast to SNNPR where households with the lowest income category reported more positive perception, the assessment of households in the lower and highest income brackets in Amhara and Oromia contrasts sharply with those of highest income group.

## 6. Conclusion

Innovative economic institutions are expected to play a vital role in enabling wealth creation and efficient resource allocation. Specifically, market is considered to be the most efficient driver of economic growth. In Ethiopia, although the post-1991 economic order purportedly freed the market, it still operates under strict control of the state. Nonetheless, despite government’s disproportionate role, it is evident that the past decade has witnessed steady economic growth driven by government’s massive investment in infrastructure. However, the low level of

performance of the market in both rural and urban areas may be attributable to several factors related to challenges of embeddedness of market principles put in place at macro level. The constitutive local institutions and networks of interactions are not strong. In this regard, the fundamental elements of market governance such as property rights, governance structure, and rules of exchange, are not evident in the urban and rural contexts of practice..

The post-1991 market has exhibited challenges in relation to structural and operational problems. The structural problems related to institutions and policy conundrums include the dominant role of the state, a distorted financial market, inconsistent tax administration and unfair competition. Operational problems, on the other hand, are related to the performance of the market and its governance practices. In this respect, governance structure, and the rules of exchange in product and factor market are also problematic.

It would seem that the structure of property rights in general and land rights in particular is an obstacle to the evolution of a functioning market. There are also significant problems regarding the institution of contractual agreements, the market information systems and rules of exchange such as transaction of goods, transaction costs, and legal enforcement mechanisms. Institutional regimes and regulative frameworks are absent in rural localities. Furthermore, our study shows that the local people believe that their property rights are respected and they are secure in possessing property. In fact, the survey results contradict with the interview findings. Considerable number of scholars believe that property rights, particularly absence of secure land tenure right, is a major problem for rural market performance.

Moreover, the findings indicate that local market integration is weak and the market information system is not sufficiently developed. The rural communities do not get adequate information about market. Regardless of differences across regions, gender, education and income level, the respondents in rural areas viewed the performance of the market as “unsatisfactory”. Of the three regions, the respondents from Amhara regional state gave lower rate in all survey variables. The reasons for this need further empirical attention.

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### **Paper III**

**Bekele, Y. W., & Kjosavik, D. J. (2016). Decentralised Local Governance and Poverty Reduction in Post-1991 Ethiopia: A Political Economy Study. *Politics and Governance*, 4(4), 1-15.**

Article

## Decentralised Local Governance and Poverty Reduction in Post-1991 Ethiopia: A Political Economy Study

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### Abstract

After 1991, Ethiopia has introduced an ethnic federal governance system constituting nine regional states and two autonomous city administrations, Addis Ababa and Dire Dawa. The restructuring of the state seemingly led to the decentralisation of power to the regions and Woreda (district authority) levels local governance structure in 1995 and 2002 respectively. The purpose of this article is to examine the practices of decentralised local governance in Ethiopia in general and the local governance performance at the level of peasant association (Kebele) in particular. The article also analyses the link between the local governance and poverty based on three indicators: decentralisation and self-rule (DSR), local capacity for planning (LCP), and effectiveness of local governance system (ELGS). Data was collected from eight selected Kebeles of three different regional states through household survey, qualitative interviews and focus group discussions. The study shows that while the power and control of the central government is well established, the Kebeles lack the capacity and resources to deliver development. The LCP at Kebele level is weak because of organisational incapacity and institutional constraints related to DSR. The ELGS is also poor since Kebeles do not have any fiscal rights and administrative power for the reasons associated with DSR and LCP. The government has been implementing poverty reduction strategies using productive safety net programmes and farmer training centres. These, however, have not had the desired outcome due to organisational and institutional incapacitation of Kebele administrations.

### Keywords

decentralised governance; FTC; Kebele; poverty reduction; PSNP

### Issue

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### 1. Introduction

In 1991, The Ethiopian People's Revolutionary Democratic Front (EPRDF) established an ethnic federal governance system, which constitutes nine regional states and two autonomous city administrations (Addis Ababa, the capital of Ethiopia and Dire Dawa). Furthermore, the government implemented a third restructuring of the State in 1995 under the new Constitution, which is based

on the principle of ethnic federalism that divides power between federal and ethnic-centred territorial Regional States (RS). As a result, power has been shared with the Regions that led to the emergence of a new power structure at the centre and peripheries. The decentralisation process was further extended to Woreda (district) in 2002, based on the devolution of finance, human resources and political power from regions to the fourth tier of local governance structure at the Woreda level<sup>1</sup>.

<sup>1</sup> Woreda is an Amharic term that refers to the next administrative tier after the regional level of government (similar to a district in many other countries). It is managed by an elected council of members and a strong executive that is derived from the council.

The purpose of this article is to examine the practices of decentralised local governance in Ethiopia in general and the local governance performance at selected Peasant Associations (PA) or Kebele, the lowest level local administration<sup>2</sup>. It also elucidates the governance principles and practices based on primary empirical data gathered through household survey, interviews and focus group discussions. Primary data sources at the national level include Government Institutions' White Papers supplemented with key informant interviews.

The link between local governance and poverty is analysed based on indicators developed for the purpose, such as decentralisation and self-rule (DSR), local capacity for planning (LCP), and effectiveness of local governance system (ELGS). In order to attain this objective, the article addresses the following research questions: What are the emerging governing practices in post-1991? Is poverty being adequately addressed through decentralised local governance structures in post-1991 Ethiopia?

The following section (i.e. Section two), discusses the decentralised local governance framework of poverty analysis which is developed based on review of relevant literature. Section three explicates the methodology and study context. Section four discusses an emergent post-1991 local governance practice in Ethiopia based on review of relevant literature and data from the field study. Section five presents the local governance system and institutional structure based on empirical data and relevant literature reviews. Section six analyses the decentralised local governance practice and poverty reduction experience at Kebele level administration. A brief conclusion, stitching together the main elements of the overall argument is delineated in section seven.

## 2. Decentralised Local Governance: A Conceptual Framework

Governance is an elusive term (Meuleman, 2008). In academia, there are controversies about governance as a concept. Some scholars consider governance as an ideological imposition against developing countries to reconstruct the state structure in accordance with neo-liberal orientation (Harrison, 2004). In fact, governance is different from government in the sense that government is the structure and function of public institutions, while governance is the way government gets its job done in cooperation with other stakeholders (Kettl, 2015). In other words, it implies a process.

The term governance denotes different meanings for different people. For some scholars, it refers to a mechanism of creating a newly ordered rule and collective action (Stoker, 1998). For others, it implies a new pattern of decision-making and platform for participation (Chhotray & Stoker, 2009). For others, it still signifies a new technique and mode of governing practice (Dean, 2010;

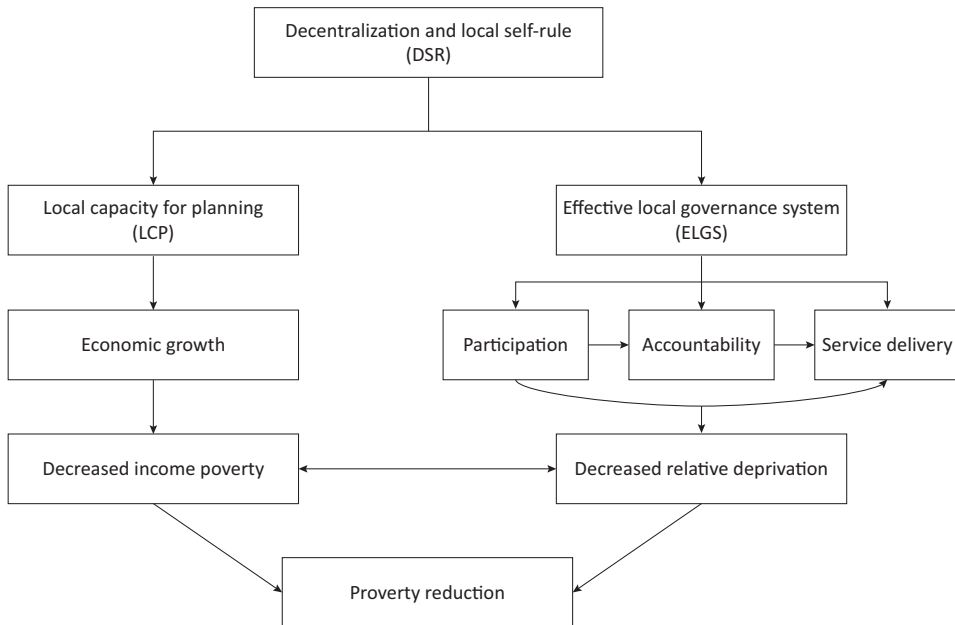
Miller & Rose, 2008). Some consider it as the totality of relations among actors in addressing societal problems (Meuleman, 2008).

Decentralized and strong local governance system is considered as a prerequisite for sustainable development and poverty reduction. Decentralised local governance is a system of decision-making or a framework for participatory resource and political management at a subnational level of administration (Ali Khan, 2013). It constitutes two major elements: decentralisation and local governance. Local governance is a set of institutions, actors, mechanisms and processes created by the constitution through which local people articulate their interest, negotiate their difference, exercise their right and make decisions (Shah, 2006). Whereas, decentralisation denotes the transfer of power from national to subnational structures of government, assigning resources to local authorities through de-concentration, delegation, or devolution. The decentralisation process constitutes four major interrelated components, namely political, administrative, fiscal and economic (Boko, 2002; Schneider, 2003).

Political decentralisation marks the transfer of political power to the subnational echelon of administration. The decentralisation of power gives autonomy to local authorities to make independent planning and decisions on important local matters (Schneider, 2003; Treisman, 2007). The fiscal decentralisation devolves resources to local authorities to carry out their activities, and coordinate and lead local economic development initiatives (Boko, 2002; Davoodi & Zou, 1998; Schneider, 2003). Economic decentralisation expedites liberalisation of the economy by transferring public sector services to private or voluntary associations, allowing the market to take a leading role in resource generation and allocations. Moreover, most of the service provisions are privatised; a significant degree of deregulation under market (the private sector) system coordinates basic services including health, education, water, electricity and others (Schneider, 2003; Treisman, 2007). For the purpose of this article we combined and adopted perspectives illustrated by both Shah (2006) and Ali Khan (2013). We define decentralized local governance as the institution, or structures, which exercise self-rule right, participatory planning process and delivering capacity of social service at the local level to meet or satisfy the need of local people. This definition captures the indicators we developed in the framework of analysis in Figure 1.

In retrospect, in this framework of analysis, poverty reduction efforts at localities require Decentralization and self-rule right (DSR) rights. DSR consolidates Local Capacity for Planning (LCP), which is a pivotal instrument in local economic development and mobilisation of resources. The local actors in pursuit of their interests are motivated to take part in local governance processes in order to get access to and control over resources. The in-

<sup>2</sup> Kebele is an Amharic word which means neighbourhood referring to the lowest grassroots administrative unit after the Woreda, recognized by both federal and regional constitutions as lower echelon of local administration in both urban and rural areas.



**Figure 1.** Framework for decentralised governance. Source: Adapted and modified from Ali Khan (2013).

teraction of these actors prompts local economic development, which is key in the reduction of income poverty at localities as illustrated in Figure 1.

In addition to LCP, as depicted in Figure 1, DSR is assigned the role of building an effective local governance system (ELGS), a vital instrument for addressing poverty-reduction, relative deprivation and social exclusion at localities. ELGS improves the service delivery capacity of local governance systems. Because the transfer of power, resources, and responsibilities encourages representation, accountability together with participation, inclusive development, and empowerment to make collective decisions based on local people’s interest. It also motivates local entrepreneurial capacities in the provision of improved service delivery. However, decentralised governance is not always successful. At times it may result in unexpected indirect consequences, particularly in multi-ethnic societies. It is therefore, not heretic to propose that, if a dominant ethnic group controls financial, human resources, and political power, the subsequent struggle for resources may spark resource-based ethnic conflicts.

### 3. Methodological Considerations

A mixed methodology research approach is adopted, combining qualitative and quantitative methods. Purposive sampling was employed to select multi-layered study areas from region, zone, district, and Kebele; while, systematic random sampling method was used to frame sample size, select households and to draw their views

from local areas. Data was collected from three purposefully selected regions, which represent different agro-climatic zones, livelihood patterns, ethnicity, and historical traditions. Gamo highlands represents the ‘Enset’ (false banana)-based livelihood, highland agro-climatic zone, minority ethnic group from southern Ethiopia. Jimma represents the cash crop-based livelihood, mid land agro-climatic zone, Muslim and majority Oromo ethnic groups. Deberberhan area represents grain crop-based livelihood, low and high land agro-climatic zones, and majority Amhara ethnic group. Accordingly, the quantitative data was collected from a total of 518 households in eight rural Kebeles.

For data collection, we used both structured and semi-structured questionnaires. Likert scale questions were used for the survey, and a series of interviews and focus group discussions were held with key informants of the study and local peasants. The respondents for the questionnaire survey were farmer households who were randomly chosen from the selected Kebeles. The key informants included Kebele administrators, development agents, peasants, and scholars who are informed of the setting. The socio-economic background of the respondents of the household survey are given in Table 1.

Table 1 depicts that the majority of respondents are male (93.2%,  $N = 483$ ), and their main occupation (livelihood) is agriculture (92.5%,  $n = 479$ ). In terms of education, most of the respondents are primary school dropouts (45.8%,  $n = 237$ ) and others are illiterate (42.9%,  $N = 222$ ). About a third (29.6%,  $n = 154$ ) of the households earn a monthly income below 300



**Table 1.** Socio-economic background of respondents ( $N = 518$ ). Source: Survey data (2011/2012).

Background	Category	N	%
Occupation	Farmer	479	92.5
	Others	39	7.5
Education	Illiterate	222	42.9
	Primary	237	45.8
	Secondary and above	59	11.3
Gender	Male	483	93.2
	Female	35	6.8
Household income (in ETB)	< 100 ETB	118	22.8
	101–300	154	29.7
	301–500	124	23.9
	> 500 ETB	122	22.6
<b>Total</b>		<b><math>N = 518</math></b>	<b>100%</b>

Ethiopian Birr (USD 15.8). Nearly 80% of the respondents described their income as less than USD 30 (which is below the USD 1.25 per day poverty line).

#### 4. Post-1991 Local Governance Practice in Ethiopia

The ethnic federal system that was established in post-1991 Ethiopia constitutes nine regional states and two autonomous administrative cities. The decentralized power of the state is divided between the Federal and National Regional States in conformity with the 1995 Constitution. Each region has been awarded a quasi-sovereign status and self-rule authority, enshrined in separate autonomous Constitutions. Regions have also assumed the power and right to prepare their own socio-economic development plan, to mobilise resources and to allocate and utilise regional budgets. Both federal and regional constitutions have ensured authority for self-rule and share-rule at all levels of administration (Abbink, 1997; Fiseha, 2006).

Articles 50 and 51 of the 1995 Constitution enlist the powers and responsibilities of both Federal and Regional states. The decentralisation of power from centre to regions is carried out in terms of ethnic representations, ethnic geography and historical role of ethnic groups. The system developed is akin to neopatrimonialism but has a character of consensual democracy (Chanie, 2007; Mengisteb, 2008). The decentralisation has created a different locus of power in the regions by incorporating emerging ethno-elites. It has also introduced a kind of participatory and accommodative governance structure both in the region and at the centre (Fiseha, 2006). Apart from political and economic decentralisation, an emerging new governing practice of the post-1991 period manifests multiculturalism, developmentalism, socio-cybernetics and statistical-based governance as major characteristics of governance.

Multiculturalism is the widely applied governance approach in the post-1991 period. It is used as a means of engendering legitimacy and constructing governable

subjects under a plea for ethnic equalities. It is rationalised on the tenet of national operation and implies that the fundamental problem of the Ethiopian state emanates from 'unequal ethnic relations'. The rationale further asserts that political engineering under broader framework of '*Andet Ethiopia*' (a unitary State or one Ethiopia), adhering to the Pan-Ethiopia project, did not succeed because of assimilation policy by previous governments. The core governance problem was articulated as a lack of political settlement and an inclusive governance structure to accommodate the competing interests of ethnic groups. Therefore, promotion of cultural pluralism in the new multiculturalist governance is seen as an indispensable means to avoid ethnic rifts and to emancipate the masses from abject poverty (Fiseha, 2006; Turton, 2006).

The ethnic federalism can be viewed as a pioneering effort similar to Haile Selassie's modernisation endeavour of the mid-1900s. Many scholars argue that the approach is not optimal. Nevertheless, it has brought significant dynamics to the political, economic and social settings of the country. Politically, revolutionary democracy and ethnic federalism have emerged as leading agencies; economically, a free market economy with a bigger role for the state has been introduced, and socially, cultural pluralism, with Amharic notion of '*BehereBehereboch*' that refers to nation and nationality, became a catchphrase of daily life and a powerful discursive narrative of political mobilisation.

Multiculturalism prompts the rise of ethno-elites in the regions with strong sentiments of ethnic identity (Abbink, 2009). The central government has crafted a controlling mechanism against these 'unruly' elites, based on the principle of democratic centralisation. However, the growing patronage practice has been posing a threat to democratic transition and consolidation. The ethnic politics prompts recruitment to political offices and access to jobs to be along ethnic lines. To this end, the rising ethno elites have organised a complex informal network both in their respective regions and national gov-

ernment to control, survive and dominate the politics (Abbink, 2009; Chanie, 2007).

Developmentalism is another governing approach that has emerged since 2001 following the split in leadership of the Tigray People's Liberation Front (TPLF) and intensified by the election crisis of 2005. The government has apparently been articulating that achieving an accelerated development was indispensable for the survival of the nation (Gebresenbet, 2014). Consequently, it claims a dominantly leading role in both the economy and politics. It has been justifying the rationale to do so grounded on narratives of poverty reduction and sustainable development. The trend ushers in a new economic and political governance approach with the main objective of mainstreaming national politics. For example, the controversial large-scale agricultural investments which some scholars and rights groups identified as 'land grabbing' has been introduced (Lavers, 2012; Makki & Geisler, 2011). The new large-scale agricultural investment projects dispossess properties, particularly land from smallholding farmers and the urban poor who are considered unproductive. Land is subsequently transferred to an emerging national private sector and international investors.

Access to land has given way for a new rising ethno-elite class. Hence, families and close allies of these rising ethno-elites have accumulated enormous wealth from a heavily regulated land market supervised and operated by Federal and Regional governments (Lavers, 2012; Makki & Geisler, 2011; Pausewang, 2004). They have emerged as politically and economically powerful family elites with strong bases in the regions. The trend marks the new economic governance features that emerged from the reconfiguration of political structures and consolidation of ethno-elite powers.

Socio-cybernetics is another emerging governance instrument, widely applied in the post-1991 period. It refers to communication and controlling methods in the governing process that rely on information processing capacities (Pierre & Peters, 2000). One of the remarkable features of this period is the massive capacity for steering, which is supported by the application of information and communications technology (ICT). The government has introduced and expanded ICT into districts and remote rural areas through the so-called WAN (wide area network) and various nets such as School-Net, Woreda-Net, Agri-Net, HER-Net, Revenue-Net and Health-Net programmes (Lessa, Belachew, & Anteneh, 2011).

The new ICT-driven governance has increased the penetration and information-gathering capacity of the state by penetrating into remote rural areas. The massive broadband internet connection installations, the expansion of community radio, improvement of telecommunication (free-call service, teleconferencing and other methods, particularly mobile phones) all over the country have, therefore, significantly improved the controlling and communication capacity of the state (Belachew, 2010).

Apart from ICT, the government has created a complex and sophisticated network of political control of all rural households, which is nicknamed 'one to five'. It has created a multiple but hierarchical layer of organisation that encompasses the various segments of the society including the youth and women. These networks comprise the popular wing, '*Hezibawi Kenefe*', together with the government wing, '*Mengestawi Kenefe*', and the political wing, '*Derjitawi Kenefe*'. The Government has assigned each household to at least one of these organisational structures. It has also devised a mechanism to tie one to the other and to intertwine all of them together under one locus of control. These complex threads of organisations and networking give the government absolute social and political control over the respective localities (Snyder et al., 2014).

Likewise, the incorporation of peasants into a complex web of political control, one to five and other networking, is also used as a means of infusing ideology. The farmers have been ensnared by the reigning ideology of the government. The ideology is inculcated through a series of meetings, indoctrination and in public discussions. Peasants also receive formal ideological training through farmer training centres (FTCs). Therefore, the government is rather successful in turning peasants into subjects. In all study areas, the majority of farmers seemed to be strong supporters of the government and displayed a rather uniform character and thinking, regardless of geographic and other considerations. The operations of modern government, according to Miller and Rose (2008), advance through the accumulation and tabulation of facts about the governed subjects. Hence, the government employs organised statistical techniques to calculate tax returns, adopt social reforms and compute the gross national product, growth rates of different economies, rates of inflation and the money supply. From these calculations and tabulations emerge written reports, drawings, pictures, numbers, charts and graphs, for use as a means of governing citizens.

In post-1991 Ethiopia, the government has intensified the application of advanced statistical methods to analyse and depict the economic, social and political status of the country. It also consolidated and expanded the capacity of the Central Statistical Authority (CSA)—a government agency responsible for collecting and disseminating statistical data. This agency generates statistical data of various development indicators under the Ministry of Finance and Economic Development (MoFED). According to a scholar we interviewed, 'EPRDF employed statistical techniques to convince first single-digit and then double-digit economic growth and miracles of economic growth since the mid-2000s to the people at large and the international community, in particular'<sup>3</sup>. The statistics-based governance applications have greatly helped the government to disclose its performance and engender legitimacy as developmental state. In the next section, we briefly discuss the evolu-

<sup>3</sup> Interview with a scholar in February 2012, Addis Ababa.

tion of local governance institutions, the practice of decentralized local governance in post-1991 and the performance of selected local governance institutions based on three indicators (DSR, LCP and ELGS).

**5. Local Governance and Local Institutions in Post-1991 Ethiopia**

The local governance system constitutes integrated institutions of production and governance that surround and connect local communities. It incorporates different kinds of social, economic and political organizations and functions. Some notable examples of local level governance systems are community resource mobilization orders, social engagement and reciprocity instruments, security arrangements, asset management, conflict resolution mechanisms, infrastructure and sector services development apparatus (Bardhan, 1991; Saito, 2008). In Ethiopia’s case, local governance is organised under Kebeles.

*5.1. The Local Governance Structure: A Historical Perspective*

Historically, the local administration institutions were evolved during the reign of Menlik II (1886–1913), as garrison towns known as ‘Ketamas’ or district towns. Because of the limited penetration capacity, the state could not establish local administration at all rural localities. It was operating from garrison towns. During the reign of Haile Selassie, the local governance restructuring was initiated under 1944 and 1966 proclamations, but could not establish administrative units in the local realm (Ayele, 2011; Zewde & Pausewang, 2002). The state, using the district towns as a springboard, had been transferring investible surplus of product from the rural areas through tax, compulsory contribution and other mechanisms. No meaningful public investments were made in rural areas.

The ‘Derg’ or the military regime had established the grassroots local governance structures (Kebeles) under proclamations 31 and 71 of 1975 (Engdawork, 1995; Mammo, 1999). The role of the Kebeles was limited to land redistribution, local policing and coordinating social

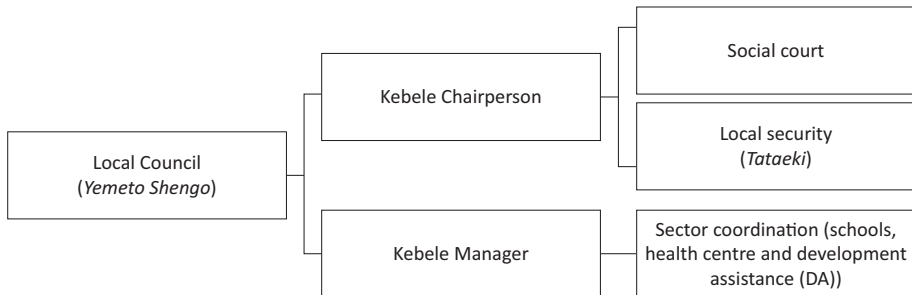
services. They were not given or allowed any mandate to plan and execute local development activities. In fact, the creation of the local administration structure had reduced routine local governance service provision.

Like its predecessor, the ‘Derg’ Government did not make significant public investments in the rural sector. Rather, it forced the rural people to become organised under cooperative groups, which were modelled after the former Soviet Union and imposed a compulsory grain quota delivery. The grain quota delivery system was aimed at ensuring sustainable and cheap supply of basic food commodities to the growing numbers of urban people, to quell any possible political opposition from the critical urban mass. The rural Kebeles have therefore been used as means for appropriating surplus product and transferring surplus to urban areas where the government sought to establish a political base (Abegaz, 2004; Pausewang, 2004). Eventually, political engineering brought neither economic development nor agrarian transformation to rural areas.

In sum, in post-1991 Ethiopia, the EPRDF has continued to use the Kebele as local structure without making any significant structural changes. The legal structure of the local governance was based on Article 39(3) and 50(4) of the 1995 Ethiopian Federal Democratic Republic (EFDR) constitution. The local authorities (Kebeles) have not been assigned any specific powers, except the Woreda or district authorities, which are authorised to initiate, plan and execute development activities. Hence, the power of the local authority is confined to the delivery of basic services as before (Assefe & Gebre-Egziabher, 2007; Ayele, 2011).

*5.2. The Local Governing System and Leadership*

The administration structure of the current Kebele institutions comprises of an elected council of 100 members known as ‘Yemeto Shengo’, an executive committee of five to seven members ‘Kebele Cabinet’, a social court known as ‘Frede Shengo’ and a local militia force which is known as ‘Tataeki’. A diagrammatic representation of the institutional structure of Kebele is given in Figure 2 below.



**Figure 2.** The institutional structure of Kebele. Source: Sketched by the authors based on the information from local authorities.

The main responsibilities of the Kebele council and executive committee are endorsing the development plan, which is prepared by and directed from Woreda authorities, ensuring the collection of land and agricultural income tax, organising local labour and in-kind contributions to development initiatives, and mitigating local conflicts within the jurisdiction of local community social courts. Kebeles also steer the delivery of basic social services such as education and health in their respective localities in consultation with the Woreda and coordinators of the services at Kebele level such as school and health centre heads (Snyder et al., 2014).

Regarding local leadership, Kebele authorities are led by an executive body of five to seven cabinet members including chairman, three council members, a Kebele manager assigned by a Woreda, development agent, health extension officer and school director. The manager, who is reasonably educated, salaried and appointed by a Woreda, recently emerged as the most influential actor in the local affairs. In addition to the Kebele manager, development agents also play an important role in issues related to agricultural production and coordinating farmer training centres (FTCs) (Lefort, 2010).

### *5.3. Decentralisation and Local Governance Performance in Post-1991 Ethiopia*

Decentralisation of power to sub-national administration is considered as an essential instrument for augmenting local economic development. It promotes empowerment to encourage different actors (state and non-state) to take part in coordinated development activities of localities (Bardhan & Mookherjee, 2006; Saito, 2008). It also helps to enhance service delivery and inclusive development. According to Grindle (2007), decentralisation may not necessarily result in faster, inclusive and sustainable development. We identify three major indicators: DSR, LCP and ELGS as indicators to measure local governance performance at Kebele level.

#### *5.3.1. Decentralisation and Self-Rule (DSR)*

The EPRDF-led government has applied decentralisation as a key means of political settlement and engendering legitimacy. The decentralisation process was undertaken in two phases: to the regions in 1995 and to the Woredas in 2002 (Assefa & Gebre-Egziabher, 2007). The decentralisation of power to the regions primarily gave self-governance right but has also substantially furthered the shared-rule right to fair and equitable representation in the federal state (Abbink, 1997; Turton, 2006).

The first phase of decentralisation was implemented between 1991 and 2001. It was aimed at creating and consolidating regional national government's capacity for self-rule and was designated as mid-level decentralisation. The legality of the decentralisation process was stipulated in the transitional charter (1991) and the Fed-

eral Constitution (1995). In this phase of decentralisation, political, fiscal and administrative powers were transferred to the regional states. National regional governments have been entrusted with all legislative, executive and judicial powers in respect of all matters within their jurisdiction, except those that fell under the federal-state domain such as defence, foreign affairs, and economic policy (Assefa & Gebre-Egziabher, 2007).

The second phase of decentralisation, involving district level decentralisation programmes (DLDP) and urban management programmes, took place in 2002. This phase resulted in the restructuring of institutions at Woreda level administrations, together with devolution of political and fiscal power from regions to Woredas. DLDP devolved a considerable portion of human and financial resources in the form of a block grant to Woreda by rolling down power and resources from zones (the third tier of administration above Woreda) to Woreda level. The Woredas were also given autonomous right to plan and implement development activities within the bounds of resources available to them (Snyder et al., 2014).

Rural Kebeles have not experienced any significant change in its nature nor in its structural dimension. Though the government claims that implementing agriculture-led industrialisation will place the rural people at the centre of the policy locus, there is no elaborate institutional framework, which is capable of transforming the fragmented smallholding agriculture and the subsistence livelihood of the rural people at grassroots level. The decentralisation process floated in the regional and to some extent at Woreda levels. As one local official of the rural Kebele of Jimma area noted:

“We have neither full power to make decision on our local matters nor resources to stimulate local based development activities. We simply wait for order from Woreda officials. If the government devolves the full power to make decisions based on our people's interest and even to collect or develop limited resources in order to speed up local development, we can make a big difference. Lack of power has really constrained us not to fully commit to community development. Take a watershed management programme. It is a good example. It is quite essential for local people but most local people are against it. They do not feel a sense of ownership.”<sup>4</sup>

As noted by this local official, Kebeles have neither fiscal power with relevant resources nor are they allowed to generate local finances. The mandates of tax and other collections are given to the Woreda authorities. The Kebele officials are not allowed to engage in any finance-related matters (Yilmaz & Venugopal, 2008). This has implications for the effective functioning of the local institutions. The powerlessness of Kebele was reinforced in the view of local farmers in the Azo and Dorze areas of the Gamo highlands. They preferred the manager to the

<sup>4</sup> Interview with local official in February 2013, Jimma area.

Kebele chair. As one farmer in Azo Gule noted:

“The Kebele leaders do not have the real power to make decisions. The political power is vested on the Woreda leaders. Therefore, they are simply carrying out orders given from the Woreda. The Woreda propose, develop and simply request the local people to approve their decision. What we do is simply approving their decision through the council and Kebele administration.”<sup>5</sup>

During the household survey, the respondents were asked about their opinion on decentralised governance. Table 2 presents the findings of the household survey about decentralisation of power and resources at Kebele level.

As depicted in Table 2 below, regarding decentralisation and local self-rule in the respective local communities, the respondent view indicates that 19.3% (*N* = 100) disagreed and 36.7 (*N* = 190) were undecided about the questions. The mean value is 3.03. The majority of the local people seem not to agree with decentralisation of power and self-rule practices in their local arena. The result of the survey is also consistent with what we observed in the field. The Kebeles lack substantive power and they are under the shadow of the district (Woreda) administrations. They do not exercise autonomous political, fiscal and administrative responsibilities, although they do exercise limited administrative prerogatives. They are, nevertheless, under strict Woreda dominance.

### 5.3.2. Local Capacity for Planning (LCP)

LCP is one of the major aspects of decentralised local governance processes. It refers to the institutional and policy capacity of local actors in performing their respective responsibilities. The policy capacity refers to the ability of local actors to contextualise the policy direction and allocate scarce resources to implement policy (Painter & Pierre, 2005). Local institutional capacity denotes specified rules, procedures, and norms that govern interactions of local institutions by delineating their role and responsibilities with adequate conflict mitigation mechanisms (Peters & Pierre, 1998). Hope (2008, p. 152) de-

scribes institutional capacity as ‘the competency of individuals, public sector institutions, private sector entities, civil society organisations, and local communities to engage in activities in a sustainable manner that permit the achievement of beneficial goals’.

LCP gives local people the opportunity to develop a feasible development plan responding to the prevailing local social problems and available resources. It enhances local people’s capacity to efficiently utilise available resources by prioritising their pressing social problems according to the available resources. Moreover, it helps to synergise the local plan with national, indigenous knowledge, cultural context and agro-ecology settings of the society. Furthermore, it also gave a sense of ownership and an opportunity to the local people to decide on their own matters (Saito, 2008).

Articles 39(3) and 50(4) of the Federal and Regional Constitutions of Ethiopia confer power on local authorities to make a local development plan and coordinate development initiatives. Although the power to prepare development plan is given to the Kebele authorities, they do not fully exercise this power. In fact, they provide input for an annual development plan which is prepared by Woreda authorities (Snyder et al., 2014). This trend affects the LCP and institutional capacity of the local authorities to coordinate development efforts. Table 3 presents the household survey results concerning local capacity for planning in selected Kebeles. A farmer in Goshe Bado Deberberhan area stated:

“Comparing to the Derg regime, the current Kebele administration is better. The chairperson and other committee members were more accessible to the local people. They listen to the people. However, they had had a big problem regarding planning and coordinating activities. The problem is attributed to skill gap and lack of power. They do not have sufficient capacity so that the Woreda officials did the planning task. Go and ask our officials who has prepared this year local plan? They would tell you the Woreda did that.”<sup>6</sup>

The farmer’s remark echoed in a similar conversation with local officials. Snyder and others who researched on local planning practice (see Snyder et al., 2014) found that Kebeles were involved in the initial planning process

<sup>5</sup> Interview with local farmer in Azo Gule in January 2012, Gamo highland.

<sup>6</sup> Interview with local farmer in Goshebedo in December 2013.

**Table 2.** Response to the statement ‘local governance is decentralised and all-inclusive’. Source: Survey data (2011/2012).

Indicators	Household ratings (%)								
	Mean	SD	DK	SD	DA	UD	AG	SA	Total
Local authorities are decentralised and all inclusive	3.03	1.17	30(5.8)	10(1.9)	100(19.3)	190(36.7)	152(29.3)	36(6.9)	518(100)

Notes: DK = don’t know, SD = strongly disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; figures in parentheses are percentages.

(giving input) but Woreda authorities made the final decision regarding the plan. The respondents' views regarding Kebele's capacity to make and implement local plans are presented in Table 3.

Table 3 reveals that the majority of respondents (around 32.4%, *N* = 168) were undecided and a significant number of respondents (32.2%, *N* = 167) do not believe in local authorities independent capacity to plan and implement. Poor organisational capacity in terms of physical facilities, human and financial resources were also observed during field visits. Although the population and territorial size of the Kebeles have been changed; neither new institutional innovations nor improved organisational structures have developed to accommodate the dynamism. Hence, the Kebeles' local capacity to make plans remains limited. The findings of the survey also confirm this fact.

**5.3.3. Effective Local Governance System (ELGS)**

An ELGS comprises local institutional capacity for service delivery, accountability and responsiveness of local authorities, and participation and inclusion of the local people in the local governance system. All these dimensions of ELGS indicate the level and scope of local governance effectiveness and efficiency under decentralised governance notions. Effective service delivery to the poor is an integral aspect of poverty reduction efforts (Bonfiglioli, 2003; Grindle, 2007). The basic social services allow poor people to be productive members of the society. Therefore, the provision of services including education, health, family planning, road, electricity, water, agricultural support and security are essential in poverty reduction effort.

Ideally, accountability and responsiveness allow the local people to call officials and to hold them accountable to their performance. It is also an effective means to control corruption and embezzlement of meagre resources at localities (Rao & Berg, 2005). Participation and empowerment in the local governance practice is another major aspect of local governance effectiveness (Bonfiglioli, 2003). As Alsop (2004) and Green (2012) note, poverty, power and right are inexorably interconnected. According to Alsop (2004, p. 4), political empow-

erment that marks 'increasing the capacity of individuals and groups to make choices and to transform these choices into desired actions and outcomes' has had a significant impact on transforming the dependent poor into productive citizens.

Though the rural Kebeles represent the wider and larger segment of the society (83% of the Ethiopian population), they exercise very limited administrative power which is delegated by Woreda authorities. Their accountability is upward and not to the local people (Ayele, 2011). Their ability to deliver adequate and fast local services is severely constrained by resource problems. As one farmer noted in focus group discussion in Dawa, Jimma area: "The Kebele authorities try to give us a swift response to most of our questions at their best. However, because of resource problems, we were not getting adequate services"<sup>7</sup>.

As we witnessed in the fieldwork, most of Kebele administration runs with a shortage of resources. They did not even have a well-organised archive and record system, let alone necessary services. It is very difficult to get basic information about the Kebele.

Regarding participation, the current Kebele structures were much appreciated by local people in most of the study areas. Most of the farmers interviewed were involved in Kebele activities in one way or another.

Table 4 presents the views of local people from the study areas about local governance effectiveness in their respective localities.

The first statement addressed local service delivery. As we can see from the result, the overwhelming majority of respondents (mean value 3.46, supposing 4 amounted to agreement) were not satisfied and 38.6 per cent (*N* = 200) agreed with statement, 12% (*N* = 62) strongly agreed and 33.8% (*N* = 177) were 'undecided'. The second statement was 'the local governance system is all-inclusive and participatory'. The overall mean value obtained from the respondents on this was 3.45. This means most of the respondents seemed to agree that the existing local system is participatory and all-inclusive. Accordingly, 42.9% (*N* = 222) and 10.2% (*N* = 52) of the respondents 'agreed' and 'strongly agreed' with the statement respectively. The third statement was about accountability of local authority to local people. Again,

<sup>7</sup> Focus group discussion in February 2013, Dawa, Jimma area.

**Table 3.** Response to the statement 'local authority has the capacity to make and implement local plan'. Source: Survey data (2011/2012).

Indicators	Household ratings (%)								
	Mean	SD	DK	SD	DA	UD	AG	SA	Total
Local authorities have independent capacity to make local development plan and implement them	2.97	1.02	3(0.6)	18(3.5)	168(32.4)	167(32.2)	125(24.1)	37(7.1)	518(100)

Notes: DK = don't know, SD = strongly disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; figures in parentheses are percentages.

**Table 4.** Response to the statements regarding local government effectiveness (service delivery, accountability, participation). Source: Survey data (2011/2012).

Indicators	Household ratings (%)								
	Mean	SD	DK	SD	DA	UD	AG	SA	Total
Local service delivery is not adequate	3.46	0.93	2(0.2)	3 (0.6)	76(14.5)	177(33.8)	200(38.6)	62(12)	518(100)
The local governance is inclusive and participatory	3.45	0.97	9(1.7)	6(1.2)	55(10.6)	174(33.6)	222(42.9)	52(10)	518(100)
Local authorities are accountable to the local people	3.83	0.86	0	3(0.6)	22(4.2)	158(30.5)	213(41.1)	122(23.6)	518(100)

Notes: DK= don't know, SD = strongly disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; figures in parentheses are percentages.

as evident in the results, the overwhelming majority of respondents believed that local officials are accountable to the local people. The mean value is 3.83 (almost agreement) and 41.1% ( $N = 213$ ) and 23.6% ( $N = 122$ ) 'agreed' and 'strongly agreed' to the question respectively. However, as we witnessed in the field work and evidences gathered during key informant interviews, the accountability of the Kebele authorities is upward to the Woreda level administration.

### 6. The Practice of Decentralised Governance and Poverty Reduction at Kebele Localities

Participatory decentralised local governance is generally better informed about the needs and preference of local community than central government, which has limited opportunities to access the reality from a distance. In decentralised governance, monitoring and controlling of local agents is easier (Bonfiglioli, 2003). Local people hold the elected officials accountable, and poor people get the opportunity to voice their interest in the political decision-making process. Moreover, the devolution of power gives more responsibility, ownership and incentives to the local people (Green, 2012; Saito, 2008).

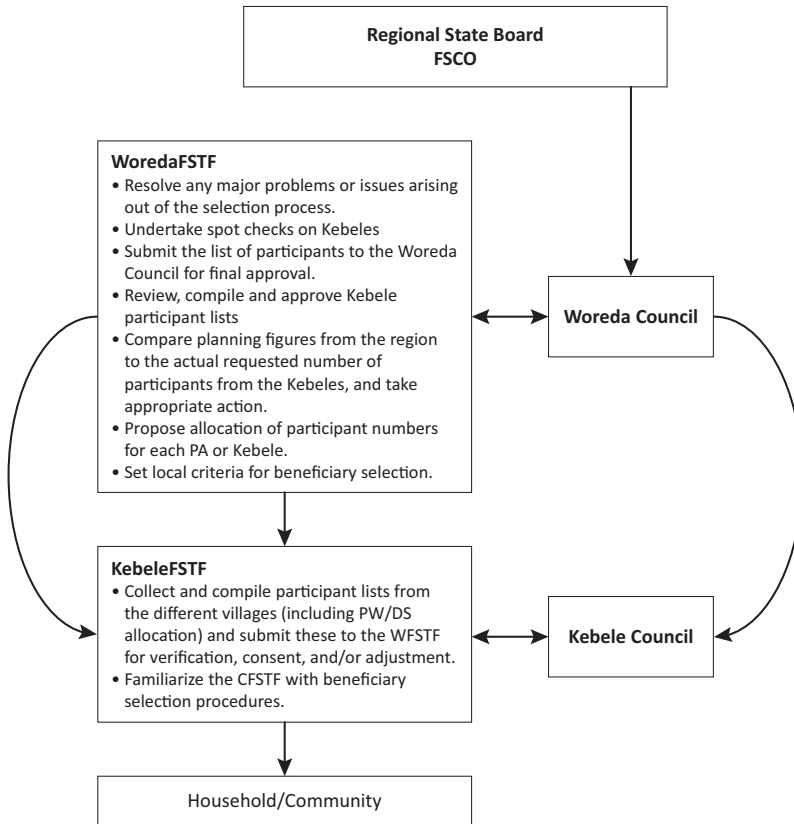
The effectiveness of decentralised governance depends on the institutional capacity of local authorities and policy implementation capacity (poverty reduction strategies) by the state. Likewise, poverty needs to be addressed through effective policy instruments that are supported by workable institutions at all level of administration (Treisman, 2007). Institutional capacity has several dimensions such as human capital, infrastructure (physical capital) and capacity to deliver services. Institutional capacity is critical in implementing decentralised governance. Poor quality of institutions may cause resource embezzlement, delay or denial of service delivery to the local people, and in the worst case, sluggish local economic performance. Institutions, therefore, are quite essential to fight against poverty (Painter & Pierre, 2005; Treisman, 2007).

The policy capacity (for developing poverty reduction strategies) is another major factor in decentralised

governance. It guides the process of decentralised governance towards mitigating poverty challenges. As decentralised governance transfers power and resources to lower echelons of administration, it allows participation, fair resource distribution, empowerment and responsiveness. Decentralised governance thus creates a conducive ground for policy implementation (Painter & Pierre, 2005).

As we noted earlier, the decentralisation of power to local governance institutions drifted at Woreda level administration. Although the majority of the people live in rural localities, decentralisation of power and devolution of resources has not extended to the grassroots administration (Zewde & Pausewang, 2002). The poverty reduction efforts coordinated from Woredas have been implemented through three major approaches, namely enhancing agricultural productivity through improved technology, developing resilience to vulnerability and food insecurity through a Productive Safety Net Programme (PSNP) which aims to build assets and livelihoods of vulnerable households, and resettling farmers from drought-prone areas into fertile but less inhabitable locations in selected lowland areas of the country. For example, Woreda Agriculture and Rural Development Bureau (WORAD) coordinates the PSNP. The main responsibility of governing the PSNP is vested in specifically established Woreda Food Security Task Forces (WFSTFs). Figure 3 below describes the implementation of the PSNP at Kebele level administration. The Woreda task force coordinated by WORAD consists of WFSTFs, the Woreda Food Security Desk (WFSD) and the Woreda Office of Finance and Economic Development (WOFED).

At the Kebele level, the FSTF comprises of the selected council members, the chair of the Kebele, development agents and the Kebele manager. The role of the Kebele in the implementation of PSNP is limited to the selection of eligible households to the programme, collecting complaints from the beneficiaries and organising public meetings for the Woreda officials. Woreda, however, carries out the overall programme. Even the decision whether the household is to remain part of the programme or not is made by Woreda. Figure 3 presents the governing process of PSNP.



**Figure 3.** PSNP governance framework at Kebele level. Source: Sketched by the authors.

Taking this figure into consideration, the role of the Kebele in poverty reduction is trivial. Most of the Kebele administrations could not provide accurate information about the magnitude and depth of poverty in their localities. They do not have information systems about basic data on demography or economic matters (such as land size, productivity, income, non-farm income, type of crop production), agro-ecology, vulnerability, types and level of technology, social service provision, or rural infrastructure coverage (electricity, road, telephone, water). In the areas where this research was conducted—Azo Gule, Chano Mile, Amaraena Bodo, Gerema, Merewa, Alyu Amba, and Goshe Bado—the researchers witnessed this fact. However, it should be noted that Alyu Amba, Chano Mile and Goshe Bado were relatively in a better condition compared to others as they did store some basic information about the area.

Another poverty mitigation mechanism at Kebele level is FTC. The FTC is considered a cornerstone to support small-scale agriculture in rural Ethiopia, and was introduced in 2002 in each rural Kebele. Three development agents are assigned to each FTC. They are trained in crop science, livestock, and natural resource man-

agement. There are nearly 8,500 such centres throughout the country. The government’s plan is to establish about 15,000 centres in the near future. About seven to ten committee members including development agents and selected model farmers manage the centre. The Kebele Chairperson is in charge of coordinating the FTC. The Committee’s responsibility includes planning, examining the training and demonstration activities offered by the FTC. It also organises and maintains a demonstration field. The FTC provides training and technical assistance in the application of improved technology, production systems, market-orientated information, seed and seedlings of new crops, vegetables, fruit and forage varieties. FTC is part of the initiative to modernise and improve the agricultural system production in each Kebele.

FTC and PSNP are the two institutional (infrastructural) settings to address poverty at Kebele level. FTC aims to reduce poverty through intensification and diversification of agricultural products. It also provides assistance on market-related information and non-farm work opportunities to diversify the income of the farmers. The PSNP is the social protection programme for ensuring food security for vulnerable and food-insecure



poor households through direct assistance (cash or food) and food-for-work arrangements. The implementation of both modalities have been limited by lack of fiscal and political power in Kebele administration.

The role of the Kebele in the PSNP is to identify and select beneficiaries for the Woreda authorities. Kebeles did not assume power and necessary resources to implement both PSNP and FTC initiatives because the government has not been providing substantial public investment in rural Kebeles. It seems to adhere to the same policy as the Derg governments. Therefore, lack of incremental rural public investment has remained the major challenge in tackling rural poverty. The resource transfers from rural areas to the centre have consolidated the power structure of the state, but prevent trickle-down to the poor, reinforcing dependency and systematically perpetuating poverty.

Some scholars criticise the poverty reduction scheme as top-down in that it conceives of the poor as subjects ultimately dependent on the state for their well-being. This understanding of the poor as subject involves a policy implication and consequence. Rather than ensuring the well-being of citizens, the government seems to be concerned with guaranteeing its own survival by amassing support from the poor subjects. Poverty reduction efforts are political in that poor households are allowed support on condition that they fully support the regime. For instance, in the case of the PSNP, poor households are identified and selected by WFSTF at Kebeles chaired by the Kebele chairperson. In most cases, the Kebele authority handpicks farmers who are loyal to the regime as a reward.

In our study, we also asked the peasants whether the PSNP was politically tied. The following tables present the results.

Tables 5 and 6 portray that majority of the respondents tend to believe that the PSNP is tied to political mo-

tives. A total of 24.7% ( $N = 128$ ) of the respondents were 'undecided' on the issue while 28.1% ( $N = 149$ ) and 7.5% ( $N = 39$ ) of respondents 'agreed' and 'strongly agreed' respectively. Majority of the respondents in Dawa (37.7%,  $N = 26$ ; 31%,  $N = 22$ ) agreed and strongly agreed respectively and in Azo Gule Kebele (52.9%,  $N = 37$ ; 14.3%,  $N = 10$ ) 'agreed', and 'strongly agreed', respectively that the PSNP is tied to political motives.

The goal of the state, therefore, appears to be consolidating its control over the society rather than reducing poverty. Consequently, poor people get less consideration for empowerment and participation. Moreover, the practice maintains a dependency syndrome on aid among a wide spectrum of rural people who believe they are eligible for aid in response to their loyalty and support of the government (Dercon, Gilligan, Hoddinott, & Woldehanna, 2009).

### 7. Conclusion

In post-1991 Ethiopia, an ethnic federal governance system was established, comprising Regional Governments and a Federal State, apportioning the state power between the two according to the 1995 Constitution, which is based on ethnic geography and identity. Each Region has been accorded a quasi-sovereign status and has awarded a self-rule right with the autonomy to have separate regional constitutions. In addition to an ethnic federal governance system, the state introduced decentralisation of power to local governance structure in 2002. Accordingly, the Woreda level of administration gave some political, fiscal, and administrative power to the Woreda authorities. They also assumed a mandate to plan and coordinate development activities at Kebele and Woreda administration level. However, Kebeles, as the lower echelon of local administration, have not experienced any significant change.

**Table 5.** Response to the statement whether PSNP is a political tool of Government. Source: Survey data (2011/2012).

Indicators	Household ratings (%)								
	Mean	SD	DK	SD	DA	UD	AG	SA	Total
The PSNP is politically tied	2.81	1.36	49(9.5)	25(4.8)	128(24.7)	128(24.7)	149(28.1)	39(7.5)	518(100)

Notes: DK = don't know, SD = strongly disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; figures in parentheses are percentages.

**Table 6.** Respondents' view about PSNP connection to political motives based on beneficiary Kebeles. Source: Survey data (2011/2012).

Indicators		The PSNP is tied to political agenda							Total
		DK	SD	DA	UD	AG	SA		
Kebele	Dawa	%( $N$ )	0(0)	5.8(4)	10.1(7)	14.5(10)	37.7(26)	31.9(22)	100%(69)
	Azo Gule	%( $N$ )	0(0)	0(0)	0(0)	32.9(23)	52.9(37)	14.3(10)	100(70)
	AlyuAmbaZuria	%( $N$ )	0(0)	13.9(10)	52.8(38)	29.2(21)	4.2(3)	0(0)	100(72)

Notes: DK= don't know, SD = strongly disagree, DA = Disagree, UD = Undecided, AG = Agree, and SA = Strongly Agree; figures in parentheses are percentages.

The skills, knowledge and experiences of the Kebele administrations are inadequate in terms of organisational and institutional capacities, nor are they entitled to exercising any significant political, fiscal and administrative power. They simply serve as agents of district authorities. They are neither budgeted nor allowed to generate any local finances. Their role in local development activities and poverty reduction, therefore, is limited institutionally. In this study, three indicators were used to examine the role of Kebeles in local development activities, delivery of services to the local people and poverty reduction efforts. Based on the indicators DSR, LCP and ELGS as elucidated in this study, the role and performance of the Kebeles seem to be unsatisfactory.

DSR was not implemented at the Kebele level, and the findings indicate that the Kebeles lack the capacity and resources to deliver development. A system of upward accountability of the local officials to Woreda was established rather than downwards to the local people. The LCP is weak at Kebele level because of weak organisational capacity and institutional constraints related to DSR. The ELGS is poor since Kebeles did not assume any fiscal right and administrative power for the reasons associated with DSR and LCP.

The government enacted three major policy strategies to address rural poverty. These are: a) enhancing agricultural productivity through improved technology, b) developing resilience to vulnerability and food insecurity through PSNPs, which aim to build assets and c) improve livelihoods of vulnerable households, and resettlement of farmers from drought-prone areas to fertile but less inhabitable locations in selected lowland areas of the country. However, all these efforts are coordinated and managed by the Woreda administration. For example, two major poverty alleviation programmes operate at Kebele level, these being the PSNP and FTC. The first programme aims to support food-insecure and vulnerable households and the second is intended to increase the productivity of local households through the application of improved inputs for agricultural production via training and field demonstrations. However, as noted in this article, neither programme is fully functional because of lack of resources and power. Therefore, the absence of effective decentralised governance practice at local level in fact gravely constrains the performance of poverty reduction efforts and curtail local development initiatives.

### Conflict of Interests

The authors declare no conflict of interests.

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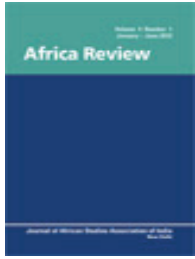


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## **Paper IV**

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## The political economy of poverty in Ethiopia: drivers and challenges

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# The political economy of poverty in Ethiopia: drivers and challenges

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## ABSTRACT

For more than four decades, researchers have analysed the poverty dynamics in Ethiopia from an economic point of view. This study adopted a political economy approach to analyse the poverty dynamics in the post-1991 period. It aims to provide insight into the root causes and dynamics of poverty from a political economy perspective. The empirical data were collected from eight rural localities in Debere Brehan, the Gamo highlands and Jimma. Research methods included interviews, surveys and focus group discussions. The findings reveal that the powerlessness of peasants vis-à-vis the state and the failure of agrarian transformation are aggravating the extent of rural poverty.

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Poverty; power; policy; land tenure; land rights; *kebele*

## 1. Introduction

In this paper, I adopt a political economy approach to analyse poverty dynamics in Ethiopia, particularly in the post-1991 period. I focus on power structures, power relations, institutions, actors and policies. Previous research on poverty in Ethiopia attributed the root cause of poverty mostly to economic, cultural, environmental and demographic factors (Bogale, Hagedorn, and Korf 2005; Dercon and Krishnan 2000; Devereux 1988). In particular, most of the available research has predominantly focused on economic factors. A review of the literature on the poverty situation in Ethiopia shows the need for a multidimensional approach to understanding the structural causes of poverty in the country (Bogale, Hagedorn, and Korf 2005; Rahmato 2011). The purpose of this article is therefore to contribute to the understanding of poverty by analysing it from a political economy perspective.

The study sets out to address two key questions. The first investigates why agrarian transformation has stalled in rural Ethiopia. Answering this question calls for an understanding of the structural causes of poverty that are rooted in power relations (representation, ability to make decisions), the land tenure system (property rights), resource sharing (inclusive development, local-led development and participation of multiple actors) and access to markets (resource exchange and wealth accumulation mechanisms). Second, it investigates how policy failures have aggravated poverty in rural Ethiopia. The consideration here is that appropriate policy and intervention strategies could stimulate

economic growth, increase household income, create employment and reduce unemployment, all of which would benefit the poor. This connection is addressed in section 1. In Section 2, the political economy framework of poverty is analysed with reference to the relevant literature. Section 3 presents the methodology and the study context. Section 4 provides an overview of the challenges of agrarian transformation in Ethiopia, based on secondary data that I analysed to augment the primary data sources. Section 5 discusses the drivers and challenges of the political economy of poverty. The last section presents the conclusions and policy recommendations that emerged from the study.

## 2. Political economy analysis of poverty

Defining the concept of poverty is one of the most problematic tasks in academia. The notion of *poverty* often relates to deprivation, lack of development, shortages, backwardness, lack of well-being, disempowerment, poor quality of life, human suffering and so on. Definitions and perceptions of poverty are very diverse and subtle (Dixon and Macarov 2002).

Poverty is often defined in terms of the extent and nature of destitution, using qualifiers such as ‘absolute’ poverty (the minimum necessary income to guarantee the physical existence of a person), ‘relative’ poverty (the average standard of living in a given society), ‘structural’ poverty (deep-rooted and extended in length), ‘transitional’ poverty (a temporary situation affecting people’s livelihoods), ‘chronic’ poverty (multidimensional and severe) and ‘subsistence’ poverty (related to the capacity to survive) (Bonfiglioli 2003). Poverty can be defined in a simple or complex sense, depending on the type of ontological and epistemological positions taken by scholars in the field. In particular, poverty is defined by Dixon and Macarov (2002) as the lack of the basic means of survival, or the condition in which individuals lead their lives with a low level of economic achievement (Vaughan 2009).

Here I review three of the major perspectives regarding the conceptualization of poverty, namely *income*, *basic needs* and the *capability approach*. The income approach relies mainly on household income as a major determinant of poverty (or otherwise) (Ringen 1988). The basic needs approach focuses on the lack of material goods to lead a decent life, or the failure to satisfy basic needs (Townsend and Gordon 1993). Ambiguities in both of these approaches have ushered in the development of another perspective – the capability approach – which defines poverty as a deprivation of capabilities, i.e. a lack of multiple freedoms that people value and have reason to value.

The capability approach emerged in the 1980s. It relates poverty to the broader idea of human development by seeking to empower people through developing and enhancing their capabilities, so that they can look after themselves and become capable of leading the kind of life they value. Capability implies the ability to choose and prioritize different types of functioning – i.e. freedom to choose a way of life and the ability of people to do certain things (Alkire 2002; Sen 1999). The dynamic nature of poverty, when linked with freedom, calls for further analyses beyond that of material needs or economics and necessitates the integration of a political economy perspective.

I define poverty from the *political economy* perspective as a process of deprivation caused by lack of the capability to function (particularly social functions related to poverty of power and poverty of participation). Hence, I focus on power relations that



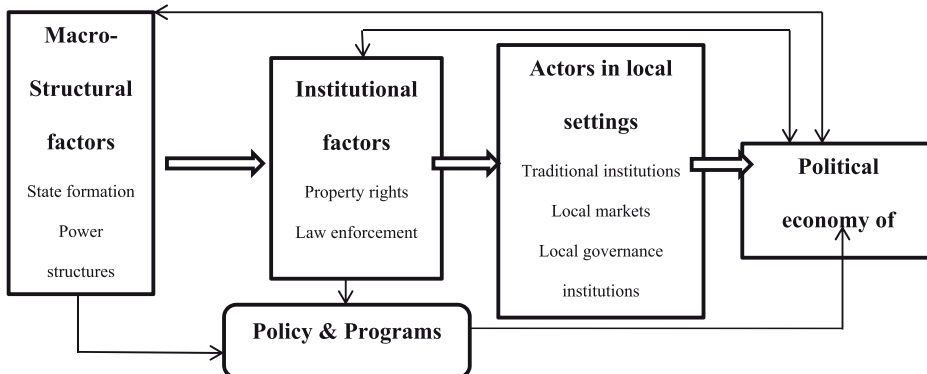
subsequently result in the inequality of wealth sharing, powerlessness of household in decision-making and negligence in policy consideration by the state (Clark 1998).

The political economy framework of analysis, as used in this study, comprises three major elements: *macrostructures*, *institutions* and *actors* (see Figure 1), together with two complementary elements: *policy* and *development programmes*. Interactions between all these elements are assumed to yield either negative or positive outcomes on poverty.

The *macrostructural* factors provide the foundational elements upon which a political economy analysis (PEA) is grounded (Clark 1998; Fritz, Kaiser, and Levy 2009; Moncrieffe and Luttrell 2005). *Macrostructure* refers to major historical factors in the evolution of political and economic systems, such as state formation, power structure, state structure and processes that shape state–society relations. These macrostructural factors embody the socio-political and economic foundations of a country that, in turn, profoundly influence the trajectory of poverty trends. They reflect how power relations are structured, and dictate access to and control over power, land, basic resources for production and institutions. In most cases, the macrostructural factors shape the evolution and activities of institutions. Therefore, it is critical to assess how institutions and actors interact and operate within the overall system.

*Institutions* are socially constructed formal constraints (rules) and informal constraints (norms) that govern political, economic and social interactions of a society (Granovetter 1992; North 1990). A society that is able to embed all-inclusive and entrepreneurial incentives is most likely to accumulate wealth and allocate resources efficiently. Conversely, those that do not do so are vulnerable to poverty and under-development (Acemoglu and Robinson 2012; Fritz, Kaiser, and Levy 2009). The institutions taken into account in this analytical framework include property rights, as well as productive, distributive and law enforcement institutions. Institutions, therefore, are key elements in this PEA of poverty and the interrelations among the major elements in the framework.

*Actors* comprise the third element in the context of this PEA framework, referring to local groups who pursue their interests through negotiation, contestation and compromise. They are local stakeholders and market actors who are responsible for the smooth running of local governance and traditional institutions. The existence and effectiveness



**Figure 1.** Political economy analysis framework (by author).

of institutions – as well as the macrostructural factors – rely on the behaviour of these actors (Clark 1998; Moncrieffe and Luttrell 2005).

The complementary elements in the PEA framework (policy and programmes) are outcomes arising from the interactions of macrostructures and institutions (Moncrieffe and Luttrell 2005). *Policy* refers to the broader framework of action in addressing one or more specific problem(s) (Dye 1992). *Development programmes* are intervention mechanisms that are required to implement a policy. An example of such a development programme would be a social protection programme initiated by the state.

I applied the PEA framework in this study by analysing the interaction of institutions (property rights and others) and actors (*Kebeles*, and local market) through an understanding of the power structures which drive a specific genre of processes (local governance and production), while also considering policy directions (poverty reduction policies and programmes). I analysed how the interactions and processes cause and entrench poverty (through the land tenure system), and perpetuate under-development (due to the powerlessness of peasants and incapacitation of local institutions) in rural Ethiopia.

### 3. Methodology of the study

I employed mixed methods for the collection and analysis of data. Purposive sampling was applied to select study areas at the region, zone, *woreda* (district level administration) and *kebele* (local peasant association) levels. A systematic random sampling technique was used to frame sample size and draw respondents from selected localities. Data were collected on livelihood patterns, culture and ethnicity, and historical traditions.

The study was conducted in three purposively selected locations in Ethiopia (Map 1). The study areas are located in the Oromiya National Regional State (ONRS), the Amhara National Regional State (ANRS) and the South Nation, Nationality and People's Regional State (SNNPRS). The areas represent different agro-ecologic, demographic and livelihood patterns. The first study area, the Gamo Highlands in the Southern region, is one of the most densely populated areas; it represents the highland or *Dega* agro-ecology livelihood zone and is known for production of the enset ('false banana'). The second study area is Debera Berhan in the Amhara region; it represents the midland *Weyna-Dega* and dryland/lowland *Kola* agro-ecology zones, and is known for grain production. The third study area is Jimma in the Oromiya region; it represents the *Weyna-Dega* agro-ecology zone and is known for coffee and khat production.

To collect quantitative data, I administered a pre-tested, household survey. The structured questionnaire was formulated using a five-point Likert-type scale. The survey sample consisted of 518 randomly selected households across all the study areas. The qualitative data were generated using unstructured thematic outlines in a series of interviews and focus group discussions held with key informants who were purposefully selected. Table 1 provides details of the households which completed the survey.

As can be seen from Table 1, the majority of the respondents were males (93.2%,  $n = 483$ ), whose occupation (livelihood) is largely dependent on agriculture (92.5%,  $n = 479$ ). In terms of education, 45.8% ( $n = 237$ ) attained primary schooling while a comparable proportion are illiterate (42.9%,  $n = 222$ ). In terms of income, around one-third (29.6%,  $n = 154$ ) of the households earn between 101 and 300 Ethiopian Birr (USD 13) per month. 22.8% ( $n = 118$ ) earn less than 100. This suggests that nearly 80% of the



**Map 1.** Map of Ethiopia and the study area in three regions. Source: Sketched by Tafese Mathewos (CPDR, Hawassa University).

**Table 1.** Socio-economic background of respondents to the survey ( $N = 518$ ).

Background	Category	<i>n</i>	%
Occupation	Farm household heads	479	92.5
	Non-farm household heads	39	7.5
Education	Illiterate	222	42.9
	Primary school	237	45.8
	Secondary school and above	59	11.3
Gender	Male	483	93.2
	Female	35	6.8
Household income (in ETB <sup>a</sup> )	<100 ETB	118	22.8
	101–300	154	29.7
	301–500	124	23.9
	>500 ETB	122	22.6

Source: survey data (2011/2012).

<sup>a</sup>ETB refers to Ethiopian Birr (1 USD is equal to 22 ETB).

households earn less than USD 30 per month or an average less than 1 US dollar per day (which is below the \$1.25 poverty line). It shows that the rate of poverty (80%) is much higher than the national average, with the majority of the respondents living in absolute poverty. This finding contradicts official figures and various research findings which depict a decline in rural poverty levels (to 29%) (World Bank 2015).

#### 4. The quest for agrarian transformation to reduce rural poverty in Ethiopia

Ethiopia is predominantly an agrarian country. The agricultural sector is the major source of employment for more than 85% of the population and contributes 40% of the total gross

domestic product (Rahmato et al. 2014). The quest for agrarian transformation and rural development in Ethiopia is an enduring question that has been lingering since the 1960s (Abate and Kiros 1983; Rahmato 1985). The failure to address the issue, particularly in relation to food security, contributed to the collapse of the Imperial government in 1974 as well as the fall of the Dergue (communist military regime; 1974–1991) government (Cochrane 2017). To date, the issue remains a major challenge in mainstream Ethiopian politics.

Agrarian reform and transformation requires restructuring power relations and representation, reallocating resources (land and related benefits) and revisiting policy priorities (Rahmato 2011). In the Ethiopian context, the core problem of agrarian transformation rests on the challenge of land tenure reform and other major factors that derive from the land tenure system itself: (1) failure to increase agricultural productivity; (2) increasing social homogeneity of rural class structures; and (3) policy negligence regarding investment in rural infrastructure (Abate and Kiros 1983).

The quest for land reform was one of the major issues that brought about radical political change in 1974 (Crewett and Korf 2008). The land reforms which came into force in 1975 dispossessed the nobility and gentry of land, thereby abolishing the social and political power of aristocrats. However, these reforms also revoked the customary rights (*Rist*) of peasants over their land, particularly in northern Ethiopia, and gave a full mandate to the state to decide land allocation and use (Abegaz 2004; Crewett and Korf 2008). Thus, the land reforms did not yield the desired outcome of the struggle (under the banner of 'land to the tiller') to bring about swift agrarian transformation. Instead, peasants became tenants of the state. In post-revolution Ethiopia, the state continued to expropriate resources from local people by imposing various schemes, including taxation and a grain delivery quota (Kebede 1998). The successor of the military regime, the EPRDF government, initiated a policy change in the early 1990s by liberalizing the agriculture market, and lifting the quota and other restrictions implemented by its predecessor (Getnet 2008). The new government largely kept intact the land tenure system, and later introduced a land certification programme to improve tenure security for peasants. Although this programme has been hailed as a major tenure policy achievement by the incumbent government, it has also not resulted in the desired outcome (Abegaz 2004; Bezabih, Kohlin, and Mannberg 2011).

One of the underpinning factors in agrarian transformation is the issue of farm productivity, which is linked to landholding patterns, local institutional setup and market access. Landholding is a key factor in the production system and influences how other production factors are organized and operate (Rahmato 2011). The average landholding of farmers in the study areas is less than half a hectare. Because of the small landholding size and the use of traditional farming practices, the production system in rural Ethiopia remains predominantly as subsistence farming. Even though smallholder farming contributes 95% of the total agricultural production, household productivity continues to decline that is greatly influenced by population growth and land fragmentation. Therefore, declines in landholding size are affecting declines in per capita and per household production (Cochrane 2017). Hence, farmers barely produce any surpluses that can be used beyond household consumption.

Another enduring challenge in agrarian transformation that unfolds in rural Ethiopia is an increasingly homogeneous social structure. In fact, the class structure of rural Ethiopia

was profoundly altered by the 1975 revolution. The revolution banished all social classes from the countryside except the labouring peasant, and consequently converted the rural realm into a homogeneous social structure consisting of a mass of poverty-stricken households. This structure is still intact today and has prevented the emergence of dynamic social forces in rural areas. Instead of encouraging the rise of peasant entrepreneurs, the land tenure system has reduced the farmers into smallholders with little opportunity for applying their innovative skills (Rahmato 2006). In fact, a new rural class – the ‘model farmers’ – emerged in the post-1991 period. Unfortunately, the contribution and role of this new class in transforming the agrarian sector have been debatable.

The state’s lack of attention and meaningful investment in rural infrastructure and non-farm activities are further major challenges for agrarian transformation in Ethiopia. Many peasant households remain as smallholder subsistence farmers due to the lack of non-farm employment and other livelihood opportunities; they are thus caught in the poverty trap created both by their limitations of assets and opportunities for alternatives (Block and Webb 2001; Devereux and Sussex 2000). Due to the sluggish transformation within the agricultural sector (from subsistence to commercialized farming, and from small to large land holdings), the government is continuously looking for alternative means of commercialization. In 2005 it adopted a large-scale farm investment policy to encourage the foreign direct investment in agriculture (MoARD 2008). This policy has, however, sparked controversy and contention (Cochrane and Skjerdal 2015).

Scholars such as Lavers (2012) argue in favour of the policy shift, justifying high levels of investment in the agricultural sector to accelerate the long quest for agrarian transformation in rural Ethiopia. Other scholars such as Abbink (2011) and Rahmato (2014) contest the new policy, arguing that it has dispossessed farmers from their smallholdings. The former line of argument is centred on the idea that since investment is undertaken in sparsely populated lowland areas, it does not affect the livelihood of smallholder farmers. Such protagonists insist that the new policy has promoted the transfer of new technologies and commercialization of agricultural production. This debate remains unresolved (Lavers 2012; Makki 2012; Rahmato 2014).

## 5. Poverty levels in the study areas

Poverty in Ethiopia is pervasive and persistent, affecting households in both urban and rural areas (Bevan 2000; Dercon 1997; Devereux and Sussex 2000). According to a recent statistical report of the World Bank (2015), chronic urban poverty is estimated to be 25.4% and rural poverty 30.4%. Although the trajectory of poverty indicates a declining trend in terms of income measurement, it remains a major challenge in terms of other dimensions (Mandefro 2016). Table 2 presents the World Bank (2015) data on poverty trends in Ethiopia from 1981 to 2014.

As Table 2 shows, there has been a significant reduction of poverty based on household income measurement in the last three decades, particularly after 2000. Specifically, in 1981, 66.2% of the population was poor, which declined significantly, to as low as 29.6% in 2014. One of the reasons given by the World Bank (2015) is that ‘agricultural growth drove reductions in poverty, bolstered by pro-poor spending on basic services and effective rural safety nets’ (1). However, the World Bank has been criticized for using a data set generated by the Ethiopian government to forecast growth and poverty

**Table 2.** Poverty trends in Ethiopia from the perspective of the World Bank.

Poverty divide	Year				
	1981	1996	2000	2005	2014
National poverty line	66.2	45.5	44.2	38.7	29.6
Urban	n.a.	33.3	36.9	35.1	25.7
Rural	n.a.	47.6	45.5	39.3	30.4
USD 1.25 PPP poverty line	n.a.	60.0	55.6	39.0	30.7

Source: computed by author from World Bank (2015).

Notes: n.a.: not available; PPP: purchasing power parity. The unit of scale is %.

**Table 3.** Poverty trends in Ethiopia from the perspective of the Ethiopian Government.

Reporting level	Indicator	1995/1996	1999/2000	2004/2005	2010/2011	% change (from 1996 to 2011)
National	Head count index	0.455	0.442	0.387	0.296	34.9
	Poverty gap index	0.129	0.119	0.083	0.078	39.5
	Poverty severity index	0.051	0.045	0.027	0.031	39.2
Rural	Head count index	0.475	0.454	0.393	0.304	36
	Poverty gap index	0.134	0.122	0.085	0.080	40.3
	Poverty severity index	0.053	0.046	0.027	0.032	39.6
Urban	Head count index	0.332	0.369	0.351	0.257	22.5
	Poverty gap index	0.099	0.101	0.077	0.069	30.3
	Poverty severity index	0.041	0.039	0.026	0.027	34.1

Source: MoFED (2012, 9) and Mandefro (2016, 392).

trends (Mandefro 2016). Table 3 presents the official government statistics regarding poverty trends in Ethiopia.

Both Table 2 (World Bank) and Table 3 (Ethiopian government) depict the reduction of poverty level in a similar way. According to the statistical official data disclosed by both (the World Bank and the Ethiopia government) poverty has reduced significantly, at both national and rural levels. At the national level according to the Ethiopian government, the head count poverty index was reduced from 45% (in 1995/1996) to 29.6% (in 2011); likewise, the rural poverty level dropped from 47.5% (in 1995/6) to 30% (in 2011). The reason, according to government officials, is the effective implementation of the national poverty reduction strategy and the subsequent waves of decentralization that were carried out and implemented in 2001 at the district (*woreda*) level (MoFED 2012). However, scholars like Mandefro (2016), Geda and Yimer (2014), and Devereux and Sharp (2006) contest this argument and insist that poverty levels may not be falling. The absolute rate of poverty has either been increasing or remained the same. The problem, therefore, is even the percentage of the people living in poverty in terms of income measurement are falling; however, the absolute number remained unchanged because of the population surge.

According to Mandefro (2016), the reporting of poverty statistics in Ethiopia unveils an interesting discourse between the government and its opponents, due to the remarkable differences between official reports and those of other institutions. He further argues that the government uses 'magic' poverty numbers for the purpose of legitimizing the regime and showcasing better economic performance. The motive for promoting bigger figures, therefore, he claims political. However, the narratives about poverty reduction should be reviewed and verified through other poverty measurement tools as Mandefro (2016) compares the head count ratio given by the Ethiopian government with OPHI index:

Ethiopia offers an interesting case study to analyze the connection between regime legitimacy and poverty statistics. First, there is a controversy about poverty prevalence. According to the government's statistics, only 26% of the population is living under the national poverty line. However, statistics from the Oxford Poverty and Human Development Initiative (OPHI) estimate multidimensional poverty at a staggering 87% in 2013. . . . the discrepancy between the two estimates is extreme. (Mandefro 2016, 387)

In fact, comparing two different sets of poverty measurement is problematic and not logical. However, the result of the measurements should supplement each other. Otherwise, the wider gap may signpost problems. So, as we can see from the Mandefro's (2106) claims the result of these two measurement tools (by the Ethiopian government and OPHI) indicates significant gaps that should not be ignored. Another example is presented in Table 4 – the multidimensional poverty trends in Ethiopia, according to the UNDP (2015).

The human development index (HDI) combines three dimensions of health, education and per-capita income. If the HDI score is below 0.5 it signifies a low level of human development. As Table 4 depicts, Ethiopia exhibits low human development even compared with the average result of sub-Saharan African countries in all years. In fact, there have been improvements since 2000 as we can see from the table. However, the human development has remained low.

The survey findings from the study areas show the existence of the large-scale poverty. The majority of respondents are living in absolute poverty – 80% of the households surveyed reported a monthly income below the universal absolute poverty threshold (i.e. 1.25 USD per day). The average monthly household income at the time of the survey was less than 300 ETB (i.e. 13 USD). The finding of the survey result coincides with the OPHI result, even taking methodological differences into account.

As indicated in Table 5, closer scrutiny of the income data suggests that farmers in Jimma (particularly in Dawa and Merewa) are relatively better off compared to farmers in the Gamo highlands and Debre Berhan areas. This may be because farmers in Jimma earn additional income from cash crops, particularly from coffee and khat as opposed to their counterparts. Otherwise, most of them would have a lower income.

Table 5 shows that the monthly income of respondents in Azo Gule (86%,  $n = 60$ ) and Amara Ena Budo (65%,  $n = 13$ ) is below 100 ETB (nearly below 5 USD). Similarly, the monthly income of households in Goshe Bado (74%,  $n = 64$ ) and Germa (59% =  $n = 42$ ) is between 100 and 300 ETB (i.e. around 13 USD). The income of households portrays the prevalence of absolute poverty in all study areas. In fact, the monthly income of respondents in Dawa (80%,  $n = 55$ ) and Chano Mile (57%,  $n = 35$ ) shows above 500 ETB (above 22 USD). They are relatively well off. One farmer in Goshe Bado explained the scale of poverty in the following terms:

**Table 4.** Multidimensional poverty trends in Ethiopia since 2000.

Indicator	Year	Ethiopia	Sub-Saharan Africa	World	Sub-Saharan Africa/Ethiopia
Human development index (HDI)	2000	0.250	0.315	0.570	1.26
	2005	0.287	0.366	0.598	1.28
	2010	0.324	0.389	0.624	1.20
	2015	0.448	0.523	0.717	1.24

Source: Computed by author from the UNDP human development report (2015).

**Table 5.** Monthly income of households in the study areas.

Kebele	Area	Below 100		101–300		301–500		Above 500		Total
		ETB	%	ETB	%	ETB	%	ETB	%	
Merewa	Jimma	11	16	27	40	8	12	22	32	68
Germa	Jimma	28	39	42	59	0	0	1	1	71
Dawa	Jimma	3	4	0	0	11	16	55	80	69
Azo Gule	Gamo	60	86	9	13	1	1	0	0	70
Amara Ena Budo	Gamo	13	65	2	10	2	10	3	15	20
Chano Mile	Gamo	0	0	8	13	18	30	35	57	61
Alyu Amba Zuria	Debere Berhan	0	0	2	3	67	93	3	4	72
Goshe Bado	Debere Berhan	3	3	64	74	17	20	3	3	87
Total		118	23	154	30	124	24	122	24	518

Source: Field data (2011/2012).

The magnitude of poverty in our locality is significant. There are several poor households in our area. Most of the households do not have farm land and other means to sustain their life. They earn their income as a daily laborer working in the farms and nearby towns. In fact, we all are poor since our life is hand-to-mouth subsistence farming. Very recently we have been encountering difficulties because of persistent price inflation in consumption goods.<sup>1</sup>

The farmer's remark is very interesting. He labelled most of the households in his locality as 'poor'. Although most of the respondents concede that poverty is massive and pervasive, they did not necessarily report this in the survey, for cultural and political reasons. Table 6 presents household views regarding the scale of poverty in the study areas.

As shown in Table 6, the majority of households (65.4%,  $n = 339$ ) were undecided about the scale of poverty in their localities. Only 21.8% ( $n = 113$ ) ('agree' and 'strongly agree') of households admitted the high prevalence of poverty. Culturally, local people do not want to be considered as 'poor', since this could result in marginalization and a stigmatized social status. Politically, they are reluctant to openly discuss their problems for fear of intimidation by local officials. This result suggests that there is a need for more in-depth investigations.

## 6. Political economy of poverty: drivers and challenges

In this section, I analyse the drivers and challenges of poverty from a political economy perspective, taking into account the major factors of macrostructure, institutions, actors and policy. This analysis was corroborated by empirical evidence collected in this study.

### 6.1. Power structures at the local level

As WoldeMariam (1984) argues, the marginal role of micro-level actors (such as small-holder farmers) in power structures and power relations makes them vulnerable to

**Table 6.** Household responses regarding the scale of poverty in their localities.

Indicator	N	Household ratings (%)							
		Mean	SDI	DK	SAD	DA	UD	AG	SA
The scale of poverty is pervasive	518	3.17	0.808	1 (0.2)	7 (1.4)	58 (11.2)	339 (65.4)	65 (12.5)	48 (9.3)

Source: Survey data (2011/2012).

Notes: DK: do not know; SDI: strongly disagree; DA: disagree; UD: undecided; AG: agree; SA: strongly agree; figures in parenthesis are percentages.



persistent poverty. He further notes that farmers play a peripheral role, both in exercising their rights and in sharing of resources. They do not have adequate representation or attention from the central government, resulting in weak and fragile local institutions (WoldeMariam 1991).

Current local political institutions in rural Ethiopia were established in 1975 following the land reform programme. Before the revolution, in the Gamo and Jimma areas, the state collected taxes via the nearby military garrison town. Furthermore, it created the *Gebare*<sup>2</sup> tribute system that mercilessly appropriated perceived surplus production through serfdom (Zewde 2001). The peasants, particularly in *Gebare* areas of the south and Oromia, were forced to pay a tribute of two-thirds of their production to landowners, in addition to taxes to the state and fiefs to local chiefs and the church. The smallholder farmers (*Gebares*) were allowed to use the remaining *Siso*<sup>3</sup> (one-third) of their produce. In addition, they were required to give their labour in service and perform related compulsory duties for local officials – the *Cheka Shumes*.<sup>4</sup> Therefore most tenants were unable to accumulate wealth or bequeath wealth to their children (Tibebu 1995; Zewde 2001). This practice produced extremely poor tenants who were struggling to survive on meagre resources.

From the onset of the formation of the modern state, the central government dominated power structures and continued to marginalize peasants and expropriate their resources. During the Derg period (1974–1991), although the state abolished serfdom through land reform, the appropriation of resources resumed using different mechanisms, for example, through compulsory grain quotas, mobilization of rural labour for state projects, and enlistment of young people in compulsory conscription for national military service. All these practices worsened the plight of the peasants (Pausewang et al. 1990; Rahmato 2011), which has been aggravated by the absence of meaningful public investment in farm and non-farm activities.

The continued transfer of surplus product, even from meagre production in local areas, to the centre has had the following four major effects on the peasants: (1) they are kept permanently at below subsistence level; (2) they are unable to save and reinvest in their farms and related businesses; (3) they have failed to transform their production system into commercial agriculture; and (4) they are unable to create links and integrate with both domestic and international markets (WoldeMariam 1984). Because of the persistent economic exploitation and political marginalization, farmers have remained powerless even to make decisions about basic issues. Table 7 presents the survey results regarding local people's participation in decision-making and their ability to hold accountable the local officials in their respective localities.

**Table 7.** Respondents' views on decision-making and ensuring accountability of local government authorities.

Indicators	N	Mean	SD	Household ratings (%)						Total
				DK	SDI	DA	UD	AG	SA	
Local people exercise decision-making rights	518	3.38	0.96	0 (0)	9 (1.7)	80 (15.4)	204 (39.4)	154 (29.7)	71 (13.7)	518 (100)
Local people ensure accountability of local government authorities	518	3.83	0.86	0 (0)	3 (0.6)	22 (4.2)	158 (30.5)	213 (41.1)	122 (23.6)	518 (100)

Source: Survey data (2011/2012).

Notes: DK: do not know; SDI: strongly disagree; DA: disagree; UD: undecided; AG: agree; SA: strongly agree; figures in parenthesis are percentages.

The ability to make decisions and hold local officials accountable are manifestations of the exercise of power. As we can see from Table 7, regarding local people's exercise of decision-making rights, the one-third were undecided (39.4%,  $n = 204$ ); a substantial proportion of them (29.7%,  $n = 154$ ) agreed; and 13.7% ( $n = 71$ ) strongly agreed. Responses were similarly spread regarding their ability to ensure accountability of local government authorities: 41.1% ( $n = 231$ ) agreed, 23.6% ( $n = 122$ ) strongly agreed and 30.5% ( $n = 158$ ) were undecided. The lack of overwhelmingly positive responses from local people regarding both questions is an indication of their discontent, taking into account the prevailing political culture that 'bows down' to the state authority. In all the study areas, the local people seem to be powerless and fearful of the state authority. The following remark from a farmer in Azo Gule supports this observation:

We are powerless on this plot of land. We survive because of the kindness of *Kawo* [a local word which refers to a king but is also used for the state] next to God. Our life is in the hands of the *Kawo*. We plough this land; we get fertilizer and improved seeds with the good will of the *Kawo*. The productivity is below the expenses on the plot. The debt for fertilizer and improved seeds is increasingly becoming challenge for us.<sup>5</sup>

The above remark illustrates how weak and marginalized farmers exist within local power structures. As a result, they cannot hold local officials accountable.

## 6.2. Institution of private property

Institutions are critical in facilitating economic growth and reducing poverty (Acemoglu and Robinson 2012; North 1990; Ostrom 1990). Moreover, the pattern of property rights, particularly landholding rights, is a major correlate of power structures, social hierarchy and economic relations (Shipton and Goheen 1992; Sikor and Lund 2009). In Ethiopia, the state exerts enormous influence and control over the allocation and utilization of land, since land is the source of power and wealth.

The institution of property rights, particularly land rights, remains controversial, including in the current regime (Ali, Dercon, and Gautam 2011). During the Imperial era, the land tenure system was a complex mix of private (*Rist*, *Gult* and *Rist-gult*), public (*Melkegena*, *Siso rist*, *Madeira*, *Gende Bella*, *Baldras* and *Ganne Geb land*) and church ownership (*Semone*) (Abegaz 2004; Ambaye 2015). Under the Derg and EPRDF-led governments, private and church ownership of land was abolished; thus, land came under full control of the state, while the peasants were given usufruct rights (Abbink 1997; Kebede 1998; Rahmato 2009).

This restrictive tenure institution has resulted in large-scale subsistence and smallholding agricultural systems in rural Ethiopia. It has stalled agrarian transformation and fostered large-scale poverty (Kebede 1998; Rahmato 2010). We argue that the source of poverty is related to the lack of land ownership and control over the benefits of land in all the regimes. A farmer interviewed in Gerema reported the following regarding this theme:

The source of our poverty is both the landholding tenure and the farm plot size. The farm plot of most farmers is small. Therefore, land size is the major source of poverty. Land shortage and landlessness is also a cause of poverty in our location. A poor person is one who lacks access to land, control over the benefits over the produce, landlessness and lack of stable livelihoods. A person that has land in a rural setting can till it and feed his family.<sup>6</sup>

**Table 8.** Respondents' views on land shortage and the tenure system as a source of poverty.

Indicators	N	Mean	SD	Household ratings (%)					Total	
				DK	SDI	DA	UD	AG		SA
Shortage of land and the land tenure system as source of poverty	518	3.47	0.91	5 (1)	3 (0.6)	53 (10.2)	198 (38.2)	203 (39.2)	56 (10.8)	518 (100)

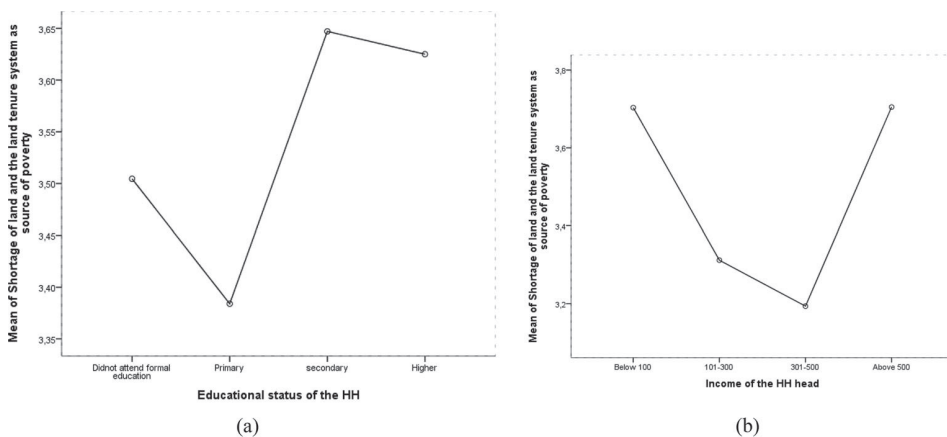
Source: Survey data (2011/2012).

Notes: DK: do not know; SDI: strongly disagree; DA: disagree; UD: undecided; AG: agree; SA: strongly agree; figures in parenthesis are percentages.

The farmer's view is substantiated by the household survey results presented in Table 8.

The overall mean value obtained from the respondents (as shown in Table 8) is 3.47 (given that 4 is equivalent to 'agreement'). Most of the respondents agreed (39.2%,  $n = 203$ ) or strongly agreed with the statement (10.8%,  $n = 56$ ), although 38% ( $n = 198$ ) preferred not to decide on the matter. The result shows that the majority of respondents believe that issues related to landholding are a major source of poverty in rural settings. Figure 2 presents the correlation between shortage of land and poverty disaggregated to income and education.

As shown in Figure 2, there are significant differences when respondents are disaggregated in terms of income and education. Respondents with secondary and higher education backgrounds gave a higher rating to 'shortage of land and existing tenure system as source of poverty'. Likewise, household heads with an income of below 100 ETB and above 500 ETB gave a higher rating to this statement. Respondents with primary education gave low ratings or were undecided. These findings are in line with the results from the interviews and focus group discussions. Local people believe that the increasing trend of land scarcity has been a source of poverty. The research data support this argument, as the average amount of arable land per person declined from 0.48 hectares in 1961 to 0.17 hectares in 2012. According to Rahmato (2011), of the entire rural population (estimated to be 70 million), a significant number of peasants (estimated at 28 million or more) are categorized as landless.



**Figure 2.** Mean plot of responses about shortage of land as the source of poverty, disaggregated to income and education. Source: Survey data 2011/2012.

### 6.3. Actors in local settings

The actors in the local arena include formal actors like the *kebeles*, rural markets and traditional institutions. Besides these formal actors, local power is segmented between various competing informal actors who align themselves with successive regimes, such as the ‘bureaucracy’ who were supporters of the previous regime, the Derg. This group is relatively well educated and was considered as the enlightened local elite. In fact, although they have now been alienated from local political settings, they still exert a substantial influence since they receive support from other segments of the society. *Model farmers* are the emerging rural elites; this group came into existence after the 2005 election crisis. They include some members of the old bureaucracy members (who converted to become supporters of EPRDF), and an emerging group of young, educated farmers who have been groomed to be the new power base of EPRDF in rural localities.

The *kebeles* represent the lower local governance structure (Lefort 2010; Snyder et al. 2014). However, the institutional capacity of *kebeles* is so weak that they can hardly coordinate or lead local development initiatives. The weakness of the *kebeles* emanates from a lack of political power and financial resources (Yilmaz and Venugopal 2008). In addition, *kebeles* have encountered serious challenges regarding limitations of institutional capacity. In fact, sub-actors within *kebeles* – such as development assistants, *kebele* administrators and the emerging new peasant class (model farmers and EPRDF members) – play more significant roles. In particular, development assistants and model farmers have been dubbed by the government as *agents of local development*. However, because of the lack of resources and political power, they cannot achieve the intended objectives. As one farmer in the rural *kebele* of Azo Gule noted:

The *kebele* leaders have not had the real power to make decisions. The political power is vested in the *woreda* leaders. Therefore, they are simply carrying out orders given by the *woreda*. ... The *woreda* propose, assign and simply request the local people to approve their decision. What we do is simply approving their decision.<sup>7</sup>

The rural market is another actor in the local setting. Strictly speaking, it should not be considered as an important local actor because it is weak and, in most cases, does not function properly (Franzel, Colburn, and Degu 1989; Osborne 2005). Post-1991, the state liberalized the agricultural market and lifted the compulsory grain delivery quota from localities (Osborne 2005). This motivated farmers to increase the volume of their production. However, the absence of a functional grain and agricultural produce market has inhibited their benefits, as well as exposing them to appropriation by an emerging private sector affiliated to local officials. In this regard, a farmer in Goshebedo *Kebele* said the following during a focus group discussion:

The petty merchants who have a connection with our local officials dominate our local market. They deliberately distort information, in most cases, and feed us wrong information. So they decide on the price of the product; and we deliver our products based on their terms since we do not have any other alternatives. We do not have any power and right to decide on prices for our products.<sup>8</sup>

As we can see from this remark, the weak and fledgling market has become an instrument to appropriate meagre resources from the local people – most farmers who manage

**Table 9.** The role of local actors in local development.

Indicators	N	Mean	SD	Household ratings (%)					Total	
				DK	SDI	DA	UD	AG		SA
Local actors ( <i>kebele</i> ) are active in local development activities	518	3.05	1.29	5 (1)	72 (13.9)	182 (35.1)	134 (29.5)	125 (24.1)	37 (7.1)	518 (100)

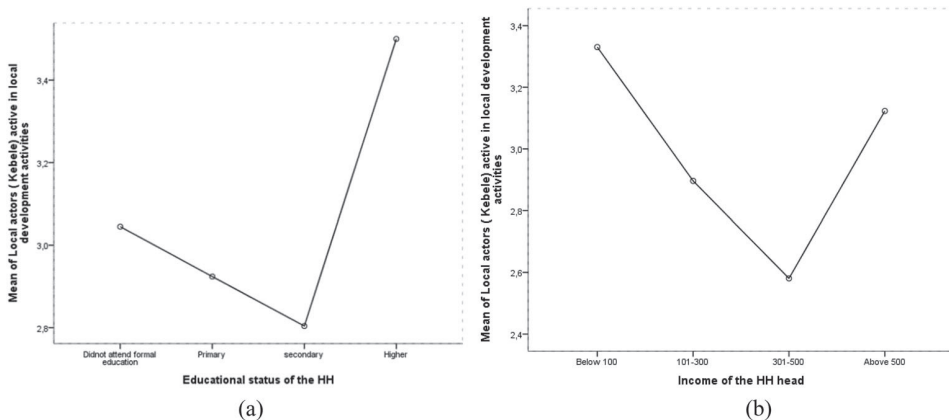
Source: Survey data (2011/2012).

Notes: DK: do not know; SDI: strongly disagree; DA: disagree; UD: undecided; AG: agree; SA: strongly agree; figures in parenthesis are percentages.

to deliver a limited amount of surplus product to the market are exploited by petty merchants through unfavourable trade terms.

Beside *kebeles* and the local market, traditional institutions also play a pivotal role in local politics. The government has employed them to liaise effectively with local communities. Traditional institutions are becoming increasingly influential regarding dispute resolution and campaign politics. The mainstream traditional institutions are led by elders, but now they are often led by local elites; even recruitment to positions in traditional institutions has become politicized and taken over from the local people. As a result, the role of traditional institutions in development activities is limited. *Ragga* in the Jimma area and *Dere Chiema* in the Gamo highlands are some notable examples. Table 9 presents the survey findings concerning the role of local actors in local development and Figure 3 depicts the role of local actors in local development disaggregated into income and education.

As evident in Table 9, the simple majority of respondents (35.1%,  $N = 182$ ) disagree that local actors have a role in local economic development. A significant number of respondents (29.5%,  $N = 29.5$ ) were undecided on the role of local actors. The overall response shows dissatisfaction by local people regarding the role of these actors in local development. As shown in Figure 3, respondents with secondary education backgrounds gave a low rating, while those with higher education backgrounds contradicted this response. Household heads with a monthly income ranging from 301 to 500 ETB gave a lower rating, while those earning below 100 ETB gave a higher rating. A respondent whose income is below 100 is typically a powerless and poor household. Whereas those



**Figure 3.** Mean plot of responses about the role of local actors in local development, disaggregated to income and education. Source: Survey data 2011/2012.

whose income is above 500 are either government-affiliated employees or -supported farmers.

#### 6.4. State policy and strategies

Successive governments in Ethiopia have paid little attention to alleviating poverty in rural areas (Alemu, Oosthuizen, and Van Schalkwyk 2002; Robinson and Yamazaki 1986). The EPRDF-led government claims to have taken significant measures to reduce poverty by adopting agricultural-led industrialization and a pro-poor policy (Assefa 2008; Teshome 2006). However, this claim is contested by some scholars. For example, a scholar in Addis Ababa made this remark in an interview:

Poverty as a policy priority had never been seen during the imperial regime. A specific policy to address poverty was also not present during the Derg regime. Like its predecessors, poverty as a policy priority is not adequate under the EPRDF-led government, even though the World Bank initiated the idea of Poverty Reduction Strategy Paper (PRSP) documents. This is a poor country and the majority of the people live in abject poverty. However, successive regimes have never had effective policy and intervention strategies to reduce or eradicate poverty. Therefore, there is a big policy problem to address the challenge of poverty.<sup>9</sup>

The above observation illustrates that the EPRDF-led government has not initiated a poverty reduction policy – rather it has adopted what was prescribed by international financial institutions.

Nevertheless, the government adopted an agriculture-led development and industrialization (ADLI) policy in 1994. This is a comprehensive economic strategy that aims to industrialize the agrarian-based economy through robust agricultural growth, commercialization and the creation of a successful market link between the agriculture and industry sectors (Berhanu and Poulton 2014). This broad economic plan was followed by successive five-year development plans commencing in 2002: the Sustainable Development for Poverty Reduction Programme (SDPRP, 2001–2006); the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2006–2010) and the Growth and Transformation Plan I (GTP I, 2010–2015). Currently, the fourth national development plan (GTP II, 2015–2020) is underway. In all these development plans, poverty reduction and rural development have been listed as policy priorities. Table 10 presents a comparative overview of the three consecutive five-year policies on poverty reduction and national development in Ethiopia.

As shown in Table 10, in both the SDPRP and PASDEP, agriculture and rural development are listed as major policy priorities. Even in the GTP I, agriculture is marked as a major source of economic growth. The overarching pillars of the ADLI policy (such as agricultural growth, commercialization and market links) have not been achieved due to insignificant public investment. As a result, the agricultural sector has remained subsistent and is barely integrated with the market (Berhanu and Poulton 2014; Rahmato et al. 2014). Even though the Ethiopian Government claims to allocate a large number of resources to the agricultural sector (higher than the average in most sub-Saharan countries), poverty has remained pervasive in all aspects of measurement, with the exception of income. This shows that ill-formed policy implementation is exacerbating the poverty situation in rural Ethiopia.

**Table 10.** Comparative analysis of three consecutive development policies under the EPRDF.

SDPRP (2001–2006)	PASDEP (2006–2010)	GTP 1 (2010–2015)
Focus on:	Greater focus on:	Focus on:
<ul style="list-style-type: none"> <li>• Agriculture and rural development</li> <li>• Public sector reform and capacity building</li> <li>• Explicitly pro-poor and rural</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth and private sector development</li> <li>• Building on SDPRP in agriculture and rural development</li> <li>• Expanding education, health and prevention of HIV/AIDS</li> <li>• Capacity building and decentralization</li> <li>• Food security programme</li> <li>• Greater attention to urban issues</li> </ul>	<ul style="list-style-type: none"> <li>• Sustaining rapid and broad-based economic growth</li> <li>• Stable macroeconomic framework.</li> <li>• Industrial transformation</li> <li>• Expansion of infrastructure</li> <li>• Expand and ensure the qualities of education and health services</li> <li>• State building through the creation of a stable democratic developmental state</li> </ul>
SDPRP pillars:	PASDEP pillars	GTP pillars
<ul style="list-style-type: none"> <li>• Agricultural development led industrialization</li> <li>• Civil service and justice system reform</li> <li>• Governance, empowerment and decentralization</li> <li>• Capacity building (including education)</li> <li>• Food security (added as a pillar in 2003)</li> </ul>	<ul style="list-style-type: none"> <li>• Massive push to accelerate growth</li> <li>• Geographically differentiated strategy</li> <li>• Addressing the population challenge</li> <li>• Unleashing the potential of Ethiopia's women</li> <li>• Strengthening the infrastructure backbone</li> <li>• Managing risk and volatility</li> <li>• Scaling up to reach the MDGs</li> <li>• Creating jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Sustaining faster and equitable economic growth</li> <li>• Maintaining agriculture as a major source of economic growth</li> <li>• Creating favourable conditions for the industry to play a key role in the economy</li> <li>• Enhancing expansion and quality of infrastructure development</li> <li>• Enhancing expansion and quality of social development</li> <li>• Building capacity and deepening good governance</li> <li>• Promoting women and youth empowerment and equitable benefits</li> </ul>

Source: compiled by author from Taylor and Teshome (2007) and MoFED (2013).

Regarding programmes and strategy, the government has identified poor and poverty-stricken areas, based on three criteria: agro-ecology diversity (e.g. moisture availability), household productivity and household income (Assefa 2008; Bevan and Joireman 1997). It prescribes different interventions for each of these three categories, namely resettlement, participatory demonstrations and training extension systems (PADTES) and diversification of income and productive safety-net programmes (PSNPs), respectively. Resettlement interventions aim to transfer households from drought- and famine-prone areas to unused arable lands. Agriculture extension programmes (PADTES) aim to increase productivity through better application of agricultural inputs and technology; and the PSNPs aim to address food insecurity through enterprising, food-for-work and food aid programmes. Under these programmes, vulnerable and food-insecure households are entitled to assistance to fill their food deficit on a seasonal basis (Assefa 2008).

According to a World Bank report (2015), the PADTES have improved agricultural productivity and reduced poverty levels of rural farm households by introducing different packages of agricultural input and technologies. They have also installed farmer training centres and development assistants in all rural *kebeles*. The initiative has increased productivity and the total volume of agricultural production (Dorosh and Rashid 2013). However, scholars such as Berhanu and Poulton (2014) cast a doubt on productivity enhancement claims of the government and the World Bank. They argue that the system is serving other political objectives, in addition to the agricultural extension

what they call it ‘twin imperative’. The opinions of farmers interviewed in this study were mixed. Some commented that ‘productivity has significantly increased; products were diversified, and harvest was increased per plot of land’.<sup>10</sup> Other farmers argued that ‘we did not witness an increase in productivity. Rather the improved seed and agriculture input which was distributed by the government indebted us, affecting our livelihood’.<sup>11</sup>

The PSNP was initiated in 2005 and implemented in 319 chronically food-insecure *woredas*. These programmes deliver cash and/or food transfers to between seven and eight million rural Ethiopians for six months every year, either through public works (85%) or for free as direct support (15%). So far, the three phases (APL 1, 2 and 3 – covering the periods 2005–2006, 2007–2009 and 2010–2015, respectively) have been implemented at a total cost of nearly USD 350 million per annum. The outcomes of these programmes have been contested (Bishop and Hilhorst 2010; Sabates-Wheeler and Devereux 2010) and its processes, like the agricultural extension, are being used to serve political objectives (Cochrane and Tamiru 2016). An agricultural expert interviewed in the Gamo highlands area confirmed that:

There were 20,570 households registered as beneficiaries at the outset of the program. Of these, 300 households were included in the contingency budget but later dropped out due to the lack of a permanent budget. Two hundred households were graduated in 2008 after three years. In 2011, another 3,151 households were presumed to be graduated, but were still included in the program. Currently, 20,070 households are registered as beneficiaries of the PSNP.<sup>12</sup>

The above interview remark indicates the pitfalls in PSNP programme implementation in the study areas, as was also outlined by Cochrane and Tamiru (2016). The number of graduated households over the span of three years is very small, and a significant number of households have remained dependent on the programme. Table 11 presents local people’s opinions about the implementation of poverty reduction strategies in their localities and Figure 4 describes about the feasibility of poverty reduction in the eyes of households disaggregated to education and income.

According to Table 11, the majority of the respondents (37.5%,  $n = 194$ ) preferred to take an ambivalent (‘undecided’) position in relation to this issue, whereas 31.1% ( $n = 161$ ) agreed, and 8.5% ( $n = 44$ ) strongly agreed with the issue raised. As shown in Figure 4, households with better incomes (above 300 ETB) gave a lower rating, whereas those considered as poor gave higher ratings to the statement. Respondents with secondary and no formal education gave lower ratings on the relevance and effectiveness of the poverty reduction strategy compared to respondents with primary and higher levels of

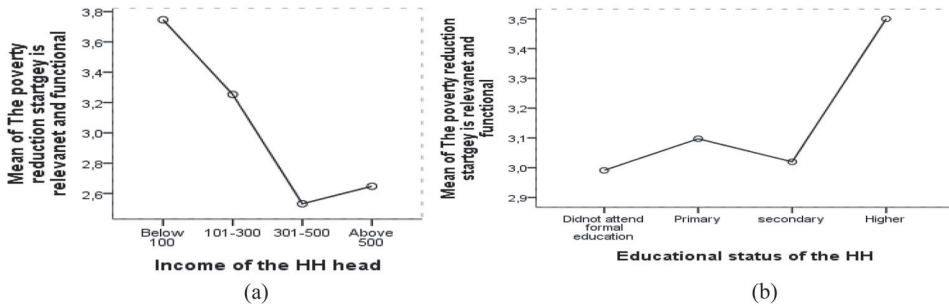
**Table 11.** Local people’s opinion on poverty reduction strategies (PRSP) implemented by the government.

Indicators	N	Mean	SD	Household ratings (%)						Total
				DK	SDI	DA	UD	AG	SA	
PRSP is relevant and applicable to the local context	518	3.05	1.29	48 (9.3)	8 (1.5)	53 (10.2)	194 (37.5)	161 (31.1)	44 (8.5)	518 (100)

Source: Survey data (2011/2012).

Notes: DK: do not know; SDI: strongly disagree; DA: disagree; UD: undecided; AG: agree; SA: strongly agree; figures in parenthesis are percentages.





**Figure 4.** Mean plot of responses about the poverty reduction strategy being relevant and applicable to the local context, disaggregated to income and education. Source: Survey data 2011/2012.

education. Respondents with higher level of education gave higher rating because either they are government employees or appointees.

Resettlement (*Sefera*) is another current strategy for poverty reduction (Abebe 2010; Pankhurst 1992). The aim of this programme is to resettle people from densely populated and extremely degraded highland areas to more productive lowland areas. The initiative was carried out with some extent of consent from local people, but to some extent it was compulsory. Thus, it has induced resource-based conflict in some areas with indigenous people who are not happy with the arrival of new settlers in their areas (Tafesse 2007).

## 7. Conclusion

The drivers of the political economy of poverty in Ethiopia are embedded in interrelated, complex factors, including those of the macrostructure, institutions, actors and policy. Nevertheless, the institutional challenge of property rights, particularly land rights, occupies a central place in explaining rural poverty. The issue of land has caused regime changes and agrarian revolution in Ethiopia, and has remained a subject of contestation in state–society relations. As reported in this paper, the lack of land tenure reform coupled with population growth and land fragmentation has increased the numbers of extremely poor tenants in the study areas, whose livelihood has stagnated on subsistence-level farming. The problem has been exacerbated by the challenge of poor governance. Unless there is a significant measure of land reform, it will be difficult to achieve the desired agrarian transformation that can reduce poverty in rural Ethiopia.

Another serious problem in poverty reduction efforts is the absence of viable actors in local settings. Beside institutional incapacitation, the absence of responsible agents to coordinate and lead development activities at the local level is a serious structural problem that aggravates poverty levels. The major actors in the Gamo, Jimma and Debera Berhan localities are *kebeles*, rural markets and traditional institutions. Most of these are fledgling in their institutional capacity and weak in terms of political and financial power. The *kebeles* are weak in terms of administrative capacity, which results in circumscribing their reach to limited social provision. Moreover, the delicate emerging market has become an instrument used by local petty merchants to appropriate meagre resources from the peasants. The traditional institutions are not working; and the emerging rural class benefits smallholder farmers by creating strong linkages with the local

government. Therefore, I argue that there is no responsible actor available to initiate and coordinate development activities at the local level in a well-organized manner.

Policy failure is the other major setback for poverty reduction efforts in rural Ethiopia. Successive governments have never had a specific policy programme to address poverty, despite the fact that nearly 72% of the population lives in severe poverty according to OPHI index. However, the EPRDF-led government is slightly better than its predecessors, in stipulating that poverty is a major concern of the state. In the post-1991 period, the government has implemented successive five-year development plans, as part of their framework for agricultural-led development policies. The government has spent significant public resources on the implementation of these successive plans. While this has resulted in rapid growth, it has been at the expense of the rural population. Consequently, development trends seem to favour urban-centred growth, driven mainly by the manufacturing and service sector. In contrast, the agricultural sector has remained weak; agrarian transformation efforts have stalled and poverty in rural Ethiopia remains structural and pervasive.

## Notes

1. Interview with farmers in 2012, in Goshe Bado; Debere Berhan area.
2. *Gebare* was a feudal tribute system under imperial rule in the southern, south eastern and south western parts of contemporary Ethiopia.
3. *Siso* is an Amharic term that refers to a mode of tribute amounting to one-third of total production.
4. *Cheka Shume* denotes local officials at the village level who were responsible for collecting government tax and maintaining local security under imperial rule until 1974.
5. Interview with farmer in January 2012; in Azo Gule, Gamo highlands.
6. Interview with farmer in 2012; in Gerema, Jimma area.
7. Interview with farmers in January 2012; in Azo Gule, Gamo highlands.
8. Interview with farmers in December 2013; in Goshe Bado, Deber Berhan area.
9. Interview with scholar in February 2012; in Addis Ababa, Ethiopia.
10. Focus group discussion in February 2012; in Merewa, Jimma area.
11. Focus group discussion in January 2012; in Amar ena Bodo, Gamo highlands.
12. Interview with PSNP officer in September 2013; in Arbaminch.

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## Notes on contributor

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