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RURAL DEVELOPMENT IN ETHIOPIA: THE ISSUES

The eyes of the world were fixed on Ethiopia when September 1984 the images of a terrible famine reached the public in the developed countries. Individuals, donor organizations and governments helped the Ethiopian government and non-government organizations to save millions of lives. Particularly 1985 was a very bad year. The country received more than 1.1 million tons of food items after 1983, more than it received between 1973 and 1984 (RRC, 1985: 220 and 256).

The problems of Ethiopian rural development are manifold. They can be summarized (Bellete, 1986) as low level of agricultural technology, organizational and infrastructural problems and policy problems. This article reviews what the present Ethiopian government has done since it came to power in 1974 to achieve rural development.

The following paragraphs will describe the agricultural sector in Ethiopia and particularly the constraints on agricultural development. In the second part rural development policies are discussed, particularly those described in the 10 year and subsequent 2, 3 and 5 year development plans. The impact of land reform, peasant associations, producer and consumer cooperatives, villagization and state farms will be discussed, before a number of issues will be identified.

The agricultural potential

In 1986 Ethiopia counted about 45 million inhabitants, of which almost 90 per cent lived in the rural areas. The population grows almost 3 per cent per year (Wolde Mariam, 1986a). Per capita income was only 140 US dollars in 1982. Ethiopia is well endowed with arable land, livestock, fisheries and inland water resources. With respect to the size of its livestock population Ethiopia stands first in Africa and tenth in the world (Bellete 1986) (1). 95 per cent of the livestock sector is owned by small farmers. Animals are used for meat, milk or eggs, as draft power, for transport and manure and for their hides and skins. Cattle also serves as a reserve for bad times. During the last drought many farmers have sold their animals to buy food. Prices of cattle were low at that time, while grain prices had increased sharply.

At present 16 per cent of total income is derived from livestock. The quality of the meat, skins and hides leaves much to be desired, however. Gebre Mariam (1986) makes a number of suggestions how the income from livestock can be increased. For certain groups in Ethiopia cattle raising is their major source of living. Certain parts of the country can only be used for cattle raising. An important

market for meat exists in the Middle East countries. The country also has ample potential of fishing ground along the Red Sea coast and in various lakes.

50 per cent of Ethiopia is located above the 1500 m contour and called high-land. Some 80 per cent of the population live in this area, characterized by their ruggedness with deep river valleys and highly eroded soils (Waktola 1986).

Out of a total of 124 million hectares, 79 million or 64 per cent is classified as agricultural land (Wolde Mariam 1986a). Only 17 million hectares, or 21 per cent of the agricultural land is cultivated. The area under major crops does not exceed 7 million hectares in one year, which is only 0.2 hectare per inhabitant in the rural areas. 27 million hectares of land are seriously affected by erosion, while 2 million hectares is totally eroded beyond the point of rehabilitation (Wolde Mariam 1986).

The country's forest resources have been seriously depleted through expansion of cultivation and fire wood collection. Forests now cover less than 4 per cent of the total area as compared to 40 per cent one hundred years ago (Bellete 1986). Successive deforestation has caused soil erosion.

The potential for irrigable land in Ethiopia is estimated to be about 2 million hectares. At present only state farms and producer cooperatives have access to irrigated land. Only 86,000 hectares (4.7 %) are under irrigation (FAO 1979).

Agricultural production

Ethiopia is divided into 16 administrative regions, made up of 106 Awrajas (provinces) and 588 Woredas (districts). The major grain crops are teff, barley, wheat, maize, sorghum and millet. Cash crops are coffee, oil seeds and pulses. Oil seeds are produced mainly in the northern half of Ethiopia, while coffee is mostly grown in the southwestern part of the country.

The national average yield for teff is 910 kg/ha. For sorghum it is 1460 kg/ha, for maize 1735 and for barley and wheat 1183 and 1126 kg/ha respectively (CSO 1984). Yields can be substantially increased by the introduction of improved varieties and/or improved cultural practices, including the proper fertilizer type and rate, seed rate, weeding stage and frequency, plowing frequency and sowing date (Ketema 1986: 4).

Growing of two or more crops on the same field (multiple cropping) is very common and should be encouraged. At present teff and maize and teff and sorghum are grown together. Also relay cropping of maize and teff, mixed cropping of teff or wheat and rape seed or teff and saf-flower takes place. Ketema (1986) concludes that other forms of multiple cropping should be investigated and encouraged.

Wolde Mariam (1986b) indicates that in some districts between 62 and 77 per cent of the small farmers cultivate plots of less than 1 hectare. On the basis of 5 people per household and 182.5 kg grain per year such a household can hardly subsist (it would require 912.5 kg/ha). Wolde Mariam indicates that the farmers still have to pay about 90 birr (1 birr = about 1/2 US dollar) per year for taxes,

contributions, debts, association fees, etc. They will try to sell sheep or goats for that purpose and otherwise their oxen, their main capital. He concludes that famine breeds famine. One year of famine is almost inevitably followed by another year. Peasants and oxen, even if they have survived do not have the energy to work on the land.

Ethiopian women are involved in weeding, harvesting, threshing, storing and marketing. Land clearing and preparation (including ploughing) are usually jobs for men. Also animal husbandry, dairy and poultry production are often the task of women, in addition to the care for the household, particularly food processing and preparation, child rearing, fetching water and fuel wood. According to Teferi (1986), women are the backbone of subsistence agriculture in Ethiopia.

Ethiopia also has state farms, producer cooperatives and settlement farms. The share of production of peasants, state farms and producer cooperatives (including resettled farmers) in 1985/86 were 94.3, 4.7 and 1.1 % respectively (ONCCP 1984). The military government has encouraged the operation of state farms and producer cooperatives.

Agricultural exports and imports since 1945

Wolde Mariam (1986b: 4) studied agricultural exports between 1945 and 1985. During the first five years Ethiopia emerged as "a very promising food exporter, as the future bread basket of the Middle East". The export of cereals and pulses declined gradually, while oil seeds exports increased till 1975 and declined later. Coffee exports increased after World War II, but stabilized around 400,000 tons since 1965. Exports decreased because of declining prices of teff, wheat, maize, chick peas, horse beans and lentils. Wolde Mariam also points to the effects of the revolutionary situation and the war conditions in the country, particularly in the period of 1975 – 79.

Imports of food gradually increased between 1945 and 1985. According to Wolde Mariam (1986b: 6) food imports went up from 58 tons in 1945 – 49 to more than 1 million tons in the period 1980 – 84. The severe famine in Eritrea, Tigray and Wollo in 1958 and 1959 meant a rapid increase of food imports. Ethiopia became increasingly dependent on imports and particularly on food aid.

Climatic factors influencing agricultural production

Sometimes the whole decade 1972/73 – 1982/83 is described as a period of famine and extreme food shortage (Wolde Mariam, 1986b). Climatic factors are often held responsible.

The Inter Tropical Convergence Zone (ITCZ) is the major factor influencing the weather in Ethiopia. The ITCZ is a low pressure area of convergence between the north easterly winds from the northern hemisphere and south easterly winds from the southern hemisphere (Gamachu 1977). The three seasons that can be

distinguished are known as *Kiremt*, *Bega* and *Belg* (Degefu and Befekadu 1986). Only the southern and southeastern lowlands have a bimodal rainfall (March to May and September to October) and the southwestern regions have rainfall from February to November. The *Kiremt* is the main rainy season. 85 per cent of the crop is produced during this season. It is followed by the *Bega* season (October to January), which is relatively dry. During these seasons agricultural products are harvested, dried and stored. The *Belg* season, from February to May affects the southern regions, the central and northern parts of Hararge and parts of the Tigray and Wollo regions. *Belg* crops account for 15 per cent of the annual production. Particularly long season crops like maize and sorghum are sown during this season.

Rainfall in Ethiopia shows a high variability in time and space. Late pre-seeding rains, a short rainfall season and poor rainfall distribution are the major causes for crop failure in the country (Degefu and Befekadu 1986: 12). Average rainfall varies from 700 to 2370 mm. The average is not so important, given this variability, high evaporation and important run off due to erosion.

Constraints on agricultural development

Belle (1986) mentions as first factors explaining the low level of agricultural technology: the low levels of input use, shortage of draft animals, backwardness of farm implements and limited experience in irrigated agriculture. As organizational and infrastructural problems he mentions the weak link between agricultural research and extension, no strong relation between agricultural extension training and the existing farm problems and a poorly developed infrastructure, or inadequacy of roads, schools, health centers and water supply. Nearly three quarters of Ethiopia's farms are more than a half day's walk from all weather roads (Wolde Mariam 1986). Policy problems mentioned are a lack of clearly defined resource development policies, lack of adequate marketing conditions, lack of effective rural credit programmes and absence of manpower planning and labour force allocation policies.

There are several obstacles to rural development in Ethiopia. In the first place, peasant farms are often smaller than one hectare and the land is fragmented. According to Wolde Mariam (1986b) the small and fragmented peasant plots are difficult if not impossible to modernize. Also the soils on parts of the highlands are largely exhausted after 2000 years of cultivation, deforestation and erosion (Constable and Belshaw 1986).

Secondly, input levels are low. At present the share of improved seed in total seed requirements does not exceed one per cent and only some ten per cent of the farms is estimated to use fertilizers; in fact fertilizer use in per capita terms is declining. Modern inputs are in general unavailable or unknown and extension services are available only to 10 per cent of the farmers (at a 1 : 2500 ratio). Input costs have increased rapidly, while access to institutional credit is limited for small farmers. Irrigated farming is virtually confined to the state farms.

Thirdly the incentive issue, or how to improve peasant motivation cannot be ignored. At present producer prices are very low. According to Wolde Mariam

(1986b) farmers "are giving away their crops for only their cost of production or less. After taxes and other obligations are paid peasants will have almost nothing left neither for security nor for investment".

In the fourth place, institutional obstacles should be mentioned, ranging from taxation to marketing. Peasants pay a land tax and an agricultural income tax. The taxes are the same for all peasant independent of family size, quality of land or size of holding (2). Local administrators and peasant association officials, meanwhile, require additional ad hoc contributions for projects like building roads, schools and clinics, etc. (3). Peasant labour is required for various activities and they also have to participate in meetings. All these requirements put an heavy claim on the farmers time and income. Because of the pressure to pay these taxes, farmers have to sell their produce immediately after the harvest, when the prices are low. Finally farmers are obliged to sell a certain quantity of grain (their quota) to service cooperatives at a very low price, allowing the cooperatives in turn to earn at an average 14 per cent by selling the produce to the Agricultural Marketing Corporation (AMC). The result of all these constraints is the actual stagnation of agricultural production.

The ten year development plan

The ten year perspective plan covers the period 1984/85 – 93/94. Subsequent two, three and five year plans work out the details. The plans aim at bringing about a "structural transformation of the economy". One objective is "to expand and strengthen socialist production relations" (World Mariam 1986a).

The agricultural sector is expected to enable Ethiopia to attain self-sufficiency in food production, to supply raw materials for industries and to increase foreign exchange earnings. The Gross Domestic Product (GDP) should grow at 6.5 per cent.

To achieve this rate of growth the share of investment in GDP would have to increase from 12 to 28 per cent in 10 years (an almost 17 per cent annual growth). Saving is expected to grow at an annual rate of 24 per cent (!) to increase from 3.4 to 15.5 per cent of GDP in 10 years. The resource gap (18.6 of the necessary 41.8 billion birr), or about 45 per cent of total investment is expected to be financed from external sources.

Because of the drought the targets were not reached during the first two years of the plan. Higher priority is now given to resettlement, irrigation, modernisation of agriculture and villagization.

The new agricultural development strategy puts more emphasis on surplus producing and potentially surplus producing regions. Priority will be given to these regions in allocating inputs and implement, extension agents, credit, etc. (Wolde Mariam 1986a). In this way production can be boosted in the shortest possible time.

At present the per capita daily calories intake of the population is estimated to be as low as 1740 calories. The 10 year plan envisages to raise it to 2000

calories, through putting emphasis on major staple food crops like teff, barley, wheat, maize and sorghum. The plan envisages (Wolde Mariam 1986a): to increase the utilization of arable land, to direct more manpower resources to agriculture and training peasants, to apply improved technology, to increase use of inputs, to improve the marketing and distribution of agricultural products, to improve the physical and social infrastructure and the quality of the environment.

Agricultural policies before the revolution

During the regional consolidation at the end of the 19th century the Ethiopian nobility appointed by the kings as leaders of the campaigns took over the lion's share of settled agricultural lands from local inhabitants in the southern, south-western and eastern regions of Ethiopia (Bellete 1986). Hierarchies of landlord tenant relationships were established. Land became the major source of wealth and political power. Tenancy in these regions ran as high as 75 per cent with sharecropping arrangements of up to 75 per cent (Bellete 1986). It must be noted that this suggests that the farmers had a marketable surplus of 75 per cent and the question arises why it is so much lower at present. Secondly, landlords often provided ploughs with oxen and seeds. This function was not immediately taken over by other organizations after the land reform in 1975.

Five year plans were formulated for the years 1958 — 63, 1963 — 68 and 1968 — 73. The first plan stresses the improvement of roads and telecommunication, the second the development of power supply and manufacturing and the third recognized the strategic role of agriculture particularly commercial agriculture to be developed with foreign investors.

The package programme approach was chosen for the peasant sector. Fertilizer and other essential inputs were provided. The establishment of cooperative societies for the marketing of products and other services was promoted. At the beginning of the 70's it was realized that the comprehensive package approach could not be implemented throughout the whole country because of its high costs and manpower requirements. The minimum packages programme was initiated. The emphasis was put on lower income peasants and farmers participation.

From 1970 till 1975 the number of minimum package programme areas were expanding with more than 10 centers each year, each covering some 10,000 families (Bellete 1986). Agricultural extension and credit to buy inputs reached peasants along all-weather roads throughout Ethiopia. Bellete concludes, however, that "The peasantry which made up the majority of the population had no incentive to raise their productivity ... because of the landlord tenant relationship which deprived the peasants a major part of their produce, and because of the lack of security of tenure." Robinson and Yamazaki (1986) conclude that government efforts had little impact in the pre-1974 period, since they were too modest and small scale to affect the highly traditional and primitive mode of peasant cultivation. Since 1974 Ethiopia has a different government. Has much changed for the peasants and how it can be explained that the growth of food production was lower than the rate of population growth?

The land reform and institutions for rural development

Land tenure hampered for a long time rural development in Ethiopia. Since the rural land reform proclamation of March 1975 all land is nationalized. User's rights can be given for a maximum of ten hectares of land to any person residing in the rural areas and personally cultivating the land. This right may be passed on to descendants. Leasing of land is forbidden. The actual land holdings by rural families are much less than 10 hectares, however, and estimated at one hectare for a family of 5 people. Wolde Mariam (1986b) mentions as one of the major weaknesses of the land reform that it has not removed the problem of fragmentation. According to him it has also extended rather than removed the problem of security of tenure.

In 1978 a Central Planning Supreme Council was created, which later became the Office of the National Committee for Central Planning (ONCCP). Subsequently 8 Zonal and Regional Planning Offices, Provincial Planning Departments, Awraja and Woreda Development Councils were instituted. The Workers Party of Ethiopia was created in September 1984 and has become instrumental in articulating and clarifying policies and strategies in furthering agricultural development.

Peasant associations and cooperatives

According to Bellete (1986) the organization of "small agricultural producers into peasant associations as basic social and administrative units in the rural areas" has been a corner-stone of the post-revolution rural policy. The size of peasant associations ranges from 200 to 800 farm families with a total land area of 600 to 1000 hectares per association.

In June 1985 about 20,064 associations grouped 5.58 million heads of families. Leaders are elected and the association allows participation in political, social and economic events.

The Programme of the Workers Party of Ethiopia, ratified by its first congress states that peasant farmers would be encouraged to form and join producers cooperatives. These are larger scale production units, allowing "better utilization of land, labour and equipment, through stage by stage collectivization of the means of production" (Bellete 1986). In June 1985 about 1544 cooperatives with 102,670 members were organized.

The impression exists that sometimes overzealous regional party members push farmers hard to join a producer cooperative. Wolde Mariam (1986b) stresses that there is no uniform type of cooperative in every part of the country: "they may vary according to local conditions of production potential, social cohesion, values and attitudes". According to him it will be counter-productive to force peasants in cooperatives because "it will not serve any useful purpose to antagonize the peasants".

The number of service cooperatives has reached 3,998 in June 1985. They provide services to about 5.3 million people in the rural areas, which were previously

available from the private sector: the distribution of farm inputs, industrial commodities and consumer goods. Some 2500 development agents were placed at these service cooperatives, creating over 2000 development centers at this level.

State and settlement farms

State farms came into being in 1975 with the nationalization of rural land and large private farms. Total hectareage was 223,000 in 1983/84, about 4 per cent of the total cultivated land. The rapid expansion of the state farms led to major operational problems. There is a critical shortage in Ethiopia of skilled manpower for managing large scale farms, organizing peasants in cooperatives, conducting research and disseminating research results. At present the major share of investments in the agricultural sector goes to the state farms and producer cooperatives, without achieving the expected results, however.

Settlement farms were mainly established to settle farmers from drought affected regions of northern Ethiopia. According to Bellele (1986) since 1975/76 a total of 38,818 families were settled in 88 settlement centers. In 1982/83 a total of 37,300 hectares were cultivated. The number of settlements will have increased tremendously as a result of the mobilization of new settlers after the 1984 - 86 drought. Bellele (1986) mentions that 200,000 farm families have moved to resettlement areas of the West and Northwestern regions and have developed some 130,000 hectares. It is estimated that between 600,000 and 1 million people have been resettled after the 1984/85 drought.

Rural development projects

The package programmes continued to function and to extend its coverage after 1974. The Chilalo Agricultural Development Unit also covered the Arsi region. The Wollamo Agricultural Development Unit also increased its coverage. Other components were added to the package like soil conservation, research, roads construction and maintenance, water supply and training of artisans. The goals of the second phase of the minimum package programme became extending to farmers improved farming and management practices. But the government also wanted to organize peasants into peasant associations and cooperatives, to increase the political consciousness of farmers and to obtain information on farm inputs that should be made available to farmers.

The package was not adapted to varying ecological and social conditions in Ethiopia, however. On the basis of the analysis of the minimum package programme the Peasant Agricultural Development Programme (PADEP) has been formulated and considered for financial support by the EEC, IFAD and the World Bank.

"The sweeping structural changes introduced by the new regime since 1974 seem to have had mainly adverse effects and to have decreased both productivity and yields" according to Robinson and Yamazaki (1986).

Rural development in Ethiopia: the issues

The major issue for rural development in Ethiopia is the gap between the growth of food production and the population growth. The present situation will lead to a growing food deficit. Increasing food production should be the first priority of the Ethiopian government.

Given that still 95 per cent of the food is produced in the peasant sector, the government should invest in peasant agriculture. As Tekola (1986) points out, it is necessary to motivate producers to increase output. Population policies are another approach to the problem of decreasing per capita food production.

Incentives can be given through higher farmgate prices, lower production quota for the farmers or subsidized inputs. Also more goods should be made available to the farmers. According to Wolde Mariam (1986b) the fact that the Ethiopian Domestic Distribution Corporation sells only about 100 million birr worth of goods per year to peasants (18 per cent of the total sale of EDDC or 3 birr per inhabitant in the rural areas) is indicated of their low participation in the market and their very limited purchasing power.

Land scarcity is a second issue. It is often stated that Ethiopia has no land shortage. The fact that most peasant families cultivate only 1 to 1.5 hectares and have small scattered pieces of land is an indication that there is a problem.

However, heavy investments are necessary to open up thinly populated areas and to settle farmers from elsewhere. The new land will be further away from the centre of the country and consequently also investments in infrastructure will be required. It will be more expensive to transport agricultural products from these regions. Secondly, most thinly populated areas in Ethiopia are not located in the highlands and have different climates and agricultural possibilities, which implies that settlers need agricultural extension services to benefit fully from their new land. In the third place, virgin land may still be used for grazing and problems may come up if it is now used for permanent cultivation. Finally, there is a risk that environmental destruction will take place in these new areas, if settlers are not taught to cultivate the new land in an ecologically sound way.

This point leads to the third issue, land and water conservation. The problems of erosion and drought in Ethiopia require more conscious efforts to improve land and water conservation. Little is known about conservation techniques in Ethiopia (but, CFSCDD 1986). Erosion, bush encroachment and loss of species diversity are compounded by scarcity of water, however.

Teferi (1986) mentions the absence of water management techniques such as the construction of small dams, reservoirs, pounds and the selection and propagation of drought resistant crops. At present farmers do not have the means to build small dams, however. Environmental degradation has reached a stage where soil and water conservation becomes a necessity. They have received priority, particularly in the drought prone areas of the North-East and Eastern regions, but the impact is limited. Public work projects to build dams, etc. made possible because of food aid, may have to stop if Ethiopia would require less food aid in the near future.

The development of community forestry programmes is also a priority. But in practice this is also a slow process.

A fourth issue is how to increase agricultural productivity. Improved input supply to peasant farmers would be necessary. In 1983/84 the total consumption of fertilizers in Ethiopia amounted only to about 215,000 tons. This would give an average application rate of 13.7 kg per hectare of cultivated land. The actual use is much lower than this as most fertilizers are consumed by state farms and producer cooperatives. This example is quite typical for most inputs in Ethiopia. Despite a number of package projects only a fraction of the farmers is reached at present. In the case of fertilizer the foreign exchange constraint also limits the total available amount. The challenge of rural development policies in Ethiopia will be, however, to increase agricultural productivity in the peasant sector.

The issue leads to the issue of collectivising the means of production. Although the nationalization of all land and a number of state farms and cooperatives may make sense, it seems that the objectives of the ten-year plan to collectivise 50 per cent of Ethiopia's agriculture is too ambitious and will be counterproductive. Three complications should be mentioned. In the first place, the easy cases have been dealt with. It may now be necessary to take land away from the small farmers. Secondly, state farms and cooperatives risk to absorb an important share of the government's financial means and manpower, which would consequently not be available for other purposes. Finally, the peasant sector will be discouraged if all attention is directed to the collective sector.

The future

According to Wolde Mariam (1986b): "All other things remaining equal, it is impossible to avert another disaster in the years to come (and ...) it is going to be much more disastrous, because it will be affecting a much wider area and a much greater number of people." Still Ethiopia has enough land and water and a better performance of the agricultural sector would be possible, if more is invested in the sector and the peasants would be incited to produce more. This requires policy changes. Wolde Mariam (1986b) mentions amongst others an urgent review concerning the functions of peasant associations (are they instruments of the government and the party or of development), of the quota allocation, the grain marketing and pricing system.

Although there are strong arguments to develop peasant agriculture it is typical that this option does not figure explicitly in the list of alternatives forwarded by Bellele (1986: 45 – 56) for Ethiopia's rural development:

1. Increasing food production in traditional surplus areas (which is in a sense betting on the strong; V.D.),
2. Focus on coffee as an export crop and the production of spices, tea and other cash crops,
3. Rehabilitate the degraded highland areas of the Northern regions,
4. Develop livestock production, particularly in the Eastern, North Eastern and Southern regions,

5. Develop virgin land of the Western, South Western and Southern regions for resettlement,
6. Expand state farms.

Ethiopia risks to become more and more dependent on food imports and food aid. Besides climatic factors, rural development policies do not seem to incite the majority of the peasants to increase their production. Their situation has not much improved since the 1974 revolution. To step up food production more attention will need to be given to the peasant sector. Incentives will have to be given, input supply should be organized and marketing be improved.

NOTES

The author draws his material from two visits he made to Ethiopia (in 1984 and in 1986) and particularly from some 300 papers discussed during a National Workshop on Food strategies for Ethiopia (Alemaya, December 8 – 13, 1986) in which he participated.

- (1) It is estimated that there are 42 million sheep and goats, 27 million cattle, 7 million equines and 1 million camels in Ethiopia.
- (2) Wolde Mariam (1986b) notes that during a decade of famine and food shortages the land tax increased from 5.7 to 50 million birr (877 per cent), while the agricultural income tax rose from 14 to 56 million (400 per cent).
- (3) Farmers also contribute to building offices, stadiums, public squares, auditoriums, folkloric music bands and campaigns against illiteracy.

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C. T. Kurien TOWARDS THE TWENTYFIRST CENTURY: MANAGING THE INDIAN ECONOMY*)

I.

That the Indian economy has, in recent years, moved on to a higher level of performance, and, consequently, requires a new kind of management is a theme that finds expression in many official pronouncements. Thus, the *Economic Survey 1986 — 87* begins with the following assertion: „There is strong evidence that the Indian economy is now on a new growth path. In the eighties, the average annual rate of growth has been 4 per cent which is much higher than the historical trend rate of growth. The industrial growth rate is increasing and, despite three successive weak monsoons, the food situation remains comfortable. Inflation is under control and, in the current year, the trade deficit has also been reduced significantly. These are substantial achievements, made possible by a sound and responsible macro-economic policy environment.“ In sum, all is well with the Indian economy thanks to a new economic policy and efficient management of the system. The claim that as we move towards the twentyfirst century what the Indian economy needs is sophisticated management, especially of money, credit and interest policy and of the external equilibrium, as a refrain that is likely to be heard frequently. I propose to submit this claim and refrain to critical analysis.

As a matter of historical interest it may be pointed out that this is not the first time that the claim has been put forward that the Indian economy is ready for the task ahead. After the general election of 1971 when *garibi hatao* was used as the leading slogan and which gave the ruling party an unprecedented parliamentary majority, one of the preparatory documents of the Fifth Five Year Plan stated that the economy was ready to take on a frontal attack on poverty. *Towards an Approach to the Fifth Five Year Plan* said: „The assumed conflict between growth and social justice in earlier plans has been premised on arguments which assert that whatever surpluses can be mobilised from the richer classes are needed for investments primarily directed at raising the future rate of growth. There might have been some justification for this view in the initial years of planning. However, the economy now has reached a stage where larger availability of resources makes it possible to launch a direct attack on unemployment, under-employment and poverty, and also assure adequate growth“ (emphasis added). The claim then was that the economy was ready to take on growth with social justice; the claim now is that the economy is ready to move on to a new growth path. This distinction itself is significant, and more about it later.

*) Presidential Address, Section 5: Economics, Commerce and Management, XII Indian Social Science Congress, July 1987.