

**GROWING OUT OF POVERTY: A STRATEGIC DIRECTION
IN THE AGRICULTURAL SECTOR OF ETHIOPIA**

**A paper contributed by the
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1. Background

Ethiopia is the third most populous country in Africa with a population of about 70 million. It has reasonably good resource potential for development; agriculture, biodiversity, water resources, minerals, and so on. Yet, Ethiopia is faced with complex poverty, which is broad and deep. The proportion of the population below poverty line is 44 per cent in 1999/2000. Most of the poor live in rural areas and predominantly depend on agriculture for their livelihood. Urban poverty is also a growing problem requiring due attention. Food security is also a critical problem, particularly in drought prone areas.

It was with this background, that the Federal Democratic Republic of Ethiopia initiated and adopted Sustainable Development and Poverty Reduction Strategy Program (SDPRP) for the country. The Sustainable Development and Poverty Reduction Program have provided core treatment to agriculture, food security, education, health, water and roads. Although development of these sectors is interlinked in view of poverty reduction, this paper attempts to focus on agricultural and industrial development strategies as related to export generation and poverty reduction.

2. Overview of Ethiopian Development Policies and Strategies

2.1 Fundamental Development Objectives

The fundamental development objectives of the Federal Democratic Republic of Ethiopia are to build a free-market economic system in the country, which will enable: (a) the economy to develop rapidly, and (b) the poor people to be the main beneficiary from economic growth.

2.1.1 Ensuring Rapid and Sustainable Economic Growth

The agricultural and rural-focused development strategy that the country has adopted will help accelerate economic development via stimulating and sustaining growth in agriculture. This growth in turn will lead to fast and sustainable growth in trade and industry through strengthening production and consumption linkages. Thus, the agricultural and rural-based development strategy fosters rapid and sustainable economic development not only in the agricultural sector but also in the rest of the sectors.

The accelerated and sustainable growth in agriculture leads to increased quantity and quality agro-industrial raw materials supplied (forward production linkage) to the industrial and export sector. This will increase the demand for improved technologies, which will increase the demand for agricultural inputs such as fertilizer, improved seeds and farm implements (backward production linkages). The increase in the income of farmers lead to increased demand for consumer goods and services (industrial and agricultural products) and thereby promotes industrialization. These linkages will lay the foundation for accelerated and sustainable growth in the industrial and trade sectors. Thus, the rationale for adopting and implementing a rural and agricultural-centered development strategy has emanated from this basic principle.

2.1.2 Enhancing the Benefits of the People

The Government's overriding objective is to make sure that the people (mainly the poor) are the prime beneficiaries of economic growth and development. The Ethiopian Government sees development from the perspective of equity and the ultimate objective of eradicating poverty. The development option that guarantees rapid growth and allows maximum benefits for the working people is the one that enhances the productive capacity of the working population and employs this capacity for development. The rural and agriculture-centered development strategy will help enhance development in rural areas where the vast majority of the poor are located.

However, the benefits of the development strategy are not limited to poverty reduction in rural areas. The development of efficient marketing systems is also aimed at improving rural-urban

terms of trade and thereby help benefit the urban poor as well. This will also help strengthen the linkages between agriculture and industry: the later by producing industrial raw materials, generating capital resources, and the former through supplying food to urban areas and creating a larger domestic market for manufactured industrial products. The development strategy adopted will also help increase employment of both rural and urban people (hence reduce poverty) through the promotion of a modern sector based labour-intensive production techniques. The Government has long recognized the need for skill development and upgrading for the realization of its development objectives. That is why the expansion primary education, particularly in rural areas, is high on the Government's development agenda. The Government will also endeavor to make every effort to make sure that the education given is directly relevant to the development effort.

On the other hand, the overriding objective of Government's poverty reduction strategy is to reduce poverty through enhancing rapid economic growth while at the same time maintaining macroeconomic stability. Poverty head count ratio is projected to decline by about 10 percent by the end of poverty reduction strategy program period from its 1999/2000 level of 44 percent.

In general, the strategy gives overriding and intentional focus on agriculture as the sector is the source of livelihood for 85 percent of the population where the bulk of the poor live; agriculture is believed to be potential source to generate primary surplus to fuel the growth of other sectors of the economy such as industry. The strategy also gives attention for strengthening private sector growth and development especially in industry as means of achieving off-farm employment and output growth (including investment in necessary infrastructure); rapid export growth through production of high value agricultural products and increased support to export-oriented manufacturing sectors particularly intensified processing of high quality skins/leather and textile garment.

3. Sector Development Policies and Strategies

In view of realizing the Development and Poverty Reduction Programs adopted, policies and strategies have been designed and adopted for key sectors such as agriculture, industry, food security, education, health, roads, and water resources. However, this paper attempts to assess the agricultural and industrial development policies and strategies as they are very much related to export generation.

3.1 Agricultural Development Policies and Strategies

3.1.1 Major Directions of Agricultural Development

The basic principles that govern agricultural development policies and strategies in the country are the following:

a) Adoption of labour-intensive strategy

Accelerated and sustainable growth in Ethiopia can be brought about by utilising labour-intensive rather than capital-intensive production processes. This is more so for the agricultural sector than the other sectors. An important mechanism that enables to introduce labour-intensive strategies and help to employ modern agricultural development inputs and practices is the adoption of new agricultural technologies and the training of agricultural labour force with effective skills.

b) Development Path Compatible with Different Agro-Ecological Zones

There is a tremendous variation in agricultural systems in the different agro-ecological zones of the country. Accelerated and sustainable agricultural development can be brought about only these variations are taken into account, identify appropriate development strategies which will take advantage of development opportunities in each agro-ecological zone and implement them accordingly. There is, therefore, a need to articulate a detailed development plan for each agro-ecological zone to exploit the growth opportunities in those areas.

c) Proper Utilization of Agricultural Land

Guaranteeing the availability of land for people who are able and willing to make a living out of farming is fundamental and is a step in the right direction for proper use of land resources. A careful use of natural resources is expected to contribute to sustainable development via enhancing productivity of the agricultural sector which a major source exportable products.

d) Coordinated Development Path

Agricultural development needs to be closely inter-linked with secondary and tertiary sectors such as industry, trade, finance and social development. Managing these activities in an integrated and coordinated manner requires knowledge of the opportunities that could be created by one sector for the other. It also requires employing a strategy that will enable effectively implement the same. In short, the opportunities that could be realized from backward and forward linkages within an economic system need to be explored and exploited.

3.1.2 Human Capacity Building and Utilization

The economic development strategy, in general and the agricultural development strategy in particular, is based on building the productive capacity of the labour force and employing the same intensively in development activities. Building the productive capacity of the labour force includes the following:

a) Ensuring Diligence and Work Preparedness

There is a need for creating mechanisms in which the existing farming population can progressively improve its lot and benefit from development and thereby keep up its work preparedness and initiatives. The main area of emphasis in this respect is the youth. It is necessary to create a conducive environment in which schools produce a productive and industrious citizenry, and in which educated youths employed in agriculture are able to seize opportunities towards raising their incomes to a level attained by youths working in other fields in the secondary and tertiary sectors.

b) Improving Farming Skills

There is a need to enhance the productive capacity of farmers and enable them improve their productivity through the provision of agricultural extension and advisory service on continuous basis. Efforts aimed at creating a new generation of farmers who can be instrumental for a rapid agricultural development is central to transforming the rural economy. To this end, the specific strategy is to select secondary school complete students and train them in agricultural skills at agricultural vocational training centres for three years. Out of those trained under such schemes, at least three (one each in agricultural crops, animal and natural resources, and irrigation), will be assigned to each farmers' association areas. These trained personnel will perform two main tasks. First, they will provide agricultural extension and advisory services to both the skilled and unskilled farmer in each farmer association area making sure that these initiatives are compatible with the existing pool of agricultural knowledge of the farmers. Second, they will also provide agricultural training to educate youths at agricultural demonstration stations to be established in every farmer's association areas. In this respect, they will become agricultural trainers and teachers.

c) Ensuring Health of Farmers

Farmers, whether skilled or unskilled, could not engage themselves in productive activities unless they lead a healthy life. There is, therefore, a need for establishing basic health services delivery system to the grass root farming population, particularly for those in remote rural localities.

d) Improving the Supply, Replication and Dissemination of Technology

A crucial element for agricultural development is ensuring farmers' access to technology that enables them enhance productivity. Such technology has to be generated, replicated and disseminated among the farming community. The existence of different agro-ecological zones in the country necessitated the adoption of technologies compatible with these specific circumstances. Since the selected technology determines the growth of productivity and its long-term development path, there is a need for careful selection of these technologies as well as ensuring sustainability of their supply. In the initial period at least, the selected technologies need to be labour using rather than labour displacing.

3.1.3 Proper Use of Land

a) Ensuring Access to Land and Tenure Security

The land policy states that land belongs to the people and that the Federal and Regional Governments administer it on behalf of the people. Land is a factor of production like capital and labour. The question of access to land should, therefore, be addressed from the point of view of both output growth and the welfare of the people. The land ownership policy stipulates that every farmer who wants to make a livelihood from farming is entitled to have a plot of land free of charge. Because land is state owned, it cannot be sold or exchanged for other property or be mortgaged. The farmer has user-right on land as well as can rent it to out to third persons. If the Government, for one reason or another, takes the land, compensation will be paid for the capital invested in the land.

In order to protect user rights of farmers, their land holdings should be registered and certificate of user rights. In this regard, a guarantee may be given to the effect that land will not be re-divided for a period ranging from 20-30 years. Most of the regional states have already implemented this aspect of the land use policy and is a step in the right direction.

b) Pursuing Appropriate Land Use Policy

Land, whether private or Government owned should be utilized in such a way that its opportunity cost does not nullify its contribution to overall socio-economic development. The need for developing profile of land resources and harmonization of existing land use policies of regional states is high on the agenda. Land resources earmarked for pasture, cultivation, urban development and commercial farm need to be worked out and articulated by each regional state or city administration. The need for undertaking environmental impact assessment studies before embarking on development projects has already been recognized through the environmental policy of Ethiopia. Enhancing productivity on existing farming land and development of alternative income generating schemes in drought prone areas will help mitigate the tendency for poor farmers to encroach into marginal areas which aggregate soil erosion, and deforestation.

c) Improving Utilization of Water Resources

Ethiopia is endowed with vast surface and underground water resources. Attempts have been made to strengthen the country's water resources development capacity. In this regard, master plans have been prepared for major rivers, both for purpose of irrigation and hydropower uses. At farm level, there is a need for adopting strategies that will enable conserve and control rainwater and improve its utilization. There is also a need to make use of simple technologies, which can be devised by farmers themselves, to conserve runoff and flood water and use it for irrigation. Medium-size river diversion and dam construction are also options in this endeavor.

3.1.4 Preparing Compatible Development Packages for Each Agro-ecological Zone

Given the ecological diversities of Ethiopia, the agricultural development efforts should be consistent with the particular conditions prevailing in each agro-ecological zone. Specialization and diversification need to be undertaken in an integrated and coordinated manner.

a) Combining Diversification and Specialization

An agro-ecological zone that suitable for a given product may not be conducive for another. Thus, if a development package particularly suited each agro-ecological zone is prepared and implemented; the benefits accruing to people can be maximized. Overall economic development will also be accelerated. Specialization and division of labour in the various regions will be enhanced.

To this end, region specific development packages comprising several products and activities should be developed. Farmers should be given a wide range of choices and encouraged to select those, which they think will make the greatest contribution to their development. As indicated earlier, assigning to each *kebele* at least three development agents who are trained in different agricultural disciplines would facilitate the work in this respect. They should be trained to perform a number of activities in each agricultural sub-sector, particularly in those activities that yield maximum returns in areas to which they are assigned. Training and education given to farmers will lead towards this direction. This strategy will ensure rapid and sustainable agricultural development by promoting the full employment of the labour force and land resources all the year round and maximizing production in each region.

b) Drought-Prone Regions

Regions that are subject to intermittent or inadequate rainfall are commonly described as Ethiopia's drought-prone areas. These are also regions where years of imprudent land use have caused considerable land degradation. Although food insecurity is experienced in practically all parts of the country, it is, however, in these regions where it is most intensely felt. The development efforts that need to be launched in these regions should focus on ensuring food security via improved productivity, expansion of off farm activities and adoption of price policies more conducive to close their minimum food gap. In the long and medium term, the focus will be on reducing the country's vulnerability to drought and other natural calamities. Improvement in water resources development and utilization, natural resources protection, improvement in agricultural technology, and animal resource development will all help reduce these vulnerabilities. Resettlement program is another strategy to combat vulnerability in drought prone areas. The settlement program the Government intends to conduct is to be based on a well-conceived plan, and should definitely be on voluntary basis. In general, natural resources protection and animal resources development are two-pronged strategies that need to be employed to secure food security and attain poverty reduction targets.

c) Regions with Adequate Rainfall

As these regions generally receive enough annual rainfall, improvements in water resources utilization and irrigation are not as urgent in these regions as they are in drought-prone areas. Agricultural production could be greatly enhanced through adopting water-harvesting techniques. Development of irrigation should also be pursued in the medium and longer term. Although animal resource development should not be overlooked, the comparative advantage of these areas lies in crop production and feed generation for livestock systems. On the other hand, there are regions that receive adequate rainfall but face serious land shortages. In these areas, crop production may not be a priority choice. Rather, they may be well placed to produce high value products such as coffee, false banana (*enset edulis*), *chat*, and spices.

d) Pastoral Areas

The agricultural development policies and strategies have already accorded special attention that pastoral areas deserve. The life of people in these regions is based on cattle breeding and mobility with cattle from place to place. Improving the life of these people calls for a development strategy that is firmly based on livestock development.

It is of paramount importance to integrate the supply of drinking water and that of pasture so as to accelerate and improve animal resources development in these regions. In order to increase and improve pasture, the first priority task in those areas is to improve the supply of water both

for humans and animals. It would be inconceivable to undertake animal resources development without improved supply of water. In pastoral areas, the need for the development of institutions which administer pasturelands among pastoral communities without violating indigenous long-standing community is of paramount importance.

3.1.5 Improving Role of the Market in Agricultural Development

a) Develop Market-Based Agricultural System

Agricultural development should be essentially market-driven and target both domestic and foreign market outlets. Every agricultural production operation should be able to produce marketable surplus of acceptable quality and at competitive markets. Along side enhancing productivity, there is also a need for broadening the scope for farmers to switch from low priced commodities to high priced commodities to insulate themselves from price volatility on international markets. This calls for enhancing production based on marketability and competitiveness via minimizing production and input costs.

The provision of agricultural research and extension should aim at preparing and disseminating packages embracing activities ranging from product selection to post-harvest technologies as well as train farmers and provide them with advisory services. The transition to a market-based agricultural system is possible provided that development packages are selected and prepared carefully; technologies are continuously improved and supplied to farmers on a sustainable basis. These need to be supplemented by relatively stable and remunerative prices and well functioning input and output markets.

b) Improving the Agricultural Marketing System

The success of agricultural development depends, among others, on the existence of an efficient marketing system. In this regard, the agricultural development strategy focuses on improving standardization of agricultural products, improving the supply of market information system, expanding and strengthening cooperatives, and strengthening private sector participation for bringing proper functioning of the agricultural marketing system.

3.1.6 Rural Finance

The Government's agricultural development strategy relies on enhancing the productive capacity of people (labour) along with mobilisation of the complementary scarce financial resources. Thus, the strategy focuses on strengthening and expanding micro-financial institutions, encourage establishment of cooperative banks, and encourage creation of inter-bank money markets. The Government will, give special assistance and support to rural finance, as they are important for agricultural development and for the creation of strong links between agriculture and other sectors, as well as for the development of a strong and efficient national financial system.

3.2 Industrial, Private Sector and Export Development Strategies

3.2.1 Basic Directions of Industrial Development Strategies

The fundamental principles that govern the industrial development strategies in the country are the following:

3.2.1.1 Agriculture-Led Industrial Development

The strategy recognizes that agricultural development led industrialization is the basis for economic growth and that the development of the agricultural sector is as vital as industrial development to ensure sustainability and develop effective linkages with the agricultural sector.

3.2.1.2 Export-led industrial Development;

The industrial development strategy focuses on export-led growth. Thus, it gives priority to the development of export-based industries. Such a priority will be given in order to create competitiveness and capacity that brings rapid development opportunity and generating foreign currency earnings, which in turn will enable other industry sectors to grow rapidly.

3.2.1.3 Direction of Focusing on Industries Using Human Labour Extensively

The strategy gives priority to those industries saving capital and extensively uses human labour. In this regard, the priority sub-sectors identified by the industrial development strategy are leather and leather products, textile and garments, agro-processing (food processing) and floriculture industries. The priorities were set based on the potential these sub-sectors have in terms of employment generation, prospect for export and strengthening the agro-industry linkage and broader base development.

3.2.2 Effectively Develop the Skill of Human Resources

The industrial development strategy of Ethiopia gives attention to develop productive skill of manpower in order to capacitate entrepreneurs. This can be done by effectively executing skill training in regular as well as in vocational training schools. In recognition of shortage of skilled manpower, the Government has designed Technical Vocational Education and Training (TVET) programs and implementing in all sectors. The objective of TVET is to provide appropriate and high quality technical and vocational education and training in all sectors at all levels to all in need of training.

3.2.3 Private Sector Development

Private sector development is about enabling the enhanced utilization of labour and other resources through the growth of private business by providing predictable and enabling environment both in domestic and international markets. Domestic private sector needs to be more competitive to capture the opportunities in the global market. Hence, the Government follows a strategy of supporting and creating enabling environment in investment, infrastructure, financing, marketing and institutional support. The interventions and strategies that are aimed at encouraging and promoting private sector development are improve regulatory implements and introduce new regulation that promote private sector development as necessary, encouraging stallholders through promoting out-grower and contract farming; enhance the promotion of strengthening and establishment of industrial/ trade associations, and enhance public-private providing forum for dialogue, strengthening the national export promotion council, and establishing commodity specific committees.

3.2.4 Enhance Efficient and Competitive Financial System

The Government is committed to the enhancement of efficiency and competition in the financial sector. To maintain this objective, Government will adopt a medium-term strategy which will proceed along three lines, first, creating a favorable environment of banking; second building the internal dynamics of banks; and third, fostering contestability of markets within the banking sector. Although bond, equity and share markets have an important role to play, the banking sector will remain the main source of finance in the medium-to-long term in Ethiopian context. The Government will also devise ways and means of fostering more private sector involvement in rural MFIs to strengthen and expand the services and the coverage, the types and amount of loans.

3.2.5 Enhance Development of Infrastructure Services

The delivery of infrastructure services, transport, telecommunications, energy and water are inadequate. This imposes constraints to private sector investment as well as on the economy. In this regard, Government has given high attention to make heavy investment in infrastructure development through on-going power, telecommunications and sector development programs

to relieve supply constraints and improve quality of services. The Government is also widening opportunities for private sector participation in infrastructure business of service delivery.

3.2.6 Export Sector Development

The Government recognizes the importance of exports for rapid and sustainable economic growth, which is pro-poor. Agriculture is the only source of livelihood for about 85% Ethiopians who accounts for majority of the poverty affected population. As the country's exports rely heavily on agricultural products that originate mainly from smallholder peasant farming, developments in the export sector will significantly contribute to reducing the poverty situation in rural households. Similarly, better performance in the country's agro-processed and manufacture exports will reduce the incidence of poverty among the urban population through creating better employment opportunities and increasing the market for the actual and expected increase in agricultural production.

In recognition of this, the strategy focuses on creating profitable opportunities for private sector-driven exports arising from:

- The production of high-value agricultural products such as horticulture including cut flower and organic coffee;
- Production of high quality commercial crops; and
- Increased /intensified processing of high quality skins /leather and textile garments.

The other important measures taken with the objective of creating an enabling environment for private sector development and promoting the export sector include, among others, foreign exchange retention scheme; foreign supplies and loan scheme; export duty abolishment on all commodities except coffee; and export licensing regulation and procedures simplified.

3.2.7 Developing the Manufacturing Sector

Considering the importance of the manufacturing sector to the success of *Agricultural Development Led Industrialization (ADLI)* and the strategy for poverty reduction, the Government has short-to-medium term programs to implement a comprehensive capacity building program to improve competitiveness by enhancing private sector institutions, human resources inputs, research and development, and the introduction of different schemes for capacity building. The components of this program are summarized below:

- Study and establish Industrial zone as means for industrial development in various regional states of the country;
- Establish and implement the Leather and Leather Products Technology Institute to enhance capabilities of leather and leather products industries;
- Establish and implement garment training centers to provide support to textile and garment industries;
- Devise and implement training programs for managers and technicians both in the country and abroad, and establish sub-contracting mechanisms to create technology and know-how sharing among domestic enterprises and with foreign counterparts;
- Establish a Research and Development Institute starting with the processing industry to upgrade the efficiency and productivity of the food-processing sector.

A new set of export trade incentive schemes covering credit guarantee, duty-drawback, voucher system and bonded manufacturing warehouse, were designed for the manufacturing sectors aimed at enhancing competitiveness through relieving exporters from the burden of duties and taxes.

4. Examples of Effective Programs that Combine Export Development and Poverty Reduction Objectives

In order to realize the objectives of the *development and poverty reduction strategy*, various programs have been designed and implemented in the recent three years. Most of the programs have found to be effective in achieving the envisaged objectives. Examples of the most effective programs that combined export development and poverty reduction objectives are:

- Export oriented agricultural production to increase volume of exports;
- Floriculture development for export;
- Export focused Textile and garment development; and
- Export focused leather and leather products development.

The effectiveness of these programs can be verified in terms of growth in export earnings in value; the employment opportunity created in each sub-sector as well as income improvement for those involved along the value chain, which will directly contribute to poverty reduction.

4.1 Export Oriented Agricultural Production

From the above table it can be seen that the export performance of the country in the agriculture sector has significantly increased over the last three years. In value terms the foreign currency earnings from major agricultural commodities (coffee, cotton, pulses & oilseeds chat fruits & vegetables and live animals) had raised from 325.7 million dollars in 2002/03 to 770.7 million dollars in 2005/06 (*see table below*). The average annual growth in these major agricultural commodities is 33.5 percent. The beneficiaries of the outcome achieved are mainly the farmer producer. Next to farmers, all the participants in the export marketing chain (collector, transporters, labourers for loading and unloading at all levels, packers, agents, transitors, exporters, etc) are the beneficiaries as all get income from involving in the process, which in turn reduce poverty.

Ethiopian Export Performance by Sector and Commodity in Value Terms
Value in '000 USD

Sector/Commodity	2002/03	2003/04	2004/05	2005/06	Growth in percent			
					2003/04	2004/05	2005/06	Average
Agriculture	325,715	448,323	630,989	770,670	37.6	40.7	22.14	33.5
Coffee	165,300	208,313	334,863	365,835	26.0	60.7	9.2	32.0
Cotton	7,735	10,879	1,848	6,807	40.6	-83	268.3	75.3
Pulses, Oilseeds&spices	70,500	122,703	173,075	255,442	74.0	41.1	47.6	54.2
Chat	58,000	88,059	83,390	88,505	51.8	-5.3	6.134	17.6
Cereals	14,100	9,122	8,761	14,078	-35.3	-4.0	60.7	7.1
Fruits & Vegetables	9,600	6,870	15,971	12,741	-28.4	132.5	-20.2	27.9
Live Animals	480	2,377	13,081	27,262	395	450	108.4	318.0
Industry	61,543	63,766	102,245	126,720	3.61	60.3	23.94	29.3
Meat and Meat Products	2,400	6,335	15,598	18,323	164	146	17.47	109.2
Floriculture-Cut flowers	2,904	5,050	12,645	21,967	73.9	150	73.72	99.3
Leather & Leather Products	52,200	43,027	66,968	75,328	-17.6	55.6	12.48	16.9
Textiles and Garments	4,039	9,354	7,034	11,102	132	-24.8	57.83	54.9
Others(Agr+Ind+others)	95,442	84,432	85,792	111,177	-11.5	1.61	29.59	6.6
Grand Total	482,700	596,521	819,026	1,008,567	23.6	37.3	23.14	28.0

4.2 Floriculture Production for Export

As the Government has placed due attention to the floriculture industry, the sector has shown significant growth over the last three years. The export volume in value terms has increased from the level of 2.9 million dollars in 2002/03 to a level of 22 million dollar in 2005/06. The floriculture sub-sector has shown an average annual growth of 99.3 percent over the last three years, which can be considered as a significant achievement in the export sector. The beneficiaries of the outcome are in the first place the owners of the flower farms, which use the profits for further investments. At present, there are about 50 flower farms engaged flower exporting. There are also more than 25 flower farms, which are currently on construction phase and expected to enter into production and export business. Secondly, the beneficiaries of this sector are those who have got employment opportunity from the sub-sector. Currently, the industry created job opportunities for 25,000 people, out of which 70-80% are women.

4.3 Leather and Leather Products Development

Leather and Leather Products Industry Development program is among the industries which has been given highest priority in the Government Industrial Development Strategy. As a result, the sub-sector has shown encouraging growth over the last three years, with an average annual growth of 16.9 percent. The export volume of this sub-sector in value terms has increased from a level of 52.2 million dollars in 2002/03 to 75.3 million dollars in 2006/06. At present, there are about 21 leather and leather products manufacturing industries, out of which 19 are involving in export trade. About 10 industries are currently under construction which will soon commission production. Currently, about 6,000 employees are working in the operational industries and earn their salary income.

4.4 Textile and Garment Development

The textile and garment sub-sector has also been given high priority in the Industrial Development Strategy. As a result the various support schemes provided to the sub-sector, the textile industries are growing fast. Currently, there are about 20 textile and garment factories in the country. Although the export earnings from the sub-sector are relatively low, export earning has increased from a level of 4 million dollar in 2002/03 to 11.1 million dollars in 2005/06 with an average annual growth of 54.9 percent.

In general, as the Government strategies, both agricultural and industrial development strategies have given attention to the export sub-sector, significant results have been obtained in the last three years. The foreign currency earning from the sector has increased from 482.7 million dollar in 2002/03 to a level of 1,008.6 million dollar in 2005/06. The export sub-sector has shown on average an annual growth of 28 percent over the last three years.

5. Effective Organizational Structures, at Production and Marketing Levels for Implementing the Strategies

The Government operates within the regular structures (federal, regional, and *woreda*) to implement and follow-up the execution of the development and poverty reduction strategies. Core sector Government organizations are expected to play their roles in accordance with the powers and duties they are given but in a coordinated manner. Among the major sector organizations, the Ministry of Agriculture and Rural Development is structured with two wings, Development and Marketing. The development wing comprises Crop Development, Livestock Resources Development, Natural Resources Development, and Agricultural Extension & TVET Departments. The Agricultural Marketing Wing encompasses Agricultural Commodities (coffee, cotton, oilseeds & pulses, cereals) Marketing, Livestock and Livestock Products Marketing, and Agricultural Inputs Marketing Departments. The Cooperative Agency, Agricultural Research Institute, Improved Seed Enterprise, and Grain Marketing Enterprise are also structured under the Ministry of Agriculture and Rural Development though they are operationally autonomous. These institutions are responsible for coordinating supply of agricultural inputs and technologies, provision of extension services, coordinating skill trainings, support the producer farmers in output marketing. The farmer producers have also

got their own structures, primary cooperatives, cooperative unions, and farmers' associations. These structures are replicated /decentralized down to regions, *woreda*, and *kebeles* /grass roots villages.

The implementation of the Industry Sector Strategies, particularly export-oriented poverty reduction strategies are coordinated by the Ministry of Trade and Industry. Among the departments structured under the ministry, whose activities are more related to support of production and export are Textile and Leather Industries Development and Agro-Processing Industries Development Departments from the production side, and Export Promotion; Foreign Trade Relation; and WTO Affairs Departments from the trade side. Other Agencies and Institutions accountable to the ministry include Investment Agency; Privatization and Public Enterprises Supervising Agency; Leather and Leather Products Technology Institute; and Small and Micro Enterprises Development Agency. These departments, agencies and institutions are responsible to provide technical support, skill training, and necessary export information to manufacturers and exporters. At Factory /Company levels, both public and private sectors have got the Production and Marketing Departments which are responsible to implement programs and follow-up daily operations.

The implementation of the programs is monitored and evaluated by relevant sector institutions at all levels each month, quarterly, and biannually.