



*D éveloppement des
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**HOW TO PASS FROM A WAR TO A PEACE ECONOMY :
THE ETHIOPIAN CASE
RESEARCH PROGRAMME CONTRACTED BY THE EC TO DIAL
Nber R/821**

**ETHIOPIA'S ECONOMIC POLICY DURING
THE TRANSITIONAL PERIOD**

SUMMARY AND CONCLUSIONS

by

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A) SUMMARY

1 – The economic conditions at the end of the civil war

1. At the end of the civil war, the Ethiopian economy may be featured as follows. It has become a supply-shortage economy under the DERG-regime. The agriculture sector cannot supply enough food and goods, the industry one cannot supply enough goods and the services cannot supply enough services. For instance, at the level of agriculture which accounts for 40 per cent of GDP at factor cost⁽¹⁾ in 1990 and 80 per cent of employment and exports receipts, the average food surplus is 18 gr per day and person under normal circumstances. This leads to an amount of 1760 gr which is 4 per cent below the FAO emergency ration. Even if shortage increased at the end of the 80s because of the civil war, it is not only the result of that war. More fundamentally it is due to a sample of facts. A combination of civil war, anti-democratic choices, policy distortions, environmental degradation, an unfavourable demographic dynamics, adverse external factors (drought, natural calamities, external shocks) and a host of structural problems (backward technology and methods of cultivation, weak linkages between sectors, ...) has been responsible for the disappointing performance of the economy from 1974 to 1990.

2. Although the military government attempted to introduce policy reforms in its last days, specially relevant for peasants agriculture (the dismantling of producers' co-operatives, the recognition of tenure rights, the abolition of the Grain Marketing Board, mainly) these came too late to make any appreciable global macroeconomic and social differences. Per capita real income declined by about 0.8 % per cent per year (compared to +1.5% from 1960 to 1974) revealing declining living standard of a population already wallowing in extreme poverty. More than 60 per cent of the population was living below the absolute poverty level (US \$ 90 per year). Constant dollar GNP per capita was lower than in 1965. Further, the population had been denied human and democratic rights. Ethiopia became also a two gap country. Saving decreased compared to investment as export to import ratio. The import cover of the country by the end of the 1980s was less than ten days. On account of a steadily declining saving rate, an unhealthy state of the balance of payments and generally rising tendency of (military) investment, the budget deficit increased as the country's debt position deteriorated deeply. Pressures to devalue the Birr, the local currency increased giving rise to a parallel exchange rate and some capital outflows.

1 In reality this is more than 40 per cent of GDP at factor costs. Indeed, agriculture output is underpriced compared to the rest of the economy. The difference (in %) between paid price and market ones is the nominal protection rate. It averages 40 per cent on trend in the 1980s.

3. Despite measures or programmes to combat environmental degradation potential land yields reduced by 1 to 2 per cent per year in the Highlands which account for 90% of the population and economic activities, 95% of land cultivated and two thirds of livestock. The Highlands of Ethiopia have been characterized as one of the largest areas of ecological degradation in Africa, if not in the world. If present trends continue, by the year 2010 10 million people would have to derive their food and income from sources other than cropping their own lands. So, they would have to be absorbed elsewhere in the economy.

4. The DERG-regime's reforms gave rise to a process of increased informal market activities due to the reduced government's legitimacy and operationality. This was also a population's solution to increased poverty. This with the parallel exchange rate created a dual economy in Ethiopia, one where market functioned and another where rents of various sorts operated. **To conclude at the end of the civil war Ethiopia was about to collapse.**

2 - The political context of the EPTP

5. The government which has overthrown the DERG-regime has recognized that Ethiopia was in dire conditions by issuing documents on its intentions related to Ethiopia's Economic Policy during the Transitional Period. This one is defined to be the period (after the DERG-regime) characterized by the coalition of various forces (represented in the Council of Representatives) around a common Charter which is the pillar of the transitional economic policy. It will cover the years 1991 to 1993 and end by announced free elections. The Charter has a major aim which is the strengthening of peace. Therefore, the EPTP final document has as main objective to **stabilize the economy** but departing from neutral political commitments. Moreover the document indicates that although being also designed to provide satisfactory solutions to **urgent problems** (the country rehabilitation, for instance, or the soldiers to demobilize and accomodate properly), the EPTP has to serve a longer period than the transitional one with minor changes. With regard to economic rationality, the coalition resembles mainly marxist reformists and market ones. Further, at different top levels either the government or the State ones, there is a lack of market culture. **To conclude, the EPTP is first of all a compromise policy document. It carries with it major constraints these of relevancy versus political neutrality, market advocacy versus market understanding.**

3 – The EPTP

6. The final EPTP document pleads for **market functioning in Ethiopia as the efficient solution to the country's challenges**. As a consequence, it indicates that :

(i) the role of the state in the investment decision process should be reduced at the opposite of that of the private sector and that of the state issuing market regulation and monitoring the economy as it is the case with market-based ones ;

(ii) people should be recognized rights to act as free traders. This in addition to democratic rights;

(iii) enterprises whatever their owner is should be submitted to market rules i.e. the **profitability, management autonomy and fair competition ones**.

7. Practically, and, as it has been the case for many developing countries, and rationalized through mainstream economics, the state ownership sole or on joint venture arrangements with domestic and/or foreign capital should concentrate in sectors or activities which are crucial for the economy in terms of growth potential, employment opportunity, price stabilization, or are featured by a lack of interest from the private sector, reveal market failure or externality, or may be a source of revenue to the State. **So given, the State keeps the opportunity to intervene in any sector of the economy**. Likely this is a result of some compromise between the two groups of reformists already mentioned. For the present time, **the EPTP would lead to measures of implementation shaping the economy as a combination of public-based basic goods, services and financing and private sector-based food production, trade and distribution**. Although the private sector would be encouraged to participate in banking state ownership would remain in that key sector. The trade and transport (road) sectors where private initiative is strongly invited to take over would nevertheless "benefit" from a specific treatment, i.e. a **regulation** for the former, a **new regulatory Authority** for the latter. In any sector of the economy, private investment remains to be approved at ministerial level. Also, to mention that in the case of all sectors where private initiative would prevail the State would favour the formation of co-operatives or associations on a voluntary basis, though. So, **the State remains able to prejudice private initiative through various ways (regulation, financing and people participation schemes)**.

8. The document also pleads for enterprises restructuration given the need to render these ones profitable. But, in this framework, there could be two big exceptions which are banking and the industrial sector. Again, this could be a result of political compromise. Banking would remain state ownership to ensure banks would play their proper role in development while making profit. This assertion could lead to conflicts of objectives. At the industry (plant) board level, workers would be given 30 per cent of the voting rights. This also could lead to conflicts of objectives. For instance, when labour shedding would have to be decided for profitability motive. The government has clarified its position in the second case. Indeed, it has issued a new Labour law on the basis of which labour redundancy is now permitted and liberty to negotiate recognized to trade and employers unions.

9. Although, the document pleads for market rights, it does not advocate the change of the property rights in case of land (rural and urban) and 1975 nationalized houses. The first is a controversial issue between the North and the South of the country. It is delayed till the free elections. In the case of the second, compensation will be paid to those who deserve on the basis of appropriate studies. So, the late owners are not privileged compared to the actual tenants. No mention is made of what would occurred to other 1975 nationalized assets.

10. Through the state ownership in banking, the promotion of collective participation schemes, the regulation announced for the private trade and transport activities, the overseeing of ministries on private investment, the number of motives put forward to advocate state intervention in production, private initiative although being praised remains very directly state regulated. Further, the profitability and the management autonomies appear to be somewhat constrained. All this reflects also likely political compromise. But it could also be due to some intentions to guide Ethiopian macro policy along the lines of some Yugoslavian model. One can hope, the system would not fail like this reference one.

11. With regard to macro policy, the document advocates policies recommended by the World Bank. For instance, a monetary policy to ward off inflation, a fiscal one to achieve the control of the budget deficit, an open price policy. Regarding sectoral potentials, the government indicates mainly intentions of boosting peasants agriculture by helping producers to receive fair prices for their produce and an easiest access to the needed input. It also advocates an agricultural open market policy. Privatization will be encouraged. How will depend on the new expected investment code.

4 – A scrutiny of the EPTP

12. Although being politically pertinent for peace to be secured is the highest priority², and economically pertinent for market functioning is much more efficient than non-market one to tackle with the stabilization of a decentralized economy, the EPTP lacks from relevancy given Ethiopian present situation. Indeed, it advocates the functioning of a market system while neglecting basic challenges to the Ethiopian society and the market fundamental requirement i.e. the availability in quantity and quality of production factors. It does not either advocate an independent monetary authority to ease macro stabilization or the promotion of a private banking system to create a credit market policy, a feature of market-based economy.

13. The basic challenges to the Ethiopian society are **the risks to famine to reduce, poverty (and people's destitution) to alleviate, employment opportunities to create and the process of informalization to account for.** With regard to two first challenges a market-based economy may help but not at short run for it is by itself a longer term challenge to Ethiopia. Further, it presumes a focus on profitability when conducting investment decision in a framework where firms are and will remain heavily liquidity constrained. So, at short run this will mean labour shedding and some decrease of the real wage maybe below that of the informal sector. The disequilibrium in the income distribution will increase rather quickly. Moreover, the State has not the money for the EPTP it advocates. Taxes are no more collected, smuggling of all sorts of commodities increases as informal activities. Debt to the international donors community including the late USSR has to be paid... Peasants are no more receiving seeds (and medical care). So, **food self-reliance and poverty need to be tackled with as such and not through the expected functioning of some economic process.** Poverty and famine are needed focus in Ethiopia for there could not be any peace and expected democracy where 60 per cent of the population earns only US \$ 35 a year and 20 per cent (at least) are permanently at risk of dying from starvation. And moreover when demographic pressures remain permanent contrarily to growth impulses. The international community has to be (or to remain) aware that peace in Ethiopia does not only get a meaning within the Ethiopian context but also beyond it. It also gets relevancy within the Horn of Africa. If Ethiopia does not succeed to secure peace, the all Horn of Africa will explode given the present situation in Sudan and Somalia. **To secure peace means first of all to feed the population and satisfy its most urgent needs.** An institutionalized market functioning can in no way be a short term solution when people are poor (and extremely destituted) and need food to survive. There could not be other priority but **how to reduce these constraints immediately.**

² Present increased difficulties in the Oromo region reinforce this assertion.

14. **The informal sector as to be thought of as a factor of production the country can immediately use to reduce supply shortage and create employment opportunities.** There are between 300,000 to 500,000 soldiers to be accommodated properly i.e. jobs or help to be given. To that amount redundant labour from needed restructured state firms has to be accounted for (\pm 100 000 people). An urgent focus on what is needed to improve the functioning of the informal activities as how to strengthen those ones would thus be relevant. Informal entrepreneurs are the "animal spirits" of the country for the present. Moreover, they also represent the lonely source of potential domestic accumulation in a country challenged by shortage of saving on investment and foreign aid on domestic financial resources. **The informal sector is an Ethiopian production factor.** On 26 000 members of the Chamber of Commerce, 20 000 or about 80 per cent manage informal activities mainly at Addis Ababa. The daily turn-over of their business could be Birr 5 m compared to a yearly GDP figure of Birr 10 billion. The big change at A.A. since several months with regard to jobs opportunity is the upswing of construction (private houses, shops and restaurants). It is mainly due to informal entrepreneurs in agreement with local authorities. **So, the EPTP instead of praising some mythic market functioning should have focussed on what to do to improve the functioning of the already functioning market activities.** This would have been particularly relevant given the fundamental requirement of any market-based economy and expected stabilization i.e. to account for factor of production availability when designing policies.

15. And finally, **the EPTP does not advocate the need to get an independent monetary authority and a private banking system to help to stabilize the economy.** A monetary control is particularly crucial at the beginning of the transition process, just before to remove various restrictions. Indeed, it permits any monetary overhang to eliminate. Otherwise the opportunity to use domestic money balances to purchase imported goods will drain foreign exchange reserves and put strong pressure on exchange and interest rates. That has occurred in Ethiopia since March 1988. As a result the stock of money in circulation has expanded. It has led private operators to speculate on increased future inflation rate. So, the risks to have now more inflation than in the recent past are high. A monetary authority is also a key issue for government's credibility in front of private operators. It indicates that all operators will be submitted to some discipline of the bottom line. This more obviously when the creation of a private banking system is on the agenda. In this respect, the EPTP is weak because it just indicates that the domestic private sector will be encouraged to participate in banking where state ownership will remain. Here again, the government neglects an opportunity which could help to soften some constraints. **Indeed, a private banking system may help:**

- 1) to close the credibility gap between the government and the private sector in Ethiopia. That is a key issue for no macro stabilization can be expected when private operators remain on a waiting position. Further, this generally leads them to speculate against the currency annihilated the government's efforts to stabilize it ;
- 2) to eliminate the monetary overhang, wherever it comes from, challenging the expected macro stabilization by leading private operators to use it instead of endowing banks with the required reserves ;
- 3) the country to get capital inflows from the informal entrepreneurs, Ethiopians leaving abroad and foreigners. This would increase the capital market flexibility (index of about 0.85 at long run) and favour an adequate level of international liquidity ;
- 4) the country to create investment opportunities (through the fulfillment of one of the major requirements of the Chamber of Commerce) ;
- 5) to favour markets integration (i.e. the real and financial ones ; the formal and informal ones) which is a longer-term issue of macro stabilization and recovery ;
- 6) to soften the expected labour redundancy and real wage decrease by reducing the liquidity constraints of firms which often leads these ones to offset the liquidity crunch (when it occurs) by drastically lowering real wages and making labour redundant ;
- 7) to favour private saving for it gradually permits to modify the interest rates in level and structure so as to get positive real interest rates on trend.

16. The impact of the increase of the interest rates on the economy is the price to pay to get a private banking system. In Ethiopia, the IS curve is flat and the LM one steep. This is because investment is very sensitive to the interest rate and real balances to real income. Then, in the eventuality of an austerity monetary policy, nominal interest rate would increase at given real income because a decrease of real money supply shifts the LM curve out to the left. The LM curve would thus cut the IS one at a lower real income level. Given the high elasticity of IS to the interest rate, the real income decrease would be very high. This indicates that the only way to soften this depressing effect would be to get increased employment opportunities through capital inflows. Or put it in another way to get capital inflows in response to the nominal interest rate increase. The preceding should lead the government to carefully investigate :

i) a change of its fiscal policy. Indeed a steep LM curve also implies some comparative effectiveness of monetary policy over fiscal policy even if a change to the latter is strongly advocated by the private sector ;

ii) the available saving of the informal sector ;

iii) how to reach an agreement with this sector (which dominates the Chamber of Commerce) to create private banks.

Indeed, some arrangement could be organized between the State and the "banks" at the mutual benefit of both partners. According to it, state enterprises which cannot be run profitably would be "traded" against expected private banks equities the government would receive. So, if banking reveals to be a rentable opportunity, the government will also benefit from it and so, there would be more financial resources... to fulfill people's needs. As long as the deficit is not under control, the government would not receive the right to loan from the private banking system.

17. Apart from neglecting key factors, the EPTP lacks also from relevancy to give the country a guidelines document for a real operational macro policy. Indeed, its needs clarification for a lot of relevant issues. For instance, what does that mean : to advocate a price and an agricultural open market policy in conjunction with an announced intention to help peasants to obtain fair prices for their produce. This could indicate that the agriculture policy will remain from the extractive type even if it is mixed with market liberalization and incentives to peasants. Indeed, the government has no other source of revenue given :

i) the collapse of state firms ;

ii) the increase of smuggling and contraband as that of the informal sector.

The need for clarification which could be quite legitimate given (i) some ignorance of market functioning or dynamics or (ii) the impossibility to do something at short run or (iii) the need to get political compromise has a cost. It is to comfort private operators to remain on a waiting position. In this framework, a real income change of zero per cent a year would be the highest macro performance. It would be accompanied by labour shedding and real wage decrease i.e. by increased poverty. With a 3% increase of the population per year, this would lead to a decrease of real per capita consumption of 2.79% per year. Is this still an acceptable picture for an economy which is one of the poorest in the world even if it is a transitional one ?

5 – Measures

18. There are not many measures decided to implement the EPTP so that one can say the EPTP has not yet begun to be implemented. This might be due to political problems (within the rulers' coalition, amongst the regions...) and, therefore, to the need to gain credit for the EPTP at the international level as financial support for it. Measures already decided are related to (i) institutional changes between Ethiopia and Eritrea ; (ii) macroeconomic stabilization ; (iii) privatized Ethiopian economy ; (iv) market functioning and (v) agriculture.

6 – World Bank

19. The EPTP can easily be compared to a WB's Adjustment Programme that could have been issued under the same circumstances. Nevertheless, there are some major differences. **Two of these are the promotion of a private banking system and the adjustment of the Birr parity.** In the later case, the government has indicated intentions to carefully investigate the question in conjunction with the study of other alternatives. The WB is very much interested by that assertion although it does not believe there are other alternatives. In this respect, it does not really put pressures on the Ethiopian government to devalue but to provide the other alternatives. Obviously, all depends on why to devalue. In Ethiopia, export supply, for instance, that of coffee the main export commodity, has an elasticity of 0.6 to the price received by the producers. So, the producers would react positively to the Birr devaluation if they really get a real exchange effect. In this case there could be some additional growth. But, this would take some time (3 to 4 years for coffee) and above all, it would depend on the evolution of the Coffee world market. That market is depressed apart for high quality arabica coffees produced mainly in America (Colombia). Further, quota decreases have already been proposed by the International Coffee Organization at its London meeting (April 92) otherwise price would continue to go down. But even in that later eventuality, world market would not expand very much for it has low price and income elasticities (-0.13 and +0.22 for Ethiopian coffees). A devaluation can also be advocated to rationalize investment decisions through induced import price increase. Here, it is worth indicating that this could not be very relevant in a country where that would cost some time to render imports more price elastic (actual elasticity value of -0.27 to the real exchange rate) and where the price stabilization is the key issue just to discover what could be the domestic new reallocation of resources.

20. A devaluation can also have a longer-term target, that of convertibility. Here, the WB could have sought for some forms of **current account convertibility (C.C.U.)** while the government could have referred to a very reduced form of **internal convertibility (I.C.)** and **partial convertibility** for capital account transactions (C.C.A.). There are preconditions to introduce C.C.U. or I.C. There are:

- 1) an appropriate exchange rate ;
- 2) an adequate level of international liquidity ;
- 3) a sound macroeconomic policy ;
- 4) an environment in which economic agents have both the incentives and the ability to respond to market prices.

C.C.U. without C.C.A. is essentially equivalent to a dual exchange rate system. I.C. means that residents are free to maintain domestic holdings of certain assets denominated in foreign currencies and thus to convert domestic currency internally into foreign currency assets. Such freedom is not tantamount to permission to make payments abroad or to hold assets located in foreign countries. I.C. is a way to make foreign currencies available to bank or other intermediaries, thereby easing a country's foreign exchange constraint. In the light of that preceeds, the Ethiopian Authorities are right to take the time to investigate the Birr parity question. Indeed, neither the market behaviours nor the economic conditions plead for immediate adjustment. Unfortunately, they Ethiopian Authorities could have a price to pay for their investigation time. Indeed, for the Ethiopian community leaving in the US the condition to get rapatried funds is a Birr devaluation. The expected amount could be as big as 2.0 times the Ethiopian GDP (i.e. US \$ 10 billion), on which period has not been said. Further, the WB could also block the negotiations leading to an international financing of the Ethiopian Recovery and Reconstruction Programme.

21. With regard to the negotiations between Ethiopia and the WB related to Ethiopian Recovery and Reconstruction Programme disagreement is on the **fertilizers** issues. The WB would like to get the sector liberalized while for the government it is the symbol of its relations with the peasants given that there is no money to boost peasants agriculture as advocated by the EPTP. Further, the government has to account for the regions where fertilizers are used (Gojam, Shoa and Arssi). They are also some of these ones where there is a surplus of production. Therefore, it cannot deny the risk to increased famine in the eventualities of fertilizers price liberalization and/or Birr adjustment. Further, it has also to account for the impacts on fertilizers price of the transport deregulation by december 1992.

B) EC'S MAIN FIELDS OF ACTION TO HELP ETHIOPIA TO RECOVER

22. In the light of this document, only, the EC's main fields of action could be to help Ethiopia :

- (i) to focus on poverty and agriculture ;
- (ii) to focus on its informal sector to get growth and employment opportunities at short run ;
- (iii) to appreciate which industrial activities have to be restructured ;
- (iv) to promote a private banking system.

1 - Poverty (Famine)

23. Poverty is now (again) on the agenda of international institutions. Indeed, the UNDP for the 1992 edition of its "Human Development Report" understates the increased gap between rich and poor. Poor countries contribute only 1% of formal world trade and receive 0.2% of world private investment. They became poorer. Since 1960, their share of gross world product declined from 20.8% to 17.3% at the opposite of their share in world population. So, the living standard of their population deteriorated. Ethiopia fits "perfectly" that reality: Up to 1965 its population has become poorer. It has been affected by recurrent drought so that westerners became accustomed to contemplate Ethiopian people dying from starvation on their domestic television screens. Further, as it has been (and remain) the case of many developing countries, the population has been denied human rights. In this framework, the EC should develop and finance (alone or in co-operation) a specific program of actions focusing on the major aspects of poverty. It could do so in co-operation with the WB for the new director of that one has recently said that to alleviate poverty was (again) the highest priority of the Bank.

2 - Agriculture

24. The focus on poverty should lead to a search of urgent measures to help agriculture production to feed people. That would be the highest priority. Ethiopia has to be helped to become food sufficient. At the end of the 80s food production per capita (1979-81 = 100) reaches the level of 88.7 compared to 97.6 fifteen to twenty years ago or 109.6 twenty-five to thirty years ago. The WB has indicated that to produce enough food for its population (3 per cent increase annually) Ethiopia should increase its agriculture production by 33 per cent on average during 10 years and import at a rate of 30 per cent. Further, it has to account for soil

erosion. Indeed, potential land yields decrease by 1 to 2 per cent per year as a result of wind and rainfall erosion. Productive top soils are definitively lost in the Highlands which accounts for 90% of the population and economic activities, 95% of land cultivated and two thirds of the livestock. So, 10 million people have again to be displaced. **The EC should thus concentrate its help on agriculture production.** EC' help should be articulated with the EC's programme on soil restoration already implemented in Ethiopia. To strengthen the later programme should be a priority for medium term EC's actions given the costs of soil degradation (reduced land yields and people to be again displaced). One easiest measure to get short term output increase would be to ensure peasants with seeds during the next following years. The second and third ones would be to ensure them with some basic medical care and with draft power (animal one) and water⁽³⁾. **The costs of such measures could not be very high at the opposite of their gains : food and employment.**

3 – Informal sectors (the employment challenge)

25. The focus on employment should lead the EC to link its counterpart to the ERRP to the decision by the Ethiopian Authorities to use the ex-soldiers to rehabilitate the country (as it is the case in Eritrea). This basic requirement is much more relevant than the liberalization of fertilizers. It should also lead the EC to plead for specific policy supporting and strengthening the informal sector. Policy of this sort are difficult to formulate. Indeed, evidence suggests that the processes and profile of the informal economy are historically specific, depending upon the relationship between the State, capital and labour in each country. Nevertheless, it is likely to say that such a policy would encompass measures :

- (i) permitting small enterprises to develop ;
- (ii) helping the enterprises not to remain limited to the production of labour-intensive, low-technology goods but to capture a niche in upscale segments of the market ;
- (iii) helping enterprises to export.

4 – Restructuration of industry

26. Up to now, nobody knows with some economic rationality which industrial enterprises have to be restructured. The EC should finance an auditing programme of action related to industrial activities. It should determine which enterprises have to be closed down and what are their market price in case of private candidate willing to buy the related enterprises. It should also illuminate what would be the social costs of such an adjustment.

3 From this viewpoint the amount of money devoted to irrigation in the ERRP (US \$ 18.5) is just but insufficient.

5 - Banking

27. EC should contract some study group to carefully investigate the question of : how to create it and at what costs and gains. That is a key issue for credibility, operationality and sustainability of Ethiopian economic reforms.

C) BEYOND THE ETHIOPIAN TRANSITION : WHAT CAN BE GRASPED TO HELP OTHER DEVELOPING COUNTRIES TO PASS FROM CIVIL WAR AND COMMAND ECONOMY TO PEACE AND MARKET-BASED ONE

28. There is not a lot to say. Indeed, relevant facts only occur when a certain policy package has been implemented which is not yet the case with the EPTP. Then, it is possible to better understand the behaviour of operators ; how they have reacted ; where were the bottlenecks ; which were the real constraints, etc... For the moment, in Ethiopia, the private sector is on a waiting position. **There is a credibility gap which has to be closed.** Maybe the lonely teaching of the Ethiopian experiment (up to now) is the following. **When the question is to reconcile people or groups or both better is not to announce a big reform but to decide urgently for political commitments on very limited but relevant issues.** From this viewpoint, the government should have helped peasants to get immediate access to seeds and some needed input using ex-soldiers and military trucks. It should have invited the Chamber of Commerce to participate to the elaboration of the EPTP, to the study group working on the tax system. These actions, very concretely, help to re-create the society identification process which has been destroyed by the late regime and the civil war. Without that process a peace market economy could not function in Ethiopia. Indeed, there would be increased inconsistency between private interests and social individual achievement within a society where that has been a rule.

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